Interim Report
First Quarter 2019

THE FUTURE IS YOURS.

200

YEARS

#BELIEVEINYOURSELF

ERSTE
Group

Key financial data

Income statement

in EUR million	Q1 18 adjusted	Q4 18	Q1 19	1-3 18 adjusted	1-3 19
Net interest income	1,082.6	1,210.0	1,160.9	1,082.6	1,160.9
Net fee and commission income	478.6	477.7	487.7	478.6	487.7
Net trading result	11.3	48.7	153.3	11.3	153.3
Operating income	1,655.1	1,819.5	1,771.7	1,655.1	1,771.7
Operating expenses	-1,065.0	-1,078.8	-1,115.6	-1,065.0	-1,115.6
Operating result	**590.2**	**740.6**	**656.0**	**590.2**	**656.0**
Impairment result from financial instruments	54.4	-42.9	35.8	54.4	35.8
Post-provision operating result	**644.5**	**697.7**	**691.8**	**644.5**	**691.8**
Other operating result	-128.0	-67.6	-131.1	-128.0	-131.1
Levies on banking activities	-38.6	-24.1	-38.8	-38.6	-38.8
Pre-tax result from continuing operations	520.7	626.0	561.8	520.7	561.8
Taxes on income	-114.6	22.5	-95.5	-114.6	-95.5
Net result for the period	**406.2**	**648.5**	**466.3**	**406.2**	**466.3**
Net result attributable to non-controlling interests	70.1	83.3	89.3	70.1	89.3
Net result attributable to owners of the parent	**336.1**	**565.2**	**377.0**	**336.1**	**377.0**
Earnings per share	0.79	1.23	0.88	0.79	0.88
Return on equity	10.5%	16.0%	11.1%	10.5%	11.1%
Net interest margin (on average interest-bearing assets)	2.27%	2.33%	2.18%	2.27%	2.18%
Cost/income ratio	64.3%	59.3%	63.0%	64.3%	63.0%
Provisioning ratio (on average gross customer loans)	-0.22%	0.12%	0.01%	-0.22%	0.01%
Tax rate	22.0%	-3.6%	17.0%	22.0%	17.0%

Balance sheet

in EUR million	Mar 18	Dec 18	Mar 19	Dec 18	Mar 19
Cash and cash balances	25,246	17,549	16,382	17,549	16,382
Trading, financial assets	43,607	43,930	45,191	43,930	45,191
Loans and advances to banks	11,944	19,103	22,741	19,103	22,741
Loans and advances to customers	142,059	149,321	151,957	149,321	151,957
Intangible assets	1,511	1,507	1,489	1,507	1,489
Miscellaneous assets	5,651	5,382	5,946	5,382	5,946
Total assets	**230,018**	**236,792**	**243,706**	**236,792**	**243,706**
Financial liabilities held for trading	2,940	2,508	2,277	2,508	2,277
Deposits from banks	20,988	17,658	20,295	17,658	20,295
Deposits from customers	155,306	162,638	166,216	162,638	166,216
Debt securities issued	26,451	29,738	28,670	29,738	28,670
Miscellaneous liabilities	6,366	5,381	6,492	5,381	6,492
Total equity	17,968	18,869	19,754	18,869	19,754
Total liabilities and equity	**230,018**	**236,792**	**243,706**	**236,792**	**243,706**
Loan/deposit ratio	91.5%	91.8%	91.4%	91.8%	91.4%
NPL ratio	3.7%	3.2%	3.0%	3.2%	3.0%
NPL coverage ratio (based on AC loans, ex collateral)	73.0%	73.4%	74.5%	73.4%	74.5%
CET 1 ratio (phased-in)	12.6%	13.5%	13.2%	13.5%	13.2%

Ratings	**Mar 18**	**Dec 18**	**Mar 19**
Fitch			
Long-term	A-	A-	A
Short-term	F1	F1	F1
Outlook	Stable	Stable	Stable
Moody´s			
Long-term	A3	A2	A2
Short-term	P-2	P-1	P-1
Outlook	Positive	Positive	Positive
Standard & Poor´s			
Long-term	A	A	A
Short-term	A-1	A-1	A-1
Outlook	Positive	Positive	Positive

Letter from the CEO

Dear shareholders,

Erste Group had a strong start to its bicentenary year, posting a net profit of EUR 377.0 million (+12.2%) and thus an excellent first-quarter result. The significant rise of the operating result by 11.2% was driven by higher core income – net interest income and net fee and commission income – as well as an extraordinarily strong net trading result. Despite higher deposit insurance contributions – which did not come as a surprise given the ongoing growth in customer deposits – and higher personnel costs, income grew at a faster rate than costs. Another positive factor was the continued benign risk environment, which again resulted in net releases. On the back of the continuing positive trend in asset quality, Erste Group's NPL ratio came in at 3.0% (versus 3.2% at year-end).

The encouraging performance of the first quarter of 2019 was made possible by ongoing positive economic growth in Central and Eastern Europe, which for 2019 is forecast at about 2% in Austria and around 3% in our Eastern European core markets. The main driver of economic performance remains the region's solid domestic demand. Visibly higher real wages across the entire region reflected not only progressing convergence but, along with a rise in employment levels, further boosted private household consumption and created a sound business environment for Erste Group's local banks. Inflation rates were up in most of the CEE economies but remained comparatively low. Due to low tax rates, incentives to invest remain strong and labour markets are flexible. Overall, all the prerequisites for a continuing positive development of Erste Group are in place.

Against the backdrop of this solid economic environment demand for loans remained robust, above all in the Czech Republic, but also in Austria and Slovakia and loans to customers increased by 1.8% to EUR 152.0 billion. The deposit base was unaffected by interest rate levels that were anything but attractive for savers: customer deposits were up by 2.2%. As a result, the loan-to-deposit ratio improved to 91.4%.

Growth in lending to customers remained a key driver of net interest income. On the income side, headwinds were still being caused by persistently low and sometimes even negative interest rates. Only in the Czech Republic and Romania did central banks raise their reference interest rates, which had a positive impact on net interest income. Less helpful in this context has been the decline in government bond yields witnessed in recent months, which has made reinvestment more challenging. The rise in net fee and commission income was moderate at 1.9% but, gratifyingly, growth was registered in all core markets. The asset management business is struggling with the fact that attractive and risk-adjusted investment products for retail customers are in short supply in a region whose capital markets are still at an early stage of development. Even though the business and risk environment is, overall, benign, we expect a return of risk costs in 2019, albeit at levels that are still low compared with the long-term average. No such trend was in evidence yet in the first quarter, though, which again saw net releases of EUR 35.8 million.

There have been no surprises on the cost side: general administrative expenses were higher than in the first quarter of the previous year. Contributions to deposit insurance systems increased by approximately EUR 13.3 million to a total of EUR 87.5 million, including almost all contributions expected for 2019 (with the exception of Croatia and Serbia). Personnel expenses were likewise up. With unemployment rates in most of our core markets low, further upward pressure is to be expected. As always in the first quarter, other operating result reflected extraordinary charges including, most importantly, the annual contributions to resolution funds posted in a total amount of EUR 78.0 million (versus EUR 68.2 million in the previous year) and the upfront booking of full-year Hungarian banking tax. Overall, banking and transaction taxes in Austria, Slovakia and Hungary amounted to EUR 38.8 million, up slightly on the previous year. In Romania, banking tax will be levied for the first time this year, with the total charge for 2019 expected to amount to EUR 20 million at most.

Erste Group's liquidity and funding positions remained excellent. Steady organic growth of capital over the past years, supported by a total of three successful placements of additional tier 1 capital (AT1), most recently in March 2019, has strengthened the capital base. Excluding retained earnings for the quarter, the common equity tier 1 ratio stood at 13.2% as of the end of March (CRR final).

From today's perspective, we are thus excellently positioned to meet our targets for the anniversary year 2019 – income growing faster than costs, continuing low risk costs and a solid double-digit return on tangible equity (ROTE) of more than 11%.

Andreas Treichl m.p.

Erste Group on the capital markets

EQUITY MARKET REVIEW

In the first quarter 2019, market participants in international stock markets focused once again on how the United Kingdom will eventually exit the European Union (Brexit), a question that is still unresolved despite several rounds of voting in the British parliament, the trade conflicts between the US and its key trading partners (most importantly China) and their impacts on the global economy.

Despite the uncertainties surrounding the potential imposition of additional US tariffs, a hard Brexit (i.e. the UK leaving the EU without a deal) and an expected dent in economic growth, the majority of the stock indices monitored posted two-digit gains in the first three months of the year. These, however, compensated only part of the losses sustained in the last quarter of 2018. At the end of the reporting quarter, the US indices were up 11.2% (Dow Jones Industrial Index at 25,928.69 points) and 13.1% (Standard & Poor's 500 Index at 2,834.40 points) compared to year-end 2018. The broader European Euro Stoxx 600 Index closed the first quarter 12.3% higher at 379.09 points. In the Austrian market, the Austrian Traded Index (ATX) advanced 10.5% year-to-date to 3,034.04 points. The Euro Stoxx Banks Index, which is composed of the leading European bank shares, rose 7.1% to 93.25 points during the reporting period.

The rally in the stock markets was driven primarily by corporate growth forecasts, which in the US came in higher than in Europe. Guidance from US and European central banks on their interest rate policies also influenced stock prices. The European Central Bank (ECB) announced that new liquidity programmes would be available from September 2019 and that its key policy rates would not be raised before 2020. The US central bank (Fed) indicated that – based on its current assessment of the state of the economy – it would not carry out any further rate hikes for the time being.

SHARE PERFORMANCE

The weak general stock market environment exacerbated by the adoption of an excessive and unexpected Romanian banking tax law caused Erste Group's share price to decline by a double-digit rate in December 2018. This loss was recovered again in the new year. In addition to the general rebound of international stock markets, the stock price was also supported by the solid development of the business with a record net profit for 2018, the early achievement of the internal capital target (a common equity tier 1 ratio of 13.5%) and the reduction of the planned banking tax in Romania. Acknowledging the improved profitability, the strong capital base and the solid economic development in Central and Eastern Europe, the rating agency Fitch upgraded Erste Group's long-term issuer default rating to A with a stable outlook.

The Erste Group share ended the first quarter of 2019 with a closing price of EUR 32.76, up 12.8%. By comparison, the ATX gained 10.5% and the Euro Stoxx Bank Index 7.1% over the same period. During the reporting period, the Erste Group share marked its low at EUR 28.79 and its high at EUR 33.46.

In the first quarter of 2019, trading volume on the three stock exchanges on which the Erste Group share is listed (Vienna, Prague, Bucharest) averaged 955,630 shares per day. More than half of the trading activity was executed over the counter (OTC) or through electronic trading systems.

FUNDING AND INVESTOR RELATIONS

Increased flexibility in timing new issues (with only one scheduled benchmark redemption in May this year) made it possible to use the favourable market window in March to place another EUR 500 million AT1 tranche. The continued positive market environment also supported the issuance of a EUR 500 million senior unsecured (preferred) bond in April, with the issue attracting substantial investor interest, as no senior bond has been placed in benchmark size since 2013.

In the first quarter of 2019, the management together with the investor relations team met with investors in a large number of one-on-one and group meetings, in which questions raised by investors and analysts were answered. The presentation of the 2018 annual result in Vienna was followed by the annual analysts' dinner and a road show day with investor meetings in London. The Erste Group's strategy and performance were presented against the backdrop of the current environment at international banking and investor conferences hosted by Kepler Cheuvreux, HSBC, Morgan Stanley and PKO. The dialogue with bond investors was continued.

Interim management report

In the interim management report, financial results from January-March 2019 are compared with those from January-March 2018 and balance sheet positions as of 31 March 2019 with those as of 31 December 2018.

EARNINGS PERFORMANCE IN BRIEF

Net interest income increased – mainly in the Czech Republic, but also in other core markets – to EUR 1,160.9 million (EUR 1,082.6 million). **Net fee and commission income** rose to EUR 487.7 million (EUR 478.6 million) primarily on the back of payment services. While **net trading result** improved significantly to EUR 153.3 million (EUR 11.3 million), the line item **gains/losses from financial instruments measured at fair value through profit or loss** declined to EUR -77.1 million (EUR 30.3 million), both line items being impacted by valuation effects related to own liabilities from debt securities issued. **Operating income** rose to EUR 1,771.7 million (EUR 1,655.1 million). The increase in **general administrative expenses** to EUR 1,115.6 million (+4.8%; EUR 1,065.0 million) was attributable to a rise in other administrative expenses to EUR 358.3 million (+4.0%; EUR 344.5 million) as well as higher personnel expenses in the amount of EUR 621.9 million (+2.9%; EUR 604.5 million). Other administrative expenses included almost all contributions to deposit insurance systems expected in 2019 in the amount of EUR 87.5 million (EUR 74.2 million). The increase in amortisation and depreciation to EUR 135.4 million (EUR 115.9 million) is attributable to the first-time application of the new financial reporting standard for leases (IFRS 16) as of 1 January 2019, while a corresponding positive effect was recorded in other administrative expenses. Overall, the **operating result** improved to EUR 656.0 million (EUR 590.2 million) and the **cost/income ratio** to 63.0% (64.3%).

Due to net releases on the back of continued solid asset quality, the **impairment result from financial instruments** amounted to EUR 35.8 million or, adjusted for net allocation of provisions for commitments and guarantees given, 1 basis point of average gross customer loans (EUR 54.4 million or -22 basis points). This was mainly attributable to income received from the recovery of loans already written off as well as from releases of provisions for commitments and guarantees given in the Czech Republic and Romania. The **NPL ratio** based on gross customer loans improved again to 3.0% (3.2%), the **NPL coverage ratio** to 74.2% (73.0%).

Other operating result amounted to EUR 131.1 million (EUR -128.0 million). The expenses for the annual contributions to resolution funds included in this line item rose – in particular in the Czech Republic – to EUR 78.0 million (EUR 68.2 million). Banking and transaction taxes were nearly unchanged at EUR 38.8 million (EUR 38.6 million), including EUR 12.5 million (EUR 13.7 million) in Hungarian banking taxes posted upfront for the full financial year 2019. Other taxes decreased to EUR 3.7 million (EUR 9.5 million).

The minority charge rose due to better results from the savings banks to EUR 89.3 million (EUR 70.1 million). The **net result attributable to owners of the parent** increased to EUR 377.0 million (EUR 336.1 million).

Total equity not including AT1 instruments rose to EUR 18.3 billion (EUR 17.9 billion). After regulatory deductions and filtering in accordance with CRR, **common equity tier 1 capital** (CET1, final) amounted to EUR 15.4 billion (EUR 15.5 billion), total **own funds** (final) to EUR 21.3 billion (EUR 20.9 billion). Interim profit is not included in the above figures. Due to net releases in the first quarter no risk costs were deducted. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR, final) – rose to EUR 117.2 billion (EUR 115.4 billion). The **common equity tier 1 ratio** (CET 1, final) stood at 13.2% (13.5%), the **total capital ratio** at 18.2% (18.1%).

Total assets rose to EUR 243.7 billion (EUR 236.8 billion). On the asset side, cash and cash balances decreased to EUR 16.4 billion (EUR 17.5 billion) while loans and advances to credit institutions increased to EUR 22.7 billion (EUR 19.1 billion). **Loans and advances to customers** rose to EUR 152.0 billion (EUR 149.3 billion). On the liability side, deposits from banks increased to EUR 20.3 billion (EUR 17.7 billion) and **customer deposits** grew again – most notably in the Czech Republic and in Austria – to EUR 166.2 billion (EUR 162.6 billion). **The loan-to-deposit ratio** stood at 91.4% (91.8%).

OUTLOOK

Operating environment anticipated to be conducive to credit expansion.
Real GDP growth is forecast to come in at around 3% in Erste Group's CEE core markets and about 2% in Austria in 2019, again driven primarily by robust domestic demand. In CEE, economic activity should be supported by real wage growth and low unemployment. Fiscal discipline is expected to be maintained across CEE.

Business outlook. Erste Group aims to achieve a return on tangible equity (ROTE) of more than 11% in 2019 (based on average tangible equity in 2019). The underlying assumptions are: revenues rising faster than costs (based on mid-single digit net loan growth), risk costs higher, but still at a historically benign level (10 to 20 basis points), with a tax rate of below 20%. The amended Romanian banking tax is expected to negatively impact other operating result by a maximum of EUR 20 million in 2019.

Risks to guidance. Impact from other than expected interest rate development; political or regulatory measures against banks; as well as geopolitical and global economic risks.

PERFORMANCE IN DETAIL

in EUR million	1-3 18 adjusted	1-3 19	Change
Net interest income	1,082.6	1,160.9	7.2%
Net fee and commission income	478.6	487.7	1.9%
Net trading result and gains/losses from financial instruments at FVPL	41.6	76.2	83.2%
Operating income	1,655.1	1,771.7	7.0%
Operating expenses	-1,065.0	-1,115.6	4.8%
Operating result	**590.2**	**656.0**	**11.2%**
Impairment result from financial instruments	54.4	35.8	-34.3%
Other operating result	-128.0	-131.1	2.4%
Levies on banking activities	-38.6	-38.8	0.7%
Pre-tax result from continuing operations	**520.7**	**561.8**	**7.9%**
Taxes on income	-114.6	-95.5	-16.6%
Net result for the period	**406.2**	**466.3**	**14.8%**
Net result attributable to non-controlling interests	70.1	89.3	27.4%
Net result attributable to owners of the parent	**336.1**	**377.0**	**12.2%**

Net interest income

Net interest income rose to EUR 1,160.9 million (EUR 1,082.6 milion). The marked increase in the Czech Republic was attributable to the improved interest rate environment and sustained growth in lending to customers. A significant rise in net interest income was also posted in Romania driven by higher market interest rates and in Austria on the back of stronger lending growth. In all other core markets net interest income was largely stable. The implementation of IFRS 16 led to a negative impact of EUR 6.4 million on net interest income. As year on year, interest-bearing assets rose faster than net interest income, not least because of the doubling of interbank assets, the net interest margin (net interest income as a percentage of average interest-bearing assets) slightly narrowed to 2.18% (2.27%).

Net fee and commission income

Net fee and commission income increased moderately to EUR 487.7 million (EUR 478.6 million). Slight growth was registered in all core markets, most notably in payment services. In Slovakia, income from insurance brokerage commissions increased significantly.

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

Net trading result improved significantly to EUR 153.3 million (EUR 11.3 million), due mostly to positive contributions from securities and derivatives trading. On the other hand, gains/losses from financial instruments measured at fair value through profit or loss amounted to EUR -77.1 million (EUR 30.3 million) due to negative valuation effects. Both line items were materially impacted by valuation effects related to own liabilities from debt securities issued.

