ERSTE Group

Annual Financial Report 2023

Table of contents

Audited financial reporting 2023

Unconsolidated financial statements 2023
(Austrian Commercial Code, UGB)

Imprint

Erste Group Bank AG
Am Belvedere 1, 1100 Vienna, Austria
E-Mail: investor.relations@erstegroup.com
Internet: https://www.erstegroup.com/en/investoren

Responsible for the content:
Investor Relations & Accounting Teams, Erste Group

AUDITOR'S REPORT

AUDIT OPINION

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OPINION

Sparkassen-Prüfungsverband (Prüfungsstelle) and PwC Wirtschaftsprüfung GmbH, Vienna, – hereinafter referred to as "we" – have audited the group consolidated financial statements of Erste Group Bank AG, Vienna, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2023, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended, and the notes to the group financial statements of Erste Group Bank AG.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at December 31, 2023, and of its financial performance and cash flows for the year then ended in accordance with the IFRS Accounting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 59a Austrian Banking Act (BWG) in conjunction with Section 64 BWG and Section 245a Austrian Company Code (UGB).

BASIS FOR OPINION

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter "EU Regulation") and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles, the provisions of the Austrian Banking Act and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:
— Description
— Audit approach
— Reference to related disclosures

Impairments of Loans and Advances to Customers (expected credit losses)

DESCRIPTION

Impairments of Loans and Advances represent management's best estimate of the credit losses expected with respect to the loan portfolio at balance sheet date.

For loans and advances to customers in the amount of EUR 199,2 billion, measured at amortized cost, Erste Group Bank AG has recognized credit loss allowances in the amount of EUR 3.9 billion as at December 31, 2023. Due to the underlying assumptions and estimates, determining expected credit losses is inherently subject to substantial judgement applied by management.

Erste Group Bank AG has implemented internal guidelines and specific processes to estimate expected credit losses. These processes rely significantly on quantitative and qualitative criteria and require management judgement and estimates.

Scenario-based discounted cash flow methods are applied in line with IFRS to determine the level of loss allowances:
Collectively assessed impairments

- For non-defaulted loans, impairments are determined collectively and, provided no significant increase in credit risk has occurred, correspond to the expected credit losses in the event of default within the next 12 months. In the event of a significant increase in the credit risk of non-defaulted loans, impairments are determined in the amount of the expected loss over the remaining maturity. Similarly, expected losses over the remaining maturity are determined for those non-impaired loans and advances to which no credit risk could be assigned at the time of initial recognition due to missing data at the time of IFRS 9 transition (2018).
- For defaulted loans and advances with a comparable risk profile that are considered not to be individually significant, expected credit losses are collectively assessed as well.
- The collectively assessed expected credit losses are calculated considering default probabilities, forward-looking information and parameters that reflect the expected cash flows as well as the expected proceeds from the realization of collateral. The parameters are estimated based on statistical models.

Impairments not collectively assessed

- For defaulted loans and advances considered to be significant at customer level, expected credit losses are determined on a case-by-case basis. These impairments are calculated considering scenario probabilities, expected cash flows as well as expected proceeds from the realization of collateral.

The models used for determining loss allowances are specific to the types of loan portfolios. There are country-specific and forward-looking features both with regard to products and economic environment that are relevant to the respective loss estimate resulting in heightened complexity of models and input factors. The uncertainty inherent in the estimation of impairments of loans and advances, in particular the consideration of future economic conditions, are also in 2023 significant due to the geopolitical and economic developments.

Erste Group Bank AG has taken this into account by collective staging and in-model adjustments:

- On the one hand, customer groups that are potentially particularly affected by the negative economic developments were identified based on expert-based criteria. For these customer groups, assessment is made as to whether there has been a collective significant increase in credit risk, which is not yet to be determined on the stand alone financial instrument (collective staging).
- In the case of forward-looking information included in the modelling of expected credit losses, Erste Group Bank AG reflects the increased uncertainty about future economic developments by adjusting the macroeconomic assumptions and giving a high weight to the downside scenario used, as further detailed in note 40 (in-model adjustment).

Details on the methodology are presented in Note 40.

Due to

- the substantial judgement to be applied by the management in designing the overlays including determining and weighting macro-economic future scenarios,
- a high degree of uncertainty of future economic developments, which led to a high degree of auditor judgement,
- the complexity of models and interdependent assumptions and the resulting audit effort and
- the volume of risk provisions

we identified this area to be a key audit matter.

AUDIT APPROACH

To assess the appropriateness of impairments of loans and advances to customers, we:

- updated our understanding of the Expected Credit Loss calculation methodology applied by Erste Group Bank AG based on policies, documentation and interviews and assessed its compliance with the requirements of IFRS 9. We focused on adjustments to methods and processes made in order to capture the increased uncertainties of the present and future environment in expected credit losses.
- evaluated the control activities in credit risk management and lending business processes and tested key controls, in particular with respect to the approval of loans, ongoing monitoring and the early warning system as well as the processes around the early identification of default, as well as understood and evaluated the assessment of unlikeness to pay ("UTP").
- evaluated control activities and tested key controls in the area of rating models and collateral valuation.
- evaluated model governance and validation processes and critically reviewed the information brought to the attention of the management. We evaluated, with the support from our credit risk modelling experts, the results of back-testing and model validations.
- examined and critically assessed the appropriateness of credit risk parameters and models, taking into account possible structural breaks in the observable data, and assessed the plausibility of expectations and estimates made on the basis of such biases, to identify significant increases in the credit risk of individual customers or groups of customers.
- assessed the correctness of the stage allocation for selected portfolios based on applicable policies.
- analyzed sensitivities and impacts of IFRS 9 specific model aspects.

— evaluated whether key components of the calculation of expected credit losses are correctly incorporated in the models by performing walkthroughs and reviewing steering tables.
— assessed the correctness of the expected credit loss calculation for selected portfolios.
— evaluated whether forward-looking information integrated into the estimates is appropriate and reasonable. In particular, we have compared the underlying macro-economic forecasts with external sources of information and critically assessed the individual weights attributed to scenarios.
— tested, on a sample basis, whether default events have been identified in accordance with applicable policies, and evaluated whether events occurred that significantly affect the borrower's ability to repay loans and advances. Furthermore, we tested, on a sample basis, the adequacy of individual loan loss allowances assessing the scenarios adopted and the estimation of expected cash flows made.

REFERENCE TO RELATED DISCLOSURES

For further details regarding the process of determining loss allowances as well as regarding the design of the models involved, we refer to the management's disclosures in section significant accounting policies point c) Significant judgements, assumptions and estimates and Note 37. Measurement of expected credit loss.

Other Information

Management is responsible for other information. Other information comprises any information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report.

We obtained the consolidated corporate governance report in accordance with Section 267b UGB as well as the consolidated non-financial report in accordance with Section 267a UGB prior to the date of this auditor`s report, all other parts of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover other information and we will not express any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 59a BWG in conjunction with Section 64 BWG and Section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.
We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
— conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Legal and Regulatory Requirements

REPORT ON THE MANAGEMENT REPORT

Pursuant to the Austrian Company Code, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report for the Group in accordance with the Austrian Company Code and the special legal requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

OPINION

In our opinion, the management report for the Group was prepared in accordance with the applicable legal requirements, includes accurate statement pursuant to Section 243a UGB and is consistent with the consolidated financial statements.

STATEMENT

Based on the findings during the audit of the consolidated financial statements and the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 OF THE EU REGULATION

Pursuant to Sections 23 and 24 Austrian Savings Bank Act (SpG), Sparkassen-Prüfungsverband (Prüfungsstelle) is the statutory auditor of Erste Group Bank AG, Vienna. In accordance with Section 23 (3) SpG in conjunction with Sections 60 and 61 BWG, this comprises the audit of the consolidated financial statements.

At the general meeting dated May 18, 2022 and pursuant to Section 1 (1) of the Auditing Rules for Savings Banks, Annex to Section 24 SpG, PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2023 and, subsequently, was engaged by the supervisory board. At the general meeting dated May 12, 2023 PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2024 and, subsequently, was engaged by the Supervisory Board. Since 2017 PwC Wirtschaftsprüfung GmbH, Vienna, has constantly been appointed as additional auditor.

We confirm that the audit opinion in the "Report on the Consolidated Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement are Mr. Herwig Hierzer, Austrian Certified Public Accountant (Sparkassen-Prüfungsverband), and Ms. Dorotea-E. Rebmann, Austrian Certified Public Accountant (PwC Wirtschaftsprüfung GmbH, Vienna).

Vienna, February 29, 2024

Sparkassen-Prüfungsverband

(Prüfungsstelle)
(Bank Auditor)

Herwig Hierzer Austrian Certified Public Accountant	Gregor Seisser Austrian Certified Public Accountant

PwC Wirtschaftsprüfung GmbH

Dorotea-E. Rebmann
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of Section 281 (2) UGB apply.

Management report

Business performance and economic situation

Economic environment

In 2023, global economic growth slowed down mainly due to ongoing disruptions, albeit at a lower pace, in energy and food markets and further tightening of monetary conditions to curb high inflation. Inflation rates declined but still remained above targets in many economies. The year was also characterised by heightened geopolitical tensions and natural disasters. In addition to military conflicts, in particular the ongoing Russia-Ukraine war and the Israeli-Palestinian conflict, the failures of several regional banks in the US and the bankruptcy of Switzerland's second largest and globally systemic important bank Credit Suisse weakened investors' confidence. Against the backdrop of these events the global economy achieved a growth rate of 3.1%.

Among advanced economies, the United States surprised on the upside, with resilient consumption and investments. The US economy grew by 2.5% despite elevated trade tensions with China, bank failures, and its debt-ceiling crisis which led to the country's first credit rating downgrade since 2011. Expectations for the eurozone were revised downward during the year, at year-end GDP stood at 0.5% . Strong demand for services supported service-oriented economies including important tourism destinations such as France, Spain or Croatia, while Germany's economy weakened slightly. In Japan, growth bounced back driven by pent-up demand and a rebound in automobile exports and tourism. Many emerging market economies proved quite resilient, with the notable exception of China which grew at a lower pace than anticipated. India, once again, outperformed other major emerging markets. Labour markets, especially in advanced economies, remained solid with historically low unemployment rates.

The world's major central banks continued their measures to curb inflation. The US Federal Reserve (Fed) increased the federal funds rate further in four steps from 4.00% to 5.50% but indicated in December 2023 that the key interest rate were at or close to its peak. The European Central Bank (ECB) likewise continued to raise the key policy rate of the monetary union, from 2.50% to 4.50% in six steps during the year. Unlike the Fed, the ECB Council has not given any precise indication for upcoming interest rate cuts. While the ECB's Asset Purchase Programme (APP) portfolio has continued to decline at a steady pace, the Pandemic Emergency Purchase Programme (PEPP) portfolio will be reduced by EUR 7.5 billion monthly from mid 2024. Other major central banks, such as the Bank of England and the Swiss National Bank also increased their key policy rates in 2023. At year-end 2023 global headline inflation was down from its peak in 2022 driven mainly by over the year finally declining energy and food prices. All euro zone member states posted single digit inflation rates at year-end 2023.

Austria's economic performance was weaker than originally expected and the country's economy underperformed the European Union average. The economic decline was broad based with particularly weak performance in private consumption and investment activity. Private consumption was negatively impacted by declining households' disposable income – although partly offset by various subsidies. The slowdown of investment activity was particularly pronounced in the construction sector, with the exception of infrastructure related construction. Exports, mainly driven by machinery, chemical and food products, were stronger in the beginning of the year and contributed to economic growth. Tourism boomed with summer season's overnight stays reaching the highest levels for decades. The agricultural sector, although not a major contributor to GDP, also performed well. Overall, the Austrian economy shrank by 0,7%.

Inflation in Austria started to decline in early 2023. Annual inflation peaked in January 2023 at 11.2% while average inflation amounted to 7.7%, above the EU average. Austria's labour market remained stable throughout the year, the unemployment rate stood at 5.1%. The general government deficit decreased from 3.5% of GDP to 2.7% mainly due to the phase-out of COVID-19 measures and a dynamic growth in tax revenues.

Central and Eastern European economies experienced a significant slowdown compared to the prior year. Growth expectations were moderately revised down during the year as economic activity was impacted by declining but still elevated inflation and tight monetary conditions. Household consumption was muted throughout the year. Exports were negatively impacted by limited growth of the region's main trading partners which took a toll on production output. Deterioration of foreign demand was most pronounced in countries with high dependency on Germany's economy, such as the Czech Republic and Hungary. Whereas exports developed well in Slovakia following the easing of supply chain disruptions and further investments in the automotive industry. Inventories declined in most CEE countries after the strong accumulation in the previous year. Agricultural output was supportive in Romania and Hungary. Croatia, which proved to be one of the best performing economies in the region, was supported again by its booming tourism sector. Overall, CEE economies achieved GDP growth rates ranging from –0.9% in Hungary to 2.5% in Serbia in 2023.

Despite the economic slowdown, labour markets remained very strong with countries like Hungary and the Czech Republic posting the lowest unemployment rates among the European Union countries. In response to elevated inflation rates, central banks continued with monetary tightening and, consequently, inflation dropped to single-digits in all CEE countries by the end of the year. Such a dynamic decline supported monetary easing scenarios in some non-euro countries, and the Hungarian and Czech central banks started to cut interest rates in the last quarter of the year. CEE governments implemented a range of measures to support households and businesses such as caps on electricity and fuel prices and direct energy subsidies. Windfall and special banking taxes were introduced in a number of CEE countries, e.g. Hungary, Slovakia and Romania. While the Czech koruna depreciated against the euro, most CEE currencies were relatively stable during the year. On 1 January 2023, Croatia became the 20th member of the eurozone.

Analysis of performance

In the group management report P&L data of 2023 is compared with data of 2022, balance sheet data as of 31 December 2023 is compared to data as of 31 December 2022. The entire development is presented in detail in the notes to the consolidated financial statements.

Profit and Loss Statement.

in EUR million	2022	2023	Change
Net interest income	5.951	7.228	21,5%
Net fee and commission income	2.452	2.640	7,6%
Net trading result and gains/losses from financial instruments at FVPL	-47	449	n/a
Operating income	8.571	10.552	23,1%
Operating expenses	-4.575	-5.020	9,7%
Operating result	**3.996**	**5.532**	**38,4%**
Impairment result from financial instruments	-300	-128	-57,3%
Other operating result	-399	-468	17,4%
Levies on banking activities	-187	-183	-1,9%
Pre-tax result from continuing operations	**3.222**	**4.795**	**48,8%**
Taxes on income	-556	-874	57,2%
Net result for the period	**2.666**	**3.921**	**47,0%**
Net result attributable to non-controlling interests	502	923	84,0%
Net result attributable to owners of the parent	**2.165**	**2.998**	**38,5%**

Net interest income

Net interest income rose significantly both in the retail and in the corporate business. This marked increase was due to higher market rates most notably in Austria, Hungary, Croatia and Romania as well as higher loan volumes in nearly all core markets. In the Czech Republic, net interest income was negatively impacted by higher interest expense on deposits and slow repricing of retail loans. The net interest margin (calculated as the annualised sum of net interest income, dividend income and net result from equity method investments over average interest-bearing assets) widened markedly to 2.50% (2.21%).

Net fee and commission income

Growth was achieved across all core markets and nearly all fee and commission categories. Significant rises were recorded most notably in payment services in nearly all segments, with the exception of Serbia, driven by a larger number of transactions as well as repricing. Income from asset management and lending continued its positive trend.

Net trading result & gains/losses from financial instruments measured at fair value through profit or loss

Net trading result as well as the line item gains/losses from financial instruments measured at fair value through profit or loss are materially affected by the fair value measurement of debt securities issued. The related valuation is shown in the fair value result, the valuation of corresponding hedges in the net trading result.

Net trading result turned positive to EUR 754 million (EUR -779 million) due to valuation effects resulting from interest rate moves in the securities and derivatives business as well as higher income from foreign currency transactions. Gains/losses from financial instruments measured at fair value through profit or loss trended in the opposite direction and deteriorated to EUR -306 million (EUR 731 million). While the valuation of debt securities in issue resulted in losses, gains were posted from the valuation of the loan portfolio measured at fair value in Hungary as well as from the valuation of the securities portfolio in Austria (in the Savings Banks segment).

General administrative expenses

in EUR million	2022	2023	Change
Personnel expenses	2.668	2.991	12,1%
Other administrative expenses	1.356	1.468	8,3%
Depreciation and amortisation	551	560	1,7%
General administrative expenses	**4.575**	**5.020**	**9,7%**

Personnel expenses increased in all core markets – most significantly in Austria, the Czech Republic and Romania – driven mostly by higher collective salary agreements. The increase in other administrative expenses was primarily attributable to higher IT, marketing and office-related expenses. By contrast, contributions to deposit insurance schemes declined to EUR 114.0 million (EUR 143 million). In Hungary, expenses dropped to EUR 5 million (EUR 18 million) as contributions in the comparative period had been higher due to a deposit insurance case (Sberbank Europe). In Austria, contributions declined to EUR 68 million (EUR 80 million), in Slovakia to EUR 2 million (EUR 10 million). The cost/income ratio improved to 47.6% (53.4%).

Gains/losses from derecognition of financial instruments not measured at fair value through profit or loss

Gains/losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 141 million (EUR 75 million). This includes most notably negative results from the sale of securities in Austria.

Impairment result from financial instruments

The impairment result from financial instruments amounted to EUR -128 million (EUR -300 million). Net allocations to provisions for loans and advances declined to EUR 264 million (EUR 336 million), primarily on the back of releases in Romania. Positive contributions came from income from the recovery of loans already written off, most notably in Austria, the Czech Republic and Croatia, in the amount of EUR 80 million (EUR 82 million) as well as from net releases of provisions for loan commitments and financial guarantees in the amount of EUR 70 million (net allocations of EUR 28 million).

Other operating result

Other operating result is significantly affected by contributions to resolution funds and taxes and levies on banking activities. Contributions to resolution funds declined in all markets to EUR 113 million (EUR 139 million). The most notable decline was recorded in Austria, to EUR 65 million (EUR 74 million). Taxes and levies on banking activities were lower at EUR 183 million (EUR 187 million). Thereof, EUR 46 million (EUR 63 million) were payable by Austrian entities. In Hungary, banking levies rose to a total of EUR 137 million (EUR 124 million): in addition to regular Hungarian banking tax of EUR 17 million (EUR 15 million), a windfall tax based on the previous year's net revenues was posted in the amount of EUR 48 million (EUR 50 million). Financial transaction tax amounted to EUR 71 million (EUR 59 million). The balance of allocations/releases of other provisions deteriorated to EUR -23 million (EUR 46 million). In addition, impairment losses on tangible and intangible assets were recognised in the amount of EUR 70 million (EUR 44 million).

Balance sheet

in EUR million	Dec 22	Dec 23	Change
Assets			
Cash and cash balances	35.685	36.685	2,8%
Trading, financial assets	59.833	63.690	6,4%
Loans and advances to banks	18.435	21.432	16,3%
Loans and advances to customers	202.109	207.828	2,8%
Intangible assets	1.347	1.313	-2,5%
Miscellaneous assets	6.456	6.206	-3,9%
Total assets	**323.865**	**337.155**	**4,1%**
Liabilities and equity			
Financial liabilities held for trading	3.264	2.304	-29,4%
Deposits from banks	28.821	22.911	-20,5%
Deposits from customers	223.973	232.815	3,9%
Debt securities issued	35.904	43.759	21,9%
Miscellaneous liabilities	6.599	6.864	4,0%
Total equity	25.305	28.502	12,6%
Total liabilities and equity	**323.865**	**337.155**	**4,1%**

Cash and cash balances amounted to EUR 36.7 billion (EUR 35.7 billion). Trading and investment securities held in various categories of financial assets increased to EUR 63.7 billion (EUR 59.8 billion).

Loans and advances to credit institutions (net), including demand deposits other than overnight deposits, grew – primarily in Austria and in the Czech Republic – to EUR 21.4 billion (EUR 18.4 billion). Loans and advances to customers (net) increased to EUR 207.8 billion (EUR 202.1 billion), most notably due to organic growth in Slovakia and Croatia as well as inorganic growth in the Czech Republic. Both retail and corporate loan volumes increased.

Loan loss allowances for loans to customers were nearly unchanged at EUR 4.1 billion (EUR 4.0 billion). The NPL ratio – non-performing loans as a percentage of gross customer loans – deteriorated slightly to 2.3% (2.0%), the NPL coverage ratio (based on gross customer loans) slipped to 85.1% (94.6%).

Financial liabilities – held for trading amounted to EUR 2.3 billion (EUR 3.3 billion). Deposits from banks, including term deposits in an amount of EUR 6.4 billion (EUR 15.6 billion) carrying amount of TLTRO III funds, declined to EUR 22.9 billion (EUR 28.8 billion); deposits from customers rose to EUR 232.8 billion (EUR 224.0 billion) due to strong growth in term deposits of financial institutions. The loan-to-deposit ratio stood at 89.3% (90.2%). Debt securities in issue increased to EUR 43.8 billion (EUR 35.9 billion).

Total assets rose to EUR 337.2 billion (EUR 323.9 billion). Total equity increased to EUR 28.5 billion (EUR 25.3 billion). This includes AT1 instruments in the amount of EUR 2.4 billion. After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) common equity tier 1 capital (CET1, CRR final) rose to EUR 22.9 billion (EUR 20.4 billion) as were total own funds (CRR final) to EUR 29.1 billion (EUR 26.2 billion). Total risk – risk-weighted assets including credit, market and operational risk (CRR final) – increased to EUR 146.5 billion (EUR 143.9 billion).

The total capital ratio, total eligible qualifying capital in relation to total risk (CRR final), rose to 19.9% (18.2%), well above the legal minimum requirement. The tier 1 ratio increased to 17.3% (15.8%), the common equity tier 1 ratio advanced to 15.7% (14.2%) (both ratios CRR final).

Cash earnings per share amounted to EUR 6.82 in 2023 (EUR 4.85). Earnings per share are EUR 6.80 (EUR 4.83).

The cash return on equity, i.e. the return on equity adjusted for non-cash expenses such as goodwill amortization and straight-line depreciation for the customer relationships, was 15.9% (return on equity: 15.9%) after 12.7% (return on equity: 12.6%) last year.

Branches

Erste Group Bank AG maintains branches in New York, Hong Kong and Germany (Berlin and Stuttgart) that provide commercial lending to foreign banks, leasing companies and sovereign debtors as well as institutional sales.

Expected development and risks of the Group

Long-term growth trends in Central and Eastern Europe

In line with growing economic performances disposable income have risen significantly in recent decades compared to Western Europe. In addition, most countries of Central and Eastern Europe have labour markets that are considerably more flexible. These advantages are complemented by, on average, highly competitive export industries that benefit from wage costs that are low relative to workforce productivity and from investor-friendly tax and welfare systems.

A comparison of per capita private debt levels in Central and Eastern Europe with those of Western economies reveals the gap that exists between these markets. Private debt levels, and particularly household debt, are substantially lower than in the advanced economies. Erste Group firmly believes that credit expansion accompanied by economic growth in this region will prove to be a lasting trend.

Over the upcoming 15 to 20 years, on average, the countries of the eastern part of the European Union are therefore expected to experience higher growth rates than the countries of Western Europe, even though periods of expansion may alternate with times of economic stagnation or even setbacks on this long-term path of sustainable growth.

Customer banking in Central and Eastern Europe

The basis of Erste Group's banking business are essentially the business segments of retail business, corporate business and the capital markets business. For further information on the business segments, we refer to Note 1 in the consolidated financial statements.

Retail business

Erste Group’s key business is the retail business, covering the entire spectrum from lending, deposit and investment products to current accounts and credit cards. Erste Group’s core competence in retail banking has historical roots. In 1819, wealthy Viennese citizens donated funds to establish Erste Group’s predecessor, the first savings bank in Central Europe. It was their aim to bring basic banking services such as safe savings accounts and mortgage loans to wide sections of the population. Today, the bank serves some 16.2 million customers in its markets and operates about 1,950 branches. Wealthy private clients, trusts and foundations are served by the bank’s private banking staff and benefit from services that are tailored to the needs of this target group.

In addition, the bank uses and promotes digital distribution channels such as internet and mobile banking not only to meet the increasing importance of digital banking but to actively shape the digital future. George, Erste Group’s digital platform, is already available in Austria, the Czech Republic, Slovakia, Romania, Croatia and Hungary. It will also be rolled out in Serbia.

Retail banking is attractive to Erste Group for a number of reasons: It offers a compelling business case that is built on market leadership, an attractive risk-reward profile and the principle of self-funding. In addition, it benefits from a comprehensive range of products that are simple and easy to understand and provide substantial cross-selling potential. Erste Group takes advantage of these factors in all core markets and makes best use of its resulting position of strength by pursuing a hybrid business model . Erste Group’s omni-channel approach 10 integrates the various sales and communication channels. Customers decide on how, when and where they do their banking business. Contact centers serve as interfaces between digital banking and traditional branch business. These contact centers offer advice and sales, thus going far beyond the traditional help desk function.

In addition to the expansion of digital sales channels, the branch network remains an important component of the business strategy. Only a retail bank that offers modern digital services and operates an extensive distribution network is able to offer tailor-made solutions and fund loans in local currency mainly from deposits made in the same currency. In short, Erste Group’s retail banking model supports sustainable and deposit-funded growth even in economically more challenging times. Another positive factor is the diversification of the retail business across countries that are at differing stages of economic development, such as Austria, the Czech Republic, Romania, Slovakia, Hungary, Croatia and Serbia.

Corporate business

The second main business line, which also contributes significantly to Erste Group’s earnings, is business with small and medium-sized enterprises, regional and multi-national groups and real estate companies. Erste Group’s goal is to enhance relationships with its clients beyond pure lending business. Specifically, the bank’s goal is for SMEs and large corporate customers to choose Erste Group as their principal bank and also route their payment transfers through the Group’s banking entities and, in fact, regard Erste Group as their first point of contact for any kind of banking service.

Catering to their different requirements, Erste Group serves small and medium-sized enterprises locally in branches or separate commercial centres, while multinational groups are serviced by the Group Corporates’ units. This approach permits Erste Group to combine industry specific and product expertise with an understanding of regional needs and the experience of the bank’s local customer relationship managers. In view of regulatory interventions, advising and supporting corporate customers in capital market transactions is becoming increasingly important.

Capital markets business

Client-driven capital markets activities are also part of the comprehensive portfolio of products and services that Erste Group offers to its retail and corporate customers. The strategic significance of the bank’s centrally governed and locally rooted capital markets operations consists in supporting all other business areas in their dealings with the capital markets and, hence, in providing the bank’s customers with professional access to the financial markets. Erste Group, therefore, views its capital markets business as a link between financial markets and its customers. As a key capital markets player in the region, Erste Group also performs important functions such as market making, capital market research and product structuring.

The capital markets business serves the needs of Erste Group’s retail and corporate customers as well as those of government entities and financial institutions. Due to Erste Group’s strong network in the eastern part of the European Union, the bank has a thorough understanding of local markets and customer needs. In Erste Group’s capital markets business, too, the bank concentrates on core markets of the retail, SME and large corporate business: Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia. For institutional customers, specialised teams have been established in Germany and Poland as well as in Hong Kong and New York that offer these customers a tailor-made range of products.

In many countries where Erste Group operates, the local capital markets are not yet as highly developed as in Western Europe or in the United States of America. That means Erste Group's banking subsidiaries are pioneers in some of these markets. Therefore, building more efficient capital markets in the region is another strategic objective of Erste Group's capital markets activities.

Outlook statement

OUTLOOK FOR 2024

Erste Group's goal for 2024 is to achieve a return on tangible equity (ROTE) of about 15%. Three key factors will support achievement of this goal: firstly, a moderate improvement in economic growth compared to 2023 in Erste Group's seven core markets (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia) despite continued geopolitical risks, which, should they materialise, would likely negatively impact economic performance; secondly, a continued broadly positive, even if slightly deteriorating credit risk environment; and, finally, the continuous ability of Erste Group to attract new and retain existing customers through continuous development of its product portfolio and its brand. The key headwind to achievement of this goal is the magnitude and timing of the expected central bank rate cuts in all of Erste Group's markets. Overall Erste Group expects a slight decline in operating result, which hit a historic high in 2023, and, consequently, a moderate deterioration in the cost/income ratio to a level of about 50%, also from a historic best in 2023 of 47.6%.

The expectation by economists is for Erste Group's core markets to post improved real GDP growth in 2024. Inflationary pressures are expected to continue their downward trend in 2024. Continued strong labour markets should be supportive of economic performance in all of Erste Group's markets. Current account balances are projected to remain at sustainable levels in most countries, while fiscal deficits should continue their path of consolidation. Public debt to GDP in all Erste Group markets is projected to be broadly stable, and hence remain materially below the euro zone average.

Against this backdrop, Erste Group expects net loan growth of about 5%. Retail and corporate business should contribute in all markets towards achievement of this goal. Loan growth is projected to offset some of the interest rate headwinds detailed above, resulting in a moderate decline of about 3% in net interest income versus 2023, following a historic upswing over the past two years. The second most important income component – net fee and commission income – is expected to rise by about 5%. As in 2023, growth momentum should again come from payment services, insurance brokerage fees as well as asset management and securities business with the latter being dependent on a constructive capital markets environment. The net trading and fair value result, which recovered significantly in 2023, is expected to normalise at historically observed levels in 2024. This, however, will depend substantially on the actual short- and long-term interest rate environment.

The remaining income components are forecast to remain, by and large, stable. Overall, operating income is therefore expected to decrease slightly in 2024, albeit from a historic high in 2023. Operating expenses are expected to rise by approximately 5%. With this the cost/income ratio should remain solid at a level of about 50%.

Based on the macro outlook presented above, risk costs should remain at a low level in 2024. While precise forecasting is hard at current low risk cost levels, Erste Group believes that in 2024 risk costs will be below 25 basis points of average gross customer loans.

While a forecast for other operating result and various categories of gains and losses from financial instruments not measured at fair value is challenging, this combined item is likely to improve versus 2023 in the absence of significant one-off effects. Assuming an effective group tax rate of below 20% and lower minority charges compared to 2023, Erste Group aims to achieve a ROTE of about 15% in 2024. The CET1 ratio is expected to remain strong providing enhanced capital return M&A and/ or flexibility, despite Erste Group targeting the execution of a share buyback in the amount of EUR 500 million in 2024.

Potential risks to the guidance include (geo)political and economic (including monetary and fiscal policy impacts) developments, regulatory measures as well as changes to the competitive environment. International (military) conflicts, such as the war in Ukraine and in the Mid East do not impact Erste Group directly, as it has no operating presence in the regions involved. Indirect effects, such as financial markets volatility, sanctions-related knock-on effects, supply chain disruption or the emergence of deposit insurance or resolution cases cannot be ruled out, though. Erste Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. Worse than expected economic development may put goodwill at risk.

ANALYSIS OF MEDIUM AND LONG-TERM BUSINESS DRIVERS

Erste Group operates a universal bank business model on consolidated level, as well as on local country level in seven core markets: Austria, Czechia, Slovakia, Romania, Croatia, Hungary and Serbia. In all of these countries it holds leadership positions in the markets of retail and corporate banking as well as asset management. Consequently, the performance of Erste Group is tied to the overall

economic development in those countries, specifically, to economic growth, labour market trends, as well as fiscal and monetary policy; in addition, it is tied to the competitive environment and Erste Group's ability to attract new clients and qualified staff.
Erste Goup's main source of income is net interest income, contributing approximately two thirds to total revenues. Net interest income is primarily derived from the difference between interest paid on customer deposits as well as issued bonds, and interest received from customer loans and from bond investments. It is also materially influenced by monetary policy, which determines short-term market interest rates, and long-term interest rates, which are a function of economic outlook, creditworthiness of the respective issuer as well as market risk perception. The resulting shape of the yield curve and the bank's ability to anticipate certain market developments also influence net interest income. Generally speaking, very low interest rates paired with flat or downward-sloping yield curves put pressure on net interest income generation, while upward-sloping yield curves and positive short-term market interest rates are supportive of net interest income generation. A further key growth driver of net interest income is volume growth – of both customer loans and customer deposits. Erste Group is particularly well positioned to benefit from volume growth as it operates in CEE markets that are still underpenetrated across all categories of banking services and products.

Erste Group's second key income stream is net fee and commission income, which usually accounts for more than a quarter of total revenues. It is Erste Group's goal to expand the share of net fee and commission income in the medium and long term to lessen the dependency on net interest income. This should be supported by the CEE markets becoming wealthier, resulting in increased demand for fee-generating products, such as asset management. Within net fee and commission income, net fees generated from payments services, such as current account fees, transaction fees or credit card fees, account for less than one half of net fee revenues. The growth in payment service fees is primarily driven by economic activity and the ability of the bank to attract new customers by profitably providing services and products at competitive prices. The key growth driver within net fee income is income from securities business, comprising revenues from asset management as well as from securities-related services, such as transfer orders or securities issuance fees. Erste Group expects that this fee category will be a continued source of dynamic growth as customers seek to diversify and expand their investments as they grow wealthier. Income from insurance brokerage fees should also make a noticeable contribution to the expansion of the fee revenue pool.

The remainder of revenues is made up by net trading and fair value result, which – depending on market volatility-induced valuations – can be volatile, rental income from properties which constitutes a stable income source, as well as various categories of gains and losses from financial assets not measured at fair value, which tends to be a minor P&L item and typically one-off in character.

General administrative or operating expenses constitute the cost of doing business. Personnel expenses account for approximately three fifths of total operating expenses. Another 30% is contributed by other administrative expenses, encompassing items that primarily relate to infrastructure but also marketing, legal and consultancy costs as well as deposit insurance contributions. The remainder of operating expenses is made up by depreciation and amortisation charges, primarily for real estate and office equipment but also for intangible assets, such as software and customer relationships. In the medium and long term Erste Group aims to maintain a healthy balance between operating costs and operating income, as expressed by the cost/income ratio.

Net impairment loss on financial assets or risk costs are related to impairments for on- and off-balance sheet financial assets, primarily customer loans. Erste Group aims to keep such impairments at low levels by applying sound underwriting standards.

Other operating result relates to expenses and provisions for such items as banking taxes and resolution fund contributions, goodwill impairments and provisions for items other than financial assets. Accordingly, other operating result usually is, and is expected to remain in the medium and long term a significantly negative P&L item, even though Erste Group aims to minimise those other operating expenses it directly controls.

Taxes on income reduce net result for the period, with the actual consolidated tax charge being dependent on the profitability mix between the various geographies. Generally speaking, the consolidated tax rate tends to be lower if profits in lower corporate tax countries contribute a higher share to total profit.

Minority charges result primarily from profits generated at the savings banks, in which Erste Group has limited or no ownership but due to the cross-guarantee system that governs the Austrian savings banks sector, are fully consolidated. When profits at the savings banks are higher these minority charges are higher and conversely lower if savings banks profits decline. Historically, minority charges always had a negative impact on consolidated net profit, as the savings banks have a solid profitability track record. This trend is expected to continue in the medium to long term.

Overall, Erste Group's medium and long term financial goal is to achieve a return on tangible equity that comfortably exceeds the cost of capital.

Risk management

With respect to the explanations on substantial financial risks at Erste Group as well as the goals and methods of risk management, we would like to draw the reader's attention to the information provided in the Notes 27, 32, 34 et seq, 44, 45, 46 and 54 of the consolidated financial statements.

Research and development

Digitalisation

The pace of digital transformation has accelerated considerably as a result of technological changes, demographic developments, regulatory interventions and also due to the pandemic in recent years. As a result, customer behavior and customer expectations towards financial products have also changed significantly. Erste Group is convinced that the digital banking business will continue to gain in importance and will be essential for the economic success in the long term and therefore fosters digital innovation with the aim to digitalise banking products end-to-end including associated processes (e.g. onboarding of corporate customers).

Erste Group's digital strategy is based on its own digital platform, George. It aims at providing customers access to personalised products from Erste Group and also third-party suppliers through application programming interfaces (APIs) in the secure IT environment of a financial platform. APIs enable a wide range of co-operations, whether with fintechs, start-ups or across industries, and can therefore help open up new markets and attract new customers.

The digital platform George was implemented for retail customers in Austria in 2015. In the meantime, it is also running in the Czech Republic, Slovakia, Romania, Croatia and Hungary and is actively used by almost 9 million customers. It will also be rolled out in Serbia. The range of digitally available products and services is being constantly expanded. Customers can activate applications of Erste Group or third parties via plug-ins and use them to manage their finances. In 2022, George reached another evolutionary level. George Business was implemented for corporate customers in Austria, and it was rolled out in Romania in 2023. The implementation in the Czech Republic should be finalized in 2024 and it will be rolled out in the local banking subsidiaries successively. It aims at offering group-wide an outstanding digital user experience across all customer segments on one platform.

In 2023, software development costs of EUR 33 million (EUR 42 million) were capitalised.

Reporting on material characteristics of the internal control and risk management system with regard to the accounting process

Internal Control System Framework Requirements

The internal control system (ICS) is an essential element of the corporate governance system of Erste Group contributing to the safeguarding of shareholders' investments and company's assets. Erste Group's ICS plays a key role in identifying risks associated with the respective internal processes.

The ICS policy provides the framework conditions for the internal control system at Erste Group. It defines current standards concerning general tasks and responsibilities as well as minimum criteria for ICS documentation. In Erste Group, a top down, risk oriented, decentralised ICS approach is applied, designed based on the local process map, which promotes adequacy by focusing on all material risks. This means, that all material risks identified must be mitigated by key controls which are involved in the ICS process. The following criteria are applied for an adequate ICS:

— Completeness: The process landscape as well as policies and procedures issued within the Group Policy Framework ensure that all identified risks and potential risk scenarios are considered, regulated and managed, aiming to set up a comprehensive and integrated control environment throughout the entity. All material risks must be covered with key controls, to demonstrate the importance at local level.

— Effectiveness and traceability: The functionality of key controls are regularly checked, the optimal control environment is reviewed and challenged during monitoring activity of risk appetite/tolerance.
— Comprehensibility: The process landscape together with local policies and procedures constitute documentation of identified key controls, which ensures that relevant employees are aware of all key controls and their role in the internal control process is transparent and accountable within the entire local entity.

The risk profile, which includes the current and target situation, is monitored by each individual risk function unit and is illustrated in the framework of the consolidated risk reporting (GRR) for the management or relevant risk committee.

Control environment

The Code of Conduct provides orientation for all employees of Erste Group, defines mandatory rules for day-to-day business life, describes the corporate values, affirms the obligation to act responsibly as a company and ensures compliance with legal provisions and internal guidelines (compliance).

The awareness of potential compliance issues and a sustainable risk culture enable risks to be identified quickly and well-considered decision-making when dealing with existing regulations. The main component of the risk culture are internal guidelines and, above all, open communication in order to create the broadest possible awareness of all employees for all risks that Erste Group is confronted with.

The management board is responsible for the establishment, structure and application of an appropriate internal control and risk management system that meets the company's needs in its group accounting procedures.

Erste Group's IFRS Accounting Manual provides a comprehensive methodological basis for the preparation and submission of the monthly, quarterly and annual IFRS Group Reporting Packages by Erste Group's subsidiaries.

The management in each subsidiary is responsible for implementing group-wide instructions. Compliance with group rules is monitored as part of the audits performed by group and local auditors.

Group Accounting and Group Controlling are responsible for preparing the consolidated financial reporting. Both divisions are assigned to the CFO of Erste Group. The preparation of the consolidated financial statements is the responsibility of the Group Accounting department. The assignment of competencies, the process description and the necessary control procedures are defined in the working instructions.

Risk assessment and controls measures

The main risk in the financial reporting procedures is that errors or deliberate action (fraud) prevent facts from adequately reflecting the company's financial position and performance. This is the case if the data provided in the financial statements and notes is materially deviating from the correct figures, i.e. whenever, alone or in aggregate, they could influence the decisions made by the users of financial statements. Such a decision may incur serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

Furthermore, especially estimates for the determination of the fair value of financial instruments for which no reliable market value is available, estimates for the accounting of risk provisions for loans and advances and for provisions, complex measurement requirements for accounting as well as a volatile business environment bear the risk of significant financial reporting errors.

Erste Group issues group policies used for preparation of consolidated financial statements in accordance with IFRS. A summary description of the accounting process is provided in Erste Group's IFRS Accounting Manual. All transactions in subsidiaries have to be recorded, posted and accounted for in accordance with the accounting and measurement methods set out in this manual.

The basic components of the internal control system (ICS) within Erste Group are:
— systemic, automatic control systems and measures in the formal procedure and structure, e.g. programmed controls during data processing
— principles of functional separation and checks performed by a second person (the four-eye principle)
— Controlling as a permanent financial/business analysis (e.g. comparison of target and actual data between accounting and controlling) and control of the company and/or individual corporate divisions
— highly automated data validation in the group consolidation process

The areas of responsibility assigned to the individual positions are documented and are continuously updated. Special attention is paid to a functioning deputy regulation in order not to jeopardize the ability to meet deadlines if one person is absent.

Group consolidation

The individual financial statements reported by the subsidiaries in the consolidation system are checked by the person responsible for the individual financial statements in Group Accounting as part of the data release process, which provides for extensive, largely automated check routines, and - if necessary - adjustments to the individual financial statements are made in coordination with the individual entities or the auditors. The subsequent consolidation steps are then performed using the consolidation system. These include consolidation of capital, expense and income consolidation, and debt consolidation, any intragroup gains are eliminated. At the end of the consolidation process, the notes to the consolidated financial statements are prepared in accordance with IFRS and BWG/UGB.

The consolidated financial statements and the group management report are reviewed by the audit committee of the supervisory board and are also presented to the supervisory board for approval. They are published as part of the annual report, on Erste Group's website and in the Official Journal of Wiener Zeitung and finally filed with the Commercial Register.

Information and communication

Throughout the year, the group produces consolidated monthly reports for group management. Statutory interim reports are produced that conform to the provisions of IAS 34 and are also published quarterly in accordance with the Austrian Stock Corporation Act. Before publication, the consolidated financial information is presented to senior managers and the CFO for final approval and then submitted to the supervisory board's audit committee.

Reporting is almost fully automated, based on source systems and automated interfaces, and guarantees up-to-date data for controlling, segment reporting and other analyses. Accounting information is derived from the same data source and is reconciled monthly for reporting purposes. Close collaboration between accounting and controlling permits continual target/actual comparisons for control and reconciliation purposes. Monthly and quarterly reports to the management board and the supervisory board ensure a regular flow of financial information and monitoring of the internal control system.

In addition, when introducing new core banking systems and implementing new products, accounting is in contact with the relevant departments in order to provide information at an early stage on accounting-specific aspects and implications for new product launches.

Monitoring

In order to monitor and at the same time support strong governance and risk management, Erste Group applies three lines of defence to review the structures and processes that enable the achievement of the objectives for their effectiveness.

The first line of defence includes the business lines in which the department heads are responsible for monitoring including internal controls of their business areas. This line is in constant dialogue with the business areas and reports on planned, actual and expected results in connection with the goals of the organisation as well as on risks.

The role of the second line of defence is covered by specific areas of expertise, in addition to providing expertise, support, monitoring and risk management tasks. At Erste Group, these activities are carried out by the departments Risk Management, BWG Compliance, WAG Compliance, Anti Money Laundering Prevention, Group Data and Reporting Governance and Group Security. Above all, the departments should support the business lines in the control steps, validate the actual controls, bring state-of-the-art practices into the organisation and cover tasks related to risk management.

The third line of defence is responsible for providing independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. Internal Audit is in charge of auditing and evaluating all areas of the bank based on risk-oriented audit areas (according to the annual audit plan as approved by the management board and reported to the audit committee). The main focus of audit reviews is to monitor the completeness and functionality of the internal control system. Internal Audit has the duty of reporting its findings to the group's management board, supervisory board and audit committee several times within one year.

Internal Audit is according to section 42 Austrian Banking Act (BWG) a control body that is directly subordinate to the management board. Its sole purpose is to comprehensively verify the lawfulness, propriety and expediency of the banking business and banking operation on an on-going basis. The mandate of Internal Audit is therefore to support the management board in its efforts to secure the bank's assets and promote economic and operational performance and thus in the management board's pursuit of its business and operating policy. The activities of Internal Audit are governed in particular by the currently applicable Rules of Procedure, which were drawn up under the authority of all management board members and approved as well as implemented by them. The Rules of Procedure are reviewed on a regular basis and whenever required and adapted should the need arise.

Holdings, purchase and sale of own shares

The presentation of own shares as of trade date follows the disclosure requirements in accordance with the Austrian Stock Corporation Act (AktG).

Holdings of own shares

Number of shares	Dec 22	Dec 23
Erste Group Bank AG	-650,932	7,762,984
Affiliates	1,568,971	1,106,329
thereof pledged	0	0

As of 31 December 2023, Erste Group Bank AG's own holdings of shares amounted to 7,792,984 shares, of which 8,137,141 resulted from the share buyback program that started on 16 August 2023. The remaining short position in Erste Group Bank AG shares amounting to 374,157 shares (2022: 650,932 shares) is covered by securities lending deals.

The acquisition costs from the purchase of own shares relating to the share buyback program (long position) amount to EUR 270 million. Both the sales losses incurred from the purchase and sale as part of the employee share program (free shares) and from the share buyback program amounted to EUR 1 million (2022: EUR 2.5 million) were recorded as disposals in other retained earnings.

Purchase of own shares

	Erste Group Bank AG				Affiliates of Erste Group Bank AG			
	Number of shares	Par value of the share capital in EUR million	Purchase price in EUR million	Purpose of transaction	Number of shares	Par value of the share capital in EUR million	Purchase price in EUR million	Purpose of transaction
January	86,636	0.17	2.80	trading				
February	125,326	0.25	4.93	trading				
March					245,000	0.49	7.28	principle shareholder programm
March	591,409	1.18	18.23	trading				
April	77,212	0.15	2.49	trading				
May	113,519	0.23	3.61	trading				
May	66,762	0.13	2.09	employee share programm				
June	342,312	0.68	10.76	trading				
June	899,751	1.80	28.27	employee share programm				
July	103,782	0.21	3.50	trading				
August	68,387	0.14	2.28	trading				
August	1,065,698	2.13	35.60	share buyback				
September	395,915	0.79	13.09	trading				
September	3,014,812	6.03	98.82	share buyback				
October	156,880	0.31	5.11	trading				
October	2,440,490	4.88	80.09	share buyback				
November	102,977	0.21	3.59	trading				
November	1,297,439	2.59	44.42	share buyback				
December	242,607	0.49	8.74	trading				
December	318,702	0.64	11.45	share buyback				
Total	**11,510,616**	**23.02**	**379.88**		**245,000**	**0.49**	**7.28**	

The purpose of trading was in particular "market making" and hedging positions in the Austrian Stock Exchange Index (ATX).

The aim of the principal shareholder program is to strengthen the group structure and cooperation with the savings banks.

For further details on the employee share program, we refer to Note 61 Share-based payments.

Sale of own shares

	Erste Group Bank AG			Affiliates of Erste Group Bank AG		
	Number of shares	Par value of the share capital in EUR million	Selling price in EUR million	Number of shares	Par value of the share capital in EUR million	Selling price in EUR million
January	149,140	0.30	4.88			
February	185,635	0.37	7.19			
March	303,063	0.61	9.45	406,640	0.81	12.28
April	67,669	0.14	2.16			
May	232,737	0.47	7.40			
June	1,258,792	2.52	39.05	501,002	1.00	15.00
July	90,695	0.18	3.03			
August	44,108	0.09	1.49			
September	391,572	0.78	12.75			
October	128,672	0.26	4.25			
November	146,544	0.29	5.19			
December	98,073	0.20	3.48			
Total	**3,096,700**	**6.19**	**100.31**	**907,642**	**1.82**	**27.28**

Of the 406,640 shares shown in the table above that were sold by affiliated companies in March 2023, 200,000 were lent as of 31 December 2022 and are not included in the holdings as of 31 December 2022.

Capital, share, voting and control rights and associated agreements

For details in respect of capital structure, class of shares and treasury shares please refer to Note 55 of the consolidated financial statements. The mandatory disclosure requirements of Section 243a (1) UGB are met as follows:

1. Capital structure and class of shares

As of 31 December 2023, together with its syndicate partners (savings banks, share management savings banks – “Anteilsverwaltungssparkassen”, and savings bank foundations – “Sparkassenstiftungen”), DIE ERSTE oesterreichische Spar-Casse Privatstiftung (“ERSTE Stiftung”), a foundation, controls 24.11% (prior year: 24.16%) of the shares in Erste Group Bank AG and with 17.54% (prior year: 17.30%) is the main shareholder. The ERSTE Stiftung holds 5.65% (prior year: 5.78%) of the shares directly; the indirect participation of the ERSTE Stiftung amounts to 11.89% (prior year: 11.52%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the ERSTE Stiftung. 2.49% (prior year: 2.78%) are held directly by savings bank foundations, savings banks, and the Erste employee share participation foundation (Erste Mitarbeiterbeteiligungsstiftung), acting together with the ERSTE Stiftung. 4.08% (prior year: 4.08%) are held by a syndicate partner, Wiener Städtische Versicherungsverein.

The Erste Group Bank AG forms a joint liability scheme (Haftungsverbund), together with the Austrian savings banks, in accordance with article 4 (1) Z 127 CRR as well as an institutional protection scheme (IPS) approved by the supervisory authority pursuant to article 113(7) CRR. The required individual services of the individual members of the scheme are in case of an occasion subject to an individual and general ceiling. The applicable amounts are determined by joint liability scheme’s steering company and made known to the paying members.

The payments of the individual members in the IPS Ex-Ante Fund established for support measures are recognised in the financial statements as a share in IPS GesbR, which manages the ex-ante fund and are accounted for as retained earnings. Due to the contractual terms, these retained earnings represent a blocked reserve. The release of this blocked reserve may only take place as a result of the utilisation of the ex-ante fund due to a claim. This reserve can therefore not be utilised internally to cover losses and on member level does not qualify as own funds according to the CRR; on a consolidated level, the ex-ante fund does qualify, however. For details, please refer to the section scope of consolidation and Note 33.

Erste Group Bank AG is the central institution for the associated Austrian savings banks, and together they form a cash pool pursuant to section 27a Austrian Banking Act (BWG). Where necessary, Erste Group Bank AG must supply liquidity to an associated savings bank in accordance with legal and contractual provisions.

2. Restrictions of voting rights and of the transfer of shares

The Articles of Association do not contain any restrictions affecting voting rights or the transfer of shares.

In shareholder agreements ERSTE Stiftung - which, together with its syndicate partners, held 24.11% as at 31 December 2023 (previous year: 24.16%) agreed the following: concerning the appointment of the members of the supervisory board the partners are obliged to vote as required by ERSTE Stiftung. The partners can dispose of shares according to a predefined sale procedure and can purchase shares only within the quotas agreed with ERSTE Stiftung (of a maximum of 3% per calendar year); with this regulation an unwanted creeping-in according to takeover law shall be prevented. In addition, the partners have committed themselves not to make a hostile takeover bid, nor to participate in a hostile takeover bid nor to act together with a hostile bidder in any other way.

3. Direct or indirect shareholdings amounting at least 10%

Apart from ERSTE Foundation, the Management Board is not aware of any other direct or indirect shareholdings that amount to at least 10%.

4. Special rights of control associated with holding shares

There are no shareholders with special control rights.

5. Voting rights control in the case of capital participation of employees

The voting rights of shares held by Erste Mitarbeiterbeteiligung Privatstiftung in trust or by proxy for the employees of employer companies participating in employee share programs according to section 4d (5) (1) Income Tax Act (EStG) are exercised by the Board of Directors of Erste Mitarbeiterbeteiligung Privatstiftung. The members of the Board of Directors are appointed and dismissed by the Advisory Board through resolution with simple majority, whereby the delegation rights of.Erste Group Bank AG as well as the existing statutory employee representatives of Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG shall be taken into account. A further member of the Board of Directors to be appointed by the Advisory Board shall be a former member of the management board or a former (freelance) employee of an employer company pursuant to section 4d (5) (1) Income Tax Act (EStG). The Advisory Board of Erste Mitarbeiterbeteiligung Privatstiftung consists of up to five members.

6. Special control rights, bodies and amendments of the articles of association

This concerns:

- Art. 15.1 of the Articles of Association, which provides that ERSTE Stiftung will be granted the right to nominate up to one third of the members of the Supervisory Board to be elected by the shareholders' meeting, as long as ERSTE Stiftung is liable for all present and future liabilities of the company in the case of its insolvency pursuant to Section 92 (9) Banking Act,
- Art. 15.4 of the Articles of Association, which provides that a three-quarter majority of valid votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal are required to pass a motion for removal of Supervisory Board members, and
- Art. 19.9 of the Articles of Association, which provides that amendments to the Articles of Association, in so far as they do not alter the business purpose, may be passed by simple majority of votes cast and simple majority of the subscribed capital represented at the shareholders meeting considering the amendment. Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Moreover, amendments to Art. 19.9 require a three-quarter majority of the votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal.

7. Powers of the Management Board to issue and repurchase shares

As per decision of the General Meeting of 12 May 2023:

— The Management Board is entitled to purchase up to 10% of the share capital in own shares for the purpose of securities trading according to section 65 (1) (7) Austrian Stock Corporation Act (AktG). However, the trading volume of shares acquired may not exceed 5% of the share capital at the end of each day. The consideration for the shares to be purchased must not be less than 50% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase by more the 20%. This authorization is valid for a period of 30 months from the date of the resolution, i.e. until 12 November 2025.

— The Management Board is entitled, pursuant to section 65 (1) (8) as well as (1a) and (1b) Stock Corporation Act and for a period of 30 months from the date of the resolution, i.e. until 12 November 2025, to acquire own shares in the amount of up to 10% of the share capital, subject to approval by the Supervisory Board and without any further resolution of the General Meeting at a lowest consideration of EUR 2.00 per share and a highest consideration not exceeding 50% above the average Vienna Stock Exchange price, weighted according to trading volumes, of the last 20 trading days prior to the respective acquisition of the shares; in the case of a public offer, the cut-off date for the end of the calculation period shall be the day on which the intention to make a public offer is announced (sec 5 (2) and (3) Austrian Takeover Act [ÜbG]). The acquisition may, at the discretion of the Management Board and with the consent of the Supervisory Board, be effected on the stock exchange or by means of a public offer or in any other legally permissible and expedient manner, in particular also off the stock exchange and/or from individual shareholders and excluding the pro rata tender right (reverse subscription right). The authorization may be exercised in whole or in part or in several partial amounts and in pursuit of one or more purposes by the Company, its affiliated companies (sec. 189a (8) Commercial Code [UGB]) or for their account by third parties. Pursuant to section 65 (1b) Stock Corporation Act, the Management Board is authorized for a period of five years from the date of the resolution, i.e. until 12 May 2028, with the consent of the Supervisory Board, to sell or dispose the company's own shares, also in a way other than via the stock exchange or by means of a public offer for any legally permissible purpose, to determine the terms and conditions of the sale and to decide on the exclusion of the shareholders' subscription rights. These authorizations include the sale of own shares in particular for the following purposes: (i) in order to be able to sell the shares for a consideration other than cash, provided that this serves the purpose of acquiring (also indirectly) companies, businesses, parts of businesses, shares in one or more companies domestically or abroad; (ii) to transfer shares free of charge or at a reduced price to employees, executives and members of the Management Board of the Company or of an affiliated company (sec 189a (8) Commercial Code [UGB]) or of any other company within the meaning of sec 4d (5) (1) Austrian Income Tax Act (EStG), as well as to Erste Mitarbeiterbeteiligung Privatstiftung and its beneficiaries; and (iii) to resell own shares with partial or full exclusion of the subscription rights in any manner permitted by law, including over-the-counter. The authorizations in this resolution may be exercised once or several times, in whole or in part, individually or jointly.

— The Management Board is authorized to redeem shares without further resolution at the General Meeting with the approval of the Supervisory Board.

As per decision of the Annual General Meeting of 19 May 2021:

— According to section 65 (1) (4) as well as (1a) and (1b) Stock Corporation Act, the Management Board was authorized for the duration of 30 months following the date of resolution, hence until 18 November 2023, and with the approval of the Supervisory Board to purchase own shares at an amount equaling up to 10% of share capital of the company also under repeated utilization of the 10% limit either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment for the purpose of granting shares for free or at concessionary terms to Erste Mitarbeiterbeteiligung Privatstiftung, their beneficiaries, employees, executive employees and members of the board at Erste Group Bank AG or of an affiliated undertaking or of any other undertaking pursuant to section 4d (5) (1) Income Tax Act. The authorization may be exercised in whole or in part or in several installments and in pursuit of one or several purposes. The value per share may neither be lower than the floor value of two Euros nor higher than the ceiling of 120 Euros.

All sales and purchases were carried out as authorized at the General Meeting.

According to section 8.3 of the Articles of Association, the Management Board is authorized to issue until 18 May 2027, with the consent of the Supervisory Board, convertible bonds (including Contingent Convertible Bonds according to section 26 Austrian Banking Act), which have the conversion or subscription right for shares of the Company, observing or excluding the subscription rights of the shareholders. The terms and conditions may, in addition or instead of a conversion or subscription right, also provide for the mandatory conversion at the end of the term or at any other time. The issuance of convertible bonds is limited to the extent that all conversion or subscription rights, and in case of a mandatory conversion stipulated in the terms and conditions, the mandatory conversion, are covered by conditional capital. Section 5.3 shall apply to the issue of convertible bonds without subscription rights. The issue amount, the terms and conditions of the issue of the convertible bonds and the exclusion of the subscription rights for the shareholders will be determined by the Management Board with the consent of the Supervisory Board.

8. Significant agreements which become effective, are amended or are rendered ineffective when there is a change in the control of the company and their effects

CROSS-GUARANTEE SCHEME AGREEMENT

The agreement in principle of the cross-guarantee scheme (Haftungsverbund) provides for the possibility of early cancellation for good cause. Good cause, allowing the respective other contracting parties to cancel the agreement, is deemed to exist if:
- one contracting party grossly harms the duties resulting from the present agreement,
- the ownership structure of a party to the contract changes in such a way – particularly by transfer or capital increase – that one or more third parties from outside the savings bank sector directly and/or indirectly gain a majority of the equity capital or voting rights in the contracting party or
- one contracting party resigns from the savings bank sector irrespective of the reason.

The cross-guarantee scheme's agreement in principle and supplementary agreements expire if and as soon as any entity that is not a member of the savings bank sector association acquires more than 25% of the voting power or equity capital of Erste Group Bank AG in any manner whatsoever and a member savings bank notifies the cross-guarantee scheme's steering company and Erste Group Bank AG by registered letter within twelve weeks from the change of control that it intends to withdraw from the cross-guarantee scheme.

DIRECTORS & OFFICERS-INSURANCE

In the event that any of the following transactions or processes occur during the term of the insurance policy (each constituting a 'change in control') in respect of the insured:
- the insured ceases to exist as a result of a merger or consolidation, unless the merger or consolidation occurs between two insured parties, or
- another company, person or group of companies or persons acting in consent, who are not insured parties, acquire more than 50% of the insured's outstanding equity or more than 50% of its voting power (resulting in the right to control the voting power represented by the shares, and the right to appoint the Management Board members of the insured),

then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change in control took effect. However, no insurance cover is provided for claims relating to unlawful acts committed or allegedly committed after that time (unless the insured and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.

In the event that a subsidiary ceases to be a subsidiary during the insurance period, the insurance cover under this policy shall remain in full force and effect for that entity for the remainder of the insurance period or (if applicable) until the end of the extended discovery period, but only in respect of claims brought against an insured in relation to unlawful acts committed or alleged to have been committed by the insured during the existence of this entity as a subsidiary. No insurance cover is provided for claims brought against an insured in relation to unlawful acts committed or allegedly committed after this entity ceased to exist.

COOPERATION BETWEEN ERSTE GROUP BANK AG AND VIENNA INSURANCE GROUP (VIG)

Erste Group Bank AG and Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG) are parties to a general distribution agreement (the Agreement) concerning the framework of the cooperation of Erste Group and VIG in Austria and CEE with respect to bank and insurance products. Originally concluded in 2008 (between Erste Bank der österreichischen Sparkassen AG and Vienna Insurance Group der WIENER STÄDTISCHE Versicherung AG), the Agreement was renewed and extended in 2018 until the end of 2033. The objective for the renewal and extension in particular was to adapt the Agreement to the corporate restructuring of the original parties, to amend some commercial parameters and to align the Agreement with recent developments in the legal framework. Already in the original Agreement the parties stipulated that both parties have the right to terminate the Agreement in case of a change of control of one of the parties. In case of change of control of Erste Group Bank AG, VIG has the right to terminate the Agreement. In case of change of control of VIG, Erste Group Bank AG has the reciprocal right. A change of control is defined, with respect to Erste Group Bank AG, as the acquisition of Erste Group Bank AG by any person/entity other than DIE ERSTE österreichische Spar-Casse Privatstiftung or Austrian savings banks of 50% plus one share of Erste Group Bank AG's shares or voting rights. In respect to VIG, the aforementioned provisions apply analogously, except for share purchases by Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group.

Apart from this regulation on the termination of the Agreement, the parties agreed in the renewal and extension of the Agreement for an additional termination for cause if based on new legal or regulatory provisions, the continuation of the Agreement is unreasonable for each or both of the parties.

Erste Group Bank AG and VIG are furthermore parties to an asset management agreement, pursuant to which Erste Group undertakes to manage certain parts of VIG's and its group companies' securities assets. In case of a change of control (as described above), each party has the termination right. The asset management agreement has been renewed and extended until 2033 concurrently with the renewal and extension of the Agreement outlined above.

9. Indemnification agreements

In the event of a public takeover offer, there are no compensation agreements between Erste Group Bank AG and its executive board and supervisory board members or employees.

Non-financial declaration

The consolidated non-financial declaration of Erste Group is issued as separate consolidated non-financial report and contains the information required according to § 243b UGB and according to the Sustainability and Diversity Improvement Act (NaDiVeG) according to § 267a UGB. The consolidated non-financial report of Erste Group is disclosed and published on the website of Erste Group (www.erstegroup.com/investor relations).

Subsequent events after balance sheet date

For events of particular importance after balance sheet date, we refer to the disclosures in Note 66 in the consolidated financial statements.

Management Board	
Willibald Cernko mp, Chairman	Ingo Bleier mp, Member
Stefan Dörfler mp, Member	Alexandra Habeler-Drabek mp, Member
David O'Mahony mp, Member	Maurizio Poletto mp, Member

Vienna, 29 February 2024

Group Consolidated Financial Statements 2023 (IFRS)

Consolidated statement of income

in EUR million	Notes	1-12 22	1-12 23
Net interest income	2	5,951	7,228
Interest income	2	8,623	15,045
Other similar income	2	2,618	4,446
Interest expenses	2	-2,569	-6,873
Other similar expenses	2	-2,720	-5,389
Net fee and commission income	3	2,452	2,640
Fee and commission income	3	2,889	3,104
Fee and commission expenses	3	-436	-464
Dividend income	4	29	38
Net trading result	5	-779	754
Gains/losses from financial instruments measured at fair value through profit or loss	6	731	-306
Net result from equity method investments		18	23
Rental income from investment properties & other operating leases	7	168	175
Personnel expenses	8	-2,668	-2,991
Other administrative expenses	8	-1,356	-1,468
Depreciation and amortisation	8	-551	-560
Gains/losses from derecognition of financial assets measured at amortised cost	9	-52	-13
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	10	-23	-128
Impairment result from financial instruments	11	-300	-128
Other operating result	12	-399	-468
Levies on banking activities	12	-187	-183
Pre-tax result from continuing operations		**3,222**	**4,795**
Taxes on income	13	-556	-874
Net result for the period		**2,666**	**3,921**
Net result attributable to non-controlling interests		502	923
Net result attributable to owners of the parent		**2,165**	**2,998**

Earnings per share

Earnings per share constitute net profit/loss for the year attributable to owners of the parent divided by the average number of ordinary shares outstanding. The average number of outstanding shares is net of the average number of treasury shares, considering the shares buyback. Diluted earnings per share represent the maximum potential dilution (through an increase in the average number of shares) that would occur if all subscription and conversion rights granted were exercised. The difference between the weighted average number of outstanding shares and the weighted average diluted number of outstanding shares results from share-based payment transactions with employees. For information on share-based payments please refer to Note 61.

		1-12 22	1-12 23
Net result attributable to owners of the parent	in EUR thousand	2,164,718	2,997,576
Dividend on AT1 capital (after tax effect)	in EUR thousand	-100,456	-99,067
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	2,064,261	2,898,509
Weighted average undiluted number of outstanding shares		427,019,261	425,951,928
Earnings per share	**in EUR**	**4.83**	**6.80**
Weighted average diluted number of outstanding shares		427,492,890	426,324,432
Diluted earnings per share	**in EUR**	**4.83**	**6.80**

For details regarding the number of outstanding shares please refer to Note 55 Total equity.

Consolidated statement of comprehensive income

in EUR million	1-12 22	1-12 23
Net result for the period	**2,666**	**3,921**
Other comprehensive income		
Items that may not be reclassified to profit or loss	**240**	**-79**
Remeasurement of defined benefit plans	99	-59
Fair value reserve of equity instruments	-33	10
Own credit risk reserve	239	-50
Income tax relating to items that may not be reclassified	-65	21
Items that may be reclassified to profit or loss	**-359**	**400**
Fair value reserve of debt instruments	-560	401
Gains/losses during the period	-586	273
Reclassification adjustments	25	139
Credit loss allowances	1	-10
Cash flow hedge reserve	10	205
Gains/losses during the period	63	378
Reclassification adjustments	-53	-173
Currency reserve	79	-101
Gains/losses during the period	79	-101
Income tax relating to items that may be reclassified	112	-105
Gains/losses during the period	107	-112
Reclassification adjustments	5	7
Total other comprehensive income	**-119**	**321**
Total comprehensive income	**2,547**	**4,242**
Total comprehensive income attributable to non-controlling interests	427	931
Total comprehensive income attributable to owners of the parent	**2,120**	**3,311**

For a detailed split of income tax items within other comprehensive income please refer to Note 13 Taxes on income.

Consolidated balance sheet

in EUR million	Notes	Dec 22	Dec 23
Assets			
Cash and cash balances	15	35,685	36,685
Financial assets held for trading	21, 22	7,766	8,773
Derivatives	21	1,719	1,262
Other financial assets held for trading	22	6,047	7,511
Pledged as collateral	29	94	245
Non-trading financial assets at fair value through profit or loss	23	2,735	3,004
Pledged as collateral	29	0	0
Equity instruments	23	347	415
Debt securities	23	1,549	1,551
Loans and advances to customers	23	839	1,038
Financial assets at fair value through other comprehensive income	19, 20	9,560	8,905
Pledged as collateral	29	698	356
Equity instruments	20	99	110
Debt securities	19	9,460	8,794
Financial assets at amortised cost	16	253,360	264,721
Pledged as collateral	29	1,761	3,125
Debt securities	16	40,612	44,047
Loans and advances to banks	16	18,435	21,432
Loans and advances to customers	16	194,313	199,241
Finance lease receivables	50	4,553	4,970
Hedge accounting derivatives	27	159	183
Fair value changes of hedged items in portfolio hedge of interest rate risk	27	-38	-25
Property and equipment	47	2,618	2,605
Investment properties	47	1,372	1,524
Intangible assets	48	1,347	1,313
Investments in associates and joint ventures	58	209	241
Current tax assets	13	109	72
Deferred tax assets	13	629	468
Assets held for sale	63	167	163
Trade and other receivables	17	2,404	2,579
Other assets	49	1,232	976
Total assets		**323,865**	**337,155**

in EUR million	Notes	Dec 22	Dec 23
Liabilities and equity			
Financial liabilities held for trading	21, 24	3,264	2,304
Derivatives	21	2,626	1,614
Other financial liabilities held for trading	24	637	690
Financial liabilities at fair value through profit or loss	25	10,814	11,152
Deposits from customers	25	1,353	593
Debt securities issued	25	9,310	10,429
Other financial liabilities	25	151	130
Financial liabilities at amortised cost	18	278,932	289,842
Deposits from banks	18	28,821	22,911
Deposits from customers	18	222,620	232,223
Debt securities issued	18	26,593	33,330
Other financial liabilities		899	1,378
Lease liabilities	51	662	670
Hedge accounting derivatives	27	372	286
Provisions	53	1,676	1,612
Current tax liabilities	13	127	265
Deferred tax liabilities	13	16	14
Liabilities associated with assets held for sale	63	115	113
Other liabilities	52	2,581	2,396
Total equity	55	**25,305**	**28,502**
Equity attributable to non-controlling interests	55	5,957	6,853
Additional equity instruments	55	2,236	2,405
Equity attributable to owners of the parent	55	17,111	19,243
Subscribed capital	55	860	843
Additional paid-in capital	55	1,478	1,494
Retained earnings and other reserves	55	14,774	16,906
Total liabilities and equity		**323,865**	**337,155**

Consolidated statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Fair value reserve	Own credit risk reserve	Currency reserve	Remeasur-ement of defined benefit plans	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 2023	**860**	**1,478**	**16,324**	**-197**	**-264**	**-24**	**-594**	**-471**	**17,111**	**2,236**	**5,957**	**25,305**
Changes in treasury shares	0	0	1	0	0	0	0	0	1	0	0	1
Dividends paid	0	0	-869	0	0	0	0	0	-869	0	-61	-931
Capital increase/decrease	0	0	0	0	0	0	0	0	0	169	0	169
Changes in scope of consolidation and ownership interest	0	0	-6	0	0	0	0	0	-6	0	25	18
Reclassification from other comprehensive income to retained earnings	0	0	1	0	0	-1	0	0	0	0	1	1
Share based payments	0	0	2	0	0	0	0	0	2	0	0	2
Other changes	-16	16	-307	0	0	0	0	0	-307	0	1	-306
Total comprehensive income	0	0	2,998	166	315	-44	-100	-24	3,311	0	931	4,242
Net result for the period	0	0	2,998	0	0	0	0	0	2,998	0	923	3,921
Other comprehensive income	0	0	0	166	315	-44	-100	-24	313	0	8	321
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	-24	-24	0	-22	-46
Change in fair value reserve	0	0	0	0	315	0	0	0	315	0	29	344
Change in cash flow hedge reserve	0	0	0	166	0	0	0	0	166	0	0	166
Change in currency reserve	0	0	0	0	0	0	-100	0	-100	0	0	-101
Change in own credit risk reserve	0	0	0	0	0	-44	0	0	-44	0	1	-42
As of 31 December 2023	**843**	**1,494**	**18,143**	**-31**	**51**	**-69**	**-694**	**-495**	**19,243**	**2,405**	**6,853**	**28,502**

The other changes relate mainly to the share buyback program. For details regarding the reduced subscribed capital please refer to Note 55 Total equity.

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Fair value reserve	Own credit risk reserve	Currency reserve	Remeasur-ement of defined benefit plans	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 2022	**860**	**1,478**	**14,933**	**-206**	**115**	**-207**	**-672**	**-538**	**15,761**	**2,236**	**5,516**	**23,513**
Changes in treasury shares	0	0	11	0	0	0	0	0	11	0	0	11
Dividends paid	0	0	-754	0	0	0	0	0	-754	0	-91	-844
Capital increase/decrease	0	0	0	0	0	0	0	0	0	0	-2	-2
Changes in scope of consolidation and ownership interest	0	0	-24	0	0	0	0	0	-24	0	114	90
Reclassification from other comprehensive income to retained earnings	0	0	-5	0	0	3	0	0	-2	0	-7	-9
Share based payments	0	0	-1	0	0	0	0	0	-1	0	0	-1
Other changes	0	0	-1	0	0	0	0	0	-1	0	0	0
Total comprehensive income	0	0	2,165	9	-379	180	79	67	2,120	0	427	2,547
Net result for the period	0	0	2,165	0	0	0	0	0	2,165	0	502	2,666
Other comprehensive income	0	0	0	9	-379	180	79	67	-44	0	-75	-119
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	67	67	0	16	82
Change in fair value reserve	0	0	0	0	-379	0	0	0	-379	0	-93	-472
Change in cash flow hedge reserve	0	0	0	9	0	0	0	0	9	0	0	9
Change in currency reserve	0	0	0	0	0	0	79	0	79	0	0	79
Change in own credit risk reserve	0	0	0	0	0	180	0	0	180	0	2	182
As of 31 December 2022	**860**	**1,478**	**16,324**	**-197**	**-264**	**-24**	**-594**	**-471**	**17,111**	**2,236**	**5,957**	**25,305**

Consolidated statement of cash flows

in EUR million	Notes	1-12 22	1-12 23
Net result for the period		**2,666**	**3,921**
Non-cash adjustments for items in net profit/loss for the year			
Depreciation, amortisation and net impairment of non-financial assets	47, 48	594	632
Net allocation of credit loss allowances and other provisions	12	324	207
Gains/losses from measurement and derecognition of financial assets and financial liabilities	9, 10	533	753
Other adjustments		105	-128
Changes in assets and liabilities from operating activities after adjustment for non-cash components			
Financial assets held for trading	21, 22	-1,336	-905
Non-trading financial assets at fair value through profit or loss	23		
Equity instruments	23	-15	-68
Debt securities	23	285	49
Loans and advances to banks	23	10	0
Loans and advances to customers	23	-78	-85
Financial assets at fair value through other comprehensive income: debt securities	19	-1,116	851
Financial assets at amortised cost	16		
Debt securities	16	-4,992	-3,436
Loans and advances to banks	16	2,582	-3,014
Loans and advances to customers	16	-21,214	-5,185
Finance lease receivables	50	-326	-422
Hedge accounting derivatives	27	-71	142
Other assets from operating activities	17, 49	-580	285
Financial liabilities held for trading	21, 24	-416	-1,359
Financial liabilities at fair value through profit or loss	25	1,470	-186
Financial liabilities measured at amortised cost	18		
Deposits from banks	18	-3,098	-5,910
Deposits from customers	18	11,978	9,591
Debt securities issued	18	4,242	6,737
Other financial liabilities		-251	480
Hedge accounting derivatives	27	63	-87
Other liabilities from operating activities	52	-174	-276
Cash flow from operating activities		**-8,815**	**2,586**
Proceeds of disposal			
Financial assets at fair value through other comprehensive income: equity instruments	20	19	15
Investments in associates and joint ventures	58	18	-12
Property and equipment and intangible assets	47, 48	152	44
Investment properties	47	56	16
Acquisition of			
Financial assets at fair value through other comprehensive income: equity instruments	20	-1	0
Property and equipment and intangible assets	47, 48	-479	-528
Investment properties	47	-101	-134
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		102	0
Cash flow from investing activities		**-233**	**-599**
Capital increase/Capital decrease	55	-2	-107
Changes in ownership interests that do not result in a loss of control	55	90	18
Dividends paid to equity holders of the parent	55	-754	-869
Dividends paid to non-controlling interests	55	-91	-61
Cash flow from financing activities		**-756**	**-1,020**
Cash and cash equivalents at the beginning of the period	15	**45,495**	**35,685**
Cash flow from operating activities		-8,815	2,586
Cash flow from investing activities		-233	-599
Cash flow from financing activities		-756	-1,020
Effect of currency translation		-6	33
Cash and cash equivalents at the end of period	15	**35,685**	**36,685**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)		5,218	8,515
Payments for taxes on income	13	-549	-315
Interest received	2	11,286	22,697
Dividends received	4	29	38
Interest paid	2	-5,549	-13,905

Cash and cash equivalents are equal to the amount in the balance sheet line item ‘Cash and cash balances’.

Notes to the group financial statements of Erste Group

General information

Erste Group Bank AG is Austria's oldest savings bank and listed on the Vienna Stock Exchange. It is also quoted on the Prague Stock Exchange and on the Bucharest Stock Exchange. The registered office of Erste Group Bank AG is located at Am Belvedere 1, 1100 Vienna, Austria.

The group of Erste Group Bank AG (hereinafter referred to as 'Erste Group' or 'Group') offers a complete range of banking and other financial services, such as savings accounts, asset management (including investment funds), consumer credit and mortgage lending, investment banking, securities and derivatives trading, portfolio management, project finance, foreign trade financing, corporate finance, capital market and money market services, foreign exchange trading, leasing and factoring.

These consolidated financial statements have been prepared and authorised for issue by the management board as at the signing date of this report. Both, the supervisory board (21 March 2024) and the annual general meeting (22 May 2024) may amend the individual financial statements of Erste Group Bank AG, which in turn may have an impact on these consolidated financial statements. The consolidated financial statements have not been accepted by the supervisory board and the financial statements of Erste Group Bank AG have not been approved by the supervisory board at the date of this report. This is also applicable to the majority of the individual financial statements, which are relevant for the calculation of own funds.

Erste Group is subject to the regulatory requirements of Austrian and European supervisory bodies (National Bank, Financial Market Authority, Single Supervisory Mechanism). These regulations include those pertaining to minimum capital adequacy requirements, categorisation of exposures and off-balance sheet commitments, credit risk connected with clients of the Group, market risk (including interest rate and foreign exchange risk), and operational risk.

In addition to the banking entities, some Group companies are subject to regulatory requirements, specifically in relation to asset management.

Material accounting policies

a) Basis of preparation

The consolidated financial statements of Erste Group for the financial year ending on 31 December 2023 and the related comparative information were prepared in compliance with applicable IFRS Accounting Standards as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. The requirements of Section 59a of the Austrian Banking Act and Section 245a of the Austrian Commercial Code are fulfilled.

The consolidated financial statements have been prepared on a going concern basis.

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

Except as otherwise indicated, all amounts are stated in millions of euro. The tables in this report may contain rounding differences. The abbreviations used in the consolidated financial statements of Erste Group are explained in the appendix 'Abbreviations' at the end of this report.

b) Foreign currency translation

The consolidated financial statements are presented in euro, which is the functional currency of Erste Group Bank AG, the parent company of Erste Group. The functional currency is the currency of the primary business environment in which an entity operates. Each entity in Erste Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

For foreign currency translation, exchange rates quoted by the central banks in each country are used. For Erste Group entities with the euro as functional currency, these are the European Central Bank reference rates.

i. Transactions and balances in foreign currency

Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as of the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as of the balance sheet date. All resulting exchange differences that arise are recognised in the statement of income under the line item 'Net trading result'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions, i.e. they do not give rise to exchange differences. Non-monetary items that are measured at fair value (such as equity investments) in a foreign currency are translated using the exchange rates at the date when the fair value is measured, thus the exchange differences are part of the fair value gains or losses.

ii. Translation of the statements of Group companies

Assets and liabilities of foreign operations (foreign subsidiaries and branches) are translated into Erste Group's presentation currency, the Euro, at the rate of exchange as of the balance sheet date (closing rate). Their consolidated statement of income and consolidated statement of comprehensive income are translated at the average exchange rate of the respective reporting period calculated on the basis of daily rates. Goodwill, intangible assets and fair value adjustments to the carrying amounts of assets and liabilities recognised on acquisition of foreign subsidiaries are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate. However, goodwill of Česká spořitelna a.s. is translated at the historical FX rate as allowed by the transitional provisions in IAS 21.59.

Exchange differences arising on translation are recognised in OCI in the line 'Currency reserve' of the statement of comprehensive income. The accumulated OCI is presented in equity, specifically under 'Currency reserve' in the statement of changes in equity. On disposal of a foreign subsidiary, the cumulative amount of translation differences recognised in other comprehensive income is recognised in the statement of income under the line item 'Other operating result'.

c) Material accounting judgements, assumptions and estimates

The consolidated financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are described in the notes of the respective assets and liabilities and relate in particular to:

- Taxes on income and deferred tax assets (Note 13 Taxes on income)
- SPPI assessment of financial instruments (Chapter Financial instruments – Material accounting policies)
- Business model assessment of financial instruments (Chapter Financial instruments – Material accounting policies)
- Financial liabilities stemming from the TLTRO programme of the ECB (Chapter Financial instruments – Material accounting policies, Note 18 Financial liabilities at amortised cost)
- Fair value of financial instruments (Note 26 Fair value of financial instruments)
- Impairment of financial instruments (Chapter Financial instruments – Material accounting policies, Note 37 Measurement of expected credit losses and Note 40 Scenarios used in forward looking information and crises effects)
- Impairment of non-financial assets (Chapter Non-current assets and other investments)
- Provisions (Note 53 Provisions)
- Defined employees benefit plans (Note 53 Provisions)
- Control of subsidiaries (Note 57 Subsidiaries)
- Significant influence in associates and joint control in joint ventures (Note 58 Investments in associates and joint ventures)
- Interest in structured entities (Note 59 Unconsolidated structured entities)

d) Application of amended and new IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning after 1 January 2023. As regards new standards and interpretations and their amendments, only those that are relevant for the business of Erste Group are listed below.

EFFECTIVE STANDARDS AND INTERPRETATIONS

The following amendments of standards have become mandatory for the financial year 2023 and have been endorsed by the EU:
- IFRS 17: Insurance contracts
- Amendments to IAS 1: Disclosure of Accounting Policies
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12: International Tax Reform — Pillar 2 Model Rules

Application of the above-mentioned amendments in 2023 did not have a significant impact on Erste Group's financial statements. However, Amendments to IAS 1 resulted in a significant reduction in the disclosures of the accounting policies with focus on material information. Furthermore, Amendments to IAS 12: International Tax Reform — Pillar 2 Model Rules led to new disclosures in Note 13 Taxes on income.

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The standards and amendments shown below were issued by the IASB but are not yet effective. They have not yet been endorsed by the EU.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability. The amendments to IAS 21 were issued in August 2023 and become effective for annual periods beginning on or after 1 January 2025. The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Performance / Return

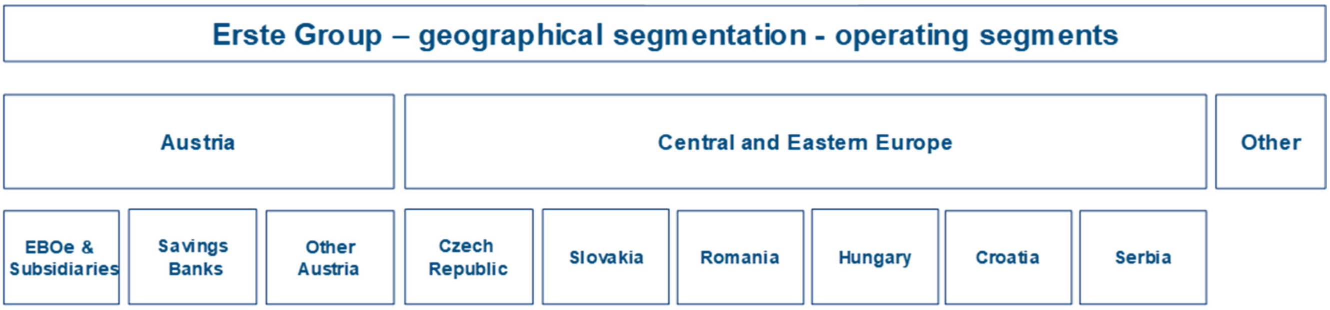
1. Segment reporting

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 uses a matrix organisational structure with geographical segmentation and business segments. Since the chief operating decision maker performs the steering primarily based on geographical segments, those are defined as operating segments according to IFRS 8. In order to provide more comprehensive information, the performance of the business segments is reported additionally.

Geographical segmentation (operating segments)

For the purpose of segment reporting geographical segments are defined as operating segments, for which the information is presented on the basis of the booking entity's location (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 core 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 operating 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 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.
— 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 operating segments covering Erste Group's banking subsidiaries located in the respective CEE countries:
— **Czech Republic** (comprising Česká spořitelna Group)
— **Slovakia** (comprising Slovenská sporitel'ňa Group)
— **Romania** (comprising Banca Comercială Română Group)
— **Hungary** (comprising Erste Bank Hungary Group)
— **Croatia** (comprising Erste Bank Croatia Group)
— **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. intragroup eliminations, dividend eliminations) are also part of the segment Other. Intragroup eliminations are equal to the Intragroup eliminations shown in the business segmentation view (see the table 'Business segments (2)').

