Erste Group Bank AG

Financial Statements 2023

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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)

		Dec 23		Dec 22	
in EUR or in EUR thousand	Article pursuant to CRR	Calculation base/total risk (phased-in)	Capital requirement (phased-in)	Calculation base/total risk	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