General administrative expenses

in EUR million	1-3 18	1-3 19	Change
Personnel expenses	604.5	621.9	2.9%
Other administrative expenses	344.5	358.3	4.0%
Depreciation and amortisation	115.9	135.4	16.8%
General administrative expenses	**1,065.0**	**1,115.6**	**4.8%**

Personnel expenses increased – mainly in Austria and the Czech Republic – to EUR 621.9 million (EUR 604.6 million). Other administrative expenses rose to EUR 358.3 million (EUR 344.5 million). This was largely due to the upfront posting of almost all projected full-year deposit insurance payments for 2019, which rose to EUR 87.5 million (EUR 74.2 million) on the back of continuing strong deposit growth. The largest increase in payments was registered in Romania, to EUR 12.4 million (EUR 4.0 million), but contributions were also up significantly in Austria. The first-time application of the new financial reporting standard for leases (IFRS 16) as of 1 January 2019 had a positive impact on other administrative expenses – through lower rental expenses – in the amount of EUR 20.9 million , while it negatively impacted amortisation and depreciation by EUR 18.1 million, pushing the latter to EUR 135.4 million (EUR 115.9 million).

Headcount as of end of the period

	Dec 18	Mar 19	Change
Austria	**16,137**	**16,212**	**0.5%**
Erste Group, EB Oesterreich and subsidiaries	9,022	9,060	0.4%
Haftungsverbund savings banks	7,115	7,153	0.5%
Outside Austria	**31,260**	**31,035**	**-0.7%**
Česká spořitelna Group	10,115	9,953	-1.6%
Banca Comercială Română Group	7,237	7,158	-1.1%
Slovenská sporiteľňa Group	4,105	4,070	-0.9%
Erste Bank Hungary Group	3,124	3,103	-0.7%
Erste Bank Croatia Group	3,168	3,222	1.7%
Erste Bank Serbia Group	1,108	1,138	2.7%
Savings banks subsidiaries	1,204	1,194	-0.8%
Other subsidiaries and foreign branch offices	1,199	1,198	-0.1%
Total	**47,397**	**47,248**	**-0.3%**

Operating result

Operating income rose to EUR 1,771.7 million (EUR 1,655.1 million) on the back of significantly improved net interest and net trading income. General administrative expenses were up at EUR 1,115.6 million (EUR 1,065.0 million) due to an increase in other administrative expenses and personnel expenses as well as higher depreciation and amortisation. The operating result improved to EUR 656.0 million (EUR 590.2 million). The cost/income ratio improved likewise to 63.0% (64.3%).

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

Gains from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 1.1 million (EUR 4.2 million). This item includes primarily gains from the sale of securities.

Impairment result from financial instruments

Due to net releases, the impairment result from financial instruments amounted to EUR 35.8 million (EUR 54.4 million) and thus remained at a historically benign level. The negative balance of the allocation/release of provisions for the lending business was offset by continued high income received from the recovery of loans already written off in the amount of EUR 33.0 million (EUR 32.1 million) as well as the release of provisions for commitments and guarantees given in the amount of EUR 38.9 million (net allocations EUR 25.4 million).

Other operating result

Other operating result amounted to EUR -131.1 million (EUR -128.1 million). Levies on banking activities rose to EUR 38.8 million (EUR 38.6 million). While levies payable in Austria were nearly unchanged at EUR 6.1 million (EUR 5.7 million), banking tax in Slovakia rose to EUR 8.0 million (EUR 7.3 million). Hungarian banking tax – already posted upfront for the full year 2019 – amounted to EUR 12.5 million (EUR 13.7 million). Including financial transaction tax of EUR 12.3 million (EUR 11.8 million), bank levies in Hungary totalled EUR 24.8 million (EUR 25.6 million).

Allocation/release of other provisions amounted to EUR -21.6 million (EUR -5.7 million). In addition, other operating result also reflects the annual contributions to resolution funds in the amount of EUR 78.0 million (EUR 68.2 million). In the Czech Republic and Austria, contributions increased to EUR 26.6 million (EUR 17.7 million) and EUR 35.6 million (EUR 27.1 million) respectively, but declined in Romania to EUR 6.6 million (EUR 14.0 million).

Net result

Pre-tax result from continuing operations amounted to EUR 561.8 million (EUR 520.7 million) The minority charge rose to EUR 89.3 million (EUR 70.1 million) due to solid earnings contributions of savings banks. The net result attributable to owners of the parent improved to EUR 377.0 million (EUR 336.1 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Financial results from the first quarter of 2019 are compared with those from the fourth quarter of 2018.

in EUR million	Q1 18 adjusted	Q2 18	Q3 18	Q4 18	Q1 19
Income statement					
Net interest income	1,082.6	1,131.2	1,158.2	1,210.0	1,160.9
Net fee and commission income	478.6	480.7	471.4	477.7	487.7
Dividend income	2.6	14.8	4.8	6.7	0.5
Net trading result	11.3	0.6	-62.2	48.7	153.3
Gains/losses from financial instruments measured at fair value through profit or loss	30.3	36.3	99.2	29.6	-77.1
Net result from equity method investments	1.8	5.2	3.0	3.1	1.8
Rental income from investment properties & other operating leases	47.9	50.2	47.7	43.6	44.6
Personnel expenses	-604.5	-612.1	-613.8	-643.8	-621.9
Other administrative expenses	-344.5	-283.0	-294.0	-313.4	-358.3
Depreciation and amortisation	-115.9	-116.3	-118.0	-121.7	-135.4
Gains/losses from derecognition of financial assets at AC	0.1	-0.4	0.5	-0.1	0.3
Other gains/losses from derecognition of financial instruments not at FVPL	4.1	4.7	1.0	-4.1	0.7
Impairment result from financial instruments	54.4	18.9	28.9	-42.9	35.8
Other operating result	-128.0	-76.6	-32.4	-67.6	-131.1
Levies on banking activities	-38.6	-24.7	-24.8	-24.1	-38.8
Pre-tax result from continuing operations	**520.7**	**654.0**	**694.3**	**626.0**	**561.8**
Taxes on income	-114.6	-120.4	-120.0	22.5	-95.5
Net result for the period	**406.2**	**533.6**	**574.2**	**648.5**	**466.3**
Net result attributable to non-controlling interests	70.1	95.4	120.3	83.3	89.3
Net result attributable to owners of the parent	**336.1**	**438.2**	**454.0**	**565.2**	**377.0**

Net interest income declined to EUR 1,160.9 million (-4.1%; EUR 1,210.0 million) after a quarter that had been very strong in nearly all markets. The implementation of IFRS 16 led to a negative impact of EUR 6.4 million on net interest income. **Net fee and commission income** increased to EUR 487.7 million (+2.1%; EUR 477.7 million). **Dividend income** declined to EUR 0.5 million (EUR 6.7 million). **Net trading result** rose significantly to EUR 153.3 million (EUR 48.7 million) on the back of positive effects from the valuation of securities and derivatives in Austria. Gains/losses from financial instruments measured at fair value through profit or loss declined to EUR -77.1 million (EUR 29.6 million).

General administrative expenses rose to EUR 1,115.6 million (+3.4%; EUR 1,078.8 million). Personnel expenses declined to EUR 621.9 million (-3.4%; EUR 643.8 million) and were lower across almost all segments. Other administrative expenses rose to EUR 358.3 million (+14.3%; EUR 313.4 million), mainly as a result of the upfront posting of almost all projected full-year deposit insurance contributions for 2019 in the amount of EUR 87.5 million (EUR 4.4 million). The increase in amortisation and depreciation to EUR 135.4 million (+11.3%; EUR 121.7 million) was attributable to the first-time application of the new financial reporting standard for leases as of 1 January 2019. For the same reason though, rental expenses included in other administrative expenses declined correspondingly. The **cost/income ratio** stood at 63.0% (59.3%).

Gains/losses from the derecognition of financial instruments not measured at fair value through profit or loss improved to EUR 1.0 million (EUR -4.2 million). In the previous quarter, this item had included losses from the sale of securities in Austria. **Impairment result from financial instruments** amounted to EUR 35.8 million (net allocations of EUR -42.9 million) due to net releases primarily in the Czech Republic and Austria.

Other operating result declined to EUR -131.1 million (EUR -67.6 million). Levies on banking activities rose to EUR 38.8 million (EUR 24.1 million). Thereof, EUR 24.8 million (EUR 10.9 million) were charged in Hungary, including the upfront posting of the total banking tax for the year of 2019 in the amount of EUR 12.5 million and a financial transaction tax of EUR 12.3 million, and EUR 8.0 million (EUR 7.8 million) in Slovakia. Banking tax in Austria increased to EUR 6.1 million (EUR 5.4 million). Other operating result also includes all contributions to resolution funds expected to be due in 2019 in the amount of EUR 78.0 million.

The **pre-tax result** declined to EUR 561.8 million (EUR 626.0 million). Taxes on income amounted to EUR 95.5 million after, in the previous quarter, deferred tax assets had been recognised, resulting in a positive tax charge (EUR 22.5 million). The **net result attributable to owners of the parent** was therefore lower at EUR 377.0 million (EUR 565.2 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 18	Mar 19	Change
Assets			
Cash and cash balances	17,549	16,382	-6.6%
Trading, financial assets	43,930	45,191	2.9%
Loans and advances to banks	19,103	22,741	19.0%
Loans and advances to customers	149,321	151,957	1.8%
Intangible assets	1,507	1,489	-1.2%
Miscellaneous assets	5,382	5,946	10.5%
Total assets	**236,792**	**243,706**	**2.9%**
Liabilities and equity			
Financial liabilities HfT	2,508	2,277	-9.2%
Deposits from banks	17,658	20,295	14.9%
Deposits from customers	162,638	166,216	2.2%
Debt securities issued	29,738	28,670	-3.6%
Miscellaneous liabilities	5,381	6,492	20.7%
Total equity	18,869	19,754	4.7%
Total liabilities and equity	**236,792**	**243,706**	**2.9%**

The decline in **cash and cash balances** to EUR 16.4 billion (EUR 17.5 billion) was primarily due to smaller cash balances held at central banks. **Trading and investment securities** held in various categories of financial assets increased to EUR 45.2 billion (EUR 43.9 billion).

Loans and advances to credit institutions (net), including demand deposits other than overnight deposits, increased primarily in the Czech Republic and in the Holding to EUR 22.7 billion (EUR 19.1 billion). **Loans and advances to customers (net)** rose – mainly in the Czech Republic, but also in Austria and Slovakia – to EUR 152.0 billion (EUR 149.3 billion) driven by corporate loan growth.

Loan loss allowances for loans to customers declined to EUR 3.5 billion (EUR 3.6 billion), mostly due to continuing asset quality improvement. The **NPL ratio** – non–performing loans as a percentage of gross customer loans – improved again to 3.0% (3.2%), the **NPL coverage ratio (based on gross customer loans)** to 74.2% (73.0%).

Intangible assets remained unchanged at EUR 1.5 billion (EUR 1.5 billion). **Miscellaneous assets** amounted to EUR 5.9 billion (EUR 5.4 billion).

Financial liabilities – held for trading decreased to EUR 2.3 billion (EUR 2.5 billion). **Deposits from banks**, primarily in the form of overnight deposits and repurchase transactions, rose to EUR 20.3 billion (EUR 17.7 billion); **deposits from customers** increased to EUR 166.2 billion (EUR 162.6 billion), due to strong growth in corporate term deposits. The **loan-to-deposit ratio** stood at 91.4% (91.8%). **Debt securities in issue** declined to EUR 28.7 billion (EUR 29.7 billion). **Miscellaneous liabilities** amounted to EUR 6.5 billion (EUR 5.4 billion).

Total assets grew to EUR 243.7 billion (EUR 236.8 billion). **Total equity** increased to EUR 19.8 billion (EUR 18.9 billion). Following three issuances (in June 2016, April 2017 and March 2019), this has included AT1 instruments in the amount of EUR 1,490.4 million. After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) **common equity tier 1 capital** (CET1, final) stood at EUR 15.4 billion (EUR 15.5 billion). Total **own funds** (CRR, final) increased to EUR 21.3 billion (EUR 20.9 billion), not including interim result for the first quarter. Due to net releases in the first quarter no risk costs were deducted. **Total risk – risk-weighted assets** including credit, market and operational risk (CRR, final) – increased to EUR 117.2 billion (EUR 115.4 billion).

The **total capital ratio**, total eligible qualifying capital in relation to total risk (CRR, final), was stable at 18.2% (18.1%), well above the legal minimum requirement. The **tier 1 ratio** stood at 14.4% (14.3%), the **common equity tier 1 ratio** at 13.2% (13.5%) (both ratios CRR, final).

SEGMENT REPORTING

January-March 2019 compared with January-March 2018

Erste Group's segment reporting is based on a matrix organisation. It provides comprehensive information to assess the business and geographic performance. The tables and information below provide a brief overview and focus on selected and summarised items. For more details please see Note 28. At www.erstegroup.com/investorrelations additional information is available in Excel format.

Operating income consists of net interest income, net fee and commission income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, dividend income, net result from equity method investments and rental income from investment properties & other operating leases. The latter three listed items are not disclosed in the tables below. Net trading result and gains/losses from financial instruments measured at fair value through profit or loss are summarized under one position. Operating expenses equal the position general administrative expenses. Operating result is the net amount of operating income and operating expenses. Risk provisions for loans and receivables are included in the position impairment result from financial instruments. Other result summarises the positions other operating result and gains/losses from financial instruments not measured at fair value through profit or loss, net. The cost/income ratio is calculated as operating expenses in relation to operating income. The return on allocated capital is defined as the net result after tax/before minorities in relation to the average allocated capital.

BUSINESS SEGMENTS

Retail

in EUR million	1-3 18	1-3 19	Change
Net interest income	546.9	561.6	2.7%
Net fee and commission income	252.5	259.5	2.8%
Net trading result and gains/losses from financial instruments at FVPL	24.1	26.1	8.2%
Operating income	830.5	854.8	2.9%
Operating expenses	-503.7	-517.8	2.8%
Operating result	326.8	337.0	3.1%
Cost/income ratio	60.6%	60.6%	
Impairment result from financial instruments	-10.2	-15.4	50.4%
Other result	-13.5	-11.7	-13.2%
Net result attributable to owners of the parent	237.1	253.2	6.8%
Return on allocated capital	31.6%	31.0%	

The Retail segment comprises the entire business with private individuals, free professionals and micros in the responsibility of account managers in the retail network of the local banks cooperating with their specialised subsidiaries (such as leasing and asset management companies).

The increase in net interest income was primarily driven by higher contributions from deposit business in the Czech Republic, Romania and Hungary. While lending business in Croatia, Hungary and Serbia developed positively, contribution from lending business in Czech Republic, Romania and Slovakia decreased on the back of declining margins. The impact was mitigated though by the higher interest rate environment in the Czech Republic and Romania. Net fee and commission income increased mainly due to higher insurance brokerage fees in Slovakia, in the Czech Republic and Croatia as well as higher income from asset management in the Czech Republic. Net trading result and gains/losses from financial instruments FVPL improved on the back of a higher valuation result in Hungary. Operating expenses increased primarily due to higher marketing and IT expenses in Austria as well as higher personnel and IT expenses in the Czech Republic. Costs in Croatia went up as well on the back of higher IT expenses. Higher costs in Romania were driven by higher deposit insurance contribution. As operating income growth was higher than operating expense increase, operating result improved. The cost/income ratio remained stable. The deterioration of impairment result from financial instruments was primarily driven by higher portfolio provisioning in Austria, while risk costs in Slovakia declined. Other result improved mainly due to selling gains from property in Romania. Overall, the net result attributable to the owners of the parent increased.

Corporates

in EUR million	1-3 18	1-3 19	Change
Net interest income	252.3	262.4	4.0%
Net fee and commission income	64.5	69.7	8.0%
Net trading result and gains/losses from financial instruments at FVPL	19.3	18.7	-3.2%
Operating income	366.1	377.0	3.0%
Operating expenses	-139.9	-139.7	-0.2%
Operating result	226.2	237.4	4.9%
Cost/income ratio	38.2%	37.0%	
Impairment result from financial instruments	54.1	40.6	-24.9%
Other result	-5.1	7.4	n/a
Net result attributable to owners of the parent	214.0	225.6	5.4%
Return on allocated capital	23.0%	21.7%	

The Corporates segment comprises business done with SMEs (small and medium sized enterprises), Local Large Corporate and Group Large Corporate customers, as well as commercial real estate and public sector business.

Net interest income increased primarily due to higher loan volumes and deposit margins in the Czech Republic supported by the higher interest rate environment, higher deposit margins in Romania and higher contribution of lending business in Erste Bank Oesterreich. These effects were partially offset by the lower contribution of lending business in the Holding. Net fee and commission income increased predominantly in Romania, Erste Bank Oesterreich and the Czech Republic. Net trading result and gains/losses from financial instruments at FVPL decreased as a result of lower contribution from foreign exchange business in Romania. Overall, operating income improved. Moderately reduced operating expenses further contributed to the improvement of operating result and the cost income ratio. The net release of risk provisions (line item impairment result from financial instruments) resulted from a further improvement in asset quality, lower default rates, higher recoveries as well as releases of specific provisions. However, the net releases year-on-year decreased, mainly in Erste Bank Oesterreich and the Czech Republic. Other result improved mostly due to the selling gains from non-financial assets in Austria. The net result attributable to the owners of the parent increased.

Group Markets

in EUR million	1-3 18	1-3 19	Change
Net interest income	54.3	66.0	21.6%
Net fee and commission income	58.0	55.8	-3.8%
Net trading result and gains/losses from financial instruments at FVPL	22.5	12.1	-46.4%
Operating income	134.9	134.0	-0.7%
Operating expenses	-58.0	-58.0	0.1%
Operating result	76.9	75.9	-1.3%
Cost/income ratio	43.0%	43.3%	
Impairment result from financial instruments	-2.2	8.2	n/a
Other result	-6.4	-4.3	-33.4%
Net result attributable to owners of the parent	55.1	62.2	12.8%
Return on allocated capital	31.3%	26.0%	

The Group Markets segment comprises trading and markets services as well as business done with financial institutions.

Net interest income increased primarily on the back of higher volumes of reverse repo business in the Czech Republic and Austria. Net fee and commission income decreased mainly due to the lower asset management fees generated by institutional clients. Net trading result and gains/losses from financial instruments at FVPL decreased due to last year´s extraordinarily favourable market conditions for interest rate related products. Consequently, operating income declined slightly. Operating expenses remained stable. Operating result thus declined and the cost/income ratio deteriorated. Impairment result from financial instruments improved markedly as a result of provision releases in in the Holding and Croatia. Other result went up primarily due to lower payments into resolution funds and income from the sale of an entity. Overall, the net result attributable to the owners of the parent increased.

Asset/Liability Management & Local Corporate Center

in EUR million	1-3 18 adjusted	1-3 19	Change
Net interest income	-30.1	-15.4	-48.6%
Net fee and commission income	-14.8	-20.5	38.6%
Net trading result and gains/losses from financial instruments at FVPL	-20.2	10.5	n/a
Operating income	-55.9	-18.5	-67.0%
Operating expenses	-36.7	-61.8	68.5%
Operating result	-92.6	-80.3	-13.3%
Cost/income ratio	-65.6%	>100%	
Impairment result from financial instruments	6.7	1.8	-72.7%
Other result	-67.4	-82.7	22.7%
Net result attributable to owners of the parent	-130.9	-137.5	5.1%
Return on allocated capital	-21.9%	-19.7%	

The ALM & LCC segment includes all asset/liability management functions – local and of Erste Group Bank AG (Holding) – as well as the local corporate centers which comprise non-profit service providers and reconciliation items to local entity results.