Business segmentation

Apart from geographical segments, which are Erste Group's operating segments, business segments are reported as well.

Erste Group – business segments

Retail	Corporates	Group Markets	Asset/Liability Management & Local Corporate Center	Savings Banks	Group Corporate Center	Intragroup Elimination

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 and Large Corporate customers) as well as commercial real estate and public sector business.

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.

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 is identical to the operating segment Savings banks.

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.

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).

Operating segments: Geographical segmentation – overview

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	1-12 22	1-12 23	1-12 22	1-12 23	1-12 22	1-12 23	1-12 22	1-12 23
Net interest income	2,566	3,715	3,160	3,332	225	181	5,951	7,228
Net fee and commission income	1,396	1,482	1,134	1,269	-77	-111	2,452	2,640
Dividend income	18	23	4	3	7	12	29	38
Net trading result	-128	77	326	359	-977	319	-779	754
Gains/losses from financial instruments at FVPL	52	12	-67	43	747	-360	731	-306
Net result from equity method investments	3	0	7	16	8	7	18	23
Rental income from investment properties & other operating leases	141	150	42	38	-15	-13	168	175
General administrative expenses	-2,195	-2,401	-2,118	-2,338	-262	-281	-4,575	-5,020
thereof depreciation and amortization	-160	-168	-277	-275	-114	-117	-551	-560
Gains/losses from derecognition of financial assets at AC	-1	0	-50	-12	-1	-1	-52	-13
Other gains/losses from derecognition of financial instruments not at FVPL	0	-3	-25	-39	2	-87	-23	-128
Impairment result from financial instruments	-158	-101	-134	-21	-8	-6	-300	-128
Other operating result	-56	-87	-285	-308	-58	-72	-399	-468
Levies on banking activities	-41	-22	-124	-137	-22	-25	-187	-183
Pre-tax result from continuing operations	**1,639**	**2,867**	**1,994**	**2,341**	**-410**	**-413**	**3,222**	**4,795**
Taxes on income	-418	-642	-376	-434	237	202	-556	-874
Net result for the period	**1,221**	**2,225**	**1,618**	**1,906**	**-173**	**-211**	**2,666**	**3,921**
Net result attributable to non-controlling interests	442	836	57	82	2	5	502	923
Net result attributable to owners of the parent	**779**	**1,390**	**1,561**	**1,824**	**-175**	**-217**	**2,165**	**2,998**
Operating income	4,048	5,459	4,606	5,059	-83	34	8,571	10,552
Operating expenses	-2,195	-2,401	-2,118	-2,338	-262	-281	-4,575	-5,020
Operating result	**1,853**	**3,058**	**2,488**	**2,721**	**-345**	**-247**	**3,996**	**5,532**
Risk-weighted assets (credit risk, eop)	62,673	63,405	53,151	56,872	3,458	2,465	119,282	122,742
Average allocated capital	9,712	9,236	9,913	10,707	4,660	7,058	24,284	27,001
Cost/income ratio	54.2%	44.0%	46.0%	46.2%	>100%	>100%	53.4%	47.6%
Return on allocated capital	12.6%	24.1%	16.3%	17.8%	-3.7%	-3.0%	11.0%	14.5%
Total assets (eop)	204,979	210,346	142,554	151,733	-23,669	-24,924	323,865	337,155
Total liabilities excluding equity (eop)	166,197	161,196	129,479	137,345	2,884	10,113	298,560	308,654
Impairments	**-157**	**-103**	**-196**	**-83**	**-24**	**-20**	**-377**	**-206**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-159	-190	-93	-21	-20	14	-272	-198
Net impairment loss on commitments and guarantees given	1	89	-41	0	12	-20	-28	70
Impairment of goodwill	0	0	-5	-9	0	0	-5	-9
Net impairment on investments in subsidiaries, joint ventures and associates	0	0	-6	-1	-15	-4	-21	-5
Net impairment on other non-financial assets	0	-2	-51	-52	-1	-11	-52	-64

Operating segments: Geographical area Austria

in EUR million	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
	1-12 22	1-12 23	1-12 22	1-12 23	1-12 22	1-12 23	1-12 22	1-12 23
Net interest income	709	1,200	1,223	1,892	634	623	2,566	3,715
Net fee and commission income	480	505	623	656	293	321	1,396	1,482
Dividend income	6	7	8	6	3	10	18	23
Net trading result	-58	29	-70	53	0	-5	-128	77
Gains/losses from financial instruments at FVPL	57	-21	16	11	-22	21	52	12
Net result from equity method investments	3	-1	0	0	0	1	3	0
Rental income from investment properties & other operating leases	52	60	43	41	45	50	141	150
General administrative expenses	-689	-747	-1,143	-1,259	-363	-394	-2,195	-2,401
thereof depreciation and amortization	-42	-46	-85	-84	-32	-39	-160	-168
Gains/losses from derecognition of financial assets at AC	-1	0	0	0	0	0	-1	0
Other gains/losses from derecognition of financial instruments not at FVPL	0	0	1	-4	-1	1	0	-3
Impairment result from financial instruments	-31	-53	-62	-182	-64	135	-158	-101
Other operating result	-35	-68	-26	-34	5	15	-56	-87
Levies on banking activities	-23	-16	-18	-5	0	0	-41	-22
Pre-tax result from continuing operations	**495**	**910**	**614**	**1,180**	**530**	**778**	**1,639**	**2,867**
Taxes on income	-140	-202	-157	-261	-121	-178	-418	-642
Net result for the period	**355**	**707**	**456**	**919**	**410**	**599**	**1,221**	**2,225**
Net result attributable to non-controlling interests	35	26	399	797	8	13	442	836
Net result attributable to owners of the parent	**320**	**681**	**57**	**122**	**402**	**586**	**779**	**1,390**
Operating income	1,250	1,778	1,844	2,660	954	1,021	4,048	5,459
Operating expenses	-689	-747	-1,143	-1,259	-363	-394	-2,195	-2,401
Operating result	**562**	**1,031**	**701**	**1,401**	**591**	**626**	**1,853**	**3,058**
Risk-weighted assets (credit risk, eop)	15,454	15,157	27,280	27,433	19,939	20,815	62,673	63,405
Average allocated capital	2,433	2,172	4,665	4,456	2,615	2,608	9,712	9,236
Cost/income ratio	55.1%	42.0%	62.0%	47.3%	38.1%	38.6%	54.2%	44.0%
Return on allocated capital	14.6%	32.6%	9.8%	20.6%	15.7%	23.0%	12.6%	24.1%
Total assets (eop)	59,249	58,667	80,471	81,594	65,259	70,085	204,979	210,346
Total liabilities excluding equity (eop)	56,574	55,524	74,399	74,586	35,223	31,085	166,197	161,196
Impairments	**-31**	**-53**	**-62**	**-185**	**-65**	**135**	**-157**	**-103**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-34	-76	-67	-198	-58	84	-159	-190
Net impairment loss on commitments and guarantees given	3	23	5	16	-7	51	1	89
Impairment of goodwill	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
Net impairment on other non-financial assets	0	0	0	-2	0	0	0	-2

Operating segments: Geographical area Central and Eastern Europe

	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	1-12 22	1-12 23	1-12 22	1-12 23	1-12 22	1-12 23	1-12 22	1-12 23	1-12 22	1-12 23	1-12 22	1-12 23	1-12 22	1-12 23
Net interest income	1,417	1,320	450	514	530	637	396	357	285	403	83	101	3,160	3,332
Net fee and commission income	387	454	192	208	191	205	223	255	117	124	23	24	1,134	1,269
Dividend income	3	2	1	1	1	1	0	0	0	0	0	0	4	3
Net trading result	152	174	24	22	123	111	-18	29	40	15	6	7	326	359
Gains/losses from financial instruments at FVPL	-18	-74	2	2	5	1	-54	113	-2	1	0	0	-67	43
Net result from equity method investments	3	9	3	4	0	1	0	0	1	1	0	0	7	16
Rental income from investment properties & other operating leases	9	9	0	0	18	9	8	10	8	7	0	2	42	38
General administrative expenses	-868	-964	-307	-332	-381	-418	-247	-270	-240	-264	-74	-91	-2,118	-2,338
thereof depreciation and amortization	-111	-116	-35	-34	-52	-50	-41	-35	-33	-31	-6	-10	-277	-275
Gains/losses from derecognition of financial assets at AC	-50	-11	0	0	0	0	0	0	0	0	0	0	-50	-12
Other gains/losses from derecognition of financial instruments not at FVPL	-26	0	0	0	0	0	1	-17	0	-21	0	0	-25	-39
Impairment result from financial instruments	-26	-34	-32	-15	-80	-9	-18	1	42	46	-20	-9	-134	-21
Other operating result	-68	-71	-11	-9	-37	-33	-139	-174	-27	-22	-3	1	-285	-308
Levies on banking activities	0	0	0	0	0	0	-124	-137	0	0	0	0	-124	-137
Pre-tax result from continuing operations	**914**	**812**	**320**	**395**	**370**	**503**	**151**	**304**	**224**	**292**	**15**	**35**	**1,994**	**2,341**
Taxes on income	-156	-133	-71	-88	-73	-120	-26	-39	-50	-52	-1	-3	-376	-434
Net result for the period	**759**	**680**	**249**	**307**	**297**	**383**	**125**	**265**	**174**	**240**	**14**	**32**	**1,618**	**1,906**
Net result attributable to non-controlling interests	0	0	0	0	0	0	0	0	54	75	3	6	57	82
Net result attributable to owners of the parent	**758**	**679**	**249**	**307**	**297**	**383**	**125**	**265**	**120**	**164**	**11**	**26**	**1,561**	**1,824**
Operating income	1,952	1,894	671	751	868	964	554	763	449	552	112	134	4,606	5,059
Operating expenses	-868	-964	-307	-332	-381	-418	-247	-270	-240	-264	-74	-91	-2,118	-2,338
Operating result	**1,084**	**929**	**364**	**419**	**487**	**546**	**307**	**494**	**209**	**289**	**38**	**43**	**2,488**	**2,721**
Risk-weighted assets (credit risk, eop)	22,374	24,550	9,232	10,039	8,529	9,246	5,116	4,833	6,071	6,246	1,829	1,958	53,151	56,872
Average allocated capital	3,848	4,412	1,488	1,524	1,800	1,851	1,248	1,532	1,232	1,077	297	311	9,913	10,707
Cost/income ratio	44.5%	50.9%	45.8%	44.2%	43.9%	43.3%	44.6%	35.3%	53.4%	47.7%	66.5%	67.7%	46.0%	46.2%
Return on allocated capital	19.7%	15.4%	16.8%	20.1%	16.5%	20.7%	10.0%	17.3%	14.2%	22.3%	4.7%	10.3%	16.3%	17.8%
Total assets (eop)	68,002	72,716	23,752	26,469	19,972	21,877	12,717	12,512	14,980	14,752	3,132	3,408	142,554	151,733
Total liabilities excluding equity (eop)	62,292	66,871	21,566	23,995	17,738	19,369	11,601	11,043	13,519	13,077	2,763	2,989	129,479	137,345
Impairments	**-72**	**-67**	**-36**	**-15**	**-86**	**-10**	**-24**	**-27**	**41**	**46**	**-20**	**-9**	**-196**	**-83**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-30	-45	-36	-24	-67	-6	-14	4	71	60	-17	-11	-93	-21
Net impairment loss on commitments and guarantees given	4	10	4	9	-13	-4	-4	-3	-28	-14	-3	1	-41	0
Impairment of goodwill	0	0	0	0	0	0	-5	-9	0	0	0	0	-5	-9
Net impairment on investments in subsidiaries, joint ventures and associates	0	0	-6	-1	0	0	0	0	0	0	0	0	-6	-1
Net impairment on other non-financial assets	-46	-33	2	2	-6	-1	0	-20	-1	0	0	0	-51	-52

Business segments (1)

in EUR million	Retail		Corporates		Group Markets		ALM&LCC	
	1-12 22	1-12 23	1-12 22	1-12 23	1-12 22	1-12 23	1-12 22	1-12 23
Net interest income	2,643	3,263	1,542	1,931	526	386	-283	-558
Net fee and commission income	1,270	1,391	370	410	289	312	-84	-96
Dividend income	0	0	0	2	3	8	11	10
Net trading result	158	169	149	116	56	106	-915	359
Gains/losses from financial instruments at FVPL	-59	111	4	9	-33	13	818	-464
Net result from equity method investments	3	7	3	8	0	0	3	0
Rental income from investment properties & other operating leases	6	9	111	113	0	0	26	28
General administrative expenses	-2,227	-2,429	-592	-665	-246	-265	-122	-138
thereof depreciation and amortization	-259	-266	-69	-70	-13	-14	-11	-9
Gains/losses from derecognition of financial assets at AC	-2	-1	0	0	0	0	-50	-11
Other gains/losses from derecognition of financial instruments not at FVPL	0	0	1	0	0	1	-26	-125
Impairment result from financial instruments	-135	-56	-105	104	1	0	6	15
Other operating result	-101	-111	-57	-82	-34	-33	-155	-163
Levies on banking activities	-80	-84	-39	-54	-10	-16	-18	0
Pre-tax result from continuing operations	**1,557**	**2,354**	**1,426**	**1,945**	**561**	**528**	**-770**	**-1,144**
Taxes on income	-306	-424	-281	-374	-113	-102	125	166
Net result for the period	**1,251**	**1,931**	**1,145**	**1,571**	**448**	**426**	**-644**	**-977**
Net result attributable to non-controlling interests	33	35	62	75	5	5	0	7
Net result attributable to owners of the parent	**1,218**	**1,896**	**1,083**	**1,496**	**444**	**422**	**-644**	**-984**
Operating income	4,022	4,950	2,179	2,589	841	826	-422	-721
Operating expenses	-2,227	-2,429	-592	-665	-246	-265	-122	-138
Operating result	**1,795**	**2,521**	**1,587**	**1,923**	**595**	**560**	**-545**	**-859**
Risk-weighted assets (credit risk, eop)	22,458	24,311	55,858	57,264	3,600	4,009	7,269	8,037
Average allocated capital	3,791	3,708	5,841	6,178	1,102	975	5,917	6,701
Cost/income ratio	55.4%	49.1%	27.2%	25.7%	29.2%	32.1%	-29.0%	-19.2%
Return on allocated capital	33.0%	52.1%	19.6%	25.4%	40.7%	43.7%	-10.9%	-14.6%
Total assets (eop)	74,941	77,127	76,016	80,486	47,665	51,885	84,692	85,702
Total liabilities excluding equity (eop)	113,825	113,509	41,625	44,875	44,638	41,871	65,218	74,491
Impairments	**-154**	**-56**	**-121**	**99**	**1**	**0**	**-20**	**-42**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-148	-73	-44	58	1	-5	3	10
Net impairment loss on commitments and guarantees given	13	17	-61	46	-1	5	3	5
Impairment of goodwill	-5	0	0	0	0	0	0	-9
Net impairment on investments in subsidiaries, joint ventures and associates	0	0	0	0	0	0	-6	-1
Net impairment on other non-financial assets	-14	0	-16	-5	0	0	-21	-46

Business segments (2)

in EUR million	Savings Banks 1-12 22	Savings Banks 1-12 23	Group Corporate Center 1-12 22	Group Corporate Center 1-12 23	Intragroup Elimination 1-12 22	Intragroup Elimination 1-12 23	Total Group 1-12 22	Total Group 1-12 23
Net interest income	1,223	1,892	138	247	162	67	5,951	7,228
Net fee and commission income	623	656	12	-3	-28	-30	2,452	2,640
Dividend income	8	6	7	12	0	0	29	38
Net trading result	-70	53	-17	0	-140	-49	-779	754
Gains/losses from financial instruments at FVPL	16	11	-15	13	0	0	731	-306
Net result from equity method investments	0	0	8	7	0	0	18	23
Rental income from investment properties & other operating leases	43	41	-18	-14	-1	-2	168	175
General administrative expenses	-1,143	-1,259	-964	-1,075	720	812	-4,575	-5,020
thereof depreciation and amortization	-85	-84	-134	-138	21	22	-551	-560
Gains/losses from derecognition of financial assets at AC	0	0	0	-1	0	0	-52	-13
Other gains/losses from derecognition of financial instruments not at FVPL	1	-4	2	-1	0	0	-23	-128
Impairment result from financial instruments	-62	-182	-4	-8	0	0	-300	-128
Other operating result	-26	-34	687	754	-713	-798	-399	-468
Levies on banking activities	-18	-5	-22	-25	0	0	-187	-183
Pre-tax result from continuing operations	**614**	**1,180**	**-165**	**-69**	**0**	**0**	**3,222**	**4,795**
Taxes on income	-157	-261	175	120	0	0	-556	-874
Net result for the period	**456**	**919**	**10**	**51**	**0**	**0**	**2,666**	**3,921**
Net result attributable to non-controlling interests	399	797	2	5	0	0	502	923
Net result attributable to owners of the parent	**57**	**122**	**8**	**46**	**0**	**0**	**2,165**	**2,998**
Operating income	1,844	2,660	115	262	-7	-14	8,571	10,552
Operating expenses	-1,143	-1,259	-964	-1,075	720	812	-4,575	-5,020
Operating result	**701**	**1,401**	**-849**	**-813**	**713**	**798**	**3,996**	**5,532**
Risk-weighted assets (credit risk, eop)	27,280	27,433	2,818	1,688	0	0	119,282	122,742
Average allocated capital	4,665	4,456	2,968	4,983	0	0	24,284	27,001
Cost/income ratio	62.0%	47.3%	>100%	>100%	>100%	>100%	53.4%	47.6%
Return on allocated capital	9.8%	20.6%	0.3%	1.0%			11.0%	14.5%
Total assets (eop)	80,471	81,594	5,464	3,973	-45,385	-43,611	323,865	337,155
Total liabilities excluding equity (eop)	74,399	74,586	4,281	2,978	-45,426	-43,656	298,560	308,654
Impairments	**-62**	**-185**	**-21**	**-23**	**0**	**0**	**-377**	**-206**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-67	-198	-16	11	0	0	-272	-198
Net impairment loss on commitments and guarantees given	5	16	12	-19	0	0	-28	70
Impairment of goodwill	0	0	0	0	0	0	-5	-9
Net impairment on investments in subsidiaries, joint ventures and associates	0	0	-15	-4	0	0	-21	-5
Net impairment on other non-financial assets	0	-2	-1	-11	0	0	-52	-64

2. Net interest income

Net interest income is broken down into line items of interest income, other similar income, interest expenses and other similar expenses. The distinguishing factor is whether the EIR method is mandatorily applied for recognition of interest income or expense in accordance with IFRS 9.

'Interest income' relates to interest revenue from financial assets measured at amortised cost and at fair value through other comprehensive income. It is calculated using the EIR method as discussed in chapter 'Financial instruments – Material accounting policies'.

'Other similar income' captures interest-like sources of income resulting from non-derivative financial assets measured at fair value through profit or loss, held for trading derivatives, hedge accounting derivatives, finance lease receivables and negative interest on financial liabilities. Negative interest on financial liabilities also includes fees which are charged on deposits from corporate customers based on a specific percentage of outstanding balances.

'Interest expenses' relate to interest expense from financial liabilities measured at amortised cost calculated using effective interest rate.

'Other similar expenses' capture interest-like sources of expense resulting from non-derivative financial liabilities measured at fair value through profit or loss, held for trading derivatives, hedge accounting derivatives, negative interest on financial assets, lease liabilities, provisions recognised under IFRS 9 and IAS 37 (unwinding of the time value of the money effect due to passage of time) and net defined liabilities (net interest cost on severance payments, pensions and jubilee obligations) under IAS 19.

As regards types of financial instruments, interest income and other similar income include interest income on loans and advances to banks and customers, on cash balances, on debt securities in all measurement categories of financial assets, on trade and other receivables and on finance lease receivables. Interest expenses and other similar expenses include interest paid on deposits from customers, deposits from banks, debt securities issued and other financial liabilities in all measurement categories of financial liabilities and interest paid on lease liabilities. Net interest income also includes interest on derivative financial instruments.

Interest income also includes modification gains and losses recognised on financial assets in Stage 1. Further, the unamortised balance of the origination fees/transaction costs upon derecognition of assets in Stage 1 and 2 considered in the effective interest rate is presented as interest income at the derecognition date.

in EUR million	1-12 22	1-12 23
Financial assets at AC	8,378	14,663
Financial assets at FVOCI	244	382
Interest income	8,623	15,045
Non-trading financial assets at FVPL	66	84
Financial assets HfT	2,345	4,177
Hedge accounting derivatives, interest rate risk	-119	-80
Other assets	131	247
Negative interest from financial liabilities	195	17
Other similar income	2,618	4,446
Interest and other similar income	**11,240**	**19,490**
Financial liabilities at AC	-2,569	-6,873
Interest expenses	-2,569	-6,873
Financial liabilities at FVPL	-257	-342
Financial liabilities HfT	-2,367	-4,509
Hedge accounting derivatives, interest rate risk	38	-480
Other liabilities	-30	-57
Negative interest from financial assets	-104	-2
Other similar expenses	-2,720	-5,389
Interest and other similar expenses	**-5,290**	**-12,262**
Net interest income	**5,951**	**7,228**

An amount of EUR 168 million (2022: EUR 100 million) relating to impaired financial assets is included in interest income.

The amounts disclosed in the line items 'Negative interest from financial liabilities' and 'Negative interest from financial assets' largely relate to the interbank business, deposits and refinancing with central banks.

In 2022 negative interest from financial liabilities at AC includes catch-up gains from TLTRO III in the amount of EUR 129 million. For more details refer to Note 18 Financial liabilities at amortised costs.

3. Net fee and commission income

Erste Group earns fee and commission income from a diverse range of services that it provides to its customers. Fee and commission income is measured based on the consideration specified in the contract with a customer. Erste Group recognises revenue when it transfers a promised service to a customer.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commitment fees, premiums received for financial guarantees and other fees from lending business, commission income from asset management, custody and other management and advisory fees. Services provided over a period of time also include certain payment services like periodic card fees.

Fee income earned from providing transaction services, such as arranging the acquisition and sale of shares or other securities on behalf of customers or foreign exchange transactions, as well as commission income earned from services such as the sale of collective investments and insurance products, are recognised upon completion of the underlying transaction. Transaction based services also include certain payment services like withdrawal fees.

A contract with a customer that results in the recognition of a financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then Erste Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. For example, loan servicing fees agreed in a loan contract that are not integral to the effective interest rate of a financial instrument are included in the net fee and commission income.

	1-12 22		1-12 23	
in EUR million	Income	Expenses	Income	Expenses
Securities	282	-56	275	-60
Issues	47	-1	52	-1
Transfer orders	217	-43	212	-46
Other	18	-12	12	-13
Clearing and settlement	2	-4	4	-1
Asset management	524	-49	574	-50
Custody	123	-16	135	-17
Fiduciary transactions	1	0	1	0
Payment services	1,340	-236	1,473	-269
Card business	406	-158	452	-178
Other	934	-79	1,021	-91
Customer resources distributed but not managed	274	-8	286	-11
Collective investment	24	-2	23	-2
Insurance products	211	-1	235	-2
Foreign exchange transactions	37	-3	25	-2
Other	3	-3	3	-5
Structured finance	1	0	1	0
Servicing fees from securitization activities	0	-1	0	0
Lending business	218	-38	250	-32
Guarantees given, guarantees received	94	-3	100	-5
Loan commitments given, loan commitments received	43	-1	51	-1
Other lending business	81	-33	99	-26
Other	123	-27	105	-25
Total fee and commission income and expenses	**2,889**	**-436**	**3,104**	**-464**
Net fee and commission income	**2,452**		**2,640**	

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 644 million (2022: EUR 584 million). Net fee and commission income above include income of EUR 1,186 million (2022: EUR 1,086 million) relating to financial assets and financial liabilities not measured at FVPL.

The total amount of revenue from administrative and agency services to third parties amounts to EUR 919 million (2022: EUR 850 million).

4. Dividend income

Dividend income is recognised when the right to receive the payment is established. This line item includes dividends from all shares and other equity investments, i.e. from those that are held for trading, non-trading equity instruments at FVPL and at FVOCI.

in EUR million	1-12 22	1-12 23
Financial assets HfT	3	9
Non-trading financial assets at FVPL	18	20
Financial assets at FVOCI	9	9
Dividend income	**29**	**38**

5. Net trading result

Results arising from trading activities include all gains and losses from changes in the fair value (clean price) of financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedging instruments and gains and losses from their derecognition. Further, the net trading result includes any ineffective portions recorded in fair value and cash flow hedge transactions. Also, foreign exchange gains and losses on all monetary assets and liabilities and from spot currency conversions are included here.

The accounting policy for recognition of foreign exchange gains and losses is described in the chapter 'Material accounting policies', b) 'Foreign currency translations', i. 'Transactions and balances in foreign currency'. Detailed information relating to hedge accounting can be found in Note 27 Hedge accounting.

in EUR million	1-12 22	1-12 23
Securities and derivatives trading	-853	343
Foreign exchange transactions	86	407
Result from hedge accounting	-11	4
Net trading result	**-779**	**754**

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

Changes in fair value (clean price) of non-trading financial assets at fair value through profit or loss, including gains and losses on their derecognition, are presented under this line item. This concerns both non-trading financial assets designated and those mandatorily measured at FVPL. Gains and losses (clean price) of financial liabilities designated at FVPL, including gains and losses on their derecognition, are also presented under this line item. However, the fair value changes resulting from own credit risk of the liability are recognised in OCI.

in EUR million	1-12 22	1-12 23
Result from measurement/sale of financial assets designated at FVPL	-19	7
Result from measurement/repurchase of financial liabilities designated at FVPL	940	-480
Result from financial assets and liabilities designated at FVPL	**921**	**-473**
Result from measurement/sale of financial assets mandatorily at FVPL	-189	168
Gains/losses from financial instruments measured at fair value through profit or loss	**731**	**-306**

7. Rental income from investment properties & other operating leases

Rental income from investment properties and other operating leases is recognised on a straight-line basis over the lease term. Operating expenses for investment properties are reported in line item 'Other operating result'. For further details we refer to Note 12 Other operating result.

in EUR million	1-12 22	1-12 23
Investment properties	113	129
Other operating leases	54	46
Rental income from investment properties & other operating leases	**168**	**175**

8. General administrative expenses

PERSONNEL EXPENSES

Personnel expenses include wages and salaries, expenses for variable remuneration, statutory and voluntary social security contributions, staff-related taxes and levies. They also include service costs for severance payments, pension and jubilee obligations and remeasurements of jubilee obligations. Furthermore, restructuring provision expenses may be part of personnel expenses.

Information about remuneration of management including performance-linked remuneration can be found in Note 60 Related-party transactions. Information about share-based payments to the management board and to employees can be found in Note 61 Share-based payments.

OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses include primarily information technology expenses, expenses for office space, office operating expenses, advertising and marketing, and expenditures for legal and other consultants. Furthermore, the line item contains deposit insurance contributions. Restructuring provision expenses may also be presented in other administrative expenses.

DEPRECIATION AND AMORTISATION

This line item comprises depreciation of property and equipment, depreciation of investment property and amortisation of intangible assets. In the line item 'Depreciation and amortisation', also the depreciation of right-of-use assets according to IFRS 16 is disclosed.

General administrative expenses

in EUR million	1-12 22	1-12 23
Personnel expenses	**-2,668**	**-2,991**
Wages and salaries	-2,049	-2,286
Compulsory social security	-488	-530
Long-term employee provisions	1	-24
Other personnel expenses	-131	-152
Other administrative expenses	**-1,356**	**-1,468**
Deposit insurance contribution	-143	-114
IT expenses	-488	-549
Expenses for office space	-186	-208
Office operating expenses	-152	-160
Advertising/marketing	-193	-222
Legal and consulting costs	-126	-134
Sundry administrative expenses	-69	-81
Depreciation and amortisation	**-551**	**-560**
Software and other intangible assets	-192	-190
Owner occupied real estate	-161	-167
Investment properties	-29	-31
Customer relationships	-7	-7
Office furniture and equipment and sundry property and equipment	-161	-163
General administrative expenses	**-4,575**	**-5,020**

Personnel expenses include expenses of EUR 54 million (2022: EUR 48 million) for defined contribution plans.

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

	1-12 22	1-12 23
Austria	**15,686**	**16,047**
Erste Group Bank AG, Erste Bank Oesterreich and subsidiaries	8,561	8,884
Savings banks	7,125	7,163
Outside Austria	**29,271**	**29,662**
Česká spořitelna Group	9,846	9,975
Banca Comercială Română Group	5,303	5,495
Slovenská sporiteľňa Group	3,618	3,559
Erste Bank Hungary Group	3,272	3,340
Erste Bank Croatia Group	3,240	3,273
Erste Bank Serbia Group	1,212	1,301
Savings banks subsidiaries	1,523	1,537
Other subsidiaries and foreign branch offices	1,257	1,181
Total	**44,957**	**45,709**

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

This line item includes selling and other derecognition gains or losses on financial assets measured at amortised cost. However, if such gains/losses relate to derecognition of financial assets in Stage 3, they are included in the line item 'Impairment result from financial instruments'.

in EUR million	1-12 22	1-12 23
Gains from derecognition of financial assets at AC	0	1
Losses from derecognition of financial assets at AC	-52	-14
Gains/losses from derecognition of financial assets measured at amortised cost	**-52**	**-13**

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

This line item includes selling and other derecognition gains or losses on financial assets at FVOCI, financial liabilities measured at amortised cost and other financial instruments not measured at FVPL, such as finance lease receivables or financial guarantees. However, if such gains/losses relate to financial assets in Stage 3 they are included in the line item 'Impairment result from financial instruments'.

in EUR million	1-12 22	1-12 23
Sale of financial assets at FVOCI	-24	-139
Derecognition of financial liabilities at AC	1	10
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**-23**	**-128**

11. Impairment result from financial instruments

Net impairment losses on financial instruments comprise impairment losses and reversals of impairment on all kinds of financial instruments, to which the IFRS 9 expected credit loss impairment model applies. The impairment result also includes recoveries on written-off financial assets. Modification gains and losses recognised on financial assets in Stage 2 and Stage 3 and POCI assets are also included in this line item. Moreover, gains/losses from derecognition of financial assets in Stage 3 and POCI assets are presented as part of the impairment result.

in EUR million	1-12 22	1-12 23
Financial assets at FVOCI	-1	9
Financial assets at AC	-293	-202
allocation/reversal to credit loss allowances (net)	-355	-259
Direct write-offs	-9	-7
Recoveries recorded directly to the income statement	79	79
Modification gains or losses	-8	-15
Finance lease receivables	22	-5
allocation/reversal to credit loss allowances (net)	19	-5
Recoveries recorded directly to the income statement	3	1
Credit loss allowances for loan commitments and financial guarantees given	-28	70
Impairment result from financial instruments	**-300**	**-128**

In the following table, the change of the credit loss allowance recognised in balance sheet is compared to the impairment result from financial instruments.

	Changes of credit loss allowances			
in EUR million	Impairment result of financial instruments	Other changes through profit or loss	Changes not affecting profit or loss	Total
Credit loss allowances Jan 23				**-4,506**
Net allocation to credit loss allowances	-236			-236
Increase due to passage of time (unwinding correction)		-108		-108
Derecognition due to sales			40	40
Write-offs			289	289
Changes in scope of consolidation			3	3
Foreign exchange differences		17		17
Other		-29		-29
Credit loss allowances Dec 23				**-4,530**
Impairment gains or losses on POCIs without CLA	50			
Direct write-offs	-7			
Recoveries recorded directly to the income statement	80			
Modification gains or losses	-15			
Impairment result from financial instruments	**-128**			

	Changes of credit loss allowances			
in EUR million	Impairment result of financial instruments	Other changes through profit or loss	Changes not affecting profit or loss	Total
Credit loss allowances Jan 22				**-4,447**
Net allocation to credit loss allowances	-379			-379
Increase due to passage of time (unwinding correction)		-91		-91
Derecognition due to sales			44	44
Write-offs			381	381
Changes in scope of consolidation			-2	-2
Foreign exchange differences		-11		-11
Other		-1		-1
Credit loss allowances Dec 22				**-4,506**
Impairment gains or losses on POCIs without CLA	14			
Direct write-offs	-9			
Recoveries recorded directly to the income statement	82			
Modification gains or losses	-8			
Impairment result from financial instruments	**-300**			

12. Other operating result

The other operating result reflects all other income and expenses not directly attributable to Erste Group's ordinary activities.

It includes expenses for allocations to and income from release of provisions in scope of IAS 37. Further, impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment, investment property and intangible assets are presented as other operating result. Any impairment losses on goodwill are also included in this line item.

In addition, the other operating result encompasses the following: resolution fund contributions, expenses for other taxes as well as selling gains and losses on equity investments accounted for using the equity method and gains or losses from derecognition of subsidiaries.

Furthermore, levies on banking activities are considered as part of the other operating result. Erste Group recognises a liability or a provision for the levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

in EUR million	1-12 22	1-12 23
Other operating expenses	**-520**	**-475**
Allocation to other provisions	-176	-162
Levies on banking activities	-187	-183
Banking tax	-128	-112
Financial transaction tax	-59	-71
Other taxes	-13	-7
Resolution fund contributions	-139	-113
Impairment of goodwill	-5	-9
Other operating income	**222**	**140**
Release of other provisions	222	140
Result from properties and equipment, investment properties and other intangible assets	-19	-55
Result from other operating expenses/income	-82	-77
Other operating result	**-399**	**-468**

Operating expenses (including repair and maintenance) for investment properties held for rental income totalled to EUR 42 million (2022: EUR 36 million).

No income from reversal of impairment for assets held for sale has been recognized under 'Result from other operating expenses/income' in 2022 or 2023.

13. Taxes on income

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period. However, they are recognised in other comprehensive income or directly in equity if they arise from a transaction or event which itself is recognised in OCI or equity.

Coupon payments made to the holders of Additional Tier 1 equity instruments issued by Erste Group Bank AG are tax-deductible interest payments under the Austrian Tax Regulations. Since the AT1 coupons are considered as distributions of profit the income tax effects are recognised in profit or loss.

PILLAR 2

In December 2022, the EU-wide minimum taxation system Pillar 2 was adopted as an EU directive and is also relevant for Erste Group as an international banking group. At 31 December 2023 Erste Group applied the temporary exception to the requirements of IAS 12 under which a company discloses limited information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar 2 model rules.

Expected Effect. Pillar 2 legislation has been enacted or substantively enacted in certain jurisdictions in which Erste Group operates. The legislation will be effective for Erste Group's financial year beginning 1 January 2024. Erste Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar 2 income taxes. This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Group. Based on the assessment, the Pillar 2 effective tax rates in most of the jurisdictions in which Erste Group operates are above 15%. However, there are a limited number of jurisdictions where the Pillar 2 effective tax rate is close to 15%. The Group does not expect a material exposure to Pillar 2 income taxes in those jurisdictions.

MATERIAL ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. For this purpose a planning period of 5 years is used. Income tax uncertainties in accounting have been considered by weighting possible outcome scenarios.

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 22	1-12 23
Current tax expense/income	-578	-801
current period	-569	-819
prior period	-9	18
Deferred tax expense/income	22	-73
current period	16	-74
prior period	6	2
Total	**-556**	**-874**

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 22	1-12 23
Pre-tax result from continuing operations	3,222	4,795
Income tax expense for the financial year at the Austrian statutory tax rate (24%)	-806	-1,151
Impact of different foreign tax rates	161	207
Impact of tax-exempt earnings of investments and other tax-exempt income	179	178
Tax increases due to non-deductible expenses, additional business tax and similar elements	-216	-220
Impact on deferred taxes from topics on Group level	13	-91
Current period's recognition through P&L of DTA from tax losses, assessed non-recoverable at the end of the prior period	108	141
Current period's recognition through P&L of DTA from temporary differences, assessed non-recoverable at the end of the prior period	72	34
Impact of current non-recoverable fiscal losses and temporary differences for the year	-3	-4
Tax expense/income not attributable to the reporting period	-3	19
Tax expense/income from changes of the tax rate or the imposition of new taxes	-21	15
Tax expense/income attributable to other effects	-39	-2
Total	**-556**	**-874**

The positive impact of EUR 15 million reported in the above effective tax reconciliation table for the financial year 2023 as 'tax expense/income from changes of the tax rate or the imposition of new taxes' (2022: EUR -21 million) is triggered by the upcoming increase in the corporate income tax rate in the Czech jurisdiction from 19% to 21%, that come into force in January 2024 and on the other hand from the reduction of the Austrian corporate tax to 23% from January 2024 on. Consequently, the deferred tax income and expenses related to temporary differences arising during the financial year 2023 at the level of the Group entities that are fiscal subjects of the respective jurisdiction - as well as the deferred tax positions already recognized by the Czech entities in previous years and expected to become tax effective starting with the year 2024 onwards - have been calculated - and respectively recalculated - using the newly applicable tax rates accordingly. The main reason the tax effect is positive despite the increasing applicable tax rate in Czechia consists of the fact that the deferred tax position of Czech entities resulting from previous years was a deferred tax asset that was upwards adjusted based on the newly applicable future tax rate of 21%.

The total amount of the 'tax expense attributable to other effects' for 2023 additionally includes a positive effect of EUR 5 million arising from the internal offsetting of the single-level current and prior taxable results of the Austrian member entities of the tax group headed by Erste Group Bank AG.

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

	1-12 22			1-12 23		
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	-33	8	-25	10	-1	9
Fair value reserve of debt instruments	-560	113	-447	401	-66	335
Own credit risk reserve	239	-57	182	-50	8	-42
Cash flow hedge reserve	10	-1	9	205	-40	166
Remeasurement of defined benefit plans	99	-17	82	-59	14	-46
Currency reserve	79	0	79	-101	0	-101
Other comprehensive income	**-166**	**47**	**-119**	**406**	**-85**	**321**

Taxes on income within other comprehensive income are influenced by the consideration of the result of recoverability assessments allocated against OCI-related deferred tax assets. The allocation of the result of recoverability assessments is based on Erste Group's methodology of allocating non-recoverable deferred tax assets 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.

Major components of deferred tax assets and deferred tax liabilities

in EUR million	Tax assets Dec 23	Tax assets Jan 23	Tax liabilities Dec 23	Tax liabilities Jan 23	Net variance 2023 Total	Net variance 2023 Profit or loss	Net variance 2023 Other comprehensive income
Temporary differences related to the following items:							
Financial assets and liabilities HfT and non-trading financial assets and liabilities at FVPL	214	219	-292	-317	20	12	8
Financial assets at FVOCI	20	115	-16	-6	-105	-37	-68
Financial assets at AC and finance lease receivables	504	636	-41	-211	38	38	0
Hedge accounting derivatives	56	80	-31	-51	-5	35	-40
Property, plant and equipment	26	22	-118	-114	0	1	0
Equity Investments in subsidiaries, associates and joint-ventures	49	47	-1	-3	4	4	0
Financial liabilities at AC	92	274	-298	-395	-86	-84	0
Long-term employee provisions (tax valuation different)	105	114	-5	-3	-11	-25	14
Other provisions (tax valuation different)	44	58	-5	-2	-17	-16	0
Customer relationships, brands and other intangibles	3	3	-72	-78	6	5	0
Other	155	146	-48	-47	7	7	0
Non-recoverable tax position from temporary differences	-52	-94	0	0	42	41	1
Deferred tax position from accumulated tax loss carried forward after recoverability considerations	167	219	0	0	-52	-52	0
Effect of netting according IAS 12.71	-914	-1,211	914	1,211	0	0	0
Total deferred taxes	**468**	**629**	**-14**	**-16**	**-160**	**-72**	**-85**
Current taxes	**72**	**109**	**-265**	**-127**	**-174**	**-801**	**0**
Total taxes	**540**	**738**	**-279**	**-143**	**-334**	**-874**	**-85**

in EUR million	Tax assets Dec 22	Tax assets Jan 22	Tax liabilities Dec 22	Tax liabilities Jan 22	Net variance 2022 Total	Net variance 2022 Profit or loss	Net variance 2022 Other comprehensive income
Temporary differences related to the following items:							
Financial assets and liabilities HfT and non-trading financial assets and liabilities at FVPL	219	202	-317	-233	-68	-11	-57
Financial assets at FVOCI	115	4	-6	-61	167	44	123
Financial assets at AC and finance lease receivables	636	273	-211	-149	301	299	0
Hedge accounting derivatives	80	120	-51	-32	-58	-57	-1
Property, plant and equipment	22	20	-114	-111	-2	-2	0
Equity Investments in subsidiaries, associates and joint-ventures	47	28	-3	-8	23	23	0
Financial liabilities at AC	274	201	-395	-31	-290	-290	0
Long-term employee provisions (tax valuation different)	114	130	-3	-3	-16	0	-17
Other provisions (tax valuation different)	58	72	-2	-2	-14	-14	0
Customer relationships, brands and other intangibles	3	3	-78	-86	8	8	0
Other	146	227	-47	-53	-75	-74	0
Non-recoverable tax position from temporary differences	-94	-147	0	0	53	53	0
Deferred tax position from accumulated tax loss carried forward after recoverability considerations	219	178	0	0	42	42	0
Effect of netting according IAS 12.71	-1,211	-750	1,211	750	0	0	0
Total deferred taxes	**629**	**562**	**-16**	**-19**	**70**	**22**	**48**
Current taxes	**109**	**135**	**-127**	**-144**	**-10**	**-578**	**0**
Total taxes	**738**	**697**	**-143**	**-162**	**60**	**-556**	**48**

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 recoverability assessments except for the position deferred tax assets resulting from tax loss carry-forward. The remaining non-recoverable amounts are 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 decrease of EUR 160 million (2022: increase EUR 70 million) an amount of EUR 72 million (2022: EUR 22 million) is reflected as deferred tax expense in the Group's income statement for the year 2023, whilst an expense amount of EUR 85 million (2022: EUR 48 million) represents the impact in the Group's other comprehensive income for the year. Furthermore, deferred tax income in the amount of EUR 1 million (2022: EUR 1 million) representing accumulated OCI in respect of deferred tax recognised 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.

The Group's consolidated deferred tax asset position in amount of EUR 468 million as of 31 December 2023 (2022: EUR 629 million) is expected to be recoverable in the foreseeable future. This is also expected to be the case for deferred tax assets exceeding their deferred tax liabilities by an amount of EUR 5 million as of 31 December 2023 (2022: EUR 10 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.

In accordance with IAS 12.39, no deferred tax liabilities were recognised for temporary differences relating to investments in subsidiaries with an amount of EUR 3,261 million (2022: EUR 2,545 million), as they are not expected to reverse in the foreseeable future. As of 31 December 2023, no deferred tax assets were recognised for tax loss carry-forward and deductible temporary differences with a total amount of EUR 2,155 million (2022: EUR 2,926 million), of which EUR 653 million (2022: EUR 1,385 million) relates to tax loss carry-forward, as they are not expected to be realized in the foreseeable future. The figure comprises an amount of EUR 1,287 million (2022: EUR 1,125 million) representing temporary differences in connection with investments in subsidiaries no deferred tax assets have been recognised 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 0 million will expire (2022: EUR 0 million) and in later periods EUR 11 million (2022: EUR 5 million), EUR 124 million (2022: EUR 307 million) will not expire.

14. Appropriation of profit

In the reporting period, Erste Group Bank AG posted a post-tax profit of EUR 1,818 million under the Austrian accounting regulations, which increased its distributable capital accordingly (2022: EUR 1,591 million).

The management board of Erste Group Bank AG will propose a 2023 dividend of EUR 2.70 per share to the 2024 Annual General Meeting (2022: EUR 1.90 per share).

Financial instruments – Material accounting policies

Accounting and measurement methods for financial instruments

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IFRS 9, all financial assets and liabilities – which also include derivative financial instruments – have to be recognised on the balance sheet and measured in accordance with their assigned categories.

Regular way (spot) purchases and sales of financial assets are recognised at the settlement date, which is the date that an asset is delivered.

Measurement of financial assets and financial liabilities is subject to two primary measurement methods: at amortised cost and fair value.

i. Amortised cost and effective interest rate

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. For financial assets the amount is adjusted for any loss allowance.

The effective interest rate ('EIR') is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before adjusting for any loss allowance) or to the amortised cost of the financial liability. The estimated cash flows consider all the contractual terms of the financial instrument but disregard the expected credit losses. The calculation includes transaction costs, origination fees that are an integral part of the EIR and all other premiums and discounts to the par amount.

ii. Fair Value

Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in Note 26 Fair value of financial instruments.

Classification and subsequent measurement of financial assets

In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:
- The business model for managing the financial assets; and
- The cash flow characteristics of the financial assets.

For further details refer to part 'Material accounting judgements, assumptions and estimates' in this chapter.

Application of these criteria leads to classification of financial assets into three measurement categories described in the respective note.
- Financial assets at amortised cost (AC)
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVPL)

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss. Interest expense is calculated by applying the EIR to the amortised cost of a financial liability. Further details on financial liabilities at amortised cost and financial liabilities at FVPL are in the respective notes: Note 18 Financial liabilities at amortised costs and Note 25 Financial liabilities at fair value through profit or loss.

Impairment of financial instruments

Erste Group recognises loss allowances for impairment on its debt instrument financial assets, other than those measured at FVPL, its lease receivables, and its off-balance credit risk exposures arising from financial guarantees and certain loan commitments.

The amount of the impairment loss is recognised as a loss allowance. For the purpose of the measurement of the amount of expected credit loss and recognition of interest income, Erste Group distinguishes between three stages of impairment.

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition or which are subject to the 'low credit risk exemption' allowed by IFRS 9. The impairment is measured in the amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Interest income is recognised by EIR applied to the gross carrying amount of the financial asset.

Financial instruments in Stage 2 are subject to significant increase in credit risk since their initial recognition (and the 'low credit risk exemption' does not apply). Stage 2 also includes trade receivables without significant financing component to which the 'simplified approach' is applied mandatorily based on IFRS 9 requirements. The impairment is measured in the amount of the lifetime expected credit loss. Interest income is recognised by EIR applied to the gross carrying amount of the financial asset (as for Stage 1). 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.

Financial instruments in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, Erste Group adopted the approach of aligning it with the regulatory concept of 'default' in accordance with guidelines of the European Banking Authority EBA/GL/2016/07 and Commission Delegated Regulation (EU) 2018/171. Erste Group generally applies a customer view for the default definition, which leads to Stage 3 classification of all transactions with the customer 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 all the transactions with the customer cease to be impaired. The impairment of financial instruments in Stage 3 is measured in the amount of the lifetime expected credit loss. Interest income is calculated by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset. From a balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss).

For financial assets that are credit-impaired at initial recognition (purchased or originated credit-impaired financial assets 'POCI') lifetime expected credit losses are initially reflected in the credit-adjusted EIR. 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. No impairment stages are distinguished for the POCI financial assets.

Measurement of expected credit losses includes cash flows expected from collateral and those financial guarantees held by Erste Group which are considered as integral to the contractual terms of financial assets whose risk is guaranteed. Erste Group considers as integral those guarantees which are entered into at or close to the inception of the guaranteed financial assets. If the bank has in a loan contract an option to require provision of a guarantee, it is also considered as integral. Premiums paid for integral financial guarantees and other credit enhancements are considered in the EIR of the related financial assets.

Reimbursement assets from financial guarantees which are not considered integral are recognised under 'Other assets' in the balance sheet. In the statement of income they reduce the impairment loss incurred on guaranteed financial assets under 'Impairment result from financial instruments'. A precondition for this treatment is that it must be virtually certain that the guarantee would reimburse the bank for the loss. Premiums paid for non-integral financial guarantees are presented in the statement of income under the line item 'Fee and commission expense' under 'Net fee and commission income'.

More detailed information about identification of significant increases in credit risk including collective assessment and estimation techniques used to measure 12-month and lifetime expected credit losses is provided in Note 34 Credit risk. For further information on the definition of default refer to Note 37 Measurement of expected credit loss.

For financial assets measured at amortised cost, the net carrying amount of the financial asset presented on the balance sheet is the difference between the gross carrying amount and the cumulative loss allowance. However, for financial assets measured at FVOCI, the loss allowance is recognised in the accumulated OCI, specifically under 'Fair value reserve' in the statement of changes in equity. Loss allowances for loan commitments and financial guarantees are presented under the balance sheet line item 'Provisions'.

Information about the development of the expected credit loss of the respective financial instruments is provided in Note 37 Measurement of expected credit loss.

In the statement of income, impairment losses and their reversals (gains) on all kinds of financial instruments are presented in the line item 'Impairment result from financial instruments'.

Derecognition of financial instruments including treatment of contractual modifications

i. Derecognition of financial assets

The difference between the carrying amount of the derecognised asset and the consideration received is presented in the statement of income in the line 'Gains/losses from derecognition of financial assets measured at amortised cost' or, for financial assets at FVOCI, in the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'. For financial assets measured at FVPL the derecognition gains or losses are recognised together with the measurement result in the lines 'Net trading result' or 'Gains/losses from financial instruments measured at fair value through profit or loss'.

ii. Derecognition criteria with respect to contractual modifications of financial assets

In the normal course of running its lending business and in agreement with the respective debtors, Erste Group may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty. For the purpose of capturing the economic substance and financial effect of such contractual modifications, Erste Group has developed a set of criteria to assess whether or not the modified terms are substantially different from the original terms and thus the financial asset has to be derecognised.

Commercial interest rate adjustments fulfilling specific conditions do not trigger the modification significance assessment. Instead, they result in a recalculation of the EIR of related loans. Such interest rate adjustments relate to performing non-forborne financial assets for which a prepayment/early termination option and a sufficiently competitive refinancing market exist. Furthermore, the costs that the debtor would incur in case of prepayment/early termination would have to be assessed as low. Such conditions introduce an implicit floating rate element to the contract. This kind of interest rate adjustments rarely applies to loan assets in Stage 2.

Substantial modifications lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument. They include following events:

- change of the contractual counterparty (unless this is a formal change such as changes in legal name);
- change in the currency of the contract (unless the change results from exercising an embedded option in the original contract with pre-agreed conditions of the change, or if the new currency is pegged to the original currency);
- introduction of a non-SPPI contractual feature (unless it is intended to improve recoveries from debtors by granting concessions supporting them to recover from financial difficulties); or
- removal of a non-SPPI contractual feature.

Some derecognition criteria distinguish whether contractual modifications are applied to debtors facing financial difficulties. Application of certain modifications to debtors in financial difficulties is not considered as substantial since they are aimed at improving the prospects of the bank to recover the claims by tailoring the repayment schedules to specific financial conditions of those debtors. On the other hand, such contractual modifications applied to performing debtors may be considered as substantial enough to warrant the derecognition, as further detailed below.

From this perspective, the following criteria lead to derecognition unless they are considered as forbearance measures or they are applied to customers in default or they trigger default (i.e. the derecognition occurs if the modification does not relate to financial difficulties):

- repayment schedule changed in a way that the weighted remaining maturity of the assets is modified by more than 100% and at least two years compared to the original asset;
- change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months); or
- altering a floating interest rate into a fixed interest rate or vice versa for the entire remaining life of the financial asset.

If contractual modifications that qualify as forbearance measures or they are applied to customers in default or they trigger default (i.e. they relate to customers in financial difficulties) are so significant that they are qualitatively assessed as an extinguishment of original contractual rights, they result in derecognition. Examples of such modifications are:

- a new agreement with materially different terms signed up as part of distressed restructuring following a standstill agreement suspending the rights of the original assets;
- consolidation of multiple original loans into one with substantially different terms; or
- transformation of a revolving loan into non-revolving.

Contractual modifications leading to derecognition of the related original assets result in the initial recognition of new financial assets. If the debtor is in default or the significant modification leads to the default, then the new asset will be treated as POCI. The difference between the carrying amount of the derecognised asset and initial fair value of the new POCI asset is presented in the statement of income in the line 'Impairment result from financial instruments'.

If the debtor is not in default or the significant modification does not lead to default, the new asset recognised after derecognition of the original asset will be in Stage 1. For loans measured at amortised cost, the unamortised balance of the origination fees/transaction costs considered in the effective interest rate is presented in the line item 'Interest income' under 'Net interest income' at the derecognition date. The release of the credit loss allowance attached to the original asset at the date of that significant modification as well as the credit loss allowance recognised for the new asset are presented in the line 'Impairment result from financial instruments'. The remaining difference is presented in the line 'Gains/losses from derecognition of financial assets measured at amortised cost'.

For debt instrument assets not measured at FVPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss. The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original EIR. In the statement of income, the modification gain or loss is presented in the line 'Interest income' under 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment result from financial instruments'. However, to the extent that the contractual modification involves the bank giving up its rights of collecting cash flows in respect of an outstanding amount of the asset, such as waiving (part of) principal or accrued interest amount, it is treated as a write-off.

iii. Write-offs

Erste Group writes off a financial asset or a part of it when it has no reasonable expectations of recovering the respective cash flows. When performing the write-off, the gross carrying amount of the asset is reduced simultaneously with the related loss allowance balance.

Erste Group has specified criteria for writing off the unrecoverable balances in its loan business. Write-off can result from forbearance measures whereby the bank contractually waives part of the existing balance in order to help the customers overcome financial difficulties and thus improve the prospects of recovering the remaining loan balance (normally this relates to going concern scenarios for corporate customers). For more information on Forbearance please refer to Note 41 Restructuring, renegotiation and forbearance.

In gone concern scenarios with corporate customers, write-offs of the unrecoverable exposure parts are triggered by enforcement activities such as filing or termination of legal proceedings (bankruptcy, liquidation, court case). Other write-off triggers may result from decisions about no enforcement due to worthlessness of the claim/collateral or generally from assessment that the receivable is economically lost. For retail customers, the non-recoverability and the timing and amounts of write-off crystallise during the collection process when it becomes evident that the amount due cannot be collected, e.g. due to ongoing bankruptcy proceedings. Residual uncollectable balances are written off after the collection process.

iv. Derecognition of financial liabilities

In the statement of income, the difference between the carrying amount of the derecognised financial liability and the consideration paid is presented in the line 'Other gains/losses from financial instruments not measured at fair value through profit or loss', 'Gains/losses from financial instruments measured at fair value through profit or loss' and 'Net trading result' depending on the measurement category of the derecognised financial liability.

MATERIAL ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

i. SPPI assessment

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of significant judgements which rely on the guidance in IFRS 9. These judgements are crucial in the IFRS 9 classification and measurement process, as they determine whether the asset must be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI. When taking into consideration specific features of financial assets in the business of Erste Group, significant areas of judgement are prepayment fees, project financing loans and interest rate adjustments based on the fulfilment of certain ESG-related targets.

The assessment whether the prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments is based on comparing the level of the fees with the economic costs incurred by the bank upon the early termination. For these purposes, Erste Group uses a quantitative test where the costs relate to the lost interest margin and the lost interest differential due to a potential decrease in the interest rates upon early termination or prepayment. The adequacy of the fees can also be defended on a qualitative basis, such as common market practice regarding the level of prepayment fees and their acceptance by authorities.

For project financing loans Erste Group assesses whether they represent basic loan agreements rather than investments in the financed projects. In this respect, credit rating, level of collateralisation, existing sponsor guarantees and the extent of equity funding of the financed projects are considered.

In the last years financial assets whose interest is adjusted based on meeting certain ESG-linked targets by the borrowers (e.g. meeting specified CO2 emission targets) became part of Erste Group's business. No specific guidance currently exists in IFRS 9 for assessing the SPPI compliance of such features. Erste Group has concluded that ESG-related interest adjustments have a de minimis effect on the contractual cash flows. As a result, they do not affect the SPPI assessment.

ii. Business model assessment

For each SPPI-compliant financial asset at initial recognition, Erste Group must assess whether it is part of a business model where the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets, or they are held in other business models. As a consequence, the critical aspect in distinguishing the business models is frequency and significance of sales of assets in the respective business model. Since asset allocation to business models is based on the initial assessment, it may happen that in subsequent periods cash flows are realised differently than originally expected, and a different measurement method may seem to be appropriate. In accordance with IFRS 9, such subsequent changes do not generally lead to reclassifications or prior period error corrections in respect of existing financial assets. The new information on how cash flows are realised may, however, indicate that the business model, and thus the measurement method changes for newly acquired or newly originated financial assets.

At Erste Group, certain sales or other derecognition events are considered as not contradicting the held to collect contractual cash flows business model. Examples are sales due to increases in credit risk, sales close to assets' maturity, infrequent sales triggered by a non-recurring event (such as changes in regulatory or tax environment, major internal reorganisation or a business combination, severe liquidity crisis, etc.) or derecognitions resulting from replacements of bonds based on an issuer's offer. Other kinds of sales carried out in the 'held to collect' business model are assessed retrospectively, and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, Erste Group performs a prospective test. If the outcome was that the carrying amount of assets expected to be sold over the expected life of the current business model portfolio, for reasons other than the cases above, exceeds 10% of the carrying amount of the portfolio, any new acquisitions or originations of assets would be classified in a different business model.

iii. Impairment of financial instruments

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, Erste Group has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level. Measurement of expected credit losses involves complex models relying on historical statistics of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of various scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of behavioural life of revolving credit facilities.

Detailed disclosures about identification of significant increases in credit risk including collective assessment and estimation techniques used to measure 12-month and lifetime expected credit losses are provided in Note 34 Credit risk. For further information on the definition of default refer to Note 37 Measurement of expected credit loss. The development of loan loss provisions is described in Note 39 Development of credit loss allowances.

iv. Financial liabilities stemming from the TLTRO programme of the ECB

Regarding assessments of whether the TLTRO III liabilities contain government grants, how the effective interest rate is determined and how changes in estimated cash flows based on expected fulfillment of eligibility conditions are considered see Note 18 Financial liabilities at amortised cost.

Financial instruments held at amortised cost

Financial assets are classified as measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows, and their contractual cash flows are SPPI.

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line 'Financial assets at amortised cost', 'Trade and other receivables' and 'Cash and cash balances'.

Interest income on these assets is calculated by effective interest method and is included under the line 'Interest income' under 'Net interest income' in the statement of income. Impairment gains or losses are included in the line 'Impairment result from financial instruments'. Gains and losses from derecognition (such as sales) of the assets are reported under the line item 'Gains/losses from derecognition of financial assets measured at amortised cost'.

At Erste Group, financial assets at amortised cost constitute the largest measurement category, which includes the vast majority of loan business to customers (except for certain loans measured at fair value through profit or loss), interbank lending business (including reverse repo transactions), deposits with central banks, investments in debt securities, amounts in the course of settlement, trade and other receivables.

For description of financial liabilities at measured amortised cost refer to Note 18 Financial liabilities at amortised costs.

15. Cash and cash balances

Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. A part of 'Cash balances at central banks' represents the mandatory minimum reserve requirement deposits which amounted to EUR 5,176 million (2022: EUR 3,990 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 restraints.

in EUR million	Dec 22	Dec 23
Cash on hand	3,796	3,200
Cash balances at central banks	31,167	32,586
Other demand deposits at credit institutions	722	899
Cash and cash balances	**35,685**	**36,685**

16. Financial assets at amortised cost

DEBT SECURITIES

Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield generating activities). Their common attribute is that significant and frequent sales of such securities are not expected. For a description of what sales are considered as compliant with the held to collect contractual cash flows business model, see paragraph 'Business model assessment' in chapter 'Financial instruments - Material accounting policies'.

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 23									
Central banks	15	0	0	15	0	0	0	0	15
General governments	34,693	100	0	34,793	-4	0	0	-5	34,788
Credit institutions	7,813	11	0	7,824	-4	0	0	-4	7,820
Other financial corporations	364	30	1	395	0	-1	-1	-2	392
Non-financial corporations	949	84	4	1,037	-1	-2	-3	-6	1,031
Total	**43,834**	**225**	**5**	**44,064**	**-10**	**-3**	**-4**	**-17**	**44,047**
Dec 22									
Central banks	15	0	0	15	0	0	0	0	15
General governments	32,880	8	0	32,889	-9	0	0	-9	32,880
Credit institutions	6,505	91	0	6,596	-3	-2	0	-5	6,591
Other financial corporations	263	36	1	300	0	-1	-1	-2	298
Non-financial corporations	669	161	3	834	-1	-3	-2	-6	828
Total	**40,333**	**296**	**4**	**40,633**	**-13**	**-5**	**-3**	**-22**	**40,612**

For information about the development of credit loss allowances refer to Note 39 Development of credit loss allowances.

LOANS AND ADVANCES TO BANKS

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 23									
Central banks	14,741	0	0	14,741	0	0	0	0	14,741
Credit institutions	6,541	162	0	6,703	-8	-3	0	-12	6,692
Total	**21,282**	**162**	**0**	**21,444**	**-8**	**-3**	**0**	**-12**	**21,432**
Dec 22									
Central banks	13,514	0	0	13,514	0	0	0	0	13,513
Credit institutions	4,859	69	0	4,928	-5	0	0	-6	4,922
Total	**18,373**	**69**	**0**	**18,441**	**-6**	**0**	**0**	**-6**	**18,435**

For information about the development of credit loss allowances refer to Note 39 Development of credit loss allowances.

LOANS AND ADVANCES TO CUSTOMERS

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 23											
General governments	7,706	302	59	10	8,077	-5	-19	-5	0	-29	8,048
Other financial corporations	4,475	697	61	0	5,233	-9	-10	-28	0	-47	5,186
Non-financial corporations	65,767	24,730	2,452	287	93,235	-188	-835	-1,082	-60	-2,165	91,070
Households	83,524	11,144	1,821	121	96,611	-155	-536	-957	-25	-1,673	94,938
Total	**161,472**	**36,873**	**4,393**	**418**	**203,156**	**-357**	**-1,401**	**-2,072**	**-85**	**-3,915**	**199,241**
Dec 22											
General governments	8,456	642	10	2	9,110	-4	-28	-1	0	-32	9,078
Other financial corporations	4,160	1,017	101	10	5,288	-8	-20	-37	0	-64	5,224
Non-financial corporations	63,081	24,039	2,084	238	89,443	-162	-773	-1,043	-65	-2,043	87,401
Households	80,691	11,821	1,689	100	94,301	-161	-594	-913	-22	-1,690	92,611
Total	**156,388**	**37,519**	**3,885**	**350**	**198,143**	**-335**	**-1,415**	**-1,994**	**-86**	**-3,830**	**194,313**

For information about the development of credit loss allowances refer to Note 39 Development of credit loss allowances.

17. 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 23											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	48	18	0	0	66	0	0	0	0	0	66
Credit institutions	35	4	0	0	39	0	0	0	0	0	39
Other financial corporations	66	20	0	0	87	0	0	0	0	0	86
Non-financial corporations	1,504	781	41	1	2,326	-9	-5	-29	-1	-44	2,283
Households	91	20	13	0	125	-2	-5	-12	0	-19	106
Total	**1,743**	**843**	**55**	**1**	**2,642**	**-11**	**-10**	**-41**	**-1**	**-63**	**2,579**
Dec 22											
Central banks	2	0	0	0	2	0	0	0	0	0	2
General governments	48	15	0	0	63	0	0	0	0	0	63
Credit institutions	43	2	0	0	44	0	0	0	0	0	44
Other financial corporations	87	8	0	0	95	0	0	0	0	0	95
Non-financial corporations	1,364	720	42	1	2,127	-7	-6	-31	-1	-45	2,082
Households	100	23	15	0	137	-2	-5	-12	0	-19	118
Total	**1,643**	**768**	**57**	**1**	**2,469**	**-9**	**-11**	**-44**	**-1**	**-65**	**2,404**

For information about development of credit loss allowances refer to Note 39 Development of credit loss allowances.

18. Financial liabilities at amortised costs

The line item 'Financial liabilities at amortised cost' is further broken down into 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are calculated using effective interest method are reported in the line item 'Interest expenses' under 'Net interest income' in the statement of income. Gains and losses from derecognition (mainly repurchase) are reported under the line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

Financial liabilities stemming from the TLTRO programme of the ECB are presented under 'Deposits from banks'. Erste Group assessed an appropriate accounting treatment of the TLTRO. The conclusion was that such instruments do not qualify as below-market interest rate loans and therefore are not related to IAS 20 government grants accounting. The reason was that the TLTRO is considered as a separate market organised by the ECB as part of its monetary policy. As a result, the IFRS 9 amortised cost accounting treatment applies.

Erste Group treats TLTRO as floating rate instruments in respect of changes in the ECB key rates which are the deposit facility rate (DFR) and the main refinancing operation rate. Whenever the ECB changes the key rates the effective interest rate of the TLTRO is recalculated assuming that the current ECB rate will apply until the end of the respective TLTRO tranche life. If the ECB brings any unconditional changes to the TLTRO interest rate other than changes in the key rates, they are treated as catch-up adjustments and presented in the net interest income. This also includes changes in the calculation of interest rates.

In October 2022 the ECB announced a change in the method for applying the key ECB rates for TLTRO III tranches. For Erste Group this means that the current DFR applied from 23 November 2022 (instead of the average DFR calculated over the entire 3-year life of the TLTRO III tranches). This resulted in a recognition of a catch-up loss in the amount of EUR 129 million in 2022. Early redemptions of the tranches in November 2022 resulted in a positive catch-up effect amounting to EUR 6 million.

The carrying amount of the TLTRO III liabilities was EUR 6,408 million at the end of 2023 (2022: EUR 15,567 million). The main reason for the decrease in 2023 were maturities of TLTRO III tranches in the nominal amount of EUR 8,405 million and early redemptions in the nominal amount of EUR 750 million. At 2023 year end Erste Group considered that additional early redemptions are not likely.

In 2023 the interest expense recognised for TLTRO III financial liabilities was EUR 242 million. In 2022 the interest expense was EUR 141 million and included mainly the catch-up adjustment loss in the amount of EUR 129 million. The negative interest expense related to the period of 2022 when the effective interest rate was negative amounted to EUR 91 million.

Deposits from banks

in EUR million	Dec 22	Dec 23
Overnight deposits	1,951	1,969
Term deposits	25,066	16,934
Repurchase agreements	1,803	4,007
Deposits from banks	**28,821**	**22,911**

Deposits from customers

in EUR million	Dec 22	Dec 23
Overnight deposits	**171,576**	**161,382**
Savings deposits	46,558	51,650
Other financial corporations	222	270
Non-financial corporations	2,050	3,268
Households	44,286	48,112
Non-savings deposits	125,018	109,732
General governments	7,070	7,532
Other financial corporations	7,991	5,421
Non-financial corporations	37,420	32,531
Households	72,537	64,248
Term deposits	**49,646**	**67,496**
Deposits with agreed maturity	43,331	65,384
Savings deposits	21,312	29,643
Other financial corporations	1,056	783
Non-financial corporations	1,813	2,997
Households	18,444	25,864
Non-savings deposits	22,019	35,741
General governments	3,967	4,225
Other financial corporations	4,605	11,480
Non-financial corporations	6,924	9,723
Households	6,523	10,313
Deposits redeemable at notice	6,315	2,112
General governments	5	1
Other financial corporations	118	132
Non-financial corporations	278	292
Households	5,913	1,687
Repurchase agreements	**1,398**	**3,345**
General governments	12	845
Other financial corporations	1,386	2,484
Non-financial corporations	0	16
Deposits from customers	**222,620**	**232,223**
General governments	11,054	12,603
Other financial corporations	15,378	20,570
Non-financial corporations	48,485	48,826
Households	147,702	150,223

Debt securities issued

in EUR million	Dec 22	Dec 23
Subordinated debt securities issued	2,945	2,549
Senior non-preferred bonds	1,667	4,393
Other debt securities issued	21,981	26,388
Bonds	7,308	10,517
Certificates of deposit	4,008	1,988
Other certificates of deposits/name certificates	121	113
Mortgage covered bonds	10,544	13,769
Debt securities issued	**26,593**	**33,330**

SUBORDINATED LIABILITIES

Issued subordinated capital and supplementary capital are either reported in the item Financial liabilities at amortised costs or Financial liabilities at fair value through profit or loss. Securitized and non-securitized assets are subordinated if the claims can only be satisfied after the claims of other, non-subordinated creditors in the event of liquidation or bankruptcy. Supplementary capital is defined in accordance with Art. 63 of Regulation (EU) No 575/2013 (CRR). Corresponding instruments have an original maturity of at least five years, are of a subordinated nature and may not, among other things, contain any incentive for early repayment, grant the holder the right to accelerate repayment or include interest or dividend payments that are influenced in their amount by the creditworthiness of the issuer.

Material subordinated liabilities

Issuer	ISIN	Nominal value	Currency	Initial fixed rate	Reset rate after the first call date	Due	Call Redemption Date
ERSTE GROUP BANK AG	AT0000A2J645	500 million	EUR	1.625%	5Y swap +2.100%	08.09.2031	01.04.2026
ERSTE GROUP BANK AG	AT0000A2YA29	500 million	EUR	4.000%	5Y swap +2.550%	07.06.2033	25.01.2028
ERSTE GROUP BANK AG	XS2083210729	500 million	EUR	1.000%	5Y swap +1.300%	10.06.2030	18.03.2025

In the reporting period, expenses for subordinated liabilities of all measurement categories amounted to EUR 158 million.

Financial assets at fair value through other comprehensive income

19. Financial assets at fair value through other comprehensive income – debt instruments

Debt instrument financial assets are measured at fair value through other comprehensive income (FVOCI) if their contractual cash flows are SPPI-compliant and they are held within a business model whose objective is achieved by both to collect contractual cash flows and sell the assets. On the balance sheet, they are included as 'Debt securities' under the line 'Financial asset at fair value through other comprehensive income'.

Interest income on these assets is calculated using the effective interest method and is included in the line 'Interest income' under 'Net interest income' in the statement of income. Impairment gains and losses are recognised in profit or loss in the line 'Impairment result from financial instruments' with opposite loss allowance entry in OCI rather than against the asset value. As a result, the measurement impact recognised in profit or loss is the same as for financial assets measured at amortised cost.

The difference between the fair value at which the assets are carried in the balance sheet and the amortised cost component is recognised as accumulated OCI in equity specifically under 'Fair value reserve' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Fair value reserve of debt instruments' which also includes the loss allowance OCI entry. When the financial asset is derecognised, the amount previously accumulated in OCI is reclassified to profit or loss and reported under the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

Erste Group classifies investments in debt securities as measured at FVOCI, i.e. no loan business is included in this measurement category. Similarly to investments in debt securities measured at amortised cost, they relate to various business objectives such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield-enhancement activities. The common attribute for investments in debt instruments at FVOCI is that an active yield optimisation via sales is integral to achieving the objectives. The sales are carried out in order to optimise the liquidity position or to realise fair value gains or losses. As a result, the business objectives are achieved through both collecting contractual cash flows and sales of the securities.

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	Amortised cost	Accumulated OCI changes	Fair value
Dec 23											
General governments	6,259	14	0	6,273	-2	0	0	-2	6,271	-31	6,240
Credit institutions	1,465	5	0	1,470	-2	0	0	-2	1,469	11	1,479
Other financial corporations	226	4	1	231	0	0	-1	-1	230	-5	225
Non-financial corporations	626	248	2	877	0	-9	0	-9	867	-18	850
Total	**8,577**	**271**	**3**	**8,851**	**-5**	**-9**	**-1**	**-14**	**8,837**	**-43**	**8,794**
Dec 22											
General governments	7,079	242	0	7,321	-4	-7	0	-10	7,311	-295	7,016
Credit institutions	1,293	18	0	1,311	-2	0	0	-3	1,308	-60	1,249
Other financial corporations	197	99	1	297	0	0	-1	-2	295	-11	285
Non-financial corporations	548	449	2	1,000	-1	-8	-1	-10	990	-79	911
Total	**9,117**	**808**	**3**	**9,929**	**-7**	**-16**	**-1**	**-24**	**9,904**	**-444**	**9,460**

For information about the development of credit loss allowances refer to Note 39 Development of credit loss allowances.

20. Financial assets at fair value through other comprehensive income – equity instruments

For certain investments in equity instruments that are not held for trading, Erste Group makes use of the option to measure them at FVOCI. This election is applied to strategic, significant banking business relationship investments (except for insurance business). The fair value gains or losses for the period are reported as OCI in the line 'Fair value reserve of equity instruments' of the statement of comprehensive income. The cumulative gains or losses are included under 'Fair value reserve' in the statement of changes in equity. The amount recognised in OCI is never reclassified to profit or loss. However, upon derecognition of the investments in equity instruments at FVOCI the amount accumulated in OCI is transferred to retained earnings. Dividends received on these investments are reported under the line 'Dividend income' of the statement of income. On the balance sheet, financial assets measured at fair value through OCI are included as 'Equity instruments' under the line 'Financial asset at fair value through other comprehensive income'.

The carrying amount of Erste Group's equity instruments at FVOCI as at 31 December 2023 amounts to EUR 110 million (2022: EUR 99 million), the cumulative fair value change for equity instruments FVOCI before taxes recognised in other comprehensive income amounted to EUR 66 million (2022: EUR 56 million). During the year 2022 and 2023, no equity instruments FVOCI were sold due to strategic business decisions and therefore there was no reclassification from accumulated other comprehensive income into retained earnings from this circumstance.

Financial instruments at fair value through profit or loss

There are various reasons for assigning the fair value through profit or loss (FVPL) measurement category to debt instrument financial assets.

FVPL measurement relates to that are part of residual business models, i.e. they are neither held to collect contractual cash flows nor held to either collect contractual cash flows or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis. In the business of Erste Group, such business models are typical of assets that are held for trading (i.e. financial assets held by the trading function of the bank), of assets whose value is expected to be primarily realised through sales, such as loan syndications when the loan is offered for sale on the market. Further subject to FVPL measurement are financial assets held by funds consolidated by Erste Group since they are managed and their performance is evaluated on a fair value basis.

Another reason for the FVPL measurement are financial assets whose contractual cash flows are not considered as SPPI. At Erste Group, this concerns certain debt securities and loans to customers.

Erste Group also makes use of the option to designate some financial assets as measured at FVPL at initial recognition. Such a classification is used if it eliminates or significantly reduces an accounting mismatch between fixed interest rate financial assets, which in the absence of such a classification would be measured at amortised cost or at FVOCI, and related derivatives measured at FVPL.

On the balance sheet, debt instrument financial assets measured at FVPL are presented as ‘Financial assets held for trading’, sub-item ‘Other financial assets held for trading’ and ‘Non-trading financial assets at fair value through profit or loss’, sub-items ‘Debt securities’ and ‘Loans and advances to customers’. Non-trading financial assets at FVPL consist of two sub-categories disclosed in Note 23 Non-trading financial assets at fair value through profit or loss which are ‘mandatorily at fair value through profit or loss’ and ‘designated at fair value through profit or loss’. Financial assets are mandatorily measured at fair value through profit or loss either because they are held as part of residual business models that are other than held for trading or their contractual cash flows are not SPPI.

Investments in equity instruments that are held for trading (i.e. financial assets held by the trading function of the bank) are measured at FVPL. They are included in the balance sheet under the line ‘Financial assets held for trading’, sub-item ‘Other financial assets held for trading’. Investments in equity instruments that are not held for trading are also measured at FVPL (unless they are designated at FVOCI). They are presented in the balance sheet under ‘Non-trading financial assets at fair value through profit or loss’, sub-item ‘Equity instruments’, sub-category ‘mandatorily at fair value through profit or loss’ in Note 23 Non-trading financial assets at fair value through profit or loss.

From IFRS 9 perspective all derivatives which are not designated as hedging instruments are considered as held for trading. As a result, they are measured at FVPL. They are described in more detail in Note 21 Derivative financial instruments.

In the statement of income, the profit or loss effects of non-derivative financial assets measured at FVPL are split into interest income or dividend income and fair value gains and losses. The interest income on debt instruments is presented in the line ‘Other similar income’ under ‘Net interest income’ and is calculated by applying the EIR to the amortised cost component of the financial assets. The dividend income on equity instruments is presented in the line ‘Dividend income’. The fair value gains or losses are calculated net of the interest or dividend income, and they also include transaction costs and origination fees. They are reported in the line ‘Net trading result’ for financial assets held for trading and in the line ‘Gains/losses from financial instruments measured at fair value through profit or loss’ in case of non-trading financial assets at FVPL. For investments in funds, which are not consolidated by Erste Group, the interest or dividend component is not separated from the fair value gains or losses.

Financial liabilities at FVPL consist of financial liabilities held for trading and financial liabilities designated at FVPL.

On the balance sheet, financial liabilities at FVPL are presented as ‘Financial liabilities held for trading’, sub-items ‘Derivatives’ and ‘Other financial liabilities held for trading’ and as ‘Financial liabilities at fair value through profit or loss’ which are further broken down into ‘Deposits from customers’, ‘Debt securities issued’ and ‘Other financial liabilities’. Accounting policy related to financial liabilities at FVPL can be found in Note 21 Derivative financial instrument, Note 24 Other financial liabilities held for trading and Note 25 Financial liabilities at fair value through profit or loss.

21. Derivative financial instruments

Derivative financial instruments are used by Erste Group to manage exposures to interest rates, foreign currencies and other market price risks. Derivatives used by Erste Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps.

For presentation purposes, derivatives are split into:
- Derivatives – held for trading; and
- Derivatives – hedge accounting.

Hedge accounting derivatives are discussed in Note 27 Hedge accounting.

Derivative financial instruments are carried at fair value (dirty price) on the balance sheet. Derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Derivatives – held for trading are those that are not designated as hedging instruments for hedge accounting. They are presented in the line item 'Derivatives' under the heading 'Financial assets/Financial liabilities held for trading'. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, are presented in this line item.

Changes in the fair value (clean price) of derivatives – held for trading are reported in the statement of income in the line item 'Net trading result'. Interest income/expense related to held for trading derivatives is presented in the statement of income in the line item 'Other similar income' or 'Other similar expenses' under 'Net interest income'. Interest income/expense recognition is based on EIR-like accruals in respect of the derivative notional amount and includes amortisation of the inception value of the derivative (e.g. upfront fees, if any).

Embedded derivatives

Erste Group issues certain financial liabilities which contain structured features. Structured features mean that a derivative is embedded in non-derivative host instruments.

Embedded derivatives that are separated are accounted for as stand-alone derivatives and presented on the balance sheet under the line item 'Derivatives' in financial assets held for trading and financial liabilities held for trading. At Erste Group, these relate to bonds and deposits whose payments are linked to equity prices or FX rates.

In the business of Erste Group, the majority of non-closely related embedded derivatives relates to bonds issued for which fair value option has been applied. As a result, these embedded derivatives are part of the measurement of the entire hybrid instrument at FVPL and thus are not separated.

Derivatives held for trading

	Dec 22			Dec 23		
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	**244,708**	**6,490**	**6,607**	**224,717**	**4,699**	**4,737**
Interest rate	178,235	5,788	5,508	165,404	4,017	3,959
Equity	669	10	10	468	7	22
Foreign exchange	64,992	686	1,084	58,384	668	744
Credit	551	5	5	229	4	11
Commodity	9	0	0	7	0	0
Other	253	1	1	225	3	1
Derivatives held in the banking book	**25,626**	**554**	**1,003**	**23,988**	**462**	**568**
Interest rate	19,178	374	850	17,760	346	458
Equity	1,334	57	80	1,257	66	43
Foreign exchange	4,769	122	68	4,663	49	63
Credit	155	1	1	118	1	0
Other	190	0	4	190	0	4
Total gross amounts	**270,334**	**7,045**	**7,610**	**248,706**	**5,161**	**5,305**
Offset		-5,326	-4,983		-3,899	-3,691
Total		**1,719**	**2,626**		**1,262**	**1,614**

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 28 Offsetting of financial instruments.

22. Other financial assets held for trading

in EUR million	Dec 22	Dec 23
Equity instruments	70	146
Debt securities	5,977	7,365
Central banks	3,045	3,129
General governments	1,575	2,200
Credit institutions	1,133	1,670
Other financial corporations	160	286
Non-financial corporations	64	80
Other financial assets held for trading	**6,047**	**7,511**

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

	Dec 22		Dec 23	
in EUR million	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	347	0	415
Debt securities	327	1,223	178	1,373
General governments	35	170	0	308
Credit institutions	286	119	146	125
Other financial corporations	5	864	33	869
Non-financial corporations	0	70	0	71
Loans and advances to customers	1	839	0	1,038
General governments	0	1	0	1
Other financial corporations	0	26	0	0
Non-financial corporations	1	33	0	27
Households	0	779	0	1,010
Financial assets designated and mandatorily at FVPL	328	2,408	178	2,826
Non-trading financial assets at fair value through profit or loss	**2,735**		**3,004**	

Erste Group has designated debt securities at FVPL. The maximum exposure to credit risk on these securities is its fair value. The cumulative change in fair value due to credit risk of debt securities held at the reporting date amounts to EUR 1 million (2022: EUR 6 million) and EUR 0 million (2022: EUR -1 million) for the change in fair value due to credit risk in the reporting period.

24. Other financial liabilities held for trading

Non-derivative held for trading liabilities largely comprise short sales. These arise from obligations to return securities, which are purchased under agreements to resell or are borrowed through securities lending transactions and subsequently sold to third parties. On the balance sheet such liabilities are presented under the line 'Financial liabilities held for trading', sub-item 'Other financial liabilities'. The gains or losses on financial liabilities held for trading are reported in the line 'Net trading result' in the statement of income.

in EUR million	Dec 22	Dec 23
Short positions	585	637
Equity instruments	129	95
Debt securities	456	542
Debt securities issued	52	53
Other financial liabilities held for trading	**637**	**690**

25. Financial liabilities at fair value through profit or loss

Erste Group makes use of the option to designate some financial liabilities as measured at FVPL at initial recognition (referred to as fair value option) if:

— such classification eliminates or significantly reduces an accounting mismatch between fixed interest rate financial liabilities otherwise measured at amortised cost and related derivatives measured at FVPL. Erste Group assesses quantitatively that the

designation actually eliminates or significantly reduces the accounting mismatch in respect of fair value changes attributable to interest rate risk; or
— the entire hybrid contract contains a non-closely related embedded derivative.

Financial liabilities designated at FVPL are reported on the balance sheet under the line item 'Financial liabilities at fair value through profit or loss' and are further broken down into 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'. Other financial liabilities relate to fund units issued by funds consolidated by Erste Group. Interest incurred is calculated by applying the EIR to the amortised cost of the financial liability and is reported in the statement of income under in line item 'Other similar expenses' under 'Net interest income'. Gains and losses resulting from changes in fair value are recognised net of the interest expense under the line item 'Gains/losses from financial instruments measured at fair value through profit or loss'.

The amount of the fair value change resulting from the credit risk of the financial liability for the period is presented as OCI in the statement of comprehensive income in the line 'Own credit risk reserve'. The cumulative amount is recognised as accumulated OCI, specifically under 'Own credit risk reserve' in the statement of changes in equity. The amount recognised in OCI is never reclassified to profit or loss. However, upon derecognition (mainly repurchases) of the financial liabilities designated at FVPL the amount accumulated in OCI is transferred to retained earnings.

The cumulative amount of the credit risk recognised as accumulated OCI is calculated as the difference between the present value of the liability determined by using the original credit spread and the fair value of the liability. The amount of fair value change attributable to changes in credit risk of the liability for the period which is recognised in OCI is the difference between the cumulative amount of the credit risk at the end of the period and at the beginning of the period. When calculating the present value of the liability by using the original credit spread, the rate used for discounting is the sum of the observed interest rate (swap yield curve) and the original credit spread. The original credit spread is determined at initial recognition of the liability and it equals the difference between the total yield of the liability and the observed interest rate (swap yield curve) at that time.