Net interest income improved primarily due to higher interest rates in Czech Republic and higher contribution from balance sheet management in Slovakia. Net fee and commission income deteriorated mainly due lower fees in Czech Republic and Erste Bank Oesterreich. Net trading result and gains/losses from financial instruments at FVPL rose primarily due to valuation results in the Holding. Operating expenses increased due to higher deposit insurance contributions in Romania and the Czech Republic, higher personnel costs in Erste Bank Oesterreich and methodological changes affecting costs allocation between business segments in Romania. Overall, operating result improved. Other result deteriorated mainly due to provisions for legal expenses due to a one-off legal case in Croatia partially counterbalanced by insurance income and lower provisions for legal expenses in Erste Bank Oesterreich. The net result attributable to the owners of the parent worsened.

Savings Banks

in EUR million	1-3 18	1-3 19	Change
Net interest income	244.7	256.8	5.0%
Net fee and commission income	116.4	117.4	0.9%
Net trading result and gains/losses from financial instruments at FVPL	-11.6	24.5	n/a
Operating income	359.8	408.9	13.6%
Operating expenses	-274.3	-282.5	3.0%
Operating result	85.5	126.4	47.9%
Cost/income ratio	76.2%	69.1%	
Impairment result from financial instruments	3.7	1.4	-62.5%
Other result	-10.8	-10.2	-5.3%
Net result attributable to owners of the parent	12.5	12.8	2.5%
Return on allocated capital	8.7%	11.7%	

The Savings Banks segment includes those savings banks which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector and in which Erste Group does not hold a majority stake but which are fully controlled according to IFRS 10. The fully or majority owned savings banks Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, and Sparkasse Hainburg are not part of the Savings Banks segment.

The increase in net interest income was primarily driven by higher customer loan volumes. Net fee and commission income increased slightly on the back of higher insurance brokerage and payment fees. The improvement of net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses rose due to increased personnel expenses and depreciation. In addition, deposit insurance contributions increased to EUR 29.5 million (EUR 26.9 million). Operating result as well as the cost/income ratio improved markedly. A lower net release of risk provisions was reflected in the impairment result from financial instruments. Despite an increase of payments into the resolution fund to EUR 8.6 million (EUR 6.8 million), other result remained largely stable. Banking tax amounted to EUR 1.1 million (EUR 0.9 million). Overall, the net result attributable to the owners of the parent increased moderately.

Group Corporate Center

in EUR million	1-3 18	1-3 19	Change
Net interest income	12.7	17.3	36.3%
Net fee and commission income	4.0	5.7	42.8%
Net trading result and gains/losses from financial instruments at FVPL	7.4	-1.4	n/a
Operating income	28.8	25.5	-11.6%
Operating expenses	-228.7	-260.2	13.8%
Operating result	-199.9	-234.7	17.4%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	2.3	7.8	>100.0%
Other result	146.5	157.0	7.2%
Net result attributable to owners of the parent	-51.8	-39.3	-24.1%
Return on allocated capital	-4.1%	-3.3%	

The Group Corporate Center segment covers mainly centrally managed activities and items that are not directly allocated to other segments. It includes the Corporate Center of Erste Group Bank AG as well as internal non-profit service providers, therefore, in particular the line items “other operating result” and “general administrative expenses” should be considered together with intragroup eliminations. Furthermore, the free capital of Erste Group is included.

Operating income decreased mainly due to lower net trading result and gains/losses from financial instruments measured at FVPL driven by lower valuation effects. Operating expenses increased on the back of higher costs in IT service entities. Consequently, operating result declined. Other result improved on higher income in IT service entities. Overall the net result attributable to the owners of the parent improved.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-3 18	1-3 19	Change
Net interest income	152.2	156.0	2.5%
Net fee and commission income	101.1	96.8	-4.2%
Net trading result and gains/losses from financial instruments at FVPL	7.8	1.0	-87.2%
Operating income	270.4	263.0	-2.7%
Operating expenses	-180.4	-191.9	6.4%
Operating result	90.0	71.1	-21.0%
Cost/income ratio	66.7%	73.0%	
Impairment result from financial instruments	10.7	-6.2	n/a
Other result	-10.9	-11.5	6.1%
Net result attributable to owners of the parent	63.5	38.7	-39.1%
Return on allocated capital	17.6%	10.0%	

The Erste Bank Oesterreich & Subsidiaries (EBOe & Subsidiaries) segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).

Net interest income increased due to higher loan and deposit volumes. Net fee and commission income decreased on the back of lower securities and payment fees. The decline in net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses increased mainly due to higher marketing costs; IT expenses went up as well. Deposit insurance contribution amounted to EUR 22.0 million (EUR 21.5 million). Operating result thus decreased and the cost/income ratio deteriorated. The deterioration of impairment result from financial instruments was mainly driven by Retail and SME business. Other result remained largely stable although payments into the resolution fund increased to EUR 9.5 million (EUR 6.1 million). Banking tax was unchanged at EUR 0.9 million (EUR 0.9 million). Overall, the net result attributable to the owners of the parent deteriorated.

Savings Banks

The geographical segment Savings Banks is identical to the business segment Savings Banks (see page 10).

Other Austria

in EUR million	1-3 18	1-3 19	Change
Net interest income	88.4	98.0	10.8%
Net fee and commission income	57.9	55.9	-3.4%
Net trading result and gains/losses from financial instruments at FVPL	-5.5	-4.1	-24.7%
Operating income	155.7	161.8	3.9%
Operating expenses	-88.7	-90.2	1.7%
Operating result	67.0	71.5	6.8%
Cost/income ratio	57.0%	55.8%	
Impairment result from financial instruments	11.5	17.3	50.9%
Other result	-0.6	16.0	n/a
Net result attributable to owners of the parent	60.2	82.8	37.5%
Return on allocated capital	14.5%	16.3%	

The Other Austria segment comprises the Corporates and Group Markets business of Erste Group Bank AG (Holding), Erste Group Immorent, Erste Asset Management and Intermarket Bank.

Net interest income increased primarily due to higher volumes of reverse repo business in Group Markets, partially off-set by a moderate decrease of lending business result in Corporates due to non-recurring positive effects. Net fee and commission income decreased mostly due to lower assets under management volumes. The slight improvement of net trading result and gains/losses from financial instruments at FVPL was driven by a higher market valuation result of securities measured at fair value, partially offset by lower valuation result of interest rate related products due to less favourable market conditions. Although operating expenses went up slightly, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved on higher net release of risk provisions on loans to credit institutions. Other result improved mostly due to higher selling gains. Other result also included the resolution fund contribution of EUR 1.6 million (EUR 1.4 million). Overall, the net result attributable to the owners of the parent improved.

Czech Republic

in EUR million	1-3 18	1-3 19	Change
Net interest income	255.1	276.0	8.2%
Net fee and commission income	84.0	85.4	1.7%
Net trading result and gains/losses from financial instruments at FVPL	28.9	25.5	-11.7%
Operating income	370.2	389.7	5.2%
Operating expenses	-182.5	-188.0	3.0%
Operating result	187.8	201.6	7.4%
Cost/income ratio	49.3%	48.3%	
Impairment result from financial instruments	29.2	10.4	-64.4%
Other result	-19.0	-27.1	42.8%
Net result attributable to owners of the parent	156.4	147.3	-5.8%
Return on allocated capital	25.3%	24.3%	

The segment analysis is done on a constant currency basis. The CZK depreciated by 1.1% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) increased primarily due to rising interest rates and higher deposit volumes. Net fee and commission income increased moderately as higher fees from asset management and insurance brokerage compensated lower income from current accounts. The decrease of net trading result and gains/losses from financial instruments at FVPL was driven by lower contribution from foreign currency transactions. Higher personnel expenses led to an increase in operating expenses. Deposit insurance contribution amounted to EUR 10.4 million (EUR 9.2 million). Overall, operating result increased, the cost/income ratio improved. Lower net releases of risk provisions booked in the line item 'impairment result from financial instruments' were mostly attributable to less significant releases in corporate business. The other result deteriorated mainly due to a higher contribution to the resolution fund of EUR 26.6 million (EUR 17.7 million). Altogether, these developments led to the decrease in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-3 18	1-3 19	Change
Net interest income	108.9	107.4	-1.4%
Net fee and commission income	26.7	32.5	21.8%
Net trading result and gains/losses from financial instruments at FVPL	3.3	2.9	-11.1%
Operating income	140.9	144.9	2.9%
Operating expenses	-69.8	-71.1	1.9%
Operating result	71.1	73.8	3.8%
Cost/income ratio	49.6%	49.1%	
Impairment result from financial instruments	-6.7	-2.4	-63.9%
Other result	-10.3	-9.0	-12.9%
Net result attributable to owners of the parent	42.1	48.7	15.6%
Return on allocated capital	19.8%	18.9%	

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) decreased slightly on the back of lower loan margins in the retail business. Net fee and commission income improved due to higher insurance brokerage as well as higher lending fees. Net trading result and gains/losses from financial instruments at FVPL remained largely stable. Operating expenses increased slightly due to the integration of a subsidiary which was part of the Segment Other in the comparative period. Deposit insurance contribution amounted to EUR 1.0 million (EUR 0.9 million). Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved due to lower provisions in the retail and SME business. Other result remained largely stable. Banking tax amounted to EUR 8.0 million (EUR 7.3 million), payment into the resolution fund amounted to EUR 2.7 million (EUR 2.8 million). Overall, the net result attributable to the owners of the parent increased.

Romania

in EUR million	1-3 18	1-3 19	Change
Net interest income	89.5	103.3	15.4%
Net fee and commission income	36.8	37.0	0.6%
Net trading result and gains/losses from financial instruments at FVPL	24.0	12.3	-48.8%
Operating income	154.0	157.0	1.9%
Operating expenses	-84.9	-99.2	16.8%
Operating result	69.1	57.8	-16.4%
Cost/income ratio	55.1%	63.2%	
Impairment result from financial instruments	0.0	8.6	>100.0%
Other result	-17.3	-12.9	-25.7%
Net result attributable to owners of the parent	42.4	46.4	9.4%
Return on allocated capital	15.7%	13.3%	

The segment analysis is done on a constant currency basis. The RON depreciated by 1.7% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) increased mainly on the back of sharply increased short-term market interest rates. Net fee and commission income remained largely stable. Net trading result and gains/losses from financial instruments at FVPL decreased primarily due to lower result from foreign exchange business. Operating expenses increased mainly due to higher deposit insurance contributions of EUR 12.7 million (EUR 4.0 million) and higher personnel costs. Overall, operating result decreased and the cost/income ratio deteriorated. Impairment result from financial instruments improved mainly in corporate business resulting in net releases of risk provisions. The resolution fund contribution declined significantly to EUR 6.6 million (EUR 14.0 million) which led to an improvement of other result. Consequently, the net result attributable to the owners of the parent increased.

Hungary

in EUR million	1-3 18	1-3 19	Change
Net interest income	47.6	52.9	11.1%
Net fee and commission income	40.4	44.2	9.4%
Net trading result and gains/losses from financial instruments at FVPL	10.3	10.3	-0.8%
Operating income	99.3	108.5	9.3%
Operating expenses	-56.7	-59.6	5.1%
Operating result	42.6	48.9	14.8%
Cost/income ratio	57.1%	54.9%	
Impairment result from financial instruments	8.4	5.2	-37.3%
Other result	-29.1	-26.6	-8.5%
Net result attributable to owners of the parent	18.6	23.6	27.2%
Return on allocated capital	10.2%	10.1%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 2.2% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased driven by higher customer loans and deposit volumes. Net fee and commission income rose primarily due to higher payment fees. Net trading result and gains/losses from financial instruments at FVPL remained largely stable. Operating expenses increased on the back of higher personnel expenses. Deposit insurance contributions amounted to EUR 7.9 million (EUR 8.0 million). Consequently, operating result and the cost/income ratio improved. Lower releases of risk provisions (reflected in the impairment result from financial instruments) were posted in both retail and corporate business. Other result improved due to a selling gain on non-financial assets and lower banking levies of EUR 24.8 million (EUR 25.6 million). This line item also included the contribution to the resolution fund of EUR 2.6 million (EUR 1.9 million). Overall, the net result attributable to the owners of the parent increased.

Croatia

in EUR million	1-3 18	1-3 19	Change
Net interest income	68.2	68.1	-0.2%
Net fee and commission income	21.2	22.8	7.4%
Net trading result and gains/losses from financial instruments at FVPL	8.8	7.5	-15.4%
Operating income	103.4	102.2	-1.1%
Operating expenses	-52.0	-55.2	6.1%
Operating result	51.4	47.0	-8.5%
Cost/income ratio	50.3%	54.0%	
Impairment result from financial instruments	-3.9	0.5	n/a
Other result	-5.3	-24.1	>100.0%
Net result attributable to owners of the parent	23.6	12.8	-45.9%
Return on allocated capital	20.0%	10.0%	

The segment analysis is done on a constant currency basis. The Croatian Kuna (HRK) appreciated by 0.2% against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) decreased only slightly as higher contributions from deposits and consumer loans in the retail business almost offset a lower contribution from balance sheet management and lower margins on corporate loans. Net fee and commission income increased due to higher payment and insurance brokerage fees in retail business as well as one-off bond origination fees. Net trading result and gains/losses from financial instruments at FVPL declined on the back of lower result from foreign exchange transactions. Operating expenses went up due to higher personnel as well as IT costs and included a EUR 2.7 million (EUR 2.8 million) deposit insurance fund contribution. Overall, operating result decreased, cost/income ratio went up. The improvement of impairment result from financial instruments was driven by higher provisioning needs in retail and corporate business last year. Other result deteriorated mainly due to higher provisions for legal expenses. This line item included resolution fund contribution in the amount of EUR 3.9 million (EUR 4.7 million). Consequently, the net result attributable to the owners of the parent decreased.

Serbia

in EUR million	1-3 18	1-3 19	Change
Net interest income	12.7	13.5	6.4%
Net fee and commission income	2.8	3.0	7.1%
Net trading result and gains/losses from financial instruments at FVPL	1.3	1.3	-1.5%
Operating income	16.8	17.8	5.9%
Operating expenses	-11.5	-13.8	20.3%
Operating result	5.3	3.9	-25.5%
Cost/income ratio	68.5%	77.8%	
Impairment result from financial instruments	-1.6	1.0	n/a
Other result	0.1	0.0	-66.5%
Net result attributable to owners of the parent	3.0	3.6	19.1%
Return on allocated capital	9.1%	8.1%	

The segment analysis is done on a constant currency basis. The Serbian Dinar (RSD) appreciated by 0.1% against the EUR in the reporting period. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased due to higher loan and deposit volumes in the retail business. This development was the main driver of the operating income improvement, as net fee and commission income went up only moderately and net trading result and gains/losses from financial instruments at FVPL remained stable. The increase in operating expenses was mainly driven by costs related to the implementation of a new core banking system as well as higher personnel costs. Deposit insurance contribution rose to EUR 1.1 million (EUR 1.0 million). Operating result thus declined and the cost/income ratio deteriorated. The improvement of impairment result from financial instruments was primarily driven by higher releases of risk provisions in the corporate business. Overall, the net result attributable to the owners of the parent increased.

Other

in EUR million	1-3 18 adjusted	1-3 19	Change
Net interest income	15.4	28.9	88.3%
Net fee and commission income	-8.7	-7.4	-15.1%
Net trading result and gains/losses from financial instruments at FVPL	-25.6	-4.9	-81.0%
Operating income	-15.4	18.0	n/a
Operating expenses	-64.1	-64.1	-0.1%
Operating result	-79.6	-46.1	-42.1%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	3.3	0.0	n/a
Other result	-20.6	-24.7	19.8%
Net result attributable to owners of the parent	-86.3	-39.8	-53.9%
Return on allocated capital	-5.9%	-2.7%	

The residual segment Other consists mainly of centralised service providers, the Group Asset/Liability Management and the Corporate Center of Erste Group Bank AG as well as the reconciliation to the consolidated accounting result (e.g. intercompany elimination, dividend elimination) and free capital.

Operating income improved primarily due to a better valuation result in the line item gains/losses from financial instruments at FVPL. Operating expenses remained stable. Other result deteriorated due to the development of the intercompany eliminations. Overall the net result attributable to the owners of the parent improved.

Condensed interim consolidated financial statements

Interim report – 1 January to 31 March 2019

Consolidated statement of income

in EUR thousand	Notes	1-3 18 adjusted	1-3 19
Net interest income	1	1,082,615	1,160,884
Interest income	1	1,221,968	1,356,562
Other similar income	1	473,809	425,314
Interest expenses	1	-229,709	-271,241
Other similar expenses	1	-383,453	-349,751
Net fee and commission income	2	478,553	487,695
Fee and commission income	2	602,898	595,767
Fee and commission expenses	2	-124,344	-108,072
Dividend income	3	2,639	539
Net trading result	4	11,319	153,302
Gains/losses from financial instruments measured at fair value through profit or loss	5	30,275	-77,107
Net result from equity method investments		1,775	1,789
Rental income from investment properties & other operating leases	6	47,938	44,555
Personnel expenses	7	-604,550	-621,942
Other administrative expenses	7	-344,488	-358,263
Depreciation and amortisation	7	-115,922	-135,413
Gains/losses from derecognition of financial assets measured at amortised cost	8	119	342
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	9	4,094	715
Impairment result from financial instruments	10	54,391	35,758
Other operating result	11	-128,035	-131,090
Levies on banking activities	11	-38,565	-38,833
Pre-tax result from continuing operations		**520,725**	**561,763**
Taxes on income	12	-114,565	-95,500
Net result for the period		**406,160**	**466,263**
Net result attributable to non-controlling interests		70,076	89,310
Net result attributable to owners of the parent		**336,084**	**376,953**

Earnings per share

		1-3 18 adjusted	1-3 19
Net result attributable to owners of the parent	in EUR thousand	336,084	376,953
Dividend on AT1 capital	in EUR thousand	0	0
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	336,084	376,953
Weighted average number of outstanding shares		426,717,322	426,575,270
Earnings per share	**in EUR**	**0.79**	**0.88**
Weighted average diluted number of outstanding shares		426,717,322	426,575,270
Diluted earnings per share	**in EUR**	**0.79**	**0.88**

Development of the number of shares

	1-3 18	1-3 19
Shares outstanding at the beginning of the period	409,206,906	408,617,137
Acquisition of treasury shares	-2,087,317	-4,360,266
Disposal of treasury shares	2,087,317	4,100,266
Shares outstanding at the end of the period	409,206,906	408,357,137
Treasury shares	20,593,094	21,442,863
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,717,322	426,575,270
Weighted average diluted number of outstanding shares	426,717,322	426,575,270

Consolidated statement of comprehensive income

in EUR thousand	1-3 18 adjusted	1-3 19
Net result for the period	**406,160**	**466,263**
Other comprehensive income		
Items that may not be reclassified to profit or loss	**-19,479**	**-31,428**
Remeasurement of defined benefit plans	-1,585	-50,279
Fair value reseve of equity instruments	9,337	33,480
Own credit risk reserve	-35,884	-25,088
Deferred taxes relating to items that may not be reclassified	8,654	10,459
Items that may be reclassified to profit or loss	**-25,002**	**-39,239**
Fair value reserve of debt instruments	-51,050	27,547
Gain/loss during the period	-44,766	29,585
Reclassification adjustments	-5,037	-1,327
Credit loss allowances	-1,247	-712
Cash flow hedge reserve	-1,922	-8,124
Gain/loss during the period	5,367	-843
Reclassification adjustments	-7,289	-7,281
Currency reserve	16,462	-51,705
Gain/loss during the period	16,462	-51,705
Deferred taxes relating to items that may be reclassified	11,508	-6,957
Gain/loss during the period	8,831	-8,850
Reclassification adjustments	2,677	1,893
Total other comprehensive income	**-44,481**	**-70,668**
Total comprehensive income	**361,679**	**395,596**
Total comprehensive income attributable to non-controlling interests	61,011	77,452
Total comprehensive income attributable to owners of the parent	**300,668**	**318,144**

Quarterly results

in EUR million	Q1 18 adjusted	Q2 18	Q3 18	Q4 18	Q1 19
Income statement					
Net interest income	1,082.6	1,131.2	1,158.2	1,210.0	1,160.9
Interest income	1,222.0	1,263.4	1,314.0	1,374.9	1,356.6
Other similar income	473.8	413.1	448.8	437.0	425.3
Interest expenses	-229.7	-240.7	-262.5	-270.6	-271.2
Other similar expenses	-383.5	-304.6	-342.1	-331.3	-349.8
Net fee and commission income	478.6	480.7	471.4	477.7	487.7
Fee and commission income	602.9	603.0	584.0	587.0	595.8
Fee and commission expenses	-124.3	-122.3	-112.6	-109.3	-108.1
Dividend income	2.6	14.8	4.8	6.7	0.5
Net trading result	11.3	0.6	-62.2	48.7	153.3
Gains/losses from financial instruments measured at fair value through profit or loss	30.3	36.3	99.2	29.6	-77.1
Net result from equity method investments	1.8	5.2	3.0	3.1	1.8
Rental income from investment properties & other operating leases	47.9	50.2	47.7	43.6	44.6
Personnel expenses	-604.5	-612.1	-613.8	-643.8	-621.9
Other administrative expenses	-344.5	-283.0	-294.0	-313.4	-358.3
Depreciation and amortisation	-115.9	-116.3	-118.0	-121.7	-135.4
Gains/losses from derecognition of financial assets at AC	0.1	-0.4	0.5	-0.1	0.3
Other gains/losses from derecognition of financial instruments not at FVPL	4.1	4.7	1.0	-4.1	0.7
Impairment result from financial instruments	54.4	18.9	28.9	-42.9	35.8
Other operating result	-128.0	-76.6	-32.4	-67.6	-131.1
Levies on banking activities	-38.6	-24.7	-24.8	-24.1	-38.8
Pre-tax result from continuing operations	**520.7**	**654.0**	**694.3**	**626.0**	**561.8**
Taxes on income	-114.6	-120.4	-120.0	22.5	-95.5
Net result for the period	**406.2**	**533.6**	**574.2**	**648.5**	**466.3**
Net result attributable to non-controlling interests	70.1	95.4	120.3	83.3	89.3
Net result attributable to owners of the parent	**336.1**	**438.2**	**454.0**	**565.2**	**377.0**
Statement of comprehensive income					
Net result for the period	**406.2**	**533.6**	**574.2**	**648.5**	**466.3**
Other comprehensive income					
Items that may not be reclassified to profit or loss	**-19.5**	**31.4**	**123.9**	**-13.6**	**-31.4**
Remeasurement of defined benefit plans	-1.6	-14.2	0.0	-111.7	-50.3
Fair value reserve of equity instruments	9.3	28.8	19.2	-20.5	33.5
Own credit risk reserve	-35.9	39.8	116.1	106.9	-25.1
Deferred taxes relating to items that may not be reclassified	8.7	-23.0	-11.4	11.7	10.5
Items that may be reclassified to profit or loss	**-25.0**	**-259.2**	**-15.9**	**108.3**	**-39.2**
Fair value reserve of debt instruments	-51.1	-80.6	-31.5	10.9	27.5
Gain/loss during the period	-44.8	-74.9	-31.1	-1.7	29.6
Reclassification adjustments	-5.0	-4.2	-1.1	13.8	-1.3
Credit loss allowances	-1.2	-1.6	0.7	-1.2	-0.7
Cash flow hedge reserve	-1.9	-34.2	-65.8	99.0	-8.1
Gain/loss during the period	5.4	-26.0	-58.2	106.9	-0.8
Reclassification adjustments	-7.3	-8.2	-7.6	-7.8	-7.3
Currency reserve	16.5	-164.3	58.4	17.4	-51.7
Gain/loss during the period	16.5	-164.3	58.4	17.4	-51.7
Deferred taxes relating to items that may be reclassified	11.5	20.0	23.0	-19.0	-7.0
Gain/loss during the period	8.8	18.0	21.0	-17.5	-8.8
Reclassification adjustments	2.7	2.0	2.0	-1.5	1.9
Total	**-44.5**	**-227.7**	**108.0**	**94.7**	**-70.7**
Total comprehensive income	**361.7**	**305.9**	**682.2**	**743.2**	**395.6**
Total comprehensive income attributable to non-controlling interests	61.0	86.6	109.1	66.0	77.5
Total comprehensive income attributable to owners of the parent	**300.7**	**219.3**	**573.1**	**677.3**	**318.1**

Consolidated balance sheet

in EUR thousand	Notes	Dec 18	Mar 19
Assets			
Cash and cash balances	13	17,549,181	16,382,476
Financial assets held for trading		5,584,460	6,330,591
Derivatives	14	3,037,413	3,207,701
Other financial assets held for trading	15	2,547,047	3,122,890
Pledged as collateral		162,856	156,193
Non-trading financial assets at fair value through profit and loss	16	3,310,046	3,328,243
Pledged as collateral		37,237	37,798
Equity instruments		372,297	366,811
Debt securities		2,651,166	2,692,494
Loans and advances to customers		286,583	268,938
Financial assets at fair value through other comprehensive income	17	9,271,881	9,207,336
Pledged as collateral		212,439	426,352
Equity instruments		238,876	271,134
Debt securities		9,033,005	8,936,201
Financial assets at amortised cost	18	189,106,358	195,852,040
Pledged as collateral		959,617	2,048,235
Debt securities		26,050,153	26,593,532
Loans and advances to banks		19,102,754	22,740,819
Loans and advances to customers		143,953,451	146,517,688
Finance lease receivables	19	3,762,767	3,779,221
Hedge accounting derivatives	20	132,411	138,674
Fair value changes of hedged items in portfolio hedge of interest rate risk		0	39
Property and equipment		2,292,792	2,663,396
Investment properties		1,159,330	1,243,387
Intangible assets		1,507,082	1,488,856
Investments in associates and joint ventures		198,093	199,744
Current tax assets		101,315	98,098
Deferred tax assets		402,190	411,910
Assets held for sale		213,127	141,058
Trade and other receivables	21	1,318,411	1,391,120
Other assets	22	882,387	1,049,609
Total assets		**236,791,833**	**243,705,797**
Liabilities and equity			
Financial liabilities held for trading		2,508,250	2,277,449
Derivatives	14	2,000,173	1,979,139
Other financial liabilities held for trading	23	508,077	298,310
Financial liabilities at fair value through profit or loss		14,121,895	14,449,035
Deposits from customers		211,810	228,846
Debt securities issued	24	13,445,678	13,783,978
Other financial liabilities		464,407	436,212
Financial liabilities at amortised cost		196,862,845	201,356,979
Deposits from banks	25	17,657,544	20,294,990
Deposits from customers	25	162,426,423	165,555,646
Debt securities issued	25	16,292,610	14,886,442
Other financial liabilities		486,268	619,900
Lease liabilities		6	431,568
Hedge accounting derivatives	20	276,968	284,755
Fair value changes of hedged items in portfolio hedge of interest rate risk		48	44
Provisions	26	1,704,526	1,876,735
Current tax liabilities		99,234	87,810
Deferred tax liabilities		22,886	30,285
Liabilities associated with assets held for sale		3,310	5,700
Other liabilities	27	2,323,146	3,151,053
Total equity		**18,868,719**	**19,754,385**
Equity attributable to non-controlling interests		4,494,030	4,569,929
Additional equity instruments		993,242	1,490,367
Equity attributable to owners of the parent		13,381,447	13,694,089
Subscribed capital		859,600	859,600
Additional paid-in capital		1,476,689	1,476,633
Retained earnings and other reserves		11,045,159	11,357,856
Total liabilities and equity		**236,791,833**	**243,705,797**

Consolidated statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Fair value reserve	Own credit risk reserve	Currency reserve	Remeas-urement of defined benefit plans	Income tax	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 2019	**860**	**1,477**	**12,280**	**-3**	**229**	**-435**	**-598**	**-428**	**0**	**13,381**	**993**	**4,494**	**18,869**
Changes in treasury shares	0	0	-5	0	0	0	0	0	0	-5	0	0	-5
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	-2	-2
Capital increases	0	0	0	0	0	0	0	0	0	0	497	0	497
Changes in scope of consolidation and ownership interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Reclassification from other comprehensive income to retained earnings	0	0	-1	0	0	1	0	0	0	0	0	0	0
Total comprehensive income	0	0	377	-6	40	-15	-51	-28	0	318	0	77	396
Net result for the period	0	0	377	0	0	0	0	0	0	377	0	89	466
Other comprehensive income	0	0	0	-6	40	-15	-51	-28	0	-59	0	-12	-71
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	-28	0	-28	0	-16	-44
Change in fair value reserve	0	0	0	0	40	0	0	0	0	40	0	5	46
Change in cash flow hedge reserve	0	0	0	-6	0	0	0	0	0	-6	0	0	-6
Change in currency reserve	0	0	0	0	0	0	-51	0	0	-51	0	-1	-52
Change in own credit risk reserve	0	0	0	0	0	-15	0	0	0	-15	0	0	-15
As of 31 March 2019	**860**	**1,477**	**12,651**	**-9**	**269**	**-449**	**-648**	**-456**	**0**	**13,694**	**1,490**	**4,570**	**19,754**
Restated as of 1 January 2018	**860**	**1,477**	**11,172**	**4**	**418**	**-734**	**-503**	**-364**	**-2**	**12,328**	**993**	**4,294**	**17,615**
Changes in treasury shares	0	0	-4	0	0	0	0	0	0	-4	0	0	-4
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	-2	-2
Changes in scope of consolidation and ownership interest	0	0	-2	0	0	0	0	0	0	-2	0	0	-2
Reclassification from other comprehensive income to retained earnings	0	0	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	336	-7	-113	34	16	33	2	301	0	61	362
Net result for the period	0	0	336	0	0	0	0	0	0	336	0	70	406
Other comprehensive income	0	0	0	-7	-113	34	16	33	2	-35	0	-9	-44
Changes in presentation of income tax	0	0	0	-6	-89	59	0	34	2	0	0	0	0
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	-1	0	-1	0	0	-1
Change in fair value reserve	0	0	0	0	-24	0	0	0	0	-24	0	-9	-33
Change in cash flow hedge reserve	0	0	0	-1	0	0	0	0	0	-1	0	0	-1
Change in currency reserve	0	0	0	0	0	0	16	0	0	16	0	1	16
Change in own credit risk reserve	0	0	0	0	0	-25	0	0	0	-25	0	-1	-26
As of 31 March 2018	**860**	**1,477**	**11,502**	**-4**	**306**	**-700**	**-487**	**-331**	**0**	**12,622**	**993**	**4,353**	**17,968**

Consolidated statement of cash flows

in EUR million	1-3 18 adjusted	1-3 19
Net result for the period	**406**	**466**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation and net impairment of non-financial assets	117	135
Net allocation to credit loss allowances and other provisions	-18	17
Gains/losses from measurement and derecognition of financial assets and financial liabilities	-31	-28
Other adjustments	-77	-58
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets held for trading	474	-727
Non-trading financial assets at fair value through profit and loss		
Equity instruments	-4	5
Debt securities	-146	3
Loans and advances to customers	74	20
Financial assets at fair value through other comprehensive income: debt securities	-14	138
Financial assets at amortised cost		
Debt securities	-620	-544
Loans and advances to banks	-2,946	-3,640
Loans and advances to customers	-2,618	-2,603
Finance lease receivables	-48	-13
Hedge accounting derivatives	18	-12
Other assets from operating activities	-500	-173
Financial liabilities held for trading	-283	-162
Financial liabilities at fair value through profit or loss	-225	173
Financial liabilities at amortised cost		
Deposits from banks	4,785	2,637
Deposits from customers	4,288	3,129
Debt securities issued	269	-1,406
Other financial liabilities	24	134
Hedge accounting derivatives	-26	8
Other liabilities from operating activities	556	1,016
Cash flow from operating activities	**3,456**	**-1,484**
Proceeds of disposal		
Financial assets at fair value through other comprehensive income: equity instruments	0	0
Investments in associates and joint ventures	0	0
Property and equipment and intangible assets	610	10
Investment properties	98	8
Acquisition of		
Financial assets at fair value through other comprehensive income: equity instruments	-8	0
Investments in associates and joint ventures	-1	-2
Property and equipment and intangible assets	-636	-135
Investment properties	-94	-19
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
Cash flow from investing activities	**-31**	**-139**
Capital increases	0	497
Acquisition of non-controlling interest	0	0
Dividends paid to equity holders of the parent	0	0
Dividends paid to non-controlling interests	-2	-2
Cash flow from financing activities	**-2**	**495**
Cash and cash equivalents at the beginning of the period	**21,796**	**17,549**
Cash flow from operating activities	3,456	-1,484
Cash flow from investing activities	-31	-139
Cash flow from financing activities	-2	495
Effect of currency translation	28	-39
Cash and cash equivalents at the end of period	**25,246**	**16,382**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)	**837**	**985**
Payments for taxes on income	-111	-99
Interest received	1,684	1,895
Dividends received	3	1
Interest paid	-739	-812

Cash and cash equivalents are equal to cash in hand, cash balances at central banks and other demand deposits.

Condensed notes to the interim consolidated financial statements 1 January to 31 March 2019

BASIS OF PREPARATION

The condensed consolidated interim financial statements (”interim financial statements”) of the group of Erste Group Bank AG (“Erste Group”) for the period from 1 January to 31 March 2019 were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and are presented in accordance with the requirements of IAS 34 “Interim Financial Reporting”. Erste Group’s application of IFRS resulted in no differences between IFRS as issued by the International Accounting Standards Board (“IASB”) and IFRS as endorsed by the EU.

These interim financial statements were neither audited nor reviewed by an auditor.

BASIS OF CONSOLIDATION

Subsidiaries are consolidated from the date when control is obtained until the date when control is lost. Control is achieved when Erste Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the relevant activities of the investee. Relevant activities are those which most significantly affect the variable returns of an entity.

IFRS consolidation scope - evolvement of number of entities and funds included

As of 31 December 2018	**400**
Additions	
Entities newly added to the scope of consolidation	1
Disposals	
Companies sold or liquidated	-2
Mergers	0
As of 31 March 2019	**399**

ACCOUNTING AND MEASUREMENT METHODS

The interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and are presented in euro, which is the functional currency of the parent company. The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Therefore, the interim financial statements should be read in conjunction with Erste Group’s consolidated financial statements as of 31 December 2018.

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the group’s last annual financial statements for the year ended 31 December 2018, with the exception of the calculation of the current income taxes for the interim reporting period for which the estimated effective tax rate for the group is applied.

Application of new standards

Apart from the first application of IFRS 16 “Leases” there have been no significant changes in accounting policies since 31 December 2018 resulting from the application of new or amended standards.

IFRS 16 Leases. As of 1 January 2019, Erste Group has adopted IFRS 16 ‘Leases’ as issued by IASB in January 2016. IFRS 16 replaced existing guidance for accounting for leases in IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a lease’, SIC-15 ‘Operating leases – Incentives’ and SIC-27 ‘Evaluation the Substance of Transactions Involving the Legal Form of a lease’.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (less than 12 months) and leases of low-value items.

At inception date of a contract, the contract is assessed for whether it contains a lease, i.e. whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. A right-of-use asset and a lease liability are recognised at the lease commencement date. It is initially measured at cost and subsequently depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term. Erste Group uses the straight-line method of depreciation.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, the exercise price under a purchase option and lease payments in an optional renewal period if the lessee is reasonably certain to exercise the options and penalties for early termination if the lease term reflects the lessee exercising the termination option.

Subsequently the carrying amount of the lease liability is increased by interest using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification. For leases of movables by Erste Group entities the incremental borrowing rate consists of a base rate, which is the Euribor, adjusted by a surcharge based on the entity's rating, the amount of funds borrowed, the term of the lease and the collateral provided. The determination of the incremental borrowing rate for property leases is generally based on a rate that is readily observable. Such a rate might be the property yield reflecting the annual return expected on the property. Further, an adjustment to the property yield is necessary to reflect specific features of an entity or the lease agreement (such as creditworthiness and lease term).

Lessor accounting remains similar to the IAS 17 standard, i.e. the lessor continues to classify leases as finance or operating leases. Compared to IAS 17 the notes are much more comprehensive under IFRS 16.

Erste Group transited to IFRS 16 using the modified retrospective approach according to IFRS 16.C5 (b) whereby comparative information was not restated. On adoption of IFRS 16, Erste Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 and IFRIC 4. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The right-of-use asset was recognised at an amount equal to the lease liability (IFRS 16.C8 (b)(ii)). Subsequently the right-of-use asset was adjusted for prepayments and accruals relating to leases recognised in the balance sheet as at 31 December 2018. Erste Group did not have any impact on the equity at initial application. All contracts which were previously identified as leases applying IAS 17 and IFRIC 4 are taken over into IFRS 16. Erste Group does not apply IFRS 16 to any leases on intangible assets. Erste Group uses the exemption for short term leases and leases of low value whereby the right-of-use-asset is not recognised.

In the statement of financial position, right-of-use assets have been included in the property, plant and equipment, except those meeting the definition of investment property.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 were about 6%. The decrease of the CET 1 ratio is immaterial.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

In the context of transition to IFRS 16, right-of-use assets of EUR 431.1 million and lease liabilities of EUR 430.6 million were recognised as at 1 January 2019. Mainly land and buildings are subject to lease at Erste Group.