Delta between carrying amount and amount repayable for financial liabilities at FVPL

	Carrying amount		Amount repayable		Delta between carrying amount and amount repayable	
in EUR million	Dec 22	Dec 23	Dec 22	Dec 23	Dec 22	Dec 23
Deposits	1,353	593	1,356	583	-3	10
Debt securities issued	9,310	10,429	10,268	10,869	-958	-440
Other financial liabilities	151	130	151	130	0	0
Financial liabilities at FVPL	**10,814**	**11,152**	**11,775**	**11,583**	**-960**	**-430**

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

	For reporting period		Cumulative amount	
in EUR million	1-12 22	1-12 23	Dec 22	Dec 23
Deposits	-4	3	-3	-1
Debt securities issued	-234	48	31	81
Financial liabilities at FVPL	**-238**	**51**	**27**	**80**

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 performance 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 22	Dec 23
Subordinated debt securities issued	1,991	2,016
Other debt securities issued	7,319	8,413
Bonds	5,416	6,128
Other certificates of deposits/name certificates	815	1,069
Mortgage covered bonds	962	1,089
Public sector covered bonds	126	126
Debt securities issued	**9,310**	**10,429**

In the reporting period, a gain of EUR 2 million (2022: loss of EUR 4 million) before taxes was transferred from own credit risk reserve to retained earnings due to the repurchase of debt securities (own issues) issued.

Financial instruments – other disclosure matters

26. Fair value of financial instruments

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 listed derivatives as well as liquid OTC bonds.

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Using of unobservable inputs is particularly relevant for models used for valuations of loans and unquoted equity investments. Disclosures on valuation models, the fair value hierarchy and fair values of financial instruments can be found subsequently.

For all financial instruments the fair value is measured on recurring basis.

Financial instruments carried at fair value

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.

Loans. Not SPPI 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. The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer's probability of default ('PD') and loss given default ('LGD'). These adjusted cash flows are then discounted by a yield curve which consists of a risk-free rate and a funding spread for senior unsecured issues.

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. For non-trading equity instruments which do not have quoted market prices in an active market 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 levered beta and the country risk premium. The levered 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 comparable company multiple methods. These are valuation techniques that use 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. For issued debt securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. Significant input factors for the spread adjustment of Erste Group's own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investments banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. In case of issued securities with structured features, optionality is taken into account as well when calculating the fair value.

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 collateralised derivatives a discounting interest rate reflecting the interest rate of the corresponding cash collateral is used.

Erste Group values derivatives at mid-market levels. To reflect the potential bid-ask-spread of the relevant positions an adjustment based on market liquidity is performed. The adjustment parameters depend on product type, currency, maturity, liquidity and notional size. Parameters are reviewed on a regular basis or in case of significant market moves.

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 the derivative and the probability of default of the counterparty. The DVA is driven by the expected negative exposure of the derivative and Erste Group's probability of default. The modeling of the expected exposure is based on option replication strategies or Monte-Carlo simulation techniques.

The accumulated CVA-adjustments amounted to EUR 14 million (2022: EUR 11 million) and the total DVA-adjustment amounted to EUR 12 million (2022: EUR 21 million).

Based on an analysis carried out by Erste Group it was decided that for the valuation of OTC derivatives no Funding Value Adjustment ('FVA') would be considered.

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

Level 1 measurements include exchange traded derivatives (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. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

Level 2 measurements include OTC derivatives, theoretically priced exchange traded 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

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. 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.

The volume of Level 3 financial assets can be allocated to the following categories:
- 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, participations 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.
- Fund units issued by investment funds fully consolidated by Erste Group as well as own issues, if price updates are not provided on a regular basis

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

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 22				Dec 23			
in EUR million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets HfT	1,829	5,624	313	7,766	2,816	5,817	139	8,773
Derivatives	10	1,677	32	1,719	1	1,186	75	1,262
Other financial assets HfT	1,820	3,947	281	6,047	2,816	4,631	64	7,511
Non-trading financial assets at FVPL	1,337	200	1,198	2,735	1,404	156	1,444	3,004
Equity instruments	37	33	277	347	65	17	333	415
Debt securities	1,300	167	82	1,549	1,339	139	73	1,551
Loans and advances	0	0	839	839	0	0	1,038	1,038
Financial assets at FVOCI	7,878	1,284	398	9,560	7,319	1,194	392	8,905
Equity instruments	1	0	98	99	1	0	109	110
Debt securities	7,877	1,283	300	9,460	7,318	1,193	283	8,794
Hedge accounting derivatives	0	155	3	159	0	183	0	183
Total assets	**11,044**	**7,263**	**1,912**	**20,219**	**11,540**	**7,350**	**1,975**	**20,864**
Liabilities								
Financial liabilities HfT	585	2,667	12	3,264	607	1,687	10	2,304
Derivatives	8	2,608	11	2,626	3	1,600	10	1,614
Other financial liabilities HfT	578	59	1	637	603	86	0	690
Financial liabilities at FVPL	0	10,663	151	10,814	0	11,152	0	11,152
Deposits from customers	0	1,353	0	1,353	0	593	0	593
Debt securities issued	0	9,310	0	9,310	0	10,429	0	10,429
Other financial liabilities	0	0	151	151	0	130	0	130
Hedge accounting derivatives	0	372	0	372	0	286	0	286
Total liabilities	**585**	**13,702**	**163**	**14,451**	**607**	**13,125**	**10**	**13,742**

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

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. Further details regarding input parameters used and the results of the sensitivity analysis are disclosed in the sub-chapter Unobservable inputs and sensitivity analysis for Level 3 measurements below.

CHANGES IN VOLUMES OF LEVEL 1 AND LEVEL 2

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

in EUR million	Dec 22		Dec 23	
	Level 1 to Level 2	Level 2 to Level 1	Level 1 to Level 2	Level 2 to Level 1
Financial assets HfT	**34**	**49**	**28**	**42**
Bonds	33	48	28	41
Shares	1	1	0	1
Non-trading financial assets at FVPL	**15**	**9**	**3**	**16**
Bonds	15	6	3	16
Funds	0	2	0	0
Shares	0	1	0	0
Financial assets at FVOCI	**407**	**93**	**18**	**268**
Bonds	407	93	18	268
Total	**456**	**151**	**49**	**326**

Transfers into and out of Level 1 and Level 2 are caused by changes in market activities and consequently due to the quality and observability of valuation parameters.

MOVEMENTS IN LEVEL 3

Development of fair value of financial instruments in Level 3

in EUR million		Gains/losses profit or loss	Gains/losses OCI	Purchases	Sales	Settle-ments	Addition to group	Disposal out of group	Transfer into Level 3	Transfer out of Level 3	Currency translation	
	Jan 23											Dec 23
Assets												
Financial assets HfT	313	26	0	47	-3	-228	0	0	37	-52	0	139
Derivatives	32	22	0	0	0	0	0	0	36	-15	0	75
Other financial assets HfT	281	4	0	47	-3	-228	0	0	1	-36	0	64
Non-trading financial assets at FVPL	1,198	102	0	248	-14	-116	0	0	3	-11	33	1,444
Equity instruments	277	-10	0	77	-9	-1	0	0	1	0	-2	333
Debt securities	82	-5	0	8	-4	0	0	0	1	-9	-1	73
Loans and advances	839	117	0	162	-1	-115	0	0	1	-2	36	1,038
Financial assets at FVOCI	398	0	14	53	0	-43	0	0	89	-118	-2	392
Equity instruments	98	0	10	1	0	0	0	0	0	0	0	109
Debt securities	300	0	4	52	0	-43	0	0	89	-118	-2	283
Hedge accounting derivatives	3	0	0	0	0	0	0	0	0	-3	0	0
Total assets	**1,912**	**129**	**14**	**348**	**-18**	**-387**	**0**	**0**	**128**	**-184**	**31**	**1,975**
Liabilities												
Financial liabilities HfT	12	-3	0	0	0	0	0	0	10	-9	0	10
Derivatives	11	-3	0	0	0	0	0	0	10	-8	0	10
Other trading financial liabilities	1	0	0	0	0	0	0	0	0	-1	0	0
Financial liabilities at FVPL	151	7	0	33	-51	-2	0	-9	0	-130	0	0
Debt securities issued	0	0	0	0	0	0	0	0	0	0	0	0
Other financial liabilities	151	7	0	33	-51	-2	0	-9	0	-130	0	0
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total liabilities	**163**	**5**	**0**	**33**	**-51**	**-2**	**0**	**-9**	**10**	**-139**	**0**	**10**
	Jan 22											Dec 22
Assets												
Financial assets HfT	46	-27	0	270	-1	0	0	0	42	-17	0	313
Derivatives	27	-22	0	0	0	0	0	0	42	-16	0	32
Other financial assets HfT	18	-5	0	270	-1	0	0	0	0	-1	0	281
Non-trading financial assets at FVPL	1,173	-61	0	862	-42	-671	12	0	23	-39	-58	1,198
Equity instruments	283	-12	0	32	-9	-3	12	0	0	-27	1	277
Debt securities	72	-2	0	12	-3	-10	0	0	23	-11	1	82
Loans and advances	818	-46	0	817	-30	-658	0	0	0	-1	-60	839
Financial assets at FVOCI	470	0	-43	34	-2	-26	0	0	109	-147	3	398
Equity instruments	131	0	-33	0	0	0	0	0	0	0	0	98
Debt securities	339	0	-10	34	-2	-26	0	0	109	-147	3	300
Hedge accounting derivatives	0	3	0	0	0	0	0	0	0	0	0	3
Total assets	**1,689**	**-84**	**-43**	**1,165**	**-46**	**-697**	**12**	**0**	**174**	**-203**	**-55**	**1,912**
Liabilities												
Financial liabilities HfT	9	2	0	3	-2	0	0	0	0	0	0	12
Derivatives	9	2	0	0	0	0	0	0	0	0	0	11
Other trading financial liabilities	0	0	0	3	-2	0	0	0	0	0	0	1
Financial liabilities at FVPL	245	-28	0	85	-95	-1	0	0	0	-55	0	151
Debt securities issued	54	0	0	1	0	0	0	0	0	-55	0	0
Other financial liabilities	191	-28	0	84	-95	-1	0	0	0	0	0	151
Hedge accounting derivatives	2	-2	0	0	0	0	0	0	0	0	0	0
Total liabilities	**256**	**-28**	**0**	**88**	**-97**	**-1**	**0**	**0**	**0**	**-55**	**0**	**163**

Transfers into and out of Level 3 mainly result from changes in valuation models with observable or non-observable parameters.

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

in EUR million	1-12 22	1-12 23
Assets		
Financial assets HfT	-25	35
Derivatives	-20	31
Other financial assets HfT	-5	4
Non-trading financial assets at FVPL	-51	99
Equity instruments	-8	-10
Debt securities	3	-5
Loans and advances	-46	114
Financial assets at FVOCI	-3	0
Debt securities	-3	0
Hedge accounting derivatives	3	0
Total	**-76**	**134**
Liabilities		
Financial liabilities HfT	-1	9
Derivatives	-1	9
Financial liabilities at FVPL	25	0
Other financial liabilities	25	0
Hedge accounting derivatives	2	0
Total	**27**	**9**

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 were chosen to reflect the market situation at the reporting date.

Range of unobservable valuation parameters used in Level 3 measurement

			Fair value in EUR million			Range of unobservable inputs (weighted average)	
Financial assets / liabilities	Type of instrument	Valuation technique	Dec 22	Dec 23	Significant unobservable inputs	Dec 22	Dec 23
Positive / negative fair value of derivatives	Forwards, swaps, options	DCF and option models with CVA adjustment based on potential future exposure	35	88	PD	1.05%-9.81% (5.84%)	1.17%-14.87% (2.36%)
					LGD	60%	60%
	Fixed and variable coupon bonds	DCF	8	31	Credit Spread	0.17%-2.25% (0.37%)	-0.78%-2.50% (-0.26%)
Financial assets at FVPL	Loans	DCF	839	1,038	PD	0.09%-5.95% (2.17%)	1.51%-2.59% (2.00%)
					LGD	0%-25.79% (5.16%)	3.50%-15.86% (7.58%)
Financial assets at FVOCI	Fixed and variable coupon bonds	DCF	238	212	Credit Spread	0.17%-8.95% (3.22%)	-0.35%-5.21% (1.35%)
		Dividend Discount Model; Simplified Income Approach	199	209	Beta levered	Industries: 0.4-1.10 (0.99)	Industries: 0.71-1.15 (0.97)
					Country risk premium	0.34%-3.06% (0.64%)	0.43%-2.69% (0.58%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	Adjusted Net Asset Value	128	144	Adjusted Equity	Depending on accounting equity of investment	Depending on accounting equity of investment

The range of unobservable credit spreads for fixed and variable coupon bonds contains premiums and discounts related to riskless as well as risky, market observable (e.g. industry- and rating-specific spread curves) parameters.

For financial assets at FVOCI/at FVPL, where Beta levered and Country risk premium inputs are being used, the resulting cost of equity based on these inputs is in the range 5.92%-13.75% (2022: 6.28%-13.53%). The majority of financial assets at FVOCI/at FVPL, where Beta levered inputs are being used, is related to Financial Services (Non-bank & Insurance) with 0.99 (2022: Financial Services (Non-bank & Insurance) with 0.97). The majority of financial assets at FVOCI/at FVPL, where Country risk premium inputs are being used, is related to Austria with 0.43% (2022: Austria with 0.48%).

In addition to the information above, equity instruments with a fair value in amount of EUR 37 million (2022: EUR 26 million) are assessed on the basis of expert opinions.

Furthermore, for equity instruments other than participations classified as Level 3, the amount of EUR 38 million (2022: EUR 41 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

	Dec 22		Dec 23	
	Fair value changes		Fair value changes	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	3	-3	2	-2
Income statement	3	-3	2	-2
Debt securities	10	-13	15	-20
Income statement	2	-3	7	-9
Other comprehensive income	8	-10	8	-11
Equity instruments	65	-50	72	-49
Income statement	43	-35	48	-34
Other comprehensive income	22	-14	24	-15
Loans and advances	16	-46	19	-60
Income statement	16	-46	19	-60
Total	**93**	**-113**	**108**	**-131**
Income statement	**64**	**-88**	**76**	**-105**
Other comprehensive income	**30**	**-25**	**32**	**-26**

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 between -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 23					
Assets					
Financial assets at AC	264,721	256,767	37,583	3,572	215,612
Loans and advances to banks	21,432	21,395	0	0	21,395
Loans and advances to customers	199,241	193,867	0	0	193,867
Debt securities	44,047	41,506	37,583	3,572	351
Finance lease receivables	4,970	4,956	0	0	4,956
Trade and other receivables	2,579	2,642	0	0	2,642
Liabilities					
Financial liabilities at AC	289,842	288,542	19,042	12,837	256,664
Deposits from banks	22,911	22,581	0	0	22,581
Deposits from customers	232,223	231,584	0	0	231,584
Debt securities issued	33,330	32,999	19,042	12,837	1,121
Other financial liabilities	1,378	1,378	0	0	1,378
Financial guarantees and commitments					
Financial guarantees	n/a	17	0	0	17
Loan commitments	n/a	481	0	0	481
Dec 22					
Assets					
Financial assets at AC	253,360	240,268	31,703	3,699	204,867
Loans and advances to banks	18,435	18,138	0	0	18,138
Loans and advances to customers	194,313	186,501	0	0	186,501
Debt securities	40,612	35,630	31,703	3,699	228
Finance lease receivables	4,553	4,499	0	0	4,499
Trade and other receivables	2,404	2,389	0	0	2,389
Liabilities					
Financial liabilities at AC	278,932	276,200	12,875	12,293	251,032
Deposits from banks	28,821	28,290	0	0	28,290
Deposits from customers	222,620	221,224	0	0	221,224
Debt securities issued	26,593	25,789	12,875	12,293	621
Other financial liabilities	899	898	0	0	898
Financial guarantees and commitments					
Financial guarantees	n/a	47	0	0	47
Loan commitments	n/a	529	0	0	529

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. 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. 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 determined based on the same valuation models as described for Liabilities above in the section Financial instruments carried at fair value.

Regarding off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) 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.

27. Hedge Accounting

Erste Group makes use of derivative instruments to hedge exposures to interest rate risk and foreign currency risk. As permitted by the transitional provisions of IFRS 9, Erste Group has elected to continue to apply the hedge accounting requirements of IAS 39.

On the balance sheet, derivatives designated as hedging instruments are carried at fair value (dirty price). They are presented in the line item 'Hedge accounting derivatives' on the asset or liability side depending on whether their fair value is positive or negative.

i. Fair Value Hedge

For qualifying and designated fair value hedges, the change in the fair value (clean price) of a hedging instrument is recognised in the statement of income under the line item 'Net trading result'. Interest income and expenses on hedging derivatives are reported in the line item 'Other similar income' or 'Other similar expenses' under 'Net interest income'. The change in the fair value of the hedged item attributable to the hedged risk is also recognised in the statement of income under the line item 'Net trading result' and adjusts the carrying amount of the hedged item.

Erste Group also applies 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 for so called 'bottom layer' hedges. More details are discussed in part 'Hedges of interest rate risk' below. The change in the fair value of the hedged items attributable to the hedged interest risk in portfolio fair value hedges is presented on the balance sheet under the line item 'Fair value changes of hedged items in portfolio hedge of interest rate risk'.

For terminated hedges the fair value adjustment of the hedged item is amortised until maturity of the financial instrument. In the statement of income the amortisation is presented under 'Net interest income' in the line item 'Interest income' if the hedged item was a financial asset or in the line item 'Interest expenses' if the hedged item was a financial liability. For portfolio fair value hedges of interest rate risk the fair value adjustment related to the terminated hedge is amortised to the statement of income on a straight-line basis in the line item 'Other similar income' under 'Net interest income'.

ii. Cashflow Hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised as OCI in the line 'Cash flow hedge reserve' of the statement of comprehensive income. The accumulated other comprehensive income is presented under 'Cash flow hedge reserve' in the statement of changes in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised in the statement of income under the line item 'Net trading result'. For determination of the effective and ineffective portions, the derivative is considered at its clean price, i.e. excluding the interest component. When the hedged cash flow affects the statement of income, the gain or loss on the hedging instrument is reclassified from other comprehensive income on the corresponding income or expense line item in the statement of income (mainly 'Other similar income' or 'Other similar expenses' under 'Net interest income'). As far as accounting for hedged items in cash flow hedges is concerned, there is no change compared to the situation when no hedging is applied.

For terminated hedges the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income remains in 'Cash flow hedge reserve' until the transaction occurs.

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 un-hedged 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 over the 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). 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.

For cash flow hedges of deposits with central banks (disclosed under the line 'Interbank loans/repos' below) no forward-looking curve over the hedging period exists for the hedged interest rates (such as DFR of the ECB or two-week repo rate of the CNB). In such cases the hedged risk is replicated by another rate for which the forward-looking curve exists (such as €STR swap curve or 1M PRIBOR swap curve). A proof of a strong correlation between the rates is necessary.

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.

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

Notional amounts of hedged items – hedges of interest rate risk

		Notional amount	
in EUR million	Type of hedged items	Dec 22	Dec 23
Fair value hedges			
Assets	Portfolios of client loans	243	234
Assets	Single loans	294	270
Assets	Bonds at FVOCI	1,005	981
Assets	Bonds at AC	1,107	2,594
Liabilities	Issued bonds	16,563	19,702
Liabilities	Other liabilities/repos	47	50
Cash flow hedges			
Assets	Interbank loans/repos	1,947	1,463
Assets	Client loans	1,764	1,395

Portfolio hedges of defined bottom layer amounts (bottom layer hedges) are disclosed in the table with the nominal hedged bottom layer amounts. Client loans hedged in portfolio hedges are disclosed in the balance sheet line item 'Financial assets measured at amortised cost', with a carrying amount of EUR 577 million (2022: EUR 600 million).

HEDGES OF 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 bonds and loans with notional amount of EUR 1,761 million (2022: EUR 1,616 million) are hedged in cash flow hedges by using cross currency swaps as hedging instruments. FX swaps with notional amount of EUR 206 million (2022: EUR 151 million) are used as hedging instrument in hedges of interest accruals on financial assets in foreign currency.

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 2023 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

in EUR million	Carrying amount: Assets	Carrying amount: Liabilities	Change in FV for the period used for calculating hedge ineffectivness	Notional	Timing of the nominal amounts of the instruments: ≤ 3 m	> 3 m and ≤ 1 y	> 1 y and ≤ 5 y	> 5 y
Dec 23								
Fair value hedges	**495**	**1,458**	**718**	**24,254**	**64**	**2,245**	**12,248**	**9,697**
Interest rate risk	495	1,458	718	24,254	64	2,245	12,248	9,697
Cash flow hedges	**127**	**84**	**375**	**4,667**	**126**	**919**	**3,140**	**482**
Interest rate risk	46	68	306	2,859	0	881	1,978	0
Foreign exchange risk	81	16	69	1,808	126	38	1,162	482
Total gross amounts	**623**	**1,542**	**1,093**	**28,921**	**190**	**3,163**	**15,388**	**10,179**
Offset	-440	-1,256						
Total	**183**	**286**	**1,093**	**28,921**	**190**	**3,163**	**15,388**	**10,179**
Dec 22								
Fair value hedges	**403**	**2,073**	**-1,600**	**19,662**	**869**	**79**	**9,903**	**8,811**
Interest rate risk	403	2,073	-1,600	19,662	869	79	9,903	8,811
Cash flow hedges	**94**	**175**	**70**	**5,113**	**176**	**497**	**4,171**	**269**
Interest rate risk	7	175	36	3,670	0	339	3,331	0
Foreign exchange risk	87	0	34	1,443	176	158	840	269
Total gross amounts	**497**	**2,248**	**-1,529**	**24,776**	**1,045**	**576**	**14,074**	**9,080**
Offset	-338	-1,876						
Total	**159**	**372**	**-1,529**	**24,776**	**1,045**	**576**	**14,074**	**9,080**

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

Hedged items in fair value hedges

in EUR million	Carrying amount	Hedge adjustments: included in the carrying amount	Thereof: for the period used for recognition of hedge ineffectiveness	Remaining adjustments for terminated hedges
Dec 23				
Financial assets at FVOCI				
Interest rate risk	873	-48	27	5
Financial assets at AC				
Interest rate risk	3,406	-165	137	18
Financial liabilities at AC				
Interest rate risk	19,356	-1,040	-879	52
Dec 22				
Financial assets at FVOCI				
Interest rate risk	915	-79	-134	8
Financial assets at AC				
Interest rate risk	1,807	-303	-324	16
Financial liabilities at AC				
Interest rate risk	15,370	-1,892	2,047	73

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

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
Dec 23			
Interest rate risk	-324	-29	-28
Foreign exchange risk	-63	20	0
Total	**-387**	**-9**	**-28**
Dec 22			
Interest rate risk	-36	-29	-207
Foreign exchange risk	-55	4	-10
Total	**-91**	**-25**	**-217**

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

			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
Dec 23				
Fair value hedges				
Interest rate risk	2	0	0	0
Cash flow hedges				
Interest rate risk	0	306	-134	0
Foreign exchange risk	1	67	-44	0
Total	**4**	**373**	**-178**	**0**
Dec 22				
Fair value hedges				
Interest rate risk	-11	0	0	0
Cash flow hedges				
Interest rate risk	0	37	-98	0
Foreign exchange risk	0	34	46	0
Total	**-11**	**71**	**-52**	**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 FOR HEDGE ACCOUNTING

Interest rate benchmark reform and its impact on Erste Group are described in Note 68 Interest Rate Benchmark Reform.

USD LIBOR rates ceased to be published on 30 June 2023 and have been replaced by SOFR (Secured Overnight Financing Rate) rates. Hedging instruments with nominal amount of USD 50 million (EUR 45 million) designated in fair value hedges of bonds acquired and nominal amount of USD 150 million (EUR 136 million) designated in fair value hedges of debt securities issued were affected. In line with the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 issued in August 2020, the designation and documentation of these hedges was updated and all the impacts from the valuation changes were recognised immediately in profit or loss in 2023 without terminating the hedges.

28. Offsetting of financial assets and liabilities

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 and liabilities subject to offsetting and potential offsetting agreements

in EUR million	Financial assets/liabilities (gross)	Amounts offset (gross)	Financial assets/liabilities in balance sheet (net)	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received/ pledged	Other financial collateral received/ pledged	
Dec 23							
Assets							
Derivatives	5,783	4,339	1,445	776	326	0	342
Variation margin assets	870	869	0	0	0	0	0
Reverse repurchase agreements	17,776	0	17,776	0	63	17,208	505
Total	**24,429**	**5,208**	**19,221**	**776**	**389**	**17,208**	**848**
Liabilities							
Derivatives	6,847	4,948	1,900	776	200	72	851
Variation margin liabilities	261	261	0	0	0	0	0
Repurchase agreements	7,352	0	7,352	0	22	7,330	0
Total	**14,460**	**5,208**	**9,251**	**776**	**222**	**7,402**	**851**

in EUR million	Financial assets/liabilities (gross)	Amounts offset (gross)	Financial assets/liabilities in balance sheet (net)	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received/ pledged	Other financial collateral received/ pledged	
Dec 22							
Assets							
Derivatives	7,542	5,664	1,877	1,111	461	0	305
Variation margin assets	1,448	1,448	0	0	0	0	0
Reverse repurchase agreements	15,169	0	15,169	0	73	15,056	40
Total	**24,158**	**7,112**	**17,046**	**1,111**	**535**	**15,056**	**345**
Liabilities							
Derivatives	9,858	6,859	2,999	1,111	242	192	1,454
Variation margin liabilities	257	253	3	0	0	0	3
Repurchase agreements	3,201	0	3,201	0	8	3,160	33
Total	**13,316**	**7,112**	**6,204**	**1,111**	**250**	**3,352**	**1,490**

The impact of offsetting is shown in the column 'Amounts offset (gross)'.

Erste Group undertakes interest rate derivative transactions via London Clearing House and EUREX, credit derivative transactions via ICE Clear Europe Ltd by fulfilling all offsetting requirements according IAS 32. Offsetting is carried out between gross asset and liability derivative positions. The net derivative position is further offset with variation margin amounts. As a result, the offsetting of derivatives has to be viewed in relation to the variation margin assets and liabilities balances. The sum of the amounts offset in the lines 'Derivatives' and 'Variation margin assets' in the table for financial assets equals the sum of the amounts offset in the lines 'Derivatives' and 'Variation margin liabilities' in the table for financial liabilities. The variation margin assets are presented under the balance sheet items 'Cash and cash balances'. The variation margin liabilities are presented under the balance sheet item 'Financial liabilities measured at amortised cost', subitem 'Deposits from banks'.

Erste Group employs master netting agreements and repurchase 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 by the transferor during the time of the pledge. For further details regarding repurchase and reverse repurchase transactions we refer to Note 29 Transfers of financial assets – repurchase transactions and securities lending.

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

Repurchase and reverse repurchase agreements

Transactions involving sales of securities under an agreement to repurchase them at a specified future date are also known as 'repos' or 'sale and repurchase agreements'. Securities sold in such transactions are not derecognised from the balance sheet, as Erste Group retains substantially all risks and rewards of ownership, because the securities are repurchased at a fixed price when the transaction ends. Furthermore, Erste Group is the beneficiary of all coupons and other income payments received on the transferred assets over the period of the transactions. These payments are remitted to Erste Group or are reflected in the repurchase price.

The cash received upon sale of securities is recognised on the balance sheet with a corresponding obligation to return under the line item 'Financial liabilities at amortised cost', sub-items 'Deposits from banks' or 'Deposits from customers' reflecting the transaction's economic substance as a loan to Erste Group. The difference between the sale and repurchase prices is treated as interest expense which is accrued over the life of the agreement and recorded in the statement of income in the line item 'Interest expenses' under 'Net interest income'. Financial assets transferred out by Erste Group under repurchase agreements remain on the Group's balance sheet and are presented separately under the original balance sheet items in the 'thereof pledged as collateral' lines. The measurement category of the transferred financial assets does not change.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised on the balance sheet. Such transactions are also known as 'reverse repos'. The consideration paid is recorded on the balance sheet under the line item 'Financial assets at amortised cost', sub-items 'Loans and advances to banks' and 'Loans and advances to customers' reflecting the transaction's economic substance as a loan by Erste Group. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement and recorded in the statement of income in the line item 'Interest income' under 'Net interest income'.

Securities lending and borrowing

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the lending. The transfer of the securities to counterparties via securities lending does not result in derecognition. Substantially all the risks and rewards of ownership are retained by Erste Group as a lender because the securities are received at the end of the securities lending transaction. Furthermore, Erste Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the securities lending. Securities lent are presented separately under the original balance sheet items in the 'thereof pledged as collateral' lines. Fee income from securities lending transactions is presented in the statement of income in the line 'Fee and commission income' under 'Net fee and commission income'.

Securities borrowed are not recognised on the balance sheet unless they are then sold to third parties. If such sales occur, the obligation to return the securities is recorded on the balance sheet as a short sale within 'Financial liabilities held for trading', sub-item 'Other financial liabilities'. Fee expense incurred on securities borrowing transactions is presented in the statement of income in the line 'Fee and commission expenses' under 'Net fee and commission income'.

	Dec 22		Dec 23	
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	**1,882**	**1,650**	**3,026**	**2,665**
Financial assets at AC	1,455	1,219	2,516	2,209
Trading assets	38	39	230	204
Financial assets at FVOCI	390	392	280	251
Securities lendings	**671**	**0**	**700**	**0**
Financial assets at AC	306	0	609	0
Trading assets	57	0	15	0
Financial assets at FVOCI	309	0	76	0
Total	**2,554**	**1,650**	**3,726**	**2,665**

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 22			Dec 23		
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	1,297	1,221	76	2,427	2,214	213
Trading assets	38	39	-1	230	204	26
Financial assets at FVOCI	390	392	-2	280	251	28
Total	**1,724**	**1,651**	**73**	**2,937**	**2,670**	**267**

30. Financial assets pledged as collaterals

Carrying amount of financial assets pledged as collaterals

in EUR million	Dec 22	Dec 23
Financial assets at AC	43,141	38,449
Trading assets	99	301
Non-trading financial assets at FVPL	25	41
Financial assets at FVOCI	932	458
Total	**44,196**	**39,249**

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 shown in line Financial liabilities at amortised cost (EUR 3,026 million, 2022: EUR 1,882 million), securities lending agreements (EUR 700 million, 2022: EUR 671 million), refinancing transactions with the European Central bank (ECB) and the respective National Banks shown in line Financial liabilities at amortised cost (EUR 10,363 million, 2022: EUR 23,371 million), loans backing issued mortgage bonds shown in lines Financial liabilities at amortised cost and Financial liabilities at fair value through profit or loss (EUR 20,788 million, 2022: EUR 16,170 million), derivatives shown in lines Financial liabilities held for trading and Hedge accounting derivatives (EUR 889 million, 2022: EUR 1,082 million) and other collateral arrangements with retained covered bonds (EUR 3,482 million, 2022: EUR 1,019 million).

The fair value of collateral received which may be repledged or resold even without the collateral provider's default was EUR 18,873 million (2022: EUR 16,431 million). Collateral with fair value of EUR 3,982 million (2022: EUR 3,410 million) was resold or repledged. The bank is obliged to return the resold and repledged collateral.

31. Securities

	Dec 22					Dec 23				
			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	**40,612**	**5,977**	**1,223**	**327**	**9,460**	**44,047**	**7,365**	**1,373**	**178**	**8,794**
Listed	38,587	1,779	614	52	7,714	41,088	2,216	733	16	7,668
Unlisted	2,025	4,198	609	275	1,747	2,959	5,149	640	162	1,126
Equity-related securities	**0**	**70**	**347**	**0**	**99**	**0**	**146**	**415**	**0**	**110**
Listed	0	64	132	0	41	0	139	117	0	1
Unlisted	0	6	215	0	58	0	6	297	0	109
Total	**40,612**	**6,047**	**1,569**	**327**	**9,560**	**44,047**	**7,511**	**1,787**	**178**	**8,905**

Investment funds units are reported within bonds and other interest-bearing securities. Bonds and other interest-bearing securities in the amount of EUR 11,894 million (2022: EUR 11,123 million) are due in the following year.

Risk and capital management

32. Financial risk management

Risk policy and strategy

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

Erste Group 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 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 Methods;
- Group Compliance;
- Retail Risk Management:
- Credit Risk Portfolio;
- Corporate Risk Management;
- Cyber Risk Management;
- Local Chief Risk Officers.

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 the Erste Group.
— Risk Committee of the Supervisory Board;
— CRO Board;
— Holding Credit Committee;
— Market Risk Committee;
— Operative Market Risk Committee;
— Strategic Risk Executive Committee;
— Strategic Risk Management Committee;
— Stress Testing Committee;
— Group Resolution Committee;
— United States Risk Committee;
— Regional Operational Conduct Committee;
— Group IT Risk & Security Committee;
— Group Asset/Liability Committee;
— Operational Liquidity Committee;
— Banking Book 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) as required under Pillar 2 of the Basel framework and regulatory guides (e.g., ECB Guide to ICAAP).

The ERM framework is designed to support the management of the bank in managing the risk portfolios as well as the coverage potential and 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);
— capital allocation and performance management;
— planning of key risk indicators;
— recovery and resolution planning.

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

RISK APPETITE

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

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

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

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

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

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

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

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

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

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

Group RAS 2023-2027 was approved by the management board and the risk committee of the supervisory board and brought to the supervisory board for information in the last quarter of 2022.

ESG risks are embedded in the Risk Appetite Statement and in the risk strategy and are also part of Erste Group's Risk Materiality Assessments. They are integrated into Erste Group's risk taxonomy as transversal risks (risk types that have impact and are reflected through more than one key risk category) and are included in the relevant risk categories credit, market, liquidity and operational risk. Erste Group's definition of ESG risk is part of the Group ICAAP guideline and covers a wide range of risks arising from environmental, social and governance factors.

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. RMA is an annual process with the purpose of systematic identification of new and assessment of all risks for the Group. Senior management may require to perform RMA on ad hoc basis in addition, in order to address changing operating environment or emerging risks. As such, the RMA is an integral part of the ICAAP and serves as a steering tool for senior management.

ESG risks and their materiality keep being assessed within existing risk types. The criteria for assessing physical and transitory risks were further enhanced in the most recent RMA.

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. This includes second-round effects on all major risk types (credit, market, liquidity and operational) and effects on the associated volumes of assets and liabilities as well as on profit and loss. 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 combine 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 risk parameters in the respective portfolios. Special attention is taken to account for the granularity and special characteristics (i.e., countries and industries) when determining the segmentation in which the stressed parameters are defined.

Erste Group has integrated climate risk analysis into the internal stress testing framework. Both physical risk and transition risk from projected climate change are now included in the internal stress testing framework. Further development of climate-based stress analysis will support the Group's overall strategic approach to climate risk.

Results from Erste Group's internal stress tests are analysed in order to decide on appropriate measures and inform the bank steering. The internal comprehensive stress tests performed in 2023 indicated no breach of stressed RAS triggers after the application of scenario contingent measures in the adverse scenario.

RISK-BEARING CAPACITY CALCULATION

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

Besides the Pillar 1 risk types (credit, market in trading book, FX in banking book and operational risks), concentration risk, interest rate risk in the banking book, credit spread risk in the banking book as well as business risk are explicitly considered within the economic capital calculated over a horizon of one year and at a confidence level of 99.9%. For the calculation of the economic capital, Erste Group uses, where possible, more risk sensitive/advanced methodologies tailored to its individual risk profile and specificities of the Group's individual risk exposures. Diversification effects between risks (inter-risk diversification) are not considered, reflecting the Group's prudent approach to maintain sufficient internal capital in times when correlations between risks may change dramatically (like in times of stress). The largest portion of economic capital requirements is coming from credit risk, which accounts for 73.5% of total economic capital requirements at the end of 2023.

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

The coverage potential must be sufficient to absorb Pillar 2 risks/unexpected losses resulting from the Group's operations at any point in time (normal and stressed), as reflected in the Group's Risk Appetite through the limits set for Group economic capital adequacy and stressed capital adequacy utilisation. At the end of 2023, the economic capital adequacy was at 56.7%, fully in line with group RAS.

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

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.

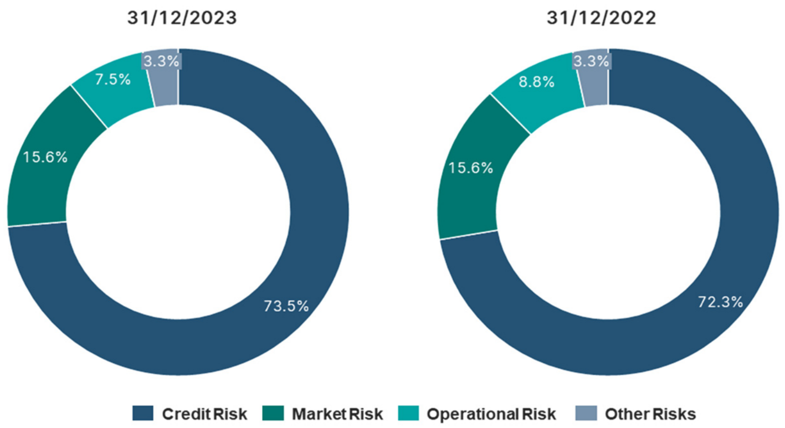
Planning activities are performed in close cooperation with all stakeholders in the group´s overall process and follow a clear governance structure to ensure sound risk planning process.

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 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:



Other risks include business risk.

RECOVERY AND RESOLUTION PLANS

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

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

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

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

Based on the MREL joint decisions taken, the National Resolution Authorities provided their legal notifications. In April 2023, Erste Group received Joint Decision determining the minimum requirement for own funds and eligible liabilities for its resolution groups and some non-resolution entities (i.e. direct and indirect subsidiaries of resolution entities). The requirement is set including binding intermediate requirements as of 1 January 2022 and binding requirements as of 1 January 2024. Information on MREL targets have been published on the local entities' website based on legal notifications released by the relevant national resolution authorities. MREL metric is integrated into the RAS and Recovery Framework of Erste Group.

33. Own funds and capital requirements

Regulatory Requirements

Since 1 January 2014, Erste Group has been calculating the regulatory own funds and the regulatory capital requirements according to the Capital Requirements Regulation (CRR, Regulation (EU) No. 575/2013)[1] and the Capital Requirement Directive (CRD IV, Directive (EU) 2013/36/EU). Both the CRD IV and CRD V[2] were transposed into national law in the Austrian Banking Act (ABA).

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

Furthermore Erste Group also fulfils capital requirements determined in the Supervisory Review and Evaluation Process (SREP).

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.

1 Both CRD IV and CRR have been amended since the entry into force in 2014 inter alia with directive (EU) 2019/878 (CRD V) as well as regulations (EU) 2019/876 (CRR 2) and (EU) 2020/873 (CRR Quick Fix).
2 CRDV has been transposed by an amendment of the ABA (BGBl I 2021/98; BWG-Novelle) which entered into force on 31 May 2021.

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. The definition pursuant to CRR differs from the scope of consolidation according to IFRS, which also includes insurance companies and other entities, that are subject to full consolidation.

Erste Group Bank AG is a member of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. As of the balance sheet date Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG as well as Bausparkasse der österreichischen Sparkassen AG and all Austrian savings banks form this cross-guarantee system. Based on the cross-guarantee contract these entities are included as subsidiaries in Erste Group´s regulatory scope of consolidation.

Furthermore, Erste Group Bank AG together with the Haftungsverbund entities form 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.

Consolidated own funds

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

The items of own funds as disclosed are also used for internal capital management purposes, except AT1 and T2 capital instruments. Erste Group fulfilled the capital requirements throughout the reporting period.

Beside the regulatory minimum capital ratios also capital buffers according to ABA and regulations of the Financial Market Authority (FMA) need to be considered.

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). As a result of the 2022 SREP process performed by the European Central Bank (ECB) Erste Group applies a Pillar 2 requirement (P2R) of 1.75% as of 31 December 2023.

Following the SREP 2022, Erste Group is expected to meet a Pillar 2 Guidance (P2G) of 1.0% with CET1, valid as of 1 January 2023 onwards.

Overview of capital requirements and capital buffers

	Dec 22	Dec 23
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 (CBR)	**4.91%**	**5.46%**
Capital conservation buffer	2.50%	2.50%
Countercyclical capital buffer	0.41%	0.71%
Systemic risk buffer	1.00%	1.00%
O-SII capital buffer	1.00%	1.25%
Minimum CET 1 requirement (incl.CBR)	9.41%	9.96%
Minimum Tier 1 requirement (incl.CBR)	10.91%	11.46%
Minimum Own Funds requirement (incl.CBR)	12.91%	13.46%
Pillar 2	**1.75%**	**1.75%**
Minimum CET1 requirement	0.98%	0.98%
Minimum T1 requirement	1.31%	1.31%
Minimum Own Funds requirement	1.75%	1.75%
Total CET 1 requirement for Pillar 1 and Pillar 2	**10.40%**	**10.95%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**12.23%**	**12.78%**
Total Capital requirement for Pillar 1 and Pillar 2	**14.66%**	**15.21%**

Capital structure

in EUR million	Dec 22 Phased-in	Dec 22 Final	Dec 23 Phased-in	Dec 23 Final
Common equity tier 1 capital (CET1)				
Capital instruments eligible as CET1	2,337	2,337	2,337	2,337
Retained earnings	15,425	15,425	16,911	16,911
Accumulated other comprehensive income	-1,820	-1,820	-1,499	-1,499
Minority interest recognised in CET1	5,866	5,866	6,639	6,639
Common equity tier 1 capital (CET1) before regulatory adjustments	**21,808**	**21,808**	**24,388**	**24,388**
Own CET1 instruments	-87	-87	-77	-77
Prudential filter: cash flow hedge reserve	197	197	31	31
Prudential filter: Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	23	23	66	66
Prudential filter: Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-21	-21	-12	-12
Value adjustments due to the requirements for prudent valuation	-104	-104	-96	-96
Securitizations with a risk weight of 1,250%	-31	-31	-24	-24
Goodwill	-556	-556	-544	-544
Other intangible assets	-386	-386	-333	-333
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-219	-219	-167	-167
CET1 capital elements or deductions – other	-180	-180	-285	-285
Common equity tier 1 capital (CET1)	**20,443**	**20,443**	**22,945**	**22,945**
Additional tier 1 capital (AT1)				
Capital instruments eligible as AT1	2,236	2,236	2,405	2,405
Instruments issued by subsidiaries that are given recognition in AT1	6	6	6	6
Additional tier 1 capital (AT1) before regulatory adjustments	**2,243**	**2,243**	**2,411**	**2,411**
Own AT1 instruments	-1	-1	-1	-1
Additional tier 1 capital (AT1)	**2,241**	**2,241**	**2,410**	**2,410**
Tier 1 capital = CET1 + AT1	**22,684**	**22,684**	**25,355**	**25,355**
Tier 2 capital (T2)				
Capital instruments eligible as T2	2,782	2,782	3,056	3,056
Instruments issued by subsidiaries recognised in T2	195	195	338	338
Transitional adjustments due to grandfathered T2 instruments	0	0	0	0
IRB excess of provisions over expected losses eligible	575	575	413	413
Tier 2 capital (T2) before regulatory adjustments	**3,552**	**3,552**	**3,806**	**3,806**
Own T2 instruments	-51	-51	-67	-67
Tier 2 capital (T2)	**3,500**	**3,500**	**3,739**	**3,739**
Total own funds	**26,184**	**26,184**	**29,094**	**29,094**
Capital requirement	**11,343**	**11,514**	**11,657**	**11,724**
CET1 capital ratio	**14.4%**	**14.2%**	**15.7%**	**15.7%**
Tier 1 capital ratio	**16.0%**	**15.8%**	**17.4%**	**17.3%**
Total capital ratio	**18.5%**	**18.2%**	**20.0%**	**19.9%**

The column 'Phased-in' shows the amounts considered according to CRR phase-in regulations considering the transitional provisions. The column 'Final' discloses the amounts under full implementation of the CRR.

Following the approval by the ECB on 1 August 2023, both the management and the supervisory boards approved the share buyback programme up to an amount of EUR 300 million. For regulatory capital purposes the full buyback amount is deducted from the position 'Retained earnings'.

The position 'CET1 capital elements or deduction – other' includes the development of unaudited risk provisions during the year (EU No 183/2014) and insufficient coverage for non-performing exposures (NPE Backstop) covering the requirements from both Art. 36 para 1 (m) CRR in connection with Art. 47(c) CRR and the Addendum to the ECB Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposures.

Risk structure

in EUR million	Dec 22 Total risk (phased-in)	Dec 22 Capital requirement (phased-in)	Dec 23 Total risk (phased-in)	Dec 23 Capital requirement (phased-in)
Total Risk Exposure Amount	**141,793**	**11,343**	**145,718**	**11,657**
Risk weighted assets (credit risk)	116,730	9,338	121,625	9,730
Standardised approach	20,945	1,676	23,872	1,910
IRB approach	95,620	7,650	97,582	7,807
Contribution to the default fund of a CCP	5	0	9	1
Securitizations	160	13	163	13
Settlement Risk	11	1	2	0
Trading book, foreign FX risk and commodity risk	7,027	562	6,284	503
Operational Risk	14,831	1,187	14,770	1,182
Exposure for CVA	418	33	289	23
Other exposure amounts (incl. Basel 1 floor)	2,775	222	2,748	220

in EUR million	Dec 22 Total risk (final)	Dec 22 Capital requirement (final)	Dec 23 Total risk (final)	Dec 23 Capital requirement (final)
Total Risk Exposure Amount	**143,926**	**11,514**	**146,545**	**11,724**
Risk weighted assets (credit risk)	118,863	9,509	122,453	9,796
Standardised approach	21,942	1,755	24,699	1,976
IRB approach	96,756	7,741	97,582	7,807
Contribution to the default fund of a CCP	5	0	9	1
Securitizations	160	13	163	13
Settlement Risk	11	1	2	0
Trading book, foreign FX risk and commodity risk	7,027	562	6,284	503
Operational Risk	14,831	1,187	14,770	1,182
Exposure for CVA	418	33	289	23
Other exposure amounts (incl. Basel 1 floor)	2,775	222	2,748	220

The position 'Other exposure amounts (incl. Basel 1 floor)' includes a RWA-add-on in view of the calculation of risk-weighted assets for credit risk in Banca Comercială Română (BCR). 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 (expected in 2024).

Furthermore it consideres a RWA add-on linked to the limitation related to the group-wide PD estimation methodology.

34. Credit risk: credit risk review and monitoring

ESG RISK MANAGEMENT

Erste Group integrates ESG factors in its risk management and industry strategy framework. In the first place, the Erste Group ESG Factor Heatmap is used as a screening instrument to identify certain industry segments (out of the existing sub-industries) that may be exposed to ESG risk factors and determine those industries which are more vulnerable to ESG risks. Erste Group establishes industry strategies and lending standards to support the steering of the portfolio under considerations of ESG risks; both are the basis for decisions, which determine which clients and transactions fit into the group's portfolio.

Secondly, the Group has established an ESG risk framework for the assessment of material ESG factors, related risks, and appropriateness of the mitigating strategies in the credit and rating processes. In this manner, the Group takes ESG risk criteria into account when making credit decisions.

For large corporate, commercial real estate and commercial residential real estate transactions, the group conducts a systemic ESG analysis via an internal digital ESG assessment questionnaire. The questionnaire is a mandatory prerequisite in the loan origination and monitoring process. By providing a comprehensive ESG risk assessment, Erste Group is able to determine how certain ESG factors may have a positive or negative impact on the financial performance of clients. The questionnaire enables the group to identify clients' ESG risks or opportunities.

Particular questions in the questionnaire may also require an in-depth assessment in order to understand the nature and severity of the ESG risks to which the client is exposed. The questionnaire forms an integral part of the credit application and is updated at least annually, allowing Erste Group to understand the client's business model in the context of carbon transition. In 2023, in order to support achieving the group's decarbonization targets, additional lending guidance has been introduced for large corporate, depending on their communicated strategy to align with climate science recommendations.

Furthermore, ESG relevant data is collected for certain types of collateral, as defined in the Group Collateral Management Policy for real estate collateral valuations, documentation and reporting purposes. Environmental aspects which affect the value of the collateral have to be included in the real estate valuations, which can lead to a higher or lower valuation result. Moreover, any risks arising from social (e.g., location and transportation, mass urbanisation – being indicators for easy accessibility for people) and governance factors (such as improper business practices such as tax fraud or bribery of the financed company being the owner of the building serving as collateral) have to be considered as well. For commercial real estate assets, the questionnaire additionally includes an assessment of the building's environmental footprint, including information on land consumption, space efficiency, and the existence of a sustainable building certificate.

With regards to credit risk measurement and internal models a respective project to define and collect relevant climate risk drivers for all rating systems has started in 2022 to ensure the explicit consideration of climate risks in future model development initiatives. For the LGD models, climate risk is indirectly reflected via the collateral value. In 2023, ESG factors are considered in the soft facts assessment in the corporate rating models. Additionally, the bank is in the process of analyses how the ESG risks can be incorporated into ECL measurement. As of 31 December 2023 no overlays are deemed necessary.

For the assessment and management of physical risks, Erste Group uses Munich Re's Location Risk Intelligence. Over the last year, the group has conducted a physical risks materiality assessment together with the University of Graz in order to identify key hazards and climate change scenarios relevant for its collateral portfolio. The results of the assessment, highlighting the importance of river flood, fire weather stress, drought stress, sea level rise and heat stress, is integrated into the collateral management, incorporating an intermediate climate change scenario of 2-3C by 2100 (Representative Concentration Pathway 4.5 / Shared Socioeconomic Pathway 2, developed by the Intergovernmental Panel on Climate Change) as a reasonable assumption. In case of the existence of very high physical risks of a location, the collateral value would be negatively affected.

To assess the potential impact of physical risk, the internal stress test incorporated a newly developed physical risk model in 2023. The risk 'river flood' was determined to be the most relevant risk for Erste Group applying the climate hazard scores provided by Munich Re on EGBs collaterals. About 15% of Erste Group's real estate eligible collaterals are exposed to a high river flood risk (a 100-year event flood based on current climate data). Total real estate collateral amount to EUR 112 billion (2022: 106 billion), thereof 75% eligible according to CRR.

By year-end 2023, the Energy Performance Certificate (EPC) label of real estate collaterals has been collected for 20% of total portfolio collateralized by real estate, mainly classified in the two best categories A and B.

In terms of total credit risk exposure, 25% is in the sectors identified as highly contributing to climate change (based on ITS on prudential disclosures on ESG risks), which makes 89% of total exposure toward non-financial corporations. Concentration is mainly in Real Estate industry (34%), Manufacturing (21%) and Wholesale and retail trade (14%). More than half of the portfolio identified as highly contributing to climate change matures in 5 years or less, whereas the weighted average maturity of total portfolio in scope is of 7 years, showing potential impact of transition risk from industry perspective in the medium term.

Among the industries presented in the table 'Credit risk exposure by industry and risk category' below in this chapter, Erste Group identified, as part of the strategic climate initiative for the Net Zero Banking Alliance, certain sectors (where Erste Group is exposed to high greenhouse gas emissions due to either the credit risk exposure or its emission intensity) as important levers for setting interim emission targets for 2030, thereby supporting the migration of 'Transition Risk' in Erste Group financed portfolio. Targets are set for the following sectors: housing mortgages, commercial real estate, electricity production, heat production, cement production, auto manufacturing, oil and gas, iron, and steel.

METHODS OF CREDIT RISK MANAGEMENT

Credit risk arises from Erste Group's traditional lending and investment businesses.

Operative credit decisions are made by the credit risk management units in each subsidiary locally and by Corporate Risk Management at the group level.

Credit risk related to retail and corporate loan portfolios is managed at the group and at local entity level with a common interest to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities and supported by underlying profitability.

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 at a minimum on an annual basis and adjusted if necessary. They cover the entire lending business, considering 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 credit 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 credit 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 a higher frequency.

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities. Internal ratings also determine the level of credit approval authority within Erste Group and the monitoring procedures for existing exposures. At a quantitative level, internal ratings influence the level of required risk pricing, loss allowances and, where applicable, risk-weighted assets under Pillar 1 and 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 and in other relevant model use areas. 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. 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 credit 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 continuously improve internal rating models and risk parameters in cooperation with risk managers. All Pillar 1 and 2, as well as IFRS9 models are subject of an annual review of their estimates, considering the inclusion of most recent data in the estimation of risk parameters, as well as a regular cycle of full model review. 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 and discriminatory ability across its core regions.

The central Model Validation department is responsible for defining the validation methodologies and standards to be applied to all credit risk models within Erste Group as well as for conducting the validation activities across the whole Erste Group. All Pillar 1, material Pillar 2 and IFRS9 models are subject to an annual validation, while for non-material Pillar 2 and IFRS9 models a regular validation cycle is implemented. Model Validation employs qualitative as well as quantitative validation methods to challenge conceptual soundness, performance, and model use aspects. The validation outcomes are approved by the respective model committees and, in case of IRB models, shared with the regulatory bodies. In addition to the validation process, the group applies a regular monitoring process on the performance of IRB models, reflecting developments in new defaults and early delinquencies.

Approvals of all new models, model changes, changes to risk parameters, changes in group-wide methodological standards and other model-related aspects are following a dual approval process within the Group – corresponding Holding and local model committee structures reflect joint responsibilities for decisions on Pillar 1 IRB and Pillar 2 credit risk models as well as on methodologies related to IFRS9 parameters. Responsibilities are assigned depending on model perimeter (group-wide or locally developed model). In this context, the following committees are established: Strategic Risk Executive Committee and Strategic Risk Management Committee.

Ultimate responsibility for all models used within the Group (at consolidated level) lies with the Group CRO. All model governance, development, validation, data management and monitoring activities are coordinated by the Credit Risk Methods 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.

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.

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 is used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series are applied.

CREDIT RISK REVIEW AND MONITORING

Retail Risk Management as well as Credit Risk Portfolio in cooperation with Corporate Risk Management conduct 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 monitoring process for corporate clients is managed at group level by Credit Risk Portfolio and, at subsidiary level, by the local units responsible for corporate risk management, retail risk management and collections, 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 review 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 regularly. In case of further negative developments clients are managed in specialized workout units aiming to maximise recoveries.

35. 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;
- instruments (derivatives and debt securities) held for trading (HfT);
- 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 the 31 December 2022 and 31 December 2023, the credit risk exposure increased from EUR 349,166 million to EUR 364,450 million. This is an increase of 4% or EUR 15,284 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 23				
Cash and cash balances - demand deposits to credit institutions	901	-2	0	899
Instruments HfT	8,627	0	0	8,627
Non-trading debt instruments at FVPL	2,590	0	0	2,590
Debt securities	1,551	0	0	1,551
Loans and advances to banks	0	0	0	0
Loans and advances to customers	1,038	0	0	1,038
Debt instruments at FVOCI	8,851	-14	-43	8,794
Debt securities	8,851	-14	-43	8,794
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	268,664	-3,944	0	264,721
Debt securities	44,064	-17	0	44,047
Loans and advances to banks	21,444	-12	0	21,432
Loans and advances to customers	203,156	-3,915	0	199,241
Trade and other receivables	2,642	-63	0	2,579
Finance lease receivables	5,059	-90	0	4,970
Debt instruments held for sale in disposal groups	153	-4	0	150
Positive fair value of hedge accounting derivatives	183	0	0	183
Off-balance sheet exposures	66,779	-440	0	-
Financial guarantees	8,288	-146	0	-
Loan commitments	45,363	-269	0	-
Other commitments	13,128	-24	0	-
Total	**364,450**	**-4,556**	**-43**	**293,512**
Dec 22				
Cash and cash balances - demand deposits to credit institutions	723	-1	0	722
Instruments HfT	7,695	0	0	7,695
Non-trading debt instruments at FVPL	2,389	0	0	2,389
Debt securities	1,549	0	0	1,549
Loans and advances to banks	0	0	0	0
Loans and advances to customers	839	0	0	839
Debt instruments at FVOCI	9,929	-24	-444	9,460
Debt securities	9,929	-24	-444	9,460
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	257,217	-3,857	0	253,360
Debt securities	40,633	-22	0	40,612
Loans and advances to banks	18,441	-6	0	18,435
Loans and advances to customers	198,143	-3,830	0	194,313
Trade and other receivables	2,469	-65	0	2,404
Finance lease receivables	4,639	-86	0	4,553
Debt instruments held for sale in disposal groups	154	-4	0	150
Positive fair value of hedge accounting derivatives	159	0	0	159
Off-balance sheet exposures	63,792	-534	0	-
Financial guarantees	7,643	-177	0	-
Loan commitments	48,434	-292	0	-
Other commitments	7,716	-65	0	-
Total	**349,166**	**-4,572**	**-444**	**280,892**

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 following pages the credit risk exposure is presented according to different segmentation criteria.

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 23					
Natural Resources & Commodities	10,984	2,219	454	408	14,064
Energy	15,235	1,430	365	47	17,077
Construction and building materials	13,498	2,951	657	376	17,481
Automotive	6,776	1,021	295	134	8,227
Cyclical Consumer Products	6,911	1,562	533	330	9,336
Non-Cyclical Consumer Products	8,822	1,603	302	163	10,891
Machinery	5,719	896	177	226	7,018
Transportation	7,286	1,040	175	132	8,632
TMT; Telecommunications, Media, Technology	6,855	723	144	151	7,873
Healthcare & Services	8,382	1,697	341	226	10,645
Hotels & Leisure	7,272	1,688	420	404	9,784
Real Estate	36,906	6,156	1,157	869	45,089
Public Sector	71,670	370	64	78	72,182
Financial Institutions	26,008	872	686	33	27,599
Private Households	83,309	10,126	3,177	1,562	98,173
Other	233	30	112	5	380
Total	**315,865**	**34,383**	**9,058**	**5,144**	**364,450**
Dec 22					
Natural Resources & Commodities	9,808	3,103	691	279	13,881
Energy	12,869	1,802	191	49	14,912
Construction and building materials	11,481	3,681	637	311	16,111
Automotive	5,836	1,316	228	335	7,715
Cyclical Consumer Products	6,189	2,465	353	307	9,314
Non-Cyclical Consumer Products	7,618	1,780	388	161	9,947
Machinery	4,688	1,019	324	157	6,188
Transportation	4,656	2,352	273	113	7,394
TMT; Telecommunications, Media, Technology	6,104	970	249	165	7,487
Healthcare & Services	8,662	1,831	407	224	11,123
Hotels & Leisure	6,614	2,019	429	425	9,487
Real Estate	36,434	5,459	844	471	43,208
Public Sector	66,263	602	119	10	66,994
Financial Institutions	26,373	1,274	390	36	28,074
Private Households	85,577	6,955	3,004	1,456	96,992
Other	251	39	44	5	339
Total	**299,423**	**36,667**	**8,570**	**4,505**	**349,166**

With 87%, the low risk exposure has the highest share in total credit risk exposure, while management attention represents 9%. The substandard exposure contributes 3% and the non-performing category 1%.

From industry and financial instrument point of view, the highest exposure is represented by households in loans and advances to customers with EUR 87,401 million, representing 24% from total exposure, followed by real estate and housing in loans and advances to customers with an exposure of EUR 39,664 million representing 11% from total and public sector in debt securities with an exposure of EUR 34,678 million representing 10% from total.

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 23					
Core markets	**267,695**	**31,998**	**7,960**	**4,538**	**312,190**
Austria	120,585	11,701	3,526	2,432	138,245
Czechia	71,296	7,452	1,541	816	81,105
Slovakia	24,871	3,873	1,309	378	30,431
Romania	20,956	3,406	605	373	25,339
Hungary	15,013	2,572	505	191	18,281
Croatia	11,186	2,329	382	287	14,185
Serbia	3,787	665	92	60	4,605
Other EU	**31,179**	**1,268**	**468**	**387**	**33,302**
Other industrialised countries	**11,733**	**156**	**78**	**27**	**11,995**
Emerging markets	**5,258**	**962**	**552**	**192**	**6,963**
Southeastern Europe/CIS	3,036	855	222	113	4,226
Asia	1,628	74	6	10	1,717
Latin America	236	1	1	0	238
Middle East/Africa	358	33	324	68	782
Total	**315,865**	**34,383**	**9,058**	**5,144**	**364,450**
Dec 22					
Core markets	**254,254**	**33,625**	**7,531**	**3,968**	**299,379**
Austria	119,508	12,861	2,599	1,994	136,962
Czechia	66,699	6,641	1,304	762	75,406
Slovakia	23,572	4,640	1,514	308	30,034
Romania	19,615	3,041	579	348	23,582
Hungary	12,276	2,417	973	181	15,847
Croatia	9,146	3,398	462	325	13,332
Serbia	3,439	627	100	51	4,217
Other EU	**26,629**	**1,471**	**548**	**349**	**28,997**
Other industrialised countries	**13,023**	**215**	**131**	**41**	**13,409**
Emerging markets	**5,517**	**1,357**	**360**	**147**	**7,382**
Southeastern Europe/CIS	3,158	1,015	243	119	4,537
Asia	1,918	87	21	17	2,043
Latin America	137	58	3	9	207
Middle East/Africa	304	196	93	2	595
Total	**299,423**	**36,667**	**8,570**	**4,505**	**349,166**

The credit risk exposure increased by EUR 1,283 million, or 1% in Austria, and by EUR 11,528 million, or 7% in the CEE core markets. In the other EU member states (EU 27 excluding core markets), the credit risk exposure increased by EUR 4,305 million, or 15%, while in other industrialised countries the decrease in exposure amounted to EUR -1,414 (-11%). The emerging markets registered a decrease of EUR -418 million or -6%. In total, Erste Group's core markets and the EU accounted for 95% (2022: 94%) of credit risk exposure. At 2% (2022: 2%), the share of emerging markets remained of minor importance.

Credit risk exposure by reporting segment and risk category

The reporting of segments of Erste Group conforms to the internal management and control structure and is based on geographical segments in order to provide more comprehensive information the segmental reporting also comprises business segments.

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 23					
Austria	**168,910**	**13,815**	**4,414**	**2,997**	**190,136**
EBOe & Subs.	47,230	3,392	1,155	765	52,542
Savings Banks	66,135	9,506	2,478	1,821	79,939
Other Austria	55,545	918	781	411	57,655
CEE	**136,959**	**20,531**	**4,594**	**2,145**	**164,229**
Czechia	71,121	7,596	1,596	853	81,166
Slovakia	22,437	3,914	1,396	375	28,123
Romania	19,065	3,412	618	382	23,477
Hungary	9,402	2,514	489	185	12,589
Croatia	11,782	2,450	415	291	14,937
Serbia	3,152	645	81	59	3,937
Other	**9,997**	**37**	**49**	**2**	**10,085**
Total	**315,865**	**34,383**	**9,058**	**5,144**	**364,450**
Dec 22					
Austria	**160,368**	**15,346**	**3,442**	**2,490**	**181,647**
EBOe & Subs.	44,860	4,991	1,111	624	51,585
Savings Banks	67,138	9,036	1,806	1,380	79,360
Other Austria	48,370	1,319	526	486	50,702
CEE	**127,463**	**21,286**	**5,128**	**1,997**	**155,874**
Czechia	67,470	6,927	1,402	798	76,597
Slovakia	20,409	4,622	1,576	299	26,906
Romania	17,674	3,083	577	356	21,690
Hungary	9,483	2,353	968	178	12,982
Croatia	9,567	3,696	513	317	14,092
Serbia	2,860	606	91	50	3,607
Other	**11,592**	**35**	**1**	**17**	**11,645**
Total	**299,423**	**36,667**	**8,570**	**4,505**	**349,166**

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 23					
Retail	65,966	11,588	3,470	1,509	82,533
Corporates	104,163	12,827	2,460	1,805	121,254
Group Markets	23,066	382	520	0	23,967
ALM & LCC	56,433	76	80	6	56,596
Savings Banks	66,135	9,506	2,478	1,821	79,939
GCC	104	4	49	2	160
Total	**315,865**	**34,383**	**9,058**	**5,144**	**364,450**
Dec 22					
Retail	65,536	10,167	3,280	1,381	80,364
Corporates	92,938	16,584	3,131	1,694	114,347
Group Markets	18,785	533	193	0	19,511
ALM & LCC	54,899	318	160	32	55,409
Savings Banks	67,138	9,036	1,806	1,380	79,360
GCC	127	30	1	17	175
Total	**299,423**	**36,667**	**8,570**	**4,505**	**349,166**

36. Use of collateral

Recognition of credit collateral

Collateral Management is integrated in Underwriting Processes department of Credit Risk Portfolio division. The Group Collateral Management Policy Part 1 Credit Collateral defines, among other topics, 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 processes stipulated for assigning the acceptable collateral assets to the categories available.

Main types of credit collateral

Mostly, 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 private 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.

Real estate valuation may only be performed by qualified valuators who are independent of the credit decision process. The valuation is to be made according to international, European or national standards and has to follow valuation methods defined by the bank. Internal guidelines define criteria of qualification and requirements of independence for the selection of valuators. A valuator may only perform two sequential valuations of the same asset, any further valuation has to result in the rotation of the valuator. For quality assurance purposes, real estate valuators and real estate valuations are supervised 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 discounts are adjusted regularly – at least once a year – to reflect the recoveries under consideration of foreseeable developments (like expected real estate price changes).

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, or when defined triggers are exceeded. Particularly real estate collateral assets in development, showing problems like significant cost or time overrun, as well as assets, collateralizing loans with lower credit quality, are monitored or revalued with higher frequencies.

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 2023, the carrying value of these assets obtained during the reporting period amounted to EUR 2 million (2022: EUR 4 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 table compares the credit risk exposure broken down by financial instrument to the allocated collateral which corresponds to the accepted value after internal haircuts capped by the exposure amount.

Credit risk exposure by financial instrument and collateral

in EUR million	Total credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	IFRS 9 impairment relevant: Neither past due nor credit impaired	IFRS 9 impairment relevant: Past due but not credit impaired	IFRS 9 impairment relevant: Credit impaired
Dec 23									
Cash and cash balances - demand deposits to credit institutions	901	170	0	0	170	731	884	18	0
Instruments HfT	8,627	98	98	0	0	8,530	0	0	0
Non-trading debt instruments at FVPL	2,590	1,020	818	202	0	1,569	0	0	0
Debt instruments at FVOCI	8,851	637	637	0	0	8,214	8,848	0	3
Debt instruments at AC	**268,664**	**142,095**	**11,714**	**107,865**	**22,515**	**126,570**	**261,382**	**2,808**	**4,628**
Debt securities	44,064	1,673	1,673	0	0	42,390	44,059	0	5
Loans and advances to banks	21,444	16,987	1,847	0	15,140	4,457	21,444	0	0
Loans and advances to customers	203,156	123,434	8,194	107,865	7,375	79,722	195,879	2,808	4,623
Trade and other receivables	2,642	210	195	1	13	2,433	1,527	1,059	56
Finance lease receivables	5,059	2,922	68	201	2,653	2,137	4,749	207	103
Debt instruments held for sale in disposal groups	153	0	0	0	0	153	0	0	0
Positive fair value of hedge accounting derivatives	183	0	0	0	0	183	0	0	0
Off-balance sheet exposures	66,779	7,376	322	3,412	3,643	59,403	53,298	82	271
thereof other commitments	13,128	1,064	0	245	819	12,064	0	0	0
Total	**364,450**	**154,528**	**13,851**	**111,681**	**28,995**	**209,923**	**330,688**	**4,174**	**5,062**
Dec 22									
Cash and cash balances - demand deposits to credit institutions	723	81	0	0	81	642	694	29	0
Instruments HfT	7,695	171	171	0	0	7,525	0	0	0
Non-trading debt instruments at FVPL	2,389	832	662	169	1	1,557	0	0	0
Debt instruments at FVOCI	9,929	587	587	0	0	9,341	9,917	9	3
Debt instruments at AC	**257,217**	**135,090**	**11,794**	**101,418**	**21,878**	**122,127**	**250,718**	**2,584**	**4,070**
Debt securities	40,633	1,629	1,629	0	0	39,004	40,625	4	4
Loans and advances to banks	18,441	16,654	1,854	0	14,801	1,787	18,441	0	0
Loans and advances to customers	198,143	116,807	8,311	101,418	7,077	81,336	191,651	2,580	4,066
Trade and other receivables	2,469	62	43	1	18	2,407	1,545	866	58
Finance lease receivables	4,639	2,679	72	215	2,392	1,960	4,350	201	88
Debt instruments held for sale in disposal groups	154	0	0	0	0	154	0	0	0
Positive fair value of hedge accounting derivatives	159	0	0	0	0	159	0	0	0
Off-balance sheet exposures	63,792	7,426	230	3,781	3,415	56,366	51,932	453	202
thereof other commitments	7,716	1,199	0	163	1,036	6,517	0	0	0
Total	**349,166**	**146,928**	**13,559**	**105,584**	**27,785**	**202,238**	**319,156**	**4,141**	**4,421**

The collateral attributable to exposures that are credit impaired as of 31 December 2023 amounts to EUR 2,449 million (2022: EUR 1,986 million).

37. Measurement of expected credit loss

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. In addition, credit loss allowances are calculated for loan commitments and financial guarantees if they meet the applicable IFRS 9 definitions.

CLASSIFICATION INTO STAGES AND DEFINITION OF CREDIT-IMPAIRED FINANCIAL INSTRUMENTS

There are three main stages outlined for expected credit loss (ECL) determination. The stages approach applies to financial instruments within the scope of the impairment requirements of IFRS 9 and those that are not categorised as purchased or originated credit impaired financial assets (POCI), which form a category of their own. Depending on the impairment status and the assessment of the development of credit risk, these financial instruments are assigned to one of the three stages, as described in the chapter 'Financial instruments – Material accounting policies', in the section 'Impairment of financial instruments'

SIGNIFICANT INCREASE IN CREDIT RISK DETERMINATION

Assessment of significant increase in credit risk (SICR) of financial instruments as at the reporting date since initial recognition is one of the key drivers affecting the amount of the ECL 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).

Erste Group methodology allows introduction of the cure periods for migrations back to Stage 1 from Stage 2 in addition to those already established in general credit risk practices (forbearance, watch lists, default). They are rarely applied, only in specific countries for specific criteria without significant effect on the overall expected credit loss or Stage 2.

Quantitative criteria. Quantitative SICR indicators include adverse changes in lifetime probability of default with significance being assessed by comparison to the thresholds. The bank has established thresholds for significant increases in credit risk based on both a percentage (relative) and absolute change in PD compared to initial recognition. SICR occurs for a particular financial instrument, when both the relative and the absolute thresholds are breached.

The relative measure is calculated as a ratio between current annualised LT PD and annualised LT PD value on initial recognition, considering remaining maturity of the instrument. Cumulative LT PD comparison can be used for simplification according to Erste Group methodology; however, such approach is rarely used. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level for each consolidated entity, as necessary, and are subject to initial and on-going validation.

Relative thresholds for SICR assessment by geographical segment

	Dec 2022		Dec 2023	
Threshold interval (x times)	Min	Max	Min	Max
Austria	**1.13**	**2.6**	**1.13**	**2.37**
EBOe & Subs.	1.13	2.6	1.13	2.37
Savings Banks	1.13	2.6	1.13	2.37
Other Austria	1.13	2.6	1.13	2.37
CEE	**1.03**	**4.08**	**1.01**	**4.08**
Czechia	1.13	3.59	1.01	3.59
Slovakia	1.13	4.08	1.13	4.08
Romania	1.13	3.37	1.06	3.37
Hungary	1.13	3.21	1.13	3.21
Croatia	1.13	3.13	1.13	3.13
Serbia	1.03	3.47	1.02	2.58
Total	**1.03**	**4.08**	**1.01**	**4.08**

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. Predefined rating notches' downgrade leads to SICR recognition. These rules are applied primarily to leasing and factoring business receivables.

The relative thresholds in place since the IFRS9 implementation were kept stable as one of the most significant estimates in ECL measurement and, until 2022, they were re-estimated only for individual entities and portfolios due to either significant change of PD models or internal validation finding. In the fourth quarter of 2022, the process of splitting the corporate portfolio into Group (large) Corporates and Local Corporates was initiated and it triggered in 2023 thresholds' recalibration in most of the entities for these portfolios. Moreover, the methodological update of PD model in the fourth quarter of 2023 led to the thresholds' recalibration for all local portfolios in Banca Comerială Română and review of rating model for private individuals in the third quarter of 2023 to thresholds recalibration for this segment in Erste Bank Serbia.

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

Qualitative criteria. Qualitative SICR indicators include forbearance-type flags (identification of regulatory forbearance), work-out transfer flags (when the account starts being monitored by the work-out department), information from the early-warning system 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). In addition, new overrides were introduced in Romania in 2023 due to changes in the tax law for specific sectors, resulting in ECL allocation of EUR 11 million.

Erste Group has introduced additional portfolio level SICR assessment criteria due to the war in Ukraine (implemented in 2022) and related macroeconomic impacts. For more details refer to 'Collective assessment' in the next chapter.

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

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

As of 31 December 2023, 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 16 billion (2022: EUR 15 billion) with PDs interval of 0.01%-0.5%. In Banca Comercială Română, the respective exposure amounted to EUR 7 billion (2022: EUR 6 billion) with PD below 0.1%.

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 monthly 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 over an available history. The calculated LT PDs are extrapolated, e.g., via matrix multiplication, to ensure that the final lifetime PD covers the lifetime of the loans from initial recognition. It is assumed to be the same across all assets in the same portfolio, rating band, and the country of risk which is an additional relevant PD characteristic considered via forward looking information in case of central models for Group (Large) Corporate since the fourth quarter of 2023.

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.

38. Credit Risk Exposure by IFRS 9 Stage and ECL

Credit risk exposure according to IFRS 9 by region

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 23							
Core markets	**247,574**	**41,209**	**4,245**	**413**	**293,441**	**18,749**	**312,190**
Austria	108,206	24,066	2,372	64	134,709	3,536	138,245
Czechia	69,234	7,092	722	78	77,126	3,979	81,105
Slovakia	24,887	2,154	352	123	27,515	2,916	30,431
Romania	19,624	4,103	326	73	24,126	1,214	25,339
Hungary	11,142	1,334	163	35	12,674	5,607	18,281
Croatia	11,262	2,050	268	23	13,602	582	14,185
Serbia	3,220	408	43	18	3,689	916	4,605
Other EU	**27,132**	**2,816**	**376**	**7**	**30,331**	**2,971**	**33,302**
Other industrialised countries	**9,156**	**813**	**27**	**0**	**9,997**	**1,998**	**11,995**
Emerging markets	**4,849**	**1,116**	**178**	**11**	**6,154**	**810**	**6,963**
Southeastern Europe/CIS	2,946	819	108	2	3,876	350	4,226
Asia	1,182	73	10	0	1,265	452	1,717
Latin America	230	7	0	0	238	0	238
Middle East/Africa	490	217	60	9	775	7	782
Total	**288,711**	**45,953**	**4,827**	**431**	**339,923**	**24,527**	**364,450**
Dec 22							
Core markets	**236,852**	**44,711**	**3,724**	**361**	**285,649**	**13,730**	**299,379**
Austria	106,644	25,306	1,944	54	133,948	3,014	136,962
Czechia	62,388	7,644	688	46	70,766	4,639	75,406
Slovakia	25,640	3,294	292	125	29,352	682	30,034
Romania	17,501	4,060	307	58	21,925	1,657	23,582
Hungary	11,768	1,510	146	47	13,472	2,375	15,847
Croatia	9,943	2,453	299	29	12,724	608	13,332
Serbia	2,967	444	48	2	3,462	755	4,217
Other EU	**22,010**	**3,956**	**330**	**10**	**26,306**	**2,691**	**28,997**
Other industrialised countries	**7,769**	**1,618**	**40**	**11**	**9,438**	**3,971**	**13,409**
Emerging markets	**4,880**	**1,301**	**143**	**1**	**6,325**	**1,056**	**7,382**
Southeastern Europe/CIS	2,978	933	115	1	4,028	509	4,537
Asia	1,354	144	17	0	1,515	528	2,043
Latin America	181	15	9	0	205	2	207
Middle East/Africa	366	209	2	0	577	18	595
Total	**271,511**	**51,587**	**4,237**	**383**	**327,718**	**21,448**	**349,166**

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 exposure not subject to IFRS 9 impairment is measured at fair value.

The defaulted part of POCI amounted to EUR 234 million (2022: EUR 184 million), the non-defaulted part to EUR 197 million (2022: EUR 199 million).

Credit risk exposure according to IFRS 9 by geographical segment

	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 23												
Austria	**143,871**	**29,852**	**2,923**	**72**	**13,419**	**-167**	**-755**	**-1,049**	**0**	**2.5%**	**35.9%**	**0.1%**
EBOe & Subs.	44,173	7,032	746	21	570	-38	-160	-259	0	2.3%	34.7%	0.1%
Savings Banks	58,970	16,983	1,775	50	2,161	-88	-508	-667	0	3.0%	37.6%	0.1%
Other Austria	40,728	5,837	403	0	10,687	-41	-88	-122	0	1.5%	30.4%	0.0%
CEE	**134,811**	**16,098**	**1,902**	**360**	**11,058**	**-326**	**-911**	**-1,234**	**-88**	**5.7%**	**64.9%**	**24.6%**
Czechia	69,299	7,015	746	90	4,014	-108	-316	-462	-23	4.5%	61.8%	25.2%
Slovakia	22,549	1,993	350	121	3,109	-42	-115	-193	-27	5.8%	55.0%	22.1%
Romania	18,882	3,522	335	73	664	-100	-316	-261	-8	9.0%	77.9%	10.8%
Hungary	9,336	1,105	156	35	1,957	-28	-54	-106	-10	4.9%	67.5%	27.3%
Croatia	12,060	2,125	271	23	458	-36	-94	-182	-13	4.4%	67.2%	55.2%
Serbia	2,685	337	42	18	855	-11	-16	-30	-9	4.7%	71.8%	49.7%
Other	**10,029**	**3**	**2**	**0**	**51**	**-2**	**0**	**0**	**0**	**0.0%**	**7.2%**	**0.0%**
Total	**288,711**	**45,953**	**4,827**	**431**	**24,527**	**-495**	**-1,666**	**-2,283**	**-88**	**3.6%**	**47.3%**	**20.5%**
Dec 22												
Austria	**135,236**	**32,407**	**2,430**	**66**	**11,508**	**-169**	**-772**	**-996**	**-1**	**2.4%**	**41.0%**	**0.9%**
EBOe & Subs.	43,281	7,179	614	12	499	-43	-169	-210	0	2.4%	34.2%	0.0%
Savings Banks	61,345	14,565	1,336	54	2,060	-91	-434	-579	-1	3.0%	43.3%	1.1%
Other Austria	30,611	10,663	480	0	8,949	-36	-170	-207	0	1.6%	43.3%	0.0%
CEE	**124,821**	**19,079**	**1,790**	**317**	**9,868**	**-300**	**-975**	**-1,181**	**-93**	**5.1%**	**66.0%**	**29.4%**
Czechia	63,049	8,032	714	54	4,748	-99	-332	-466	-20	4.1%	65.4%	36.3%
Slovakia	22,712	3,062	286	126	720	-49	-122	-168	-37	4.0%	58.7%	28.9%
Romania	15,924	3,771	311	58	1,626	-71	-314	-236	-11	8.3%	75.8%	19.3%
Hungary	9,986	1,250	143	47	1,556	-30	-62	-89	-12	4.9%	62.5%	25.1%
Croatia	10,670	2,612	290	29	491	-37	-127	-192	-13	4.9%	66.1%	46.0%
Serbia	2,479	352	47	2	727	-15	-18	-30	0	5.2%	64.4%	22.6%
Other	**11,454**	**100**	**17**	**0**	**72**	**-4**	**-3**	**-12**	**0**	**2.8%**	**69.1%**	**0.0%**
Total	**271,511**	**51,587**	**4,237**	**383**	**21,448**	**-474**	**-1,750**	**-2,190**	**-94**	**3.4%**	**51.7%**	**24.5%**

Credit risk exposure according to IFRS 9 treatment by business segment

	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 23												
Retail	70,058	9,742	1,446	116	1,172	-163	-547	-851	-27	5.6%	58.9%	23.2%
Corporates	89,235	18,761	1,599	265	11,395	-213	-601	-758	-61	3.2%	47.4%	23.1%
Group Markets	14,086	309	0	0	9,572	-19	-5	0	0	1.5%	30.4%	100.0%
ALM & LCC	56,256	155	6	0	179	-12	-6	-6	0	3.6%	98.1%	94.2%
Savings Banks	58,970	16,983	1,775	50	2,161	-88	-508	-667	0	3.0%	37.6%	0.1%
GCC	106	3	2	0	49	0	0	0	0	0.0%	7.2%	0.0%
Total	**288,711**	**45,953**	**4,827**	**431**	**24,527**	**-495**	**-1,666**	**-2,283**	**-88**	**3.6%**	**47.3%**	**20.5%**
Dec 22												
Retail	67,843	10,180	1,339	91	911	-162	-627	-796	-23	6.2%	59.4%	25.7%
Corporates	77,131	26,181	1,513	238	9,285	-180	-677	-786	-70	2.6%	52.0%	29.3%
Group Markets	10,398	250	0	0	8,862	-20	-3	0	0	1.1%	54.7%	60.3%
ALM & LCC	54,711	409	32	0	257	-19	-10	-16	0	2.5%	51.5%	21.3%
Savings Banks	61,345	14,565	1,336	54	2,060	-91	-434	-579	-1	3.0%	43.3%	1.1%
GCC	83	2	17	0	72	-2	0	-12	0	5.6%	69.1%	0.0%
Total	**271,511**	**51,587**	**4,237**	**383**	**21,448**	**-474**	**-1,750**	**-2,190**	**-94**	**3.4%**	**51.7%**	**24.5%**

39. Development of credit loss allowances

The following tables give an overview over the development of credit loss allowances per balance sheet line item.

In column 'Additions' increases of CLA due to the initial recognition of financial instruments during the current reporting period are disclosed. Releases of CLA following the derecognition of the related financial instruments 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 financial instruments from Stage 1 (at 1 January 2023 or initial recognition date) to Stages 2 or 3 at 31 December 2023 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 recognised 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)'.

FINANCIAL INSTRUMENTS HELD AT AMORTISED COST

Movement in credit loss allowances – debt securities

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 23						Dec 23
Stage 1	-13	-5	3	2	3	0	-10
Stage 2	-5	0	1	-2	4	0	-3
Stage 3	-3	0	0	0	-1	0	-4
Total	**-22**	**-5**	**3**	**1**	**6**	**0**	**-17**
	Jan 22						Dec 22
Stage 1	-12	-6	4	2	-2	1	-13
Stage 2	-3	0	0	-6	3	0	-5
Stage 3	0	0	0	-1	-2	0	-3
Total	**-15**	**-6**	**4**	**-5**	**-1**	**1**	**-22**

The year-end total GCAs of AC debt securities that were initially recognised (purchased) during the year 2023 and not fully derecognised by 31 December 2023 amounts to EUR 7,484 million (2022: EUR 9,136 million.) The GCA of AC debt securities that were held at 1 January 2023 and derecognised during the year 2023 amounts to EUR 3,680 million (2022: EUR 3,987 million).

Movement in credit loss allowances – loans and advances to banks

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 23						Dec 23
Stage 1	-6	-18	11	0	4	0	-8
Stage 2	0	0	1	-2	-2	0	-3
Stage 3	0	0	0	0	0	0	0
Total	**-6**	**-19**	**13**	**-2**	**2**	**0**	**-12**
	Jan 22						Dec 22
Stage 1	-6	-17	12	0	5	0	-6
Stage 2	-1	0	2	0	-2	0	0
Stage 3	0	0	0	0	0	0	0
Total	**-6**	**-17**	**15**	**0**	**3**	**0**	**-6**

The year-end total GCA of AC loans and advances to banks that were initially recognised during the year 2023 and not fully derecognised by 31 December 2023 amounts to EUR 19,207 million (2022: EUR 15,641 million). The GCA of AC loans and advances to banks that were held as of 1 January 2023 and fully derecognised during the year 2023 amounts to EUR 15,179 million (2022: 18,260 million).