Reconciliation of total lease commitments to lease liabilities

in EUR million	Lease liabilities
Operating lease commitments (IAS 17) undiscounted as of 31 December 2018	**371.7**
(-) Discounting (using incremental borrowing rates as at 1 January 2019)	-79.8
Discounted operating lease commitments as of 1 January 2019	**291.9**
Recognition exemption for:	
(Less): short-term leases	-4.5
(Less): leases of low-value assets	-8.1
Add/(Less): Extension and termination options reasonably certain to be exercised	136.8
Add/(Less): Other	14.5
Lease liabilities recognised as of 1 January 2019	**430.6**

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When Erste Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use assets arising from the head lease, not with reference to the underlying asset.

Erste Group, as a lessor, has reclassified certain of its sublease agreements as finance lease. The lease assets have been derecognised and finance lease asset receivables amounting to EUR 0.6 million recognised.

1. Net interest income

in EUR million	1-3 18	1-3 19
Financial assets at AC	1,166.0	1,305.5
Financial assets at FVOCI	55.9	51.0
Interest income	1,222.0	1,356.6
Non-trading financial assets at FVPL	17.9	17.0
Financial assets HfT	480.4	384.6
Derivatives - hedge accounting, interest rate risk	-62.7	-15.9
Other assets	24.4	28.2
Negative interest from financial liabilities	13.8	11.5
Other similar income	473.8	425.3
Interest and other similar income	**1,695.8**	**1,781.9**
Financial liabilities at AC	-229.7	-271.2
Interest expenses	-229.7	-271.2
Financial liabilities at FVPL	-105.7	-103.8
Financial liabilities HfT	-314.8	-251.7
Derivatives - hedge accounting, interest rate risk	66.4	42.9
Other liabilities	-5.9	-17.6
Negative interest from financial assets	-23.4	-19.6
Other similar expenses	-383.5	-349.8
Interest and other similar expenses	**-613.2**	**-621.0**
Net interest income	**1,082.6**	**1,160.9**

In the reporting period an amount of EUR 20.3 million relating to impaired financial assets is included in various line items of net interest income. In addition, the line item “Financial assets at AC” includes modification gains or losses of financial instruments which are allocated to the Stage 1 of EUR 4.5 million.

2. Net fee and commission income

	1-3 18		1-3 19	
in EUR million	Income	Expenses	Income	Expenses
Securities	60.8	-9.9	50.9	-8.9
Issues	7.2	-0.3	11.5	-1.3
Transfer orders	51.5	-9.1	36.4	-7.2
Other	2.1	-0.4	3.0	-0.3
Clearing and settlement	2.7	-1.5	1.0	-0.5
Asset management	100.9	-22.8	93.1	-12.8
Custody	22.7	-7.2	23.3	-4.3
Fiduciary transactions	1.1	-1.0	0.8	0.0
Payment services	261.5	-48.7	273.2	-50.9
Card business	79.3	-32.4	82.0	-36.2
Other	182.2	-16.3	191.2	-14.7
Customer resources distributed but not managed	49.4	-5.5	52.7	-4.0
Collective investment	2.4	-1.0	3.2	-1.3
Insurance products	33.5	-0.9	38.8	-0.7
Building society brokerage	6.3	-2.3	4.1	-1.6
Foreign exchange transactions	6.7	-0.3	6.3	-0.2
Other	0.5	-0.9	0.2	-0.3
Structured finance	0.0	-0.1	0.0	0.0
Lending business	63.3	-22.8	65.1	-20.7
Guarantees given, guarantees received	16.8	-2.2	17.7	-1.2
Loan commitments given, loan commitments received	4.6	-0.3	5.5	-0.1
Other lending business	41.9	-20.3	41.9	-19.4
Other	40.6	-4.9	35.6	-5.9
Fee and commission income and expenses	**602.9**	**-124.3**	**595.8**	**-108.1**
Net fee and commission income	**478.6**		**487.7**	

Asset management, custody and fiduciary transactions fees relate to fees earned by Erste Group on trust and fiduciary activities in which Erste Group holds or invests assets on behalf of its customers.

3. Dividend income

in EUR million	1-3 18	1-3 19
Financial assets HfT	0.1	0.1
Non-trading financial assets at FVPL	2.2	0.1
Financial assets at FVOCI	0.3	0.3
Dividend income	**2.6**	**0.5**

4. Net trading result

in EUR million	1-3 18	1-3 19
Securities and derivatives trading	-41.1	117.8
Foreign exchange transactions	52.9	33.2
Result from hedge accounting	-0.4	2.4
Net trading result	**11.3**	**153.3**

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

in EUR million	1-3 18 adjusted	1-3 19
Result from measurement/sale of financial assets designated at FVPL	-6.4	5.8
Result from measurement/repurchase of financial liabilities designated at FVPL	37.4	-111.0
Result from financial assets and liabilities designated at FVPL	**31.1**	**-105.2**
Result from measurement/sale of financial assets mandatorily at FVPL	-0.8	28.1
Gains/losses from financial instruments measured at fair value through profit or loss	**30.3**	**-77.1**

6. Rental income from investment properties & other operating leases

in EUR million	1-3 18	1-3 19
Investment properties	21.6	20.2
Other operating leases	26.3	24.3
Rental income from investment properties & other operating leases	**47.9**	**44.6**

7. General administrative expenses

in EUR million	1-3 18	1-3 19
Personnel expenses	**-604.5**	**-621.9**
Wages and salaries	-455.5	-467.7
Compulsory social security	-112.4	-116.9
Long-term employee provisions	-7.5	-11.8
Other personnel expenses	-29.2	-25.6
Other administrative expenses	**-344.5**	**-358.3**
Deposit insurance contribution	-74.2	-87.5
IT expenses	-103.3	-102.0
Expenses for office space	-62.2	-41.8
Office operating expenses	-20.8	-29.3
Advertising/marketing	-36.8	-43.2
Legal and consulting costs	-28.2	-31.0
Sundry administrative expenses	-18.9	-23.5
Depreciation and amortisation	**-115.9**	**-135.4**
Software and other intangible assets	-44.0	-45.6
Owner occupied real estate	-18.4	-34.1
Investment properties	-6.5	-7.4
Customer relationships	-2.2	-2.2
Office furniture and equipment and sundry property and equipment	-44.8	-46.1
General administrative expenses	**-1,065.0**	**-1,115.6**

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

in EUR million	1-3 18	1-3 19
Gains from sale of financial assets at AC	0.3	0.3
Losses from sale of financial assets at AC	-0.2	0.0
Gains/losses from derecognition of financial assets measured at amortised cost	**0.1**	**0.3**

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

in EUR million	1-3 18	1-3 19
Sale of financial assets at FVOCI	5.0	1.3
Sale of financial lease receivables	0.0	0.0
Derecognition of financial liabilities at AC	-0.9	-0.6
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**4.1**	**0.7**

10. Impairment result from financial instruments

in EUR million	1-3 18	1-3 19
Financial assets at FVOCI	1.3	0.8
Financial assets at AC	76.9	-9.2
Net allocation to credit loss allowances	67.0	-30.5
Direct write-offs	-18.4	-10.0
Recoveries recorded directly to the income statement	32.1	33.0
Modification gains or losses	-3.9	-1.7
Lease receivables	1.6	5.2
Net allocation of provisions for commitments and guarantees given	-25.4	38.9
Impairment result from financial instruments	**54.4**	**35.8**

11. Other operating result

in EUR million	1-3 18	1-3 19
Other operating expenses	**-127.9**	**-161.6**
Allocation to other provisions	-11.6	-41.1
Levies on banking activities	-38.6	-38.8
Banking tax	-26.7	-26.5
Financial transaction tax	-11.8	-12.3
Other taxes	-9.5	-3.7
Recovery and resolution fund contributions	-68.2	-78.0
Other operating income	**5.9**	**19.5**
Release of other provisions	5.9	19.5
Result from properties/movables/other intangible assets other than goodwill	4.4	3.0
Result from other operating expenses/income	-10.5	8.1
Other operating result	**-128.0**	**-131.1**

12. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 95.5 million (EUR 114.6 million), thereof EUR 0.1 million (EUR 16.0 million) net deferred tax expense.

13. Cash and cash balances

in EUR million	Dec 18	Mar 19
Cash on hand	5,688	5,254
Cash balances at central banks	10,853	9,940
Other demand deposits at credit institutions	1,009	1,189
Cash and cash balances	**17,549**	**16,382**

14. Derivatives held for trading

in EUR million	Dec 18			Mar 19		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**179,098**	**3,011**	**2,871**	**192,249**	**3,279**	**3,077**
Interest rate	114,275	2,544	2,453	115,713	2,798	2,664
Equity	330	8	10	744	9	2
Foreign exchange	63,941	432	405	75,199	436	400
Credit	341	7	3	425	12	10
Commodity	11	0	0	13	0	0
Other	199	21	0	155	24	0
Derivatives held in the banking book	**28,035**	**1,191**	**331**	**26,731**	**1,296**	**345**
Interest rate	16,597	1,077	152	15,545	1,174	164
Equity	5,501	77	76	5,207	83	63
Foreign exchange	5,335	32	100	5,391	33	115
Credit	382	5	3	393	6	2
Commodity	0	0	0	0	0	0
Other	220	1	0	195	1	0
Total gross amounts	**207,133**	**4,202**	**3,202**	**218,980**	**4,576**	**3,422**
Offset		-1,165	-1,202		-1,368	-1,443
Total		**3,037**	**2,000**		**3,208**	**1,979**

Erste Group undertakes a part of interest rate derivative and credit derivative transactions via clearing houses. These derivatives and related cash margin balances fulfil the requirements for balance sheet offsetting.

15. Other financial assets held for trading

in EUR million	Dec 18	Mar 19
Equity instruments	68	102
Debt securities	2,479	3,021
General governments	1,698	2,100
Credit institutions	540	728
Other financial corporations	68	58
Non-financial corporations	172	136
Other financial assets held for trading	**2,547**	**3,123**

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

in EUR million	Dec 18		Mar 19	
	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	372	0	367
Debt securities	672	1,979	761	1,932
General governments	188	565	191	523
Credit institutions	424	296	508	275
Other financial corporations	60	973	62	978
Non-financial corporations	0	146	0	155
Loans and advances to customers	0	287	0	269
General governments	0	8	0	7
Other financial corporations	0	15	0	22
Non-financial corporations	0	102	0	94
Households	0	161	0	146
Financial assets designated and mandatorily at FVPL	672	2,638	761	2,567
Non-trading financial assets at fair value through profit or loss		**3,310**		**3,328**

17. Financial assets at fair value through other comprehensive income

Equity Instruments

The carrying amount of Erste Group's equity instruments FVOCI as of 31 March 2019 amounted to EUR 271.1 million, the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 205.6 million.

Debt Instruments

Debt securities

	Gross carrying amount				Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Accumulated fair value changes	Fair value
Mar 19										
Central banks	5	0	0	5	0	0	0	0	0	5
General governments	6,501	8	0	6,509	-3	0	0	-3	180	6,689
Credit institutions	901	40	0	941	-2	0	0	-2	15	956
Other financial corporations	166	16	0	183	0	0	0	-1	6	189
Non-financial corporations	991	73	0	1,064	-2	-1	0	-4	33	1,097
Total	**8,564**	**137**	**0**	**8,702**	**-7**	**-2**	**0**	**-9**	**235**	**8,936**
Dec 18										
Central banks	5	0	0	5	0	0	0	0	0	5
General governments	6,685	8	0	6,693	-3	0	0	-3	164	6,857
Credit institutions	894	17	0	911	-3	0	0	-3	9	921
Other financial corporations	175	6	0	182	0	0	0	-1	4	186
Non-financial corporations	965	72	0	1,037	-2	-2	0	-4	28	1,065
Total	**8,724**	**104**	**0**	**8,827**	**-8**	**-2**	**0**	**-10**	**206**	**9,033**

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

Development of credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 19						**Mar 19**
Stage 1	-8	-1	0	0	1	0	-7
Stage 2	-2	0	0	1	-1	0	-2
Stage 3	0	0	0	0	0	0	0
Total	**-10**	**-1**	**0**	**1**	**0**	**0**	**-9**
	Jan 18						**Mar 18**
Stage 1	-12	-1	1	0	3	1	-8
Stage 2	-1	0	0	0	-3	0	-4
Stage 3	0	0	0	0	0	0	0
Total	**-13**	**-1**	**1**	**0**	**0**	**1**	**-12**

18. Financial assets at amortised cost

Debt securities

in EUR million	Gross carrying amount Stage 1	Gross carrying amount Stage 2	Gross carrying amount Stage 3	Gross carrying amount Total	Credit loss allowances Stage 1	Credit loss allowances Stage 2	Credit loss allowances Stage 3	Credit loss allowances Total	Carrying amount
Mar 19									
Central banks	13	0	0	13	-4	0	0	-4	13
General governments	22,440	23	0	22,463	-1	0	0	-2	22,459
Credit institutions	3,214	6	0	3,220	0	0	0	0	3,219
Other financial corporations	152	1	0	153	-1	0	0	-1	152
Non-financial corporations	739	11	3	754	-6	-1	-2	-8	750
Total	**26,557**	**41**	**4**	**26,603**	**-6**	**-1**	**-2**	**-9**	**26,594**
Dec 18									
Central banks	12	0	0	12	-4	0	0	-4	12
General governments	22,373	26	1	22,400	-1	0	0	-2	22,396
Credit institutions	2,752	1	0	2,752	0	0	0	0	2,751
Other financial corporations	144	1	0	145	-1	0	0	-1	145
Non-financial corporations	739	7	3	749	-6	0	-2	-8	746
Total	**26,020**	**34**	**4**	**26,059**	**-6**	**0**	**-2**	**-8**	**26,050**

There were no purchased or originated credit-impaired (POCI) debt securities at amortised cost as of 31 March 2019.

Development of credit loss allowances for debt securities

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 19						**Mar 19**
Stage 1	-6	0	0	0	0	0	-6
Stage 2	0	0	0	0	-1	0	-1
Stage 3	-2	0	0	0	0	0	-2
Total	**-8**	**0**	**0**	**0**	**0**	**0**	**-9**
	Jan 18						**Mar 18**
Stage 1	-6	0	0	0	0	0	-5
Stage 2	-3	-2	0	-2	4	2	-2
Stage 3	0	0	0	0	0	0	0
Total	**-9**	**-2**	**0**	**-2**	**4**	**2**	**-7**

Loans and advances to banks

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Mar 19									
Central banks	16,569	0	0	16,569	0	0	0	0	16,568
Credit institutions	5,995	184	2	6,180	-3	-3	-2	-8	6,172
Total	**22,563**	**184**	**2**	**22,749**	**-4**	**-3**	**-2**	**-8**	**22,741**
Dec 18									
Central banks	14,939	0	0	14,939	0	0	0	0	14,938
Credit institutions	3,956	215	2	4,172	-2	-3	-2	-8	4,165
Total	**18,894**	**215**	**2**	**19,111**	**-3**	**-3**	**-2**	**-8**	**19,103**

There were no purchased or originated credit-impaired (POCI) AC loans and advances to banks as of 31 March 2019.

Development of credit loss allowances for loans and advances to banks

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 19						**Mar 19**
Stage 1	-3	-15	14	0	0	0	-4
Stage 2	-3	0	0	0	1	0	-3
Stage 3	-2	0	0	0	0	0	-2
Total	**-9**	**-16**	**14**	**0**	**1**	**0**	**-8**
	Jan 18						**Mar 18**
Stage 1	-5	-3	4	0	0	0	-3
Stage 2	0	0	0	0	0	0	-1
Stage 3	-2	0	0	0	0	0	-2
Total	**-8**	**-3**	**4**	**0**	**0**	**0**	**-6**

Loans and advances to customers

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Mar 19											
General governments	6,328	306	2	3	6,639	-16	-7	-2	0	-25	6,614
Other financial corporations	3,810	100	28	14	3,953	-7	-1	-24	-2	-34	3,919
Non-financial corporations	58,148	3,758	1,791	331	64,028	-170	-203	-1,111	-93	-1,578	62,451
Households	66,690	6,278	1,992	162	75,122	-126	-253	-1,143	-67	-1,588	73,534
Total	**134,977**	**10,442**	**3,814**	**510**	**149,743**	**-318**	**-464**	**-2,280**	**-162**	**-3,225**	**146,518**
Dec 18											
General governments	6,729	324	2	3	7,059	-16	-10	-2	0	-28	7,030
Other financial corporations	3,166	127	47	15	3,355	-8	-5	-40	-3	-56	3,298
Non-financial corporations	56,377	3,616	1,869	345	62,207	-169	-191	-1,133	-97	-1,590	60,617
Households	66,271	6,151	2,031	171	74,623	-128	-249	-1,166	-73	-1,615	73,008
Total	**132,544**	**10,217**	**3,949**	**533**	**147,243**	**-321**	**-455**	**-2,341**	**-173**	**-3,290**	**143,953**

Development of credit loss allowances for loans and advances to customers

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 19								Mar 19
Stage 1	**-321**	**-59**	**23**	**92**	**-54**	**0**	**0**	**1**	**-318**
General governments	-16	0	0	1	-1	0	0	0	-16
Other financial corporations	-8	-2	4	2	-2	0	0	0	-7
Non-financial corporations	-169	-38	15	43	-22	0	0	1	-170
Households	-128	-19	4	45	-29	0	0	0	-126
Stage 2	**-455**	**-8**	**17**	**-93**	**73**	**0**	**0**	**0**	**-464**
General governments	-10	0	0	-1	4	0	0	0	-7
Other financial corporations	-5	-1	0	-1	2	0	0	3	-1
Non-financial corporations	-191	-2	8	-34	19	0	0	-3	-203
Households	-249	-4	9	-58	48	0	0	0	-253
Stage 3	**-2,341**	**-23**	**83**	**-17**	**-64**	**0**	**80**	**3**	**-2,280**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-40	-4	4	0	0	0	0	16	-24
Non-financial corporations	-1,133	-12	20	-6	-16	0	51	-15	-1,111
Households	-1,166	-6	58	-11	-48	0	29	2	-1,143
POCI	**-173**	**0**	**12**	**0**	**-5**	**2**	**0**	**1**	**-162**
Other financial corporations	-3	0	0	0	1	0	0	0	-2
Non-financial corporations	-97	0	8	0	-8	2	0	1	-93
Households	-73	0	4	0	2	0	0	0	-67
Total	**-3,290**	**-90**	**135**	**-19**	**-50**	**2**	**81**	**5**	**-3,225**
	Jan 18								Mar 18
Stage 1	**-345**	**-44**	**21**	**84**	**-64**	**2**	**1**	**1**	**-347**
General governments	-16	0	0	3	-3	0	0	0	-16
Other financial corporations	-17	-6	2	4	5	0	0	0	-12
Non-financial corporations	-181	-25	16	31	-31	1	0	1	-188
Households	-131	-13	3	45	-35	1	1	-1	-131
Stage 2	**-496**	**-12**	**16**	**-80**	**90**	**5**	**0**	**-5**	**-481**
General governments	-26	0	0	-3	4	0	0	0	-25
Other financial corporations	-3	-2	3	-5	-3	0	0	-1	-11
Non-financial corporations	-217	-6	7	-28	43	4	0	-3	-200
Households	-249	-4	5	-44	46	2	0	-1	-245
Stage 3	**-2,825**	**-26**	**95**	**-30**	**43**	**10**	**81**	**-2**	**-2,654**
General governments	-1	0	0	0	0	0	0	0	-1
Other financial corporations	-89	-3	0	0	29	0	9	0	-55
Non-financial corporations	-1,449	-17	72	-13	41	10	49	0	-1,307
Households	-1,286	-6	23	-17	-28	0	23	-2	-1,291
POCI	**-210**	**-4**	**7**	**0**	**2**	**-1**	**2**	**3**	**-202**
Other financial corporations	-7	0	4	0	0	-1	0	0	-4
Non-financial corporations	-108	-3	2	0	-3	0	1	3	-108
Households	-94	-1	1	0	4	0	0	0	-89
Total	**-3,876**	**-87**	**138**	**-26**	**70**	**16**	**84**	**-4**	**-3,683**