Movement in credit loss allowances – loans and advances to customers

in EUR million	As of	Additions	Derecog-nitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
	Jan 23							Dec 23
Stage 1	**-335**	**-277**	**66**	**496**	**-314**	**0**	**8**	**-357**
General governments	-4	-2	1	3	-3	0	0	-5
Other financial corporations	-8	-5	3	14	-13	0	1	-9
Non-financial corporations	-162	-170	38	201	-98	0	3	-188
Households	-161	-100	23	277	-199	0	4	-155
Stage 2	**-1,415**	**-192**	**204**	**-847**	**843**	**1**	**5**	**-1,401**
General governments	-28	-2	0	-2	13	0	-1	-19
Other financial corporations	-20	-9	1	-7	26	0	-1	-10
Non-financial corporations	-773	-147	140	-382	323	0	5	-835
Households	-594	-34	63	-456	481	0	2	-536
Stage 3	**-1,994**	**-34**	**268**	**-93**	**-494**	**268**	**6**	**-2,072**
General governments	-1	0	0	0	-5	1	0	-5
Other financial corporations	-37	-1	2	0	2	3	4	-28
Non-financial corporations	-1,043	-20	144	-41	-260	141	-3	-1,082
Households	-913	-13	123	-52	-230	124	5	-957
POCI	**-86**	**0**	**16**	**0**	**-30**	**13**	**2**	**-85**
General governments	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	-65	0	13	0	-20	11	1	-60
Households	-22	0	3	0	-10	2	1	-25
Total	**-3,830**	**-504**	**553**	**-444**	**6**	**282**	**22**	**-3,915**
	Jan 22							Dec 22
Stage 1	**-383**	**-320**	**77**	**643**	**-348**	**0**	**-5**	**-335**
General governments	-4	-3	1	4	-1	0	0	-4
Other financial corporations	-10	-12	4	18	-7	0	0	-8
Non-financial corporations	-211	-201	49	328	-128	0	1	-162
Households	-158	-103	23	293	-211	0	-5	-161
Stage 2	**-1,203**	**-143**	**183**	**-1,055**	**799**	**1**	**4**	**-1,415**
General governments	-20	-8	2	-12	11	0	0	-28
Other financial corporations	-14	-1	3	-30	24	0	-1	-20
Non-financial corporations	-666	-113	113	-553	442	0	2	-773
Households	-504	-20	65	-460	322	1	3	-594
Stage 3	**-2,066**	**-27**	**213**	**-124**	**-356**	**375**	**-9**	**-1,994**
General governments	-2	0	0	0	0	1	0	-1
Other financial corporations	-16	0	1	0	-20	4	-5	-37
Non-financial corporations	-1,069	-16	115	-64	-228	223	-3	-1,043
Households	-979	-10	97	-60	-108	148	-1	-913
POCI	**-88**	**0**	**8**	**0**	**-12**	**4**	**0**	**-86**
General governments	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	-61	0	6	0	-12	3	0	-65
Households	-26	0	2	0	0	1	1	-22
Total	**-3,740**	**-490**	**482**	**-536**	**83**	**381**	**-9**	**-3,830**

CLAs recognised 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. They also reflect deals for which the CLA initial recognition in accounting occurred after those deals having been already assigned to Stage 2 as a result of applying the SICR collective assessment overlays further described in Note 40.

The column 'Other changes in credit risk (net)' 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 107 million (2022: EUR 90 million) cumulatively for the year 2023, which also reflects the unrecognised interest income out of the related AC loans and advances to customers throughout the year.

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 2023 to a different stage compared to 1 January 2023 (or to the initial recognition date, if originated during the year) are summarized below:

in EUR million	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
	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
Dec 23								
General governments	77	361	41	0	0	0	0	0
Other financial corporations	301	461	4	0	1	0	0	0
Non-financial corporations	10,731	7,442	745	72	427	16	1	91
Households	4,802	3,865	388	144	287	31	3	9
Total	**15,911**	**12,129**	**1,178**	**217**	**715**	**47**	**5**	**100**
Dec 22								
General governments	389	497	10	0	0	0	0	0
Other financial corporations	883	303	14	0	30	0	0	0
Non-financial corporations	14,882	6,722	404	133	357	6	5	8
Households	6,105	3,379	301	182	198	40	3	6
Total	**22,259**	**10,901**	**728**	**315**	**585**	**46**	**8**	**15**

The year-end total GCA of the AC loans and advances to customers that were initially recognised during the reporting period and not fully derecognised by 31 December 2023 amounts to EUR 40,602 million (2022: EUR 51,949 million). The GCA of the AC loans and advances to customers that were held at 1 January 2023 and fully derecognised during the reporting period amounts to EUR 19,578 million (2022: EUR 18,338 million).

The undiscounted amount of the lifetime expected credit losses considered in the initial measurement of the AC loans and advances to customers initially recognised and identified as POCI during the year 2023 amounted to EUR 58 million (2022: EUR 107 million).

Movement in credit loss allowances – trade and other receivables

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
	Jan 23							**Dec 23**
Stage 1	-9	-10	6	2	0	0	0	-11
Stage 2	-11	0	4	-3	0	0	0	-10
Stage 3	-44	0	4	-3	-6	5	2	-41
POCI	-1	0	0	0	0	0	0	-1
Total	**-65**	**-10**	**15**	**-4**	**-7**	**5**	**3**	**-63**
	Jan 22							**Dec 22**
Stage 1	-12	-13	9	1	6	0	0	-9
Stage 2	-9	-1	2	-2	-3	1	1	-11
Stage 3	-66	0	22	-1	-5	7	0	-44
POCI	0	0	0	0	-1	0	0	-1
Total	**-87**	**-14**	**33**	**-2**	**-3**	**7**	**1**	**-65**

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – DEBT INSTRUMENTS

Movement in credit loss allowances – debt instrument financial assets

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 23						**Dec 23**
Stage 1	-7	-2	3	6	-4	0	-5
Stage 2	-16	-3	2	-1	9	0	-9
Stage 3	-1	0	0	0	0	0	-1
Total	**-24**	**-5**	**5**	**5**	**6**	**0**	**-14**
	Jan 22						**Dec 22**
Stage 1	-7	-5	1	4	-1	0	-7
Stage 2	-16	0	0	-4	5	0	-16
Stage 3	0	0	0	-1	0	0	-1
Total	**-23**	**-5**	**2**	**-2**	**4**	**0**	**-24**

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 2023 to a different stage compared to 1 January 2023 (or to the initial recognition date, if purchased during the year) are summarized in the table below:

Transfers between stages – debt instrument financial assets

in EUR million	Dec 22	Dec 23
Transfers between Stage 1 and Stage 2		
To Stage 2 from Stage 1	370	25
To Stage 1 from Stage 2	185	373
Transfers between Stage 1 and Stage 3		
To Stage 3 from Stage 1	3	0

FINANCE LEASE RECEIVABLES

Movement in credit loss allowances – finance lease receivables

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
	Jan 23							**Dec 23**
Stage 1	-17	-7	0	8	-1	0	0	-17
Stage 2	-28	0	1	-12	7	0	0	-33
Stage3	-41	0	7	-5	-3	2	0	-40
POCI	0	0	0	0	0	0	0	0
Total	**-86**	**-7**	**9**	**-9**	**3**	**2**	**0**	**-90**
	Jan 22							**Dec 22**
Stage 1	-17	-7	1	7	-1	0	0	-17
Stage 2	-27	0	2	-9	6	0	0	-28
Stage3	-67	0	4	-5	20	7	0	-41
POCI	0	0	0	0	0	0	0	0
Total	**-111**	**-7**	**7**	**-7**	**25**	**7**	**0**	**-86**

The column 'Other changes in credit risk (net)' 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 1 million (2022: EUR 1 million) cumulatively for the year 2023, which also reflects the unrecognised interest income out of the related finance lease receivables throughout the year.

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 2023 to a different stage compared to 1 January 2023 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages – finance lease receivables

in EUR million	Dec 22	Dec 23
Transfers between Stage 1 and Stage 2		
To Stage 2 from Stage 1	322	355
To Stage 1 from Stage 2	89	227
Transfers between Stage 2 and Stage 3		
To Stage 3 from Stage 2	10	26
To Stage 2 from Stage 3	53	4
Transfers between Stage 1 and Stage 3		
To Stage 3 from Stage 1	16	16
To Stage 1 from Stage 3	2	4

The year-end total GCA of the finance lease receivables that were initially recognised during the reporting period and not fully derecognised by 31 December 2023 amounts to EUR 1,431 million (2022: EUR 1,104 million). The GCA of the finance lease receivables that were held at 1 January 2023 and fully derecognised during the year 2023 amounts to EUR 499 million (2022: EUR 447 million).

LOAN COMMITMENTS AND FINANCIAL GUARANTEES

Movement in credit loss allowances – 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 23						Dec 23
Stage 1	81	226	-52	-152	-26	4	82
Stage 2	274	0	-91	190	-173	7	208
Stage 3	107	0	-38	37	0	18	124
POCI	6	1	-2	0	-3	0	2
Total	**469**	**227**	**-182**	**75**	**-201**	**29**	**416**
	Jan 22						Dec 22
Stage 1	113	229	-80	-191	9	0	81
Stage 2	228	0	-93	285	-142	-4	274
Stage 3	111	0	-20	12	-3	7	107
POCI	12	1	-1	0	-5	0	6
Total	**464**	**229**	**-193**	**106**	**-141**	**3**	**469**

The column 'Other changes in credit risk (net)' 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 2023 to a different stage compared to 1 January 2023 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages – loan commitments and financial guarantees

in EUR million	Dec 22	Dec 23
Transfers between Stage 1 and Stage 2	**10,631**	**7,995**
To Stage 2 from Stage 1	7,907	2,273
To Stage 1 from Stage 2	2,724	5,721
Transfers between Stage 2 and Defaulted	**71**	**121**
To Defaulted from Stage 2	52	101
To Stage 2 from Defaulted	19	20
Transfers between Stage 1 and Defaulted	**68**	**21**
To Defaulted from Stage 1	66	20
To Stage 1 from Defaulted	2	1

The year-end nominal amounts of unused off-balance commitments and financial guarantees that were initially recognised during the year 2023 and not fully derecognised by 31 December 2023 amounts to EUR 18,964 million (2022: EUR 18,051 million). The nominal amounts of unused off-balance commitments or financial guarantees that were held at 1 January 2023 and fully derecognised during the year 2023 amounts to EUR 11,976 million (2022: EUR 11,360 million).

40. Scenarios used in forward looking information and Crises Effects

Overview on scenarios used in forward-looking information

INCORPORATION OF FORWARD-LOOKING INFORMATION

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

Thus, the unbiased scenario weighted ECL considering FLI is derived using the weights representing the outcome of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. The main indicator of the estimated economic development and basis for alternative scenario derivation is the GDP. In addition, economic effects of the ongoing war in Ukraine and the emerging conflicts in the middle east came along with the increases of the inflation and/or the interest rates. Erste Group adjusted macro-shift models to reflect expected effects of those into credit risk parameters.

Macro-shift FLI models are recalibrated regularly to reflect the most relevant macro-variables. The recalibration is performed by the local entities (except for the central models for Group (Large) Corporate) and variables with the highest statistical relevance are included.

In case of central model for Group (Large) Corporates, the Group (dedicated central units) is responsible for the PD review including FLI. In 2023, a new characteristic, the country of risk, was implemented into FLI for distinguishing the macro development in different countries.

Erste Group reviewed the FLI in the fourth quarter of 2023 according to the disclosed forecasts for baseline, downside, and upside scenarios. Based on the assessment of conditions (exit triggers) for applying in-model adjustments in FLI models (40% weight assigned to baseline scenarios, expertly set up weights for downside and upside scenarios, and incorporation of comprehensive stress test scenario into the downside scenario, applied in December 2022), Erste Group decided to assign 50% scenario weight to baseline forecast due to more stable macroeconomic forecasts than were observed during previous year. Moreover, the higher NPL inflows in Austria and Czechia, observed in the second half of 2023, led to the decision to apply the modelled weights for downside and upside scenarios instead of expertly set weights applied in 2022. It relates to all local models used in Austria and Czechia, including Group (Large) Corporate model due to significant exposure of this portfolio booked in these two entities (Austria and Czechia). The approach of including the comprehensive stress test (CST) scenario into the downside scenario design is kept unchanged. However, the CST scenario was updated according to the assumptions considered in comprehensive stress test 2023.These model adjustments took place to address the still persisting uncertainty of the macroeconomic forecasts, higher downside risks and effects of those on ECL resulting from the unstable geopolitical situation.

The bank is disclosing sensitivity of the staging and ECL on macro scenarios in the ‘Collective assessment’ section below.

Baseline scenario

Erste Group expects the Eurozone economy to gradually recover from the first half of 2024 onwards. The main factor supporting the constructive baseline outlook for the Eurozone in 2024 is a further slight easing of inflationary pressures on a domestic and as well as on global level. European gas- and electricity prices have already dropped substantially and easing pressures from global supply chains have already eased inflationary pressures in recent months. In this environment it is forecasted real wage gains for consumers in 2024, which should be supportive for private consumption growth 2024.

The expected end of global destocking in the course of 2024 should gradually improve the order situation and order backlogs of manufacturing companies. This should be another growth supportive factor during the first half of 2024. Erste Group forecasts that in this environment, a gradual acceleration of consumption and investments will be seen in the first half of 2024. In this environment the Erste Group expects the ECB to deliver the first rate cut in June 2024.

RISKS TO THE BASELINE SCENARIO AND COMPREHENSIVE STRESS TEST SCENARIO AS CONSIDERATIONS ADDED TO DOWNSIDE SCENARIO

The ongoing war in Ukraine, including emerging conflicts in the middle east, remains significant risk factor. If it escalates further could potentially harm the sentiment of global investors versus the Eurozone with potential dampening effects on growth.

Russia could cut off gas supply to an increased number of ‘unfriendly’ countries. Energy security becomes a priority for EU policymakers who regard the momentum to become less dependent from Russian commodities and to accelerate the transition to a low carbon economy. This goal could trigger an energy policy shock, whereby the price of CO2 emissions skyrocket in the first year, crystalizing a disorderly transition risk. The energy policy shock could exacerbate the increase in energy/consumer prices and unanchor the inflation expectations; prompting the ECB to tighten monetary policy aggressively (affecting the entire yield curve) to keep inflation under control. In addition, the fast rise of green energy investments adds volatility and instability to an European power grid. Temporary pressure on the power grid from large swings in energy supply from green energy could result in temporary price spikes for electricity which could harm industrial activity and the consumers purchasing power.

Moreover, the current turmoil in the Red Sea, which exerts pressure on container ship traffic between Europe and Asia could flare up again supply chain issues. This could translate into higher inflation than anticipated in our current base line scenario.

The fast rise of interest rates is a threat for the investment activity of companies and consumers could lead to lower investments than currently anticipated for our base case scenario. In general, higher Harmonized Index of Consumer Prices (HICP), especially electricity/gas bills, reduces disposable income and contracts consumption. Given the high debt inherited from the pandemic, increasing military spending and expansive fiscal policies to mitigate higher energy prices/influx of refugees could make investors to question debt sustainability.

UPSIDE RISK TO THE BASELINE SCENARIO

In case the global industry recovers faster and stronger than it is expected in the baseline scenario, it would certainly have an immediate positive impact on the German economy. In light of the tight interconnections between Germany and other major countries of the Eurozone, a stronger and faster recovery of German industry would also have an immediate positive impact on the entire industry of the Eurozone. A faster and stronger recovery of European industry would give GDP growth in 2024 and 2025 certainly a positive boost, as the recovery of investment activity would take hold faster and stronger than currently expected in our baseline scenario. We would expect in this scenario that consumer sentiment would also be impacted positively. So private consumption would have a bigger contribution to growth in 2024 and 2025, when comparing to our baseline scenario. The services sector of the economy would benefit from a better and higher consumer sentiment as well. However, a further gradual easing of inflationary pressure (especially in the services sector) is mandatory in this scenario in order not to endanger expected rate cuts by the ECB in 2024.

Overview of Baseline, Upside and Downside scenarios

Below we are summarizing expected development of the GDP for all regions, all scenarios and scenario weights, as main indicator of the macro-economic situation. In case of Group (Large) Corporate clients, the applied weights are 23%, 50%, and 27% assigned to upside, baseline, and downside scenarios respectively. However, the considered GDP scenarios are the same as shown below for the standalone countries.

Additionally, we are disclosing the most relevant variables for the macro-shift model in the most significant regions.

Austria, Czechia, Slovakia, and Romania are presented as they have the highest share of credit risk exposure, expected credit loss and the highest share of FLI component in the expected credit loss measurement. Macro-shift models are calibrated for the three main sub-portfolios: private individuals, micro enterprises, and another corporate business. Models' calibration and variables disclosed below are incorporated into expected credit loss measurement as of 31 December 2023. The baseline and weighted scenario outcome for the major variables is disclosed in the tabular format for the years 2024-2026.

Baseline, upside and downside scenarios of GDP growth by geographic region

	Scenario	Probability weights 2024-2026	GDP growth in % 2023	2024	2025	2026
Dec 2023						
Austria	Upside	28%	-	3.1	4.1	4.1
	Baseline	50%	-	0.6	1.6	1.6
	Downside	22%	-	-3.3	-1.4	-0.5
Czechia	Upside	21%	-	3.8	5.3	4.8
	Baseline	50%	-	1.8	3.3	2.8
	Downside	29%	-	-2.5	-0.9	0.3
Slovakia	Upside	1%	-	4.7	5.1	4.8
	Baseline	50%	-	2.3	2.7	2.4
	Downside	49%	-	-2.5	-1.3	-0.3
Romania	Upside	1%	-	4.5	6	7.2
	Baseline	50%	-	1.4	2.9	4.1
	Downside	49%	-	-3	-1	0.6
Hungary	Upside	1%	-	5.5	5.7	5.6
	Baseline	50%	-	3.2	3.4	3.3
	Downside	49%	-	-2	-0.5	0.6
Croatia	Upside	1%	-	4.3	5.2	4.9
	Baseline	50%	-	2.4	2.6	2.5
	Downside	49%	-	-2	-1.2	0.1
Serbia	Upside	1%	-	5.5	5.8	6
	Baseline	50%	-	3.3	3.6	3.8
	Downside	49%	-	-1.4	-0.2	0.9

Dec 22		**2023-2025**	**2023**	**2024**	**2025**	**2026**
Austria	Upside	1%	2.9	3.5	3.9	-
	Baseline	40%	0.6	1.2	1.6	-
	Downside	59%	-4.6	-1.9	0.1	-
Czechia	Upside	1%	3.4	6.2	5.9	-
	Baseline	40%	0.9	3.7	3.4	-
	Downside	59%	-4.9	-0.3	0.9	-
Slovakia	Upside	1%	3.6	4.7	4.1	-
	Baseline	40%	1.5	2.6	2.0	-
	Downside	59%	-4.6	-2.2	1.1	-
Romania	Upside	1%	5.7	8.3	7.8	-
	Baseline	40%	2.7	5.3	4.8	-
	Downside	59%	-3.0	0.2	2.8	-
Hungary	Upside	1%	2.7	6.7	5.9	-
	Baseline	40%	0.2	4.2	3.4	-
	Downside	59%	-6.5	0.5	1.8	-
Croatia	Upside	1%	3.2	4.7	6.1	-
	Baseline	40%	1.0	2.5	2.5	-
	Downside	59%	-3.9	-1.0	0.4	-
Serbia	Upside	1%	4.7	5.7	5.8	-
	Baseline	40%	3.0	4.0	4.1	-
	Downside	59%	-2.7	0.1	2.4	-

Baseline and scenario weighted values of the main variables in the most significant regions

	Baseline scenario				Scenario weighted outcome			
	2023	2024	2025	2026	2023	2024	2025	2026
Dec 23								
Austria								
GDP growth	-	0.6	1.6	1.6	-	0.4	1.6	1.8
Inflation	-	4.0	2.7	2.3	-	3.8	2.5	2.1
Yields_10Y	-	2.9	2.8	2.9	-	3.0	2.9	2.9
Czechia								
Unemployment Rate	-	3.7	4.0	4.0	-	3.7	4.3	4.4
Inflation (PPI)	-	141.8	144.3	147.2	-	142.2	144.7	147.6
Slovakia								
Unemployment Rate	-	6.0	5.7	5.4	-	6.6	6.9	6.6
Inflation	-	5.0	3.5	2.5	-	6.8	5.1	3.8
Romania								
GDP growth	-	1.4	2.9	4.1	-	-0.7	1.0	2.4
Interest Rate (ROBOR 3M)	-	6.3	5.3	4.3	-	7.7	6.7	5.7
Inflation (CPI)	-	6.6	4.3	3.2	-	8.2	5.4	3.8

	2023	2024	2025	2026	2023	2024	2025	2026
Dec 22								
Austria								
GDP growth	0.6	1.2	1.6	-	-2.4	-0.6	0.7	-
Inflation	5.2	2.8	2.0	-	6.3	3.5	2.3	-
Yields_10Y	2.2	2.2	2.2	-	2.6	3.0	3.3	-
Czechia								
Unemployment Rate	3.3	3.4	3.4	-	3.8	4.5	4.4	-
Inflation (PPI)	144.2	146.6	149.6	-	146.2	148.7	151.7	-
Slovakia								
Unemployment Rate	6.5	6.5	6.3	-	7.6	7.9	7.6	-
Inflation	9.3	4.5	3.5	-	10.5	5.9	4.3	-
Romania								
GDP growth	2.7	5.3	4.8	-	-0.6	2.3	3.7	-
Interest Rate (ROBOR 3M)	7.3	6.0	4.5	-	9.3	8.9	8.1	-
Inflation (CPI)	10.5	5.8	3.4	-	11.8	7.6	4.2	-

Collective assessment

In addition to standard SICR assessment, Erste Group applied collective SICR assessment, i.e., transfer into Stage 2 based on pre-defined portfolio characteristics, due to emerging risks not covered by standard models. This approach is aligned with all affected entities and business lines and approved by the respective governance bodies of Erste Group. It requires, after the assessment of the outliers from the common portfolio characteristics, to have exemptions from the collective SICR assessment, if properly documented why they would behave differently than the rest of the portfolio.

In June 2022, Erste Group implemented rules for collective staging assessment due to the war in Ukraine (UA war overlays) as a combination of industries with correlation to economic downturn (cyclical industries) and one-year IFRS PD. Erste Group has identified the portfolio of industry sectors susceptible to being hit by the macro-economic environment based on cost inflation and interest rate increases leading to decreasing confidence levels on consumer as well as production side, and consequently a decrease in consumption and investments.

In addition to cyclical industries, from September 2022 Erste Group has introduced additional Energy stage overlay due to the distortions in the energy market with implications on gas/energy availability and price. Two-folds effects were considered. Effects of energy prices and availability on clients either due to energy intensive production processes or relying on gas as a primary input in their business processes. Vulnerability was driven by gas dependency, (limited) substitution possibilities and implications of a substitution on financials, hedging and price mechanisms. Within the industry Natural Resources and Commodities, Metals and Chemical sub-industries were identified as being most affected.

Erste Group evaluates on quarterly basis the conditions (exit triggers) for applying of collective SICR assessment. It was concluded that in case of cyclical industries the risk neither passed nor was materialized. Therefore, in December 2023, the rules for collective SICR assessment were kept the same as they were applied in 2022.

In case of Energy industries, it was concluded that conditions for exit triggers were partly fulfilled mainly on energy availability part. Electricity demand in the European Union declined for the second consecutive year in 2023, even though energy prices fell from record highs. On the other hand, in 2023, there were also signs of some permanent demand destruction, especially in the energy-intensive chemical and primary metal production sectors. These segments will remain vulnerable to energy price shocks. Moreover, all companies belonging to the Energy sector can potentially be affected by the distortions in the current energy market. However, certain business models in the energy sector rather benefit from the current situation and, thus, do not match the overall portfolio characteristics as energy sector is widely defined. Therefore, in December 2023 only selected industries (production & distribution of energy and heating) were considered within collective SICR assessment and migrated to Stage 2; except -companies excluded based on individual assessment.

Out of the overall credit risk exposure of EUR 364 billion (2022: EUR 349 billion) portfolio under collective staging assessment represents:
— EUR 95 billion of cyclical industries, out of which EUR 23 billion is in Stage 2;
— EUR 16 billion of energy intensive industries, out of which EUR 7 billion is in stage 2.

In 2022, local risk management in Czechia and Croatia assessed that the recalibration of private individuals' macro shift FLI model did not bring feasible results and does not sufficiently address current situation. Therefore, the additional SICR collective assessment on Private individual side was introduced and is still in place. It triggers additional stage 2 exposure of EUR 2 billion as of 31 December 2023 and increase of allocated ECL by EUR 19 million.

EFFECT ON EXPECTED CREDIT LOSS

The analysis tables below present the effects of the collective SICR assessment and FLI on both exposure migration to Stage 2 and the resulting increase of ECL. Additional sensitivities to the baseline, upside and downside scenarios are simulated. Effects on geographical segments are disclosed.

In December 2023, the exposure in Stage 2 due to the application of the rules for Ukraine war collective SICR assessment stood for cyclical industries at EUR 10,232 million (2022: EUR 7,092 million) and for energy (intensive) industries at EUR 6,525 million (2022: EUR 17,345 million), with additional ECL allocated in the amount of EUR 195 million (2022: EUR 184 million) for cyclical industries and EUR 49 million (2022: EUR 150 million) for energy (intensive) industries.

As described above, FLI were reassessed based on the latest macro-scenarios in the fourth quarter of 2023. Considering the review of in-model adjustments (change the weight assigned to baseline scenario from 40% to 50%, and application of modelled weights assigned to upside and downside scenarios for the local model in Austria and Czechia and Group (Large) Corporate model central), the Stage 2 exposure triggered by FLI decreased to EUR 5,274 million as of December 2023 (2022: EUR 5,554 million). The decrease of the Stage 2 exposure and PD levels affected the level of ECL allocated in Stage 2 due to FLI: EUR 478 million as of December 2023 versus EUR 572 million as of December 2022.

Scenario simulation presents sensitivity analyses taking into consideration only changes due to the different values of PDs, if baseline, upside or downside FLI scenarios had 100% weight. Sensitivities of these scenarios are calculated in comparison to current production - weighted scenarios FLI shifted - PDs (weights and scenarios are disclosed in the 'Incorporation of forward-looking information' section above). Both staging and resulting ECL were simulated with the scenario PDs.

The incorporation of 100% baseline scenario instead of the currently applied weighted scenario outcome would lead to a decrease of Stage 2 exposure by EUR 598 million (2022: EUR 3,771 million), resulting in an ECL drop by EUR 77 million (2022: EUR 296 million). The lower difference between weighted scenario and baseline scenario is affected by the increase of the weight assigned to baseline scenario in 2023.

The downside scenario would lead to additional EUR 2,402 million of exposure migration to Stage 2 in comparison with scenario weighted FLI (2022: EUR 3,121 million), resulting in ECL increase of EUR 207 million (2022: EUR 238 million).

For the ECL change a positive sign (+) equals a release while a negative sign (-) equals an allocation. Values presented sensitivities are results of internal simulations.

Forward looking information (FLI) and collective SICR assessment

Impact on credit risk exposure by geographical segment

in EUR million	Current status - parameters (FLI shifted)							Simulations - difference to FLI shifts effect		
	Stage 1	Stage 2	Total	Stage 2 impacted by				Upside scenario	Baseline scenario	Downside scenario
				Collective assessment			FLI shifts			
				Cyclical	Energy	PI				
Dec 23										
Austria	**143,871**	**29,852**	**173,723**	**7,592**	**3,984**	**0**	**3,699**	**-1,285**	**-273**	**1,492**
EBOe & Subs.	44,173	7,032	51,205	1,849	413	0	906	-301	-73	508
Savings Banks	58,970	16,983	75,953	5,107	1,559	0	1,747	-494	-69	905
Other Austria	40,728	5,837	46,565	636	2,012	0	1,046	-491	-131	78
CEE	**134,811**	**16,098**	**150,910**	**2,639**	**2,541**	**1,577**	**1,574**	**-1,165**	**-326**	**911**
Czechia	69,299	7,015	76,315	1,390	1,156	1,224	621	-346	-36	485
Slovakia	22,549	1,993	24,543	260	16	0	175	-193	-43	19
Romania	18,882	3,522	22,404	582	282	0	514	-469	-162	189
Hungary	9,336	1,105	10,441	60	469	0	110	-100	-50	64
Croatia	12,060	2,125	14,185	308	521	353	28	-13	-5	112
Serbia	2,685	337	3,022	39	97	0	127	-44	-29	43
Other	**10,029**	**3**	**10,032**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**288,711**	**45,953**	**334,664**	**10,232**	**6,525**	**1,577**	**5,274**	**-2,450**	**-598**	**2,402**
Dec 22										
Austria	**135,236**	**32,407**	**167,643**	**4,976**	**11,352**	**0**	**3,489**	**-3,727**	**-2,598**	**1,889**
EBOe & Subs.	43,281	7,179	50,460	927	1,340	0	828	-883	-632	363
Savings Banks	61,345	14,565	75,910	3,906	2,440	0	1,578	-1,716	-1,073	964
Other Austria	30,611	10,663	41,273	143	7,571	0	1,083	-1,128	-893	562
CEE	**124,821**	**19,079**	**143,900**	**2,116**	**5,993**	**1,628**	**2,065**	**-1,905**	**-1,173**	**1,232**
Czechia	63,049	8,032	71,081	851	2,109	1,286	715	-601	-269	261
Slovakia	22,712	3,062	25,774	283	1,129	0	18	-121	-114	212
Romania	15,924	3,771	19,695	311	1,138	0	1,104	-1,012	-669	558
Hungary	9,986	1,250	11,236	224	677	0	157	-113	-77	69
Croatia	10,670	2,612	13,282	427	767	342	12	-3	-2	4
Serbia	2,479	352	2,831	19	174	0	61	-55	-42	128
Other	**11,454**	**100**	**11,555**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**271,511**	**51,587**	**323,098**	**7,092**	**17,345**	**1,628**	**5,554**	**-5,632**	**-3,771**	**3,121**

Impact on credit loss allowances by geographical segment

	Current status - parameters (FLI shifted)							Simulations - difference to FLI shifts effect		
	Stage 1	Stage 2	Total	Out of which:				Upside scenario	Baseline scenario	Downside scenario
				Collective assessment due to			FLI shifts			
in EUR million				Cyclical	Energy	PI				
Dec 23										
Austria	**-167**	**-755**	**-923**	**-113**	**-27**	**0**	**-204**	**65**	**15**	**-104**
EBOe & Subs.	-38	-160	-198	-24	-3	0	-43	14	3	-24
Savings Banks	-88	-508	-596	-84	-17	0	-128	31	7	-56
Other Austria	-41	-88	-129	-4	-8	0	-33	20	5	-24
CEE	**-326**	**-911**	**-1,237**	**-82**	**-21**	**-19**	**-274**	**173**	**61**	**-103**
Czechia	-108	-316	-424	-40	-8	-14	-100	28	3	-30
Slovakia	-42	-115	-157	-9	-0	0	-2	8	4	-2
Romania	-100	-316	-416	-22	-2	0	-124	116	44	-52
Hungary	-28	-54	-82	-1	-2	0	-25	15	7	-8
Croatia	-36	-94	-130	-11	-8	-5	-14	3	1	-8
Serbia	-11	-16	-27	-1	-1	0	-9	3	2	-3
Other	**-2**	**0**	**-2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**-495**	**-1,666**	**-2,161**	**-195**	**-49**	**-19**	**-478**	**238**	**77**	**-207**
Dec 22										
Austria	**-169**	**-772**	**-942**	**-104**	**-85**	**0**	**-205**	**201**	**129**	**-98**
EBOe & Subs.	-43	-169	-211	-19	-10	0	-50	49	32	-21
Savings Banks	-91	-434	-525	-83	-29	0	-105	104	66	-48
Other Austria	-36	-170	-206	-2	-46	0	-49	48	32	-29
CEE	**-296**	**-975**	**-1,271**	**-80**	**-65**	**-21**	**-368**	**280**	**166**	**-140**
Czechia	-99	-332	-431	-33	-14	-16	-87	59	24	-20
Slovakia	-49	-122	-171	-11	-9	0	-15	12	8	-5
Romania	-67	-314	-381	-14	-16	0	-198	171	110	-93
Hungary	-30	-62	-91	-5	-3	0	-38	27	17	-12
Croatia	-37	-127	-164	-18	-19	-6	-21	3	2	-1
Serbia	-15	-18	-33	-0	-4	0	-8	7	5	-7
Other	**-4**	**-3**	**-7**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**-470**	**-1,750**	**-2,220**	**-184**	**-150**	**-21**	**-572**	**481**	**296**	**-238**

41. 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. 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.

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.

Forbearance concession triggers the performing forbearance classification and 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;
- activation of embedded forbearance clause of the contract;
- any waiver of a material financial or non-financial covenant.

The performing forbearance classification can be discontinued, and the account can become a non-forborne account when all the following conditions are met:
— a minimum of two years has 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.

Performing forborne exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum two years:
— the contract modification involves total or partial cancellation of the debt by (partial) write-off;
— 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 non-performing forbearance classification can be discontinued and reclassified as performing under probation when all the following conditions are met:
— the customer is not classified as defaulted according to the definition of default;
— the customer has demonstrated the ability to comply with the post-forbearance conditions;
— 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.

Credit risk exposure, forbearance exposure and credit loss allowances

in EUR million	Loans and advances	Debt securities	Other positions	Loan commitments	Total
Dec 23					
Credit exposure	**233,341**	**54,466**	**31,280**	**45,363**	**364,450**
thereof gross forborne exposure	4,227	0	0	220	4,448
Performing exposure	228,555	54,458	31,116	45,176	359,306
thereof performing forborne exposure	2,433	0	0	151	2,584
Credit loss allowances for performing exposure	-1,859	-26	-113	-194	-2,193
thereof credit loss allowances for performing forborne exposure	-113	0	0	-8	-121
Non-performing exposure	4,786	8	164	187	5,144
thereof non-performing forborne exposure	1,794	0	0	69	1,863
Credit loss allowances for non-performing exposure	-2,221	-5	-63	-75	-2,363
thereof credit loss allowances for non-performing forborne exposure	-712	0	0	-23	-735
Dec 22					
Credit exposure	**224,531**	**52,111**	**24,090**	**48,434**	**349,166**
thereof gross forborne exposure	4,088	0	1	128	4,218
Performing exposure	220,309	52,104	23,961	48,287	344,661
thereof performing forborne exposure	2,524	0	0	89	2,613
Credit loss allowances for performing exposure	-1,849	-41	-152	-246	-2,288
thereof credit loss allowances for performing forborne exposure	-105	0	0	-3	-109
Non-performing exposure	4,222	8	129	146	4,505
thereof non-performing forborne exposure	1,564	0	1	39	1,605
Credit loss allowances for non-performing exposure	-2,139	-5	-95	-46	-2,284
thereof credit loss allowances for non-performing forborne exposure	-675	0	-1	-20	-696

Types of forbearance exposure

in EUR million	Gross forborne exposure	Modification in terms and conditions	Refinancing
Dec 23			
Loans and advances	4,227	3,762	465
Debt securities	0	0	0
Loan commitments	220	198	22
Total	**4,448**	**3,960**	**487**
Dec 22			
Loans and advances	4,088	3,771	317
Debt securities	0	0	0
Loan commitments	128	113	15
Total	**4,216**	**3,885**	**332**

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

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

	Dec 22		Dec 23	
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	16	0	172	1
Other financial corporations	95	0	52	0
Non-financial corporations	1,545	1	2,365	-2
Households	862	-11	1,078	-14
Total	**2,518**	**-10**	**3,667**	**-15**

As of 31 December 2023, 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 2023 amounted to EUR 1,212 million (2022: EUR 1,606 million).

42. 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 90% (2022: 102%) of the reported non-performing on-balance and off-balance credit risk exposure.

During 2023, the non-performing credit risk exposure increased by EUR 639 million, or 14%, as well as the credit loss allowances for loans and advances together with credit loss allowances for loan commitments and financial guarantees slightly increased by EUR 25 million or 1%. This development resulted in a moderate decrease of 12 percentage points in the coverage of 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). 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 considered in the NPE coverage ratio.

Non-performing credit risk exposure by geographical 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 23												
Austria	**2,997**	**2,973**	**190,136**	**176,718**	**-1,971**	**1,661**	**1,661**	**1.6%**	**1.7%**	**66.3%**	**55.4%**	**55.9%**
EBOe & Subs.	765	764	52,542	51,972	-457	417	417	1.5%	1.5%	59.7%	54.6%	54.6%
Savings Banks	1,821	1,806	79,939	77,778	-1,264	1,075	1,075	2.3%	2.3%	70.0%	59.0%	59.5%
Other Austria	411	403	57,655	46,968	-251	168	168	0.7%	0.9%	62.3%	40.9%	41.8%
CEE	**2,145**	**2,084**	**164,229**	**153,171**	**-2,559**	**792**	**787**	**1.3%**	**1.4%**	**122.8%**	**36.9%**	**37.8%**
Czechia	853	817	81,166	77,152	-909	276	276	1.1%	1.1%	111.2%	32.4%	33.8%
Slovakia	375	363	28,123	25,013	-376	184	184	1.3%	1.5%	103.6%	48.9%	50.6%
Romania	382	381	23,477	22,812	-685	119	117	1.6%	1.7%	180.1%	31.0%	30.8%
Hungary	185	175	12,589	10,632	-197	68	65	1.5%	1.6%	113.0%	36.9%	37.3%
Croatia	291	290	14,937	14,479	-325	132	132	1.9%	2.0%	112.2%	45.4%	45.5%
Serbia	59	59	3,937	3,082	-66	13	13	1.5%	1.9%	111.7%	22.5%	22.6%
Other	**2**	**2**	**10,085**	**10,034**	**-2**	**0**	**0**	**0.0%**	**0.0%**	**91.8%**	**0.0%**	**0.0%**
Total	**5,144**	**5,060**	**364,450**	**339,923**	**-4,532**	**2,453**	**2,449**	**1.4%**	**1.5%**	**89.6%**	**47.7%**	**48.4%**
Dec 22												
Austria	**2,490**	**2,473**	**181,647**	**170,139**	**-1,939**	**1,245**	**1,244**	**1.4%**	**1.5%**	**78.4%**	**50.0%**	**50.3%**
EBOe & Subs.	624	624	51,585	51,086	-421	378	378	1.2%	1.2%	67.5%	60.6%	60.6%
Savings Banks	1,380	1,370	79,360	77,299	-1,104	738	737	1.7%	1.8%	80.6%	53.5%	53.8%
Other Austria	486	480	50,702	41,753	-413	129	129	1.0%	1.1%	86.2%	26.6%	26.8%
CEE	**1,997**	**1,928**	**155,874**	**146,007**	**-2,549**	**739**	**736**	**1.3%**	**1.3%**	**132.2%**	**37.0%**	**38.2%**
Czechia	798	760	76,597	71,849	-917	239	239	1.0%	1.1%	120.6%	29.9%	31.4%
Slovakia	299	297	26,906	26,186	-375	147	147	1.1%	1.1%	126.4%	49.2%	49.5%
Romania	356	338	21,690	20,064	-632	120	120	1.6%	1.7%	187.0%	33.6%	35.5%
Hungary	178	173	12,982	11,426	-192	77	74	1.4%	1.5%	111.5%	43.4%	43.1%
Croatia	317	314	14,092	13,601	-370	145	145	2.2%	2.3%	117.9%	45.7%	46.1%
Serbia	50	47	3,607	2,880	-64	11	11	1.4%	1.6%	135.8%	23.2%	24.5%
Other	**17**	**14**	**11,645**	**11,572**	**-19**	**9**	**6**	**0.2%**	**0.1%**	**132.4%**	**51.3%**	**41.0%**
Total	**4,505**	**4,416**	**349,166**	**327,718**	**-4,507**	**1,992**	**1,986**	**1.3%**	**1.3%**	**102.1%**	**44.2%**	**45.0%**

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 23												
Retail	1,509	1,506	82,533	81,361	-1,588	609	606	1.8%	1.9%	105.5%	40.3%	40.2%
Corporates	1,805	1,739	121,254	109,860	-1,632	769	767	1.5%	1.6%	93.9%	42.6%	44.1%
Group Markets	0	0	23,967	14,396	-24	0	0	0.0%	0.0%	>500.0%	69.1%	89.0%
ALM & LCC	6	6	56,596	56,417	-24	0	0	0.0%	0.0%	382.9%	0.9%	0.9%
Savings Banks	1,821	1,806	79,939	77,778	-1,264	1,075	1,075	2.3%	2.3%	70.0%	59.0%	59.5%
GCC	2	2	160	111	-1	0	0	1.5%	2.1%	22.2%	0.0%	0.0%
Total	**5,144**	**5,060**	**364,450**	**339,923**	**-4,532**	**2,453**	**2,449**	**1.4%**	**1.5%**	**89.6%**	**47.7%**	**48.4%**
Dec 22												
Retail	1,381	1,375	80,364	79,453	-1,609	564	561	1.7%	1.7%	117.0%	40.8%	40.8%
Corporates	1,694	1,624	114,347	105,062	-1,713	675	674	1.5%	1.5%	105.5%	39.8%	41.5%
Group Markets	0	0	19,511	10,648	-22	0	0	0.0%	0.0%	>500.0%	6.2%	13.9%
ALM & LCC	32	32	55,409	55,152	-45	7	7	0.1%	0.1%	142.8%	22.2%	22.3%
Savings Banks	1,380	1,370	79,360	77,299	-1,104	738	737	1.7%	1.8%	80.6%	53.5%	53.8%
GCC	17	14	175	103	-14	9	6	10.0%	14.0%	95.4%	51.3%	41.0%
Total	**4,505**	**4,416**	**349,166**	**327,718**	**-4,507**	**1,992**	**1,986**	**1.3%**	**1.3%**	**102.1%**	**44.2%**	**45.0%**

43. Detailed analysis of 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 and advances 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.

Loans and advances to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Dec 23						
Austria	**113,703**	**0**	**1,857**	**2,809**	**2,459**	**120,828**
EBOe & Subs.	40,159	0	780	38	23	41,000
Savings Banks	56,539	0	1,045	57	1,305	58,946
Other Austria	17,006	0	32	2,714	1,131	20,882
CEE	**43,681**	**47,052**	**11**	**183**	**86**	**91,013**
Czechia	7,902	33,685	1	63	69	41,720
Slovakia	19,214	0	0	3	15	19,232
Romania	3,782	8,497	0	105	1	12,386
Hungary	1,698	4,365	0	2	0	6,065
Croatia	9,423	0	8	8	0	9,439
Serbia	1,662	506	0	2	0	2,171
Other	**12**	**0**	**0**	**5**	**39**	**56**
Total	**157,396**	**47,052**	**1,867**	**2,998**	**2,583**	**211,897**
Dec 22						
Austria	**111,966**	**0**	**2,027**	**2,930**	**2,543**	**119,466**
EBOe & Subs.	39,117	0	871	44	34	40,066
Savings Banks	55,657	0	1,110	54	1,151	57,972
Other Austria	17,193	0	46	2,832	1,358	21,429
CEE	**37,491**	**47,552**	**12**	**133**	**87**	**85,274**
Czechia	6,424	32,193	1	62	64	38,744
Slovakia	18,246	0	0	7	23	18,275
Romania	3,482	8,186	0	40	0	11,708
Hungary	1,857	4,008	0	6	0	5,873
Croatia	5,913	2,668	10	15	0	8,607
Serbia	1,568	496	0	3	0	2,067
Other	**1,274**	**36**	**4**	**8**	**27**	**1,349**
Total	**150,731**	**47,589**	**2,043**	**3,070**	**2,657**	**206,090**

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

Loans and advances to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 23					
Austria	**102,984**	**11,568**	**3,473**	**2,803**	**120,828**
EBOe & Subs.	36,303	2,906	1,067	724	41,000
Savings Banks	47,015	8,022	2,177	1,732	58,946
Other Austria	19,667	640	228	347	20,882
CEE	**68,775**	**16,378**	**3,881**	**1,979**	**91,013**
Czechia	33,377	6,255	1,317	771	41,720
Slovakia	14,418	3,258	1,200	357	19,232
Romania	9,324	2,212	496	354	12,386
Hungary	3,344	2,116	449	156	6,065
Croatia	6,694	2,103	361	282	9,439
Serbia	1,619	435	58	59	2,171
Other	35	13	5	2	56
Total	**171,794**	**27,959**	**7,359**	**4,784**	**211,897**
Dec 22					
Austria	**101,474**	**12,717**	**2,947**	**2,328**	**119,466**
EBOe & Subs.	34,092	4,426	960	587	40,066
Savings Banks	47,599	7,468	1,602	1,304	57,972
Other Austria	19,783	823	385	437	21,429
CEE	**64,138**	**15,209**	**4,052**	**1,876**	**85,274**
Czechia	32,167	4,655	1,188	735	38,745
Slovakia	13,177	3,526	1,281	290	18,275
Romania	8,975	1,993	413	327	11,708
Hungary	3,151	1,861	694	167	5,873
Croatia	5,120	2,757	423	307	8,607
Serbia	1,548	417	52	49	2,067
Other	1,324	8	0	17	1,349
Total	**166,936**	**27,934**	**7,000**	**4,220**	**206,090**

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 23					
Retail	59,182	10,709	3,268	1,489	74,648
Corporates	64,560	9,170	1,850	1,554	77,135
Group Markets	689	12	6	0	707
ALM & LCC	348	43	52	6	449
Savings Banks	47,015	8,022	2,177	1,732	58,946
GCC	0	4	5	2	12
Total	**171,794**	**27,959**	**7,359**	**4,784**	**211,897**
Dec 22					
Retail	57,514	9,391	3,007	1,362	71,274
Corporates	59,381	10,975	2,217	1,512	74,084
Group Markets	939	6	45	0	990
ALM & LCC	1,471	89	129	26	1,715
Savings Banks	47,599	7,468	1,602	1,304	57,972
GCC	33	6	0	17	56
Total	**166,936**	**27,934**	**7,000**	**4,220**	**206,090**

In the following tables, the non-performing loans and advances to customers divided by segments 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 geographical segment and coverage by loan loss allowances and collateral

in EUR million	Non-performing Total	Non-performing AC	Customer loans Total	Customer loans AC	Loan loss allowances AC	Collateral for NPL Total	Collateral for NPL AC	NPL ratio Total	NPL ratio AC	NPL coverage ratio AC	NPL collateralisation ratio Total	NPL collateralisation ratio AC
Dec 23												
Austria	**2,803**	**2,803**	**120,828**	**120,800**	**-1,712**	**1,633**	**1,633**	**2.3%**	**2.3%**	**61.1%**	**58.3%**	**58.3%**
EBOe & Subs.	724	724	41,000	40,992	-403	411	411	1.8%	1.8%	55.6%	56.7%	56.7%
Savings Banks	1,732	1,732	58,946	58,944	-1,122	1,057	1,057	2.9%	2.9%	64.8%	61.0%	61.0%
Other Austria	347	347	20,882	20,864	-188	166	166	1.7%	1.7%	54.0%	47.8%	47.8%
CEE	**1,979**	**1,975**	**91,013**	**90,003**	**-2,355**	**763**	**760**	**2.2%**	**2.2%**	**119.2%**	**38.5%**	**38.5%**
Czechia	771	771	41,720	41,719	-857	258	258	1.8%	1.8%	111.1%	33.4%	33.4%
Slovakia	357	357	19,232	19,232	-363	183	183	1.9%	1.9%	101.6%	51.2%	51.2%
Romania	354	354	12,386	12,386	-596	115	115	2.9%	2.9%	168.5%	32.6%	32.6%
Hungary	156	153	6,065	5,056	-172	65	62	2.6%	3.0%	112.8%	41.8%	40.7%
Croatia	282	282	9,439	9,439	-303	129	129	3.0%	3.0%	107.6%	45.6%	45.6%
Serbia	59	59	2,171	2,171	-64	13	13	2.7%	2.7%	108.8%	22.8%	22.8%
Other	2	2	56	56	0	0	0	4.1%	4.1%	20.1%	0.0%	0.0%
Total	**4,784**	**4,781**	**211,897**	**210,858**	**-4,068**	**2,396**	**2,393**	**2.3%**	**2.3%**	**85.1%**	**50.1%**	**50.1%**
Dec 22												
Austria	**2,328**	**2,321**	**119,466**	**119,405**	**-1,637**	**1,223**	**1,221**	**1.9%**	**1.9%**	**70.5%**	**52.5%**	**52.6%**
EBOe & Subs.	587	587	40,066	40,059	-362	370	370	1.5%	1.5%	61.7%	63.0%	63.0%
Savings Banks	1,304	1,303	57,972	57,968	-959	723	723	2.2%	2.2%	73.6%	55.5%	55.5%
Other Austria	437	431	21,429	21,378	-316	129	129	2.0%	2.0%	73.2%	29.6%	29.8%
CEE	**1,876**	**1,873**	**85,274**	**84,497**	**-2,331**	**719**	**716**	**2.2%**	**2.2%**	**124.5%**	**38.3%**	**38.2%**
Czechia	735	735	38,744	38,744	-863	228	228	1.9%	1.9%	117.4%	31.0%	31.0%
Slovakia	290	290	18,275	18,275	-352	147	147	1.6%	1.6%	121.3%	50.5%	50.5%
Romania	327	327	11,708	11,708	-560	116	116	2.8%	2.8%	171.4%	35.5%	35.5%
Hungary	167	164	5,873	5,096	-172	76	73	2.8%	3.2%	104.6%	45.3%	44.5%
Croatia	307	307	8,607	8,607	-325	142	142	3.6%	3.6%	105.9%	46.1%	46.1%
Serbia	49	49	2,067	2,067	-59	11	11	2.4%	2.4%	119.8%	23.2%	23.2%
Other	17	14	1,349	1,349	-14	9	6	1.3%	1.1%	96.3%	52.0%	41.7%
Total	**4,220**	**4,208**	**206,090**	**205,251**	**-3,981**	**1,951**	**1,944**	**2.0%**	**2.1%**	**94.6%**	**46.2%**	**46.2%**

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 considered.

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 23												
Retail	1,489	1,486	74,648	73,637	-1,543	606	603	2.0%	2.0%	103.8%	40.7%	40.6%
Corporates	1,554	1,554	77,135	77,111	-1,389	734	734	2.0%	2.0%	89.4%	47.2%	47.2%
Group Markets	0	0	707	707	-1	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	6	6	449	448	-13	0	0	1.4%	1.4%	204.9%	0.9%	0.9%
Savings Banks	1,732	1,732	58,946	58,944	-1,122	1,057	1,057	2.9%	2.9%	64.8%	61.0%	61.0%
GCC	2	2	12	12	0	0	0	18.9%	18.9%	16.7%	0.0%	0.0%
Total	**4,784**	**4,781**	**211,897**	**210,858**	**-4,068**	**2,396**	**2,393**	**2.3%**	**2.3%**	**85.1%**	**50.1%**	**50.1%**
Dec 22												
Retail	1,362	1,359	71,274	70,496	-1,560	559	556	1.9%	1.9%	114.8%	41.0%	40.9%
Corporates	1,512	1,506	74,084	74,028	-1,429	652	652	2.0%	2.0%	94.9%	43.1%	43.3%
Group Markets	0	0	990	990	-2	0	0	0.0%	0.0%	>500.0%	28.8%	28.8%
ALM & LCC	26	26	1,715	1,715	-18	7	7	1.5%	1.5%	67.5%	27.0%	27.0%
Savings Banks	1,304	1,303	57,972	57,968	-959	723	723	2.2%	2.2%	73.6%	55.5%	55.5%
GCC	17	14	56	55	-13	9	6	31.0%	25.9%	94.0%	52.0%	41.7%
Total	**4,220**	**4,208**	**206,090**	**205,251**	**-3,981**	**1,951**	**1,944**	**2.0%**	**2.1%**	**94.6%**	**46.2%**	**46.2%**

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	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 23												
Austria	**92,808**	**25,167**	**2,754**	**71**	**29**	**-118**	**-621**	**-973**	**0**	**2.5%**	**35.4%**	**0.0%**
EBOe & Subs.	34,236	6,029	706	21	8	-30	-133	-239	0	2.2%	33.9%	0.0%
Savings Banks	42,591	14,603	1,701	50	2	-70	-429	-624	0	2.9%	36.7%	0.0%
Other Austria	15,981	4,536	347	0	19	-19	-59	-110	0	1.3%	31.8%	0.0%
CEE	**74,389**	**13,471**	**1,795**	**349**	**1,010**	**-267**	**-823**	**-1,180**	**-86**	**6.1%**	**65.7%**	**24.7%**
Czechia	34,874	6,055	703	88	1	-96	-298	-441	-23	4.9%	62.7%	25.6%
Slovakia	16,926	1,847	344	115	0	-38	-109	-190	-26	5.9%	55.3%	22.3%
Romania	9,371	2,637	307	71	0	-75	-268	-246	-7	10.2%	80.0%	10.4%
Hungary	4,052	834	136	34	1,009	-21	-48	-94	-9	5.8%	69.4%	26.7%
Croatia	7,351	1,802	263	23	0	-27	-85	-179	-13	4.7%	67.9%	55.2%
Serbia	1,815	297	42	18	0	-10	-15	-30	-9	5.0%	72.2%	49.7%
Other	**50**	**3**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0.0%**	**3.5%**	**0.0%**
Total	**167,247**	**38,641**	**4,551**	**420**	**1,038**	**-385**	**-1,443**	**-2,153**	**-86**	**3.7%**	**47.3%**	**20.5%**
Dec 22												
Austria	**92,420**	**24,642**	**2,277**	**65**	**61**	**-123**	**-603**	**-910**	**-1**	**2.4%**	**40.0%**	**0.9%**
EBOe & Subs.	33,461	6,008	577	12	7	-33	-139	-190	0	2.3%	32.9%	0.0%
Savings Banks	44,419	12,227	1,269	53	4	-71	-360	-527	-1	2.9%	41.5%	1.1%
Other Austria	14,539	6,408	431	0	50	-19	-103	-193	0	1.6%	44.8%	0.0%
CEE	**68,048**	**14,428**	**1,734**	**287**	**777**	**-237**	**-851**	**-1,156**	**-87**	**5.9%**	**66.6%**	**30.3%**
Czechia	31,524	6,478	688	54	1	-80	-307	-456	-20	4.7%	66.2%	36.4%
Slovakia	15,628	2,267	280	100	0	-44	-111	-166	-32	4.9%	59.2%	31.8%
Romania	8,759	2,593	301	54	0	-54	-266	-230	-10	10.3%	76.4%	17.7%
Hungary	4,007	908	134	47	777	-20	-54	-86	-12	5.9%	63.8%	25.1%
Croatia	6,443	1,851	283	29	0	-28	-96	-188	-13	5.2%	66.4%	46.0%
Serbia	1,687	331	47	2	0	-11	-18	-30	0	5.3%	64.5%	22.6%
Other	**1,327**	**4**	**17**	**0**	**1**	**-2**	**0**	**-12**	**0**	**2.9%**	**68.6%**	**0.0%**
Total	**161,795**	**39,074**	**4,029**	**352**	**839**	**-361**	**-1,454**	**-2,078**	**-87**	**3.7%**	**51.6%**	**24.8%**

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 230 million (2022: EUR 181 million), the non-defaulted part to EUR 189 million (2022: EUR 172 million).

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	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 23												
Retail	63,169	8,929	1,428	111	1,011	-153	-521	-843	-26	5.8%	59.0%	23.6%
Corporates	60,480	14,958	1,414	259	25	-160	-488	-681	-60	3.3%	48.2%	23.1%
Group Markets	592	115	0	0	0	-1	0	0	0	0.4%	10.7%	100.0%
ALM & LCC	409	33	6	0	1	-2	-5	-6	0	14.9%	97.9%	94.2%
Savings Banks	42,591	14,603	1,701	50	2	-70	-429	-624	0	2.9%	36.7%	0.0%
GCC	7	3	2	0	0	0	0	0	0	0.0%	3.5%	0.0%
Total	**167,247**	**38,641**	**4,551**	**420**	**1,038**	**-385**	**-1,443**	**-2,153**	**-86**	**3.7%**	**47.3%**	**20.5%**
Dec 22												
Retail	59,702	9,385	1,321	88	779	-151	-598	-788	-23	6.4%	59.7%	26.1%
Corporates	55,126	17,294	1,397	211	56	-135	-494	-736	-64	2.9%	52.7%	30.3%
Group Markets	836	153	0	0	0	-1	-1	0	0	0.8%	38.0%	60.3%
ALM & LCC	1,675	14	26	0	0	-1	-1	-15	0	7.7%	58.3%	21.3%
Savings Banks	44,419	12,227	1,269	53	4	-71	-360	-527	-1	2.9%	41.5%	1.1%
GCC	36	2	17	0	1	-1	0	-12	0	6.9%	68.6%	0.0%
Total	**161,795**	**39,074**	**4,029**	**352**	**839**	**-361**	**-1,454**	**-2,078**	**-87**	**3.7%**	**51.6%**	**24.8%**

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 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 2023, which is still subject to enforcement activity, totals EUR 135 million (2022: EUR 113 million).

44. 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) methodology. 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 VaR calculation for the trading book is based on the methodology of historical simulation with a one-sided confidence level of 99%, a holding period of one day, and a look back period of two years.

Back-testing for the trading book is used to constantly monitor the validity of the internal market risk model. 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 given day should exceed the VaR estimate statistically only two to three times a year (1% of around 250 workdays).

The VaR calculation for banking book positions (BB-VaR) is based on the methodology used for ICAAP calculation of Erste Group where 250.000 historical scenarios (starting with 2010) are calculated with a theoretical holding period of 1 year and a confidence level of 99.90%. The same calculation is used for the BB-VaR with a 1 day holding period and a 99% confidence level, consistent with the trading book methodology. The results of both calculations, ICAAP and BB-VaR are presented in the Group ALCO to the management board.

A known limitation of the VaR approach is that on the one hand, that it estimates losses only up to the confidence level, and on the other hand, the model considers only those market scenarios observed within the look-back period to calculate the VaR for the current position of the bank. To address this limitation and to investigate any extreme market situations not reflected in the VaR approach, stress tests are conducted at Erste Group. These stress tests are designed to cover market movements of low probability and high impact.

The stress tests are carried out according to several methods: for the trading book, a 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 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 stressed 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 also defined, in which selected market risk factors are subject 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 modelled after certain crisis events such as 'Covid-19 crisis' or 'Lehman bankruptcy' form the basis of the stress calculation. In addition, hypothetical stress test scenarios are defined based on analysis of the current economic environment and projections of adverse developments of key market risk drivers. These analyses are made available to the Market Risk Committee within the scope of the regular market risk reporting. Banking book positions are considered in the comprehensive stress test.

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 risk-weighted assets (RWAs) 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 in VaR, SVaR, and sensitivity limits is done by the Market Risk Committee 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 entirely consistent with the overall RWA limit. The RWA limit is broken down into dedicated VaR and SVaR limits and assigned in a top-down procedure to the individual trading units. Additionally, in a bottom-up procedure, sensitivity limits are assigned on trading desk level in order to control exposures to individual risk drivers and ensure sufficient diversification. These are then aggregated and applied as a second-limit layer to the VaR and SVaR limits.

Limit compliance is verified at two levels: by the appropriate local 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 the trading units or risk management on an ad-hoc basis.

Trading book VaR and SVaR are calculated daily at group level and reported to all key stakeholders including the relevant board members. In case of a limit breach, the escalation procedure ensures the timely remediation of the limit breach.

In Banking Book, limits are implemented top-down from Group to individual entity covering change in economic value and in net interest income as well as limits on market risk Pillar 2 RWA. Limit monitoring is done by respective local risk management and Group Banking Book Risk Management. Dedicated escalation procedure is in place in case of limit breaches.

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. The figures do not cover exposures which are accounted for in the standardized approach (e.g., FX risks in the banking book, specific position risk):

Value at Risk of banking book and trading book

in EUR thousand	Total	Interest	Credit spread	Currency	Shares	Commodity	Volatility
Dec 23							
Erste Group	**80,759**	**81,545**	**16,204**	**1,150**	**962**	**120**	**784**
Banking book	74,250	75,177	16,204	-	-	-	-
Trading book	6,509	6,369	-	1,150	962	120	784
Dec 22							
Erste Group	**85,976**	**87,202**	**16,356**	**980**	**1,583**	**211**	**1,064**
Banking book	81,705	82,929	16,356	-	-	-	-
Trading book	4,271	4,273	-	980	1,583	211	1,064

As of year-end 2023 the number of VaR backtesting outliers is 1 in the trading book and hence the regulatory multiplier has a value of 3.0. This is significantly lower compared to the 6 outliers at year-end 2022. The internal model reacted to the increased levels of volatility observed on the market and the overall level of VaR figures increased. As a result we only observed one new outlier throughout 2023. The outlier was related to the market reaction to the banking crisis in the U.S. in March 2023.

Interest rate risk in the banking book (IRRBB)

Interest rate risk is the current and prospective risk of a negative impact to the institution's economic value of equity, or to the institution's net interest income, taking market value changes into account as appropriate, which arise from adverse movements in interest rates affecting interest rate sensitive instruments, including gap risk, basis risk and option risk.
In order to identify interest rate risk, all financial instruments, including off-balance instruments are used to calculate the impact of certain interest rate scenarios on their economic value and their net interest income. Limits and thresholds are implemented for both aspects of the IRRBB, the change in economic value as well as the change in net interest income. Positions without contractually defined maturity or repricing structures, such as demand deposits or overdrafts are modelled accordingly. For positions where the customer has the right to prepay his debt prepayment models are applied.

In line with internal Model Risk Management Policy, Erste Group continued in 2023 on the regular update of behavioral models for on-demand deposits, loan prepayments in all major CEE entities. Overdraft, credit card and working capital positions have been updated for Sparkassen and Erste Bank Oesterreich. Demand deposit models and loan prepayment models are scheduled for recalibrations in 2024. For internal risk calculations and for the regulatory interest rate risk measures, the maximum downward shock is floored according to the Article 4 (k) of the EBA Regulatory Technical Standard on the supervisory outlier tests (EBA/RTS/2022/10). With increasing yield curves, especially in EUR, USD and CZK, these embedded floors have become less relevant.

For the purpose of calculating IRRBB measures there is ongoing effort to migrate all relevant Erste Group entities to new Brita data infrastructure where part of the entities (Savings Banks) was already migrated during 2023. As a result improvement in data capture is observed with limited impact on total Group result.

Exchange rate risk

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. In the trading book, these risks might originate from customer-related or trading operations and are monitored and managed on a daily basis. Foreign currency exposure is subject to regulatory and internal limits. The internal limits for the trading book 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 and 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. The inclusion of structural FX positions in the table below as of 2022 is in line with the EBA guideline on the treatment of structural FX (EBA/GL/2020/09) which requires banks to calculate own funds for FX positions resulting from participations in foreign subsidiaries. The inclusion of structural FX positions leads to overall significantly higher open positions in the core market currencies. The reduction in the CZK position is due to FX hedges while the increase in HUF is due to changes in the capital structure in Erste Bank Hungary:

Open foreign currency positions

in EUR thousand	Open Position
Dec 23	
CZK	1,813,213
RON	1,471,317
HUF	1,130,317
RSD	413,652
MKD	258,654
BAM	196,395
USD	84,258
GBP	81,637
PLN	16,053
CNH	10,806
Dec 22	
CZK	2,940,118
RON	1,346,093
HUF	530,802
RSD	376,336
MKD	227,258
BAM	181,863
USD	84,819
PLN	25,771
GBP	9,020
CHF	6,093

Credit spread risk

Credit spread risk is the risk driven by changes in the market perception about the price of credit risk, liquidity premium and potentially other components of credit-risky instruments. 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.

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 a 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.
For banking book positions, the impacts of changes in credit spreads on the economic value and net interest income are additionally assessed through rating-dependent widening and narrowing shock scenarios derived from historical data.

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. Balance Sheet Management Division (BSM) is responsible for the interest rate risk management of the banking book and respective hedging actions. ALCO committee is informed by BSM on a regular basis about the interest rate risk of the banking book and required approvals (e.g., for strategic positions, the BSM strategy, pouvoir for investments, etc.) by the members of the ALCO committee.

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.

45. Liquidity risk

LIQUIDITY STRATEGY

In 2023, customer deposits remained the primary source of funding for Erste Group. The growth in loan volume was financed by inflows of customer deposits.

With regards its own issuance, Erste Group Bank AG issued EUR 6.1 billion in bonds in 2023 (2022: EUR 6.1 billion). EUR 2.7 billion (2022: EUR 3.4 billion) was collected by issuing senior preferred bonds, of which EUR 1.25 billion (2022: 500 Mio) was printed via benchmark sized transactions. Mortgage bonds issued in amount of EUR 3.0 billion (2022: EUR 2.3 billion), whereby Tier 2 subordinated debt issuance amounted to EUR 400 Mio (2022: EUR 500 Mio). This was offset by repurchases of EUR 49 Mio (2022: EUR 70 Mio). The average tenor of all new issues in 2023 is approximately 5.5 years (2022: 6.3 years).

Erste Group's total TLTRO participation in 2023 decreased to EUR 6.35 billion (2022: 15.5 billion).

LIQUIDITY METRICS AND REPORTS

The liquidity risk in Erste Group is defined in line with the principles set out by the Basel Committee on Banking Supervision as well as the European and Austrian regulations Regulation (EU) No 575/2013 (CRR), Regulation (EU) 2015/61 and the Council and the 'Kreditinstitute-Risikomanagement-Verordnung - KI-RMV' in their current versions. 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.

The regulatory liquidity ratios LCR and NSFR are well implemented in Erste Group which uses the above-mentioned technical environment to calculate the LCR according Regulation (EU) No 2015/61 as well as the NSFR according to the Regulation (EU) No 575/2013 in their currently valid versions.

Erste Group calculates LCR on a daily basis on solo and group level and reports it on a monthly basis to the authorities. 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%. 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 LCR at group level.

The NSFR is calculated on a monthly basis on solo and group level and is reported on a quarterly basis to the authorities. Same as the LCR, the NSFR is part of the internal RAS and limits are defined in the RAS targeting to be well above the regulatory requirement of 100%.

Short-term insolvency risk is monitored by calculating the survival period analysis (SPA) 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. The SPA is covering a stress horizon of up to 12 months. It is calculated on a monthly basis at entity and group level.

Structural liquidity is monitored with the internal Structural Liquidity Ratio (STRL), depicting the going concern maturity mismatches of the subsidiaries and the group as a whole. The STRL is calculated on a monthly basis both on solo entity level and on group level.

All above mentioned reports (LCR, NSFR, SPA and STRL) are reported to the Operational Liquidity Committee (OLC) as well as to the management board during the Group Asset and Liability Committee (Group ALCO).

Additionally, 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

Apart from the reporting of liquidity metrics to the OLC and the Group ALCO, another important instrument for managing the liquidity risk within Erste Group 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.

ANALYSIS OF LIQUIDITY RISK

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

Liquidity coverage ratio. Erste Group uses the regulatory LCR for internal monitoring and steering of the liquidity position. 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 (CBC).

Erste Group has continued to actively increase their liquidity buffer resulting in a higher LCR ratio in comparison to previous year. Thus, Erste Group is having a more than comfortable buffer well above internal and external limits.

Liquidity coverage ratio

in EUR million	Dec 22	Dec 23
Liquidity buffer	72,877	81,843
Net liquidity outflow	52,825	53,356
Liquidity coverage ratio	138.0%	153.4%

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.

The increased liquidity buffer has – analogous to LCR – also a positive impact on the first year time band of the structural liquidity gap.

Structural liquidity gap

	0-12 months		1-3 years		3-5 years		> 5 years	
in EUR million	Dec 22	Dec 23	Dec 22	Dec 23	Dec 22	Dec 23	Dec 22	Dec 23
Liquidity gap	10,857	14,918	7,829	1,134	2,076	-1,680	-25,452	-20,601

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 56 billion (2022: EUR 42 billion), which are accepted as collateral by the central banks to which Erste Group has access, are considered in the first-time bucket rather than considering them at their contractual maturity.

Counterbalancing capacity. Erste Group regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserves at the central banks as well as unencumbered central bank eligible assets and other liquid securities, including impacts from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation. The time bucketing has been changed in comparison to last year from '< 1 week, 1 week - 1month, 1-3 months, 3-6 months, 6-12 months' into '< 3 month, 3-12 months, 1-5 years, >5 years'.

Term structure of counterbalancing capacity

in EUR million	< 3 month	3-12 months	1-5 years	> 5 years
Dec 23				
Cash, excess reserve	**33,705**	**0**	**0**	**0**
Liquid assets	45,202	-7,110	-20,206	-17,886
Other central bank eligible assets	14,827	3,024	-10,606	-7,246
Thereof retained covered bonds	10,274	1,098	-8,766	-2,605
Thereof credit claims	4,214	1,140	0	-5,354
Counterbalancing capacity	**93,734**	**-4,086**	**-30,812**	**-25,131**
Dec 22				
Cash, excess reserve	8,743	0	0	0
Liquid assets	37,473	-6,061	-16,641	-14,770
Other central bank eligible assets	2,682	8,208	-3,065	-7,825
Thereof retained covered bonds	58	6,676	-3,721	-3,012
Thereof credit claims	1,561	1,591	2,109	-5,261
Counterbalancing capacity	**48,898**	**2,147**	**-19,707**	**-22,595**

The figures above show the total amount of potential liquidity available for the group in a going concern situation considering 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 first time bucket are positions not immediately available as counterbalancing capacity.

Apart from shifting surplus liquidity from central bank loans to excess minimum reserve, a massive increase in highly liquid assets of quality number one including covered bonds took place. Additionally, repayment of TLTRO during 2023 year lead to increase of available retained covered bonds which were blocked previously.

Financial liabilities. The table below shows the undiscounted principal cash flows for all financial liabilities and it contains interest cash flows. Analogous with previous table, the time bucketing has been changed in comparison to last year from '< 1 month, 1-12 months, 1-5 years, >5 years' into '< 3 month, 3-12 months, 1-5 years, >5years'. In the financial reporting per yearend 2022 carrying amounts of Senior non preferred bonds were included in category 'Subordinated liabilities'. Due to change in accounting treatment per yearend 2023 senior non preferred bonds are now included in category 'Debt securities in issue' and the 2022 carrying amounts were amended respectively.

Financial liabilities

in EUR million	Carrying amounts	Contractual cash flows	< 3 month	3-12 months	1-5 years	> 5 years
Dec 23						
Non-derivative liabilities	**299,486**	**312,728**	**236,301**	**16,671**	**40,212**	**19,544**
Deposits by banks	22,911	27,932	13,400	5,535	6,215	2,783
Customer deposits	232,815	236,578	222,045	7,333	5,626	1,574
Debt securities in issue	39,195	42,913	524	3,553	26,792	12,044
Subordinated liabilities	4,565	5,305	331	251	1,580	3,144
Derivative liabilities	**1,900**	**3,811**	**367**	**900**	**2,291**	**253**
Derivatives liabilities with netted Cash Flows	-	3,406	218	766	2,163	260
Derivatives liabilities with gross Cash Flow (net)	-	404	149	134	128	-6
Outflows	-	66,180	53,671	5,159	6,485	865
Inflows	-	-65,776	-53,522	-5,025	-6,357	-871
Contingent liabilities	**-**	**66,779**	**66,779**	**-**	**-**	**-**
Financial guarantees	-	8,288	8,288	-	-	-
Commitments	-	58,491	58,491	-	-	-
Other financial liabilities	**2,199**	**2,199**	**2,199**	**-**	**-**	**-**
Total	**303,584**	**385,517**	**305,646**	**17,571**	**42,502**	**19,798**
Dec 22						
Non-derivative liabilities	**288,697**	**301,416**	**227,727**	**18,844**	**34,361**	**20,484**
Deposits by banks	28,821	33,173	8,292	9,815	12,026	3,041
Customer deposits	223,973	229,398	216,947	6,958	4,380	1,113
Debt securities in issue	30,967	33,818	2,326	1,625	16,120	13,747
Subordinated liabilities	4,936	5,027	162	446	1,835	2,583
Derivative liabilities	**2,999**	**5,905**	**377**	**1,109**	**3,540**	**878**
Derivatives liabilities with netted Cash Flows	-	4,877	121	736	3,181	839
Derivatives liabilities with gross Cash Flow (net)	-	1,028	256	373	359	39
Outflows	-	77,798	63,548	7,865	5,727	658
Inflows	-	-76,770	-63,292	-7,491	-5,367	-619
Contingent liabilities	**-**	**63,792**	**63,792**	**-**	**-**	**-**
Financial guarantees	-	7,643	7,643	-	-	-
Commitments	-	56,150	56,150	-	-	-
Other financial liabilities	**1,687**	**1,687**	**1,687**	**-**	**-**	**-**
Total	**293,383**	**372,800**	**293,583**	**19,953**	**37,901**	**21,362**

As of year-end 2023, the currency composition of the non-derivative liabilities consisted of approximately 72% EUR, 17% CZK, 4% RON, 3% USD, and 4% in other currencies (2022: 69% EUR, 17% CZK, 4% RON, 4% USD, and 6% 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 2 billion (2022: EUR 2 billion) in the severe combined idiosyncratic and market crisis scenario as of 31 December 2023.

As of 31 December 2023, the volume of customer deposits due on demand amounted to EUR 161 billion (2022: EUR 172 billion). According to customer segments, the customer demand deposits are composed as follows: 65% private individuals, 20% small and medium-sized enterprises, 8% large corporates, 4% public sector, and 3% non-banking financial institutions (2022: 63% private individuals, 21% small and medium-sized enterprises, 8% large corporates, 4% public sector, and 4% non-banking financial institutions).

46. Operational risk

In line with point (52) of Article 4(1) of regulation (EU) No 575/2013 (CRR), Erste Group defines Operational Risk (OpRisk) as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and includes legal risk. Non-Financial Risks (NFR) comprise both operational and reputational risks. Erste Group's operational risk appetite sets the limits and escalation levels in line with the group risk strategy for risk-taking as a consequence of doing business. The OpRisk Framework is a modular, interrelated and comprehensive approach integrated into the banks and the group's steering and risk management system. It is designed to fulfil internal risk management and external regulatory requirements.

ORGANISATION AND GOVERNANCE

The roles and responsibilities for OpRisk management is defined by the 'Three Lines of Defence' model. The day-to-day management of operational risk is the primary responsibility of Business Line Management (BLM). BLM is responsible for identifying, assessing and managing the risks residual in the products, activities, processes and systems on an ongoing basis by using operational risk management instruments. Group Operational and Non-Financial Risk independently oversees the Group-wide management of operational risks, identifies and reports risks on the Group-level. The NFR function defines the NFR Framework, promotes a consistent application across the group, develops and maintains the OpRisk capital model.

Regional Operational Conduct Committee (ROCC) decides on strategic steering topics based on NFR reporting, serves as a sounding board for risk decisions concerning non-financial risks and decides on escalations to the Holding Board of Erste Group.

NON-FINANCIAL RISK FRAMEWORK AND MEASUREMENT

Erste Group implemented Advanced Measurement Approach (AMA) in 2009 and uses partially Basic Indicator Approach (BIA).

The OpRisk Framework consists of various elements in the AMA. Risk identification takes place through the collection of internal loss data and Key Risk Indicators (KRI) to measure the risk level changes. Risk indicators are reviewed periodically to ensure early detection of risk potentials to cause losses. The risk identification process includes an on-going mechanism to identify new sub-risk types, risk drivers and emerging risks. Risk evaluation is an ongoing process in which the Business Line Management (BLM) proactively identifies and analyses relevant non-financial risks and assesses the effectiveness of the controls to mitigate those risks, both for the run and change the bank processes (e.g., new product approval, outsourcings). BLM evaluates the risks in line with the risk appetite and reports the residual risks to senior management or risk committees for risk response. The acceptance level of NFR is managed by using the Group Operational Risk Scaling Matrix which is setting the limits of the residual operational risk tolerated by Erste Group. Risk monitoring via corrective measures is performed on a regular basis. Regular risk reporting provides detailed information to business and risk management units, senior management and the board of directors, most importantly the quarterly Group Risk Re-port, which informs on recent losses, loss trends, qualitative information derived from Risk Control Self-Assessments, NFR decisions, risk indicators, key ratios and the Erste Group VaR for operational risk. Entities following Basic Indicator Approach (BIA) implemented internal loss data collection, new product approval and outsourcing risk management instruments.

Erste Group measures the regulatory and economic capital requirements for operational risk using the AMA for 14 entities and the rest of the Group uses BIA on the group level. The basis for calculating the BIA capital is the three-year average of the gross income which is multiplied by a fixed rate of 15%. Pursuant to AMA, the required capital is calculated using an internal VaR model, considering internal data, external data (Operational Riskdata eXchange Association consortium data), scenario analysis, business environment and internal risk control factors. The AMA capital calculation is based on the loss distribution approach. The single distributions of loss frequency and loss severity are computed and these distributions are compounded to the loss distribution applying Monte-Carlo-Simulation.

Additionally, Erste Group received the approval to use the Group Insurance program including the captive insurance subsidiary (Erste Reinsurance s.a.) for risk transfer and recognition as a mitigant in the capital requirement calculation within the AMA.

Non-current assets and other investments

47. Property, equipment and investment properties

PROPERTY AND EQUIPMENT

Depreciation of property and equipment is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is recognised in the statement of income in the line item 'Depreciation and amortisation' and impairment in the line item 'Other operating result'.

	Useful lives in years
Buildings	30-50
Re-buildings on own and foreign real estates	15-50
Office furniture and equipment	4-10
Passenger cars	4-8
Computer hardware	4-6

Land is not depreciated.

Any impairment losses including their reversals and gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in the statement of income under the line item 'Other operating result'.

INVESTMENT PROPERTIES

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation or both.

Investment property is presented on the balance sheet in the line item 'Investment properties'.

Rental income is recognised in the statement of income in the line item 'Rental income from investment properties and other operating leases'. Depreciation is presented in the statement of income in the line item 'Depreciation and amortisation' using the straight-line method over an estimated useful life. The useful lives of investment properties are in the range of 15-100 years. Any impairment losses, as well as their reversals, are recognised under the line item 'Other operating result'.

IMPAIRMENT

The bank assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Testing for impairment is done at individual asset level if the asset generates cash inflows that are largely independent of those from other assets. The typical case is investment property. Otherwise, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs.

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 22	**2,498**	**945**	**593**	**479**	**4,515**	**1,736**
Additions	81	81	81	46	290	107
Disposals	-60	-57	-83	-71	-270	-16
Acquisition of subsidiaries	11	0	0	0	11	0
Disposal of subsidiaries	0	0	0	-150	-150	-2
Reclassification	16	11	1	0	28	-28
Assets held for sale	-25	-2	-1	0	-28	-11
Currency translation	17	2	1	5	24	1
Dec 22	**2,538**	**980**	**591**	**309**	**4,419**	**1,788**
Additions	105	81	85	53	324	157
Disposals	-76	-64	-60	-46	-246	-26
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	-1	0
Reclassification	-60	-1	3	-1	-58	70
Assets held for sale	-12	0	0	0	-12	0
Currency translation	-15	-2	-1	-3	-22	-2
Dec 23	**2,481**	**994**	**617**	**312**	**4,405**	**1,987**

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 22	**-1,084**	**-651**	**-415**	**-190**	**-2,340**	**-484**
Amortisation and depreciation	-71	-54	-63	-39	-228	-27
Disposals	30	50	82	50	213	8
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	1	0	0	36	37	2
Impairment	-16	-2	0	0	-19	-17
Reversal of impairment	3	0	0	0	3	1
Reclassification	-7	0	0	0	-7	7
Assets held for sale	9	1	1	0	11	5
Currency translation	-8	-1	0	-3	-12	-2
Dec 22	**-1,143**	**-658**	**-396**	**-145**	**-2,342**	**-506**
Amortisation and depreciation	-72	-57	-69	-33	-231	-29
Disposals	56	60	57	27	201	10
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0
Impairment	-20	-1	0	-1	-23	-4
Reversal of impairment	17	0	0	0	17	3
Reclassification	21	0	0	0	21	-30
Assets held for sale	9	0	0	0	9	0
Currency translation	9	2	1	2	14	2
Dec 23	**-1,123**	**-655**	**-407**	**-150**	**-2,334**	**-554**

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 22	**1,395**	**322**	**196**	**164**	**2,077**	**1,281**
Dec 23	**1,358**	**340**	**211**	**162**	**2,070**	**1,433**

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
Dec 22	518	4	0	18	541	91
Dec 23	509	5	0	20	534	91

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 22	1,913	327	196	182	2,618	1,372
Dec 23	1,868	345	211	181	2,605	1,524

For details related to right of use assets capitalized in balance sheet arising from leases where Erste Group is lessee, please see Note 51 Leases where the Group is a lessee.

The carrying amount of investment properties include properties subject to operating leases in the amount of EUR 1,468 million (2022: EUR 1,301 million). Investment properties with a carrying amount of EUR 674 million (2022: EUR 596 million) are pledged as collaterals. Investment properties with a carrying amount of EUR 716 million (2022: EUR 636 million) are subject to the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz) and hence are subject to the specific rules in respect of sale and use of these properties. The carrying amount of property and equipment includes properties subject to operating leases in the amount of EUR 200 million (2022: EUR 211 million).

In the reporting period, expenditures in the amount of EUR 87 million (2022: EUR 89 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 5 million (2022: EUR 17 million).

In 2023, land and buildings were impaired in the amount of EUR 13 million in Czech Republic (2022: EUR 14 million). As of 31 December 2023, the recoverable amount of these impaired assets amounted to EUR 23 million (2022: EUR 14 million).

As of 31 December 2023 the fair value of investment properties with a carrying amount of EUR 1,524 million (2022: EUR 1,372 million) amounts to 1,962 million (2022: EUR 1,597 million) and is classified as level 3 of the fair value hierarchy.

The fair values 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.

48. Intangible assets

Erste Group's intangible assets include goodwill (see Note 57 Subsidiaries), computer software, customer relationships and other intangible assets.

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation expense is recognised in the statement of income under the line item 'Depreciation and amortisation'.

	Useful lives in years
Computer software	4-10
Customer relationships	10-20

IMPAIRMENT OF INTANGIBLE ASSETS INCLUDING GOODWILL

It is typical of intangible assets that they do not generate cash inflows that are largely independent of those from other assets. As a result, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs. For CGUs to which goodwill has been allocated the impairment test is carried out annually in November, or whenever there is an indication of possible impairment during the year.

For CGUs at Erste Group the recoverable amount for determining the potential impairment loss is typically based on value in use which is the present value of the future cash flows expected to be derived from the CGU. The calculation starts with estimation of future earnings distributable to shareholders. In this respect financial plans for the CGUs as agreed by the management while taking into account the fulfilment of the respective regulatory capital requirements are used. The planning period is five years. Any forecasted earnings beyond the planning period are derived on the basis of the last year of the planning period and a long-term growth rate. The present value of such perpetual earnings growing at a stable rate (referred to as terminal value) takes into consideration macroeconomic parameters and economically sustainable cash flows for each CGU.

The cash flows are determined by subtracting the annual capital requirement generated by a change in the amount of risk-weighted assets from the estimated future earnings. The capital requirement was defined through the target tier 1 ratio in light of the expected future minimum regulatory capital requirements.

The discount rates reflect risks specific to the CGU and have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium component is considered in calculation of the discount rate. The values used to establish the discount rates are determined using external sources of information.

When the recoverable amount of a CGU is less than its carrying amount, the difference is recognised as an impairment loss in the statement of income under the line item 'Other operating result'.

The analysis on the recoverability of non-financial assets is explained in section 'Material accounting policies' in the chapter 'Material accounting judgements, assumptions and estimates'.

Acquisition and production costs

in EUR million	Goodwill	Customer relationships	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Jan 22	**660**	**159**	**1,763**	**585**	**343**	**3,510**
Additions	12	0	131	42	9	194
Disposals	0	0	-86	-9	-16	-111
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	-1	0	0	-1
Reclassification	0	0	4	-4	0	0
Assets held for sale	0	0	-1	0	0	-1
Currency translation	-1	-2	5	0	1	4
Dec 22	**671**	**157**	**1,815**	**614**	**338**	**3,596**
Additions	0	0	173	33	16	221
Disposals	-9	0	-74	-6	-3	-91
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	-1	0	0	-1
Reclassification	0	0	6	-9	-9	-12
Assets held for sale	0	0	0	0	0	0
Exchange-rate changes	1	1	-11	0	-2	-11
Dec 23	**663**	**158**	**1,908**	**632**	**341**	**3,701**

Accumulated depreciation

in EUR million	Goodwill	Customer relationships	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Jan 22	**-110**	**-124**	**-1,284**	**-356**	**-274**	**-2,148**
Amortisation and depreciation	0	-7	-108	-62	-22	-200
Disposals	0	0	85	9	16	110
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	1	0	0	1
Impairment	-5	0	-3	0	0	-9
Reversal of impairment	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Assets held for sale	0	0	1	0	0	1
Currency translation	0	2	-5	0	-1	-4
Dec 22	**-115**	**-129**	**-1,313**	**-409**	**-282**	**-2,248**
Amortisation and depreciation	0	-7	-103	-64	-24	-197
Disposals	5	0	68	6	2	81
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	1	0	0	1
Impairment	-9	0	-33	0	-1	-43
Reversal of impairment	0	0	0	0	0	0
Reclassification	0	0	4	0	5	9
Assets held for sale	0	0	0	0	0	0
Currency translation	0	-1	8	0	1	9
Dec 23	**-118**	**-138**	**-1,368**	**-467**	**-297**	**-2,388**

Carrying amounts

in EUR million	Goodwill	Customer relationships	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Dec 22	**556**	**27**	**502**	**205**	**56**	**1,347**
Dec 23	**544**	**20**	**540**	**165**	**44**	**1,313**

The contractual commitments for the purchase of intangible assets amounted to EUR 3 million (2022: EUR 3 million). As of 31 December 2023 the customer relationship Ringturm Kapitalanlagegesellschaft m.b.H. amounted to EUR 20 million (2022: EUR 24 million). The remaining amortization period of the customer relationship in Ringturm Kapitalanlagegesellschaft m.b.H. was 4.8 years.

GOODWILL

In the reporting period the goodwill of Commerrzbank Zrt. was impaired in the amount of EUR 9 million.

The goodwill of Česká spořitelna a.s. ('CSAS') was tested for objective evidence of impairment on a quarterly basis during 2023. The annual goodwill impairment test was performed as of 31 October 2023. Due to the ongoing planning uncertainty caused by the unpredictable economic environment due to several global conflicts (Israel, Ukraine), Erste Group derived an additional planning scenario for the impairment test, like in the previous year. In addition to the base case scenario, which was weighted as the most likely scenario with 60% probability, a downside scenario with 40% probability weighting was also defined. The recoverable amount was higher than the carrying amount, thus no impairment was required.

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

	CSAS
Carrying amount of goodwill as of 1 January 2023 (in EUR million)	544
Effect of exchange rate changes for the year 2023 (in EUR million)	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 3.02% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2023.
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3%, 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 2023.
Description of approach to determining values assigned to market risk premium	Set at 6.57% 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 (2024 - 2028); extrapolation to perpetuity based on Terminal Growth Rate
Discount rate applied to cash flow projections (pre-tax)	14.2%
The value assigned to β Factor	1.19
Amount of goodwill impairment loss recognised in profit or loss for the year 2023 (in EUR million)	0
Post-impairment carrying amount of goodwill as of 31 December 2023 (in EUR million)	544

Carrying amount of goodwill as of 1 January 2022 (in EUR million)	544
Effect of exchange rate changes for the year 2022 (in EUR million)	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 2.16% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2022.
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3%, 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 2022.
Description of approach to determining values assigned to market risk premium	Set at 7.77% 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 (2023 - 2027); extrapolation to perpetuity based on Terminal Growth Rate
Discount rate applied to cash flow projections (pre-tax)	16.1%
The value assigned to β Factor	1.18
Amount of goodwill impairment loss recognised in profit or loss for the year 2022 (in EUR million)	0
Post-impairment carrying amount of goodwill as of 31 December 2022 (in EUR million)	544

For cash generating units outside the euro-zone, an inflation differential has been considered when determining the discount rates applicable to the related 2024-2028 cash flow projections.

The outcome of the sensitivity analysis shows 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 23	CSAS
Amount by which recoverable amount exceeds/fall short the carrying amount (in EUR million)	2,499
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	432
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-4,581
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.658
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	364
Dec 22	
Amount by which recoverable amount exceeds/fall short the carrying amount (in EUR million)	2,715
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	528
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-5,223
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.680
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	448

49. Other assets

in EUR million	Dec 22	Dec 23
Prepayments	135	135
Inventories	94	98
Sundry assets	1,003	742
Other assets	**1,232**	**976**

In the line 'Inventories' real estate project developments and repossessed assets (mainly real estate) are disclosed.

The impairment of inventories, shown as expense in the reporting period amounts to EUR 2 million (2022: EUR 2 million). The carrying amount of inventories carried at fair value less costs to sell amounts to EUR 29 million (2022: EUR 23 million). The cost of inventories recognised as expense in the reporting period amounts to EUR 21 million (2022: EUR 9 million).

FIDUCIARY ASSETS

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of Erste Group.

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

50. Erste Group as a lessor

On the side of the lessor, a distinction is made between finance leases and operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. In the case of a finance lease, Erste Group reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of income in the line item 'Other similar income' under 'Net interest income'.

In the case of operating leases, which are leases other than finance leases, the leased asset is reported in 'Property and equipment' or in 'Investment properties' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the statement of income under the line item 'Rental income from investment properties and other operating leases'.

Erste Group is mitigating the risk associated with any rights it retains in underlying assets. This is achieved especially by means of residual value guarantees, variable lease payments for use in excess of specified limits and buy-back agreements with third parties.

Erste Group (intermediate lessor) accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The vast majority of lease agreements in which Erste Group operates as a lessor are finance leases.

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 22	Dec 23
Outstanding lease payments	4,841	5,571
Non-guaranteed residual values	165	182
Gross investment	**5,006**	**5,754**
Unrealised financial income	365	692
Net investment	**4,641**	**5,062**
Present value of non-guaranteed residual values	137	130
Present value of outstanding lease payments	**4,504**	**4,931**

Maturity analysis by residual maturities

	Dec 22		Dec 23	
in EUR million	Gross investment	Present value of outstanding lease payments	Gross investment	Present value of outstanding lease payments
< 1 year	1,372	1,248	1,487	1,301
1-2 years	1,054	968	1,249	1,108
2-3 years	889	819	1,021	893
3-4 years	674	602	750	676
4-5 years	405	374	478	429
> 5 years	612	494	769	526
Total	**5,006**	**4,504**	**5,754**	**4,931**

During 2023, Erste Group recognised interest income on finance lease receivables in the amount of EUR 244 million (2022: EUR 129 million). Gains/losses from derecognition of finance lease receivables are recognised in line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss' (Note 10).

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 23											
General governments	254	9	0	0	263	-1	-1	0	0	-2	261
Credit institutions	1	0	0	0	1	0	0	0	0	0	1
Other financial corporations	159	14	0	0	174	0	0	0	0	-1	173
Non-financial corporations	2,865	810	87	0	3,762	-11	-30	-34	0	-75	3,687
Households	776	68	15	0	860	-5	-2	-6	0	-12	847
Total	**4,055**	**901**	**103**	**0**	**5,059**	**-17**	**-33**	**-40**	**0**	**-90**	**4,970**
Dec 22											
General governments	254	10	0	0	264	-1	-1	0	0	-2	262
Credit institutions	1	0	0	0	1	0	0	0	0	0	1
Other financial corporations	88	1	0	0	89	0	0	0	0	0	88
Non-financial corporations	2,654	691	74	1	3,420	-12	-25	-36	0	-73	3,347
Households	790	62	13	0	866	-4	-2	-5	0	-11	854
Total	**3,787**	**765**	**87**	**1**	**4,639**	**-17**	**-28**	**-41**	**0**	**-86**	**4,553**

For information about development of credit loss allowances refer to Note 39 Development of credit loss allowances.

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

in EUR million	Dec 22	Dec 23
< 1 year	254	331
1-2 years	102	307
2-3 years	93	210
3-4 years	73	122
4-5 years	60	115
> 5 years	136	116
Total	**718**	**1,200**

During 2023, Erste Group recognised income relating to variable lease payments in the amount of EUR 3 million (2022: EUR 4 million). For information about rental income please refer to Note 7 Rental income from investment properties and other operating leases.

51. Leases where the Group is a lessee

Under IFRS 16, Erste Group as a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. Erste Group uses the straight-line method of depreciation. The right-of-use assets are presented on the balance sheet as part of 'Property and equipment' or, if they are sub-leased to third parties, for operating leases as part of 'Investment properties' and for finance leases as a 'Finance lease receivable'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments also include the exercise price under a purchase option and consider lease payments in an optional renewal period if Erste Group is reasonably certain to exercise the options. Extension and termination options are included in a number of real estate leases across Erste Group. The use of extension and termination options gives Erste Group added flexibility in case more suitable premises in terms of costs and/or location are identified or in case it is considered favourable to remain in a location beyond the original lease term.

When determining the present value of lease payment Erste Group typically uses the incremental borrowing rate as the discount rate. For movables it consists of EURIBOR as a base rate, adjusted by a surcharge based on the entity's rating, the amount of funds borrowed, the term of the lease and the collateral provided. The determination of the incremental borrowing rate for property leases is based on two components, the market rate and the single property rate. The market rate considers the lease term, creditworthiness and the base rate EURIBOR and is derived from existing bank data. The single property rate represents a surcharge to the market rate based on the quality of the single property. On the balance sheet the lease liabilities are presented in the line item 'Lease liabilities'.

Erste Group primarily rents real estates 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.

Rights of Use Assets

in EUR million	Land and buildings	Property and equipment
Dec 23		
Carrying amount	509	534
Additions	127	135
Depreciation	-96	-100
Dec 22		
Carrying amount	518	541
Additions	169	179
Depreciation	-89	-93

Maturity analysis of lease liabilities based on undiscounted cash flows

in EUR million	Dec 22	Dec 23
< 1 year	93	103
1-5 years	335	281
> 5 years	281	340
Total	**709**	**724**

During 2023, interest expenses on lease liabilities were recognised in the amount of EUR 12 million (2022: EUR 9 million). In addition expenses in the amount of EUR 4 million (2022: EUR 4 million) relating to short term leases and expenses amounting to EUR 7 million (2022: EUR 7 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 1 million (2022: EUR 0 million) were recognised. During 2023, income from subleasing right-of-use assets was recognised in the amount of EUR 9 million (2022: EUR 2 million). Total cash outflow for leases in 2023 was EUR 123 million (2022: EUR 116 million).

Accruals, provisions, contingent liabilities and legal proceedings

52. Other liabilities

in EUR million	Dec 22	Dec 23
Deferred income	116	114
Sundry liabilities	2,465	2,282
Other liabilities	**2,581**	**2,396**

Deferred income outstanding at 31 December 2023 includes ‘contract liabilities’ in accordance with IFRS 15 in amount of EUR 101 million (2022: EUR 107 million). Revenue recognised in the reporting year 2023 that was included in the contract liability balance at the beginning of the period amounts to EUR 59 million (2022: EUR 55 million).

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

53. Provisions

Provisions are liabilities with uncertain timing or amount. The balance sheet line item ‘Provisions’ includes:
— provisions for defined employee benefit plans recognised based on requirements of IAS 19
— provisions for expected credit losses from loan commitments and financial guarantees recognised based on requirements of IFRS 9; and
— remaining classes of provisions recognised in accordance with IAS 37 such as provisions or litigation, restructuring, commitments and guarantees not in scope of IFRS 9.

MATERIAL ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

Recognition of provisions requires judgement with respect to whether Erste Group has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Further details on provisions for off-balance credit risk exposures are explained in Notes 35 Credit risk exposure and 39 Development of credit loss allowances. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 54 Contingent liabilities.

Following classes of provision can be distinguished in the business of Erste Group:

in EUR million	Dec 22	Dec 23
Defined employee benefit plans	802	812
Loan commitments and financial guarantees given in scope of IFRS 9	469	416
Pending legal issues and tax litigation	288	289
Commitments and guarantees given out of scope of IFRS 9	65	24
Other provisions	53	71
Provisions	**1,676**	**1,612**

DEFINED EMPLOYEE BENEFIT PLANS

Defined employee benefit plans operated by Erste Group are for pensions, severance and jubilee benefits. They largely relate to plans operated in Austria which are described below. In addition, there are defined employee benefit plans for foreign subsidiaries in Romania, Croatia, Serbia and Slovakia and the New York branch.

In Austria, the defined benefit pension plans relate largely to retired employees before 2000. The pension obligations for current employees or those who retired after 2000 were transferred to external pension funds.

Employees of Austrian entities who started their employment before 1 January 2003, are entitled to receive a severance payment if their employment is terminated by the employer or if they retire. The amount depends on the number of years of service and the employee’s salary at termination of the employment. For other employees a contribution-based system is provided. The contributions to external employee pension funds are recognised as expenses.

Jubilee provisions are special one-off payments stipulated in the collective agreement which are dependent on remuneration and duration of service. Eligibility is conditioned on a certain minimum duration of the employment.

From IAS 19 categorisation perspective, pension and severance benefits qualify as post-employment defined benefits plans whereas jubilee benefits are other long-term employee benefits.

Obligations ensuing from defined employee benefit plans are determined using the projected unit credit method. The calculation involves actuarial assumptions which are further discussed below.

The liability recognised under a defined benefit plan represents the present value of the defined benefit obligation less the fair value of the plan assets available for the direct settlement of obligations. The resulting defined benefit liability is reported on the balance sheet under the line item 'Provisions'. At Erste Group, the plan assets consist of qualifying insurance policies purchased to back severance and jubilee benefit provisions. Plan assets for pension provision are held by a long-term employee benefit fund.

Remeasurements consist of actuarial gains and losses on the defined benefit obligations and the return on plan assets. Remeasurements of pension and severance defined benefit plans are recognised as accumulated OCI in equity specifically under 'Remeasurement of defined benefit plans' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Remeasurement of defined benefit plans'. Remeasurements of jubilee defined benefit plans are recognised in the statement of income under the line item 'Personnel expenses'.

Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Present value of long-term employee benefit obligations – Dec 19	**791**	**497**	**113**	**1,400**
Present value of long-term employee benefit obligations – Dec 20	**774**	**493**	**119**	**1,386**
Present value of long-term employee benefit obligations – Dec 21	**720**	**447**	**115**	**1,282**
Settlements/curtailments	1	0	0	1
Service cost	1	10	7	19
Interest cost	8	5	1	15
Payments	-60	-41	-5	-106
Exchange rate difference	3	0	0	3
Other changes	-2	0	0	-1
Actuarial gains/losses recognised in OCI	**-62**	**-54**	**0**	**-116**
Actuarial gains/losses recognised in PL	**0**	**0**	**-21**	**-21**
Present value of long-term employee benefit obligations – Dec 22	**609**	**367**	**98**	**1,074**
Obligations covered by plan assets	27	191	55	272
Obligations covered by provisions	582	176	43	802
Less fair value of plan assets	**27**	**191**	**55**	**272**
Provisions – Dec 22	**582**	**176**	**43**	**802**
Present value of long-term employee benefit obligations – Dec 22	**609**	**367**	**98**	**1,074**
Settlements/curtailments	1	0	0	0
Service cost	1	10	6	17
Interest cost	22	14	4	39
Payments	-62	-44	-5	-111
Exchange rate difference	-1	0	0	-1
Other changes	0	0	0	0
Actuarial gains/losses recognised in OCI	**29**	**29**	**0**	**58**
Actuarial gains/losses recognised in PL	**0**	**0**	**5**	**5**
Present value of long-term employee benefit obligations – Dec 23	**599**	**375**	**108**	**1,082**
Obligations covered by plan assets	30	180	60	270
Obligations covered by provisions	569	195	48	811
Less fair value of plan assets	**30**	**180**	**60**	**270**
Provisions – Dec 23	**570**	**195**	**48**	**812**

ACTUARIAL ASSUMPTIONS

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about interest rates, future pension increases, future salary increases and mortality rates.

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

in %	Dec 22	Dec 23
Interest rate	3.75	3.27
Expected increase in retirement benefits	3.10	3.10

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 22	Dec 23
Interest rate	3.75	3.27
Average increase in salary (incl. career trend and collective agreement trend)	4.00	4.00

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 1.2% (2022: 1.0%) and 6.5% (2022: 7.6%) were used.

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

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 22			Dec 23		
in EUR million	Pensions	Severance payments	Total	Pensions	Severance payments	Total
Change in discount rate +0.5%	588	349	937	578	356	934
Change in discount rate -0.5%	632	386	1,018	621	394	1,015
Change in future salary increases +0.5%	609	386	995	599	393	992
Change in future salary increases -0.5%	609	349	958	599	356	955
Change in future benefit increases +0.5%	645	367	1,012	635	375	1,010
Change in future benefit increases -0.5%	575	367	942	565	375	940
Increase in survival rate by approx. 10%	655	367	1,022	647	375	1,022

INVESTMENT STRATEGY

Erste Group's severance payments and jubilee payments are partially covered by the fair value of plan assets, while large majority of the defined benefit pension plans are unfunded.

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 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. It is composed of senior staff in the financial sector and representatives of the S-Versicherung and Erste Asset Management.

Movements in plan assets

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Fair value of plan assets – Dec 21	**34**	**234**	**64**	**332**
Addition	2	-1	0	0
Interest income on plan assets	1	2	1	4
Contributions by the employer	0	7	4	12
Benefits paid	-1	-29	-7	-37
Return on plan assets recognised in OCI	-9	-8	0	-17
Return on plan assets recognised in PL	0	0	-1	-1
Fair value of plan assets – Dec 22	**27**	**205**	**60**	**293**
Addition	0	1	0	1
Interest income on plan assets	1	8	2	11
Contributions by the employer	0	5	6	11
Benefits paid	-1	-31	-8	-40
Return on plan assets recognised in OCI	3	-4	0	-2
Return on plan assets recognised in PL	0	0	-1	-1
Fair value of plan assets – Dec 23	**30**	**183**	**60**	**273**

In 2024, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 7 million (2023: EUR 7 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 8 million (2022: gain EUR 15 million).

Asset allocation in the different asset classes

	Dec 22					Dec 23				
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					70					22
Equity instruments	1	1	21	11	34	2	2	36	13	54
Investment-grade bonds										
Government	3	0	0	0	3	71	3	1	8	83
Non-government bonds	10	3	3	1	17	31	12	11	12	65
Non-investment-grade bonds										
Government	1	0	0	7	8	0	0	0	6	6
Non-government bonds	97	16	9	38	160	19	5	8	10	42
Derivatives (market risk)										
Other					2					1
Plan assets					**293**					**273**

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 active markets.

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.

Effects of defined post-employment benefit plans in profit or loss and other long-term employee benefits

in EUR million	Dec 22	Dec 23
Settlements/curtailments	-1	0
Service cost	-19	-17
Net interest	-11	-28
Total	**-30**	**-45**

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 2023, the cumulative amount of remeasurement from defined benefit plans, recognised in other comprehensive income amounted to EUR 775 million before tax (2022: EUR -716 million).

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
2024	59	19	78
2025	56	17	73
2026	52	16	68
2027	49	22	71
2028	46	21	67
2029-2033	184	127	311

DURATION

Weighted average duration of the defined-benefit obligations

in years	Dec 22	Dec 23
Pensions	7.30	7.25
Severance payments	10.04	9.63
Total	8.33	8.17

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

LOAN COMMITMENTS AND FINANCIAL GUARANTEES GIVEN IN SCOPE OF IFRS 9

In the ordinary course of business, Erste Group provides financial guarantees, consisting of various types of letters of credit and guarantees. A financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

For financial guarantees provisions are recognised based on the expected credit loss impairment model if the amount is higher than the unamortised balance of the initial premium.

Loan commitments are firm commitments to provide credit under prespecified terms and conditions. Loan commitments are generally not recognised in the balance sheet before they are drawn. If it is probable that the bank will enter into the loan agreement loan commitment fees received are deferred and adjust the effective interest rate of the loan when the commitment is drawn. Loan commitments result in recognition of provisions based on the expected credit loss impairment model.

Expenses or income related to provisions for loan commitments and financial guarantees are reported in the statement of income under the line item 'Impairment result from financial instruments'.

For information about development of credit loss allowances for provision for financial guarantees and loan commitments refer to Note 39 Development of credit loss allowances, part 'Loan commitments and financial guarantees': table 'Movement in credit loss allowances – loan commitments and financial guarantees'.

PROVISIONS RECOGNISED IN ACCORDANCE WITH IAS 37

Expenses or income related to provisions which are in scope of IAS 37 are reported in the statement of income under the line item 'Other operating result'.

Following table provides the information about the development of the IAS 37 provisions

in EUR million	Jan 23	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes	Dec 23
Pending legal issues and tax litigation	288	55	-28	-25	0	-2	289
Commitments and guarantees given out of scope of IFRS9	65	97	0	-108	0	-30	24
Other provisions	53	27	-3	-7	0	2	71
Provisions	**406**	**179**	**-31**	**-140**	**0**	**-30**	**384**
	Jan 22						**Dec 22**
Pending legal issues and tax litigation	332	56	-12	-85	0	-3	288
Commitments and guarantees given out of scope of IFRS9	80	111	0	-128	0	1	65
Other provisions	159	33	-130	-9	0	0	53
Provisions	**571**	**200**	**-142**	**-222**	**0**	**-1**	**406**

Under position 'Pending legal issues and tax litigation' provisions related to litigations from lending business, asset management or litigations related to customer protection topics, which normally occur in banking business, are disclosed. In 2023, a release of provisions for risks related to Romanian Consumer Protection Claims Act was recognised in the income statement in the amount of EUR 8 million (2022: EUR 54 million). The total amount of the provision as of 31 December 2023 was EUR 65 million (2022: EUR 74 million).

With respect to the business activities of the Romanian building society subsidiary BCR Banca pentru Locuinte SA (BPL) the recognition of a penalty (in relation to whether state subsidies had been disbursed to building society's clients in accordance with the applicable legal provisions) amounting in total to EUR 79 million remains unchanged compared to 2022 and is recognized as liability.

In Croatia, the Supreme Court, in a proceeding initiated by a local consumer protection association against several credit institutions ('Collective Case'), among them Erste Bank Croatia ('EBC'), 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 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 2018, declaring in essence the nullification of the CHF currency clause, holding that collective and individual consumer rights were breached.

The Supreme Court reached a legal standing in December 2022 according to which clients who have converted their CHF denominated loans to EUR denominated loans (in accordance with applicable laws enacted in 2015) are entitled to default interest for overpaid amounts taken into account by a credit institution when converting. However, a local consumer protection association declared its willingness to pursue further actions before the Constitutional Court against the legal standing. The specific impact of the aforementioned legal standing to the court practices in individual cases is still difficult to predict since it was not finally and officially confirmed.

54. 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 35 Credit risk exposure and 39 Development of Credit loss allowances).

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. Any possible financial impacts of these proceedings are not disclosed, as neither the duration nor the outcome can be reliably estimated and to avoid influencing the outcome of the various proceedings.

CONSUMER PROTECTION CLAIMS

Several 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 proceedings 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. The following consumer protection issues are deemed noteworthy.

In Romania, BCR is - aside from being a defendant in a number of individual lawsuits initiated by consumers regarding alleged violations of applicable consumer protection laws - 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 an individual litigation claim filed by the local consumer protection authority on behalf of or several borrowers. The court proceeding is still pending. A potential adverse judgment on the validity of certain contractual clauses may have an impact of invalidating such clauses also in other similar agreements concluded by BCR with other consumers.

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 filed legal actions with the courts in Prague against Erste Group Bank AG. In that proceedings the plaintiffs allege in essence that the share price of 1.328 CZK (then approx. EUR 51 per share) paid by Erste Group Bank AG in the squeeze-out of the CSAS minority shareholders in 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 2018 Erste Group Bank AG acquired a total of 1.03% of minority shares for a consideration of approx. EUR 80 million. Erste Group Bank AG views that the purchase price, established by a valuation done by professional external experts and in the course of the ongoing proceeding supported by another external expert valuation appointed by Erste Group Bank AG, was correct and fair. The competent first instance court in Prague confirmed the view of Erste Group Bank AG of having paid a fair and correct share price to the former minority shareholders and ruled against the plaintiffs in its first instance judgement, rejecting their claims for an increase of the share price being paid out. Since the judgement is not yet final, it may be appealed by the plaintiffs.

Capital instruments, equity and reserves

55. Total equity

in EUR million	Dec 22	Dec 23
Subscribed capital	860	843
Additional paid-in capital	1,478	1,494
Retained earnings and other reserves	14,774	16,906
Owners of the parent	**17,111**	**19,243**
Additional equity instruments	2,236	2,405
Non-controlling interests	5,957	6,853
Total	**25,305**	**28,502**

As of 31 December 2023, subscribed capital (also known as registered capital) consists of 429,800,000 (2022: 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.

SHARE BUYBACK PROGRAM

At the Annual General Meeting of Erste Group on 12 May 2023, the management board was authorized, with the approval of the supervisory board, to repurchase own shares up to 10% of the share capital within a period of 30 months and to cancel own shares pursuant to section 65 (1) 8 in conjunction with section 192 of the Austrian Stock Corporation Act. After approval by the ECB on 1 August 2023, the management board and supervisory board of Erste Group decided to launch a share buyback program with a volume of up to EUR 300 million. The share buyback program started on 16 August 2023 and by the reporting date of 31 December 2023, 8,137,141 treasury shares with acquisition costs of EUR 270 million had been repurchased. The share buyback program was carried out by a bank commissioned by Erste Group.

According to the Austrian Stock Corporation Act, this capital reduction is only effective once the capital reduction measure has been entered in the commercial register and the cancellation of the underlying treasury shares has been resolved and implemented. In accordance with Section 229 (1a) UGB, a reduced subscribed capital is already shown in the unconsolidated financial statements when treasury shares are repurchased. This presentation is also followed in the consolidated financial statements. The shares repurchased by 31 December 2023 are treated as treasury shares in the information on the number of shares held.

The share buyback program of Erste Group Bank AG was completed on 16 February 2024. For further details, please refer to Note 66 Events after the balance sheet date.

ADDITIONAL EQUITY INSTRUMENTS

In addition Erste Group Bank AG issued additional tier 1 capital (AT1 bonds). AT1 bonds are unsecured and subordinated bonds. AT1 bonds are perpetual and can be cancelled only by the issuer at predetermined dates. The bonds include discretionary non-cumulative coupon payments. Due to these features they are classified as equity under IFRS.

AT1 bonds issued

Nominal value	Currency	Issue	Initial fixed rate	Reset rate after the first call date	Coupon payments	First and subsequent call dates
169 million	EUR	April 2017	6.5%	5Y swap +6.204%	Semi-annually on 15th April and 15th October	15.04.2024 + coupon dates thereafter
500 million	EUR	March 2019	5.125%	5Y swap +4.851%	Semi-annually on 15th April and 15th October	15.10.2025 + coupon dates thereafter
500 million	EUR	January 2020	3.375%	5Y swap +3.433%	Semi-annually on 15th April and 15th October	15.04.2027 + coupon dates thereafter
750 million	EUR	November 2020	4.25%	5Y swap +4.646%	Semi-annually on 15th April and 15th October	15.10.2027 + coupon dates thereafter
500 million	EUR	September 2023	4.25%	5Y swap +5.463%	Semi-annually on 15th April and 15th October	16.10.2028 + monthly on 15th until coupon payment + 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.

In 2023 there was a new AT1 issuance amounting to EUR 500 million as well as a partial buyback of AT1 issuance from 2017 totaling EUR 331 million. In 2022 there was no redeemed AT1 bond.

DISTRIBUTIONS ON OWN EQUITY INSTRUMENTS

Distributions on own equity instruments are recognised as a liability and deducted from equity when their payment is confirmed. For dividends on common shares the decision is taken by the Annual General Meeting. For coupons on additional tier 1 instruments the payouts do not need approvals but an event of non-payment would require a decision of Erste Group Bank AG Board.

Changes in number of outstanding shares

	Dec 22	Dec 23
Shares outstanding as of 1 January	**405,434,710**	**407,175,838**
Acquisition of treasury shares	-8,454,712	-12,439,308
Disposal of treasury shares	10,195,840	4,558,169
Shares outstanding as of 31 December	**407,175,838**	**399,294,699**
Treasury shares	22,624,162	30,505,301
Number of shares issued as of 31 December	**429,800,000**	**429,800,000**
Weighted average undiluted number of outstanding shares	427,019,261	425,951,928
Weighted average diluted number of outstanding shares	427,492,890	426,324,432

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.

TREASURY SHARES AND CONTRACTS ON TREASURY SHARES

Equity instruments of Erste Group that it or any of its subsidiaries acquire (referred to as treasury shares) are deducted from equity.

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 recognised as additions or disposals.

Shares and related dividends held by management board

Managing board member	Dec 22	Additions	Disposals	Dec 23	Dividends received in 2023 (in EUR)
Cernko Willibald (Chairman)	7,206	3,311	0	10,517	19,543
Bleier Ingo	4,111	5,283	2,900	6,494	12,339
Dörfler Stefan	4,456	5,514	0	9,970	18,504
Habeler-Drabek Alexandra	1,328	5,514	0	6,842	12,561
O'Mahony David	5,456	5,514	0	10,970	20,404
Poletto Maurizio	456	3,838	0	4,294	7,720

Shares and related dividends held by supervisory board

Supervisory board member	Dec 22	Additions	Disposals	Dec 23	Dividends received in 2023 (in EUR)
Rödler Friedrich (Chairman)	3,802	0	0	3,802	7,224
Hardegg Maximilian (1st Vice Chairman)	240	0	0	240	456
Krainer Senger-Weiss Elisabeth (2nd Vice Chairwoman)	0	0	0	0	0
Catasta Christine	0	0	0	0	0
Egerth-Stadlhuber Henrietta	0	0	0	0	0
Ersek Hikmet (until 11 October 2023)	3,966	0	3,966	0	7,535
Flatz Alois	0	0	0	0	0
Grießer Martin	120	60	0	180	228
Haag Markus	317	60	0	377	602
Haberhauer Regina	294	60	0	354	559
Khüny Marion	0	0	0	0	0
Kühnel Mariana	583	10	0	593	1,127
Lachs Andreas	106	60	0	166	201
Pichler Barbara	553	122	0	675	1,051
Pinter Jozef	106	60	0	166	201
Santner Friedrich	0	0	0	0	0
Schuster Michael	0	30	0	30	57
Simor András	0	0	0	0	0
Sutter-Rüdisser Michèle F.	2,222	0	0	2,222	4,222
Tusek Christiane (since 12 May 2023)	0	0	0	0	0
Zeisel Karin	54	60	0	114	103

As of 31 December 2023, supervisory board members did not receive any Erste Group Bank AG shares or options for such shares as part of their remuneration. Persons related to members of the management board or supervisory board held 1,640 shares (2022: 1,518 shares) of Erste Group Bank AG.

REMAINING AUTHORISED AND CONTINGENT CAPITAL AS OF 31 DECEMBER 2023

Clause 5 of the articles of association authorises the management board to increase the registered capital with the consent of the supervisory board until 18 May 2027 – 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 85,960,000; and/or if the capital increase is in return for contributions in kind or if the capital increase is in return for cash and the pro rata amount of the share capital attributable to the shares issued under exclusion of subscription rights in both cases (section 5.1.1 capital increase against contribution in kind and section 5.1.2 capital increase against cash contribution) does not exceed EUR 85,960,000.

The measures in sections 5.1.1 (capital increase against contribution in kind) to 5.1.2 (capital increase against cash contribution) can also be combined. The aggregate pro rata amount of registered capital represented by new 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 new shares which serve to fulfill subscription rights, conversion rights, and conversion obligations arising from convertible bonds issued with the exclusion of subscription rights from 18 May 2022 onwards pursuant to section 8.3, and which are issued from conditional capital pursuant to section 6.3 to satisfy share options of employees, senior employees and members of the Management Board of the Company or of a group company, must not exceed the proportionate amount of 10% of the share capital in total.

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 recognised 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.

56. Non controlling interest

in EUR million	Haftungsverbund Savings Banks, thereof: Total	Sparkasse Oberösterreich	Sparkasse Steiermark	Sparkasse Kärnten
Dec 23				
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%	83%	75%	75%
Reporting currency	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	54	18	15	9
Net result attributable to non-controlling interests	796	97	208	33
Accumulated NCI	6,049	795	1,505	258
Subsidiary-level stand-alone key financial information				
Current assets	25,369	5,628	4,835	1,449
Non-current assets	58,989	9,460	13,543	3,565
Current liabilities	61,104	10,046	14,319	4,122
Non-current liabilities	14,719	3,932	1,823	461
Operating income	2,765	404	671	158
Profit or loss from continuing operations	1,343	162	477	60
Total comprehensive income	**1,222**	**137**	**404**	**57**
Dec 22				
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%	81%	75%	75%
Reporting currency	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	94	40	11	29
Net result attributable to non-controlling interests	404	49	94	16
Accumulated NCI	5,260	691	1,284	234
Subsidiary-level stand-alone key financial information				
Current assets	28,470	6,310	6,002	1,625
Non-current assets	54,565	9,105	12,145	3,381
Current liabilities	62,482	10,286	14,740	4,051
Non-current liabilities	13,153	4,129	1,556	569
Operating income	1,966	328	445	129
Profit or loss from continuing operations	685	99	157	45
Total comprehensive income	**189**	**-6**	**77**	**10**

Scope of consolidation

As at 31 December 2023, Erste Group Bank AG, as parent entity of Erste Group, includes in its IFRS scope of consolidation a total of 300 subsidiaries (31 December 2022: 314). These comprise a total of 50 entities, which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. Alongside Erste Group Bank AG, local savings banks, Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, Erste Bank der oesterreichischen Sparkassen AG and Zweite Wiener Vereins-Sparcasse are members of the Haftungsverbund (cross-guarantee system). The scope of consolidation also includes 'ex-ante fund' IPS GesbR which can be used solely for the purpose to cover loss events of members of the cross-guarantee system. It was established in 2014 and the members are required to pay into the fund until 31 December 2031.

Additions and disposals 2023. Additions and disposals had no material impact on the financial position and performance of the Group.

Additions and disposals 2022. On 17 December 2021 Erste Bank Hungary (EBH) has signed a sale and purchase agreement with Commerzbank AG to acquire 100% of the share capital (306.016 shares) in its Hungarian subsidiary Commerzbank Zrt ('CBK'). This acquisition enables EBH to significantly strengthen its existing market position in Hungary.

The transaction was effectuated as of 30 November 2022, with the approval of National Bank of Hungary. At year-end 2022, the measurement process had not yet been finalized. Due to the complexity of the deal and the focus on the rapid implementation to maintain the daily operations, the purchase price allocation was carried out on a preliminary basis. The finalisation of the business combination during the year 2023 did not lead to a significant change of the fair value of the net assets as identified as of the date of first consolidation.

The net equity as of the acquisition date amounted to EUR 62 million. Assets and liabilities recognized in first consolidation are as follows:

in EUR million	Carrying amount
Cash and cash balances	180
Financial assets at fair value through profit or loss	49
Financial assets at fair value through other comprehensive income	118
Financial assets at amortised cost	396
Property and equipment	5
Tax assets	1
Other assets	1
Total Assets	**749**
Financial liabilities at fair value through profit or loss	37
Financial liabilities at amortised cost	646
Provisions	2
Tax liabilities	0
Other liabilities	3
Total Liabilities	**687**
Subscribed capital	62
Total Equity	**62**
Total Liabilities and Equity	**749**

The fair value of the acquired loans at the acquisition date amounted to EUR 396 million. The best estimate at the acquisition date of the contractual cash flows from acquired loans not expected to be collected amounts to EUR 5 million.

In course of its analysis EBH identified items subject to fair value adjustment, mainly related to a building which served as headquarter of CBK. The adjusted net equity was equal to EUR 68 million. The preliminary purchase price allocation results in a goodwill of EUR 12 million. This amount is calculated as the difference of adjusted net equity and preliminary purchase price and is not deductible for tax purposes. The cash consideration transferred amounted to EUR 80 million at the date of the transaction and was decreased in the year 2023 by EUR 4 million.

Since the acquisition date until the reporting date 31 December 2022, CBK's contribution to Erste Group's operating income amounted to EUR 2 million. The contribution to the net result for the period amounted to EUR 2 million. If CBK had already been included in the Erste Group's consolidated financial statements as of 1 January 2022, the contribution to the operating income would have been EUR 43 million and the contribution to net result for the period would have been EUR -2 million.

The other additions and disposals had no material impact on the financial position and performance of the Group.

57. Subsidiaries

A subsidiary is an entity controlled by another entity. All entities directly or indirectly controlled by Erste Group Bank AG are consolidated in the Group financial statements on the basis of their annual accounts as of 31 December 2023, and for the year then ended.

Non-controlling interests represent those portions of total comprehensive income and net assets that are neither directly nor indirectly attributable to the owners of Erste Group Bank AG. Non-controlling interests are presented separately in the consolidated statement of income, in the consolidated statement of comprehensive income and within equity on the consolidated balance sheet.

CONTROL

Assessing the existence of control may require considerable accounting judgements, assumptions and estimates, notably in non-standard situations such as:
- power stemming both from voting rights and from contractual arrangements (or mostly from the latter);
- exposure to variable returns from the involvement with the investee stemming from on-balance investments and from off-balance commitments or guarantees (or mostly from the latter); or from readily identifiable income streams (e.g. dividends, interest, fees) and from cost savings, economies of scale and/or operational synergies (or mostly from the latter).

In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for the assessment of the following cases:

i. The savings bank members of the Austrian cross-guarantee system (Haftungsverbund)

Erste Group Bank AG is a member of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. As of the balance sheet date, all of Austria's savings banks, in addition to Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG and Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, formed part of this cross-guarantee system. The provisions of the agreement governing the Haftungsverbund are implemented by the steering company Haftungsverbund GmbH. Erste Group Bank AG always holds directly and indirectly at least 51% of the voting rights of the steering company. The indirect voting rights are held through Erste Bank der oesterreichischen Sparkassen AG and through other savings banks in which companies of Erste Group hold the majority of voting rights.

For all savings banks in which Erste Group holds less than 50% of the voting rights, an assessment of whether control is achieved through the provisions of the Haftungsverbund agreement has been performed.

Based on the contractual agreement, Haftungsverbund GmbH as the steering company is vested with the following substantive rights related to the savings banks:
- participation in the appointment of board members;
- approval of budgets including capital decisions;
- provision of binding guidelines in the areas of risk and liquidity management as well as internal audit; and
- determination of thresholds for capital requirement including the payment of dividends.

Furthermore, taking into account the magnitude of Erste Group's involvement with the member banks – whether in the form of synergies, investments, commitments, guarantees, or access to common resources – the Group has significant exposure to each of the member banks' variable returns. As Haftungsverbund GmbH is able to affect the variable returns through its power, it has been assessed that Haftungsverbund GmbH has control over the savings banks.

As Erste Group Bank AG controls the steering company, it exercises control over the members of the cross-guarantee system.

ii. Investment funds under own management

The Group has assessed whether the investment funds it manages through its asset management subsidiaries are controlled and hence shall be consolidated. This assessment has been made on the basis that power over such investment funds is generally conferred based on the contractual arrangements appointing an Erste Group subsidiary as fund manager without any substantive removal rights by fund's investors. Furthermore, Erste Group made the conclusive judgement that its exposure to such own-managed funds' variable returns is basically considered as significant if, additionally to the exposure through management fees, Erste Group is also exposed in the form of at least 20% investment in the fund. Furthermore, in its capacity as fund manager, Erste Group is also able to affect the returns of the funds through its power. Following this assessment, investment funds under own management in which Erste Group – directly or through its subsidiaries – has significant unit holdings (i.e. holds at least 20% of the units issued by the fund) are deemed to be controlled and included in the scope of consolidation.

iii. Pension funds under own management

The Group has assessed whether the contractual arrangements appointing an Erste Group subsidiary as pension fund manager (with no substantive removal rights by the fund's participants) are generally expected to confer power over such funds, followed by an assessment of the Group's exposure/rights to the pension fund's variable returns. The relevant legal requirements regulating the activities of such pension funds in their respective jurisdictions were also considered, notably in assessing the significance of the rights to variable returns from management fees, as well as of the exposure to losses from any guarantees that the fund manager may be legally bound to. As a result of this review, the Czech pension fund 'Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s' (the 'Transformed pension fund') is not consolidated. There are no further cases of application in Erste Group.

58. Investments in associates and joint ventures

In the case of Erste Group, all equity method investments are direct or indirect investments in associates and joint ventures over which the Group exercises significant influence or joint control stemming from voting power greater than 20% up to 50%.

Carrying amounts of at equity measured entities

in EUR million	Dec 22	Dec 23
Credit institutions	43	44
Financial institutions	83	93
Others	83	105
Total	**209**	**241**

Aggregated financial information of at equity measured entities

in EUR million	Dec 22	Dec 23
Total assets	5,253	5,234
Total liabilities	4,511	4,383
Income	520	546
Profit/loss	54	52

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 22 Global Payments s.r.o.	Dec 22 Prvá stavebná	Dec 22 VBV - Betriebliche Altersvorsorge AG	Dec 23 Global Payments s.r.o.	Dec 23 Prvá stavebná	Dec 23 VBV - Betriebliche Altersvorsorge AG
Country of Incorporation	Czechia	Slovakia	Austria	Czechia	Slovakia	Austria
Place of business	Czechia	Slovakia	Austria	Czechia	Slovakia	Austria
Main business activity	Payment services	Financing building society	Insurance	Payment services	Financing building society	Insurance
Ownership held %	49%	35%	32%	49%	35%	32%
Voting rights held %	49%	35%	29%	49%	35%	29%
IFRS Classification (JV/A)	Associate	Associate	Associate	Associate	Associate	Associate
Reporting currency	CZK	EUR	EUR	CZK	EUR	EUR
Investee's financial information for the reporting year						
Cash and cash balances	21	0	9	37	1	9
Other current assets	118	189	80	148	180	114
Non-current assets	118	2,766	65	122	2,925	48
Current liabilities	112	2,370	0	158	2,473	0
Non-current liabilities	23	292	79	15	321	86
Operating Income	69	74	18	80	71	18
Post-tax result from continuing operations	7	8	18	17	18	18
Total comprehensive income	7	9	18	17	18	18
Depreciation and amortization	-7	-6	0	-7	-6	0
Interest income	0	86	8	1	98	8
Interest expense	-2	-24	0	-3	-34	0
Tax expense/income	-1	-5	0	-1	-5	0
Reconciliation of investee's net assets against equity investment's carrying amount						
Net assets attributable to Erste Group	60	102	24	66	109	28
Accumulated impairment	0	-62	0	0	-68	0
Carrying amount	60	40	24	66	41	28

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

In 2023 carrying amount of Prvá stavebná was impaired in the amount of EUR 5 million (2022: impairment of EUR 21 million).

Aggregated financial information of other equity method investments

in EUR million	Dec 22 Associates	Dec 22 Joint Ventures	Dec 23 Associates	Dec 23 Joint Ventures
Total comprehensive income	**7**	**15**	**-3**	**3**
Carrying amount	**56**	**28**	**49**	**33**

59. Unconsolidated structured entities

INTERESTS IN STRUCTURED ENTITIES

Assessing which entities are structured entities, and which involvements in such entities are interests, may require considerable accounting judgements and assumptions. In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for assessing involvements with investment funds and securitisation vehicles.

For investment funds, Erste Group reached the conclusion that direct Group exposure would typically indicate an interest in these structured entities, irrespective of whether such exposure comes from on-balance financial assets – mostly in the form of units held in such funds, off-balance commitments given or management fees varying in relation to the assets under management (for own-managed funds in general). As described under Note 57 Subsidiaries above, own-managed funds where the Group cumulatively holds less than 20% of the related fund units in issue are not consolidated due to lack of control and thus are subject to specific disclosures for unconsolidated structured entities. Erste Group uses following structured entities in the course of its business activity.

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 earns 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.

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. Debt securities include investments in Collateralised Mortgage Obligations as well as securitizations.

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.

in EUR million	Investment Funds Own-managed	Investment Funds Third-party managed	Investment Funds Total	Other	Total
Dec 23					
Assets					
Equity instruments, thereof:	0	0	0	60	60
at FVPL	0	0	0	60	60
Debt securities, thereof:	607	253	860	24	884
Financial assets HfT	1	203	204	0	204
at FVPL	607	49	656	24	681
Loans and advances	209	0	209	202	411
Trading derivatives	8	0	8	0	8
Total assets	**825**	**253**	**1,077**	**286**	**1,363**
thereof impaired	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction					
Austria	815	0	815	0	815
Central and Eastern Europe	10	11	21	261	282
Other jurisdictions	0	242	242	24	266
Liabilities					
Equity instruments	155	0	155	0	155
Debt securities issued	408	0	408	0	408
Deposits	1,567	0	1,567	7	1,574
Trading derivatives	56	0	56	1	58
Total liabilities	**2187**	**0**	**2,187**	**9**	**2,195**
Off balance-sheet commitments	**212**	**0**	**212**	**98**	**311**
Dec 22					
Assets					
Equity instruments, thereof:	0	0	0	13	13
at FVPL	0	0	0	13	13
Debt securities, thereof:	575	172	747	33	780
Financial assets HfT	0	121	121	0	121
at FVPL	575	51	626	33	659
Loans and advances	10	0	10	90	100
Trading derivatives	2	0	2	0	2
Total assets	**588**	**172**	**760**	**136**	**896**
thereof impaired	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction					
Austria	574	0	574	0	574
Central and Eastern Europe	14	16	30	103	133
Other jurisdictions	0	156	156	33	190
Liabilities					
Equity instruments	148	0	148	0	148
Debt securities issued	268	0	268	0	268
Deposits	1,952	0	1,952	0	1,952
Trading derivatives	99	0	99	0	99
Total liabilities	**2,467**	**0**	**2,467**	**0**	**2,467**
Off balance-sheet commitments	**80**	**0**	**80**	**0**	**80**

Other disclosure matters

60. Related-party transactions

In the course of its ordinary business activity Erste Group enters into business relationships with related persons and entities. Shareholders of Erste Group Bank AG are classified as related parties if they have significant influence over Erste Group. In addition, Erste Group also defines as related parties subsidiaries that are controlled but not consolidated due to non-materiality as well as associated entities and joint ventures that are included in the consolidated financial statements by the equity method. Transactions between Erste Group Bank AG and fully consolidated companies are not recognised in the consolidated financial statements as they have been eliminated. Furthermore, related persons consist of key management personnel, i.e. 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 which are controlled or significantly influenced by management and supervisory board members of Erste Group Bank AG, as other related parties. Banking transactions with related persons and entities are done at arm's length.

TRANSACTIONS WITH SHAREHOLDERS OF ERSTE GROUP BANK AG

Erste österreichische Spar-Casse Privatstiftung

In addition to its shareholding of the subscribed capital of Erste Group Bank AG, there are other factors giving Erste österreichische Spar-Casse Privatstiftung (ERSTE Stiftung) significant influence over Erste Group. As of 31 December 2023, Erste Group had liabilities toward ERSTE Foundation of EUR 16 million (2022: EUR 19 million). ERSTE Foundation held no bonds issued by Erste Group Bank AG and consequently there were no interest expenses for Erste Group. Furthermore, Erste Group did not receive fee and commission income or rental income. In 2023, ERSTE Foundation received a dividend of EUR 95 million (2022: EUR 78 million) on its shareholding in Erste Group Bank AG.

Under article 15.1 of the articles of association of Erste Group Bank AG, for the duration of its assumption of liability for all current and future debts in the event of default on payment by Erste Group Bank AG, 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 of Erste Group Bank AG.

TRANSACTIONS WITH NOT CONSOLIDATED SUBSIDIARIES, ASSOCIATED ENTITIES AND JOINT VENTURES

Balances and off-balance exposures

in EUR million	Dec 22			Dec 23		
	Subsidiaries, not consolidated	Associated entities	Joint ventures	Subsidiaries, not consolidated	Associated entities	Joint ventures
Financial assets	**86**	**598**	**386**	**80**	**712**	**442**
Equity instruments	55	62	18	55	92	19
Debt securities	0	52	0	0	5	0
Loans and advances	31	484	369	25	614	423
Loans and advances credit institutions	0	0	0	0	10	0
Loans and advances customers	31	484	369	25	604	423
of which impaired	2	0	0	0	0	0
Financial liabilities	**29**	**192**	**12**	**30**	**177**	**25**
Deposits	29	192	12	30	177	25
Deposits from banks	1	0	0	1	0	1
Deposits from customers	28	192	12	29	177	25
Other financial instruments						
Loan commitments, financial guarantees and other commitments given (notional amount)	5	144	111	3	273	125
of which defaulted	0	0	0	0	0	0
Loan commitments, financial guarantees and other commitments received (notional amount)	0	1	0	0	0	0
Credit loss allowances and provisions	9	-5	0	3	0	0

Expenses and income

in EUR million	1-12 22			1-12 23		
	Subsidiaries, not consolidated	Associated entities	Joint ventures	Subsidiaries, not consolidated	Associated entities	Joint ventures
Interest income	1	7	4	1	21	11
Fee and commission income	0	1	2	0	1	2
Dividend income	4	4	1	7	5	1
Interest expenses	0	0	0	0	-1	0
Fee and commission expenses	-2	-2	0	-2	-2	0
Impairment result from financial instruments	3	1	3	0	0	0

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Remuneration of management and supervisory board members

The following table shows total remuneration of the members of the management and supervisory board. The expenses were recognised on an accrual basis in line with the respective rules of the underlying standards IAS 19 and IFRS 2. The amounts disclosed correspond to the estimated disbursement as of the balance sheet date and may deviate from the ones which will be finally paid.

in EUR million	1-12 22			1-12 23		
	Management board	Supervisory board	Total	Management board	Supervisory board	Total
Short-term employee benefits	7	1	9	8	2	10
Post-employment benefits	1		1	1		1
Other long-term benefits	1		1	2		2
Share-based payment	2		2	4		4
Total	**12**	**1**	**14**	**15**	**2**	**16**

Short-term employee benefits. Under this category salaries, benefits in kind, social security contributions and other short-term benefits are included. Further, this category includes variable remuneration to be settled in cash within one year. Disclosed remuneration for supervisory board members comprises supervisory board compensation, meeting fees as well as remuneration for board functions in fully consolidated subsidiaries.

Post-employment benefits. The members of the management board participate in the defined contribution pension plan of Erste Group according to the same principles as the employees of the Group (see Note 53 Provisions). Post-employment benefits shown in the table above contain contribution payments to pension schemes and to severance schemes ('Mitarbeitervorsorgekasse').

Other long-term benefits. This category includes variable remuneration to be settled in cash, but payable - deferred over several years - only after one year. In addition, net allocations to provisions for jubilee payments (see Note 53 Provisions) are also reported under this category.

Share-based payment transactions. Expenses for variable share-based payments are disclosed under this line (refer to Note 61 Share-based payments, Share-based payment for the management board of Erste Group Bank AG).

On 31 December 2023 the outstanding amount of liability for variable remuneration towards members of the management board amounts to EUR 8 million (2022: EUR 7 million). This amount includes liabilities resulting from the Share-based Payment Program for the management board of Erste Group Bank AG (for the performance year 2021 for the first time) and liabilities from unpaid deferred tranches from the Phantom Shares Program (for performance years up to 2021). For further details please refer to Note 61 Share-based payments.

The members of the management board of Erste Group were granted a remuneration of 0.5% (2022: 0.5%) of the total personnel expenses for their activities in the financial year 2023.

In 2023, EUR 3 million (2022: EUR 3 million) was paid in cash and EUR 43,651 (2022: EUR 57,669) share-equivalents were assigned to former board members and their dependents.

BANKING TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

As of the end of 2023, loans and advances granted to members of the management board and supervisory board totalled EUR 2 million (2022: EUR 2 million). Deposits of members of the management board and supervisory board at Erste Group amounted to EUR 18 million (2022: EUR 16 million) in total. Members of the management and supervisory board held bonds issued by Erste Group of EUR 0 million (2022: EUR 0 million). Loan commitments and financial guarantees, issued in favour of members of the management and supervisory board totalled EUR 0 million (2022: EUR 0 million) as of the end of 2023. From banking transactions with members of the management board and supervisory board Erste Group received interest income and fee income of EUR 0 million (2022: EUR 0 million) in total.

TRANSACTIONS WITH OTHER RELATED PARTIES

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 1 million (2022: EUR 4 million) as of 31 December 2023. As of the end of 2023, deposits of other related parties at Erste Group amounted to EUR 14 million (2022: EUR 72 million) in total. Loan commitments and financial guarantees, issued in favour of other related parties totalled EUR 0 million (2022: EUR 0 million) as of the end of 2023. From banking transactions with other related parties Erste Group received interest income and fee income of EUR 0 million (2022: EUR 0 million) in total, and paid interest and fee expenses of EUR 0 million (2022: EUR 0 million).

61. Share-based payments

The total expense recognised during the reporting period arising from share-based payment transactions amounts to EUR 45 million (2022: EUR 33 million), thereof EUR 31 million (2022: EUR 31 million) relate to equity-settled share-based payment transactions. At the end of the reporting period the liability arising from share-based payment transactions amounts to EUR 40 million (2022: EUR 32 million). The intrinsic value of the liability is EUR 45 million (2022: EUR 34 million).

SHARE-BASED PAYMENT FOR THE MANAGEMENT BOARD OF ERSTE GROUP BANK AG

The share-based remuneration plan for the executive board of Erste Group Bank AG comprises short-term and long-term variable remuneration components. The total amount of variable compensation is determined in the following year by a resolution of the supervisory board.

Upfront share-based remuneration. 20% of the bonus will be converted into shares on the date of this supervisory board resolution and is transferred to the participant's securities deposit after one year.

Deferred share-based remuneration. 30% of the bonus is converted into performance share units (PSUs) on the day of the supervisory board resolution using the average share price of the last 30 trading days. A PSU represents an unsecured, conditional right to receive shares of Erste Group Bank AG in the future. In the following five years, the initial number of PSUs is adjusted in a range from 120% to 0% to the group's performance based on performance criteria, which the supervisory board reviews on a yearly basis and adjusts in exceptional cases. The final number of PSUs corresponds to the number of shares, which is transferred to the participant's securities deposit after a retention period of another year.

The awarded shares and PSUs are equity-settled share-based payments that vest by the end of the performance year. The determination of the grant date requires an assessment of all the circumstances. As the supervisory board has significant discretionary powers in connection with the assessment of the performance in the performance year, the grant is made with the resolution of the supervisory board on the bonus awarded for the past performance year.

For the performance year 2023, it is expected that 29,571 shares and 44,356 PSUs (2022: 30,959 shares and 46,439PSUs) will be granted to participants. The fair value of PSUs on the measurement date is calculated based on a Monte Carlo simulation model considering the achievement level of Erste Group performance over the next five years and the share price of Erste Group Bank AG. The estimated fair value on the balance sheet date is EUR 2 million (2022: EUR 2 million). In 2023 in total personnel expenses of EUR 3 million (2022: EUR 2 million) and a corresponding retained earnings reserve were recognised.

PHANTOM SHARES PROGRAM

Erste Group grants selected employees every year a bonus for services rendered in the past year (vesting period). If the individual bonus exceeds a certain limit, the final payout amount of at least 25% depends on the development of the average, volume-weighted, daily price of Erste Group shares in subsequent years (phantom share program). The program applies to Erste Group entities in different countries, with different amounts and share equivalents. The share equivalents (phantom shares) are divided into several tranches, which differ in the duration of the observation period for the development of the Erste Group share price.

The phantom share program meets the criteria for cash-settled share-based payments in accordance with IFRS 2.

The estimated fair value of variable compensation for share equivalents is recognised in profit or loss. The liability for stock equivalents that have not yet been paid out is continuously measured at fair value until payment is made. Fair value changes and changes of the final allocation in subsequent years are recognised in profit or loss. To determine the fair value, the number of share equivalents not yet paid out as at the balance sheet date is multiplied by the estimated average price of Erste Group shares for the respective payout year. The fair values of the share equivalents for the respective payout year are determined using an option pricing model (Black-Scholes model). The main parameters are the share price of the Erste Group share on the balance sheet date and the dividend payments expected until payment.

For 2023, it is expected that 280,079 (2022: 243,127) share equivalents with a fair value of EUR 10 million (2022: EUR 7 million) will be granted to eligible employees. The total expense recognised in the reporting period for the phantom share program amounts to EUR 13 million (2022: EUR 2 million), the carrying amount of the liability as at the balance sheet date is EUR 40 million (2022: EUR 32 million). The intrinsic value of the liability from unpaid share equivalents is EUR 45 million (2022: EUR 34 million).

WESHARE BY ERSTE GROUP PROGRAM

The WeShare by Erste Group-Participation program and the WeShare by Erste Group-Investment Plus program are equity-settled share-based payment transactions. Both programs are offered to employees of Erste Group provided that specific requirements (e.g. capital and liquidity requirements, payment of dividends, ECB approval) are met.

Under the WeShare by Erste Group-Investment Plus program all employees, who had been employed by an entity of the Erste Group, from March/April 2023 until June 2023 could voluntarily invest in Erste Group shares and receive free shares depending on the amount of their personal investment. The WeShare by Erste Group-Investment Plus program was settled in June 2023. The number of free shares, which were granted under this program for the reporting period, is 506,947 (2022: 966,742). Personnel expenses in the amount of EUR 16 million (2022: EUR 22 million) were recorded.

Under the WeShare by Erste Group-Participation program all employees, who have been employed by an entity of the Erste Group for at least six months in year 2023 and are still employed until the transfer of the shares to the employees in June 2024 are entitled to receive shares in an equivalent amount of EUR 350. The expected number of free shares, which are granted under this program for the period, is 389,884 (2022: 544,374). Based on the number of entitled employees, personnel expenses in the amount of EUR 7 million (2022: EUR 7 million) were recorded and a corresponding reserve in retained earnings was created. Furthermore, during 2023 an expense of EUR 6 million was booked, which is related to the active employment requirement of the WeShare by Erste Group-Participation that was offered to employees in 2022.

62. Fees of the Auditors

The following table contains fees charged by the auditors of Erste Group Bank AG and subsidiaries for the financial years 2023 and 2022; 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. The amounts in the table include value-added tax.

in EUR million	Dec 22	Dec 23
Statutory audit of financial statements/consolidated financial statements	**14**	**15**
Audit fees - PwC	6	8
Audit fees - Sparkassen-Prüfungsverband	8	8
Other assurance services	**3**	**3**
Other assurance services - PwC	2	2
Other assurance services - Sparkassen-Prüfungsverband	1	1
Tax consulting	**0**	**0**
Tax consulting - PwC	0	0
Tax consulting - Sparkassen-Prüfungsverband	0	0
Other services	**1**	**1**
Other services - PwC	1	1
Other services - Sparkassen-Prüfungsverband	0	0
Total	**17**	**19**

The Sparkassen-Prüfungsverband (Austrian Savings Bank Auditing Association) provided audit services for an amount of EUR 2 million (2022: EUR 2 million) to Erste Group Bank AG and EUR 6 million (2022: EUR 6 million) for the subsidiaries. For other assurance services EUR 0 million (2022: EUR 0 million) were charged to the subsidiaries of Erste Group Bank AG while EUR 0 million (2022: EUR 0 million) is the amount for other services provided to the subsidiaries. The amounts in the table above include also fees for services provided by SPV Wirtschaftsprüfungsges.m.b.H.

The auditor 'PwC Wirtschaftsprüfung GmbH' provided audit services to Erste Group Bank AG for EUR 2 million (2022: EUR 1 million) and to the subsidiaries for EUR 1 million (2022: EUR 1 million). An amount of EUR 5 million (2022: EUR 4 million) 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 1 million (2022: EUR 1 million).

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

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line item 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet under the line item 'Liabilities associated with assets held for sale'.

Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Should the impairment loss in a disposal group exceed the carrying amount of the assets that are within the scope of IFRS 5 measurement requirements, there is no specific guidance on how to treat such a difference. Erste Group recognises this difference as a provision under the balance sheet line item 'Provisions'.

in EUR million	Dec 22	Dec 23
Assets held for sale	167	163
Liabilities associated with assets held for sale	115	113

In 2022, entity Banca Comerciala Romana Chisinau S.A. met the criteria for the classification as a disposal group held for sale for the first time. Due to the requirement of several regulatory approvals, which were all approved in the end, the transaction was completed slightly after the period of 12 months and hence still shown as assets held for sale in the financial statements 2023. It consists of assets held for sale in the amount of EUR 153 million (2022: EUR 152 million) and liabilities associated with assets held for sale in the amount of EUR 113 million (2022: EUR 115 million). The fair value less costs to sell was lower than the carrying amount of the disposal group. The difference was first allocated to nonfinancial assets in scope of IFRS 5 measurement requirements and resulted in an overall impairment loss of EUR 3 million (2022: EUR 2 million) since initial recognition. The remaining amount of EUR 23 million (2022: EUR 20 million) was recognised as a provision. The transaction was completed on 15th January 2024.

As of the end of 2023, 'Assets held for sale' other than those belonging to the disposal group held for sale include mainly land and buildings in amount of EUR 12 million (2022: EUR 14 million).
Assets held for sale 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 are determined by experts with recognised and relevant professional qualification.

Fair values and fair value hierarchy

in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Dec 23					
Assets for which the FV is presented in the balance sheet					
Assets held for sale	10	11	0	0	11
Dec 22					
Assets for which the FV is presented in the balance sheet					
Assets held for sale	12	13	0	0	13

64. 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 22	Dec 23
Assets	115,254	116,241
Liabilities	92,881	92,498

Assets and liabilities outside Austria

in EUR million	Dec 22	Dec 23
Assets	189,680	197,405
Liabilities	145,529	156,857

Return on assets (net profit after tax for the year divided by total assets at the reporting period) was 1.16% at 31 December 2023 (2022: 0.84%).

65. Analysis of remaining maturities

Expected remaining maturities of assets and liabilities

in EUR million	Dec 22		Dec 23	
	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	35,685	0	36,685	0
Financial assets HfT	5,636	2,129	5,992	2,781
Derivatives	819	900	611	651
Other financial assets held for trading	4,818	1,229	5,381	2,130
Non-trading financial assets at FVPL	350	2,385	527	2,477
Equity instruments	21	325	190	225
Debt securities	299	1,251	335	1,216
Loans and advances to customers	30	809	1	1,037
Financial assets at FVOCI	2,283	7,276	1,366	7,538
Equity instruments	0	99	12	98
Debt securities	2,283	7,177	1,354	7,440
Financial assets at AC	56,358	197,002	53,739	210,981
Debt securities	3,790	36,821	4,725	39,322
Loans and advances to banks	15,689	2,747	18,350	3,082
Loans and advances to customers	36,879	157,434	30,664	168,577
Finance lease receivables	499	4,054	559	4,410
Hedge accounting derivatives	49	110	21	162
Fair value changes of hedged items in portfolio hedge of interest rate risk	-1	-37	-1	-24
Property and equipment	0	2,618	0	2,605
Investment properties	0	1,372	0	1,524
Intangible assets	0	1,347	0	1,313
Investments in associates and joint ventures	0	209	0	241
Current tax assets	109	0	72	0
Deferred tax assets	0	629	0	468
Assets held for sale	167	0	163	0
Trade and other receivables	2,268	136	2,484	95
Other assets	1,171	61	874	101
Total Assets	**104,575**	**219,290**	**102,483**	**234,673**
Financial liabilities HfT	1,538	1,726	1,051	1,252
Derivatives	1,441	1,185	872	742
Other trading liabilities	97	541	179	511
Financial liabilities at FVPL	2,677	8,138	2,150	9,002
Deposits	1,299	54	498	95
Debt securities issued	1,226	8,084	1,522	8,907
Other financial liabilities	151	0	130	0
Financial liabilities at AC	207,389	71,543	216,004	73,838
Deposits from banks	16,886	11,934	16,598	6,313
Deposits from customers	184,047	38,572	194,190	38,033
Debt securities issued	5,569	21,024	3,858	29,472
Other financial liabilities	886	13	1,358	21
Lease liabilities	58	604	50	620
Hedge accounting derivatives	133	240	8	278
Provisions	428	1,248	406	1,206
Current tax liabilities	127	0	265	0
Deferred tax liabilities	0	16	0	14
Liabilities associated with assets held for sale	115	0	113	0
Other liabilities	1,968	614	2,043	353
Total Liabilities	**214,432**	**84,128**	**222,089**	**86,565**

66. Events after the balance sheet date

The share buyback program of Erste Group Bank AG, which was conducted on the basis of the authorization granted in the 30th Annual General Meeting of Erste Group on 12 May 2023 pursuant to section 65 (1) 8 of the Austrian Stock Corporation Act, was completed on 16 February 2024. A total of 8,887,092 shares were acquired at an average price of EUR 33.76 (totaling EUR 300 million). The resolution to cancel the 8,887,092 shares was passed by the management board and the supervisory board of Erste Group Bank AG on 22 February 2024 and became effective upon entry in the commercial register.

67. Country by country reporting

The following country by country breakdown complies with the disclosure requirements of 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 23				
Austria	3,730	699	-364	-191
Croatia	562	312	-50	-64
Czech Republic	2,341	1,307	-158	124
Hungary	1,471	1,035	-43	-23
Romania	1,059	661	-136	-73
Serbia	178	76	-4	-1
Slovakia	788	457	-92	-77
Other locations	424	247	-27	-9
Total	**10,552**	**4,795**	**-874**	**-315**
Dec 22				
Austria	4,040	1,283	-142	-197
Croatia	414	213	-48	-31
Czech Republic	1,617	615	-172	-153
Hungary	721	338	-27	-23
Romania	840	408	-83	-69
Serbia	129	27	-1	0
Slovakia	588	260	-66	-69
Other locations	221	79	-17	-5
Total	**8,571**	**3,222**	**-556**	**-549**

The table above presents consolidated figures after consideration of intercompany transaction eliminations and all consolidation adjustments. Income tax represents the expenses arising split to each individual tax jurisdiction where the Group is present.

For information regarding the country of residence of each fully consolidated entity refer to Note 70 Details of the companies wholly or partly owned by Erste Group as of 31 December 2023. Information about the geographical split of the average number of headcounts employed in Erste Group throughout 2023 is disclosed in Note 8 General administrative expenses.

68. Interest Rate Benchmark Reform

On 31 December 2021 publication of the CHF, GBP, JPY LIBOR rates for all tenors and USB LIBOR rates for 1-week and 2-month tenors was ceased. Remaining USD LIBOR rates representing the more liquid tenors (overnight, 1-month, 3-month, 6-month, 12month) were ceased on 30 June 2023.

Regarding other IBOR-linked financial instruments, Erste Group considers that EURIBOR interest rates which have been reformed and are EU Benchmark Regulation compliant are not currently affected. Also, other local IBOR rates used in Erste Group member countries are considered not to be affected (PRIBOR for CZK, BUBOR for HUF, ROBOR for RON, BELIBOR for RSD).

The alternative reference rates (ARRs) replacing USD LIBOR rates in 2023 are SOFR overnight rates. In the consumer protected loan business of Erste Group where the rates have to be known at the beginning of interest periods forward-looking term SOFR rates were mandatorily applied. The ARRs include a spread adjustment to ensure economic equivalence addressing the tenor, credit risk and other differences compared to the LIBOR rates.

The LIBOR rate replacements for ARRs in Erste Group business qualified for application of the practical expedient provided by the Interest Rate Benchmark Reform – Phase 2 amendments of IFRS 9 issued in August 2020. As a result, the changes in the benchmark rates were reflected by adjusting the effective interest rate of the instruments and no immediate gain or loss is recognised.

Erste Group had a dedicated project addressing the interest rate benchmark reform ensuring a smooth transition to the ARRs. By 2023 year end all financial instruments with USD, GBP, JPY and CHF LIBOR-linked interest were transitioned to the ARRs.

Disclosures regarding application of the interest rate benchmark reform in the area of hedge accounting can be found in Note 27 Hedge Accounting.

69. Government grants

A government grant is recognised in Erste Group's financial statements, when there is reasonable assurance that it will be received and that Erste Group will comply with the conditions attached to it. Grants that compensate for the acquisition of assets are presented as deduction from the cost of the related asset and are recognised in profit or loss over the periods and in the proportions, in which depreciation and amortisation expenses on those assets are recognised. Grants that compensate for expenses incurred are presented as deduction of relevant expenses in the period in which the expenses are incurred.

The total amount of government grants recognised in the group adds up to EUR 8 million (2022: EUR 8 million). Out of this total amount, EUR 1 million (2022: EUR 2 million) are related to an investment program in Austria ('Investitionsprämie'), which was offered to support the economy due to the Covid-19 crisis. Using this opportunity, Erste Group invested in tangible and intangible depreciable fixed assets and the government refunded 7% or 14% (in case of digitalisation projects) of the investment. Further, some entities applied for a reimbursement of the remuneration paid to their employees during quarantine and childcare leave ('Personalkostenzuschuss') and received around EUR 2 million (2022: EUR 4 million).

70. Details of the companies wholly or partly owned by Erste Group as of 31 December 2023

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

Company name, registered office		Interest of Erste Group in %	
		Dec 22	Dec 23
Fully consolidated subsidiaries			
Credit institutions			
Banca Comerciala Romana Chisinau S.A.	Chisinau	99.9	99.9
Banca Comerciala Romana SA	Bucharest	99.9	99.9
Banka Sparkasse d.d.	Ljubljana	28.0	28.0
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft	Wien	100.0	100.0
BCR Banca pentru Locuinte SA	Bucharest	99.9	99.9
Ceska sporitelna, a.s.	Praha	100.0	100.0
Die Zweite Wiener Vereins-Sparcasse	Wien	0.0	0.0
Dornbirner Sparkasse Bank AG	Dornbirn	0.0	0.0
Erste & Steiermärkische Bank d.d.	Rijeka	69.3	69.3
ERSTE BANK AD PODGORICA	Podgorica	69.3	69.3
ERSTE BANK AKCIONARSKO DRUŠTVO, NOVI SAD	Novi Sad	80.5	80.5
Erste Bank der oesterreichischen Sparkassen AG	Wien	100.0	100.0
Erste Bank Hungary Zrt	Budapest	100.0	100.0
Erste Group Bank AG	Wien	-	-
ERSTE Jelzálogbank Zártkörüen Müködö Részvénytársaság	Budapest	100.0	100.0
Erste Lakas-Takarekpenztar Zartkoruen Mukodo Reszvenytarsasag	Budapest	100.0	100.0
Kärntner Sparkasse Aktiengesellschaft	Klagenfurt	25.0	25.0
KREMSER BANK UND SPARKASSEN AKTIENGESELLSCHAFT	Krems	0.0	0.0
Lienzer Sparkasse AG	Lienz	0.0	0.0
Salzburger Sparkasse Bank Aktiengesellschaft	Salzburg	100.0	100.0
Slovenska sporitelna, a. s.	Bratislava	100.0	100.0
Sparkasse Baden	Baden	0.0	0.0
Sparkasse Bank AD Skopje	Skopje	24.1	24.1
Sparkasse Bank dd Bosna i Hercegovina	Sarajevo	25.0	25.0
Sparkasse Bludenz Bank AG	Bludenz	0.0	0.0
Sparkasse Bregenz Bank Aktiengesellschaft	Bregenz	0.0	0.0
Sparkasse der Gemeinde Egg	Egg	0.0	0.0
Sparkasse der Stadt Amstetten AG	Amstetten	0.0	0.0
Sparkasse der Stadt Feldkirch	Feldkirch	0.0	0.0
Sparkasse der Stadt Kitzbühel	Kitzbühel	0.0	0.0
Sparkasse Eferding-Peuerbach-Waizenkirchen	Eferding	0.0	0.0
Sparkasse Feldkirchen/Kärnten	Feldkirchen	0.0	0.0
SPARKASSE FRANKENMARKT AKTIENGESELLSCHAFT	Frankenmarkt	0.0	0.0
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	Hainburg	75.0	75.0
Sparkasse Haugsdorf	Haugsdorf	0.0	0.0
Sparkasse Herzogenburg-Neulengbach Bank Aktiengesellschaft	Herzogenburg	0.0	0.0
Sparkasse Horn-Ravelsbach-Kirchberg Aktiengesellschaft	Horn	0.0	0.0
Sparkasse Imst AG	Imst	0.0	0.0
Sparkasse Korneuburg AG	Korneuburg	0.0	0.0
Sparkasse Kufstein Tiroler Sparkasse von 1877	Kufstein	0.0	0.0
Sparkasse Lambach Bank Aktiengesellschaft	Lambach	0.0	0.0
Sparkasse Langenlois	Langenlois	0.0	0.0
Sparkasse Mittersill Bank AG	Mittersill	0.0	0.0
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	Rohrbach	40.0	40.0
Sparkasse Mürzzuschlag Aktiengesellschaft	Mürzzuschlag	0.0	0.0
Sparkasse Neuhofen Bank Aktiengesellschaft	Neuhofen	0.0	0.0
Sparkasse Neunkirchen	Neunkirchen	0.0	0.0
SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT	St. Pölten	0.0	0.0
Sparkasse Oberösterreich Bank AG	Linz	19.0	16.8
Sparkasse Pöllau AG	Pöllau	0.0	0.0
Sparkasse Pottenstein N.Ö.	Pottenstein	0.0	0.0
Sparkasse Poysdorf AG	Poysdorf	0.0	0.0
Sparkasse Pregarten - Unterweißenbach AG	Pregarten	0.0	0.0
Sparkasse Rattenberg Bank AG	Rattenberg	0.0	0.0
Sparkasse Reutte AG	Reutte	0.0	0.0
Sparkasse Ried im Innkreis-Haag am Hausruck	Ried	0.0	0.0
Sparkasse Salzkammergut AG	Bad Ischl	0.0	0.0
Sparkasse Scheibbs AG	Scheibbs	0.0	0.0
Sparkasse Schwaz AG	Schwaz	0.0	0.0
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	Voitsberg	4.2	4.2

Company name, registered office		Interest of Erste Group in % Dec 22	Dec 23
Stavebni sporitelna Ceske sporitelny, a.s.	Praha	100.0	100.0
Steiermärkische Bank und Sparkassen Aktiengesellschaft	Graz	25.0	25.0
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	Innsbruck	75.0	75.0
Waldviertler Sparkasse Bank AG	Zwettl	0.0	0.0
Wiener Neustädter Sparkasse	Wiener Neustadt	0.0	0.0
Financial institutions			
"Die Kärntner" Trust- Vermögensverwaltungsgesellschaft m.b.H. & Co KG	Klagenfurt	25.0	25.0
"Die Kärntner" Trust-Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
"Nare" Grundstücksverwertungs-Gesellschaft m.b.H.	Wien	100.0	100.0
ACP Financial Solutions GmbH	Wien	75.0	75.0
Alea-Grundstückverwaltung Gesellschaft m.b.H.	Wien	100.0	100.0
AVION-Grundverwertungsgesellschaft m.b.H.	Wien	51.0	51.0
BCR Leasing IFN SA	Bucharest	99.9	99.9
BCR Payments Services SRL	Sibiu	99.9	99.9
DENAR-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
DIE ERSTE Leasing Grundbesitzgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Grundstückverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Immobilienbesitzgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Immobilienverwaltungs- und -vermietungsgesellschaft m.b.H.	Wien	100.0	100.0
Društvo za leasing Sparkase Lizing d.o.o. Skopje	Skopje	24.6	24.6
EB Erste Bank Internationale Beteiligungen GmbH	Wien	100.0	100.0
EB-Grundstücksbeteiligungen GmbH	Wien	100.0	100.0
EKZ-Immorent Vermietung GmbH	Wien	100.0	100.0
Erste & Steiermärkische S-Leasing drustvo s ogranicenom odgovornoscu za leasing vozila i strojeva	Zagreb	47.1	47.1
Erste Bank und Sparkassen Leasing GmbH	Wien	100.0	100.0
ERSTE CARD CLUB d.o.o.	Zagreb	69.3	69.3
ERSTE CARD poslovanje s kreditnimi karticami, d.o.o.	Ljubljana	28.0	28.0
Erste Finance (Delaware) LLC	Wilmington	100.0	100.0
Erste Group Immorent CR s.r.o.	Praha	100.0	100.0
Erste Group Immorent GmbH	Wien	100.0	100.0
Erste Group Immorent International Holding GmbH	Wien	100.0	100.0
Erste Group Immorent Lízing Zártkörüen Müködö Részvénytársaság	Budapest	100.0	100.0
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o.	Ljubljana	100.0	100.0
Eva-Realitätenverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
F & S Leasing GmbH	Klagenfurt	100.0	100.0
Factoring Ceske sporitelny a.s.	Praha	100.0	100.0
GIROLEASING-Mobilienvermietungsgesellschaft m.b.H.	Wien	62.5	62.5
Holding Card Service s.r.o.	Praha	100.0	100.0
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	54.6	54.6
Immo Smaragd GmbH	Schwaz	0.0	0.0
Immorent - Immobilienleasing Gesellschaft m.b.H.	Wien	100.0	100.0
ImmoRent Einkaufszentren Verwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent Oktatási Ingatlanhasznosító és Szolgáltató Kft.	Budapest	56.0	56.0
IMMORENT RIED GmbH	Wien	100.0	100.0
IMMORENT-ANUBIS Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Clio-Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Gamma-Grundstücksverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-GREKO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Kappa Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-LEANDER Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-MOMO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-NERO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-PAN Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-Raiffeisen Fachhochschule Errichtungs- und BetriebsgmbH	Wien	55.0	55.0
IMMORENT-RASTA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-REMUS Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RIALTO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RIO Grundverwertungsgesellschaft m.b.H.	Wien	55.0	55.0
IMMORENT-RIWA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RONDO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RUBIN Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Theta-Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-TRIAS Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
Immorent-WBV Grundverwertungsgesellschaft m.b.H.	Wien	50.0	50.0
IMNA-Immorent Immobilienleasing GmbH	Wien	100.0	100.0
Intermarket Bank AG	Wien	93.8	93.8
IR Beteiligungsverwaltungsgesellschaft mbH	Wien	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 22	Dec 23
IR REAL ESTATE LEASING d.o.o. u likvidaciji	Zagreb	92.5	92.5
Leasing Ceské sporitelny, a.s.	Praha	100.0	100.0
MEKLA Leasing Gesellschaft m.b.H.	Wien	100.0	100.0
NAXOS-Immorent Immobilienleasing GmbH	Wien	100.0	100.0
NÖ-Sparkassen Beteiligungsgesellschaft m.b.H.	St. Pölten	2.5	2.5
Ölim-Grundverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
OMEGA IMMORENT s.r.o.	Praha	100.0	100.0
OREST-Immorent Leasing GmbH	Wien	100.0	100.0
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung	Wien	100.0	100.0
PAROS-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
PREDUZECE ZA FINANSIJSKI LIZING S-LEASING DOO, BEOGRAD	Belgrade	66.6	66.6
RHEA-Immorent Holding GmbH	Wien	100.0	100.0
s Autoleasing SK, s.r.o.	Bratislava	100.0	100.0
S IMMORENT OMIKRON drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
s Wohnbaubank AG	Wien	100.0	100.0
SCIENTIA Immorent GmbH	Wien	100.0	100.0
Sieben Tiroler Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein	0.0	0.0
S-Leasing Immobilienvermietungsgesellschaft m.b.H.	Wiener Neustadt	33.3	33.3
Sparfinanz-, Vermögens-, Verwaltungs- und Beratungs- Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
SPARKASSE IMMORENT Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Sparkasse Leasing društvo sa ogranicenom odgovornošcu za leasing nekretnina, vozila, brodova i mašina, Sarajevo	Sarajevo	25.0	25.0
Sparkasse Leasing S, družba za financiranje d.o.o.	Ljubljana	28.0	28.0
Sparkassen IT Holding AG	Wien	28.8	28.5
Sparkassen Leasing Süd GmbH	Graz	25.0	25.0
Strabag Oktatási PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	70.0	70.0
Subholding Immorent GmbH	Wien	100.0	100.0
TAURIS-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Theuthras-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
UBG-Unternehmensbeteiligungsgesellschaft m.b.H.	Wien	100.0	100.0
Vorarlberger Sparkassen Beteiligungs GmbH	Dornbirn	0.0	0.0
WIESTA-Immorent Immobilienleasing GmbH	Wien	100.0	100.0

Company name, registered office		Interest of Erste Group in % Dec 22	Dec 23
Other			
"DIE EVA" Grundstückverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
BCR Fleet Management SRL	Bucharest	99.9	99.9
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Bucharest	99.9	99.9
BOOTES-Immorent Grundverwertungs-Gesellschaft m.b.H.	Wien	100.0	100.0
BP Budejovicka, s. r. o.	Praha	100.0	100.0
BP Olbrachtova, s. r. o.	Praha	100.0	100.0
BP Polackova, s. r. o.	Praha	100.0	100.0
BTV-Beteiligungs-, Treuhand-, Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Budejovicka development, s. r. o.	Praha	100.0	100.0
CEE Property Development Portfolio 2 a.s.	Praha	100.0	100.0
CEE Property Development Portfolio B.V.	Amsterdam	20.0	20.0
Ceska sporitelna - penzijni spolecnost, a.s.	Praha	100.0	100.0
Cinci-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Collat-real Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
Commerzbank Zrt.	Budapest	100.0	100.0
CPDP 2003 s.r.o.	Praha	100.0	100.0
CPP Lux S. 'ar.l.	Luxembourg	20.0	20.0
CS NHQ, s.r.o.	Praha	100.0	100.0
CS Seed Starter, a.s.	Praha	100.0	100.0
DBCS Cerny Most, s.r. o.	Praha	0.0	100.0
DBCS Zdar s.r.o.	Praha	0.0	100.0
DIE ERSTE Leasing Grundaufschließungs- und Immobilienvermietungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
DIE EVA - Liegenschaftsverwaltungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
DIE EVA-Gebäudeleasinggesellschaft m.b.H.	Wien	100.0	100.0
DIE EVA-Immobilienleasing und -erwerb Gesellschaft m.b.H.	Wien	100.0	100.0
Dienstleistungszentrum Leoben GmbH	Wien	51.0	51.0
Dostupné bydlení Ceské sporitelny, a.s.	Praha	100.0	100.0
EBB Beteiligungen GmbH	Wien	100.0	100.0
EB-Restaurantsbetriebe Ges.m.b.H.	Wien	100.0	100.0
Erste Asset Management d.o.o.	Zagreb	91.1	91.1
Erste Asset Management GmbH	Wien	91.1	91.1
Erste Asset Management Ltd. (vm Erste Alapkezelo Zrt.)	Budapest	91.1	91.1
Erste Befektetesi Zrt.	Budapest	100.0	100.0
ERSTE CAMPUS Immobilien AG & Co KG	Wien	100.0	100.0
Erste Digital GmbH	Wien	82.1	82.1
Erste Grantika Advisory, a.s.	Brno	100.0	100.0
Erste Group Card Processor d.o.o.	Zagreb	100.0	100.0
ERSTE GROUP IMMORENT HRVATSKA drustvo s ogranicenom odgovornoscu za upravljanje	Zagreb	100.0	100.0
Erste Group Immorent Slovensko s.r.o.	Bratislava	100.0	100.0
Erste Group IT HR društvo s ogranicenom odgovornošcu za usluge informacijskih tehnologija	Bjelovar	75.4	69.3
Erste Group Services GmbH	Wien	100.0	100.0
Erste Group Shared Services (EGSS), s.r.o.	Hodonin	100.0	100.0
ERSTE Immobilien Gamma Seepark Campus West GmbH & Co KG	Wien	0.0	90.0
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	Wien	68.7	68.7
Erste Ingatlan Fejleszto, Hasznosito es Mernoki Kft.	Budapest	100.0	100.0
ERSTE NEKRETNINE d.o.o. za poslovanje nekretninama	Zagreb	69.3	69.3
Erste Reinsurance S.A.	Luxembourg	100.0	100.0
Erste Securities Polska S.A.	Warsaw	100.0	100.0
Eva-Immobilienverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
FUKO-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
George Labs GmbH	Wien	100.0	100.0
GLADIATOR LEASING IRELAND DESIGNATED ACTIVITY COMPANY	Dublin	100.0	100.0
Gladiator Leasing Limited	Pieta	100.0	100.0
GLL A319 AS LIMITED	Pieta	100.0	100.0
GLL MSN 2118 DESIGNATED ACTIVITY COMPANY (in Liqui)	Dublin	100.0	100.0
Graben 21 Liegenschaftsverwaltung GmbH	Wien	100.0	100.0
Haftungsverbund GmbH	Wien	63.8	63.6
HBM Immobilien Kamp GmbH	Wien	100.0	100.0
HP Immobilien Psi GmbH	Wien	100.0	100.0
HT Immobilien Tau GmbH	Wien	100.0	100.0
HT Immobilien Theta GmbH	Wien	100.0	100.0
HV Immobilien Hohenems GmbH	Wien	100.0	100.0
IBF-Anlagenleasing 95 Gesellschaft m.b.H.	Wien	100.0	100.0
IGP Industrie und Gewerbepark Wörgl Gesellschaft m.b.H.	Kufstein	0.0	0.0
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach	40.0	40.0
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
IMMORENT EPSILON, leasing druzba, d.o.o. - v likvidaciji	Ljubljana	50.0	50.0
IMMORENT Österreich GmbH	Wien	100.0	100.0