19. Finance lease receivables

in EUR million	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total	Credit loss allowances Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
Mar 19											
General governments	378	1	19	0	398	-2	0	-1	0	-3	395
Credit institutions	2	0	0	0	2	0	0	0	0	0	2
Other financial corporations	62	0	0	0	62	0	0	0	0	0	62
Non-financial corporations	2,446	64	246	0	2,756	-10	-2	-121	0	-133	2,623
Households	677	19	11	0	707	-3	-1	-6	0	-10	698
Total	**3,565**	**84**	**276**	**0**	**3,925**	**-15**	**-3**	**-128**	**0**	**-146**	**3,779**
Dec 18											
General governments	387	1	19	0	407	-2	0	-1	0	-3	405
Credit institutions	2	0	0	0	2	0	0	0	0	0	2
Other financial corporations	62	0	0	0	63	0	0	0	0	0	62
Non-financial corporations	2,415	73	253	0	2,742	-12	-2	-124	0	-139	2,604
Households	669	19	12	0	700	-3	-1	-6	0	-10	690
Total	**3,535**	**94**	**284**	**0**	**3,914**	**-18**	**-3**	**-130**	**0**	**-151**	**3,763**

Development of credit loss allowances for finance lease receivables

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 19								**Mar 19**
Stage 1	-18	-1	0	1	2	0	0	0	-15
Stage 2	-3	0	0	-1	1	0	0	0	-3
Stage 3	-130	0	0	0	1	0	1	0	-128
POCI	0	0	0	0	0	0	0	0	0
Total	**-151**	**-1**	**0**	**0**	**4**	**0**	**1**	**0**	**-146**
	Jan 18								**Mar 18**
Stage 1	-18	-1	0	0	-1	0	0	0	-20
Stage 2	-4	0	0	0	0	0	0	0	-5
Stage 3	-149	0	0	0	10	0	0	-1	-139
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-172**	**-1**	**0**	**-1**	**8**	**0**	**0**	**0**	**-165**

20. Hedge accounting derivatives

in EUR million	Dec 18 Notional value	Positive fair value	Negative fair value	Mar 19 Notional value	Positive fair value	Negative fair value
Fair value hedges	**11,510**	**373**	**295**	**11,413**	**409**	**307**
Interest rate	11,510	373	295	11,404	409	307
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	9	0	0
Other	0	0	0	0	0	0
Cash flow hedges	**3,632**	**36**	**72**	**3,462**	**35**	**68**
Interest rate	3,574	36	71	3,375	35	67
Equity	0	0	0	0	0	0
Foreign exchange	57	0	1	87	0	2
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total gross amounts	**15,142**	**410**	**367**	**14,875**	**444**	**376**
Offset	0	-277	-90		-305	-91
Total		**132**	**277**		**139**	**285**

Erste Group undertakes a part of interest rate derivative and credit derivative transactions via clearing houses. These derivatives and related cash margin balances fulfil the requirements for balance sheet offsetting.

21. Trade and other receivables

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Mar 19											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	20	22	0	0	42	0	-6	0	0	-6	36
Credit institutions	18	3	0	0	21	0	0	0	0	-1	20
Other financial corporations	22	3	1	0	26	0	0	-1	0	-1	25
Non-financial corporations	566	626	89	2	1,283	-3	-2	-69	-1	-75	1,208
Households	78	30	20	0	128	-2	-9	-16	0	-27	100
Total	**704**	**685**	**110**	**2**	**1,501**	**-5**	**-17**	**-87**	**-1**	**-110**	**1,391**
Dec 18											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	28	22	0	0	49	0	-6	0	0	-6	43
Credit institutions	25	21	0	0	47	0	-1	0	0	-1	46
Other financial corporations	38	3	1	0	42	0	0	-1	0	-1	41
Non-financial corporations	482	591	100	2	1,176	-2	-3	-81	-1	-87	1,089
Households	76	31	20	0	126	-2	-9	-16	0	-27	99
Total	**649**	**668**	**121**	**2**	**1,441**	**-5**	**-19**	**-98**	**-1**	**-122**	**1,318**

Development of credit loss allowances for trade and other receivables

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 19								**Mar 19**
Stage 1	-5	-1	1	2	-1	0	0	0	-5
Stage 2	-19	0	0	0	1	0	0	0	-17
Stage 3	-98	-1	3	0	-1	0	10	1	-87
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-122**	**-3**	**4**	**1**	**-1**	**0**	**10**	**1**	**-110**
	Jan 18								**Mar 18**
Stage 1	-5	-1	0	-1	1	0	0	0	-5
Stage 2	-5	0	0	-1	2	0	0	0	-4
Stage 3	-105	0	0	0	-1	0	0	0	-105
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-116**	**-1**	**1**	**-1**	**2**	**0**	**0**	**0**	**-115**

22. Other assets

in EUR million	Dec 18	Mar 19
Prepayments	110	155
Inventories	187	194
Sundry assets	585	701
Other assets	**882**	**1,050**

23. Other financial liabilities held for trading

in EUR million	Dec 18	Mar 19
Short positions	463	248
Equity instruments	77	18
Debt securities	387	230
Debt securities issued	45	50
Other financial liabilities held for trading	**508**	**298**

24. Financial liabilities at fair value through profit and loss

Debt securities issued

in EUR million	Dec 18	Mar 19
Subordinated debt securities issued	4,879	5,023
Other debt securities issued	8,567	8,761
Bonds	5,469	5,679
Other certificates of deposits/name certificates	771	817
Mortgage covered bonds	1,945	1,958
Public sector covered bonds	381	307
Debt securities issued	**13,446**	**13,784**

25. Financial liabilities at amortised costs

Deposits from banks

in EUR million	Dec 18	Mar 19
Overnight deposits	4,280	6,552
Term deposits	11,985	11,791
Repurchase agreements	1,392	1,952
Deposits from banks	**17,658**	**20,295**

Deposits from customers

in EUR million	Dec 18	Mar 19
Overnight deposits	**110,201**	**110,611**
Savings deposits	27,693	28,532
Other financial corporations	180	157
Non-financial corporations	1,771	1,858
Households	25,742	26,517
Non-savings deposits	82,508	82,079
General governments	4,943	5,605
Other financial corporations	5,465	5,211
Non-financial corporations	24,916	24,417
Households	47,184	46,845
Term deposits	**50,743**	**53,181**
Deposits with agreed maturity	44,800	47,037
Savings deposits	29,720	29,040
Other financial corporations	964	610
Non-financial corporations	1,339	1,299
Households	27,418	27,132
Non-savings deposits	15,080	17,996
General governments	3,760	4,260
Other financial corporations	2,418	3,103
Non-financial corporations	3,081	4,430
Households	5,821	6,203
Deposits redeemable at notice	5,942	6,144
General governments	13	13
Other financial corporations	102	94
Non-financial corporations	109	144
Households	5,719	5,892
Repurchase agreements	**1,483**	**1,764**
Other financial corporations	1,452	1,374
Non-financial corporations	0	0
Deposits from customers	**162,426**	**165,556**
General governments	**8,747**	**10,269**
Other financial corporations	**10,581**	**10,550**
Non-financial corporations	**31,215**	**32,148**
Households	**111,884**	**112,589**

Debt securities issued

in EUR million	Dec 18	Mar 19
Subordinated debt securities issued	951	939
Other debt securities issued	15,341	13,948
Bonds	3,073	3,030
Certificates of deposit	864	565
Other certificates of deposits/name certificates	267	254
Mortgage covered bonds	9,112	9,171
Public sector covered bonds	10	10
Other	2,016	919
Debt securities issued	**16,293**	**14,886**

26. Provisions

in EUR million	Dec 18	Mar 19
Long-term employee provisions	981	1,026
Pending legal issues and tax litigation	332	355
Commitments and guarantees given	329	296
Provisions for commitments and financial guarantees in Stage 1	76	66
Provisions for commitments and financial guarantees in Stage 2	58	63
Provisions for commitments and financial guarantees - Defaulted	196	168
Other provisions	62	199
Provisions for onerous contracts	3	3
Other	60	196
Provisions	**1,705**	**1,877**

Effects from the change in material valuation parameters

For the calculation of the defined benefit obligation for pension and severance payment provisions as well as for jubilee provisions, the interest rate used has been decreased compared to the previous year to 1.47 % p.a. as of 31 March 2019 (31 December 2018: 1.92 % p. a.) to reflect the declining interest rate levels. According to IAS 19 the resulting measurement adjustment for pension and severance payment provisions amounting to EUR -50.3 million (before tax) has been recognised in other comprehensive income those for jubilee provisions, in amount of EUR -4.1 million has been considered in the income statement.

27. Other liabilities

in EUR million	Dec 18	Mar 19
Deferred income	131	132
Sundry liabilities	2,193	3,019
Other liabilities	**2,323**	**3,151**

28. Segment reporting

Erste Group's segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources. Within Erste Group the function of the chief operating decision maker is exercised by the management board.

Erste Group's segment reporting is based on the matrix organisation (business and geographical information) and provides comprehensive information to assess the performance of the business and geographical segments.

Business segmentation

The segment reporting comprises six business segments reflecting Erste Group's management structure and its internal management reporting in 2019.

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

Retail

The Retail segment comprises the business with private individuals, micros and free professionals within the responsibility of account managers in the retail network. This business is operated by the local banks in cooperation with their subsidiaries such as leasing and asset management companies with a focus on simple products ranging from mortgage and consumer loans, investment products, current accounts, savings products to credit cards and cross selling products such as leasing, insurance and building society products.

Corporates

The Corporates segment comprises business done with corporate customers of different turnover size (small and medium-sized enterprises, Local Large Corporate and Group Large Corporate customers) as well as commercial real estate and public sector business. Small and medium-sized enterprises (SME) are clients which are under the responsibility of the local corporate commercial center network, mainly consisting of companies within defined annual turnover thresholds. Local Large Corporates (LLC) are clients with specific annual turnover thresholds (lying above SME thresholds) which are not defined as Group Large Corporate customers according to the Group Large Corporate client list. Group Large Corporates (GLC) are large corporate customers/client groups with substantial operations in core markets/extended core markets of Erste Group. GLC clients are included on the GLC client list. Commercial Real Estate (CRE) covers for example investors in real estate for the purpose of generating income from the rental of individual properties or portfolios of properties, developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale. Public Sector consists of three sets of customers: public sector, public corporations and non-profit sector. In addition, the majority of municipalities are also segmented as Public Sector clients.

Group Markets

The Group Markets (GM) segment comprises trading and markets services as well as customer business with financial institutions. It includes all activities related to the trading books of Erste Group, including the execution of trade, market making and short-term liquidity management. In addition, it comprises business connected with servicing financial institutions as clients including custody, depository services, commercial business (loans, cash management, trade & export finance).

Asset/Liability Management & Local Corporate Center

The Asset/Liability Management & Local Corporate Center (ALM & LCC) segment includes all asset/liability management functions – local and of Erste Group Bank AG (Holding) – as well as the local corporate centers which comprise all non-core banking business activities such as internal service providers that operate on a non-profit basis and reconciliation items to local entity results. The corporate center of Erste Group Bank AG is included in the Group Corporate Center segment.

Savings Banks
The Savings Banks segment includes those savings banks which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector and in which Erste Group does not hold a majority stake but which are fully controlled according to IFRS 10. The fully or majority owned Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, and Sparkasse Hainburg are not part of the Savings Banks segment.

Group Corporate Center
The Group Corporate Center (GCC) segment covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus dividends and the refinancing costs from participations, general administrative expenses), non-profit internal service providers (facility management, IT, procurement), the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments).

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

Geographical segmentation
For the purpose of segment reporting by geographical areas the information is presented based on the location of the booking entity (not the country of risk). In case of information regarding a partial group, the allocation is based on the location of the respective parent entity according to the local management responsibility.

Geographical areas are defined according to the country markets in which Erste Group operates. Based on the locations of the banking and other financial institution participations, the geographical areas consist of two core markets, Austria and Central and Eastern Europe and a residual segment Other that comprises the remaining business activities of Erste Group outside its core markets as well as the reconciliation to the consolidated accounting result.

The geographical area Austria consists of the following three segments:
_ The **Erste Bank Oesterreich & Subsidiaries** (EBOe & Subsidiaries) segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).
_ The **Savings banks** segment is identical to the business segment Savings banks.
_ The **Other Austria** segment comprises Erste Group Bank AG (Holding) with its Corporates and Group Markets business, Erste Group Immorent GmbH, Erste Asset Management GmbH and Intermarket Bank AG.

The geographical area Central and Eastern Europe (CEE) consists of six segments covering Erste Group's banking subsidiaries located in the respective CEE countries:
_ **Czech Republic** (comprising Česká spořitelna Group)
_ **Slovakia** (comprising Slovenská sporiteľňa Group)
_ **Romania** (comprising Banca Comercială Română Group)
_ **Hungary** (comprising Erste Bank Hungary Group)
_ **Croatia** (comprising Erste Bank Croatia Group), and
_ **Serbia** (comprising Erste Bank Serbia Group).

The residual segment **Other** covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus dividends and the refinancing costs from participations, general administrative expenses), internal non-profit service providers (facility management, IT, procurement), the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments). Asset/Liability Management of Erste Group Bank AG as well as the reconciliation to the consolidated accounting result (e.g. intercompany eliminations, dividend eliminations) are also part of the segment Other.

Measurement

The profit and loss statement of the segment report is based on the measures reported to the Erste Group management board for the purpose of allocating resources to the segments and assessing their performance. Management reporting as well as the segment report of Erste Group are based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the consolidated financial statements of accounting.

Interest revenues are not reported separately from interest expenses for each reportable segment. Those measures are reported on the net basis within the position 'Net interest income' as interest revenues and interest expenses are neither included into the measure of segment profit or loss reviewed by the chief operating decision maker nor otherwise regularly provided to the chief operating decision maker. Chief operating decision maker relies solely on net interest income to assess the performance of the segments and make decisions about resources to be allocated to the segments. Net fee and commission income and Other operating result are reported on a net basis according to the regular reporting to the chief operating decision maker.

Capital consumption per segment is regularly reviewed by the management of Erste Group to assess the performance of the segments. The average allocated capital is determined by the credit risk, market risk, operational risk and business strategic risk. According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated capital are disclosed per segment. Total average allocated capital for the Group equals average total equity of the Group. For measuring and assessing the profitability of segments within Erste Group, such key measures as return on allocated capital and cost/income ratio are used.

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

Business segments (1)

	Retail		Corporates		Group Markets		ALM&LCC	
in EUR million	**1-3 18**	**1-3 19**	**1-3 18**	**1-3 19**	**1-3 18**	**1-3 19**	**1-3 18 adjusted**	**1-3 19**
Net interest income	546.9	561.6	252.3	262.4	54.3	66.0	-30.1	-15.4
Net fee and commission income	252.5	259.5	64.5	69.7	58.0	55.8	-14.8	-20.5
Dividend income	-0.1	0.0	0.4	-0.2	0.1	0.1	1.1	0.6
Net trading result	25.6	25.5	20.8	20.2	27.2	-2.7	-65.5	100.5
Gains/losses from financial instruments at FVPL	-1.5	0.6	-1.5	-1.4	-4.6	14.8	45.3	-90.1
Net result from equity method investments	1.3	1.6	0.0	0.0	0.0	0.0	-0.2	-2.0
Rental income from investment properties & other operating leases	5.8	6.0	29.6	26.4	0.0	0.0	8.2	8.4
General administrative expenses	-503.7	-517.8	-139.9	-139.7	-58.0	-58.0	-36.7	-61.8
Gains/losses from derecognition of financial assets at AC	-0.2	0.0	0.0	0.0	0.0	0.0	0.2	6.3
Other gains/losses from derecognition of financial instruments not at FVPL	1.2	0.0	0.0	0.1	0.0	0.0	3.8	-4.7
Impairment result from financial instruments	-10.2	-15.4	54.1	40.6	-2.2	8.2	6.7	1.8
Other operating result	-14.4	-11.7	-5.1	7.3	-6.5	-4.3	-71.3	-84.3
Levies on banking activities	-14.5	-16.4	-5.1	-6.5	-1.0	-0.9	-13.1	-9.7
Pre-tax result from continuing operations	**303.1**	**310.0**	**275.2**	**285.4**	**68.3**	**79.8**	**-153.2**	**-161.1**
Taxes on income	-54.2	-48.2	-48.9	-52.0	-12.2	-15.9	20.7	16.7
Net result for the period	**249.0**	**261.8**	**226.2**	**233.4**	**56.1**	**64.0**	**-132.6**	**-144.4**
Net result attributable to non-controlling interests	11.8	8.6	12.2	7.9	1.0	1.8	-1.7	-6.9
Net result attributable to owners of the parent	**237.1**	**253.2**	**214.0**	**225.6**	**55.1**	**62.2**	**-130.9**	**-137.5**
Operating income	830.5	854.8	366.1	377.0	134.9	134.0	-55.9	-18.5
Operating expenses	-503.7	-517.8	-139.9	-139.7	-58.0	-58.0	-36.7	-61.8
Operating result	**326.8**	**337.0**	**226.2**	**237.4**	**76.9**	**75.9**	**-92.6**	**-80.3**
Risk-weighted assets (credit risk, eop)	19,494	19,543	37,786	40,534	3,845	4,325	5,196	6,323
Average allocated capital	3,191	3,428	3,989	4,358	726	998	2,456	2,965
Cost/income ratio	60.6%	60.6%	38.2%	37.0%	43.0%	43.3%	-65.6%	>100%
Return on allocated capital	31.6%	31.0%	23.0%	21.7%	31.3%	26.0%	-21.9%	-19.7%
Total assets (eop)	59,906	61,564	50,116	54,611	41,973	52,774	52,031	48,967
Total liabilities excluding equity (eop)	81,072	86,501	29,642	28,372	35,908	39,478	45,875	50,269
Impairments	**-10.3**	**-15.5**	**54.1**	**40.9**	**-2.2**	**8.2**	**6.8**	**0.7**
Net impairment loss on financial assets AC	-7.2	-16.6	65.9	9.4	-0.2	7.9	5.0	-0.3
Net impairment loss on financial assets FVOCI	0.0	0.0	0.5	0.1	0.0	0.0	0.3	0.9
Net impairment loss on finance lease receivables	-0.4	0.0	2.0	5.4	0.0	0.0	0.0	0.2
Net impairment loss on commitments and guarantees given	-2.6	1.2	-14.3	25.8	-2.0	0.4	1.5	1.0
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	-0.1	-0.1	0.0	0.3	0.0	0.0	0.0	-1.2