Company name, registered office		Interest of Erste Group in % Dec 22	Dec 23
IMMORENT PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság "végelszámolás alatt"	Budapest	100.0	100.0
Immorent Singidunum d.o.o.	Belgrade	100.0	100.0
IMMORENT Térinvest Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
IMMORENT-ASTRA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-HATHOR Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
IMMORENT-KRABA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-MÖRE Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	59.3	58.3
IMMORENT-Objektvermietungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
IPS Fonds Gesellschaft bürgerlichen Rechts	Wien	62.6	62.5
IR CEE Project Development Holding GmbH	Wien	100.0	100.0
IZBOR NEKRETNINA D.O.O. ZA USLUGE	Zagreb	69.3	69.3
Jura GrundverwertungsgmbH	Graz	25.0	25.0
Kärntner Sparkasse Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS - Dienstleistungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Beteiligungs- und Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
LANED a.s.	Bratislava	100.0	100.0
Lassallestraße 7b Immobilienverwaltung GmbH	Wien	100.0	100.0
LIEGESA Immobilienvermietung GmbH Nfg OG	Graz	25.0	25.0
MCS 14 Projektentwicklung GmbH & Co KG	Wien	100.0	100.0
OM Objektmanagement GmbH	Wien	100.0	100.0
Österreichische Sparkassenakademie GmbH	Wien	44.4	44.3
ÖVW Bauträger GmbH	Wien	100.0	100.0
Procurement Services CZ s.r.o.	Praha	99.9	99.9
Procurement Services GmbH	Wien	99.9	99.9
Procurement Services HR d.o.o.	Zagreb	99.9	99.9
Procurement Services HU Kft.	Budapest	99.9	99.9
Procurement Services RO srl	Bucharest	99.9	99.9
Procurement Services SK, s.r.o.	Bratislava	99.9	99.9
Project Development Vest s.r.l	Bucharest	100.0	100.0
QBC Management und Beteiligungen GmbH	Wien	65.0	65.0
QBC Management und Beteiligungen GmbH & Co KG	Wien	65.0	65.0
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz	59.9	59.0
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.	Graz	61.7	61.7
REICO investicni spolecnost Ceske sporitelny, a.s.	Praha	100.0	100.0
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0	25.0
s IM Immobilien Management GmbH	Graz	25.0	25.0
s REAL Immobilienvermittlung GmbH	Wien	100.0	100.0
s ServiceCenter GmbH	Wien	56.2	56.0
s Wohnbauträger GmbH	Wien	100.0	100.0
s Wohnfinanzierung Beratungs GmbH	Wien	100.0	100.0
SAI Erste Asset Management S.A.	Bucharest	91.1	91.1
sBAU Holding GmbH	Wien	100.0	100.0
sDG Dienstleistungsgesellschaft mbH	Wien	100.0	100.0
S-Invest Beteiligungsgesellschaft m.b.H.	Wien	70.0	70.0
SK - Immobiliengesellschaft m.b.H.	Krems	0.0	0.0
SK Immobilien Epsilon GmbH	Wien	100.0	100.0
SKT Immobilien GmbH	Kufstein	0.0	0.0
SKT Immobilien GmbH & Co KG	Kufstein	0.0	0.0
SLSP Seed Starter, s.r.o.	Bratislava	100.0	100.0
SLSP Social Finance, s.r.o.	Bratislava	84.2	79.8
sMS Marktservice für Sparkassen GmbH	Krems	0.0	0.0
SPARDAT - Bürohauserrichtungs- und Vermietungsgesellschaft m.b.H.	Wien	100.0	100.0
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach	40.0	40.0
Sparkasse Oberösterreich Kapitalanlagegesellschaft m.b.H.	Linz	20.7	18.9
Sparkassen Real Vorarlberg Immobilienvermittlung GmbH	Dornbirn	50.0	50.0
Sparkassen-Haftungs GmbH	Wien	63.8	63.6
Sparkassen-Real-Service für Kärnten und Osttirol Realitätenvermittlungs-Gesellschaft m.b.H.	Klagenfurt	57.6	57.6
Sparkassen-Real-Service -Tirol Realitätenvermittlungs-Gesellschaft m.b.H.	Innsbruck	68.7	68.7
SPK OÖ Beteiligungsholding GmbH	Linz	19.0	16.8
SPK OÖ Immobilien GmbH	Linz	19.0	16.8
S-Real, Realitätenvermittlungs- und -verwaltungs Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-RENT DOO BEOGRAD	Belgrade	35.5	35.5
Steiermärkische Verwaltungssparkasse Immobilien & Co KG	Graz	25.0	25.0
Suport Colect SRL	Bucharest	99.9	99.9
Toplice Sveti Martin d.o.o.	Sveti Martin	100.0	100.0
VIA Immobilien Errichtungsgesellschaft m.b.H.	Wien	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 22	Dec 23
XENIA-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Z3 Ingatlanhasznosító Kft.	Budapest	100.0	100.0
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl	0.0	0.0
Funds			
ERSTE RESERVE CORPORATE	Wien	0.0	0.0
IPS Fonds II	Wien	0.0	0.0
SPARKASSEN 4	Wien	0.0	0.0
SPARKASSEN 5	Wien	0.0	0.0
SPARKASSEN 8	Wien	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 22	Dec 23
Equity method investments			
Credit institusions			
Prva stavebna sporitelna, a.s.	Bratislava	35.0	35.0
SPAR-FINANZ BANK AG	Salzburg	50.0	50.0
Financial institutions			
Adoria Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
BCR Social Finance IFN S.A.	Bucharest	79.5	73.9
Erste Social Finance Holding GmbH	Wien	60.0	49.0
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
FORIS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Global Payments s.r.o.	Praha	49.0	49.0
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	33.3	33.3
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H.	Innsbruck	49.0	49.0
LITUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H.	Eisenstadt	50.0	50.0
NÖ Bürgschaften und Beteiligungen GmbH	Wien	14.4	14.4
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	33.4	33.4
O.Ö. Kommunalgebäude-Leasing Gesellschaft m.b.H.	Linz	40.0	40.0
Quirinal Grundstücksverwaltungs Gesellschaft m.b.H.	Wien	33.3	33.3
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H.	Wien	50.0	50.0
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	50.0	50.0
Steirische Leasing für Gebietskörperschaften Gesellschaft m.b.H.	Wien	50.0	50.0
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Wien	50.5	50.5
SWO Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	50.0	50.0
TKL V Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VIII Grundverwertungsgesellschaft m.b.H.	Innsbruck	24.5	24.5
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
VBV - Betriebliche Altersvorsorge AG	Wien	29.5	29.4
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	35.0	35.0
Other			
APHRODITE Bauträger GmbH	Wien	50.0	50.0
CIT ONE SA	Bucharest	33.3	33.3
Dostupny Domov j.s.a.	Nitra	42.0	39.8
Dostupny Najom j.s.a.	Nitra	0.0	39.8
Epsilon - Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	50.0	50.0
ERSTE d.o.o.	Zagreb	45.2	45.2
Erste ÖSW Wohnbauträger GmbH	Wien	50.5	50.5
Flottenmanagement GmbH	Wien	51.0	51.0
GELUP GmbH	Wien	33.3	33.3
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m. b. H.	Korneuburg	0.8	0.8
Hochkönig Bergbahnen GmbH	Mühlbach	53.2	49.2
Investown Technologies s.r.o.	Zlatniky-Hodkovice	26.0	25.0
KWC Campus Errichtungsgesellschaft m.b.H.	Klagenfurt	13.6	13.6
Monilogi s.r.o.	Bratislava	26.0	26.0
Slovak Banking Credit Bureau, s.r.o.	Bratislava	33.3	33.3
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H.	Wien	50.0	50.0
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.	Wien	25.0	25.0
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H. in Liqu.	Dornbirn	33.3	33.3
Other investments			
Credit institutions			
ALTA BANKA AD BEOGRAD	Belgrade	0.0	0.0
EUROAXIS BANK AD Moskva	Moscow	1.6	1.6
Oesterreichische Kontrollbank Aktiengesellschaft	Wien	12.9	12.9
Public Joint-stock company commercial Bank "Center-Invest"	Rostov	9.1	9.1
Südtiroler Sparkasse AG	Bozen	0.1	0.1
Financial institutions			
"Österreichisches Siedlungswerk" Gemeinnützige Wohnungsaktiengesellschaft	Wien	1.0	1.0
"Wohnungseigentum", Tiroler gemeinnützige Wohnbaugesellschaft m.b.H.	Innsbruck	19.1	19.1
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	20.3	20.3
ARWAG Holding-Aktiengesellschaft	Wien	19.3	19.3
Central Securities Depository AD Skopje	Skopje	4.6	4.6
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
CULINA Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
EPCBT Beteiligungs GmbH	Wien	91.1	91.1
Erste Asset Management Deutschland GmbH	Vaterstetten	91.1	91.1
EUROPEAN INVESTMENT FUND	Luxembourg	0.1	0.1
EWU Wohnbau Unternehmensbeteiligungs-GmbH	St. Pölten	20.2	20.2
Garantiqa Hitelgarancia Zrt.	Budapest	2.0	2.3

Company name, registered office		Interest of Erste Group in % Dec 22	Dec 23
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Mödling	19.2	19.2
Gemeinnützige Bau- und Siedlungsgenossenschaft "Waldviertel" registrierte Genossenschaft mit beschränkter Haftung	Raabs	0.0	0.0
Gemeinnützige Wohn- und Siedlungsgesellschaft Schönere Zukunft, Gesellschaft m.b.H.	Wien	15.0	15.0
Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft	Mödling	20.0	20.0
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.5	7.5
KERES-Immorent Immobilienleasing GmbH	Wien	25.0	25.0
LBH Liegenschafts- und Beteiligungsholding GmbH	Innsbruck	75.0	75.0
Lorit Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	26.7	26.7
LV Holding GmbH	Linz	20.7	19.2
MIGRA Gemeinnützige Wohnungsges.m.b.H.	Wien	19.8	19.8
O.Ö. Kommunal-Immobilienleasing GmbH	Linz	40.0	40.0
Oberösterreichische Kreditgarantiegesellschaft m.b.H.	Linz	3.3	3.0
ÖSW Wohnbauvereinigung Gemeinnützige Gesellschaft m.b.H.	Salzburg	15.6	15.6
ÖWB Gemeinnützige Wohnungsaktiengesellschaft	Innsbruck	26.3	26.3
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	2.5	2.5
PSA Payment Services Austria GmbH	Wien	18.5	18.5
Seilbahnleasing GmbH	Innsbruck	33.3	33.3
SREDISNJE KLIRINSKO DEPOZITARNO DRUSTVO D.D.(CENTRAL DEPOZITORY & CLEARING COMPANY Inc.)	Zagreb	0.1	0.1
TKL II. Grundverwertungsgesellschaft m.b.H.	Wien	26.7	26.7
TKL VI Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VII Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
WBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H.	Feldkirch	0.0	0.0
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG (vorm.Kapital-Beteiligungs Aktiengesellschaft)	Wien	14.4	14.4
Other			
"Die Kärntner" - Förderungs- und Beteiligungsgesellschaft für die Stadt Friesach Gesellschaft m.b.H.	Friesach	25.0	25.0
"Die Kärntner" - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Gurk	25.0	25.0
"Die Kärntner"-Förderungs- und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Wolfsberg	25.0	25.0
"Gasthof Löwen" Liegenschaftsverwaltung GmbH & Co., KG	Feldkirch	0.0	0.0
"Photovoltaik-Gemeinschaftsanlage" der Marktgemeinde Wolfurt	Wolfurt	0.0	0.0
"S-PREMIUM" Drustvo sa ogranicenom odgovornoscu za posredovanje i zastupanje u osiguranju d.o.o. Sarajevo	Sarajevo	25.0	25.0
"Stolz auf Wien" Beteiligungs GmbH	Wien	0.0	0.0
"TBG" Thermenzentrum Geinberg Betriebsgesellschaft m.b.H.	Geinberg	0.7	0.6
"THG" Thermenzentrum Geinberg Errichtungs-GmbH	Linz	0.7	0.6
AB Banka, a.s. v likvidaci	Mladá Boleslav	4.5	4.5
Achenseebahn-Aktiengesellschaft in Abwicklung	Jenbach	0.0	0.0
Achtundsechzigste Sachwert Rendite-Fonds Holland GmbH & Co KG	Hamburg	0.0	0.0
AD SPORTSKO POSLOVNI CENTAR MILLENNIUM VRŠAC	Vršac	0.2	0.2
Agrargemeinschaft Kirchschlag	Kirchschlag	0.0	0.0
Alpbacher Bergbahn Gesellschaft m.b.H. & Co.KG.	Alpbach	0.0	0.0
AMC V SCA SICAV-RAIF	Senningerberg	0.0	2.9
AREALIS Liegenschaftsmanagement GmbH	Wien	50.0	50.0
AS LEASING Gesellschaft m.b.H.	Linz	19.0	16.8
AS Support GmbH	Linz	19.0	16.8
ASEF S.C.Sp.	Senningerberg	5.3	5.3
Austrian Reporting Services GmbH	Wien	14.3	14.3
aws Gründerfonds Beteiligungs GmbH & Co KG	Wien	5.1	5.1
Bankovní identita, a.s.	Praha	17.0	17.0
Bäuerliches Blockheizkraftwerk Kautzen registrierte Genossenschaft mit beschränkter Haftung	Kautzen	0.0	0.0
BCR Asigurari de Viata Vienna Insurance Group SA	Bucharest	5.5	5.5
BCR SEED STARTER SRL	Bucharest	0.0	99.9
beeex GmbH	Pöllau	0.0	0.0
Berg- und Schilift Schwaz-Pill Gesellschaft m.b.H.	Schwaz	0.0	0.0
Bergbahn Aktiengesellschaft Kitzbühel	Kitzbühel	0.0	0.0
Bergbahn Lofer GmbH	Lofer	7.1	7.1
Bergbahnen Oetz Gesellschaft m.b.H.	Oetz	0.0	0.0
Bergbahnen Westendorf Gesellschaft m.b.H.	Westendorf	0.0	0.0
BGM - EB-Grundstücksbeteiligungen GmbH & Co KG	Wien	0.0	0.0
Biogenrohstoffgenossenschaft Kamptal und Umgebung registrierte Genossenschaft mit beschränkter Haftung	Maiersch	0.0	0.0
Biomasse Heizwerk Zürs GmbH	Zürs	0.0	0.0
Biroul de Credit SA	Bucharest	19.4	19.4
Biroul de Credit SRL	Chisinau	9.1	9.1
Born Digital s.r.o.	Praha	0.0	4.4

Company name, registered office		Interest of Erste Group in % Dec 22	Dec 23
Brauerei Murau eGen	Murau	0.7	0.7
Bregenz Tourismus & Stadtmarketing GmbH	Bregenz	0.0	0.0
Budapesti Értéktozsde Zártköruen Muködo Részvénytársaság	Budapest	2.0	2.3
Burza cennych papierov v Bratislave, a.s.	Bratislava	3.9	3.9
Camelot Informatik und Consulting Gesellschaft m.b.H.	Wien	4.1	4.1
CAMPUS 02 Fachhochschule der Wirtschaft GmbH	Graz	1.5	1.5
capital300 EuVECA GmbH & Co KG	Wien	1.3	1.1
Capriel Investment S.A.	Luxembourg	9.4	9.4
Cargo-Center-Graz Betriebsgesellschaft m.b.H	Werndorf	1.6	1.6
Cargo-Center-Graz Betriebsgesellschaft m.b.H. & Co KG	Werndorf	1.6	1.6
Casa Romana de Compensatie Sibiu	Sibiu	0.4	0.4
CBCB-Czech Banking Credit Bureau, a.s.	Praha	20.0	20.0
Clearing House KIBS AD Skopje	Skopje	4.5	4.5
CRNOMEREC CENTAR D.O.O. ZA PROJEKTIRANJE GRAĐENJE I NADZOR	Zagreb	0.0	0.0
Dachstein Tourismus AG	Gosau	0.0	0.0
Dateio s.r.o.	Praha	25.8	31.0
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor	25.0	25.0
Digital factory s.r.o.	Brno	15.0	15.0
DINESIA a.s. v likvidaci	Praha	100.0	100.0
Dornbirner Seilbahn AG	Dornbirn	0.0	0.0
DRUŠTVO ZA KONSALTING I MENADŽMENT POSLOVE TRŽIŠTE NOVCA A.D. BEOGRAD (SAVSKI VENAC)	Belgrade	0.8	0.8
EBB-Delta Holding GmbH	Wien	100.0	100.0
EBV-Leasing Gesellschaft m.b.H.	Wien	51.0	51.0
EC Energie Center Lipizzanerheimat GmbH	Bärnbach	0.0	0.0
Egg Investment GmbH	Egg	0.0	0.0
E-H Liegenschaftsverwaltungs-GmbH	Etsdorf	0.0	0.0
Einlagensicherung AUSTRIA Ges.m.b.H.	Wien	1.8	1.8
ELAG Immobilien AG	Linz	0.8	0.7
encall s.r.o.	Praha	0.0	10.0
Energie AG Oberösterreich	Linz	0.1	0.1
Energiegemeinschaft Kamptal eGen	Langenlois	0.0	0.0
Erste Diversified Private Equity I	Senningerberg	0.0	0.0
ERSTE Immobilien Alpha "WE-Objekte" GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha APS 85 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Baufeld Omega GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Brünner Straße 124 Liegenschaftsverwaltung GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Eggenberger Gürtel GmbH & Co KG	Graz	0.0	0.0
ERSTE Immobilien Alpha Favoritenstraße 92 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha GmbH	Wien	68.7	68.7
ERSTE Immobilien Alpha Hirschstettner Straße 61 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Kerensstraße GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Lastenstraße GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Lemböckgasse 59 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Monte Laa GmbH & Co. KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Paragonstraße GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Ulmgasse GmbH & Co. KG	Wien	0.0	0.0
ERSTE Immobilien Alpha W175 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Aspernbrückengasse 2 GmbH & Co KG	Wien	0.1	0.1
ERSTE Immobilien Beta GmbH	Wien	68.7	68.7
ERSTE Immobilien Beta GS 131 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma Breitenfurter Straße 235 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma GmbH	Wien	68.7	68.7
ERSTE Immobilien Gamma Hilde-Spiel-Gasse GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma Lemböckgasse GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma Poststraße 1 GmbH & Co KG	Bregenz	0.0	0.0
Erste PEWO Immobilienverwaltung GmbH	Wien	0.0	96.9
Erste Private Capital S.a r.l.	Senningerberg	91.1	91.1
Erste Private Capital S.C.A. SICAV-RAIF	Senningerberg	0.0	0.0
Finanzpartner GmbH	Wien	51.1	51.1
FLIP GmbH - gemeinnützige Gesellschaft zur Förderung der finanziellen Bildung	Wien	0.0	49.0
Flourish d.o.o Podgorica	Podgorica	3.5	3.5
Fortenova Group STAK Stichting	Amsterdam	0.3	0.3
Freizeitpark Zell GmbH	Zell	0.0	0.0
Freizeitzentrum Zillertal GmbH	Fügen	0.0	0.0
Fund of Excellence Förderungs GmbH	Wien	45.0	45.0
FWG-Fernwärmeversorgung Engelbrechts registrierte Genossenschaft mit beschränkter Haftung	Kautzen	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 22	Dec 23
FWG-Fernwärmeversorgung Raabs a.d. Thaya registrierte Genossenschaft mit beschränkter Haftung	Raabs	0.0	0.0
Gasteiner Bergbahnen Aktiengesellschaft	Bad Hofgastein	13.4	13.4
GEMDAT OÖ GmbH	Linz	6.2	5.8
GEMDAT OÖ GmbH & Co KG	Linz	6.9	6.4
Gerlitzen - Kanzelbahn - Touristik Gesellschaft m.b.H. & Co KG	Sattendorf	0.0	0.0
Gewerbe- und Dienstleistungspark der Stadtgemeinde Bad Radkersburg KG	Bad Radkersburg	12.5	12.5
Gladiator Aircraft Management Limited	Pieta	100.0	100.0
Golfclub Bludenz-Braz GmbH	Bludenz-Braz	0.0	0.0
Golfclub Brand GmbH	Brand	0.0	0.0
Golfclub Pfarrkirchen im Mühlviertel GesmbH	Pfarrkirchen	0.2	0.2
Golfplatz Hohe Salve - Brixental Errichtergesellschaft m.b.H. & Co KG	Westendorf	0.0	0.0
Golfresort Haugschlag GmbH & Co KG	Litschau	0.0	0.0
Großarler Bergbahnen Gesellschaft mit beschränkter Haftung & Co. KG.	Großarl	0.2	0.2
GW St. Pölten Integrative Betriebe GmbH	St. Pölten	0.0	0.0
GXT Vermögensverwaltung GmbH & Co KG	Wien	0.4	0.4
HAPIMAG AG	Baar	0.0	0.0
Harkin Limited	Dublin	100.0	100.0
Haus für Senioren 1 Fischamend Errichtungsgesellschaft m.b.H. & Co KG	Wien	0.0	0.0
Hauser Kaibling Seilbahn- und Liftgesellschaft m.b.H. & Co. KG.	Haus	0.4	0.4
HDL Fiecht GmbH	Vomp	0.0	0.0
Heiltherme Bad Waltersdorf GmbH	Bad Waltersdorf	4.5	4.5
Heiltherme Bad Waltersdorf GmbH & Co KG	Bad Waltersdorf	4.1	4.1
Hinterstoder-Wurzeralm Bergbahnen Aktiengesellschaft	Hinterstoder	0.2	0.2
Hrvatski olimpijski centar Bjelolosica d.o.o. (Kroatisches Olympiazentrum) in bankruptcy	Jesenak	1.2	1.2
Hrvatski registar obveza po kreditima d.o.o. (HROK)	Zagreb	7.3	7.3
HV-Veranstaltungsservice GmbH	St. Lorenzen	100.0	100.0
IMMORENT S-Immobilienmanagement GesmbH	Wien	100.0	100.0
Innova/7 SCA SICAV-RAIF	Senningerberg	0.0	2.9
JAVNO SKLADIŠTE SLOBODNA CARINSKA ZONA NOVI SAD AD NOVI SAD	Novi Sad	4.1	4.1
JUGOALAT-JAL AD NOVI SAD	Novi Sad	5.0	5.0
Kaiser-Ebersdorfer Straße 8 GmbH & Co KG	Wien	0.0	0.0
Kapruner Freizeitzentrum Betriebs GmbH	Kaprun	0.0	0.0
Kapruner Promotion und Lifte GmbH	Kaprun	6.5	6.5
K-Businesscom Banking Services GmbH	Wien	0.3	0.3
Kitzbüheler Anzeiger Gesellschaft m.b.H.	Kitzbühel	0.0	0.0
Kleinkraftwerke-Betriebsgesellschaft m.b.H.	Wien	100.0	100.0
KOOPERATIVA poistovna, a.s. Vienna Insurance Group	Bratislava	1.5	1.5
Kooperativa pojistovna, a.s. Vienna Insurance Group	Praha	1.6	1.6
Kur- und Fremdenverkehrsbetriebe Bad Radkersburg Gesellschaft m.b.H.	Bad Radkersburg	0.3	0.3
ländleticket marketing gmbh	Dornbirn	0.0	0.0
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois	0.0	0.0
Lebens.Resort & Gesundheitszentrum GmbH	Ottenschlag	0.0	0.0
Lienzer-Bergbahnen-Aktiengesellschaft	Gaimberg	0.0	0.0
Liezener Bezirksnachrichten Gesellschaft m.b.H.	Liezen	1.1	1.1
LOCO 597 Investment GmbH	Egg	0.0	0.0
Macedonian Stock Exchange AD	Skopje	5.9	5.9
Maissauer Amethyst GmbH	Maissau	0.0	0.0
MAJEVICA HOLDING AKCIONARSKO DRUŠTVO, BACKA PALANKA	Bacčka Palanka	5.2	5.2
Mayer Property Alpha d.o.o.	Zagreb	100.0	100.0
Mayrhofner Bergbahnen Aktiengesellschaft	Mayrhofen	0.0	0.0
MCG Graz e.gen.	Graz	1.4	1.4
MEG Hausgemeinschaft "Bahnhofstraße 1, 4481 Asten"	Asten	0.0	0.0
Mittersiller Golf- und Freizeitanlagen Gesellschaft m.b.H.	Mittersill	0.0	0.0
Montfort Investment GmbH	Götzis	0.0	0.0
Mühlbachgasse 8 Immobilien GmbH	Langenlois	0.0	0.0
MUNDO FM & S GmbH	Wien	100.0	100.0
Murauer WM Halle Betriebsgesellschaft m.b.H.	Murau	3.1	3.1
Nahwärme Frankenmarkt eGen	Frankenmarkt	0.0	0.0
Neo Investment B.V.	Amsterdam	0.0	0.0
Neuhofner Bauträger GmbH	Neuhofen	0.0	0.0
Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H.	Linz	3.3	3.0
Oberpinzgauer Fremdenverkehrsförderungs- und Bergbahnen - Aktiengesellschaft	Neukirchen	0.0	0.0
Obertilliacher Bergbahnen-Gesellschaft m.b.H.	Obertilliach	0.0	0.0
ÖKO-Heizkraftwerk Pöllau GmbH	Pöllau	0.0	0.0
ÖKO-Heizkraftwerk Pöllau GmbH & Co KG	Pöllau	0.0	0.0
Old Byr Holding ehf.	Reykjavik	1.5	1.5
Omniasig Vienna Insurance Group SA	Bucharest	0.1	0.1
OÖ HightechFonds GmbH	Linz	4.6	4.2

Company name, registered office		Interest of Erste Group in % Dec 22	Dec 23
Ortswärme Fügen GmbH	Fügen	0.0	0.0
Österreichische Wertpapierdaten Service GmbH	Wien	32.6	32.6
Osttiroler Wirtschaftspark GesmbH	Lienz	0.0	0.0
Planai - Hochwurzen - Bahnen Gesellschaft m.b.H.	Schladming	0.7	0.7
Planung und Errichtung von Kleinkraftwerken GmbH	Wien	100.0	100.0
POSLOVNO UDRUŽENJE DAVAOCA LIZINGA "ALCS" BEOGRAD	Belgrade	8.3	8.3
PREDUZECE ZA PRUŽANJE CONSULTING USLUGA BANCOR CONSULTING GROUP DOO NOVI SAD	Novi Sad	2.6	2.6
Prvni certifikacni autorita, a.s.	Praha	23.3	23.3
Q-ENERGY V, FCR	Madrid	0.0	1.3
Radio Osttirol GesmbH	Lienz	0.0	0.0
Rätikon-Center Errichtungs- und Betriebsgesellschaft m.b.H.	Bludenz	0.0	0.0
Realitäten und Wohnungsservice Gesellschaft m.b.H.	Köflach	4.0	4.0
REGIONALNA AGENCIJA ZA RAZVOJ MALIH I SREDNJIH PREDUZECA ALMA MONS D.O.O.	Novi Sad	3.3	3.3
Riesneralm - Bergbahnen Gesellschaft m.b.H. & Co. KG.	Donnersbach	0.0	0.0
Rolling Stock Lease s.r.o.	Bratislava	3.0	3.0
RTG Tiefgaragenerrichtungs und -vermietungs GmbH	Graz	25.0	25.0
S - Leasing und Vermögensverwaltung - Gesellschaft m.b.H.	Peuerbach	0.0	0.0
S IMMOKO Leasing GesmbH	Korneuburg	0.0	0.0
S Servis, s.r.o.	Znojmo	100.0	100.0
SALIX-Grundstückserwerbs Ges.m.b.H.	Eisenstadt	50.0	50.0
SALZBURG INNENSTADT, Vereinigung zur Förderung selbständiger Unternehmer der Salzburger Innenstadt, registrierte Genossenschaft mit beschränkter Haftung in Liquidation	Salzburg	2.0	2.0
Salzburger Kreditgarantiegesellschaft m.b.H. in Liquidation	Salzburg	18.2	18.2
S-AMC1 DOOEL Skopje	Skopje	24.1	24.1
Schweighofer Gesellschaft m.b.H. & Co KG	Friedersbach	0.0	0.0
S-City Center Wirtschaftsgütervermietungsgesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-COMMERZ Immobilienvermittlung GmbH	Neunkirchen	0.0	0.0
SEG Sport Event GmbH	Hohenems	0.0	0.0
Seniorenresidenz "Am Steinberg" GmbH	Graz	25.0	25.0
S-Finanzservice Gesellschaft m.b.H.	Baden	0.0	0.0
SILO II Komplementärgesellschaft m.b.H.	Wien	49.0	49.0
Silvrettaseilbahn Aktiengesellschaft	Ischgl	0.0	0.0
SK 2 Properties s.r.o.	Bratislava	0.0	0.0
Skilifte Unken - Heutal Gesellschaft m.b.H. & Co, KG	Unken	0.0	0.0
Skilifte Unken Heutal Gesellschaft m.b.H.	Unken	2.2	2.2
Smart City GmbH	Eferding	0.0	0.0
SmartHead Co. s.r.o.	Bratislava	0.0	13.8
Snow Space Salzburg Bergbahnen AG	Wagrain	0.0	0.0
SOCIETATEA DE TRANSFER DE FONDURI SI DECONTARI TRANSFOND SA	Bucharest	3.2	3.2
Society for Worldwide Interbank Financial Telecommunication scrl	La Hulpe	0.3	0.3
Sparkasse Amstetten Service- und Verwaltungsgesellschaft m. b. H.	Amstetten	0.0	0.0
Sparkasse Bludenz Beteiligungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Bludenz Immobilienverwaltungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH	Imst	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH & Co KG	Imst	0.0	0.0
Sparkassen Bankbeteiligungs GmbH	Dornbirn	0.0	0.0
Sparkassen Beteiligungs GmbH & Co KG	Wien	3.5	3.3
Sparkassen Facility Management GmbH	Innsbruck	75.0	75.0
Speedinvest III EuVECA GmbH & Co KG	Wien	1.8	1.8
Speedinvest IV EuVECA GmbH & Co KG	Wien	0.0	1.6
SPES GmbH & Co. KG	Schlierbach	0.0	0.0
SPK OÖ City Immobilien GmbH	Linz	19.0	16.8
SPK OÖ Investment GmbH	Linz	0.0	16.8
SPKR Liegenschaftsverwertungs GmbH	Reutte	0.0	0.0
Sport- und Freizeitanlagen Gesellschaft m.b.H.	Schwanenstadt	6.3	5.6
SPRON ehf.	Reykjavik	4.9	4.9
Stadtgemeinde Weiz - Wirtschaftsentwicklungs KG	Weiz	0.0	0.0
Stadtmarketing-Ternitz GmbH	Ternitz	0.0	0.0
Sternstein Sessellift Gesellschaft m.b.H.	Bad Leonfelden	7.2	7.2
Stoderzinken - Liftgesellschaft m.b.H. & Co. KG.	Gröbming	0.4	0.4
SVB Lambach Versicherungsmakler GmbH	Lambach	0.0	0.0
SZG-Dienstleistungsgesellschaft m.b.H.	Salzburg	100.0	100.0
Tannheimer Bergbahnen GmbH & Co KG	Tannheim	0.0	0.0
Tauern SPA World Betriebs- Gmbh & Co KG	Kaprun	11.1	11.1
Tauern SPA World Betriebs-GmbH	Kaprun	12.2	12.2
Tauern SPA World Errichtungs- GmbH & Co KG	Kaprun	11.1	11.1
Tauern SPA World Errichtungs-GmbH	Kaprun	12.2	12.2
TAUROS Capital Investment GmbH & Co KG	Wien	40.4	40.4

Company name, registered office		Interest of Erste Group in %	
		Dec 22	Dec 23
TAUROS Capital Management GmbH	Wien	44.6	44.6
TDG Techn. Dienstleistungs- und Objektservicegesellschaft m.b.H.	Wien	100.0	100.0
TECH21 Bürohaus und Gewerbehof Errichtungs- und Betriebsgesellschaft mbH & Co KG	Wien	0.1	0.1
Technologie- und Dienstleistungszentrum Ennstal GmbH	Reichraming	0.0	0.0
TECHNOLOGIE- und GRÜNDERPARK ROSENTAL GmbH	Rosental	0.3	0.3
Technologie- und Innovationszentrum Kirchdorf GmbH	Schlierbach	0.0	0.0
Technologiezentrum Inneres Salzkammergut GmbH	Bad Ischl	0.0	0.0
Technologiezentrum Salzkammergut GmbH	Gmunden	0.3	0.3
Technologiezentrum Salzkammergut-Bezirk Vöcklabruck GmbH	Attnang-Puchheim	0.0	0.0
Techno-Z Ried Technologiezentrum GmbH	Ried	0.0	0.0
Tennis-Center Hofkirchen i. M. GmbH	Hofkirchen	7.3	7.3
Therme Wien Ges.m.b.H.	Wien	15.3	15.3
Therme Wien GmbH & Co KG	Wien	15.3	15.3
Tiefgarage Anger, Gesellschaft m.b.H. & Co. KG.	Lech	0.0	0.0
TIZ Landl - Grieskirchen GmbH	Grieskirchen	0.0	0.0
Tourismus- u. Freizeitanlagen GmbH	Hinterstoder	0.0	0.0
Tourismusgenossenschaft Ramsau am Dachstein eGen	Ramsau am Dachstein	0.5	0.5
TSG EDV-Terminal-Service Ges.m.b.H.	Wien	0.1	0.1
UNION Vienna Insurance Group Biztosito Zrt.	Budapest	1.2	1.4
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH	Wien	25.6	25.6
VISA INC.	San Francisco	0.0	0.0
VIVEA Bad Schönau GmbH	Bad Schönau	0.0	0.0
VIVIThv GmbH	St. Pölten	20.0	20.0
VIVITimmo GmbH	St. Pölten	20.0	20.0
Waldviertler Leasing s.r.o.	Jindrichuv Hradec	0.0	0.0
Wassergenossenschaft Mayrhofen	Mayrhofen	0.0	0.0
WB & VC Sparkasse Korneuburg GmbH	Korneuburg	0.0	0.0
WE.TRADE INNOVATION DESIGNATED ACTIVITY COMPANY	Dublin	3.2	3.2
Web Value GmbH	Wien	0.0	6.5
WEB Windenergie AG	Pfaffenschlag	0.0	0.0
Weißsee-Gletscherwelt GmbH	Uttendorf	0.0	0.0
WET Wohnbaugruppe Service GmbH	Mödling	19.9	19.9
wflow.com Czech Republic s.r.o.	Praha	17.0	17.0
Wien 3420 Aspern Development AG	Wien	24.5	24.5
Wiener Börse AG	Wien	11.7	11.7
Wiener osiguranje Vienna Insurance Group dionicko društvo za osiguranje	Zagreb	1.1	1.1
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group	Wien	2.2	2.2
WIEPA-Vermögensverwaltungsgesellschaft m.b.H.	Dornbirn	0.0	0.0
Wirtschaftspark Kleinregion Fehring Errichtungs- und Betriebsgesellschaft m.b.H.	Fehring	1.3	1.3
WNI Wiener Neustädter Immobilienleasing Ges.m.b.H.	Wiener Neustadt	0.0	0.0
WW Wohnpark Wehlistraße GmbH	Wien	100.0	100.0
Yokoy Holding AG	Zürich	0.0	1.6
Zagreb Stock Exchange, Inc.	Zagreb	2.3	2.3
Zweite Beteiligungsgesellschaft Reefer-Flottenfonds mbH & Co KG	Hamburg	0.0	0.0

Additional information

GLOSSARY

Book value per share
Equity (attributable to owners of the parent) divided by the number of outstanding shares at the end of the period.

Cash return on equity (cash RoE)
Net profit for the period attributable to the owners of the parent less dividends for Additional Tier 1 capital (AT1), adjusted for non-cash items such as goodwill amortisation and amortisation of customer relationship as a percentage of the average equity attributable to the owners of the parent. The average is calculated on the basis of final quarterly values.

Cash earnings per share
Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1), adjusted for non-cash items such as goodwill impairment and amortisation of customer relationship divided by the weighted average number of outstanding shares.

CEE (Central and Eastern Europe)
Abbreviation for the economic area Central and Eastern Europe. Includes the new EU member states of the enlargement rounds 2004 and 2007 as well as the successor states of Yugoslavia and the Soviet Union as well as Albania.

CET1
Common equity Tier 1.

CET1 ratio
Common equity Tier 1 as a percentage of the total risk (according to CRR).

CRR
Capital Requirements Regulation: one of the two legal acts containing the new Capital Requirements.

Cost/income ratio
General administrative expenses or operating expenses as a percentage of operating income.

Dividend yield
Dividend distribution of the financial year as a percentage of the year-end closing price or the most recent price of the share.

Earnings per share
Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1), divided by the weighted average number of outstanding shares.

Interest-bearing assets
Total assets less cash and cash balances, derivatives – held for trading, hedge accounting derivatives, property and equipment, investment properties, intangible assets, current and deferred tax assets, assets held for sale and other assets.

Loan to deposit ratio
Loans and receivables to customers (net) in relation to deposits from customers

Miscellaneous assets
The total of hedge accounting derivatives, property and equipment, investment properties, investments in associates and joint ventures associates, current and deferred tax assets, assets held for sale and other assets.

Miscellaneous liabilities
The total of other financial liabilities at fair value through profit or loss, other financial liabilities at amortised cost, hedge accounting derivatives, changes in fair value of portfolio hedged items, provisions, current and deferred tax liabilities, liabilities associated with assets held for sale and other liabilities.

Net interest margin
Net interest income as a percentage of average interest-bearing assets. The average is calculated on the basis of quarterly values.

Operating expenses (general administrative expenses)
The total of personnel expenses, other administrative expenses and depreciation and amortisation.

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 and rental income from investment properties & other operating leases.

Operating result
Operating income less operating expenses.

Own funds
Own funds according to CRR consist of Common equity Tier 1 (CET1), Additional Tier 1 capital (AT1) and the supplementary capital (T2).

Price/earnings ratio
Ratio between closing price of the financial year and earnings per share of the financial year.

Non-performing exposure (NPE) collateralisation ratio
Collateral for non-performing credit risk exposure as a percentage of non-performing credit risk exposure.

Non-performing exposure (NPE) coverage ratio
Credit risk allowances for credit risk exposure (all allowances in scope of IFRS 9 and provisions for other commitments) as a percentage of non-performing credit risk exposure.

Non-performing exposure (NPE) ratio
Non-performing credit risk exposure as a percentage of total credit risk exposure.

Non-performing loans (NPL) collateralisation ratio
Collateral for non-performing loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) coverage ratio
Credit risk allowances for loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) ratio
Non-performing loans and advances to customers as a percentage of total loans and advances to customers.

Return on equity (RoE)
Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1) as a percentage of the average equity attributable to the owners of the parent. The average is calculated on the basis of final quarterly figures.

Return on equity excluding intangible assets (ROTE)
Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1) as a percentage of average equity attributable to owners of the parent and adjusted for intangible assets. The average is calculated on the basis of quarterly final values.

Risk Appetite Statement (RAS)
The RAS is a strategic document, which concludes the maximum risk an organization is willing to take in order to reach any given target.

Risk categories
Risk categories classify the risk exposures of Erste Group based on the internal ratings of Erste Group. There exist three risk categories for performing risk exposures and one risk category for non-performing risk exposures.

Risk category – 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.

Risk category – management attention
Vulnerable non-retail clients, which 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.

Risk category – 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.

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

Share capital
Total equity attributable to owners of the parent subscribed by the shareholders.

Tax ratio
Taxes on income as a percentage of pre-tax profit from continuing operations.

Texas ratio
Total capital according to IFRS dividends for Additional Tier 1 capital (AT1), and intangible assets plus allowances for loans and advances to customers as a percentage of non-performing loans.

T 1 ratio
Tier 1 as a percentage of the total risk (according to CRR).

Total capital ratio
Total of own funds as a percentage of the total risk (according to CRR).

Total risk (risk-weighted assets, RWA)
Includes credit, market and operational risk (according to CRR).

Total shareholder return
Performance of an investment in Erste Group Bank AG shares within one year including all distributions, such as dividends, as a percentage of the share price at the end of the previous year.

ABBREVIATIONS

ABA	Austrian Banking Act
AC	Amortised cost
ALCO	Asset Liability Committee
ALM	Asset Liability Management
AMA	Advanced Measurement Approach
AT1	Additional Tier 1
BCR	Banca Comercială Română S.A.
CEE	Central and Eastern Europe
CET1	Common Equity Tier 1
CGU	Cash-Generating Unit
CLA	Credit Loss Allowance
CMO	Collateralised Mortgage Obligation
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSAS	Česká spořitelna, a.s.
CVA	Credit Value Adjustments
DFR	Deposit Facility Rate
DTA	Deferred Tax Asset
DVA	Debit Value Adjustment
EAD	Exposure At Default
EBA	European Banking Authority
EBC	Erste Bank Croatia
EBH	Erste Bank Hungary Zrt.
EBOe	Erste Bank Oesterreich
ECB	European Central Bank
ECL	Expected Credit Loss
EIR	Effective interest rate
eop	end of period
ERM	Enterprise wide Risk Management
ESG	Environmental Social Governance
ESMA	European Security and Markets Authority
FLI	Forward Looking Information
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX	Foreign exchange
GCA	Gross Carrying Amount
GCC	Group Corporate Markets
HFT	Held for trading
IAS	International Accounting Standards
IC	Intercompany
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
LCC	Local Corporate Center
LGD	Loss Given Default
LT PD	Lifetime Probability of Default
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NCI	Non Controlling Interest
NFR	Non Financial Risk
NPE	Non Performing Exposure
NPL	Non Performing Loans
OCI	Other comprehensive income
O-SII	Other Systemic Important Institution
OTC	Over the Counter
P&L	Profit or loss
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
PD	Probability of Default
POCI	Purchased or originated credit impaired
PSU	Performance Share Unit
RAS	Risk Appetite Statement
RWA	Risk Weighted Assets
SICR	Significant increase in credit risk
SLSP	Slovenská sporiteľňa
Sparkasse Kärnten	Kärntner Sparkasse Aktiengesellschaft
Sparkasse Oberösterreich	Sparkasse Oberösterreich Bank AG
Sparkasse Steiermark	Steiermärkische Bank und Sparkassen Aktiengesellschaft
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process

T1	Tier 1
T2	Tier 2
TLTRO	Target Longer-Term Refinancing Operations
UGB	Unternehmensgesetzbuch; Austrian Company Code
VAR	Value at Risk

Management Board	
Willibald Cernko mp, Chairman	Ingo Bleier mp, Member
Stefan Dörfler mp, Member	Alexandra Habeler-Drabek mp, Member
David O’Mahony mp, Member	Maurizio Poletto mp, Member

Vienna, 29 February 2024

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD

We confirm that to the best of our knowledge the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties to which the Group is exposed.

Management Board	
Willibald Cernko mp, Chairman	Ingo Bleier mp, Member
Stefan Dörfler mp, Member	Alexandra Habeler-Drabek mp, Member
David O'Mahony mp, Member	Maurizio Poletto mp, Member

Vienna, 29 February 2024

Erste Group Bank AG

Financial Statements 2023

Table of Contents

I. Balance Sheet of Erste Group Bank AG as of 31 December 2023

in EUR or in EUR thousand	Dec 23	Dec 22
Assets		
1. Cash in hand, balances with central banks	**18,056,221,941.10**	**16,992,967**
2. Treasury bills and other bills eligible for refinancing with central banks	**6,330,420,567.12**	**6,317,150**
a) treasury bills and similar securities	6,330,420,567.12	6,317,150
b) other bills eligible for refinancing with central banks	0.00	0
3. Loans and advances to credit institutions	**28,869,339,157.20**	**27,162,034**
a) repayable on demand	2,123,028,957.05	2,835,433
b) other loans and advances	26,746,310,200.15	24,326,601
4. Loans and advances to customers	**22,050,415,868.22**	**23,145,479**
5. Debt securities and other fixed-income securities	**13,042,334,090.68**	**9,065,584**
a) issued by public bodies	1,280,515,983.27	1,507,443
b) issued by other borrowers	11,761,818,107.41	7,558,141
of which: own debt securities	6,986,430,273.88	4,049,825
6. Shares and other variable-yield securities	**1,480,801,381.48**	**1,298,074**
7. Participating interests	**130,134,572.74**	**112,043**
of which: in credit institutions	31,511,590.50	30,512
8. Shares in affiliated companies	**9,093,321,849.70**	**8,322,655**
of which: in credit institutions	8,338,364,425.12	7,568,547
9. Intangible fixed assets	**25,825,358.84**	**23,421**
10. Tangible fixed assets	**175,897,466.06**	**174,193**
of which: land and buildings used by the credit institution for its own business operations	0.00	3,575
11. Shares in a controlling company	**0.00**	**0**
of which: par value	0.00	0
12. Other assets	**3,120,092,708.66**	**4,320,352**
13. Subscribed capital called but not paid	**0.00**	**0**
14. Prepayments and accrued income	**91,128,036.01**	**104,753**
15. Deferred tax assets	**207,253,192.23**	**281,177**
Total assets	**102,673,186,190.04**	**97,319,882**
Off-balance sheet items		
1. Foreign assets	**56,141,376,011.01**	**53,716,205**

in EUR or in EUR thousand	Dec 23	Dec 22
Liabilities and equity		
1. Liabilities to credit institutions	**33,101,836,255.90**	**38,149,232**
a) repayable on demand	4,909,845,499.69	5,531,787
b) with agreed maturity dates or periods of notice	28,191,990,756.21	32,617,445
2. Liabilities to customers (non-banks)	**15,471,101,928.69**	**10,936,771**
a) savings deposits	0.00	0
aa) repayable on demand	0.00	0
bb) with agreed maturity dates or periods of notice	0.00	0
b) other liabilities	15,471,101,928.69	10,936,771
aa) repayable on demand	3,081,726,226.32	4,270,164
bb) with agreed maturity dates or periods of notice	12,389,375,702.37	6,666,607
3. Securitised liabilities	**32,508,282,389.42**	**26,480,945**
a) debt securities issued	32,421,622,421.67	25,286,097
b) other securitised liabilities	86,659,967.75	1,194,848
4. Other liabilities	**3,435,005,747.72**	**4,410,028**
5. Accruals and deferred income	**220,374,377.30**	**238,883**
6. Provisions	**490,098,209.57**	**497,656**
a) provisions for severance payments	0.00	0
b) provisions for pensions	238,814,260.94	244,579
c) provisions for taxes	81,273,129.27	33,224
d) other	170,010,819.36	219,854
6a. Special fund for general banking risks	**0.00**	**0**
7. Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	**4,009,945,076.30**	**4,079,019**
8. Additional Tier 1 capital pursuant to Part 2 Title I Chapter 3 of Regulation (EU) No 575/2013	**2,449,703,493.38**	**2,272,788**
of which: Compulsory convertible bonds pursuant to § 26 Austrian Banking Act (BWG)	**0.00**	**0**
8b Instruments without a vote pursuant to § 26a Austrian Banking Act (BWG)	**0.00**	**0**
9. Subscribed capital	**843,325,718.00**	**859,600**
a) Share capital	859,600,000.00	859,600
b) Nominal amount own treasury shares	-16,274,282.00	0
10. Capital reserves	**1,628,111,165.08**	**1,628,111**
a) committed	1,628,111,165.08	1,628,111
b) uncommitted	0.00	0
10a. Reserves for share-based payments	**6,866,756.43**	**4,956**
11. Retained earnings	**6,500,590,424.25**	**6,093,974**
a) statutory reserve	1,537,900,000.00	1,537,900
b) reserves provided for by the articles	0.00	0
c) other reserves	4,678,079,408.63	4,205,355
d) other restricted reserves	284,611,015.62	350,718
11a. Reserves for own shares	**16,274,282.00**	**0**
12. Reserve pursuant to section 57 (5) of Austrian Banking Act (BWG)	**851,000,000.00**	**851,000**
13. Net profit or loss for the year	**1,140,000,000.00**	**816,620**
14. Investment grants	**670,366.00**	**299**
Total Liabilities and equity	**102,673,186,190.04**	**97,319,882**
Off-balance sheet items		
1. Contingent liabilities of which	**6,795,798,182.06**	**5,442,227**
a) acceptances and endorsements	0.00	0
b) guarantees and assets pledged as collateral security	6,624,575,783.86	5,052,021
c) credit derivatives	171,222,398.20	390,206
2. Commitments	**17,039,890,956.13**	**14,104,102**
of which: commitments arising from repurchase agreements	0.00	0
3. Liabilities arising out of fiduciary activities	**170,819.00**	**157**
4. Own funds pursuant to Part 2 of Regulation (EU) No 575/2013	**14,977,852,763.60**	**13,980,554**
of which: Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	2,974,851,823.12	2,806,729
5. Own funds requirements pursuant to Art 92 of Regulation (EU) No 575/2013 of which: capital required pursuant to Art 92 (1) of Regulation (EU) No 575/2013	**41,001,765,461.30**	**39,431,426**
a) Common Equity Tier 1 capital ratio	23.41%	22.67%
b) Tier 1 capital ratio	29.27%	28.34%
c) Total capital ratio	36.53%	35.46%
6. Foreign liabilities	**21,725,575,577.76**	**15,467,341**

II. Income Statement of Erste Group Bank AG for the year ended 31 December 2023

in EUR or in EUR thousand	1-12 23	1-12 22
1. Interest and similar income	10,115,188,838.44	4,928,069
of which: from fixed-income securities	755,092,276.84	411,701
2. Interest and similar expenses	-9,925,541,214.36	-4,445,326
I. NET INTEREST INCOME	**189,647,624.08**	**482,743**
3. Income from securities and participating interests	1,533,566,539.92	1,877,998
a) income from shares, other ownership interests and variable-yield securities	84,054,166.37	53,340
b) income from participating interests	7,878,126.98	6,976
c) income from shares in affiliated companies	1,441,634,246.57	1,817,682
4. Commissions income	215,822,032.12	204,731
5. Commissions expenses	-166,377,774.60	-144,176
6. Net profit or loss on financial operations	23,226,508.17	-112,730
7. Other operating income	105,146,972.37	133,401
II. OPERATING INCOME	**1,901,031,902.06**	**2,441,966**
8. General administrative expenses	-591,815,035.28	-545,268
a) staff costs	-304,790,561.84	-264,306
aa) wages and salaries	-228,544,948.84	-205,609
bb) expenses for statutory social security contributions and compulsory contributions related to wages and salaries	-44,258,854.60	-42,571
cc) other social expenses	-2,535,289.26	-2,244
dd) expenses for pensions and assistance	-11,264,183.26	-9,949
ee) release / allocation to the provision of pensions	-12,153,944.27	0
ff) expenses for severance payments and contributions to severance and retirement funds	-6,033,341.61	-3,934
b) other administrative expenses	-287,024,473.44	-280,962
9. Value adjustments in respect of assets items 9 and 10	-11,881,568.34	-8,693
10. Other operating expenses	-49,207,688.25	-78,396
III. OPERATING EXPENSES	**-652,904,291.87**	**-632,358**
IV. OPERATING RESULT	**1,248,127,610.19**	**1,809,609**
11./12. Income/expenses from value adjustments of loans and advances as well as individual provisions for liabilities and credit risks	139,028,205.83	-72,218
13./14. Income/expenses from value adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated companies	342,610,477.02	-274,414
V. PROFIT ON ORDINARY ACTIVITIES	**1,729,766,293.04**	**1,462,977**
15. Extraordinary income	36,129,100.22	4,825
of which: withdrawals from the special fund for general banking risks	0.00	0
16. Extraordinary expenses	0.00	0
of which: allocation to the special fund for general banking risks	0.00	0
17. Extraordinary result (sub-total of items 15 and 16)	36,129,100.22	4,825
18. Tax on profit or loss	71,261,080.91	145,687
19. Other taxes not reported under item 18	-18,881,374.70	-22,316
VI. PROFIT FOR THE YEAR AFTER TAX	**1,818,275,099.47**	**1,591,173**
20. Changes in reserves	-678,275,099.47	-774,553
of which: allocation to liability reserve pursuant to section 23 -6 of the Austrian Banking Act (BWG)	0.00	0
of which: reversal of liability reserve pursuant to section 23 -6 of the Austrian Banking Act (BWG)	0.00	0
VII. PROFIT FOR THE YEAR AFTER DISTRIBUTION ON CAPITAL	**1,140,000,000.00**	**816,620**
21. Profit brought forward from previous year	0.00	0
22. Profit transferred on the basis of profit transfer agreement	0.00	0
VIII. PROFIT FOR THE YEAR	**1,140,000,000.00**	**816,620**

III. Notes to the Financial Statement 2023

A. GENERAL INFORMATION

Erste Group Bank AG is listed on the Vienna Stock Exchange. It is also quoted on the Prague Stock Exchange and on the Bucharest Stock Exchange. Erste Group Bank AG is registered in the company register at the Commercial Court of Vienna under FN 33209m. The address of its registered office is: Am Belvedere 1, 1100 Vienna, Austria.

The 2023 financial statements of Erste Group Bank AG have been prepared in accordance with the regulations of the Commercial Code (Unternehmensgesetzbuch, UGB) and in conjunction with the applicable provisions of the Austrian Banking Act (Bankwesengesetz, BWG).

Pursuant to section 59a Austrian Banking Act (BWG), Erste Group Bank AG has prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) on the same balance sheet date. The Erste Group consolidated financial statements have been filed with the commercial register at the Commercial Court of Vienna.

Erste Group Bank AG forms together with the Austrian savings banks a cross-guarantee scheme (Haftungsverbund) in accordance with article 4 (1) Z 127 CRR as well as an institutional protection scheme (IPS) approved by the supervisory authority pursuant to article 113(7) CRR, whereby the contributions of the members, in case of the triggered event, are subject to an individual and general cap. The applicable amounts are determined by the cross-guarantee steering company that notifies the contributing members.

The contributions of the IPS members in the IPS ex-ante fund, that is set up for support measures, are recognised in the balance sheet as a participating interest in IPS GesbR, which manages this ex-ante fund, and are accounted for as retained earnings. Due to the contractual terms, these retained earnings represent a blocked reserve. This reserve can be utilised only in case of a claim by ex-ante fund and therefore cannot be used internally to cover losses. It qualifies as capital according to the CRR only on a consolidated level, but not on the single entity level. Further explanations can be found in chapter C 23 Resolution Fund, deposit guarantee fund, IPS fund.

Furthermore, Erste Group Bank AG is the central institution for the associated Austrian savings banks, and together they form a liquidity compound pursuant to section 27a Austrian Banking Act (BWG). Where necessary, Erste Group Bank AG must supply liquidity to an associated savings bank in accordance with the legal and contractual provisions.

Ongoing legal cases

Erste Group Bank AG is party to lawsuits that mostly relate to ordinary banking business. The outcome of these proceedings is not expected to have a significant negative impact on the financial position and profitability of Erste Group Bank AG. Erste Group Bank AG is currently involved in the following legal case:

Lawsuit filed by minority shareholders in Česká Spořitelna a.s.:
Following the completion of a squeeze-out procedure in Česká Spořitelna a.s. resulting in Erste Group Bank AG becoming the sole shareholder of Česká Spořitelna a.s., some former minority shareholders of Česká Spořitelna a.s. filed a lawsuit with the courts in Prague. In these proceedings, the plaintiffs essentially claim that the settlement price per share of CZK 1,328.00 (approx. EUR 51.00 at the time) paid by Erste Group Bank AG was unfair and too low and should be increased. If the courts deem an increase to be necessary, this decision will work in favor of all former minority shareholders. In the squeeze-out carried out in 2018, Erste Group Bank AG acquired a total of 1.03% of minority shares with a value of EUR 80,327,547.67. Erste Group Bank AG considers the settlement amount determined by an external valuation expert, the amount of which was confirmed by another external expert consulted by Erste Group Bank AG in the course of the ongoing proceedings, to be correct and fair. The competent court of first instance in Prague decided in line with the opinion of Erste Group Bank AG that it had paid a fair and correct settlement amount to the former minority shareholders in the - not legally binding - judgment of first instance and rejected the claim for an increased settlement amount asserted by the plaintiffs. The plaintiffs can appeal against this judgment.

Disclosure

Erste Group Bank fulfills the publishing disclosure requirements according to Part 8 of the regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR) published on the Internet. Details are available on the website of Erste Group at www.erstegroup.com/ir. The consolidated capital as well as consolidated capital requirements are published in Erste Group's consolidated financial statements. Further disclosures can be found in the Erste Group annual report in the section 'reports' or they are published as separate documents in the section 'regulatory disclosure'.

Large enterprise according to section 221 Commercial Code (UGB)

Pursuant to section 221 (3) Commercial Code (UGB) in connection with section 189a Commercial Code (UGB), Erste Group Bank AG is the subject to the legal regulations for large companies for the financial year ending 31 December 2023.

B. NOTES ON ACCOUNTING AND MEASUREMENT METHODS

Generally accepted accounting principles

The financial statements were prepared in accordance with the generally accepted accounting principles and according to the standard principle that the financial statements should provide a fair and accurate view of the company's financial position, income and expenses. In the preparation of the financial statements, the principle of completeness was applied. The principle of individual measurement was applied in assessing the company's assets and liabilities, and the assumption was that the company would continue to operate (going concern). In applying the principle of prudence, the particularities of the banking business were considered.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currencies were measured at the ECB reference rates applicable at the balance sheet date. The currencies for which ECB did not publish a reference rate were recognised at the mid-rate published by Erste Group Bank AG applicable at the balance sheet date. Foreign exchange forward transactions and foreign exchange swaps were priced at the forward exchange rate.

Participating interests and shares in affiliated companies

The valuation approach for participating interests and shares in affiliated companies is the modified lower of cost or market principle.

The fair value is determined based on expert assessments of the corporate value and recent transactions or market values. In general, the value is determined using a discounted cash-flow model (DCF model), which incorporates the specifics of the banking business and its regulatory environment. For this purpose, Erste Group Bank AG performs an annual impairment test at the balance sheet date, although an impairment test is also carried out during the year if evidence exists that might indicate depreciation. Methodologically, this is carried out following International Accounting Standards (IAS) 36.

The estimation of future earnings distributable to shareholders is based on financial plans (budgets) as agreed by the management of the subsidiaries while considering the fulfillment of the respective regulatory capital requirements. The corporate value determination is based on different budget scenarios to reflect the uncertainty about the future macroeconomic development and the development of the risk costs. The base scenario uses the approved budgets. The downside scenario takes a more conservative view of the macroeconomic data. The scenarios are weighted with their expected probability of occurrence.

Any forecast beyond the planning period is derived based on the last year of the planning period and a long-term growth rate (perpetual annuity). If the implicit return on equity is higher than the equity capital costs at the end of the planning period, the return on equity for the perpetuities is aligned with the equity capital costs. The present value of perpetual earnings growing at a stable rate (referred to as terminal value) takes macroeconomic parameters estimates and economically sustainable cash flows into consideration.

The interest rate used for calculation was determined based on the CAPM (Capital Asset Pricing Model). Key input factors include:
- A risk-free interest rate (Source: Svensson yield curve method for 30-year German government bonds)
- Market risk premium
- Beta factor
- Weighted country risk premium (Source: Damodaran).

Dividend earnings from participating interests and shares in affiliated companies are reported according to the resolution on dividend pay-outs and shown in the profit and loss category 3 Income from securities and participating interests

Loans and advances to credit institutions and customers

Credit loans and advances to credit institutions and customers were measured in accordance with the provisions set out in the provision paper by the AFRAC (Austrian Financial Reporting and Auditing Committee) of 14 June 2021 using the effective interest rate method. Default risks, which were recognised at the balance sheet date, were covered by loan loss provisions. Write-ups from the release of loan loss provisions were carried out. Methodologically, the calculation of loan loss provisions is conducted using the IFRS 9 impairment models set out in the Commercial Code (UGB).

Securities

Securities are valued according to their classification either as trading assets, current assets, fixed assets, or receivables and similar financial instruments (Forderungen und forderungsähnliche Finanzinstrumente (FFI)). FFI are debt instruments which are intended to be kept until their maturity and for which the value is not potentially affected by risk and income structures that differ significantly from the instrument's default risks.

- trading assets at market value, even above the acquisition cost
- current assets at amortised cost or at the market price if lower. If the market price cannot be determined, they are valued according to the acquisition cost or fair value if lower. Repurchased own listed bonds (retained covered bonds) are valued at the redemption amount.
- securities, which are FFI, are valued at amortised cost less impairment for default risks. Only securities held as fixed assets are FFI.
- debt instruments held as fixed assets, that are not FFI, are written down to the lower fair value when the permanent impairment can be presumed („ the moderated lower of cost or market principle “). Other securities held as fixed assets are valued at the lower of amortized cost or fair value („ the strict lower of cost or market principle “). Securities in the asset class 6 are valued according to the strict lower of cost or market principle without exception.

The allocation of securities to trading assets, current assets or fixed assets and the determination of the intention to hold them until maturity is done in accordance with the organisational policies adopted by the management board. The fair value is the price that can be achieved by selling or buying a financial instrument in an active market. Market prices are used for the assets' valuation where available. The valuation methods, especially the present value method, are used for assets without market prices.

Amortized cost and Effective Interest Rate Method

The amortised cost of financial assets is the amount at which the asset is measured at the initial recognition minus redemptions, plus or minus the cumulated amortisation between the original amount and the amount redeemable at maturity using the effective interest rate method. In the lending business, fees, and commission similar in nature to interest as well as changes in estimates are amortised on a pro rata basis using the effective interest method.

The effective interest rate is the interest rate that discounts the estimated future cash flows over the expected life of the asset or liability to the amortized cost. The estimated cash flows take into consideration all contract conditions. The expected credit losses, however, are not considered. Furthermore, the calculation includes transaction costs and handling fees, if these are distributable, as well as all other premiums or discounts.

Pursuant to section 56 (2) and (3) Austrian Banking Act (BWG) in connection with section 198 (7) Commercial Code (UGB), the difference between acquisition cost and redemption amount for fixed-income securities with the characteristics of the financial investments as well as for securitised liabilities is amortised on a pro rata basis. The distribution of the difference takes place in line with AFRAC statement 14 "Accounting of non-derivative financial instruments" according to the effective interest rate method either until the call date, or until the redemption date.

LENDING BUSINESS

Interest-related fees and commissions, as well as changes in estimates in the lending business, are amortized on a pro rata basis using the effective interest method.

Should the nominal interest rate change during the life of a variable interest rate loan and this change is not due to contractual modification, the changes to the contractual future cash flows are taken into consideration by recalculating the effective interest rate. Any caps and floors agreed on the nominal interest rate are also considered.

If the expected contractual future cash flows of a loan change during the contract term and the change is neither due to contractual modification nor to an adjustment to the nominal interest rate, nor to a deterioration in creditworthiness, the amortised cost of the asset is adjusted by a changed estimate. This changed estimate corresponds to the difference between the amortised cost before the change in the expected cash flows and the present value of the newly expected contractual cash flows discounted by the original effective interest rate. The changed estimate is reflected in the interest income in the profit and loss statement.

Market-based adjustments to interest conditions, which fulfil specific conditions, are considered by recalculating the effective interest rate. Such changes to the interest conditions usually concern loans, which have no forbearance status and for which there is a prepayment option and a sufficiently competitive refinancing market. Moreover, the costs, which are incurred by the debtor in the case of prepayment or early termination, must be low.

Handling of contractual modifications

A contractual modification occurs if a contract is modified in a way that was not specified in the contract. Contractual modifications are mainly made in the lending business. These contractual modifications are split into significant and non-significant modifications, depending on qualitative and quantitative aspects.

A contractual modification is significant if, following qualitative and quantitative assessment, there is a significant change which adjusts the asset's economic substance significantly. A contractual modification can be classified as significant for performing loans if it leads to a borrower change, a currency conversion (if this was not stipulated in the contract), certain changes to the interest clause, a change in present value, or a change to the weighted residual maturity of a certain magnitude. Significant contractual modifications lead to the derecognition of the original financial asset and to the initial recognition of a new financial asset in accordance with the contractual modifications. If the debtor has defaulted or the significant contractual modification leads to a default, the new asset is treated as a defaulted asset. The difference between the carrying value of the derecognised asset and the fair value of the new asset is initially recognised in profit and loss category 11 or 12.

If the debtor has not defaulted and the significant contractual modification does not lead to default, the new asset is classified in stage 1 following the derecognition of the original asset. Stage 1 includes financial assets at initial recognition (provided they are not already impaired at the time of acquisition) and financial assets that, regardless of their credit rating, have not shown a significant increase in credit risk since initial recognition. The non-amortised amount of handling fees/transaction costs, which were reflected in the effective interest rate, is booked at the time of derecognition in the interest result. The reversal of impairments, which were recorded for the original asset until the contract has been significantly modified, as well as the booking of impairments for the new asset are shown in profit and loss category 11 or 12. The remaining difference between the old book value following the release of the amortized handling fees and transaction costs and the fair value of the new asset is shown in other operating income or expenses (profit and loss category 7 or 10).

A contractual adjustment is non-significant if, following qualitative and quantitative assessment, there is no significant change and the asset's economic substance is only insignificantly adjusted. Non-significant contractual modifications are accounted for according to general corporate law principles.

Impairment for credit risks

Impairments for default risks are recognised for receivables and similar financial instruments. Impairments for default risks are particularly recognised for credit claims, certain securities held as fixed assets, and off-balance sheet credit risks from financial guarantees and certain loan commitments.

For credit claims, the book value of the asset recorded in the balance sheet corresponds to the difference between the amortised cost and the cumulated impairment. Impairment for loan commitments and financial guarantees are reported in the balance sheet item "Other provisions". In the profit and loss statement, impairment losses and income are recorded in profit and loss category 11/12 or 13/14 for all assets in accordance with section 53 Austrian Banking Act (BWG).

The calculation of impairment is carried out by using the IFRS 9 model in the Commercial Code (UGB) in accordance with AFRAC

statement 14 (June 2021). The impairment model is based on expected credit loss and considers the “statistically determined empirical values from similar facts and circumstances” in Section 201 (2) Z 7 Commercial Code (UGB), which are also necessary for the valuation of expected credit loss in the Commercial Code (UGB).
Expected credit loss (ECL) reflects the following:
— an unbiased probability-weighted amount, which is determined by a series of possible scenarios,
— the time value of money, and
— plausible and comprehensible information about past events and current conditions, as well as prognoses about future economic developments that are available as of the balance sheet date without unreasonable cost or effort.

THREE STAGE MODEL

An impairment model based upon a three-stage approach is used for the calculation of the risk provisions:
— Stage 1 includes financial assets at initial recognition (provided they are not already impaired at the time of acquisition) and financial assets that, regardless of their credit rating, have not shown a significant increase in credit risk since initial recognition.
— Stage 2 includes financial assets which have shown a significant increase in credit risk since initial recognition, however for which there is not yet any impairment at the time of report. Stage 2 also includes non-impaired assets, which credit risk could not be assessed at the time of acquisition due to missing data in the framework of the IFRS 9 transition. There exist specific rules for the classification of initial utilisation of the approved credit lines. Dependent on the development of credit risk between approval and initial utilisation, the loan is classified at stage 1 or stage 2.
— Stage 3 includes financial assets that are impaired on the reporting date. A financial asset is principally impaired if the customer defaults.

Across the Erste Group, the definition used for loan default is based on European Banking Authority requirements in EBA/GL/2016/07 “Guidelines on the application of the definition of default under Article 178 of Regulation (EU) number 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 lays out the rules for “default contagion” in groups of connected customers and establishes the concept of technical overdue. When applying the definition of default, Erste Group generally takes an overall customer view, which leads to an impairment of all receivables, even if the default occurs in only one of several transactions (pulling effect). On the other hand, an upgrade from the default status results in the loss of the impaired creditworthiness for all risk positions.

In stage 1 risk provisions are calculated based on the expected credit losses over 12 months. In stages 2 and 3 risk provisions are calculated based on the lifetime expected credit losses.

SIGNIFICANT INCREASE IN CREDIT RISK

Concerning the modelling of the expected credit losses (ECL) and the calculation of the risk provisions for credit risks resulting therefrom, the identification of a significant increase in credit risk (SICR) since the recognition of the credit claim is one of the substantial determinants for the expected impact. For this purpose, quantitative and qualitative indicators for the estimation of a SICR are defined for all portfolios and product types, including receivables overdue by more than 30 days.

Quantitative indicators include adverse changes in the probability of default (PD) over the lifetime, whereby the significant increase is determined by means of a combination of relative and absolute change threshold levels. Generally, the indicators for the PD are defined to represent the risk in consideration of forward-looking information (FLI) as a point-in-time measurement. The PD threshold levels are defined for customer segments or (individual) customer rating and are subject to continuous validation.

Qualitative indicators for calculating a SICR include forbearance measures and the transfer of the customer to the workout department as well as early warning indicators (if these are not already sufficiently considered in the rating) and indications of fraud. The setting of qualitative indicators is based inherently on the expert evaluation of credit risks, which is to be carried out in an appropriate and timely manner. The group-wide and institution-specific guidelines and processes concerning this ensure the required governance framework. Besides the qualitative determinants on a customer level, the calculation of a SICR is carried out at portfolio level if the increase to the credit risk on a business or customer level occurs only after some delay or if the increase is only noticeable at portfolio level. In the financial year 2023, additional approaches were used to determine the significant increase in credit risk, as described in the “Geopolitical Conflicts and Energy Crisis” section.

RISK PROVISIONS DETERMINED INDIVIDUALLY OR COLLECTIVELY

The calculation of risk provisions for defaulted customers is generally carried out on an individual level. The individual method is used for significantly defaulted customers and comprises an individual definition of those restructuring or liquidation scenarios deemed currently possible, their probability of occurrence, and the expected recoveries per scenario (amortisations and collateral proceeds) by the workout risk manager. The present value is determined by discounting the expected cash flows using the original effective interest rate. The required risk provision is the difference between the gross carrying amount and the present value of the expected cash flows in a scenario, that is the probability weighted calculation of all scenarios. A customer is classified as significant if the total receivables and off-balance sheet items are above a certain materiality threshold. Otherwise, the customer is classified as “insignificant”, whereby a rule-based approach is applied for the calculation of the individual risk provision. Statistically calculated risk parameters are used for the expected loss calculation of a customer classed as “insignificant”, depending on the length of recovery and the status of the restructuring and workout process, the potential restructuring and settlement scenarios, their probability of occurrence, and the associated expected returns.

The risk provisions are calculated by taking the gross carrying amount, minus the cash-flows discounted by the effective interest rate per scenario, calculated over all probability weighted scenarios. The calculation of risk provisions for receivables for not defaulted customers follows a rule-based approach. The credit risk parameters used in the calculation include the gross carrying amount at default, the probability of default (PD), the loss given default (LGD), and the conversion factor (CCF) for off-balance sheet items. When determining the loss given default, the result of discounting future cash flows to the present value is considered. The risk parameters applied in the calculation of the expected credit loss consider both the information available on past events and current conditions on the reporting date, as well as future-related information in the form of forecasts concerning future economic developments. Depending on the characteristics of each portfolio and in consideration of the IFRS rules, the risk parameters which are used in the calculation of the rule-based risk provisions can differ from the risk parameters used to calculate the capital requirements.

GEOPOLITICAL CONFLICTS AND ENERGY CRISIS

Due to the uncertainty caused by the war in Ukraine, the conflict in the Middle East and the energy crisis, Erste Group Bank AG applied at the end of December 2023, in addition to the standard assessment of forward-looking information, a collective assessment of the significant increase in credit risk (stage overlays), what led to the shift to stage 2 based on predefined portfolio characteristics. This procedure was coordinated with all affected subsidiaries and business areas and approved by the respective management bodies of Erste Group Bank AG. Exemptions from the collective assessment of significant increase in credit risk were required when anomalies were identified and properly documented as to why they behaved differently from the rest of the portfolio.

The geopolitical conflicts (Ukraine and Middle East) compounded the challenges arising from a sharp increase and volatility in energy prices on the one hand and supply chain disruptions on the other. The energy price development had an impact on different sectors, especially those with energy-intensive production processes, but also on those with high fuel cost shares. Therefore, the rules for stage overlays (Geopolitical-Conflict-Overlays) were retained as a combination of cyclical sectors and one-year default probabilities under UGB/IFRS. Exemptions to this are permitted based on the individual review and documentation.

Due to the ongoing distortions in the energy market with an impact on the availability and prices of gas and other forms of energy, the stage overlays for energy dependence introduced in addition to the cyclical sectors are still considered necessary. Two-fold effects were identified:

- There are consequences of gas rationing and gas shortages in raw material-intensive industries for customers either due to energy-intensive production processes or due to the dependence on gas as the primary input in their business processes. The economic vulnerability is caused by gas dependence, (limited) substitution opportunities and the impact of substitution on financial, hedging and pricing mechanisms. In the raw materials sector, the metal and chemical sub-sectors were identified as being most affected.
- In the energy industry, the affected sub-sectors have been specified in more detail. Companies in the energy industry, more specifically those active in energy production, distribution and heating/cooling supply, can potentially be affected by massive bottlenecks and disruptions in the current energy market: price volatility, margin calls, price caps, weaknesses in the European energy infrastructure, fixed purchase contracts (which endanger buyers if they are terminated and/or prevent renewable energy producers from benefiting from the higher prices), etc. In principle, all customers from these sub-sectors have been migrated to Stage 2. The remaining sub-sectors of the energy industry have proven to be robust and were able to deal with the economic situation, so there was no need for a shift to Stage 2.

Exemptions to this are permitted based on the individual review and documentation.

Intangible and tangible assets

Intangible and tangible assets were measured at purchase or production cost less depreciation and impairment. Straight-line depreciation has been applied. The useful life is 25 to 50 years for buildings, 4 to 20 years for business and office equipment and 4 to 15 years for intangible assets. Low-value assets were fully written off in the year of acquisition.

Liabilities

Liabilities were recognised in the balance sheet at their settlement values.

Issuing costs for securities were expensed immediately; premiums and discounts on issued securities were amortised on a pro rata basis using the effective interest rate method.

Provisions

DEFINED BENEFIT PLAN

Defined benefit plans of Erste Group Bank AG comprise provisions for pension, severance, and jubilee benefits. In Austria, defined pension plans now only apply to retired employees. The pension obligations for active employees were transferred to VBV-Betriebliche Altersvorsorge AG in the previous years. Remaining with Erste Group Bank AG is a defined-benefit obligation for entitlements of former employees who had already retired by 31 December 1998 before the pension reform took effect, and for those former employees who did not retire until 1999 but continued to be entitled to a direct pension from Erste Group Bank AG under individual agreements. Entitlements to resulting survivor pensions also remained with the Erste Group Bank AG. Severance entitlements continue to be applicable for employees whose employment contract with Erste Group Bank AG commenced prior to 1 January 2003. Severance pay is a one-off payment which employees are entitled to when their employment is terminated. Entitlement to this severance pay arises after three years of employment. Defined benefit plans include jubilee benefits. The amount of jubilee benefits (payments for long-term service/loyalty to the company) is determined by the length of employment with the employer. The entitlement to jubilee benefits is established by a collective agreement, which defines both the conditions and amount of the entitlement.

Obligations under defined benefit plans for employees are determined using the projected unit credit method. Future obligations are determined based on actuarial reports. The calculation considers not only the known salaries, pensions and entitlements to future pension payments but also expected salary and pension increases.

The interest rate applied for the calculation of long-term personnel provisions is derived from the current interest rate of a portfolio of high-quality (AA-rating) corporate bonds. For this purpose, the weighted average of the yield of the underlying portfolio is determined with a corresponding duration.

TAX PROVISIONS AND OTHER PROVISIONS

Unless the amounts were small, provisions were set aside on the best estimate basis. Tax provisions and other provisions with a term of more than a year were discounted at a market interest rate of corporate bonds with an AA rating. Depending on the applicable remaining duration, interest rates between 0.0% and 3.17% were applied.

Assets held in trust

Separable trust assets were declared off-balance sheet in accordance with section 48 (1) Austrian Banking Act (BWG).

Derivatives transactions

Derivatives in a hedge relationship under AFRAC-statement 15 (December 2020) are treated as a valuation unit, thus the fair value neither of the derivative nor of the hedged item is part of the balance sheet. Derivatives in the Banking Book, which are not in a hedge relationship under AFRAC statement 15 (December 2020) are recognised based on the imparity principle in profit and loss as provisions for contingent losses with the expected loss exceeding the book value. The interest income/expenses as well as possible financial compensation from the current period are accrued based on the effective interest rate. These are shown in the interest result.

Derivatives in the trading book are shown in the balance sheet for each contract based on mark-to-market valuations.

The fair value is the amount which could be achieved in an active market from the sale of a financial instrument, or the amount which would need to be paid for a purchase. If market rates were available, these were used for valuation. If market rates were not available, valuation models, especially the net present value method, were used. Fair values for options were calculated using the recognised option price models. Amongst others, the valuation models include the Black-Scholes model, binomial model, Hull-White model, local volatility model and Vanna-Volga model.

Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA) are used for the calculation of the fair value of derivatives.

Derivatives with the same counterparty and a netting agreement, which comply with the requirements for offsetting (central counterparts), are netted in the balance sheet.

Deferred tax assets

Deferred tax assets are recognised to the extent of convincing substantial evidence that sufficient taxable income will be available in future against which tax-deductible temporary differences and tax losses can be offset. Valuation is carried out using those tax rates (and tax laws), which are already in force on the balance sheet date or have been decided by the National Assembly and are expected to be in force at the time of reversal of the temporary differences. The valuation methods were based on expected results for all larger incorporated companies in the tax group.

The calculation of deferred tax assets of Erste Group Bank AG as group parent of the group of companies, which includes only group members in Austria, was completed in accordance with AFRAC-Statement 30 “Deferred Tax Assets in single and consolidated financial statements” (December 2020).

Securities lending and repurchase transactions

In repurchase agreements / securities lending transactions, the underlying assets continue to be recognised in the balance sheet. A liability is presented against the pledgee in the amount received for the transfer. In reverse repurchase agreements / securities lending transactions, the assets taken over are not part of the balance sheet. The amount owed by the pledgor is recognised as a receivable in the amount paid for the transfer.

Investment grants

Investment grants, as defined by the law on investment grants (InvPrG), which were mainly capitalised for tangible assets, are recognised, in accordance with the gross method, on the liabilities side of the balance sheet under investment grants and recognised in profit and loss according to the respective useful lives of the subsidised capital assets.

Changes in accounting and measurement methods

There were no changes in accounting and measurement methods in the financial year 2023.

C. NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

Unless otherwise indicated, amounts for the reporting year are stated in Euros, for the previous year in thousand Euros. The tables in this report may contain rounding differences.

1. Maturity structure of loans and advances as well as liabilities to credit institutions and customers (by residual time to maturity)

Loans and Advances

in EUR or in EUR thousand	Dec 23	Dec 22
Loans and advances to credit institutions	**28,869,339,157.20**	**27,162,034**
payable on demand	2,123,028,957.05	2,835,433
0-3 months	14,351,298,905.40	11,313,111
3-12 months	4,204,891,996.74	4,797,661
1-5 years	5,382,179,808.38	5,388,108
>5 years	2,807,939,489.63	2,827,721
Loans and advances to customers	**22,050,415,868.22**	**23,145,479**
payable on demand	901,643,517.61	1,139,717
0-3 months	2,664,822,793.17	3,472,307
3-12 months	1,438,532,661.09	2,923,192
1-5 years	11,499,366,359.30	10,439,356
>5 years	5,546,050,537.04	5,170,908

Liabilities

in EUR or in EUR thousand	Dec 23	Dec 22
Liabilities to credit institutions	**33,101,836,255.90**	**38,149,232**
payable on demand	4,909,845,499.69	5,531,787
0-3 months	21,934,140,007.41	18,284,658
3-12 months	3,194,276,822.73	8,133,783
1-5 years	2,200,604,037.48	5,290,202
>5 years	862,969,888.59	908,801
Liabilities to customers (non-banks)	**15,471,101,928.69**	**10,936,771**
Savings deposits	**0.00**	**0**
Other Liabilities	**15,471,101,928.69**	**10,936,771**
payable on demand	3,081,726,226.32	4,270,164
0-3 months	12,220,183,265.71	6,337,631
3-12 months	23,507,361.51	140,437
1-5 years	52,680,365.67	61,233
>5 years	93,004,709.48	127,305

2. Debt securities due within one year

Purchased debt securities worth EUR 1,982,524,958.67 (prior year: EUR 725,142 thousand) and issued debt securities worth EUR 2,531,105,643.63 (prior year: EUR 1,443,026 thousand) are scheduled to mature in the year following 31 December 2023.

3. Assets and liabilities in foreign currencies

in EUR or in EUR thousand	Dec 23	Dec 22
Assets	22,943,247,721.26	21,264,734
Liabilities	11,790,265,569.19	12,480,968

4. Maturity structure of loans and advances as well as liabilities to credit institutions and customers (by residual time to maturity)

	Loans and advances to affiliated companies		Loans and advances to participating interests	
in EUR or in EUR thousand	Dec 23	Dec 22	Dec 23	Dec 22
Loans and advances to credit institutions	14,948,927,209.37	14,929,691	0.00	0
Loans and advances to customers	505,548,858.86	575,742	7,237,346.44	6,121
Debt securities and other fixed-income securities (incl. securitised loans and advances to credit institutions)	487,777,798.13	281,394	0.00	0
Shares and other variable-yield securities	1,095,269,770.27	1,068,021	3,494,719.51	3,478

	Liabilities to affiliated companies		Liabilities to participating interests	
in EUR or in EUR thousand	Dec 23	Dec 22	Dec 23	Dec 22
Liabilities to credit institutions	20,862,714,956.42	21,194,452	763,590.13	5,800
Liabilities to customers (non-banks)	2,129,940,984.82	3,048,184	4,366,778.96	1,860
Securitised liabilities	217,192,499.35	270,239	0.00	0
Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	0.00	518	0.00	0

Business with affiliated companies is conducted at arm's length.