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-3 18	1-3 19	1-3 18	1-3 19	1-3 18	1-3 19	1-3 18 adjusted	1-3 19
Net interest income	244.7	256.8	12.7	17.3	1.9	12.2	1,082.6	1,160.9
Net fee and commission income	116.4	117.4	4.0	5.7	-2.1	0.0	478.6	487.7
Dividend income	0.1	0.1	1.0	0.0	0.0	0.0	2.6	0.5
Net trading result	0.7	18.6	2.4	5.5	0.0	-14.3	11.3	153.3
Gains/losses from financial instruments at FVPL	-12.4	5.9	5.0	-7.0	0.0	0.0	30.3	-77.1
Net result from equity method investments	0.0	0.0	0.7	2.2	0.0	0.0	1.8	1.8
Rental income from investment properties & other operating leases	10.2	10.0	3.0	1.7	-8.9	-8.0	47.9	44.6
General administrative expenses	-274.3	-282.5	-228.7	-260.2	176.4	204.3	-1,065.0	-1,115.6
Gains/losses from derecognition of financial assets at AC	0.0	0.0	0.1	0.1	0.0	-6.0	0.1	0.3
Other gains/losses from derecognition of financial instruments not at FVPL	-0.8	-0.6	0.0	-0.1	0.0	6.1	4.1	0.7
Impairment result from financial instruments	3.7	1.4	2.3	7.8	0.0	-8.7	54.4	35.8
Other operating result	-10.0	-9.6	146.5	157.1	-167.2	-185.6	-128.0	-131.1
Levies on banking activities	-0.9	-1.1	-4.0	-4.1	0.0	0.0	-38.6	-38.8
Pre-tax result from continuing operations	**78.4**	**117.6**	**-51.0**	**-69.9**	**0.0**	**0.0**	**520.7**	**561.8**
Taxes on income	-20.9	-29.8	0.9	33.6	0.0	0.0	-114.6	-95.5
Net result for the period	**57.5**	**87.8**	**-50.1**	**-36.3**	**0.0**	**0.0**	**406.2**	**466.3**
Net result attributable to non-controlling interests	45.0	75.0	1.6	2.9	0.0	0.0	70.1	89.3
Net result attributable to owners of the parent	**12.5**	**12.8**	**-51.8**	**-39.3**	**0.0**	**0.0**	**336.1**	**377.0**
Operating income	359.8	408.9	28.8	25.5	-9.1	-10.0	1,655.1	1,771.7
Operating expenses	-274.3	-282.5	-228.7	-260.2	176.4	204.3	-1,065.0	-1,115.6
Operating result	**85.5**	**126.4**	**-199.9**	**-234.7**	**167.2**	**194.3**	**590.2**	**656.0**
Risk-weighted assets (credit risk, eop)	22,362	23,991	1,663	1,633	0	0	90,346	96,349
Average allocated capital	2,669	3,048	4,929	4,432	0	0	17,960	19,230
Cost/income ratio	76.2%	69.1%	>100%	>100%	>100%	>100%	64.3%	63.0%
Return on allocated capital	8.7%	11.7%	-4.1%	-3.3%			9.2%	9.8%
Total assets (eop)	61,380	63,613	2,994	4,176	-38,382	-41,999	230,018	243,706
Total liabilities excluding equity (eop)	56,323	58,828	1,638	2,525	-38,408	-42,023	212,051	223,951
Impairments	**3.7**	**1.6**	**2.3**	**7.5**	**0.0**	**-8.7**	**54.3**	**34.7**
Net impairment loss on financial assets AC	9.2	-3.2	3.3	2.4	1.0	-8.7	76.9	-9.2
Net impairment loss on financial assets FVOCI	1.0	-0.1	-0.5	-0.1	0.0	0.0	1.3	0.8
Net impairment loss on finance lease receivables	-0.1	-0.4	0.0	0.0	0.0	0.0	1.6	5.2
Net impairment loss on commitments and guarantees given	-6.4	5.1	-0.5	5.5	-1.0	0.0	-25.4	38.9
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.3	0.0	-0.3	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	-1.1

Geographical segmentation – overview

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	1-3 18	1-3 19	1-3 18	1-3 19	1-3 18 adjusted	1-3 19	1-3 18 adjusted	1-3 19
Net interest income	485.2	510.8	582.0	621.2	15.4	28.9	1,082.6	1,160.9
Net fee and commission income	275.4	270.2	211.9	224.9	-8.7	-7.4	478.6	487.7
Dividend income	0.7	0.2	1.0	0.4	1.0	0.0	2.6	0.5
Net trading result	9.0	15.3	81.2	58.2	-78.8	79.7	11.3	153.3
Gains/losses from financial instruments at FVPL	-18.3	6.1	-4.6	1.4	53.2	-84.6	30.3	-77.1
Net result from equity method investments	-0.4	-2.3	1.4	1.9	0.7	2.2	1.8	1.8
Rental income from investment properties & other operating leases	34.3	33.4	11.8	12.0	1.9	-0.8	47.9	44.6
General administrative expenses	-543.4	-564.6	-457.4	-487.0	-64.1	-64.1	-1,065.0	-1,115.6
Gains/losses from derecognition of financial assets at AC	0.1	0.0	-0.2	0.3	0.3	0.0	0.1	0.3
Other gains/losses from derecognition of financial instruments not at FVPL	0.7	-0.5	2.3	-4.6	1.0	5.8	4.1	0.7
Impairment result from financial instruments	25.9	12.5	25.3	23.3	3.3	0.0	54.4	35.8
Other operating result	-23.1	-5.2	-83.1	-95.4	-21.9	-30.5	-128.0	-131.1
Levies on banking activities	-1.7	-2.0	-32.8	-32.8	-4.0	-4.1	-38.6	-38.8
Pre-tax result from continuing operations	**246.1**	**275.9**	**371.6**	**356.7**	**-96.9**	**-70.8**	**520.7**	**561.8**
Taxes on income	-57.9	-62.6	-68.9	-66.9	12.3	34.0	-114.6	-95.5
Net result for the period	**188.2**	**213.3**	**302.7**	**289.8**	**-84.7**	**-36.9**	**406.2**	**466.3**
Net result attributable to non-controlling interests	51.9	79.0	16.6	7.4	1.6	2.9	70.1	89.3
Net result attributable to owners of the parent	**136.3**	**134.3**	**286.1**	**282.4**	**-86.3**	**-39.8**	**336.1**	**377.0**
Operating income	785.9	833.7	884.6	920.0	-15.4	18.0	1,655.1	1,771.7
Operating expenses	-543.4	-564.6	-457.4	-487.0	-64.1	-64.1	-1,065.0	-1,115.6
Operating result	**242.5**	**269.1**	**427.2**	**433.0**	**-79.6**	**-46.1**	**590.2**	**656.0**
Risk-weighted assets (credit risk, eop)	48,259	52,065	39,780	42,051	2,306	2,233	90,346	96,349
Average allocated capital	5,994	6,826	6,185	6,877	5,781	5,527	17,960	19,230
Cost/income ratio	69.1%	67.7%	51.7%	52.9%	>100%	>100%	64.3%	63.0%
Return on allocated capital	12.7%	12.7%	19.8%	17.1%	-5.9%	-2.7%	9.2%	9.8%
Total assets (eop)	155,014	161,606	101,226	110,673	-26,221	-28,574	230,018	243,706
Total liabilities excluding equity (eop)	125,177	129,284	90,901	99,883	-4,027	-5,216	212,051	223,951
Impairments	**25.9**	**13.1**	**25.1**	**21.9**	**3.3**	**-0.3**	**54.3**	**34.7**
Net impairment loss on financial assets AC	38.7	7.3	32.9	-10.8	5.2	-5.6	76.9	-9.2
Net impairment loss on financial assets FVOCI	1.4	-0.1	0.3	0.9	-0.3	0.0	1.3	0.8
Net impairment loss on finance lease receivables	2.0	3.9	-0.2	1.3	-0.1	0.0	1.6	5.2
Net impairment loss on commitments and guarantees given	-16.2	1.3	-7.7	32.0	-1.5	5.6	-25.4	38.9
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.3	0.0	0.0	0.0	-0.3	0.0	0.0
Net impairment on other non-financial assets	0.0	0.3	-0.2	-1.4	0.0	0.0	-0.1	-1.1

Geographical area – Austria

	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
in EUR million	1-3 18	1-3 19	1-3 18	1-3 19	1-3 18	1-3 19	1-3 18	1-3 19
Net interest income	152.2	156.0	244.7	256.8	88.4	98.0	485.2	510.8
Net fee and commission income	101.1	96.8	116.4	117.4	57.9	55.9	275.4	270.2
Dividend income	0.1	0.0	0.1	0.1	0.5	0.1	0.7	0.2
Net trading result	9.7	13.4	0.7	18.6	-1.5	-16.7	9.0	15.3
Gains/losses from financial instruments at FVPL	-1.9	-12.4	-12.4	5.9	-4.0	12.5	-18.3	6.1
Net result from equity method investments	-0.3	-0.1	0.0	0.0	0.0	-2.2	-0.4	-2.3
Rental income from investment properties & other operating leases	9.7	9.3	10.2	10.0	14.4	14.2	34.3	33.4
General administrative expenses	-180.4	-191.9	-274.3	-282.5	-88.7	-90.2	-543.4	-564.6
Gains/losses from derecognition of financial assets at AC	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Other gains/losses from derecognition of financial instruments not at FVPL	1.6	0.0	-0.8	-0.6	0.0	0.1	0.7	-0.5
Impairment result from financial instruments	10.7	-6.2	3.7	1.4	11.5	17.3	25.9	12.5
Other operating result	-12.4	-11.5	-10.0	-9.6	-0.7	15.9	-23.1	-5.2
Levies on banking activities	-0.9	-0.9	-0.9	-1.1	0.0	0.0	-1.7	-2.0
Pre-tax result from continuing operations	**89.9**	**53.4**	**78.4**	**117.6**	**77.8**	**104.9**	**246.1**	**275.9**
Taxes on income	-21.1	-12.2	-20.9	-29.8	-15.9	-20.6	-57.9	-62.6
Net result for the period	**68.7**	**41.2**	**57.5**	**87.8**	**61.9**	**84.3**	**188.2**	**213.3**
Net result attributable to non-controlling interests	5.2	2.5	45.0	75.0	1.7	1.5	51.9	79.0
Net result attributable to owners of the parent	**63.5**	**38.7**	**12.5**	**12.8**	**60.2**	**82.8**	**136.3**	**134.3**
Operating income	270.4	263.0	359.8	408.9	155.7	161.8	785.9	833.7
Operating expenses	-180.4	-191.9	-274.3	-282.5	-88.7	-90.2	-543.4	-564.6
Operating result	**90.0**	**71.1**	**85.5**	**126.4**	**67.0**	**71.5**	**242.5**	**269.1**
Risk-weighted assets (credit risk, eop)	11,652	12,406	22,362	23,991	14,245	15,667	48,259	52,065
Average allocated capital	1,589	1,677	2,669	3,048	1,736	2,101	5,994	6,826
Cost/income ratio	66.7%	73.0%	76.2%	69.1%	57.0%	55.8%	69.1%	67.7%
Return on allocated capital	17.6%	10.0%	8.7%	11.7%	14.5%	16.3%	12.7%	12.7%
Total assets (eop)	43,804	45,780	61,380	63,613	49,830	52,214	155,014	161,606
Total liabilities excluding equity (eop)	41,868	43,799	56,323	58,828	26,985	26,657	125,177	129,284
Impairments	**10.7**	**-6.2**	**3.7**	**1.6**	**11.5**	**17.7**	**25.9**	**13.1**
Net impairment loss on financial assets AC	17.8	-8.2	9.2	-3.2	11.7	18.7	38.7	7.3
Net impairment loss on financial assets FVOCI	-0.1	0.0	1.0	-0.1	0.5	0.0	1.4	-0.1
Net impairment loss on finance lease receivables	-0.4	0.0	-0.1	-0.4	2.4	4.3	2.0	3.9
Net impairment loss on commitments and guarantees given	-6.7	1.9	-6.4	5.1	-3.1	-5.7	-16.2	1.3
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.3
Net impairment on other non-financial assets	0.0	0.0	0.0	-0.1	0.0	0.4	0.0	0.3

Geographical area – Central and Eastern Europe

	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	1-3 18	1-3 19	1-3 18	1-3 19	1-3 18	1-3 19	1-3 18	1-3 19	1-3 18	1-3 19	1-3 18	1-3 19	1-3 18	1-3 19
Net interest income	255.1	276.0	108.9	107.4	89.5	103.3	47.6	52.9	68.2	68.1	12.7	13.5	582.0	621.2
Net fee and commission income	84.0	85.4	26.7	32.5	36.8	37.0	40.4	44.2	21.2	22.8	2.8	3.0	211.9	224.9
Dividend income	0.2	0.1	0.6	0.2	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0	1.0	0.4
Net trading result	28.6	24.8	3.4	3.0	24.5	12.6	14.7	9.3	8.8	7.3	1.3	1.3	81.2	58.2
Gains/losses from financial instruments at FVPL	0.3	0.7	-0.1	-0.1	-0.5	-0.3	-4.4	1.0	0.1	0.1	0.0	0.0	-4.6	1.4
Net result from equity method investments	-0.1	0.5	1.3	1.6	0.0	-0.5	0.0	0.0	0.3	0.3	0.0	0.0	1.4	1.9
Rental income from investment properties & other operating leases	2.2	2.1	0.1	0.3	3.8	4.9	1.0	1.2	4.7	3.6	0.0	0.0	11.8	12.0
General administrative expenses	-182.5	-188.0	-69.8	-71.1	-84.9	-99.2	-56.7	-59.6	-52.0	-55.2	-11.5	-13.8	-457.4	-487.0
Gains/losses from derecognition of financial assets at AC	-0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.3
Other gains/losses from derecognition of financial instruments not at FVPL	1.0	0.0	0.0	0.0	0.0	-6.2	1.2	1.5	0.1	0.1	0.1	0.0	2.3	-4.6
Impairment result from financial instruments	29.2	10.4	-6.7	-2.4	0.0	8.6	8.4	5.2	-3.9	0.5	-1.6	1.0	25.3	23.3
Other operating result	-19.8	-27.5	-10.3	-9.0	-17.4	-6.7	-30.2	-28.1	-5.4	-24.2	0.0	0.1	-83.1	-95.4
Levies on banking activities	0.0	0.0	-7.3	-8.0	0.0	0.0	-25.6	-24.8	0.0	0.0	0.0	0.0	-32.8	-32.8
Pre-tax result from continuing operations	**197.9**	**184.9**	**54.0**	**62.4**	**51.8**	**53.5**	**21.9**	**27.5**	**42.1**	**23.4**	**3.8**	**4.9**	**371.6**	**356.7**
Taxes on income	-39.9	-37.6	-11.9	-13.6	-6.5	-7.1	-3.3	-3.9	-7.3	-4.3	0.0	-0.4	-68.9	-66.9
Net result for the period	**158.1**	**147.3**	**42.2**	**48.7**	**45.3**	**46.4**	**18.6**	**23.6**	**34.8**	**19.2**	**3.8**	**4.5**	**302.7**	**289.8**
Net result attributable to non-controlling interests	1.7	0.0	0.0	0.0	2.9	0.1	0.0	0.0	11.2	6.4	0.7	0.9	16.6	7.4
Net result attributable to owners of the parent	**156.4**	**147.3**	**42.1**	**48.7**	**42.4**	**46.4**	**18.6**	**23.6**	**23.6**	**12.8**	**3.0**	**3.6**	**286.1**	**282.4**
Operating income	370.2	389.7	140.9	144.9	154.0	157.0	99.3	108.5	103.4	102.2	16.8	17.8	884.6	920.0
Operating expenses	-182.5	-188.0	-69.8	-71.1	-84.9	-99.2	-56.7	-59.6	-52.0	-55.2	-11.5	-13.8	-457.4	-487.0
Operating result	**187.8**	**201.6**	**71.1**	**73.8**	**69.1**	**57.8**	**42.6**	**48.9**	**51.4**	**47.0**	**5.3**	**3.9**	**427.2**	**433.0**
Risk-weighted assets (credit risk, eop)	18,185	18,654	5,970	6,458	5,544	6,296	3,773	4,009	5,172	5,149	1,136	1,486	39,780	42,051
Average allocated capital	2,537	2,457	864	1,044	1,173	1,420	737	954	706	776	167	226	6,185	6,877
Cost/income ratio	49.3%	48.3%	49.6%	49.1%	55.1%	63.2%	57.1%	54.9%	50.3%	54.0%	68.5%	77.8%	51.7%	52.9%
Return on allocated capital	25.3%	24.3%	19.8%	18.9%	15.7%	13.3%	10.2%	10.1%	20.0%	10.0%	9.1%	8.1%	19.8%	17.1%
Total assets (eop)	51,260	58,000	16,661	17,797	15,358	14,721	7,622	8,624	8,899	9,678	1,426	1,852	101,226	110,673
Total liabilities excluding equity (eop)	46,392	53,086	15,296	16,318	13,713	12,904	6,504	7,479	7,751	8,453	1,245	1,643	90,901	99,883
Impairments	**29.7**	**10.7**	**-6.7**	**-1.8**	**0.0**	**6.8**	**8.4**	**5.2**	**-4.7**	**0.0**	**-1.6**	**1.0**	**25.1**	**21.9**
Net impairment loss on financial assets AC	27.8	-10.4	-5.5	-2.6	6.8	-2.6	8.5	4.9	-2.7	-0.9	-1.9	0.7	32.9	-10.8
Net impairment loss on financial assets FVOCI	0.0	0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.9	0.3	0.0	0.3	0.9
Net impairment loss on finance lease receivables	-0.2	0.3	0.0	0.2	0.3	0.1	-0.3	0.3	0.0	0.2	0.0	0.3	-0.2	1.3
Net impairment loss on commitments and guarantees given	1.5	20.4	-1.2	0.0	-7.1	11.2	0.2	0.1	-1.2	0.3	0.0	0.0	-7.7	32.0
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.5	0.4	0.0	0.6	0.0	-1.8	0.0	0.0	-0.8	-0.5	0.0	0.0	-0.2	-1.4

29. Risk management

A core function of a bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the annual report 2018.