5. Subordinated assets

in EUR or in EUR thousand	Dec 23	Dec 22
Loans and advances to credit institutions, thereof	**781,198,527.15**	**909,960**
to affiliated companies	781,198,527.10	908,399
to companies with participating interests	0.00	0
Loans and advances to customers, thereof	**90,360.71**	**105**
to affiliated companies	0.00	0
to companies with participating interests	90,360.71	24
Shares and other fixed-income securities, thereof	**2,996,732.52**	**11,526**
to affiliated companies	0.00	0
to companies with participating interests	0.00	0

Repurchased bonds from own issues of Erste Group Bank AG are included within shares and other fixed-income securities with a carrying amount including interest accruals of EUR 1,516,745.57 (previous year: EUR 6,564 thousand).

Erste Group Bank AG also holds senior non-preferred notes, which are not reported in the table. These are reported under loans and advances to credit institutions in the amount of EUR 4,041,935.41 (prior year: EUR 4,041 thousand) and shares and other fixed-income securities in the amount of EUR 370,956,370.61 (prior year: EUR 419,268 thousand). Within shares and other fixed-income securities EUR 9,810,686.44 (prior year: EUR 4,583 thousand) are attributed to affiliated companies.

6. Fiduciary business

No fiduciary business without the right of disposal was disclosed as of the balance sheet date.

7. Securities

Breakdown of securities admitted to trading on stock exhange items A5 to A8

pursuant to section 64 -1 no. 10 Austrian Banking Act (BWG) in EUR or in EUR thousand	Listed		Not listed	
	Dec 23	Dec 22	Dec 23	Dec 22
Shares and other fixed-income securities	13,042,334,090.68	9,065,584	0.00	0
Shares and other variable-yield securities	379,481,628.43	221,213	2,621,126.99	5,416
Participating interests	0.00	0	0.00	0
Shares in affiliated companies	0.00	0	0.00	0
Total	**13,421,815,719.11**	**9,286,797**	**2,621,126.99**	**5,416**

Breakdown of securities admitted to trading on stock exchange items A5 to A6

pursuant to section 64 -1 no. 11 Austrian Banking Act (BWG) in EUR or in EUR thousand	Fixed assets		Current assets	
	Dec 23	Dec 22	Dec 23	Dec 22
Shares and other fixed-income securities	4,840,331,604.63	3,922,239	6,890,519,543.84	4,010,466
Shares and other variable-yield securities	22,926,768.00	21,033	11,885,486.76	11,747
Total	**4,863,258,372.63**	**3,943,272**	**6,902,405,030.60**	**4,022,213**

Securities that are listed on a non-regulated market, for example those on the third market of the Vienna Stock Exchange, are considered as approved for trading on the stock market, yet they are not publicly listed.

Allocation pursuant to section 64 (1) no. 11 Austrian Banking Act (BWG) was carried out in accordance with the organisational policies adopted by the management board, with positions being included under fixed assets that are held for strategic purposes of liquidity. As of 31 December 2023, the difference to the redemption value – items A2 to A6 - resulting from the pro rata write-downs pursuant to section 56 (2) Austrian Banking Act (BWG) amounts to EUR 146,882,709.97 (prior year: EUR 159,906 thousand), whereas the difference to the redemption value from the pro rata write-ups pursuant to section 56 (3) Austrian Banking Act (BWG) amounts to EUR 147,510,694.68 (prior year: EUR 92,449 thousand).

Repurchase agreements

The carrying amount of assets subject to sale and repurchase agreements amounts to EUR 5,366,391,245.33 on the balance sheet date (prior year adjusted: EUR 3,097,771 thousand).

Securities lending transactions

Securities lent are reported in the corresponding securities items. The claim for repayment is held in evidence accounts. The carrying amount of the securities lent is EUR 4,749,296,452.16 (previous year: EUR 2,268,502 thousand). In addition, securities with a market value of EUR 1,004,528,117.11 (previous year: EUR 582,003 thousand) were lent, which were received as part of securities lending or repurchase agreements and are therefore not reported in the balance sheet.

Differences of the securities listed for trade on the stock exchange not held as financial fixed assets

The right to book the securities at the higher market value pursuant to section 56 (5) Austrian Banking Act (BWG) is not exercised as of 31 December 2023.

The difference between the higher market value on the balance sheet date and the booked cost of purchase pursuant to section 56 (4) Austrian Banking Act (BWG) amounts to EUR 0.00 (prior year: EUR 282 thousand).

Breakdown of debt securities and other fixed-income securities

in EUR or in EUR thousand	Dec 23	Dec 22
Issued by public-sector issuers	1,280,515,983.28	1,507,443
Own issues	6,986,430,273.88	4,049,825
Bonds - domestic credit institutions	258,281,649.44	149,320
Bonds - foreign credit institutions	2,712,166,044.39	2,108,243
Mortgage and municipal securities	1,619,908,715.70	1,074,534
Convertible bonds	0.00	0
Other bonds	185,031,423.99	176,218
Total position A5	**13,042,334,090.68**	**9,065,584**

8. Trading Book

Erste Group Bank AG kept a trading book pursuant to Art. 102 CRR throughout the financial year. As of 31 December 2023, the securities portfolio (assets and liabilities) assigned to the trading book was EUR 10,412,076,265.27 (prior year: EUR 8,188,900 thousand). Money market instruments worth EUR 32,489,943,271.90 (prior year: EUR 28,928,343 thousand) were assigned to the trading book as of 31 December 2023.

As of 31 December 2023, the volume of other financial instruments in the trading book had positive marketvalues of EUR 6,320,544,875.83 (prior year: EUR 8,433,731 thousands) and negativ marketvalues of EUR 6,291,661,312.16 (prior year: 8,456,363 thousands).

The disclosure of other financial instruments includes external transactions as well as booked internal transactions concerning hedge relationships.
Further information on internal transactions can be found in section 27 of this chapter.

9. Participating interests and shares in affilated companies

The amounts for equity and result are denominated in euro and, as a rule, are, on behalf of a timely reporting, derived from the IFRS financial statements prepared for consolidation purposes according to uniform group guidelines. The share indicated below represents direct and indirect shares.

Holdings as of 31 December 2023

Company name, registered office	Interest of Erste Group in %	Equity	Result	Balance sheet date
Credit institutions according to CRR				
Banca Comercială Română S.A., Bucharest	99.89	2,509,298,699.00	502,869,352.00	31 Dec 23
Banka Sparkasse d.d., Ljubljana	28.00	165,568,902.00	17,404,349.00	31 Dec 23
Česká Spořitelna a.s., Prague	100.00	5,481,885,942.00	781,522,820.00	31 Dec 23
Erste & Steiermärkische Bank d.d., Rijeka	69.26	1,378,856,306.00	219,215,296.00	31 Dec 23
ERSTE BANK AD NOVI SAD, Novi Sad	80.50	412,178,451.00	47,327,522.00	31 Dec 23
Erste Bank der oesterreichischen Sparkassen AG, Vienna	100.00	2,311,871,461.00	619,155,545.00	31 Dec 23
Erste Bank Hungary Zrt, Budapest	100.00	1,360,541,211.00	290,607,318.00	31 Dec 23
Prva stavebna sporitelna, a.s., Bratislava	35.00	310,974,769.70	18,088,937.96	31 Dec 23
Public Joint-stock company commercial Bank "Center-Invest", Rostow on Don	9.09	172,356,956.09	21,226,224.10	31 Dec 22
Slovenska sporitelna, a. s., Bratislava	100.00	2,441,444,479.00	308,575,813.00	31 Dec 23
SPAR-FINANZ BANK AG, Salzburg	50.00	5,509,872.68	264,639.91	31 Dec 23
Financial institutions				
EB Erste Bank Internationale Beteiligungen GmbH, Vienna	100.00	30,314,267.00	5,749,334.00	31 Dec 23
Erste Asset Management GmbH, Vienna	91.06	142,572,344.00	77,132,052.00	31 Dec 23
Erste Finance (Delaware) LLC, Wilmington	100.00	29,994.00	2,971.00	31 Dec 23
Erste Group Immorent GmbH, Vienna	100.00	320,639,359.00	11,910,459.00	31 Dec 23
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o., Ljubljana	100.00	-89,104.00	-91,892.00	31 Dec 23
EUROPEAN INVESTMENT FUND, Luxembourg	0.07	4,368,892,410.00	70,413,758.00	31 Dec 22
Holding Card Service s.r.o., Prague	100.00	43,829,330.00	-3,282.00	31 Dec 23
Intermarket Bank AG, Vienna	93.79	142,018,966.00	8,220,531.00	31 Dec 23
Other				
AMC V SCA SICAV-RAIF, Senningerberg	2.86			Foundation 2023
ASEF S.C.Sp., Senningerberg	5.32	54,021,112.00	7,014,320.00	31 Dec 22
Austrian Reporting Services GmbH, Vienna	14.29	118,543.13	2,743.39	31 Dec 22
aws Gründerfonds Beteiligungs GmbH & Co KG, Vienna	5.11	52,874,469.10	-5,497,854.29	31 Dec 22
Dateio s.r.o., Prague	31.03	2,965,620.45	-195,068.49	31 Dec 22
EB-Restaurantsbetriebe Ges.m.b.H., Vienna	100.00	1,710,461.00	22,042.00	31 Dec 23
ERSTE CAMPUS Immobilien AG & Co KG, Vienna	100.00	102,616,543.00	8,727,885.00	31 Dec 23
ERSTE d.o.o., Zagreb	45.19	17,757,157.03	2,978,829.84	31 Dec 23
Erste Digital GmbH, Vienna	82.06	99,488,251.00	-7,370,595.00	31 Dec 23
Erste Group Card Processor d.o.o., Zagreb	100.00	17,116,088.00	1,756,201.00	31 Dec 23
Erste Group Services GmbH, Vienna	100.00	308,299.00	144,100.00	31 Dec 23
Erste Group Shared Services (EGSS), s.r.o., Hodonin	100.00	983,525.00	348,615.00	31 Dec 23
Erste Reinsurance S.A., Luxembourg	100.00	59,344,211.00	676,213.00	31 Dec 23
George Labs GmbH, Vienna	100.00	2,442,691.00	1,003,108.00	31 Dec 23
Graben 21 Liegenschaftsverwaltung GmbH, Vienna	100.00	693,604.00	-1,156,562.00	31 Dec 23
Haftungsverbund GmbH, Vienna	63.64	727,494.00	60.00	31 Dec 23
Innova/7 SCA SICAV-RAIF, Senningerberg	2.86			Foundation 2023
IPS Fonds Gesellschaft bürgerlichen Rechts, Vienna	62.54	226,730,332.27	-5,839,777.20	31 Dec 22
OM Objektmanagement GmbH, Vienna	100.00	22,271,708.00	-6,835,130.00	31 Dec 23
Österreichische Wertpapierdaten Service GmbH, Vienna	32.56	315,190.59	11,541.43	31 Dec 22
Procurement Services GmbH, Vienna	99.86	1,070,546.00	322,877.00	31 Dec 23
Q-ENERGY V, FCR, Madrid	1.25			Foundation 2023
Society for Worldwide Interbank Financial Telecommunication scrl, La Hulpe	0.26	627,234,031.00	31,655,830.00	31 Dec 22
Speedinvest III EuVECA GmbH & Co KG, Vienna	1.82	115,376,895.36	-2,565,722.43	31 Dec 22
Speedinvest IV EuVECA GmbH & Co KG, Vienna	1.64			Foundation 2023
TAUROS Capital Investment GmbH & Co KG, Vienna	40.43	6,067,232.41	-1,102,258.31	31 Dec 22
Therme Wien GmbH & Co KG, Vienna	15.33	26,228,801.54	2,225,860.40	31 Dec 22
VBV - Betriebliche Altersvorsorge AG, Vienna	29.42	85,119,757.81	18,267,623.46	31 Dec 23
Wiener Börse AG, Vienna	11.65	178,614,193.37	34,582,619.11	31 Dec 22
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	2.15	633,264,025.55	123,865,893.09	31 Dec 22

In 2016 Erste Group Bank AG sold 15% of the shares in Erste Bank Hungary Zrt. to the European Bank for Reconstruction and Development (EBRD) and 15% to Corvinus Nemzetközi Befektetési Zártkörüen Müködö Részvénytársaság (Corvinus). At the same time, call-put option agreements for the purchase of these 30% of the shares by Erste Group Bank AG, EBRD and Corvinus were concluded at the same time. In November 2023 the 15% Corvinus and in December the 15% EBRD share was repurchased. Erste Group Bank AG therefore holds thus again 100% of the shares in ERste Bank Hungary Zrt. at the end of 2023.

There are open payment obligations to the nominal capital amounting to EUR 4,000,000.00 EUR (prior year: EUR 4,000 thousand) to the EUROPEAN INVESTMENT FUND, Luxembourg.

10. Fixed assets

The carrying amount of developed land was EUR 6,758,201.35 as of 31 December 2023 (prior year: EUR 6,758 thousand). The carrying amount as of 31 December 2022 did not include leased assets. For the next financial year, Erste Group Bank AG will have expenses from the use of tangible assets not disclosed in the balance sheet (rental and leasing contracts) of EUR 14,174,706.92 (prior year: EUR 19,182 thousand), and of EUR 66,937,622.82 for the next five financial years (prior year: EUR 96,441 thousand).

Intangible fixed assets include assets with a value of EUR 25,805,680.00 (prior year: EUR 23,388thousand) that were acquired from an affiliated company. During the reporting year, assets were acquired in the value of EUR 7,365,796.70 (prior year: EUR 5,406 thousand).

Statement of changes in fixed and long-term assets 2023

At cost

in EUR	1 January 2023	Additions	Disposals	Reclassification	Currency translation (+/-)	31 December 2023
Participating interests	**211,547,619.17**	**15,327,871.50**	**1,251,551.71**	**0.00**	**0.00**	**225,623,938.96**
Shares in affiliated companies	**10,973,182,163.20**	**259,900,748.17**	**1.00**	**0.00**	**0.00**	**11,233,082,910.37**
Intangible fixed assets	**109,471,409.98**	**7,368,658.79**	**0.00**	**0.00**	**0.00**	**116,840,068.77**
Tangible assets	**211,657,630.77**	**9,021,617.61**	**975,667.76**	**0.00**	**0.00**	**219,703,580.62**
Securities	**13,710,508,536.28**	**3,791,983,489.88**	**3,137,115,055.33**	**0.00**	**22,952,248.33**	**14,388,329,219.16**
Treasury bills and similar securities	5,820,414,913.55	1,173,290,030.85	1,453,277,329.46	0.00	0.00	5,540,427,614.94
Loans and advances to credit institutions	1,801,379,089.74	265,479,849.05	303,503,085.46	-261,961,561.83	-315,065.53	1,501,079,225.97
Loans and advances to customers	1,073,292,021.20	1,065,893,875.18	902,628,253.19	43,502,267.07	12,496,449.93	1,292,556,360.19
Bonds and other fixed-income securities	3,835,272,444.62	1,187,319,734.80	477,706,387.22	218,459,294.76	10,770,863.93	4,774,115,950.89
Shares and other non-fixed-income securities	1,180,150,067.17	100,000,000.00	0.00	0.00	0.00	1,280,150,067.17
Total	**25,216,367,359.40**	**4,083,602,385.95**	**3,139,342,275.80**	**0.00**	**22,952,248.33**	**26,183,579,717.88**

Accumulated depreciation

in EUR	1 January 2023	Write-ups (-)	Write-downs (+)	Additions / Disposals (-/+)	Currency translation (+/-)	31 December 2023
Participating interests	**99,504,491.09**	**5,216,429.76**	**1,627,166.38**	**-425,861.49**	**0.00**	**95,489,366.22**
Shares in affiliated companies	**2,650,527,097.72**	**546,696,036.05**	**35,930,000.00**	**-1.00**	**0.00**	**2,139,761,060.67**
Intangible fixed assets	**86,050,522.03**	**0.00**	**4,964,187.90**	**0.00**	**0.00**	**91,014,709.93**
Tangible assets	**37,464,534.87**	**0.00**	**6,949,560.21**	**-607,980.52**	**0.00**	**43,806,114.56**
Securities	**-30,983,596.86**	**55,227,812.29**	**111,872,291.14**	**54,411,442.77**	**84,620,097.41**	**164,692,422.17**
Treasury bills and similar securities	16,290,801.24	15,996,568.23	10,627,298.45	7,329,562.44	0.00	18,251,093.90
Loans and advances to credit institutions	-21,621,210.65	2,673,420.01	2,460,107.31	14,223,614.66	20,946,348.65	13,335,439.96
Loans and advances to customers	-60,048,610.32	11,051,132.64	1,203,479.49	19,718,759.62	24,517,964.68	-25,659,539.17
Bonds and other fixed-income securities	-63,583,875.26	11,944,918.18	3,844,385.56	13,139,506.05	39,155,780.54	-19,389,121.29
Shares and other non-fixed-income securities	97,979,298.13	13,561,773.23	93,737,020.33	0.00	3.54	178,154,548.77
Total	**2,842,563,048.85**	**607,140,278.10**	**161,343,205.63**	**53,377,599.76**	**84,620,097.41**	**2,534,763,673.55**

In the income statement item 9 (value adjustments), the above-mentioned depreciation of property, plant and equipment is reduced by investment grants in the amount of EUR 32,179.77.

Carrying amount

in EUR	Clean Price	Contractual interest accrual	31 December 2023	1 January 2023
Participating interests	**130,134,572.74**	**0.00**	**130,134,572.74**	**112,043,128.08**
Shares in affiliated companies	**9,093,321,849.70**	**0.00**	**9,093,321,849.70**	**8,322,655,065.48**
Intangible fixed assets	**25,825,358.84**	**0.00**	**25,825,358.84**	**23,420,887.95**
Tangible assets	**175,897,466.06**	**0.00**	**175,897,466.06**	**174,193,095.90**
Securities	**14,223,636,796.99**	**138,435,252.65**	**14,362,072,049.64**	**13,824,526,146.97**
Treasury bills and similar securities	5,522,176,521.04	52,604,965.17	5,574,781,486.21	5,838,099,343.13
Loans and advances to credit institutions	1,487,743,786.01	11,401,358.38	1,499,145,144.39	1,831,766,576.24
Loans and advances to customers	1,318,215,899.36	7,906,657.28	1,326,122,556.64	1,139,890,452.74
Bonds and other fixed-income securities	4,793,505,072.18	46,826,532.45	4,840,331,604.63	3,922,238,707.30
Shares and other non-fixed-income securities	1,101,995,518.40	19,695,739.37	1,121,691,257.77	1,092,531,067.56
Total	**23,648,816,044.33**	**138,435,252.65**	**23,787,251,296.98**	**22,456,838,324.38**

11. Other assets

in EUR or in EUR thousand	Dec 23	Dec 22
Securities transactions	2,888,864.38	318,392
Derivatives	2,603,892,916.72	3,535,650
Accrued income	9,190,621.49	11,263
Receivables from participating interests and affiliated companies	223,174,993.05	140,464
Other payments and settlements	280,945,313.02	314,582
Other assets	**3,120,092,708.66**	**4,320,352**

The carrying amounts for derivatives are shown post offsetting with central counterparties. Derivative assets and liabilities as well as provided and received cash collateral to cover the market values of outstanding derivatives are included in offsetting. Offsetting is carried out according to clearing agent, central clearer and currency.

The balance sheet item other assets include derivatives with a reduced carrying amount of EUR 4,007,855,966.82 (prior year: EUR 5,138,245 thousand). In the balance sheet item loans to credit institutions, the carrying amounts were reduced by EUR 86,115,565.12 (prior year: EUR 201,208 thousand).

12. Accrued and deferred items

Prepayments and accrued income decreased to EUR 91,128,036.01 as of 31 December 2023 (prior year: EUR 104,753 thousand). Of these, EUR 84,838,409.60 (prior year: EUR 87,575 thousand) were accruals in connection with securities and derivative instruments and EUR 0.00 (prior year: EUR 11,803 thousand) were prepayments on commissions.

13. Deferred tax assets

In accordance with Section 198 Paragraph 9 of the Austrian Commercial Code (UGB) deferred tax assets amount to EUR 207,253,192.23 (prior year: EUR 281,177 thousand), thereof EUR 166,298,426.58 (prior year: EUR 213,078 thousand) are based on recognition of tax losses and EUR 40,954,765.65 (prior year: EUR 68,099 thousand) arising from temporary differences. The decrease in deferred tax assets in comparison to the prior year, is attributable to the utilization of loss carryforwards and temporary differences. The right to recognise tax losses carried forward is used, as - according to multiannual tax planning - taxable profits are expected in the future against which the tax losses carried forward can be offset. Thus, from today's perspective, a tax advantage seems achievable. To calculate deferred taxes, the local tax rate in Austria in the amount of 23.0% is applied for the parent company as well as for branches with tax credit method according to the double taxation agreement. For the branch in Hong Kong (double taxation agreement with tax exemption method), the local tax rate in the amount of 16.5% is applied.

14. Securitised liabilities

in EUR or in EUR thousand	Dec 23	Dec 22
Non-covered loans and bank bonds	13,741,838,802.87	11,634,455
Mortgage and municipal bonds	18,679,783,618.79	13,651,642
Certificates of deposits	86,659,967.75	1,194,848
Securitised liabilities	**32,508,282,389.42**	**26,480,945**

Erste Group Bank AG issues commercial papers and certificates of deposit for the US money market via the New York branch and the fully consolidated subsidiary Erste Finance Delaware LLC. The New York branch's Dollar Certificates of Deposit Program had reached EUR 18,159,967.75 as of 31 December 2023 (prior year: EUR 18,774 thousand). The Dollar Commercial Paper Program of Erste Finance Delaware LLC is fully secured by Erste Group Bank AG. The framework program amounted to EUR 6,787,330,316.74 as of 31 December 2023 (prior year: EUR 7,031,689 thousand), of which commercial papers are in circulation in the amount of EUR 1,899,742,127.73 (prior year: EUR 2,811,660 thousand) for which the issue amount was immediately transferred to Erste Group Bank AG and are recognised in the item liabilities to customers.

15. Other liabilities

in EUR or in EUR thousand	Dec 23	Dec 22
Securities transaction	4,766,868.26	7,540
Derivatives	2,618,674,138.00	3,515,585
Accrued income	2,822,670.09	2,311
Other liabilities and settlements	808,742,071.37	884,593
Other Liabilities	**3,435,005,747.72**	**4,410,028**

The carrying amounts for derivatives are shown post offsetting with central counterparties. Derivative assets and liabilities as well as provided and received cash collateral to cover the market values of outstanding derivatives are included in offsetting. Offsetting is carried out according to clearing agent, central clearer and currency.

The balance sheet item other liabilities includes derivatives with a reduced carrying amount of EUR 3,839,375,038.91 (prior year: EUR 5,084,884 thousand). In the balance sheet item liabilities to credit institutions, the carrying amounts were reduced by EUR 254,407,673.30 (prior year: EUR 252,764 thousand). The balance sheet item other provisions include derivatives with a reduced carrying amount of EUR 188,819.73 (prior year: EUR 1,805 thousand).

16. Provisions

in EUR or in EUR thousand	Dec 23	Dec 22
Provisions for pensions	238,814,260.94	244,579
Provisions for taxation	81,273,129.27	33,224
Provisions for contingent liabilities	55,809,121.81	98,227
Provisions for derivatives in the bank book	1,995,974.03	3,168
Other	112,205,723.52	118,458
Provisions	**490,098,209.57**	**497,656**

Assumptions for the actuarial calculation of pension entitlements

	Dec 23	Dec 22
Interest rate	3.27%	3.75%
Expected increase in pension benefits (including career- and collective agreement trend)	4.00%	4.00%

The expected retirement age was individually calculated per employee due to the amendments determined in the Ancillary Budget Act 2003 (BGBl I 71/2003) concerning the raising of the earliest possible retirement age. The currently applicable legislation specifying a gradual rise of the retirement age for men and women to 65 was taken into consideration.

An interest rate of 5.19% (prior year: 4.90%) was used for the calculation of pension obligations in the New York branch.

The pension entitlements for the New York branch are outsourced to Milliman Inc. The calculated pension obligations amount to EUR 34,966,920.36 (prior year: EUR 35,810 thousand). As of 31 December 2023, the balance at the bank dedicated to the fulfilment of the outsourced pension obligations amounted to EUR 29,219,763.80 (prior year: EUR 26,923 thousand).

Assumptions for the actuarial calculation of severance entitlements and jubilee benefits

	Dec 23	Dec 22
Interest rate	3.27%	3.75%
Average salary rise (including career- and collective agreement trend)	4.00%	4.00%

The obligations were calculated in accordance with the Association of Actuaries' (AVÖ) mortality table "AVÖ 2018 – Rechnungsgrundlagen für die Pensionsversicherung".

Severance and anniversary entitlements are outsourced to Wiener Städtische Versicherung AG. Severance entitlements measured in accordance with commercial law and based on the above parameters amount to EUR 28,653,242.96 (prior year: EUR 30,712 thousand), respectively EUR 17,606,488.60 (prior year: EUR 16,079 thousand) for jubilee benefits obligations and are posted as a contingent liability off-balance. The credit intended for the performance of outsourced severance entitlements with the insurer as of 31 December 2023 amounted to EUR 28,700,589.83 (prior year: EUR 33,595 thousand) and the amount defined for jubilee benefits obligations is EUR 17,606,488.60 (prior year: EUR 18,005 thousand).

The outsourcing of severance/jubilee benefits entitlements to Wiener Städtische Versicherung AG has not resulted in any change to employee claims against Erste Group Bank AG, which continues to be liable for the severance/jubilee benefits entitlements of eligible employees.

Provision for pensions, severance payments and anniversary bonuses are calculated in accordance with AFRAC statement 27: provision for personnel (UGB) (June 2022).

17. Subordinated Liabilities

Subordinated debt (subordinated liabilities and supplementary capital) amounted to EUR 6,476,077,369.68 as of 31 December 2023 (prior year: EUR 6,368,236 thousand). Out of the subordinated liabilities taken by Erste Group Bank AG (including supplementary capital), one issue with a nominal value amounting to EUR 750,000,000.00 was above the 10% limit for total subordinated liabilities. This issue from 2020, denominated in Euros, currently carries a 4.25% coupon, and does not have a specific expiry date. It is an Additional Tier 1 bond according to article 52 CRR. The nominal value will be reduced as soon as the core capital ratio falls below 5.125%. Conversion into shares is not planned. The terms of all subordinated liabilities in the value of EUR 4,009,945,076.30 (prior year: EUR 4,079,019 thousand) are in compliance with the requirements set forth in section 62 until 71 CRR (corresponds to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013).

Movements in total subordinated liabilities were as follows:

in EUR or in EUR thousand	1-12 23	1-12 22
Opening balance	**6,368,235,849.82**	**6,981,646**
Increase due to new issues	922,606,886.99	511,342
Decrease due to redemption	-479,304,439.56	-1,137,751
Decrease due to partial extinguishment	-335,798,122.72	-6,351
Changes in carrying amount of bonds, of accrued interest and of FX valuation	337,195.15	19,350
Closing balance	**6,476,077,369.68**	**6,368,236**

The table has been adjusted to include the senior non-preferred bond.

Supplementary capital liabilities are primarily issued in the form of securities. The securities are due at the end of the term. Supplementary capital bonds are sold to international institutional customers and private customers.

In the upcoming year, securitised supplementary capital liabilities in the value of EUR 332,719,078.44 (prior year: EUR 477,397 thousand) are due for repayment due to maturity.

The weighted average interest rate of supplementary capital bonds was 3.9% as of 31 December 2023 (prior year: 3.5%) and the average remaining term was 5.9 years (prior year: 6.0 years).

The term “subordinated” is defined in accordance with section 45, paragraph 4 and section 51, paragraph 9 of the Austrian Banking Act.

In 2023, Erste Group Bank AG's expenses for subordinated liabilities amounted to EUR 247,326,157.42 (prior year: EUR 249,753 thousand).

Erste Group Bank AG also issued a senior non-preferred bond in the amount of EUR 502,665,642.07 (prior year: EUR 502,673 thousand).

18. Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013

As of the 2023 balance sheet date, the carrying amount of supplementary capital is EUR 4,009,945,076.30 (prior year: EUR 4,079,019 thousand). Thereof amounts the repurchased supplementary capital from own issues of Erste Group Bank AG with a carrying amount including interest accruals in the amount to EUR 1,516,745.57 (prior year: EUR 6,564 thousand).

19. Additional core capital

In the reporting year 2023, Erste Group Bank AG issued a new bond totalling EUR 500,000,000.00 (prior year: EUR 0 thousand) as part of its Additional Tier 1 programme from 20 April 2016. Furthermore, there was a partial termination in the amount of EUR 331,200,000.00 of the bond issued back in 2017.

Article 52 (1) lit n CRR provides for the loss absorbency of financial instruments of additional core capital (write-down or conversion). A trigger event for the write-off or conversion of additional core capital is deemed to occur according to Article 54 (1) lit a CRR if the core capital ratio of the Erste Group Bank AG falls below 5.125% or below another higher value defined by the Erste Group Bank AG. In 2023 no write-downs occurred.

20. Subscribed capital and reserves

In 2023, the reserves of Erste Group Bank AG developed as follows:

in EUR	1 January 2023	Allocations (+)	Releases (-)	Reclassification	31 December 2023
Subscribed Capital	**859,600,000.00**	**0.00**	**0.00**	**-16,274,282.00**	**843,325,718.00**
Capital reserves	**1,628,111,165.08**	**0.00**	**0.00**	**0.00**	**1,628,111,165.08**
committed	1,628,111,165.08	0.00	0.00	0.00	1,628,111,165.08
uncommitted	0.00	0.00	0.00	0.00	0.00
Reserves for share-based payments	**4,956,005.47**	**0.00**	**0.00**	**1,910,750.96**	**6,866,756.43**
Retained earnings	**6,093,973,645.22**	**744,382,444.90**	**-66,107,345.43**	**-271,658,320.44**	**6,500,590,424.25**
statutory reserve	1,537,900,000.00	0.00	0.00	0.00	1,537,900,000.00
reserves provided for by the articles	0.00	0.00	0.00	0.00	0.00
other reserves	4,205,355,284.17	744,382,444.90	0.00	-271,658,320.44	4,678,079,408.63
blocked reserves	350,718,361.05	0.00	-66,107,345.43	0.00	284,611,015.62
Reserves for own shares	**0.00**	**0.00**	**0.00**	**16,274,282.00**	**16,274,282.00**
Reserve pursuant to section 57 (5) of Austrian Banking Act (BWG)	**851,000,000.00**	**0.00**	**0.00**	**0.00**	**851,000,000.00**

On 16 August 2023, Erste Group Bank AG launched the share buyback program resolved by the management board on the basis of the authorization granted at the 30th annual general meeting on 12 May 2023 pursuant to Section 65 (1) no. 8 of the Austrian Stock Corporation Act and published on 12 May 2023, following approval by the supervisory board, which was granted on 9 August 2023. By the balance sheet date of 31 December 2023, 8,137,141 treasury shares with an acquisition cost of EUR 270,383,937.51 had been repurchased and recognized as a disposal in other revenue reserves in accordance with Section 229 (1a and 1b) of the Austrian Commercial Code (UGB). For further information, please refer to section C point 47. As of the balance sheet date, Erste Group Bank AG did not hold any treasury shares.

According to the Austrian Stock Corporation Act, this capital reduction is only effective once the capital reduction measure has been entered in the commercial register and the redemption of the underlying treasury shares has been resolved and implemented. In accordance with Section 229 (1a) UGB, however, a reduction in subscribed capital and a simultaneous increase in reserves for treasury shares in the amount of EUR 16,274,282.00 (previous year: EUR 0 thousand) must be reported when treasury shares are repurchased. The reduced subscribed capital amounted to EUR 843,325,718.00 as at December 31, 2023 (previous year: EUR 859,600 thousand) and was divided into 429,800,000 (previous year: 429,800,000) no-par value bearer shares with voting rights (ordinary shares). The number of shares is represented in item 9 subscribed capital and item 11a reserves for treasury shares.

From the purchase and sale of treasury shares as part of the employee share program, Erste Group Bank AG generated disposal losses from the long portfolio in the amount of EUR 1,274,382.93 (previous year: EUR 5,101 thousand), which were also recognized as disposals in other retained earnings in accordance with Section 229 (1a and 1b) UGB.

The net allocation to retained earnings amounted to EUR 678,275,099.47 (previous year: EUR 774,553 thousand), whereby EUR 744,382,444.90 (previous year: EUR 724,715 thousand) was allocated to other reserves and EUR 66,107,345.43 (previous year: allocation of EUR 49,838 thousand) was released from restricted reserves. The latter include EUR 7,816,529.37 (previous year: EUR 7,124 thousand) from the allocation to the ex ante fund (see Note 23) and the reversal of deferred tax assets of EUR 73,787,393.34 (previous year: allocation of EUR 43,238 thousand) in Austria, EUR 182,215.69 (previous year: EUR 543 thousand) in the New York branch and the allocation of deferred tax assets of EUR 45,734.23 (previous year: EUR 19 thousand) in the Hong Kong branch.

The capital contributed to the ex-ante fund is reported under blocked reserves, which, on a member level, does not qualify as own funds according to article 26 (1) CRR, as well as amounts from the capitalisation of deferred taxes which, pursuant to section 235 (2) Commercial Code, are subject to a payout block. Due to the restricted right of disposal, disclosure is carried out separately to the remaining equity items.

21. Authorised and conditional capital as of 31 December 2023

Authorised capital

According to clause 5 of the Articles of Association, the management board is authorised to increase the registered capital of the Company until 18 May 2027 subject to the supervisory board's consent - also in several tranches - by an amount of up to EUR 343,600,000.00 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 issuing conditions being determined by the management board subject to the supervisory board's consent.

Furthermore, the management board is authorised to fully or partly exclude the shareholders' subscription right subject to the supervisory board's consent (exclusion of the subscription right):

- if the capital increase is in return for contributions in kind; or
- if the capital increase is in return for a cash contribution and the shares issued to the exclusion of the subscription right of the shareholders, taken together, do not exceed EUR 85.960.000,00.

These two measures may also be combined.

The pro rata amount of registered capital attributable to the new shares (i) for which the subscription rights are excluded, (ii) which serve to fulfil subscription rights, conversion rights and conversion obligations from convertible bonds, which had been issued after 18 May 2022 according to clause 8.3 of the Articles of Association with the exclusion of the subscription rights, and (iii) which had been issued to fulfil stock options by employees, executives and members of the board of the company or an affiliated company from conditional capital in accordance with clause 6.3 of the Articles of Association must not exceed a total of 10% of the share capital.

Conditional Capital

Pursuant to clause 6.3 of the Articles of Association, conditional capital based on the management board resolutions in 2002 and 2010 (both approved by the supervisory board) with a nominal value of EUR 21,923,264.00 persists, which can be consumed by issuing up to 10,961,632 ordinary bearer shares or ordinary registered shares 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. According to clause 6.4 of the Articles of Association, the Company has additional conditional capital from the general meeting's resolution of 12 May 2009 of EUR 124,700,000.00 from the issuance of up to 62,350,000 ordinary bearer shares. This conditional capital serves to grant conversion or subscription rights to investors of convertible bonds. In the case of a specified conversion obligation in the terms of issue of convertible bonds, it should also serve to fulfil this conversion obligation. The issue amount and conversion ratio are to be determined according to financial calculation methods as well as the company's share prices in a recognised pricing procedure.

Authorized conditional capital

According to clause 7 of the Articles of Association currently no authorised conditional capital exists.

22. Major Shareholders

As of 31 December 2023, together with its syndicate partners (savings banks, share management savings banks – "Anteilsverwaltungssparkassen", and savings bank foundations – "Sparkassenstiftungen"), DIE ERSTE oesterreichische Spar-Casse Privatstiftung ("ERSTE Stiftung"), a foundation, controls 24.11% (prior year: 24.16%) of the shares in Erste Group Bank AG and with 17.54% (prior year: 17.30%) is the main shareholder. The ERSTE Stiftung holds 5.65% (prior year: 5.78%) of the shares directly; the indirect participation of the ERSTE Stiftung amounts to 11.89% (prior year: 11.52%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the ERSTE Stiftung. 2.49% (prior year: 2.78%) are held directly by savings bank foundations, savings banks, and the Erste employee share participation foundation (Erste Mitarbeiterbeteiligungsstiftung), acting together with the ERSTE Stiftung. 4.08% (prior year: 4.08%) are held by a syndicate partner, Wiener Städtische Versicherungsverein.

On 12 May 2023, a decision was made at the annual general meeting in favour of paying a dividend in the amount of EUR 1.90 per share. According to its share in Erste Group Bank AG, a dividend was paid for the ERSTE Stiftung amounting to EUR 94,614,216.00 (prior year: EUR 78,019 thousand) in the financial year 2023.

The purpose of the ERSTE Stiftung, to be achieved notably by way of holding interests in Erste Group Bank AG, is to support social, scientific, cultural as well as charitable institutions and to promote the guiding principles of the savings bank philosophy. As of 31 December 2023, Boris Marte (CEO), Wolfgang Schopf (CFO), Martin Wohlmuth (COO) and Eva Höltl were appointed as board members of the ERSTE Stiftung. The ERSTE Stiftung's supervisory board had nine members at the end of 2023, two of whom also serve as members of the supervisory board of Erste Group Bank AG.

In accordance with clause 15.1 of the Articles of Association, and for the time in which the ERSTE Stiftung assumes liability for all current and future debts in the event of their default on payment, it is entitled, pursuant to section 92 (9) Austrian Banking Act, to nominate up to one-third of the supervisory board members for election at the annual general meeting. So far, the ERSTE Stiftung has not exercised this right.

The ERSTE Stiftung did not hold as of 31 December 2023 bonds of Erste Group Bank AG (prior year: EUR 0 thousand). With the exception to the facts already mentioned in this section, there were, as in the prior year, no further business relations between Erste Group Bank AG and ERSTE Stiftung.

23. Resolution Fund, deposit guarantee fund, IPS fund

RESOLUTION FUND

EU directive 2014/59/EU (Bank Recovery and Resolution Directive, BRRD) was transposed into Austrian law via the Austrian Banking Restructuring and Resolution Act (BaSAG). BaSAG became effective on 1 January 2015. The law governs a number of aspects, including the creation of financing mechanisms for the resolution of credit institutions that provide for the annual payment of contributions by banks to a joint European resolution fund (Single Resolution Fund, SRF).

BaSAG defines the target level of the Austrian Resolution Fund and the contribution payable by the Austrian credit institutions. The law requires that the Resolution Fund be endowed with at least 1% of the secured deposits of all credit institutions authorised in Austria by 31 December 2024. Therefore, the fund shall be set up over a period of 10 years and, to the extent practicable, contributions will be equally distributed over the entire period.

The contributions to be made by the credit institutions are calculated as a ratio of their respective liabilities (exclusive of own funds) less secured deposits to the aggregate liabilities (exclusive of own funds) less secured deposits of all institutions authorised in Austria, distributed over a period of 10 years. Furthermore, these contributions will be weighted in accordance with the risk profile of the credit institution. The amount payable as contribution is thus determined not only by the respective credit institution's unsecured liabilities, but also significantly influenced by the unsecured liabilities held by all Austrian institutions and the risk weighting. The resolution authority is tasked with determining the risk weighting. In 2023, Erste Group Bank AG paid EUR 36,944,825.86 (prior year: EUR 41,859 thousand), which is included in the item other operating expenses.

DEPOSIT GUARANTEE FUND

The deposit guarantee scheme, based on an EU directive (2014/49/EU), serves to protect customer deposits held at credit institutions. This EU directive was transposed into national law in Austria by way of the Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG) and came into effect on 14 August 2015.

Every guarantee scheme has its own deposit guarantee fund consisting of available financial resources amounting to no less than 0.8% of the sum of covered deposits held at the member institutions (target level). This target level is to be achieved over a period of 10 years.

As long as the target level has not been reached, the guarantee schemes will require their member institutions to pay an annual contribution. The contributions payable by the member institutions are calculated based on the volume of covered deposits (0.8% of the covered deposits distributed over a 10-year period) and are determined in relation to the nature of the risks to which each relevant member institution is specifically exposed. The method used to determine the risk weighting must be approved by the FMA. In 2023, Erste Group Bank AG paid a total of EUR 84,214.13 (prior year: EUR 74 thousand), which is included in the item other administrative expenses.

IPS FUND (EX-ANTE-FUND)

The IPS fund is an ex-ante-fund of the Austrian savings banks' institutional guarantee system (IPS) that is intended to secure financial support to members facing economic difficulties. The IPS fund is a "Gesellschaft bürgerlichen Rechts" (IPS Fonds GesBR - a partnership under civil law) – the low-risk, readily available investment of the ex-ante-fund is recognised as a special asset. Shareholders with a stake in the assets are Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG, the building society of österreichische Sparkassen AG, and all other Austrian savings banks. Cross-guarantee scheme (Haftungsverbund) GmbH is an active partner but not obliged to make a capital contribution.

By means of annual allocations from the member institutes, the ex-ante fund will be built up until 31 December 2031. The aim is to achieve a volume amounting to 0.5% of the total risk exposure amount of Erste Group on a consolidated level, in accordance with article 92 (3) CRR. Cross-guarantee scheme (Haftungsverbund) GmbH is tasked with determining the amount of the respective payment due. The contributions (deposits) are to be taken from the annual financial result, with other reserves being released where necessary. Erste Group Bank AG created a reserve of EUR 7,816,529.37 (prior year: EUR 7,124 thousand) in 2023, which corresponds to the amount of the contributions made (deposits).

24. Own funds and capital requirement

These unconsolidated financial statements of Erste Group Bank AG have yet to be approved by the supervisory board. Erste Group Bank AG applies the transitional provisions regarding own funds requirements, market risk and credit risk according to the CRR accompanying regulation as well as EU Regulation No. 2016/445 of the European Central Bank on the use of options and discretions under European Union law, ECB/2016/4.

Own funds - Capital structure according to Regulation (EU) No 575/2013 (CRR)

in EUR or in EUR thousand	Article pursuant to CRR	CRR Dec 23	CRR Dec 22
Common equity tier 1 capital (CET1)			
Capital instruments eligible as CET1	26 (1) (a) (b), 27-30, 36 (1) (f), 42	2,348,025,681.54	2,364,264
Own CET1 instruments	36 (1) (f), 42	-24,033,558.63	-23,178
Retained earnings	26 (1) (c), 26 (2)	6,961,427,202.73	6,439,109
OCI	4 (100), 26 (1) (d)	-346,981,870.60	-397,561
Other reserves	4 (117), 26 (1) (e)	867,274,282.00	851,000
Prudential filter: cash flow hedge reserve	33 (1) (a)	7,371,997.63	17,971
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	63,189,877.67	22,578
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-5,943,586.06	10,741
Value adjustments due to the requirements for prudent valuation	34, 105	-70,802,221.42	-62,906
Regulatory adjustments relating to unrealised gains and losses	467, 468	0.00	0
Other intangible assets	4 (115), 36 (1) (b), 37 (a)	-29,508,634.85	-39,273
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-153,142,735.01	-215,124
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-8,208,523.55	-13,718
Excess of deduction from AT1 items over AT1	36 (1) (j)	0.00	0
Other components or deductions of the CET1	47 (c)	-9,401,847.10	-14,832
Common equity tier 1 capital (CET1)	**50**	**9,599,266,064.36**	**8,939,072**
Additional tier 1 capital (AT1)			
Additional tier 1 capital (AT1)	51 (a), 52-54, 56 (a), 57	2,405,134,876.13	2,236,153
Own AT1 instruments	52 (1) (b), 56 (a), 57	-1,400,000.00	-1,400
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	0.00	0
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484-487, 489, 491	0.00	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (27), 56 (d), 59, 79	0.00	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0.00	0
Additional tier 1 capital (AT1)	**61**	**2,403,734,876.13**	**2,234,753**
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier1 (AT1)		**12,003,000,940.49**	**11,173,825**
Tier 2 capital (T2)			**0**
Capital instruments and subordinated loans eligible as T2	62 (a), 63-65, 66 (a), 67	3,016,310,569.92	2,751,439
Own T2 instruments	63 (b) (i), 66 (a), 67	-60,905,071.10	-45,676
Instruments issued by subsidiaries recognised in T2	87, 88	0.00	0
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0.00	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	0.00	0
IRB excess of provisions over expected losses eligible	62 (d)	19,446,324.30	100,967
Standardised approach general credit risk adjustments	62 (c)	0.00	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (27), 66 (d), 68, 69, 79	0.00	0
Tier 2 capital (T2)	**71**	**2,974,851,823.12**	**2,806,729**
Total own funds		**14,977,852,763.60**	**13,980,554**
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**41,001,765,461.30**	**39,431,426**
CET1 capital ratio	**92 (2) (a)**	**23.41%**	**22.67%**
Tier 1 capital ratio	**92 (2) (b)**	**29.27%**	**28.34%**
Total capital ratio	**92 (2) (c)**	**36.53%**	**35.46%**

Capital Requirements - Risk structure according to Regulation (EU) No 575/2013 (CRR)

in EUR or in EUR thousand	Article pursuant to CRR	Dec 23 Calculation base/total risk (phased-in)	Dec 23 Capital requirement (phased-in)	Dec 22 Calculation base/total risk	Dec 22 Capital requirement
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**41,001,765,461.30**	**3,280,141,236.90**	**39,431,426**	**3,154,514**
Risk weighted assets (credit risk)	92 (3) (a) (f)	35,779,925,512.79	2,862,394,041.02	34,012,813	2,721,025
Standardised approach		4,364,122,518.25	349,129,801.46	4,375,180	350,014
IRB approach		31,406,748,314.37	2,512,539,865.15	29,632,550	2,370,604
Default fund contributions to a central counterparty		9,054,680.17	724,374.41	5,083	407
Settlement Risk	92 (3) (c) (ii), 92 (4) (b)	1,755,307.25	140,424.58	11,080	886
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (iii), 92 (4) (b)	4,059,576,911.75	324,766,152.94	4,272,111	341,769
Operational Risk	92 (3) (e), 92 (4) (b)	830,504,231.63	66,440,338.53	750,155	60,012
Exposure for CVA	92 (3) (d)	330,003,497.88	26,400,279.83	385,267	30,821
Other amounts receivable (regulatory Add-On)		0.00	0.00	0	0
Other exposure amounts incl. Basel 1 floor	3, 458, 459	0.00	0.00	0	0

In the columns "phased-in", the figures are shown under the currently valid CRR provisions, taking into account the incremental tax regulations.

For the preparation of consolidated capital and consolidated capital requirements, reference is made to the corresponding statements in the Erste Group's Consolidated Financial Statements 2022. Erste Group Bank AG has filed an application for early recognition of year-end profits according to Art. 26 para. 2 CRR.

25. List of assets pledged as collateral for liabilities (acc. to section 64 [1] no. 8 Austrian Banking Act)

Assets in EUR or in EUR thousand	Dec 23	Dec 22	Liability description	Balance sheet item
OeNB asset pool (tender)	**416,649,717.73**	**233,993**		
Fixed-income securities	416,649,717.73	233,993	Refinancing by OeNB / ECB	Liability 1
Collateral pool for municipal and mortgage bonds	**898,149,017.57**	**677,509**		
Loans and advances to customers	898,149,017.57	677,509	Issued municipal and mortgage bonds	Liability 3
Collateral for derivatives	**2,087,689,828.23**	**3,250,891**		
Cash Collateral for OTC-derivatives	1,260,835,674.77	2,226,357	Other liabilities	Liability 4
Cash Collateral for exchange traded derivatives	3,184,436.49	7,050	margin requirement	
Blocked securities account as collateral for OTC- and exchange traded derivatives	823,669,716.96	1,017,484	Other liabilities / margin requirement	Liability 4
Coverage for the pension provisions	**156,555,934.59**	**201,350**		
Pension provisions § 11 BPG	156,555,934.59	201,350	Coverage for the pension provisions	Liability 6
Pledge agreements	**252,720,409.49**	**242,312**		
Securities loan	252,720,409.49	242,312	Guarantees and contingent liabilities pledged as collateral	
Total	**3,811,764,907.61**	**4,606,054**		

Eligible collateral totalling EUR 30,933,308,795.81 (previous year: EUR 26,769 Tsd) was provided by the savings banks for Erste Group Bank AG's own liabilities.

In addition to the above-mentioned collaterals, the company's own issued mortgage bonds, which were not placed on the market, with a nominal volume of EUR 3,000,000,000.00 (previous year: EUR 0 thousand) were provided as collateral in repurchase agreements and with a nominal volume of EUR 900,000,000.00 (previous year: EUR 0 thousand) lent as part of securities lending transactions.

26. Total volume of unsettled derivativeses

Dec 23 in EUR	Remaining maturity nominals < 1 years	 1-5 years	 > 5 years	 Total
Interest rate contracts	**76,160,719,461.65**	**101,940,950,597.27**	**58,316,236,396.48**	**236,417,906,455.40**
OTC products	73,630,709,279.20	101,936,628,764.69	58,316,236,396.48	233,883,574,440.37
Options	1,574,759,804.03	5,320,309,876.87	884,096,080.12	7,779,165,761.02
Other (f.i.: Interest rate swaps)	72,055,949,475.17	96,616,318,887.82	57,432,140,316.36	226,104,408,679.35
Exchange-traded products	2,530,010,182.45	4,321,832.58	0.00	2,534,332,015.03
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	2,530,010,182.45	4,321,832.58	0.00	2,534,332,015.03
Securities related business	**1,060,046,667.07**	**3,577,446,095.82**	**672,102,400.00**	**5,309,595,162.89**
OTC products	654,480,803.87	3,572,200,365.82	672,102,400.00	4,898,783,569.69
Options	379,207,677.61	1,670,490,602.62	111,216,400.00	2,160,914,680.23
Other (f.i.: Stock swaps)	275,273,126.26	1,901,709,763.20	560,886,000.00	2,737,868,889.46
Exchange-traded products	405,565,863.20	5,245,730.00	0.00	410,811,593.20
Options	186,887,797.64	5,224,400.00	0.00	192,112,197.64
Other (f.i.: Futures)	218,678,065.56	21,330.00	0.00	218,699,395.56
Currency contracts	**51,825,259,586.16**	**14,255,976,828.31**	**2,687,320,907.73**	**68,768,557,322.20**
OTC products	51,813,749,373.26	14,255,976,828.31	2,687,320,907.73	68,757,047,109.30
Options	2,256,833,628.62	415,001,806.56	65,619,373.17	2,737,454,808.35
Other (f.i.: Currency swap)	49,556,915,744.64	13,840,975,021.75	2,621,701,534.56	66,019,592,300.95
Exchange-traded products	11,510,212.90	0.00	0.00	11,510,212.90
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	11,510,212.90	0.00	0.00	11,510,212.90
Credit derivatives	**232,638,398.19**	**377,884,000.00**	**0.00**	**610,522,398.19**
OTC products	232,638,398.19	377,884,000.00	0.00	610,522,398.19
Credit default options	0.00	0.00	0.00	0.00
Other (f.i.: Credit Default Swaps)	232,638,398.19	377,884,000.00	0.00	610,522,398.19
Exchange-traded products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
Commodity contracts	**7,241,963.80**	**0.00**	**0.00**	**7,241,963.80**
OTC products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other (f.i.: Commodity swaps)	0.00	0.00	0.00	0.00
Exchange-traded products	7,241,963.80	0.00	0.00	7,241,963.80
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	7,241,963.80	0.00	0.00	7,241,963.80
Other	**16,000,000.00**	**862,830,180.06**	**355,284,553.40**	**1,234,114,733.46**
OTC products	16,000,000.00	862,830,180.06	355,284,553.40	1,234,114,733.46
Options	4,000,000.00	120,000,000.00	45,000,000.00	169,000,000.00
Other (f.i.: Inflation swaps)	12,000,000.00	742,830,180.06	310,284,553.40	1,065,114,733.46
Exchange-traded products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
Total	**129,301,906,076.87**	**121,015,087,701.46**	**62,030,944,257.61**	**312,347,938,035.94**
OTC products	**126,347,577,854.52**	**121,005,520,138.88**	**62,030,944,257.61**	**309,384,042,251.01**
Exchange-traded products	**2,954,328,222.35**	**9,567,562.58**	**0.00**	**2,963,895,784.93**

The nominal values were presented without netting the transactions with central counterparties.

Dec 22 in EUR thousand	Remaining maturity nominals < 1 years	 1-5 years	 > 5 years	 Total
Interest rate contracts	**82,195,640**	**106,974,916**	**51,467,934**	**240,638,490**
OTC products	81,886,653	106,974,916	51,467,934	240,329,503
Options	1,831,232	5,984,968	1,006,053	8,822,253
Other (f.i.: Interest rate swaps)	80,055,421	100,989,948	50,461,881	231,507,250
Exchange-traded products	308,987	0	0	308,987
Options	0	0	0	0
Other (f.i.: Futures)	308,987	0	0	308,987
Securities related business	**1,402,433**	**3,737,688**	**749,216**	**5,889,337**
OTC products	805,035	3,736,335	749,216	5,290,586
Options	440,116	1,885,333	123,645	2,449,094
Other (f.i.: Stock swaps)	364,919	1,851,001	625,571	2,841,491
Exchange-traded products	597,398	1,353	0	598,751
Options	259,714	1,343	0	261,056
Other (f.i.: Futures)	337,684	11	0	337,695
Currency contracts	**58,935,208**	**15,274,818**	**2,104,203**	**76,314,230**
OTC products	58,923,879	15,274,818	2,104,203	76,302,901
Options	1,215,723	289,925	160,956	1,666,603
Other (f.i.: Currency swap)	57,708,156	14,984,894	1,943,247	74,636,297
Exchange-traded products	11,329	0	0	11,329
Options	0	0	0	0
Other (f.i.: Futures)	11,329	0	0	11,329
Credit derivatives	**110,948**	**932,041**	**0**	**1,042,989**
OTC products	110,948	932,041	0	1,042,989
Credit default options	0	0	0	0
Other (f.i.: Credit Default Swaps)	110,948	932,041	0	1,042,989
Exchange-traded products	0	0	0	0
Options	0	0	0	0
Other	0	0	0	0
Commodity contracts	**8,808**	**0**	**0**	**8,808**
OTC products	0	0	0	0
Options	0	0	0	0
Other (f.i.: Commodity swaps)	0	0	0	0
Exchange-traded products	8,808	0	0	8,808
Options	0	0	0	0
Other (f.i.: Futures)	8,808	0	0	8,808
Other	**84,500**	**711,393**	**448,709**	**1,244,603**
OTC products	84,500	711,393	448,709	1,244,603
Options	8,500	84,000	85,000	177,500
Other (f.i.: Inflation swaps)	76,000	627,393	363,709	1,067,103
Exchange-traded products	0	0	0	0
Options	0	0	0	0
Other	0	0	0	0
Total	**142,737,537**	**127,630,857**	**54,770,063**	**325,138,457**
OTC products	**141,811,015**	**127,629,504**	**54,770,063**	**324,210,582**
Exchange-traded products	**926,522**	**1,353**	**0**	**927,875**

27. Derivative financial instruments and fixed-asset financial instruments

Derivative financial instruments

Dec 23 in EUR	Notional amount	thereof sells	Carrying amount Assets (+) / Liabilities (-)	Fair value Positive	Negative
Interest rate contracts	**236,417,906,455.40**	**3,990,240,254.24**	**-8,995,705.00**	**5,959,330,026.73**	**-6,671,648,942.41**
OTC products	233,883,574,440.37	3,990,240,254.24	-8,995,705.00	5,959,330,026.73	-6,671,648,942.41
Options	7,779,165,761.02	3,990,240,254.24	34,295,075.19	114,552,652.34	-80,347,043.54
Other (f.i.: Interest rate swaps)	226,104,408,679.35		-43,290,780.19	5,844,777,374.39	-6,591,301,898.87
Exchange-traded products	2,534,332,015.03	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	2,534,332,015.03		0.00	0.00	0.00
Securities related business	**5,309,595,162.89**	**872,931,656.64**	**47,205,092.58**	**238,256,739.90**	**-229,990,686.66**
OTC products	4,898,783,569.69	764,438,670.87	63,264,173.65	232,963,582.19	-208,638,447.88
Options	2,160,914,680.23	764,438,670.87	55,491,658.54	122,490,270.56	-99,771,186.26
Other (f.i.: Stock swaps)	2,737,868,889.46		7,772,515.11	110,473,311.63	-108,867,261.62
Exchange-traded products	410,811,593.20	108,492,985.77	-16,059,081.07	5,293,157.71	-21,352,238.78
Options	192,112,197.64	108,492,985.77	-16,059,081.07	5,293,157.71	-21,352,238.78
Other (f.i.: Futures)	218,699,395.56		0.00	0.00	0.00
Currency contracts	**68,768,557,322.20**	**1,641,469,560.69**	**-213,030,543.93**	**761,110,188.36**	**-968,804,852.13**
OTC products	68,757,047,109.30	1,641,469,560.69	-213,030,543.93	761,110,188.36	-968,804,852.13
Options	2,737,454,808.35	1,641,469,560.69	-3,536,933.81	35,517,040.90	-39,105,535.05
Other (f.i.: Currency swap)	66,019,592,300.95		-209,493,610.12	725,593,147.46	-929,699,317.08
Exchange-traded products	11,510,212.90	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	11,510,212.90		0.00	0.00	0.00
Credit derivatives	**610,522,398.19**	**7,500,000.00**	**-538,093.73**	**5,826,136.05**	**-12,569,793.19**
OTC products	610,522,398.19	7,500,000.00	-538,093.73	5,826,136.05	-12,569,793.19
Credit default options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Credit Default Swaps)	610,522,398.19	7,500,000.00	-538,093.73	5,826,136.05	-12,569,793.19
Exchange-traded products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other	0.00		0.00	0.00	0.00
Commodity contracts	**7,241,963.80**	**0.00**	**0.00**	**0.00**	**0.00**
OTC products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Commodity swaps)	0.00		0.00	0.00	0.00
Exchange-traded products	7,241,963.80	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	7,241,963.80		0.00	0.00	0.00
Other	**1,234,114,733.46**	**0.00**	**802,488.47**	**12,306,477.52**	**-14,405,541.35**
OTC products	1,234,114,733.46	0.00	802,488.47	12,306,477.52	-14,405,541.35
Options	169,000,000.00	0.00	155,952.88	155,952.88	0.00
Other (f.i.: Inflation swaps)	1,065,114,733.46		646,535.59	12,150,524.64	-14,405,541.35
Exchange-traded products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other	0.00		0.00	0.00	0.00
Total	**312,347,938,035.94**	**6,512,141,471.57**	**-174,556,761.61**	**6,976,829,568.56**	**-7,897,419,815.74**
thereof external/internal deals					
external deals	287,076,739,637.60	6,035,338,851.43	-135,489,854.80	6,049,455,728.35	-6,970,045,975.53
internal deals	25,271,198,398.34	476,802,620.14	-39,066,906.81	927,373,840.21	-927,373,840.21
thereof OTC/Exchange-traded products					
OTC products	309,384,042,251.01	6,403,648,485.80	-158,497,680.54	6,971,536,410.85	-7,876,067,576.96
Exchange-traded products	2,963,895,784.93	108,492,985.77	-16,059,081.07	5,293,157.71	-21,352,238.78
thereof trading book/banking book					
Trading Book	281,300,626,787.72	6,425,002,773.38	-116,666,504.38	6,320,544,875.83	-6,291,661,312.16
Banking Book	31,047,311,248.22	87,138,698.19	-57,890,257.23	656,284,692.73	-1,605,758,503.58
thereof hedges	30,266,726,960.29	86,429,761.53	-43,861,034.07	652,959,186.28	-1,591,167,025.59

Nominal Values and fair values are presented without netting transactions with central counterparties.

The carrying amounts of derivatives are reported after netting transactions with central counterparties. The netting includes derivatives on the asset and liability side as well as cash collateral provided or received to cover the fair values of derivatives not yet matured (cash collaterals). Netted carrying amounts are shown on the balance sheet on other assets or other liabilities.

Dec 22 in EUR thousand	Notional amount	thereof sells	Carrying amount Assets (+) / Liabilities (-)	Fair value Positive	Negative
Interest rate contracts	**240,638,490**	**4,593,467**	**92,659**	**7,652,863**	**-9,270,319**
OTC products	240,329,503	4,593,467	92,659	7,652,863	-9,270,319
Options	8,822,253	4,593,467	19,129	159,466	-140,575
Other (f.i.: Interest rate swaps)	231,507,250	0	73,530	7,493,397	-9,129,744
Exchange-traded products	308,987	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	308,987	0	0	0	0
Securities related business	**5,889,337**	**1,171,954**	**148,142**	**283,243**	**-306,621**
OTC products	5,290,586	1,031,983	148,782	274,542	-297,280
Options	2,449,094	1,031,983	49,257	141,238	-163,940
Other (f.i.: Stock swaps)	2,841,491	0	99,525	133,305	-133,341
Exchange-traded products	598,751	139,972	-640	8,701	-9,341
Options	261,056	139,972	-640	8,701	-9,341
Other (f.i.: Futures)	337,695	0	0	0	0
Currency contracts	**76,314,230**	**1,130,105**	**-421,992**	**907,109**	**-1,339,557**
OTC products	76,302,901	1,130,105	-421,992	907,109	-1,339,557
Options	1,666,603	1,130,105	-23,400	20,450	-44,344
Other (f.i.: Currency swap)	74,636,297	0	-398,592	886,659	-1,295,213
Exchange-traded products	11,329	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	11,329	0	0	0	0
Credit derivatives	**1,042,989**	**47,678**	**-470**	**8,808**	**-9,464**
OTC products	1,042,989	47,678	-470	8,808	-9,464
Credit default options	0	0	0	0	0
Other (f.i.: Credit Default Swaps)	1,042,989	47,678	-470	8,808	-9,464
Exchange-traded products	0	0	0	0	0
Options	0	0	0	0	0
Other	0	0	0	0	0
Commodity contracts	**8,808**	**0**	**0**	**0**	**0**
OTC products	0	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Commodity swaps)	0	0	0	0	0
Exchange-traded products	8,808	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	8,808	0	0	0	0
Other	**1,244,603**	**4,250**	**12,126**	**14,491**	**-18,748**
OTC products	1,244,603	4,250	12,126	14,491	-18,748
Options	177,500	4,250	460	460	0
Other (f.i.: Inflation swaps)	1,067,103	0	11,666	14,032	-18,748
Exchange-traded products	0	0	0	0	0
Options	0	0	0	0	0
Other	0	0	0	0	0
Total	**325,138,457**	**6,947,455**	**-169,535**	**8,866,514**	**-10,944,709**
thereof external/internal deals					
external deals	301,494,263	6,402,353	-432,304	7,783,491	-9,861,685
internal deals	23,644,194	545,101	262,769	1,083,024	-1,083,024
thereof OTC/Exchange-traded products					
OTC products	324,210,582	6,807,483	-168,895	8,857,814	-10,935,368
Exchange-traded products	927,875	139,972	-640	8,701	-9,341
thereof trading book/banking book					
Trading Book	297,639,316	6,653,879	-55,535	8,433,731	-8,456,363
Banking Book	27,499,141	293,576	-114,000	432,784	-2,488,345
thereof hedges	26,542,106	106,546	-76,522	432,355	-2,450,907

Book values are represented in the following balance sheet items:

in EUR or in EUR thousand	Dec 23	thereof internal trades	Dec 22	thereof internal trades
A12 Other assets	2,603,892,916.72	652,417,266.94	3,535,650	875,226
A14 Prepayments and accrued income	12,183,609.03	11,847,260.11	9,064	8,689
P04 Other liabilities	2,618,674,138.00	601,938,814.73	3,515,585	490,442
P05 Accruals and deferred income	169,963,175.33	99,913,416.81	195,497	129,762
P06 Provisions	1,995,974.03	1,479,202.32	3,168	945

Embedded derivates

in EUR or in EUR thousand	Dec 23			Dec 22		
	Notional amount	Fair value		Notional amount	Fair value	
		Positive	Negative		Positive	Negative
Securities related business	1,363,048,251.75	56,018,066.12	-61,019,790.90	1,384,449	125,204	-16,891
Credit derivatives	93,256,000.00	1,362,980.77	-2,038,869.29	122,851	3,449	-2,374
Other	235,000,000.00	2,374,915.99	-3,133,487.26	235,000	9,491	-378
Total	**1,691,304,251.75**	**59,755,962.88**	**-66,192,147.45**	**1,742,300**	**138,144**	**-19,644**

Embedded derivatives are reported together with the underlying liability in accordance with AFRAC Statement 15 (2020), as the embedded derivatives are fully hedged. Therefore, the table does not include any book values.

Fixed assets instruments

In the following table the figures are displayed without contractual interest accruals.

in EUR or in EUR thousand	Carrying amount	Positive fair value	Hidden losses	Hidden reserves
Dec 23				
Treasury bills	3,811,284,505.99	3,265,689,594.26	-545,594,911.73	
	1,710,892,011.16	1,777,163,556.84		66,271,545.68
Loans and advances to credit institutions	1,022,106,893.72	993,220,395.89	-28,886,497.83	
	465,636,892.28	471,900,556.82		6,263,664.54
Loans and advances to customers	684,912,907.07	654,402,268.62	-30,510,638.45	
	633,302,127.85	636,964,426.80		3,662,298.95
Debt securities	3,271,009,341.72	3,089,519,417.74	-181,489,923.98	
	1,522,495,730.57	1,553,442,890.40		30,947,159.83
Shares and other variable-yield securities	357,875,419.72	357,822,298.44	-53,121.28	
	744,120,098.68	754,596,232.75		10,476,134.07
Financial instruments carried as fixed assets	**9,147,189,068.22**	**8,360,653,974.95**	**-786,535,093.27**	
	5,076,446,860.54	**5,194,067,663.62**		**117,620,803.08**
Dec 22				
Treasury bills	5,425,855	4,630,925	-794,930	
	378,269	384,476		6,206
Loans and advances to credit institutions	1,348,140	1,279,907	-68,233	
	474,861	514,421		39,560
Loans and advances to customers	1,057,342	1,004,381	-52,961	
	75,999	77,056		1,057
Debt securities	3,694,013	3,368,016	-325,998	
	204,843	206,113		1,270
Shares and other variable-yield securities	266,229	266,201	-27	
	815,942	874,030		58,088
Financial instruments carried as fixed assets	**11,791,578**	**10,549,430**	**-1,242,148**	
	1,949,914	**2,056,096**		**106,182**

Fixed assets were not written down because the impairments are not expected to be permanent. Analyses in this regard showed that there were no credit rating related impairments in the reporting period. Interest induced impairments are not realized because there is an ability and intention to hold these securities until maturity. Fair value is the amount that could be obtained in an active market through the sale of a financial instrument, or correspondingly the amount that would be payable for its purchase. If market prices were available, these are used to determine fair value. In the absence of market prices, valuation models, in particular the present value method, were used.

28. Market value for securities in inactive markets

Erste Group Bank AG calculates theoretical prices for securities in an inactive market. A market is assumed to be inactive when prices for the relevant securities are formed only sporadically, there is only small-volume trading or no current prices are available.

Of securities traded on stock exchanges and valued at market price, theoretical prices were used for the following volumes. The values shown in the following tables do not include contractual accrued interest.

in EUR or in EUR thousand	Dec 23	Dec 22
Carrying amount of securities not marked on the basis of market prices	394,695,698.68	201,360
Fair value on the basis of the price in the inactive market	375,278,892.73	187,888
Difference	-19,416,805.95	-13,472

The last available rates are used as rates for inactive markets. Out of the difference from the reporting year in the amount of EUR 19,416,805.95, EUR 21,067,078.86 (prior year: EUR 19,671 thousand) can be attributed to a zero-coupon bond (for which the last available market price dates from 2001) with a term of 30 years, from which further nominal values were acquired in the financial year 2023.

29. Reclassification in securities positions

In 2023 no need for reclassification of security positions to the current asset portfolio occured.

30. Hedging transactions

Erste Group Bank AG uses interest rate swaps, cross currency swaps, credit derivatives and options in order to hedge against the market risk (interest-change risk and price risk) from balance sheet assets (bonds, long-term repurchase agreements on asset side) and liabilities (own issues) on an individual basis.

Derivatives are used as specified by the hedging strategy in accordance with the Commercial Code (UGB) to hedge the fair value or the variable future cash flow of underlying transactions and thereby reducing the interest rate risk of Erste Group Bank AG to the level defined under the interest risk strategy.

Erste Group Bank AG uses interest rate swaps to hedge the interest rate risk of the variable future cash flows from the ECB deposit facility.

in EUR	Dec 23	Dec 22	Change
Fair value hedge			
Positive market value fair value hedge	518,691,631.67	403,644,438.84	115,047,192.83
Negative market value fair value hedge	-1,426,455,149.12	-2,340,977,410.19	914,522,261.07
Cash flow hedge			
Positive market value cash flow hedge	0.00	0.00	0.00
Negative market value cash flow hedge	-9,325,328.03	-23,346,650.54	14,021,322.51
Total			
Total positive market values	518,691,631.67	403,644,438.84	115,047,192.83
Total negative market values	-1,435,780,477.15	-2,364,324,060.73	928,543,583.58

The table above represents the proportion of the fair value (Dirty Price) of derivatives in a hedging relationship that were not recognized in the balance sheet (prior to netting). As of 31 December 2023, fair value hedges with maturity up to 2053 and cash flow hedges with maturity up to 2024 were held.

The negative fair values (without taking into account accrued interest) of derivatives used to hedge cash flows were not recognized in the annual financial statements because these cash flows are with almost certain probability offset by cash flows from the underlying ECB deposit facility.

The Commercial Code hedging efficiency measurement is carried out for Erste Group Bank AG for the year 2023 in form of a critical term match and for cash flow hedges within the framework of a regression test.

31. Consideration of CVA/DVA in derivative valuation

Credit value adjustments (CVA) for counterparty default risks and debt value adjustments (DVA) for own credit risk are applied for all OTC derivatives. No CVA was recognized for counterparties fully backed by credit support annex – agreements (CSA). The CVA adjustment depends on the expected positive exposure and the counterparty's credit worthiness. DVA is determined by the expected negative exposure and by the credit quality of Erste Group Bank AG. The calculation of expected exposure is based on a model that relies on replicated options and on a Monte Carlo simulation, respectively, the probability of default is based on market information.

For portfolios that are marked-to-market, both CVA and a DVA in the amount of EUR -6,601,672.93 (prior year: EUR -3,277 thousand) and EUR 7,768,371.91 (prior year: EUR 11,289 thousand), respectively were recognized. For the banking book portfolio as in prior years, no CVA (prior year: EUR 0 thousand) was recognized, since hedging transactions are carried out via a central counterparty whereby trades are collateralized.

32. Risk provisions

Changes in risk provisions (loans and advances to credit institutions and to customers, receivables and similar financial instruments to credit institutions, receivables and similar financial instruments to customers, and contingent liabilities):

in EUR or in EUR thousand	1-12 23	1-12 22
Opening balance	**433,082,174.50**	**412,633**
Allocations / Releases (-)	-129,218,591.28	80,190
Use	-65,355,449.33	-65,067
Reclassification	0.00	0
Exchange rate changes	-420,422.95	5,325
Closing balance	**238,087,710.94**	**433,082**

33. Contingent liabilities

Within the off-balance item contingent liabilities in the amount of EUR 6,795,798,182.06 (prior year: EUR 5,442,227 thousand) necessary provisions were deducted. The largest part of the amount totaling EUR 6,624,575,783.86 (prior year: EUR 5,052,021 thousand) relates to liabilities and guarantees from collateralization. This amount also includes comfort letters in the amount of EUR 363,020,419.97 (prior year: EUR 433,170 thousand). A large part of this sum totaling EUR 265,982,814.01 (prior year: EUR 303,974 thousand) was issued by Erste Group Bank AG in 2015 for affiliated companies in case they do not meet their rent payment obligations for the Erste Campus. Moreover, this item also includes credit derivatives in the amount of EUR 171,222,398.20 (prior year: EUR 390,206 thousand).

34. Credit risk

There is credit risk in the amount of EUR 17,001,809,033.05 (prior year: EUR 13,851,144 thousand) primarily for loan and guarantee commitments which have not yet been exercised. These amounts are net of the appropriate provisions.

35. Gross income – regional breackdown

Gross income of Erste Group Bank AG was broken down as follows (according to the location of branches):

	1-12 23			1-12 22		
in EUR or in EUR thousand	Domestic	Abroad	Total	Domestic	Abroad	Total
Interest and similar income	8,555,824,257.30	1,559,364,581.14	10,115,188,838.44	4,365,581	562,488	4,928,069
Income from securities and participating interests	1,533,566,539.92	0.00	1,533,566,539.92	1,877,998	0	1,877,998
Fee and commission income	215,787,487.50	34,544.62	215,822,032.12	204,684	47	204,731
Net profit or loss on financial operations	-96,793,305.30	120,019,813.47	23,226,508.17	-82,227	-30,503	-112,730
Other operating income	104,220,444.29	926,528.08	105,146,972.37	131,441	1,960	133,401
Gross income	**10,312,605,423.71**	**1,680,345,467.31**	**11,992,950,891.02**	**6,497,477**	**533,992**	**7,031,469**

36. Net interest income

Erste Group Bank AG recognizes negative interest charged on loans from money market claims, particularly with central banks (assets) in the amount of EUR 293,276.82 (prior year: EUR 95,567 thousand) under interest and similar expenses. Negative interest on deposits, in particular from TLTRO III operations (liabilities) in the amount of EUR 346,721.45 (prior year: EUR 132,276 thousand) is recognized under interest and similar income. Securities (assets) show negative interest in the amount of EUR 1,587,922.65 (prior year: EUR 2,838 thousand) under interest and similar expenses. Securities (liabilities) show negative interest in the amount of EUR 3,091,919.66 (prior year: EUR 11,231 thousand) under interest and similar income.

37. Income from participating interests and shares in affiliated companies

The balance sheet item income from participating interests and shares in affiliated companies includes EUR 311,209,552.09 (prior year: EUR 349,414 thousand) and the balance sheet item extraordinary income includes EUR 36,074,594.28 (prior year: EUR 4,782 thousand) from group members, which are subsidiaries belonging to the fiscal group of Erste Group Bank AG within the framework of the group taxation regulations which came into power in 2005.

38. Other operating income

Other operating income of EUR 105,146,972.37 (prior year: EUR 133,401 thousand) included income from personnel and other administrative expenses reimbursed to group members in the amount of EUR 82,271,354.53 (prior year: EUR 77,458 thousand). In the prior year also income from the release of pension provisions in the amount of EUR 22,264 thousand as well as income from the termination of derivatives without an underlying transaction in the amount of EUR 15,346 thousand were included in this item.

39. Personnel expenses

In terms of personnel expenses, the position expenses for severance payments and payments to severance-payment funds included expenses for severance payments in the amount of EUR 3,418,970.50 (prior year: EUR 1,562 thousand).

Expenses for pensions are accounted for as follows:
— For defined pension payments in the amount of EUR 12,153,944.27 as income from the release of pension provisions included in the other operating income position (prior year: EUR 22,264 thousand in personnel expenses) and interest expenses in the amount of EUR 8,841,863.61 (prior year: 3,243 thousand) as interest costs.
— Current pension fund contributions in the amount of EUR 10,721,495.35 (prior year: EUR 9,349 thousand) also as personnel costs.

40. Other administrative expenses

Other administrative expenses include fees paid for auditing and tax advisory services. The table below lists the fees or charges, including value added tax, charged by the external auditors (Sparkassen-Prüfungsverband and PwC Wirtschaftsprüfung GmbH):

in EUR or in EUR thousand	1-12 23	1-12 22
Fees charged for auditing the financial statements	3,304,110.92	3,181
Fees charged for audit-related services	1,785,616.93	1,162
Fees charged for tax advisory services	0.00	0
Fees charged for other services	148,686.98	51
Total	**5,238,414.83**	**4,395**

As statutory auditors, Sparkassen-Prüfungsverband (auditing agency) provided auditing services for affiliated companies of Erste Group Bank AG in the amount of EUR 5,930,913.00 (prior year: EUR 6,063 thousand). Other advisory services were charged to other affiliated companies in the amount of EUR 87,556.00 (prior year: EUR 42 thousand). The amount charged for other services for affiliated companies came up to EUR 54,355.00 (prior year: EUR 0 thousand).

PwC Wirtschaftsprüfung GmbH provided auditing services for affiliated companies of Erste Group Bank AG in the amount of EUR 826,636.00 (prior year: EUR 704 thousand). Other advisory services were charged to other affiliated companies in the amount of EUR 215,028.00 (prior year: EUR 266 thousand).

41. Other operating expenses

Other operating expenses in the amount of EUR 49,207,688.25 (prior year: EUR 78,396 thousand) mainly comprise expenses for the Resolution Fund in the amount of EUR 36,944,825.86 (prior year: EUR 41,859 thousand) as well as the expenses for the Operational Risk Insurance Program in the amount of EUR 6,379,421.99 (prior year: EUR 6,887 thousand). In the prior year also expenses from the termination of derivatives without underlying transaction in the amount of EUR 11,182 thousand were included in this item.

42. Value adjustments as well as results from purchases and sales in respect of participating interests and shares in affiliated Companies

In 2023, the balance from value adjustments as well as results from sales of participating interests and shares in affiliated companies results in a write-up of EUR 514,794,760.70 (prior year: write-down EUR 174,499 thousand). This amount is largely attributable to the write-up of Banca Comercială Română S.A. of EUR 461,800,000.00 (prior year: EUR 68,000 thousand) and of Erste Bank Hungary Zrt. of EUR 74,499,678.69 (prior year: write-down EUR 192,900 thousand) as well as the writedown of Erste Group Immorent GmbH of EUR 17,500,000.00 (prior year: EUR 20,394 thousand) and of OM Objektmanagement GmbH of EUR 13,300,000.00 (prior year: EUR 6,400 thousand).

For group members (subsidiaries that are considered a tax group with Erste Group Bank AG under the group taxation regulations of 2005) revaluation requirements in the amount of EUR 34,630,000.00 (prior year: EUR 32,094 thousand) and write-ups amounting to EUR 5,334,999.00 (prior year: EUR 9,756 thousand) are included in this item. As in the prior year, no group members were sold affecting results in the reporting year.

43. Taxes on profit and loss

The item taxes on profit or loss shows income amounting to EUR 71,261,080.91 (prior year: EUR 145,687 thousand). This includes income in the amount of EUR 224,860,139.92 (prior year: EUR 138,179 thousand) from the current tax allocation, an expense of EUR 7,062,794.49 (prior year: income EUR 1,840 thousand) from the retroactive accounting of prior years according to section 9 Corporate Tax Act on group taxation, as well as an income of EUR 73,875,472 (prior year: EUR 42,526 thousand) from deferred tax assets. For current corporate income tax to Austrian tax authority, an expense amounting to EUR 65,800,000.00 (prior year: EUR 19,661 thousand) was recorded, as well as an aperiodic corporate income tax expense of EUR 4,185,637.09 (prior year: EUR 5,882 thousand).

Since 2005, Erste Group Bank AG and its main domestic subsidiaries have formed a tax group in accordance with section 9 Corporate Tax Act, with Erste Group Bank AG as parent company of the group. Group and tax equalisation agreements were concluded with all affiliated companies. Under these agreements, affiliated companies allocate amounts equivalent to the corporation tax on taxable profits to Erste Group Bank AG. Since tax losses from prior years are recorded and offset against their current tax liability by the affiliated companies themselves, there is no obligation to make tax allocation payments to Erste Group Bank AG. Moreover, Erste Group Bank AG undertakes to make compensatory payments for any tax losses utilized up to that point to any affiliated company leaving the Group.

Foreign income taxes and other foreign income related taxes are expenses of EUR 15,133,498.72 (prior year: EUR 8,030 thousand).

44. Other taxes

The balance sheet item other taxes not shown under item 18 in the amount of EUR 18,881,374.70 (prior year: EUR 22,316 thousand) includes mainly the bank levy to the amount of EUR 24,532,861.56 (prior year: EUR 21,886 thousand). In 2023 provisions from past years in the amount of EUR 6,251,342.10 (prior year: EUR 0 thousand) were released.

45. Branches on a consolidated basis

Business area Branches Country of domicile	Commercial lending to foreign banks, leasing companies and sovereign debtors New York USA	 Hong Kong China	Institutional sales-business Berlin, Stuttgart Germany
Dec 23			
Net interest income in EUR	61,855,536.14	-20,486,313.55	-2,019.55
Operating result in EUR	61,985,130.20	-17,387,815,80	-207.28
Headcount / as of reporting date	24	24	13
Profit or loss from ordinary activities in EUR	50,237,191.68	-24,426,155.22	-4,037,452.97
Taxes on income in EUR	-13,392,124.49	-1,759,417.79	-34,035.28
Public benefits received	none	none	none
Dec 22			
Net interest income in EUR thousand	63,296	-6,814	2
Operating result in EUR thousand	64,703	-8,548	3
Headcount / as of reporting date	22	24	12
Profit or loss from ordinary activities in EUR thousand	54,264	-16,521	-3,784
Taxes on income in EUR thousand	-8,446	-271	-26
Public benefits received	none	none	none

The consolidated negative result before tax of Hong Kong branch is due to internal trades with Vienna headquarter for the purpose of refinancing and hedging. These trades are to be eliminated for the presentation of the table. The overall unconsolidated branch result is positive.

46. Return on assets

Profit for the year after tax before changes in reserves expressed in proportion to the average total assets was at balance sheet date 1.8% in 2023 (prior year: 1.7%).

47. Events after balance sheet date

The resolution based on the authorization given at the 30th Annual General Meeting on 12 May 2023 in accordance with Section 65 (1) No. 8. The share buyback program implemented by Erste Group Bank AG under the Austrian Stock Corporation Act was terminated on 16 February 2024. 8,887,092 shares were acquired at an average price of EUR 33.76 (total: EUR 299,999,998.23). The decision to withdraw the 8,887,092 shares was made on 22 February 2024 by both the Board of Directors and the Supervisory Board of Erste Group Bank AG becomes effective upon entry in the commercial register.

D. INFORMATION ON BOARD MEMBERS AND EMPLOYEES

The average number of employees at Erste Group Bank AG (weighted, excluding employees on leave and management board members) was 1,965 during the financial year 2023 (previous year: 1,860).

In 2023, 117 employees (previous year: 121) worked at other companies against reimbursement of expenses. The reimbursement costs of EUR 24,905,405.17 (previous year: EUR 25,733 thousand) are included in other operating income.

Overview remuneration of management and supervisory board members

The following table displays the total remuneration of the management board and the supervisory board. The expenses were recognised on an accrued basis. The amounts indicated correspond to the expected payments on the balance sheet date and can deviate from those amounts, which are actually paid out.

The distribution of remuneration to active members of the management and supervisory boards is as follows:

	1-12 23			1-12 22		
in EUR or in EUR thousand	Management Board	Supervisory Board	Total	Management Board	Supervisory Board	Total
Short-term benefits	8,241,447.77	2,082,904.13	10,324,351.90	7,256	1,857	9,113
Post-employment benefits	1,707,068.67	0.00	1,707,068.67	1,423	0	1,423
Other long-term benefits	1,403,762.13	0.00	1,403,762.13	1,229	0	1,229
Share-based payments	3,503,169.98	0.00	3,503,169.98	2,240	0	2,240
Total	**14,855,448.55**	**2,082,904.13**	**16,938,352.68**	**12,148**	**1,857**	**14,005**

Neither in 2023 nor in the previous year, Erste Group Bank AG granted loans directly to members of the board or supervisory board. Remuneration paid to board members, who left during this financial year, is reported as active board members. The members of the management board of Erste Group Bank AG were granted a total compensation of 0.5% (previous year: 0.5%) related to Erste Group's total personnel expenses for their activities in the financial year. Total remuneration of EUR 3,061,806.31 (previous year: EUR 2,729 thousand) was granted to former board members and their surviving dependents in the financial year 2023 and 43,651 (previous year: 57,669) share equivalents were awarded

SHORT-TERM BENEFITS

This category includes salaries, payments in kind, social security contributions and other short-term benefits. These also include variable remuneration components, which are paid in cash within a year. The supervisory board remuneration indicated includes supervisory board remuneration, attendance fees and remuneration for serving on the boards of affiliated companies.

POST-EMPLOYMENT BENEFITS

The members of the management board participate in the defined contribution pension plan of Erste Group Bank AG according to the same principles as the employees of the Group (see Annex chapter C point 16). Termination benefits primarily include contributions paid to pension funds and employee provision funds.

OTHER LONG-TERM BENEFITS

These primarily include variable remuneration components, which are paid in cash only after a year and distributed over several years. Moreover, expenses for provisions for jubilee benefits (see Annex chapter C point 16) are presented in this category.

SHARE-BASED PAYMENTS

This category includes expenses for share-based variable compensation components.

Supervisory board members

The supervisory board consists of at least three and a maximum of fourteen members elected in the annual general meeting. Unless the annual general meeting has determined a shorter term of the mandate 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 financial 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 a defined impediment. Revocation requires a majority of three quarters of valid votes cast and a majority of three-quarters of the registered capital represented at the time of the resolution.

BREACKDOWN OF SUPERVISORY BOARD REMUNERATION

Pursuant to the decision passed at the annual general meeting of 18. May 2022, the supervisory board adopted in its constituent meeting the following yearly remuneration structure for the financial year 2021 and the following years:

in EUR	Allowance per person
Chairman	180,000.00
1st Vice Chairman	95,000.00
2nd Vice Chairman	80,000.00
Member	65,000.00

In addition, the chairmen of the risk and the audit committee each receive further annual compensation of EUR 20,000.00 (previous year: EUR 20 thousand), the chairman of the IT committee of EUR 15,000.00 (previous year: EUR 15 thousand) and the chairmen of the remuneration, nomination and strategy and sustainability committee each of EUR 10,000.00 (previous year: EUR 10 thousand). If there is no personal identity between the financial expert and the chairperson of the audit committee, the former also receives an additional annual remuneration of EUR 20,000.00.

The additional attendance fee to be paid to the members of the supervisory board was set at EUR 1,200.00 (previous year: EUR 1 thousand) per meeting of the supervisory board or one of its committees.

Erste Group Bank AG did not conclude other legal transactions with its members of the supervisory board.

Transactions and shares held by management board and supervisory board members

The tables below provide information on Erste Group Bank AG shares held by management board and supervisory board members as well as transactions carried out with Erste Group Bank AG shares (numbers of shares). Erste Group Bank AG shares held by management board and supervisory board members, whose office term began or ended during the financial year, as at the date of inception or termination of their term in office were recognised as additions or disposals.

Members of the Management Board	31 December 2022	Additions	Disposals	31 December 2023
Bleier Ingo	4,111	5,283	2,900	6,494
Cernko Willibald (Chairman)	7,206	3,311	0	10,517
Dörfler Stefan	4,456	5,514	0	9,970
Habeler-Drabek Alexandra	1,328	5,514	0	6,842
O'Mahony David	5,456	5,514	0	10,970
Poletto Maurizio	456	3,838	0	4,294

Supervisory board members did not receive any options on Erste Group Bank AG shares for exercising their mandate.

Members of the Supervisory Board	31 December 2022	Additions	Disposals	31 December 2023
Catasta Christine	0	0	0	0
Egerth-Stadlhuber Henrietta	0	0	0	0
Ersek Hikmet (until 11 October 2023)	3,966	0	3,966	0
Flatz Alois	0	0	0	0
Grießer Martin	120	60	0	180
Haag Markus	317	60	0	377
Haberhauer Regina	294	60	0	354
Hardegg Maximilian	240	0	0	240
Khüny Marion	0	0	0	0
Kühnel Mariana	583	10	0	593
Krainer Senger-Weiss Elisabeth	0	0	0	0
Lachs Andreas	106	60	0	166
Pichler Barbara	553	122	0	675
Pinter Jozef	106	60	0	166
Rödler Friedrich (Chairman)	3,802	0	0	3,802
Santner Friedrich	0	0	0	0
Schuster Michael	30	30	0	60
Simor András	0	0	0	0
Sutter-Rüdisser Michèle F.	2,222	0	0	2,222
Tusek Christiane (since 12 Mai 2023)	0	0	0	0
Zeisel Karin	54	60	0	114

Persons related to management board or supervisory board members held 1,640 pieces (previous year: 1,518 pc.) of Erste Group Bank AG shares as of 31 December 2023.

Share-based payments

The total expense recognised during the reporting period arising from share-based payment transactions amounts to EUR 11,780,536.41 (previous year: EUR 1,863 thousand), thereof EUR 4,935,566.40 (previous year: EUR 4,964 thousand) relates to equity-settled sharebased payment transactions. At the end of the reporting period, the provision arising from share-based payment transactions amounts to EUR 19,779,572.60 (previous year: EUR 17,206 thousand). The intrinsic value of the provision is EUR 24,478,877.13 (previous year: EUR 18,637 thousand).

SHARE-BASED PAYMENT FOR THE MANAGEMENT BOARD OF ERSTE GROUP BANK AG

The outstanding amount for variable compensation components to members of the Management Board as of 31 December 2023 amounts to EUR 7,707,173.64 (previous year: EUR 7,382 thousand). This amount includes amounts from the Long Term Incentive Plan (LTI) program (first for the performance year 2021) as well as tranches not yet disbursed from the phantom share program (for performance years before 2022).

In 2021, a new remuneration plan in shares applies to the Executive Board of Erste Group Bank AG. The plan comprises short-term and long-term variable remuneration components. The total amount of variable compensation is determined in the following year by a resolution of the supervisory board.

Upfront share-based remuneration: 20% of the bonus will be converted into shares on the date of this supervisory board resolution and is transferred to the participant's securities deposit after one year.

Deferred share-based remuneration: 30% of the bonus is converted into performance share units (PSUs) on the day of the supervisory board resolution using the average share price of the last 30 trading days (Long Term Incentive Plan). A PSU represents an unsecured, conditional right to receive shares of Erste Group Bank AG in the future. In the following five years, the initial number of PSUs is adjusted in a range from 120% to 0% to the group's performance based on performance criteria, which will be determined by the supervisory board. The final number of PSUs corresponds to the number of shares, which is transferred to the participant's securities deposit after a retention period of another year.

The shares and PSUs granted are equity-settled share-based payments that vest by the end of the performance year. The share-based payments are recognized at the fair value of the shares or PSUs at the grant date, i.e., the date when the parties on both sides have a common understanding of all the terms and conditions. The determination of the grant date requires the judgment of all circumstances. As the Supervisory Board has significant discretionary powers in connection with the assessment of performance in the performance year, the grant date is the date of the supervisory board's resolution on the bonus awarded for the past performance year.

For the performance year 2023, it is expected that 29,571 shares and 44,356 PSUs (previous year: 30,959 shares and 46,439 PSUs) will be granted to participants. The fair value of PSUs on the measurement date is calculated based on a Monte Carlo simulation model considering the achievement level of Erste Group performance over the next five years and the share price of Erste Group Bank AG. The estimated fair value on the balance sheet date is EUR 2,441,904.18 (previous year: EUR 1,990 thousand). Personnel expenses of EUR 2,979,866.94 (previous year: EUR 2,241 thousand) and a corresponding reserve for share-based remuneration was recognised.

Phantom shares program

Erste Group Bank AG awards selected employees every year a bonus for services rendered in the past year (vesting period). If the individual bonus exceeds a certain limit, the final payout amount of at least 25% depends on the development of the average, volume-weighted, daily price of Erste Group shares in subsequent years (phantom share program). The share equivalents (phantom shares) are divided into several tranches, which differ in the duration of the observation period for the development of the Erste Group share price.

The phantom share program meets the criteria for cash-settled share-based payments in accordance with AFRAC 3.

The estimated fair value of variable compensation for share equivalents is recognised in profit or loss. The provision for stock equivalents that have not yet been paid out is continuously measured at fair value until payment is made. Fair value changes and changes of the final allocation in subsequent years are recognised in profit or loss. The fair values of the share equivalents for the respective payout year are determined using an option pricing model (Black-Scholes model). The main parameters are the share price of the Erste Group Bank AG on the balance sheet date and the dividend payments expected until payment.

For 2023 it is expected that 115,385 (previous year: 69,782) share equivalents with a fair value of EUR 3,663,360.86 (previous year: EUR 1,891 thousand) will be granted to eligible employees. The total expense recognised in the reporting period for the phantom share program amounts to EUR 6,844,970.01 (previous year: income EUR 3,101 thousand).

EMPLOYEE SHARE PROGRAMS

The WeShare by Erste Group-Participation program and the WeShare by Erste Group-Investment Plus program are equity-settled sharebased payment transactions. Both programs are offered to employees of Erste Group provided that specific requirements (e.g. capital and liquidity requirements, payment of dividends, ECB approval) are met.

Under the WeShare by Erste Group-Investment Plus program all employees, who had been employed by an entity of the Erste Group, from March/April 2023 until June 2023 could voluntarily invest in Erste Group shares and receive free shares depending on the amount of their personal investment. The WeShare by Erste Group-Investment Plus program was settled in June 2023. The number of free shares, which were granted under this program for the reporting period, is 53,236 (previous year: 101,385). Personnel expenses in the amount of EUR 1,663,636.50 (previous year: 2,432) were recorded.

Under the WeShare by Erste Group-Participation program all employees, who have been employed by an entity of the Erste Group for at least six months in year 2023 and are still employed until the transfer of the shares to the employees in June 2024 are entitled to receive shares in an equivalent amount of EUR 350. The expected number of free shares, which are granted under this program for the period, is 17,223 (previous year: 25,384). Based on the number of entitled employees, personnel expenses in the amount of EUR 292,062.96 (previous year: EUR 291 thousand) were recorded and a corresponding reserve in retained earnings was created.

Severance payments and pensions

Expenses for severance payments and pensions for members of the management board and managers amounted to EUR 1,760,898.91 (previous year: income EUR 3,771 thousand). Expenses for severance payments and pensions for other employees amounted to EUR 27,690,570.23 (previous year: income EUR 4,611 thousand). Expenses for surviving dependents and pensioners are included in the reported amounts. In accordance with section 239 (2) Commercial Code, statements regarding members of the executive and supervisory boards are disclosed separately in section F.

E. APPROPRIATION OF PROFIT

At the annual general meeting, the board will suggest that a dividend in the amount of EUR 2.70 per share (prior year: EUR 1.90 per share) be paid to the shareholders from the total net retained earnings. The amount blocked according to section 235 (1) Commercial Code is EUR 0,00 (prior year: EUR 0 thousand).

F. MANAGEMENT BODIES OF ERSTE GROUP BANK AG AS OF 31 DECEMBER 2023

Supervisory Board

Position	Name	Year of birth	Occupation	Date of initial appointment	Expiration date of current period
Chairman	Rödler Friedrich	1950	Auditor and tax advisor	4 May 2004	AGM 2025
1st Vice Chairman	Hardegg Maximilian	1966	Entrepreneur	12 May 2015	AGM 2025
2nd Vice Chairman	Krainer Senger-Weiss Elisabeth	1972	Laywer	21 May 2014	AGM 2024
Member	Catasta Christine	1958	Auditor and tax advisor	1 July 2022	AGM 2026
Member	Egerth-Stadlhuber Henrietta	1971	Managing Director of Österreichische Forschungsförderungsgesellschaft	26 June 2019	AGM 2026
Member	Ersek Hikmet	1960	CEO, ret.	18 May 2022	11 October 2023
Member	Flatz Alois	1966	Investor	18 May 2022	AGM 2025
Member	Khüny Marion	1969	Consultant	17 May 2017	AGM 2026
Member	Kühnel Mariana	1983	Deputy general secretary, Austrian Chamber of Commerce	18 May 2022	AGM 2025
Member	Santner Friedrich	1960	Entrepreneur	10 November 2020	AGM 2027
Member	Schuster Michael	1980	Investor	19 May 2021	AGM 2024
Member	Simor András	1954	Former Senior Vice President, CFO and COO	10 November 2020	15 January 2024
Member	Sutter-Rüdisser Michèle F.	1979	Professor in an Institute for finance, finance law, law and economy	15 May 2019	AGM 2026
Member	Tusek Christiane	1975	Vice director of finance and entrepreneurship	12 May 2023	AGM 2026
Delegated by the employees' council					
Member	Grießer Martin	1969	-	26 June 2019	until further notice
Member	Haag Markus	1980	-	21 November 2011	until further notice
Member	Haberhauer Regina	1965	-	12 May 2015	until further notice
Member	Lachs Andreas	1964	-	9 August 2008	until further notice
Member	Pichler Barbara	1969	-	9 August 2008	until further notice
Member	Pinter Jozef	1974	-	25 June 2015	17 January 2024
Member	Zeisel Karin	1961	-	9 August 2008	until further notice

Representatives of the supervisory authority

Name	Position
Bartsch Wolfgang	State Commissioner
Kremser Michael	Deputy State Commissioner.
BINDER GRÖSSWANG Rechtsanwälte GmbH	Deputy trustee under the Mortgage Bank Act (Pfandbriefgesetz)

Management Board

Management Board Members	Year of birth	Date of initial appointment	Expiration date of current period
Bleier Ingo	1970	1 July 2019	30 June 2026
Cernko Willibald (Chairman)	1956	1 July 2022	30 June 2024
Dörfler Stefan	1971	1 July 2019	31 December 2027
Habeler-Drabek Alexandra	1970	1 July 2019	31 December 2027
O'Mahony David	1965	1 January 2020	31 December 2026
Poletto Maurizio	1973	1 January 2021	31 December 2027

Vienna, 29 February 2024

Management Board

Willibald Cernko e.h.
Chairman

Ingo Bleier e.h.
Member

Stefan Dörfler e.h.
Member

Alexandra Habeler-Drabek e.h.
Member

David O`Mahony e.h.
Member

Maurizio Poletto e.h.
Member

IV. Management Report

ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

Economic environment

In 2023, global economic growth slowed down mainly due to ongoing disruptions, albeit at a lower pace, in energy and food markets and further tightening of monetary conditions to curb high inflation. Inflation rates declined but still remained above targets in many economies. The year was also characterised by heightened geopolitical tensions and natural disasters. In addition to military conflicts, in particular the ongoing Russia-Ukraine war and the Israeli-Palestinian conflict, the failures of several regional banks in the US and the bankruptcy of Switzerland's second largest and globally systemic important bank Credit Suisse weakened investors' confidence. Against the backdrop of these events the global economy achieved a growth rate of 3.1%.

Among advanced economies, the United States surprised on the upside, with resilient consumption and investments. The US economy grew by 2.5% despite elevated trade tensions with China, bank failures, and its debt-ceiling crisis which led to the country's first credit rating downgrade since 2011. Expectations for the eurozone were revised downward during the year, at year-end GDP stood at 0.5% . Strong demand for services supported service-oriented economies including important tourism destinations such as France, Spain or Croatia, while Germany's economy weakened slightly. In Japan, growth bounced back driven by pent-up demand and a rebound in automobile exports and tourism. Many emerging market economies proved quite resilient, with the notable exception of China which grew at a lower pace than anticipated. India, once again, outperformed other major emerging markets. Labour markets, especially in advanced economies, remained solid with historically low unemployment rates.

The world's major central banks continued their measures to curb inflation. The US Federal Reserve (Fed) increased the federal funds rate further in four steps from 4.00% to 5.50% but indicated in December 2023 that the key interest rate were at or close to its peak. The European Central Bank (ECB) likewise continued to raise the key policy rate of the monetary union, from 2.50% to 4.50% in six steps during the year. Unlike the Fed, the ECB Council has not given any precise indication for upcoming interest rate cuts. While the ECB's Asset Purchase Programme (APP) portfolio has continued to decline at a steady pace, the Pandemic Emergency Purchase Programme (PEPP) portfolio will be reduced by EUR 7.5 billion monthly from mid 2024. Other major central banks, such as the Bank of England and the Swiss National Bank also increased their key policy rates in 2023. At year-end 2023 global headline inflation was down from its peak in 2022 driven mainly by over the year finally declining energy and food prices. All euro zone member states posted single digit inflation rates at year-end 2023.

Austria's economic performance was weaker than originally expected and the country's economy underperformed the European Union average. The economic decline was broad based with particularly weak performance in private consumption and investment activity. Private consumption was negatively impacted by declining households' disposable income – although partly offset by various subsidies. The slowdown of investment activity was particularly pronounced in the construction sector, with the exception of infrastructure related construction. Exports, mainly driven by machinery, chemical and food products, were stronger in the beginning of the year and contributed to economic growth. Tourism boomed with summer season's overnight stays reaching the highest levels for decades. The agricultural sector, although not a major contributor to GDP, also performed well. Overall, the Austrian economy shrank by 0.7%.

Inflation in Austria started to decline in early 2023. Annual inflation peaked in January 2023 at 11.2% while average inflation amounted to 7.7%, above the EU average. Austria's labour market remained stable throughout the year, the unemployment rate stood at 5.1%. The general government deficit decreased from 3.5% of GDP to 2.7% mainly due to the phase-out of COVID-19 measures and a dynamic growth in tax revenues.

Central and Eastern European economies experienced a significant slowdown compared to the prior year. Growth expectations were moderately revised down during the year as economic activity was impacted by declining but still elevated inflation and tight monetary conditions. Household consumption was muted throughout the year. Exports were negatively impacted by limited growth of the region's main trading partners which took a toll on production output. Deterioration of foreign demand was most pronounced in countries with high dependency on Germany's economy, such as the Czech Republic and Hungary. Whereas exports developed well in Slovakia following the easing of supply chain disruptions and further investments in the automotive industry. Inventories declined in most CEE countries after the strong accumulation in the previous year. Agricultural output was supportive in Romania and Hungary. Croatia, which proved to be one of the best performing economies in the region, was supported again by its booming tourism sector. Overall, CEE economies achieved GDP growth rates ranging from -0.9% in Hungary to 2.5% in Serbia in 2023.

Despite the economic slowdown, labour markets remained very strong with countries like Hungary and the Czech Republic posting the lowest unemployment rates among the European Union countries. In response to elevated inflation rates, central banks continued with monetary tightening and, consequently, inflation dropped to single-digits in all CEE countries by the end of the year. Such a dynamic decline supported monetary easing scenarios in some non-euro countries, and the Hungarian and Czech central banks started to cut interest rates in the last quarter of the year. CEE governments implemented a range of measures to support households and businesses such as caps on electricity and fuel prices and direct energy subsidies. Windfall and special banking taxes were introduced in a number of CEE countries, e.g. Hungary, Slovakia and Romania. While the Czech koruna depreciated against the euro, most CEE currencies were relatively stable during the year. On 1 January 2023, Croatia became the 20th member of the eurozone.

Analysis of the business performance

NOTES ON THE BALANCE SHEET DEVELOPMENT

The **balance sheet total** as of 31 December 2023 increased by 5.5% from EUR 97.3 billion to EUR 102.7 billion compared to year-end 2022. The individual positions developed as follows:

The item **cash in hand**, **balances with central banks** increased by 6.3% from EUR 17.0 billion to EUR 18.1 billion, which was mainly attributable to higher demand deposits with central banks. Purchases of treasury bills were compensated by sales of fixed assets, which led to a stable result of EUR 6.3 billion (previous year: EUR 6.3 billion) in **public-sector debt instruments**. The 6.3% increase in **loans and advances to credit institutions** from EUR 27.2 billion in the previous year to currently EUR 28.9 billion resulted from higher balances with repurchase agreements and purchases of unlisted securities which overcompensated sales of fixed asset. Despite the purchases of unlisted securities, the item **loans and advances to customers** decreased by 4.7% compared to year end 2022, to EUR 22.1 billion (previous year: 23.1 billion), whereas overdraft facilities particularly decreased. **Debt securities and other fixed-income securities** increased compared to the previous year by 43.9% from EUR 9.1 billion to EUR 13.0 billion, caused on the one hand by EUR 2.9 billion more repurchased listed own issues and on the other hand by higher listed bond holdings of foreign banks in fixed assets. The main driver of the increased book values of **participating interests and shares in affiliated companies** by 9.4% from EUR 8.4 billion to EUR 9.2 billion were write ups and the repurchase of an Erste Bank Hungary Zrt stake. **Other assets** of EUR 3.1 billion (previous year: EUR 4.3 billion) decreased by 27.8 %, which was mainly due to the 26.4% decrease in receivables from derivative products – driven by interest rate environment -, which now account for 83.5% (previous year: 81.8%) of the item.

The increase in repurchase agreements could not compensate the expiry of two TLTRO III – tranches (EUR 5.0 billion end of June, as well as EUR 3.0 billion end of September) therefore the item **liabilities to credit institutions** decreased by 13.2% to EUR 33.1 billion (previous year: 38.1 billion). The main reason for the 41.5% increase in the item **liabilities to customers** from EUR 10.9 billion to EUR 15.5. billion is the further increase in foreign time deposits in EUR.

Due to the increased issuance of listed covered bonds or debt securities in EUR the item **securitized liabilities** increased by 22.8% to EUR 32.5 billion (previous year: EUR 26.5 billion). The item **other liabilities** EUR 3.4 billion (previous year: EUR 4.4 billion) decreased by 22.1% mainly due to a 25.5% decrease of derivative products – driven by interest rate environment – which are covering now 76.2% (previous year: 79.7%) of the entire item. New issues were nearly offset by scheduled redemptions or partial redemptions, therefore the **supplementary** and **additional tier capital** item slightly increased by 1.7% to EUR 6.5 billion (previous year: EUR 6.4 billion).

After applying the deductions and filters set out in the CRR, **Tier 1 capital** (CET 1 and AT1) amounted to EUR 12.0 billion (previous year: EUR 11.2 billion) and **Common Equity Tier 1 capital** (CET 1) to EUR 9.6 billion (previous year: EUR 8.9 billion). The **eligible own funds** of Erste Group Bank AG according to Part 2 of EU Regulation No 575/2013 (primarily core and supplementary capital) amounted to EUR 15.0 billion as of 31 December 2023 (previous year: EUR 14.0 billion). The **Common Equity Tier 1 capital ratio** (CET 1) was 23.4% (previous year: 22.7%) and the **total capital ratio** was 36.5% (previous year: 35.5%).

DETAILS ON EARNINGS

Net interest income of Erste Group Bank AG decreased by 60.7% to EUR 189.6 million (previous year: EUR 482.7 million). The rising interest rate enviornment, which had a positive impact on the securities and lending business could not compensate the increased interest expenses on the TLTRO tranche. The European Central Bank announced to amend the interest calculation by the end of 2022 which led to an increase by EUR 190.7 million to EUR 130.2 million interest expense (previous year: interest income EUR 60.5 million). A decrease of **income from securities and participating interests** by 18.3% to EUR 1,533.6 million (previous year: EUR 1878.0 million) was mainly due to lower distribution of Ceska sporitelna a.s - an affiliated company. The **fee and commission income and expenses** decreased by 18.3% from EUR 60.6 million in the previous year to EUR 49.4 million in the financial year 2023, which was mainly attributable to higher cover pool fees by EUR 14.4 million to EUR 82.8 million (previous year:

68.4 million) to savings banks. **Net profit or loss on financial operations** turned around from EUR 112.7 million in expenses in the previous year to EUR 23.2 million in income in 2023, mainly due to market interest rate developments in securities and derivatives business. As no termination of derivatives without underlying took place in the fiscal year 2023 (previous year: EUR 15.3 million), nor a realease of provision of pensions (previous year: EUR 22.3 million) **other operating income** decreased by 21.2% to EUR 105.1 million (previous year: EUR 133.4 million). Overall, this resulted in a 22.2% deterioration in operating income to EUR 1,901.0 million in 2023 (previous year: EUR 2,442.0 million).

In addition to fixed and variable salary costs and statutory levies, **personnel expenses** also include costs from long-term social provisions and expenses from the payment of pension fund contributions. Overall, personnel expenses recorded an increase of 15.3% to EUR 304.8 million (previous year: EUR 264.3 million). This was mainly due to actuarial losses to be recognized in the income statement, in particular a decline of the discount factor from 3.75% to 3.27% for long term social provision of EUR 14.1 million (previous year: income EUR 28.5 million thereof EUR 22.3 million in other operation income)

The headcount of Erste Group Bank AG (part-time employees weighted proportionally) increased by 0.9% compared to 31 December 2022 and is as follows compared to the previous year:

	31 December 2023	31 December 2022
Domestic	**1,990.8**	**1,973.8**
Foreign branches	**61.0**	**59.0**
New York	24.0	22.0
Hong Kong	24.0	24.0
Berlin, Stuttgart	13.0	13.0
Total	**2,051.8**	**2,032.8**
thereof maternity/paternity leave	104.9	107.5

Mainly due to increased IT operating costs rose other **administrative expenses** by 2.2% to EUR 287.0 million (previous year: EUR 281.0 million). The 36.7% increase in **depreciation and amortisation of property, plant and equipment and intangible assets** from EUR 8.7 million to EUR 11.9 million is the result of the commissioning of a property not used for banking operations as of 1st July 2022. As there were no valuation effects from the termination of derivatives without underlying (previous year: EUR 11.2 million) in the financial year 2023 and the expenses for the resolution funds decreased by EUR 5 million to EUR 36.9 million (previous year: EUR 41.9 million), **other operating expenses** fell by 37.2% to EUR 49.2 million (previous year: EUR 78.4 million). As a result, **operating expenses** increased by 3.2% to EUR 652.9 million (previous year: EUR 632.4 million).

After deducting **total operating expenses** from operating income, the operating result for the 2023 financial year was EUR 1,248.1 million (previous year: EUR 1,809.6 million). The cost/income ratio (operating expenses as a percentage of operating income) of 34.3% was higher compared to the previous year's value of 25.9%.

Erste Group Bank AG reported in a financial year a **net release** of EUR 138.8 million (previous year: net increase of EUR 68.5 million) **of risk provisions on loans and advances** (including write-offs of loans and advances, netted with income from recoveries on written-off loans and advances), which is primarily attributable to the improvement in the economic situation of a few major customers and the change in the collective assessment (stage overlay) in the energy sector. The result from **securities held as current assets** (valuation and realized profit and loss) as well as from the items income and value adjustments on **participations and securities held as fixed assets** amounted to EUR 342.8 million in 2023 (previous year: minus EUR 278.2 million). This was caused mainly by the valuation of the participations (mainly the write-up of Banca Comercială Română S.A. and Erste Bank Hungary Zrt.) with the positive impact on earnings, while the valuation of the non-fixed-interest Additional Tier 1 bonds issued by subsidiaries resulted in expenses of EUR 82.1 million (previous year: EUR 93.7 million) and the sale of long-term bonds held as fixed assets resulted in a loss of EUR 96.4 million (previous year: EUR 0 million).

Consequently, the **result from ordinary activities** in 2023 is EUR 1,729.8 million (previous year: EUR 1,463.0 million).

As Erste Group Bank AG received profit distributions - not resulting from operating income - **extraordinary income** amounted to EUR 36.1 million in the financial year 2023 (previous year: EUR 4.8 million). In particular, the income from the current tax allocation contributed to positive **taxes on income and earnings** in the amount of EUR 71.3 million (previous year: EUR 145.7 million). In 2023, as in the previous year, there was a taxable profit, 75% of which was offset against tax loss carryforwards in accordance with the statutory regulation. For the remaining 25%, a current corporate income tax expense was recognised. **Other taxes** reduced by 15.4% to EUR 18.9 million in 2023, as the provisions from previous years could be released.

After considering the **allocation in reserves** (see Appendix Chapter C Point 20) of EUR 678.3 million (previous year: allocation EUR 774.6 million), the **net profit of the year** amounted to EUR 1,140.0 million (previous year: EUR 816.6 million).

Branches

Erste Group Bank AG maintains branches in New York, Hong Kong and Germany (Berlin and Stuttgart) that provide commercial lending to foreign banks, leasing companies and sovereign debtors as well as institutional sales. For further quantitative information, please refer to the notes, Chapter C point 45.

ANTICIPATED DEVELOPMENT AND RISKS OF BUSINESS

Long-term growth trends in Central and Eastern Europe

In line with growing economic performances disposable income have risen significantly in recent decades compared to Western Europe. In addition, most countries of Central and Eastern Europe have labour markets that are considerably more flexible. These advantages are complemented by, on average, highly competitive export industries that benefit from wage costs that are low relative to workforce productivity and from investor-friendly tax and welfare systems.

A comparison of per capita private debt levels in Central and Eastern Europe with those of Western economies reveals the gap that exists between these markets. Private debt levels, and particularly household debt, are substantially lower than in the advanced economies. Erste Group firmly believes that credit expansion accompanied by economic growth in this region will prove to be a lasting trend.

Over the upcoming 15 to 20 years, on average, the countries of the eastern part of the European Union are therefore expected to experience higher growth rates than the countries of Western Europe, even though periods of expansion may alternate with times of economic stagnation or even setbacks on this long-term path of sustainable growth.

Customer business in Central and Eastern Europe

The basis of Erste Group's banking business are essentially the business segments of retail business, corporate business and the capital markets business.

RETAIL BUSINESS

Erste Group’s key business is the retail business, covering the entire spectrum from lending, deposit and investment products to current accounts and credit cards. Erste Group’s core competence in retail banking has historical roots. In 1819, wealthy Viennese citizens donated funds to establish Erste Group’s predecessor, the first savings bank in Central Europe. It was their aim to bring basic banking services such as safe savings accounts and mortgage loans to wide sections of the population. Today, the bank serves some 16.2 million customers in its markets and operates about 1,950 branches. Wealthy private clients, trusts and foundations are served by the bank’s private banking staff and benefit from services that are tailored to the needs of this target group.

In addition, the bank uses and promotes digital distribution channels such as internet and mobile banking not only to meet the increasing importance of digital banking but to actively shape the digital future. George, Erste Group’s digital platform, is already available in Austria, the Czech Republic, Slovakia, Romania, Croatia and Hungary. It will also be rolled out in Serbia.

Retail banking is attractive to Erste Group for a number of reasons: It offers a compelling business case that is built on market leadership, an attractive risk-reward profile and the principle of self-funding. In addition, it benefits from a comprehensive range of products that are simple and easy to understand and provide substantial cross-selling potential. Erste Group takes advantage of these factors in all core markets and makes best use of its resulting position of strength by pursuing a hybrid business model an omni-channel strategy. Erste Group’s omni-channel approach 10 integrates the various sales and communication channels. Customers decide on how, when and where they do their banking business. Contact centers serve as interfaces between digital banking and traditional branch business. These contact centers offer advice and sales, thus going far beyond the traditional help desk function.

In addition to the expansion of digital sales channels, the branch network remains an important component of the business strategy. Only a retail bank that offers modern digital services and operates an extensive distribution network is able to offer tailor-made solutions and fund loans in local currency mainly from deposits made in the same currency. In short, Erste Group’s retail banking model supports sustainable and deposit-funded growth even in economically more challenging times. Another positive factor is the diversification of the retail business across countries that are at differing stages of economic develop-ment, such as Austria, the Czech Republic, Romania, Slovakia, Hungary, Croatia and Serbia.

CORPORATE BUSINESS

The second main business line, which also contributes significantly to Erste Group's earnings, is business with small and medium-sized enterprises (SME), regional and multi-national groups and real estate companies. Erste Group's goal is to enhance relationships with its clients beyond pure lending business. Specifically, the bank's goal is for SMEs and large corporate customers to choose Erste Group as their principal bank and also route their payment transfers through the Group's banking entities and, in fact, regard Erste Group as their first point of contact for any kind of banking service.

Catering to their different requirements, Erste Group serves small and medium-sized enterprises locally in branches or separate commercial centres, while multinational groups are serviced by the Group Corporates' units. This approach permits Erste Group to combine industry specific and product expertise with an understanding of regional needs and the experience of the bank's local customer relationship managers. In view of regulatory interventions, advising and supporting corporate customers in capital market transactions is becoming increasingly important.

CAPITAL MARKETS BUSINESS

Client-driven capital markets activities are also part of the comprehensive portfolio of products and services that Erste Group offers to its retail and corporate customers. The strategic significance of the bank's centrally governed and locally rooted capital markets operations consists in supporting all other business areas in their dealings with the capital markets and, hence, in providing the bank's customers with professional access to the financial markets. Erste Group, therefore, views its capital markets business as a link between financial markets and its customers. As a key capital markets player in the region, Erste Group also performs important functions such as market making, capital market research and product structuring.

The capital markets business serves the needs of Erste Group's retail and corporate customers as well as those of government entities and financial institutions. Due to Erste Group's strong network in the eastern part of the European Union, the bank has a thorough understanding of local markets and customer needs. In Erste Group's capital markets business, too, the bank concentrates on core markets of the retail, SME and large corporate business: Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia. For institutional customers, specialised teams have been established in Germany and Poland as well as in Hong Kong and New York that offer these customers a tailor-made range of products.

In many countries where Erste Group operates, the local capital markets are not yet as highly developed as in Western Europe or in the United States of America. That means Erste Group's banking subsidiaries are pioneers in some of these markets. Therefore, building more efficient capital markets in the region is another strategic objective of Erste Group's capital markets activities.

Outlook

OUTLOOK FOR 2024

Erste Group's goal for 2024 is to achieve a return on tangible equity (ROTE) of about 15%. Three key factors will support achievement of this goal: firstly, a moderate improvement in economic growth compared to 2023 in Erste Group's seven core markets (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia) despite continued geopolitical risks, which, should they materialise, would likely negatively impact economic performance; secondly, a continued broadly positive, even if slightly deteriorating credit risk environment; and, finally, the continuous ability of Erste Group to attract new and retain existing customers through continuous development of its product portfolio and its brand. The key headwind to achievement of this goal is the magnitude and timing of the expected central bank rate cuts in all of Erste Group's markets. Overall, Erste Group expects a slight decline in operating result, which hit a historic high in 2023, and, consequently, a moderate deterioration in the cost/income ratio to a level of about 50%, also from a historic best in 2023 of 47.6%.

The expectation by economists is for Erste Group's core markets to post improved real GDP growth in 2024. Inflationary pressures are expected to continue their downward trend in 2024. Continued strong labour markets should be supportive of economic performance in all of Erste Group's markets. Current account balances are projected to remain at sustainable levels in most countries, while fiscal deficits should continue their path of consolidation. Public debt to GDP in all Erste Group markets is projected to be broadly stable, and hence remain materially below the euro zone average.

Against this backdrop, Erste Group expects net loan growth of about 5%. Retail and corporate business should contribute in all markets towards the achievement of this goal. Loan growth is projected to offset some of the interest rate headwinds detailed above, resulting in a moderate, decline of about 3% in net interest income versus 2023, following a historic upswing over the past two years. The second most important income component – net fee and commission income – is expected to rise by about 5%. As in 2023, growth momentum should again come from payment services, insurance brokerage fees as well as asset management and securities business with the latter being dependent on a constructive capital markets environment. The net trading and fair value result, which recovered significantly in 2023, is expected to normalise at historically observed levels in 2024. This, however, will depend substantially on the actual short- and long-term interest rate environment.

The remaining income components are forecast to remain, by and large, stable. Overall, operating income is therefore expected to decrease slightly in 2024, albeit from a historic high in 2023. Operating expenses are expected to rise by approximately 5%. With this the cost/income ratio should remain solid at a level of about 50%.

Based on the macro-outlook presented above, risk costs should remain at a low level in 2024. While precise forecasting is hard at current low risk cost levels, Erste Group believes that in 2024 risk costs will be below 25 basis points of average gross customer loans.

While a forecast for other operating result and various categories of gains and losses from financial instruments not measured at fair value is challenging, this combined item is likely to improve versus 2023 in the absence of significant one-off effects. Assuming an effective group tax rate of below 20% and lower minority charges compared to 2023, Erste Group aims to achieve a ROTE of about 15% in 2024. The CET1 ratio is expected to remain strong, providing enhanced capital return M&A and/or flexibility, despite Erste Group targeting the execution of a share buyback in the amount of EUR 500 million in 2024.

Potential risks to the guidance include (geo)political and economic (including monetary and fiscal policy impacts) developments, regulatory measures as well as changes to the competitive environment. International (military) conflicts, such as the war in Ukraine and in the Mid East do not impact Erste Group directly, as it has no operating presence in the regions involved. Indirect effects, such as financial markets volatility, sanctions-related knock-on effects, supply chain disruption or the emergence of deposit insurance or resolution cases cannot be ruled out, though.

Erste Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. Worse than expected economic development may put goodwill at risk.

ANALYSIS OF MEDIUM AND LONG-TERM BUSINESS DRIVERS

Erste Group operates a universal bank business model on consolidated level, as well as on local country level in seven core markets: Austria, Czechia, Slovakia, Romania, Croatia, Hungary and Serbia. In all of these countries it holds leadership positions in the markets of retail and corporate banking as well as asset management. Consequently, the performance of Erste Group is tied to the overall economic development in those countries, specifically, to economic growth, labour market trends, as well as fiscal and monetary policy; in addition, it is tied to the competitive environment and Erste Group's ability to attract new clients and qualified staff.

Erste Goup's main source of income is net interest income, contributing approximately two thirds to total revenues. Net interest income is primarily derived from the difference between interest paid on customer deposits as well as issued bonds, and interest received from customer loans and from bond investments. It is also materially influenced by monetary policy, which determines short-term market interest rates, and long-term interest rates, which are a function of economic outlook, creditworthiness of the respective issuer as well as market risk perception. The resulting shape of the yield curve and the bank's ability to anticipate certain market developments also influence net interest income. Generally speaking, very low interest rates paired with flat or downward-sloping yield curves put pressure on net interest income generation, while upward-sloping yield curves and positive short-term market interest rates are supportive of net interest income generation. A further key growth driver of net interest income is volume growth – of both customer loans and customer deposits. Erste Group is particularly well positioned to benefit from volume growth as it operates in CEE markets that are still underpenetrated across all categories of banking services and products.

Erste Group's second key income stream is net fee and commission income, which usually accounts for more than a quarter of total revenues. It is Erste Group's goal to expand the share of net fee and commission income in the medium and long term to lessen the dependency on net interest income. This should be supported by the CEE markets becoming wealthier, resulting in increased demand for fee-generating products, such as asset management. Within net fee and commission income, net fees generated from payments services, such as current account fees, transaction fees or credit card fees, account for less than one half of net fee revenues. The growth in payment service fees is primarily driven by economic activity and the ability of the bank to attract new customers by profitably providing services and products at competitive prices. The key growth driver within net fee income is income from securities business, comprising revenues from asset management as well as from securities-related services, such as transfer orders or securities issuance fees. Erste Group expects that this fee category will be a continued source of dynamic growth as customers seek to diversify and expand their investments as they grow wealthier. Income from insurance brokerage fees should also make a noticeable contribution to the expansion of the fee revenue pool.

The remainder of revenues is made up by net trading and fair value result, which – depending on market volatility-induced valuations – can be volatile, rental income from properties which constitutes a stable income source, as well as various categories of gains and losses from financial assets not measured at fair value, which tends to be a minor P&L item and typically one-off in character.

General administrative or operating expenses constitute the cost of doing business. Personnel expenses account for approximately three fifths of total operating expenses. Another 30% is contributed by other administrative expenses, encompassing items that primarily relate to infrastructure but also marketing, legal and consultancy costs as well as deposit insurance contributions. The remainder of operating expenses is made up by depreciation and amortisation charges, primarily for real estate and office equipment but also for intangible assets, such as software and customer relationships. In the medium and long term Erste Group aims to maintain a healthy balance between operating costs and operating income, as expressed by the cost/income ratio.

Net impairment loss on financial assets or risk costs are related to impairments for on- and off-balance sheet financial assets, primarily customer loans. Erste Group aims to keep such impairments at low levels by applying sound underwriting standards.

Other operating result relates to expenses and provisions for such items as banking taxes and resolution fund contributions, goodwill impairments and provisions for items other than financial assets. Accordingly, other operating result usually is, and is expected to remain in the medium and long term, a significantly negative P&L item, even though Erste Group aims to minimise those other operating expenses it directly controls.

Taxes on income reduce pre-tax profit, with the actual consolidated tax charge being dependent on the profitability mix between the various geographies. Generally speaking, the consolidated tax rate tends to be lower if profits in lower corporate tax countries contribute a higher share to total profit.

Minority charges result primarily from profits generated at the savings banks, in which Erste Group has limited or no ownership but due to the cross-guarantee system that governs the Austrian savings banks sector, are fully consolidated. When profits at the savings banks are higher these minority charges are higher and conversely lower if savings banks profits decline. Historically, minority charges always had a negative impact on consolidated net profit, as the savings banks have a solid profitability track record. This trend is expected to continue in the medium to long term.

Overall, Erste Group's medium- and long-term financial goal is to achieve a return on tangible equity that comfortably exceeds the cost of capital.

Risk Management

RISK PROFIL OF ERSTE GROUP BANK AG

In light of the business strategy of Erste Group Bank AG, besides participation risk, the main risks included credit risk, market risk, interest-change risk in the banking book, liquidity risk and non-financial risks. In addition, a risk materiality assessment is undertaken on an annual basis. It is ensured that all relevant material risks are covered by Erste Group Bank AG's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of the group.

PARTICIPATION RISK

Participation risk refers to the risk of potential value losses from providing equity, as current-value write-offs, capital losses from sales, omissions of dividends or decline of hidden reserves as well liability risks from letters of comfort or capital payment commitments. The majority of direct and indirect participations are fully consolidated in the group balance sheet and thus these risks are recorded ascertained. Consequently, potential risks of investments are usually covered by other types of risks and correspondingly considered in their monitoring and control methods.

The participations entered into by Erste Group Bank AG took place in line with the strategic objective to invest in retail banking whereby own experience and expertise could be contributed. In order to participate more in growth markets, geographic diversification was increased by investing in central and eastern European states. In order to reduce the political, legal and economic risks, the management focuses on countries within the EU or on potential EU candidate countries.

RISK MANAGEMENT, INCLUDING RISK MANAGEMENT OBJECTIVES AND -METHODS RELATED TO THE USE OF FINANCIAL INSTRUMENTS

In 2023, geopolitical developments remained the focus of management's attention. The development of current international (military) conflicts, in particular Russia's war of aggression against Ukraine and in the Middle East, has no direct impact on Erste Group Bank AG, as it is not represented by local companies in these regions. However, indirect consequences, such as volatility in the financial markets, the effects of sanctions or the occurrence of deposit guarantee or resolution cases, cannot be ruled out. In addition, political risks increase when policy measures are expected to protect consumers from high inflation, ranging from credit moratoriums (e.g. Romania, Serbia, Poland) to interest rate caps (e.g. Hungary for SME loans) to price caps that could lead to a scarcity economy for some products (e.g. food caps in Hungary). In order to finance part of the government support measures, excess profit taxes for energy companies have been introduced on a large scale in some countries and extraordinary bank taxes have also been introduced in some countries (e.g. Hungary, Slovakia, Romania).

Due to the ongoing geopolitical uncertainties, the rules for stage overlays, i.e. the shift to stage 2 based on predefined portfolio characteristics, have been retained. The geopolitical conflicts (Ukraine and the Middle East) exacerbated the challenges due to a sharp rise and high volatility in energy prices on the one hand and supply chain disruptions on the other. The development of energy prices has had an impact on various industries, especially those with energy-intensive production processes, but also on those with high fuel cost shares. Therefore, the rules for stage overlays (geopolitical conflict overlays) have been retained as a combination of cyclical sectors (cyclical sectors) and one-year default probabilities according to UGB/IFRS. Exceptions to this are permitted on the basis of individual verification and documentation.

Due to the ongoing distortions in the energy market, which affect the availability and prices of gas and other forms of energy, the stage overlays for energy dependence introduced in addition to cyclical industries are still considered necessary. Twofold effects have been identified: consequences of gas rationing and gas shortages for customers, either due to energy-intensive production processes or reliance on gas as the primary input in their business processes. The economic vulnerability is caused by gas dependence, (limited) substitution possibilities and the impact of substitution on the financial position as well as on hedging and pricing mechanisms. In the "Raw materials" industry, the "Metals" and "Chemicals" sub-sectors were identified as the most affected.

In the field of energy, the sub-sectors concerned have been specified in more detail. Companies in the energy sector involved in production and distribution can potentially be affected by massive bottlenecks and distortions in the current energy market: price volatility, margin calls, price caps, weaknesses in the European energy infrastructure, fixed purchase agreements (which put customers at risk if they are terminated and/or prevent renewable energy producers from benefiting from the higher prices), etc. all customers from these sub-industries have been migrated to Level 2. Exceptions to this are permitted on the basis of individual verification and documentation.

Central banks responded to the inflationary environment caused by a significant rise in commodity prices combined with supply bottlenecks for commodities and intermediate products by implementing several significant interest rate hikes in a row and tightening monetary policy to cool demand and thus alleviate inflation. Erste Group Bank AG is monitoring the ECB's further development in this regard.

Erste Group Bank AG strives to play an important role in financing the transition of the economy to a more sustainable form and in reducing or selectively stopping business activities in environmentally harmful industries and is committed to the Net Zero Banking Alliance and the related goal of achieving net-zero emissions of the portfolio by 2050 at Erste Group level. In the areas of economics and strategy, activities aim to support the green transition by promoting green investments. In risk management, ESG has been embedded in the risk management framework, methodologies for identifying and assessing ESG risks have been implemented in all existing risk categories, management reporting has been expanded to cover ESG aspects, and initial approaches to risk management have been developed.

In 2023 and beyond, both carbon footprint calculation and decarbonization will be subject to continuous data improvement measures, e.g. for real estate/mortgages, to increase the share of availability of EPC labels by intensifying their collection, with the aim of reducing proxies and thereby increasing the accuracy of the calculation.

For credit risk, the most important risk category, Erste Group Bank AG applies the internal ratings-based (IRB) approach according to the Capital Requirements Regulation (CRR) and adopts this approach also for the assessment of economic capital requirements according to Pillar 2. Furthermore, all methods and processes affiliated with and necessary for this approach are applied. At Erste Group Bank AG, all essential internal models are validated annually and revised if necessary, whereby both observations made by the supervisory authorities and foreseeable future amendments to the legal requirements are taken into consideration.

The market risks in the trading book are backed by own funds on the basis of an internal model. In order to hedge the market risk from balance sheet assets (bonds, repurchase agreements on the asset side) and liabilities (own issues), the bank uses interest swaps, currency swaps, credit derivatives and options as hedging instruments in micro-hedge relationships. Together with the hedged underlying transaction, these hedging instruments are recorded in the balance sheet as a valuation unit based on section 201 Commercial Code (UGB).

Value at risk values (confidence level 99%, equally weighted market data, holding period 1 day)

in EUR or in EUR thousand	Total	Interest	Credit spread	Currency	Shares	Commodity	Volatility
Dec 23							
Erste Group Bank AG	**47,366,429.91**	**46,875,034.29**	**5,048,388.12**	**972,523.00**	**969,139.23**	**120,432.00**	**783,856.00**
Banking Book	41,406,988.62	40,643,735.29	5,048,388.12	-	-	-	-
Trading Book	5,959,441.29	6,231,299.00	-	972,523.00	969,139.23	120,432.00	783,856.00
Dec 22							
Erste Group Bank AG	**45,609**	**44,556**	**6,760**	**980**	**1,583**	**211**	**1,064**
Banking Book	41,279	40,283	6,760	-	-	-	-
Trading Book	4,330	4,273	-	980	1,583	211	1,064

Value at risk figures for the banking book were not published in the management report before 2023. The values for 2022 have been included for comparability.

The requirements for the generation of valuation units are fulfilled by the fair value hedge accounting processes which are applied at Erste Group Bank AG. Details on these processes are presented in the notes to the financial statement, section C note 30.

In accordance with the Advanced Measurement Approach (AMA), operational risk for Erste Group Bank AG is backed by equity.

In order to provide a comprehensive overview of current and future risk and the cover pools of the Bank, the bank's risk-bearing capacity is determined by the Internal Capital Adequacy Assessment Process (ICAAP). The risk-bearing capacity provides regular updates on the risk profile and capital adequacy, forming the basis for defining and implementing any measures that may be necessary.

Erste Group Bank AG defines its risk strategy and risk appetite within the framework of the annual strategic planning process, during which adequate orientation of the risk, capital and results and earnings targets is ensured. Strategic limits and principles are defined for all types of risk on the basis of the RAS in the risk strategy. These limits and principles support the implementation of medium and long-term risk decisions. Risk Management governance ensures the comprehensive overview of all risk decisions and the proper execution of the risk strategy. Risk-reducing measures are carried out as part of the ordinary risk management process in order to make sure that the Group acts in accordance with the defined risk appetite.

Statements concerning value adjustments for credit risks can be found in Annex section C note 32 and concerning off-balance sheet risk items in Annex section C note 33 of this financial statement. Litigations are dealt with in Annex section A (Ongoing legal cases).

RESEARCH AND DEVELOPMENT

Erste Group Bank AG´s business purpose is to provide banking services. The production process of a bank is therefore not connected with research and development in an industrial sense. However, development work impacts permanently the current business of the bank.

Digitalisation in Erste Group

The pace of digital transformation has accelerated considerably as a result of technological changes, demographic developments, regulatory interventions and also due to the pandemic in recent years. As a result, customer behavior and customer expectations towards financial products have also changed significantly. Erste Group is convinced that the digital banking business will continue to gain in importance and will be essential for the economic success in the long term and therefore fosters digital innovation with the aim to digitalise banking products end-to-end including associated processes (e.g. onboarding of corporate customers).

Erste Group's digital strategy is based on its own digital platform, George. It aims at providing customers access to personalised products from Erste Group and also third-party suppliers through application programming interfaces (APIs) in the secure IT environment of a financial platform. APIs enable a wide range of co-operations, whether with fintechs, start-ups or across industries, and can therefore help open up new markets and attract new customers.

The digital platform George was implemented for retail customers in Austria in 2015. In the meantime, it is also running in the Czech Republic, Slovakia, Romania, Croatia and Hungary and is actively used by almost 9 million customers. It will also be rolled out in Serbia. The range of digitally available products and services is being constantly expanded. Customers can activate applications of Erste Group or third parties via plug-ins and use them to manage their finances. In 2022, George reached another evolutionary level.

George Business was implemented for corporate customers in Austria, and it was rolled out in Romania in 2023. The implementation in the Czech Republic should be finalized in 2024 and it will be rolled out in the local banking subsidiaries successively. It aims at offering group-wide an outstanding digital user experience across all customer segments on one platform.

REPORTING ON MATERIAL CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE ACCOUNTING PROCESS

Internal Control System Framework Requirements

The internal control system (ICS) is an essential element of the corporate governance system of Erste Group Bank AG contributing to the safeguarding of shareholders' investments and company's assets. Erste Group Bank AG's ICS plays a key role in identifying risks associated with the respective internal processes.

The ICS policy provides the framework conditions for the internal control system at Erste Group Bank AG. It defines current standards concerning general tasks and responsibilities as well as minimum criteria for ICS documentation. In Erste Group Bank AG, a top down, risk oriented, decentralised ICS approach is applied, designed based on the local process map, which promotes adequacy by focusing on all material risks. This means, that all material risks identified must be mitigated by key controls which are involved in the ICS process. The following criteria are applied for an adequate ICS:

_ Completeness: The process landscape as well as policies and procedures issued within the Group Policy Framework ensure that all identified risks and potential risk scenarios are considered, regulated and managed, aiming to set up a comprehensive and integrated control environment throughout the entity. All material risks must be covered with key controls, to demonstrate the importance at local level.
_ Effectiveness and traceability: The functionality of key controls are regularly checked, the optimal control environment is reviewed and challenged during monitoring activity of risk appetite/tolerance.
_ Comprehensibility: The process landscape together with local policies and procedures constitute documentation of identified key controls, which ensures that relevant employees are aware of all key controls and their role in the internal control process is transparent and accountable within the entire local entity.

The risk profile, which includes the current and target situation, is monitored by each individual risk function unit and is illustrated in the framework of the consolidated risk reporting (GRR) for the management or relevant risk committee.

Control environment

The control environment provides the framework for the introduction, implementation and monitoring of IKS principles, procedures and measures. The management board of Erste Group Bank AG is responsible for the establishment, structure and application of an appropriate internal control and risk management system that meets the company's needs in its group accounting procedures.

The Code of Conduct provides orientation for all employees of Erste Group Bank AG, defines mandatory rules for day-to-day business life, describes the corporate values, affirms the obligation to act responsibly as a company and ensures compliance with legal provisions and internal guidelines (compliance).

The awareness of potential compliance issues and a sustainable risk culture enable risks to be identified quickly and well-considered decision-making when dealing with existing regulations. The main component of the risk culture are internal guidelines and, above all, open communication in order to create the broadest possible awareness of all employees for all risks that Erste Group Bank AG is confronted with.

Accounting AT & Group Statutory Reporting, which are part of Group Accounting, coordinate and verify the final accounts' compilation for Erste Group Bank AG. The assignment of powers, the process description and the necessary control procedures are defined in the operating instructions.

Risk assessment and controls measures

The main risk in the financial reporting procedures is that errors or deliberate action (fraud) prevent facts from adequately reflecting the company's financial position and performance. This is the case if the data provided in the financial statements and notes is essentially inconsistent with the correct figures, i.e. whenever, alone or in aggregate, they are apt to influence the decisions made by the users of financial statements. Such a decision may incur serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

The relevant units are obliged to comply with the accounting and measurement principles that are applicable for capturing, posting and accounting transactions and laid out in the operating instructions relating to the UGB and in the IFRS Accounting Manual. The basic components of the internal control system (IKS) at Erste Group Bank AG are:

- controlling as a permanent financial/business analysis (e.g. comparison of target and actual data between accounting and controlling) and control of the company and/or individual corporate divisions.
- systemic, automatic control systems and measures in the formal procedure and structure, e.g. programmed controls during data processing.
- principles of functional separation and checks performed by a second person (the four-eye principle).

The areas of responsibility assigned to the individual positions are documented and are continuously updated. Special attention is paid to a functioning deputy regulation in order not to jeopardize the ability to meet deadlines if one person is absent. The annual financial statements including the management report are reviewed by the audit committee of the supervisory board and are also presented to the supervisory board for approval. It is published on the electronic announcement and information platform of the Federal Government (elektronische Verlautbarungs- und Informationsplattform des Bundes (EVI)) and finally filed with the Commercial Register.

Information und Communication

In accordance with Austrian Commercial Code (UGB)/Austrian Banking Act (BWG), the final accounts are prepared in a standardized format and in compliance with the control measures described above. Before being passed on to the Audit Committee of the Supervisory Board, the financial statements to be published are submitted to the managers and CFO for approval. During the year the UGB-result is presented to the responsible board member (CFO) on a quarterly basis.

Reporting is almost fully automated, based on source systems and automated interfaces, and guarantees up-to-date data for controlling, segment reporting and other analyses. Accounting information is derived from the same data source and is reconciled monthly for reporting purposes. Close collaboration between accounting and controlling permits continual target/actual comparisons for control and reconciliation purposes. Monthly and quarterly reports to the management board and the supervisory board ensure a regular flow of financial information and monitoring of the internal control system.

In addition, when introducing new core banking systems and implementing new products, accounting is in contact with the relevant departments in order to provide information at an early stage on accounting-specific aspects and implications for new product launches.

Monitoring

In order to monitor and at the same time support strong governance and risk management, Erste Group Bank AG applies three lines of defence to review the structures and processes that enable the achievement of the objectives for their effectiveness.

The first line of defence includes the business lines in which the department heads are responsible for monitoring including internal controls of their business areas. This line is in constant dialogue with the business areas and reports on planned, actual and expected results in connection with the goals of the organisation as well as on risks.

The role of the second line of defence is covered by specific areas of expertise, in addition to providing expertise, support, monitoring and risk management tasks. At Erste Group Bank AG, these activities are carried out among others by the departments Risk Management, BWG Compliance, WAG Compliance, Anti Money Laundering Prevention, Group Data and Reporting Governance and Group Security. Above all, the departments should support the business lines in the control steps, validate the actual controls, bring state-of-the-art practices into the organisation and cover tasks related to risk management.

The third line of defence is responsible for providing independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. Internal Audit is in charge of auditing and evaluating all areas of the bank based on risk-oriented audit areas (according to the annual audit plan as approved by the management board and reported to the audit committee). The main focus of audit reviews is to monitor the completeness and functionality of the internal control system. Internal Audit has the duty of reporting its findings to the group's management board, supervisory board and audit committee several times within one year.

Internal Audit is according to section 42 Austrian Banking Act (BWG) a control body that is directly subordinate to the management board. Its sole purpose is to comprehensively verify the lawfulness, propriety and expediency of the banking business and banking operation on an on-going basis. The mandate of Internal Audit is therefore to support the management board in its efforts to secure the bank's assets and promote economic and operational performance and thus in the management board's pursuit of its business and operating policy. The activities of Internal Audit are governed in particular by the currently applicable Rules of Procedure, which were drawn up under the authority of all management board members and approved as well as implemented by them. The Rules of Procedure are reviewed on a regular basis and whenever required and adapted should the need arise.

HOLDINGS, PURCHASE AND SALE OF OWN SHARES

The presentation of own shares at trade date follows the disclosure requirements of the Austrian Stock Corporation Act (AktG).

Holdings of own shares

Number of shares	Dec 23	Dec 22
Erste Group Bank AG	7,762,984	-650,932
Affiliated companies	1,106,329	1,568,971
thereof pledged	0	0

As of 31 December 2023 Erste Group Bank AG's own holdings of shares amounted to 7,762,984 units, with 8,137,141 units of shares resulting from the share buy-back program that started on 16 August 2023. The remaining short position in Erste Group Bank AG shares amounting to 374,157 units (prior year: 650,932 units) is covered by securities lending deals.

Both the acquisition costs of EUR 270,383,937.51 from the purchase of own shares in the long-portfolio as part of the share buy-back program and the sales losses of EUR 790,610.56 (prior year: 2,514 thousand) incurred from the purchase and sale as part of the employee share program (free shares) were recorded as disposals in other retained earnings.

Purchase of own shares

	Erste Group Bank AG				Affiliates of Erste Group Bank AG			
	Number of shares	Par value of the share capital in EUR	Purchase price in EUR	Purpose of transaction	Number of shares	Par value of the share capital in EUR	Purchase price in EUR	Purchase intension
January	86,636	173,272.00	2,804,971.89	Securities trading				
February	125,326	250,652.00	4,934,980.12	Securities trading				
March	591,409	1,182,818.00	18,230,636.56	Securities trading	245,000	490,000.00	7,278,830.00	principle shareholder program
April	77,212	154,424.00	2,487,795.23	Securities trading				
May	113,519	227,038.00	3,609,626.65	Securities trading				
	66,762	133,524.00	2,091,988.11	Employee participation program				
June	342,312	684,624.00	10,758,845.86	Securities trading				
	899,751	1,799,502.00	28,268,253.71	Employee participation program				
July	103,782	207,564.00	3,500,900.30	Securities trading				
August	68,387	136,774.00	2,282,508.67	Securities trading				
	1,065,698	2,131,396.00	35,604,344.20	Share buy-back				
September	395,915	791,830.00	13,087,624.69	Securities trading				
	3,014,812	6,029,624.00	98,824,658.10	Share buy-back				
October	156,880	313,760.00	5,107,389.51	Securities trading				
	2,440,490	4,880,980.00	80,088,862.07	Share buy-back				
November	102,977	205,954.00	3,590,629.59	Securities trading				
	1,297,439	2,594,878.00	44,419,137.84	Share buy-back				
December	242,607	485,214.00	8,744,400.62	Securities trading				
	318,702	637,404.00	11,446,935.30	Share buy-back				
Total	**11,510,616**	**23,021,232.00**	**379,884,489.02**		**245,000**	**490,000.00**	**7,278,830.00**	

The purpose of trading was in particular "market making" and hedging positions in the Austrian Stock Exchange Index (ATX).

The aim of the principal shareholder program is to strengthen the group structure and cooperation with the savings banks.

For further details on the employee share program, please refer to chapter D Share-based payments and regarding the share buy-back program to section C 47.

Sale of own shares

	Erste Group Bank AG			Affiliates of Erste Group Bank AG		
	Number of shares	Par value of the share capital in EUR	Selling price in EUR	Number of shares	Par value of the share capital in EUR	Selling price in EUR
January	149,140	298,280.00	4,883,436.73			
February	185,635	371,270.00	7,186,728.11			
March	303,063	606,126.00	9,450,303.30	406,640	813,280.00	12,276,462.00
April	67,669	135,338.00	2,161,563.66			
May	232,737	465,474.00	7,396,720.78			
June	1,258,792	2,517,584.00	39,050,489.10	501,002	1,002,004.00	15,000,000.00
July	90,695	181,390.00	3,025,925.53			
August	44,108	88,216.00	1,487,328.72			
September	391,572	783,144.00	12,752,285.06			
October	128,672	257,344.00	4,245,198.37			
November	146,544	293,088.00	5,188,447.16			
December	98,073	196,146.00	3,484,028.49			
Total	**3,096,700**	**6,193,400.00**	**100,312,455.01**	**907,642**	**1,815,284.00**	**27,276,462.00**

Of the 406,640 shares shown in the table above that were sold by affiliated companies in March 2023, 200,000 were lent as of 31 December 2022 and are not included in the holdings as of 31 December 2022.

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS AND ASSOCIATED AGREEMENTS

The mandatory disclosure requirements of Section 243a (1) UGB are met as follows:

Capital structure and class of shares (No 1)

Subscribed capital on 31 December 2023 was EUR 859,600,000.00 (prior year: EUR 859,600 thousand), represented by 429,800,000 voting bearer shares (ordinary shares). For additional information - in particular regarding the share buyback program which started on August 16, 2023 - reference is made to the notes, section C 20 or section C 47 respectively section A General Information regarding details to the cross-guarantee scheme (Haftungsverbund).

Restrictions of voting rights and of the transfer of shares (No 2)

The Articles of Association do not contain any restrictions affecting voting rights or the transfer of shares.

In shareholder agreements ERSTE Stiftung which, together with its syndicate partners, held 24.11% as of 31 December 2023 (previous year: 24.16%) agreed the following: concerning the appointment of the members of the supervisory board the partners are obliged to vote as required by ERSTE Stiftung. The partners can dispose of shares according to a predefined sale procedure and can purchase shares only within the quotas agreed with ERSTE Stiftung (of a maximum of 3% per calendar year); with this regulation an unwanted creeping-in according to takeover law shall be prevented. In addition, the partners have committed themselves not to make a hostile takeover bid, nor to participate in a hostile takeover bid nor to act together with a hostile bidder in any other way.

Direct or indirect shareholdings amounting at least 10% (No 3)

Apart from ERSTE Foundation, the Management Board is not aware of any other direct or indirect shareholdings that amount to at least 10%. For additional information please refer to the notes to the financial statements, section A and section C 22.

Special rights of control associated with holding shares (No 4)

There are no shareholders with special control rights.

Voting rights control in the case of capital participation of employees (No 5)

The voting rights of shares held by Erste Mitarbeiterbeteiligung Privatstiftung in trust or by proxy for the employees of employer companies participating in employee share programs according to section 4d (5) (1) Income Tax Act (EStG) are exercised by the Board of Directors of Erste Mitarbeiterbeteiligung Privatstiftung. The members of the Board of Directors are appointed and dismissed by the Advisory Board through resolution with simple majority, whereby the delegation rights of Erste Group Bank AG as well as the existing statutory employee representatives of Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG shall be taken into account. A further member of the Board of Directors to be appointed by the Advisory Board shall be a former member of the management board or a former (freelance) employee of an employer company pursuant to section 4d (5) (1) Income Tax Act (EStG). The Advisory Board of Erste Mitarbeiterbeteiligung Privatstiftung consists of up to five members.

Special control rights, bodies and amendments of the articles of association (No 6)

This concerns:
- Art. 15.1 of the Articles of Association, which provides that ERSTE Stiftung will be granted the right to nominate up to one third of the members of the Supervisory Board to be elected by the shareholders' meeting, as long as ERSTE Stiftung is liable for all present and future liabilities of the company in the case of its insolvency pursuant to Section 92 (9) Banking Act,
- Art. 15.4 of the Articles of Association, which provides that a three-quarter majority of valid votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal are required to pass a motion for removal of Supervisory Board members, and
- Art. 19.9 of the Articles of Association, which provides that amendments to the Articles of Association, in so far as they do not alter the business purpose, may be passed by simple majority of votes cast and simple majority of the subscribed capital

represented at the shareholders meeting considering the amendment. Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Moreover, amendments to Art. 19.9 require a three-quarter majority of the votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal.

Powers of the Management Board to issue and repurchase shares (No 7)

As per decision of the General Meeting of 12 May 2023:

- The Management Board is entitled to purchase up to 10% of the share capital in own shares for the purpose of securities trading according to section 65 (1) (7) Austrian Stock Corporation Act (AktG). However, the trading volume of shares acquired may not exceed 5% of the share capital at the end of each day. The consideration for the shares to be purchased must not be less than 50% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase by more the 20%. This authorization is valid for a period of 30 months from the date of the resolution, i.e. until 12 November 2025.
- The Management Board is entitled, pursuant to section 65 (1) (8) as well as (1a) and (1b) Stock Corporation Act and for a period of 30 months from the date of the resolution, i.e. until 12 November 2025, to acquire own shares in the amount of up to 10% of the share capital, subject to approval by the Supervisory Board and without any further resolution of the General Meeting at a lowest consideration of EUR 2.00 per share and a highest consideration not exceeding 50% above the average Vienna Stock Exchange price, weighted according to trading volumes, of the last 20 trading days prior to the respective acquisition of the shares; in the case of a public offer, the cut-off date for the end of the calculation period shall be the day on which the intention to make a public offer is announced (sec 5 (2) and (3) Austrian Takeover Act [ÜbG]). The acquisition may, at the discretion of the Management Board and with the consent of the Supervisory Board, be effected on the stock exchange or by means of a public offer or in any other legally permissible and expedient manner, in particular also off the stock exchange and/or from individual shareholders and excluding the pro rata tender right (reverse subscription right). The authorization may be exercised in whole or in part or in several partial amounts and in pursuit of one or more purposes by the Company, its affiliated companies (sec. 189a (8) Commercial Code [UGB]) or for their account by third parties. Pursuant to section 65 (1b) Stock Corporation Act, the Management Board is authorized for a period of five years from the date of the resolution, i.e. until 12 May 2028, with the consent of the Supervisory Board, to sell or dispose the company's own shares, also in a way other than via the stock exchange or by means of a public offer for any legally permissible purpose, to determine the terms and conditions of the sale and to decide on the exclusion of the shareholders' subscription rights. These authorizations include the sale of own shares in particular for the following purposes: (i) in order to be able to sell the shares for a consideration other than cash, provided that this serves the purpose of acquiring (also indirectly) companies, businesses, parts of businesses, shares in one or more companies domestically or abroad; (ii) to transfer shares free of charge or at a reduced price to employees, executives and members of the Management Board of the Company or of an affiliated company (sec 189a (8) Commercial Code [UGB]) or of any other company within the meaning of sec 4d (5) (1) Austrian Income Tax Act (EStG), as well as to Erste Mitarbeiterbeteiligung Privatstiftung and its beneficiaries; and (iii) to resell own shares with partial or full exclusion of the subscription rights in any manner permitted by law, including over-the-counter. The authorizations in this resolution may be exercised once or several times, in whole or in part, individually or jointly.
- The Management Board is authorized to redeem shares without further resolution at the General Meeting with the approval of the Supervisory Board.

As per decision of the Annual General Meeting of 19 May 2021:

- According to section 65 (1) (4) as well as (1a) and (1b) Stock Corporation Act, the Management Board was authorized for the duration of 30 months following the date of resolution, hence until 18 November 2023, and with the approval of the Supervisory Board to purchase own shares at an amount equaling up to 10% of share capital of the company also under repeated utilization of the 10% limit either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment for the purpose of granting shares for free or at concessionary terms to Erste Mitarbeiterbeteiligung Privatstiftung, their beneficiaries, employees, executive employees and members of the board at Erste Group Bank AG or of an affiliated undertaking or of any other undertaking pursuant to section 4d (5) (1) Income Tax Act. The authorization may be exercised in whole or in part or in several installments and in pursuit of one or several purposes. The value per share may neither be lower than the floor value of two Euros nor higher than the ceiling of 120 Euros.

All sales and purchases were carried out as authorized at the General Meeting.

According to section 8.3 of the Articles of Association, the Management Board is authorized to issue until 18 May 2027, with the consent of the Supervisory Board, convertible bonds (including Contingent Convertible Bonds according to section 26 Austrian Banking Act), which have the conversion or subscription right for shares of the Company, observing or excluding the subscription rights of the shareholders. The terms and conditions may, in addition or instead of a conversion or subscription right, also provide for the mandatory conversion at the end of the term or at any other time. The issuance of convertible bonds is limited to the extent that all conversion or subscription rights, and in case of a mandatory conversion stipulated in the terms and conditions, the mandatory conversion, are covered by conditional capital. Section 5.3 shall apply to the issue of convertible bonds without subscription rights. The issue amount, the terms and conditions of the issue of the convertible bonds and the exclusion of the subscription rights for the shareholders will be determined by the Management Board with the consent of the Supervisory Board.

Significant agreements which become effective, are amended or are rendered ineffective when there is a change in the control of the company and their effects (No 8)

CROSS-GUARENTEE SCHEME AGREEMENT

The agreement in principle of the cross-guarantee scheme (Haftungsverbund) provides for the possibility of early cancellation for good cause. Good cause, allowing the respective other contracting parties to cancel the agreement, is deemed to exist if:
— one contracting party grossly harms the duties resulting from the present agreement,
— the ownership structure of a party to the contract changes in such a way – particularly by transfer or capital increase – that one or more third parties from outside the savings bank sector directly and/or indirectly gain a majority of the equity capital or voting rights in the contracting party or
— one contracting party resigns from the savings bank sector irrespective of the reason.

The cross-guarantee scheme's agreement in principle and supplementary agreements expire if and as soon as any entity that is not a member of the savings bank sector association acquires more than 25% of the voting power or equity capital of Erste Group Bank AG in any manner whatsoever and a member savings bank notifies the cross-guarantee scheme's steering company and Erste Group Bank AG by registered letter within twelve weeks from the change of control that it intends to withdraw from the cross-guarantee scheme.

DIRECTORS & OFFICERS-INSURANCE

In the event that any of the following transactions or processes occur during the term of the insurance policy (each constituting a 'change in control') in respect of the insured:
— the insured ceases to exist as a result of a merger or consolidation, unless the merger or consolidation occurs between two insured parties, or
— another company, person or group of companies or persons acting in consent, who are not insured parties, acquire more than 50% of the insured's outstanding equity or more than 50% of its voting power (resulting in the right to control the voting power represented by the shares, and the right to appoint the Management Board members of the insured),

then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change in control took effect. However, no insurance cover is provided for claims relating to unlawful acts committed or allegedly committed after that time (unless the insured and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.

In the event that a subsidiary ceases to be a subsidiary during the insurance period, the insurance cover under this policy shall remain in full force and effect for that entity for the remainder of the insurance period or (if applicable) until the end of the extended discovery period, but only in respect of claims brought against an insured in relation to unlawful acts committed or alleged to have been committed by the insured during the existence of this entity as a subsidiary. No insurance cover is provided for claims brought against an insured in relation to unlawful acts committed or allegedly committed after this entity ceased to exist.

COOPERATION BETWEEN ERSTE GROUP BANK AG AND VIENNA INSURANCE GROUP (VIG)

Erste Group Bank AG and Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG) are parties to a general distribution agreement (the Agreement) concerning the framework of the cooperation of Erste Group and VIG in Austria and CEE with respect to bank and insurance products. Originally concluded in 2008 (between Erste Bank der österreichischen Sparkassen AG and Vienna Insurance Group der WIENER STÄDTISCHE Versicherung AG), the Agreement was renewed and extended in 2018 until the end of 2033. The objective for the renewal and extension in particular was to adapt the Agreement to the corporate restructuring of the original parties, to amend some commercial parameters and to align the Agreement with recent developments in the legal framework. Already in the original Agreement the parties stipulated that both parties have the right to terminate the Agreement in case of a change of control of one of the parties. In case of change of control of Erste Group Bank AG, VIG has the right to terminate the Agreement. In case of change of control of VIG, Erste Group Bank AG has the reciprocal right. A change of control is defined, with respect to Erste Group Bank AG, as the acquisition of Erste Group Bank AG by any person/entity other than DIE ERSTE österreichische Spar-Casse Privatstiftung or Austrian savings banks of 50% plus one share of Erste Group Bank AG's shares or voting rights. In respect to VIG, the aforementioned provisions apply analogously, except for share purchases by Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group.

Apart from this regulation on the termination of the Agreement, the parties agreed in the renewal and extension of the Agreement for an additional termination for cause if based on new legal or regulatory provisions, the continuation of the Agreement is unreasonable for each or both of the parties.

Erste Group Bank AG and VIG are furthermore parties to an asset management agreement, pursuant to which Erste Group undertakes to manage certain parts of VIG's and its group companies' securities assets. In case of a change of control (as described above), each party has the termination right. The asset management agreement has been renewed and extended until 2033 concurrently with the renewal and extension of the Agreement outlined above.

Indemnification agreements (No 9)

In the event of a public takeover offer, there are no compensation agreements between Erste Group Bank AG and its executive board and supervisory board members or employees.

NON-FINANCIAL REPORTING

Non-financial reporting for Erste Group Bank AG pursuant to Section 243b of the Commercial Code (UGB) is published together with the Group's separately consolidated non-financial report in the financial statement of Erste Group. The separate non-financial report is disclosed in the financial statement on the homepage at www.erstegroup.com/ir.

EVENTS AFTER BALANCE SHEET DATE

For events of particular importance that occurred after the end of the fiscal year, please refer to the notes, Chapter C, Item 47.

GLOSSARY

CEE (Central and Eastern Europe)

English abbreviation also commonly used in German applied to the economic area of Central and Eastern Europe. Includes the new EU member states from expansion in 2004 and 2007 as well as the successor states to Yugoslavia and the Soviet Union and Albania.

Cost-Income Ratio

Operating expenses as a % of the operating income.

Common Equity Tier 1 Capital Ratio

Common Equity Tier 1 capital (CET1) according to Article 50 CRR expressed in % of the total risk amount according to Article 92 (3) CRR.

Erste Group Bank AG

Erste Group Bank AG as individual company.

Erste Group

Erste Group as group of affiliated companies.

Forbearance

Concessions to the debtor due to financial difficulties.

Operating Expenses

Sum of general administrative expenses, value adjustments in respect of assets items 9 and 10 as well as other operating expenses.

Operating Income

Sum of net interest income, net commissions income, income from securities and participating interests, net profit or loss on financial operations and other operating income.

Operating Result

Operating income less operating expenses.

Return on Assets

The annual net profit before allocation to reserves divided by the average balance sheet total (average of the last 5 quarterly cut-off dates).

Return on Tangible Equity (ROTE)

Results from profit or loss for the year after tax before changes in reserves divided by the average equity adjusted for intangible assets. The average is calculated on the basis of quarterly final values.

Risk Appetite Statement (RAS)

The RAS is a strategic explanation that describes the maximum risk that a company is prepared to take to achieve its goals.

Tier 1 Capital Ratio

Tier 1 Capital according to Article 25 CRR in % of the total risk amount according to Article 92(3) CRR.

Total Capital Ratio

The total eligible own capital according to Article 72 CRR expressed in % of the total risk amount according to Article 92 (3) CRR.

Vienna, 29 February 2024

Management Board

Willibald Cernko e.h.
Chairman

Ingo Bleier e.h.
Member

Stefan Dörfler e.h.
Member

Alexandra Habeler-Drabek e.h.
Member

David O`Mahony e.h.
Member

Maurizio Poletto e.h.
Member

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

V. Auditor's Report

REPORT ON THE FINANCIAL STATEMENTS

AUDIT OPINION

The Sparkassen-Prüfungsverband (Prüfungsstelle) and PwC Wirtschaftsprüfung GmbH, Vienna, – hereinafter referred to as "we" – have audited the financial statements of Erste Group Bank AG, Vienna, which comprise the balance sheet as at December 31, 2023, the income statement for the fiscal year then ended, and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance for the fiscal year then ended in accordance with the Austrian Company Code and the special legal requirements.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with Austrian Generally Accepted Accounting Principles, the provisions of the Austrian Banking Act and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:
— Description
— Audit approach
— Reference to related disclosures

Impairments of Loans and Advances to Customers (expected credit losses)

DESCRIPTION

Impairments of Loans and Advances represent management's best estimate of the credit losses expected with respect to the loan portfolio at balance sheet date. The calculation of impairments is carried out in line with the AFRAC 14 (June 2021) by using the IFRS 9 model in the Austrian Company Code (UGB).

For loans and advances to customers in the amount of EUR 22,1 billion, measured at amortized cost, Erste Group Bank AG has recognized credit loss allowances in the amount of EUR 0,2 billion as at December 31, 2023. Due to the underlying assumptions and estimates, determining expected credit losses is inherently subject to substantial judgement applied by management.

Erste Group Bank AG has implemented internal guidelines and specific processes to estimate expected credit losses. These processes rely significantly on quantitative and qualitative criteria and require management judgement and estimates.

Scenario-based discounted cash flow methods are applied in line with IFRS 9 to determine the level of loss allowances:

Collectively assessed impairments
— For non-defaulted loans, impairments are determined collectively and, provided no significant increase in credit risk has occurred, correspond to the expected credit losses in the event of default within the next 12 months. In the event of a significant increase in the credit risk of non-defaulted loans, impairments are determined in the amount of the expected loss over the remaining maturity. Similarly, expected losses over the remaining maturity are determined for those non-impaired loans and advances to which no credit risk could be assigned at the time of initial recognition due to missing data at the time of IFRS 9 transition (2018).
— For defaulted loans and advances with a comparable risk profile that are considered not to be individually significant, expected credit losses are collectively assessed as well.
— The collectively assessed expected credit losses are calculated considering default probabilities, forward-looking information and parameters that reflect the expected cash flows as well as the expected proceeds from the realization of collateral. The parameters are estimated based on statistical models.

Impairments not collectively assessed
— For defaulted loans and advances considered to be significant at customer level, expected credit losses are determined on a case-by-case basis. These impairments are calculated considering scenario probabilities, expected cash flows as well as expected proceeds from the realization of collateral.

The models used for determining loss allowances are specific to the types of loan portfolios. There are country-specific and forward-looking features both with regard to products and economic environment that are relevant to the respective loss estimate resulting in heightened complexity of models and input factors.
The uncertainty inherent in the estimation of impairments of loans and advances, in particular the consideration of future economic conditions, have increased are also in 2023 significant due to the geopolitical and economic developments.

Erste Group Bank AG has taken this into account by collective staging:
— Customer groups that are potentially particularly affected by the negative economic developments were identified based on expert-based criteria. For these customer groups, assessment is made to whether there has been a significant increase in credit risk, that is not yet to be determined on the stand alone financial instrument (collective staging).

Details on the methodology are presented in the notes under the sub-item "Impairments for default risks".
Due to
— the substantial judgement to be applied by the management in designing collective staging,
— a high degree of uncertainty of future economic developments, which led to a high degree of auditor judgement,
— the complexity of models and interdependent assumptions and the resulting audit effort and
— the volume of risk provisions
we identified this area to be a key audit matter.

AUDIT APPROACH

To assess the appropriateness of impairments of loans and advances to customers, we:
— updated our understanding of the Expected Credit Loss calculation methodology applied by Erste Group Bank AG based on policies, documentation and interviews and assessed its compliance with the requirements of IFRS 9. We focused on adjustments to methods and processes made in order to capture the increased uncertainties of the present and future environment in expected credit losses.
— evaluated the control activities in credit risk management and lending business processes and tested key controls, in particular with respect to the approval of loans, ongoing monitoring and the early warning system as well as the processes around the early identification of default, as well as understood and evaluated the assessment of unlikeness to pay ("UTP").
— evaluated control activities and tested key controls in the area of rating models and collateral valuation.
— evaluated model governance and validation processes and critically reviewed the information brought to the attention of the management. We evaluated, with the support from our credit risk modelling experts, the results of back-testing and model validations.
— examined and critically assessed the appropriateness of credit risk parameters and models, taking into account possible structural breaks in the observable data, and assessed the plausibility of expectations and estimates made on the basis of such biases, to identify significant increases in the credit risk of individual customers or groups of customers.
— assessed the correctness of the stage allocation for selected portfolios based on applicable policies.
— analyzed sensitivities and impacts of IFRS 9 specific model aspects.

— evaluated whether key components of the calculation of expected credit losses are correctly incorporated in the models by performing walkthroughs and reviewing steering tables.
— assessed the correctness of the expected credit loss calculation for selected portfolios.
— evaluated whether forward-looking information integrated into the estimates is appropriate and reasonable. In particular, we have compared the underlying macro-economic forecasts with external sources of information and critically assessed the individual weights attributed to scenarios.
— tested, on a sample basis, whether default events have been identified in accordance with applicable policies and evaluated whether events occurred that significantly affect the borrower's ability to repay loans and advances. Furthermore, we tested, on a sample basis, the adequacy of individual loan loss allowances assessing the scenarios adopted and the estimation of expected cash flows made.

REFERENCE TO RELATED DISCLOSURES

For further details regarding the process of determining loss allowances as well as regarding the design of the models involved, we refer to the management's disclosures under item B. Credit Loss Allowances.

OTHER INFORMATION

Management is responsible for other information. Other information comprises any information included in the annual report, but does not include the financial statements, the management report and the auditor's report.

We obtained the corporate governance report in accordance with Section 243c UGB and the non-financial report in accordance with Section 243b UGB prior to the date of this auditor`s report, all other parts of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover other information and we will not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Austrian Company Code and the special legal requirements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

— identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
— conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
— evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Management Report

Pursuant to the Austrian Company Code, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Company Code and the special legal requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the applicable legal requirements, includes accurate statement pursuant to Section 243a UGB and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and the obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Additional Information in accordance with Article 10 of the EU Regulation

Pursuant to Sections 23 and 24 Austrian Savings Bank Act (SpG), the Sparkassen-Prüfungsverband (Prüfungsstelle) is the statutory auditor of Erste Group Bank AG, Vienna.

At the annual general meeting dated May 18, 2022 and pursuant to Section 1 (1) of the Auditing Rules for Savings Banks, Annex to Section 24 SpG, PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2023 and, subsequently, was engaged by the supervisory board. At the annual general meeting dated May 12, 2023 PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2024 and, subsequently, was engaged by the supervisory board. Since 2017 PwC Wirtschaftsprüfung GmbH, Vienna, has constantly been appointed as additional auditor.

We confirm that the audit opinion in the “Report on the Financial Statements” section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement are Mr. Herwig Hierzer, Austrian Certified Public Accountant (Prüfungsstelle des Sparkassen-Prüfungsverbandes), and Ms. Dorotea E. Rebmann, Austrian Certified Public Accountant (PwC Wirtschaftsprüfung GmbH, Vienna).

Vienna, February 29, 2024

Sparkassen-Prüfungsverband
(Prüfungsstelle)

(Bank Auditor)

Herwig Hierzer, MBA
Austrian Certified Public Accountant

Gregor Seisser, CFA
Austrian Certified Public Accountant

PwC Wirtschaftsprüfung GmbH

Dipl.Kfm.Univ. Dorotea-E. Rebmann
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. For deviating versions, the provisions of Section 281 (2) UGB apply.

VI. Statements of all members of the management board

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 29 February 2024

Management Board

Willibald Cernko e.h.
Chairman

Ingo Bleier e.h.
Member

Stefan Dörfler e.h.
Member

Alexandra Habeler-Drabek e.h.
Member

David O`Mahony e.h.
Member

Maurizio Poletto e.h.
Member