Credit risk

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

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

Management attention. Vulnerable non-retail clients, which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with possible payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

Substandard. The borrower is vulnerable to short term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Non-performing. One or more of the default criteria under Article 178 of the CRR are met: among others, full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. Erste Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.

Credit risk exposure

Credit risk exposure relates to the sum of the following balance sheet items:

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

The credit risk exposure equates the gross carrying amount (or nominal value in the case of off-balance sheet positions) excluding:

- credit loss allowances for financial assets;
- credit loss allowances for loan commitments and financial guarantees;
- provisions for other commitments;
- any collateral held (including risk transfer to guarantors);
- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

The credit risk exposure increased to EUR 263.4 billion (+3.0%; EUR 255.9 billion) in the first quarter.

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

in EUR million	Credit risk exposure	Allowances	Adjustments	Carrying amount
Mar 19				
Cash and cash balances - demand deposits to credit institutions	1,189	-1	0	1,189
Debt instruments HfT	6,229	0	0	6,229
Non-trading debt instruments at FVPL	2,961	0	0	2,961
Debt securities	2,692	0	0	2,692
Loans and advances to banks	0	0	0	0
Loans and advances to customers	269	0	0	269
Debt instruments at FVOCI	8,702	-9	235	8,936
Debt securities	8,702	-9	235	8,936
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	199,095	-3,242	0	195,852
Debt securities	26,603	-9	0	26,594
Loans and advances to banks	22,749	-8	0	22,741
Loans and advances to customers	149,743	-3,225	0	146,518
Trade and other receivables	1,500	-109	0	1,391
Finance lease receivables	3,925	-146	0	3,779
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	139	0	0	139
Off balance-sheet exposures	39,701	-310	0	-
Total	**263,441**	**-3,817**	**235**	**220,476**
Dec 18				
Cash and cash balances - demand deposits to credit institutions	1,009	0	0	1,009
Debt instruments HfT	5,516	0	0	5,516
Non-trading debt instruments at FVPL	2,938	0	0	2,938
Debt securities	2,651	0	0	2,651
Loans and advances to banks	0	0	0	0
Loans and advances to customers	287	0	0	287
Debt instruments at FVOCI	8,828	-10	205	9,033
Debt securities	8,828	-10	205	9,033
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	192,413	-3,307	0	189,106
Debt securities	26,059	-8	0	26,050
Loans and advances to banks	19,111	-8	0	19,103
Loans and advances to customers	147,243	-3,290	0	143,953
Trade and other receivables	1,441	-122	0	1,318
Finance lease receivables	3,914	-151	0	3,763
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	132	0	0	132
Off balance-sheet exposures	39,673	-343	0	-
Total	**255,864**	**-3,933**	**205**	**212,816**

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

Credit risk volume is presented by:
_ counterparty sector and financial instrument;
_ industry and risk category;
_ region and risk category;
_ business segment and risk category;
_ business segment and IFRS 9 treatment;
_ geographical segment and risk category;
_ geographical segment and IFRS 9 treatment.

Credit risk exposure by counterparty sector and financial instrument

					At amortised cost							
in EUR million	Cash and cash balances - demand deposits to credit institutions	Debt instruments HfT	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	Debt securities	Loans and advances to banks	Loans and advances to customers	Trade and other receivables	Finance lease receivables	Positive fair value of hedge accounting derivatives	Off balance-sheet exposures	Total
Mar 19												
Central banks	0	11	0	5	13	16,569	0	1	0	0	15	16,613
General governments	0	2,229	722	6,509	22,463	0	6,639	42	398	0	2,114	41,117
Credit institutions	1,189	3,344	783	941	3,220	6,180	0	21	2	126	705	16,512
Other financial corporations	0	145	1,062	183	153	0	3,953	26	62	12	1,455	7,051
Non-financial corporations	0	498	249	1,064	754	0	64,028	1,283	2,756	1	24,016	94,649
Households	0	2	146	0	0	0	75,122	127	707	0	11,396	87,499
Total	**1,189**	**6,229**	**2,961**	**8,702**	**26,603**	**22,749**	**149,743**	**1,500**	**3,925**	**139**	**39,701**	**263,441**
Dec 18												
Central banks	0	20	0	3	25	14,939	0	0	0	0	17	15,004
General governments	0	1,819	761	6,694	22,387	0	7,059	49	407	0	1,958	41,134
Credit institutions	1,009	3,062	721	912	2,752	4,172	0	47	2	125	668	13,470
Other financial corporations	0	132	1,048	182	145	0	3,355	42	63	5	1,389	6,361
Non-financial corporations	0	482	248	1,037	749	0	62,207	1,176	2,742	2	24,282	92,926
Households	0	1	161	0	0	0	74,623	126	700	0	11,358	86,968
Total	**1,009**	**5,516**	**2,938**	**8,828**	**26,059**	**19,111**	**147,243**	**1,441**	**3,914**	**132**	**39,673**	**255,864**

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 19					
Agriculture and forestry	2,017	733	173	166	3,089
Mining	631	34	9	49	722
Manufacturing	15,500	1,725	470	553	18,248
Energy and water supply	3,542	477	87	81	4,187
Construction	9,063	1,549	364	509	11,485
Trade	9,891	1,893	437	490	12,710
Transport and communication	6,605	743	205	116	7,669
Hotels and restaurants	3,632	775	254	283	4,944
Financial and insurance services	39,751	873	183	58	40,864
Real estate and housing	23,641	3,339	733	540	28,253
Services	11,220	1,260	306	294	13,080
Public administration	38,814	324	36	6	39,180
Education, health and art	2,816	424	79	224	3,543
Households	66,922	4,715	1,735	1,707	75,079
Other	325	27	36	0	389
Total	**234,368**	**18,891**	**5,106**	**5,076**	**263,441**
Dec 18					
Agriculture and forestry	2,026	753	136	180	3,096
Mining	620	39	11	48	717
Manufacturing	15,127	1,856	470	580	18,033
Energy and water supply	3,408	498	157	85	4,147
Construction	8,878	1,546	467	525	11,417
Trade	9,806	1,887	489	510	12,692
Transport and communication	6,485	685	186	123	7,479
Hotels and restaurants	3,433	767	262	313	4,775
Financial and insurance services	34,271	885	231	79	35,467
Real estate and housing	23,163	3,130	1,035	576	27,904
Services	11,058	1,256	293	327	12,934
Public administration	38,236	254	209	6	38,705
Education, health and art	2,736	424	149	228	3,536
Households	64,557	6,314	1,980	1,734	74,584
Other	321	1	55	0	377
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 19					
Core markets	**201,434**	**17,029**	**4,728**	**4,560**	**227,751**
Austria	96,441	8,114	2,159	1,873	108,587
Czech Republic	53,003	4,163	1,159	716	59,041
Romania	13,725	1,621	442	544	16,332
Slovakia	18,841	1,130	263	516	20,749
Hungary	9,257	905	339	191	10,693
Croatia	8,167	821	317	695	10,000
Serbia	2,001	275	49	23	2,348
Other EU	**23,811**	**874**	**192**	**368**	**25,244**
Other industrialised countries	**5,178**	**136**	**31**	**35**	**5,381**
Emerging markets	**3,946**	**852**	**155**	**113**	**5,065**
Southeastern Europe/CIS	1,835	408	80	93	2,416
Asia	1,714	147	15	4	1,879
Latin America	56	16	12	10	94
Middle East/Africa	342	281	48	5	677
Total	**234,368**	**18,891**	**5,106**	**5,076**	**263,441**
Dec 18					
Core markets	**195,827**	**18,419**	**5,790**	**4,757**	**224,792**
Austria	96,632	7,692	2,065	1,953	108,342
Czech Republic	50,840	4,220	1,256	697	57,013
Romania	13,903	1,485	473	565	16,426
Slovakia	15,941	2,812	1,242	553	20,549
Hungary	8,762	832	426	198	10,218
Croatia	7,789	1,087	291	767	9,934
Serbia	1,960	291	37	23	2,311
Other EU	**19,788**	**894**	**156**	**408**	**21,245**
Other industrialised countries	**4,807**	**142**	**35**	**37**	**5,022**
Emerging markets	**3,704**	**839**	**149**	**113**	**4,804**
Southeastern Europe/CIS	1,798	425	77	94	2,395
Asia	1,497	138	14	3	1,653
Latin America	56	16	13	10	96
Middle East/Africa	352	260	44	5	661
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

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

Credit risk exposure by reporting segment and risk category

The segment reporting of Erste Group is based on the matrix organisation by business segment as well as by geographical segment. The geographical segmentation follows the country markets in which Erste Group operates and the locations of the banking and other financial institutions participations.

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 19					
Retail	56,086	5,545	2,321	1,524	65,475
Corporates	63,570	6,315	1,180	1,888	72,953
Group Markets	30,761	315	77	3	31,156
ALM & LCC	29,464	179	79	29	29,750
Savings Banks	54,253	6,526	1,442	1,631	63,852
GCC	235	11	6	2	255
Total	**234,368**	**18,891**	**5,106**	**5,076**	**263,441**
Dec 18					
Retail	54,909	7,216	2,520	1,583	66,228
Corporates	60,200	6,353	1,973	2,048	70,573
Group Markets	25,366	389	62	2	25,819
ALM & LCC	28,769	136	89	12	29,005
Savings Banks	54,210	6,192	1,468	1,666	63,536
GCC	673	8	19	3	703
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by business segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Mar 19						
Retail	59,361	4,162	1,378	153	422	65,475
Corporates	64,678	3,862	1,556	362	2,494	72,953
Group Markets	24,372	194	2	0	6,587	31,156
ALM & LCC	29,313	112	28	0	297	29,750
Savings Banks	54,401	5,062	1,546	55	2,788	63,852
GCC	189	7	2	0	56	255
Total	**232,315**	**13,400**	**4,512**	**570**	**12,644**	**263,441**
Dec 18						
Retail	60,043	4,113	1,428	161	482	66,228
Corporates	62,338	3,819	1,691	372	2,354	70,573
Group Markets	19,678	290	2	0	5,849	25,819
ALM & LCC	28,668	55	12	0	271	29,005
Savings Banks	53,921	4,913	1,569	62	3,071	63,536
GCC	645	2	3	0	53	703
Total	**225,292**	**13,193**	**4,704**	**595**	**12,079**	**255,864**

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

The defaulted part of POCI amounted to EUR 444 million (EUR 471 million), the non-defaulted part to EUR 126 million (EUR 124 million).

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 19					
Austria	**127,250**	**10,059**	**2,525**	**2,662**	**142,496**
EBOe & Subsidiaries	39,245	2,571	914	576	43,305
Savings Banks	54,253	6,526	1,442	1,631	63,852
Other Austria	33,752	962	169	455	35,338
Central and Eastern Europe	**101,957**	**8,820**	**2,575**	**2,412**	**115,763**
Czech Republic	54,385	4,203	1,171	588	60,346
Romania	12,706	1,588	442	575	15,311
Slovakia	17,096	1,090	265	478	18,929
Hungary	7,830	806	292	159	9,087
Croatia	8,364	858	356	591	10,169
Serbia	1,576	274	49	22	1,921
Other	**5,162**	**12**	**6**	**2**	**5,182**
Total	**234,368**	**18,891**	**5,106**	**5,076**	**263,441**
Dec 18					
Austria	**123,157**	**9,491**	**2,491**	**2,786**	**137,925**
EBOe & Subsidiaries	39,353	2,547	750	636	43,286
Savings Banks	54,210	6,192	1,468	1,666	63,536
Other Austria	29,594	752	273	484	31,103
Central and Eastern Europe	**95,417**	**10,760**	**3,620**	**2,498**	**112,297**
Czech Republic	51,499	4,317	1,216	561	57,594
Romania	12,917	1,485	475	603	15,480
Slovakia	14,115	2,744	1,250	487	18,596
Hungary	7,634	797	310	166	8,907
Croatia	7,734	1,126	332	660	9,852
Serbia	1,518	291	37	22	1,868
Other	**5,551**	**42**	**19**	**30**	**5,642**
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by geographical segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Mar 19						
Austria	**119,261**	**9,559**	**2,520**	**84**	**11,071**	**142,496**
EBOe & Subsidiaries	38,896	3,015	557	6	832	43,305
Savings Banks	54,401	5,062	1,546	55	2,788	63,852
Other Austria	25,964	1,482	416	24	7,451	35,338
Central and Eastern Europe	**107,962**	**3,833**	**1,990**	**485**	**1,491**	**115,763**
Czech Republic	57,839	1,545	549	27	386	60,346
Romania	13,608	1,069	470	128	36	15,311
Slovakia	17,946	404	340	152	86	18,929
Hungary	8,006	137	91	116	737	9,087
Croatia	8,925	620	522	61	41	10,169
Serbia	1,637	59	18	2	205	1,921
Other	**5,092**	**7**	**2**	**0**	**82**	**5,182**
Total	**232,315**	**13,400**	**4,512**	**570**	**12,644**	**263,441**
Dec 18						
Austria	**115,410**	**9,247**	**2,606**	**102**	**10,560**	**137,925**
EBOe & Subsidiaries	38,838	2,926	597	17	908	43,286
Savings Banks	53,921	4,913	1,569	62	3,071	63,536
Other Austria	22,650	1,409	439	24	6,580	31,103
Central and Eastern Europe	**104,388**	**3,903**	**2,068**	**493**	**1,446**	**112,297**
Czech Republic	54,940	1,728	532	21	374	57,594
Romania	13,760	1,052	489	134	45	15,480
Slovakia	17,666	347	347	152	85	18,596
Hungary	7,869	128	94	121	696	8,907
Croatia	8,549	596	589	62	57	9,852
Serbia	1,604	52	18	2	190	1,868
Other	**5,495**	**43**	**30**	**0**	**74**	**5,642**
Total	**225,292**	**13,193**	**4,704**	**595**	**12,079**	**255,864**

Loans and advances to customers

The following tables present the structure of the customer loan book, excluding loans to central banks and credit institutions broken-down by different categories. The presentation is by gross carrying amount excluding loan loss allowances and collateral.

Loans and advances to customers comprise:

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

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

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

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 19					
Retail	47,570	4,944	2,156	1,500	56,171
Corporates	44,709	4,780	972	1,598	52,059
Group Markets	1,601	47	1	0	1,648
ALM & LCC	196	65	74	28	363
Savings Banks	37,238	5,085	1,251	1,563	45,137
GCC	31	1	1	2	35
Total	**131,345**	**14,922**	**4,456**	**4,691**	**155,413**
Dec 18					
Retail	46,081	6,542	2,350	1,560	56,533
Corporates	41,998	4,844	1,568	1,721	50,131
Group Markets	1,097	107	1	0	1,205
ALM & LCC	126	41	73	11	251
Savings Banks	36,944	4,881	1,236	1,586	44,647
GCC	57	3	7	3	69
Total	**126,303**	**16,418**	**5,234**	**4,881**	**152,836**

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

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Mar 19							
Retail	50,844	3,681	1,361	150	56,036	134	56,171
Corporates	47,287	3,050	1,322	309	51,968	91	52,059
Group Markets	1,636	12	0	0	1,648	0	1,648
ALM & LCC	281	54	28	0	363	0	363
Savings Banks	39,145	4,409	1,486	54	45,093	44	45,137
GCC	32	1	2	0	35	0	35
Total	**139,224**	**11,208**	**4,199**	**513**	**155,144**	**269**	**155,413**
Dec 18							
Retail	51,191	3,631	1,411	158	56,391	142	56,533
Corporates	45,262	3,039	1,431	316	50,047	84	50,131
Group Markets	1,190	15	0	0	1,205	0	1,205
ALM & LCC	225	15	11	0	251	0	251
Savings Banks	38,767	4,257	1,499	61	44,586	61	44,647
GCC	64	1	3	0	69	0	69
Total	**136,700**	**10,958**	**4,355**	**536**	**152,549**	**287**	**152,836**

Loans and advances to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 19					
Austria	**80,304**	**7,679**	**2,210**	**2,532**	**92,726**
EBOe & Subsidiaries	29,891	2,124	851	540	33,405
Savings Banks	37,238	5,085	1,251	1,563	45,137
Other Austria	13,176	471	107	430	14,184
Central and Eastern Europe	**50,992**	**7,242**	**2,244**	**2,156**	**62,635**
Czech Republic	23,253	3,515	1,083	507	28,358
Romania	6,279	1,224	369	471	8,343
Slovakia	11,999	997	255	431	13,682
Hungary	3,169	657	232	144	4,202
Croatia	5,282	625	256	582	6,746
Serbia	1,011	224	48	21	1,304
Other	**48**	**1**	**1**	**2**	**53**
Total	**131,345**	**14,922**	**4,456**	**4,691**	**155,413**
Dec 18					
Austria	**79,323**	**7,323**	**2,132**	**2,635**	**91,413**
Erste Bank Oesterreich & Subsidiaries	29,870	2,104	682	601	33,256
Savings Banks	36,944	4,881	1,236	1,586	44,647
Other Austria	12,510	339	214	448	13,511
Central and Eastern Europe	**46,803**	**9,058**	**3,095**	**2,216**	**61,172**
Czech Republic	22,308	3,612	1,054	492	27,466
Romania	6,279	1,109	396	476	8,260
Slovakia	9,204	2,601	1,095	438	13,337
Hungary	3,055	646	257	152	4,109
Croatia	4,996	847	257	638	6,739
Serbia	961	244	36	21	1,262
Other	**177**	**36**	**7**	**30**	**250**
Total	**126,303**	**16,418**	**5,234**	**4,881**	**152,836**

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

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Mar 19							
Austria	**82,088**	**8,012**	**2,404**	**83**	**92,587**	**139**	**92,726**
EBOe & Subsidiaries	30,252	2,593	526	6	33,377	28	33,405
Savings Banks	39,145	4,409	1,486	54	45,093	44	45,137
Other Austria	12,691	1,010	392	23	14,117	67	14,184
Central and Eastern Europe	**57,087**	**3,195**	**1,793**	**430**	**62,505**	**130**	**62,635**
Czech Republic	26,546	1,312	470	27	28,355	3	28,358
Romania	6,950	896	373	123	8,342	1	8,343
Slovakia	12,861	379	339	103	13,682	0	13,682
Hungary	3,753	129	80	114	4,076	126	4,202
Croatia	5,748	424	513	61	6,746	0	6,746
Serbia	1,229	55	18	2	1,304	0	1,304
Other	**50**	**1**	**2**	**0**	**53**	**0**	**53**
Total	**139,224**	**11,208**	**4,199**	**513**	**155,144**	**269**	**155,413**
Dec 18							
Austria	**80,911**	**7,771**	**2,478**	**101**	**91,261**	**153**	**91,413**
EBOe & Subsidiaries	30,136	2,503	568	17	33,224	32	33,256
Savings Banks	38,767	4,257	1,499	61	44,586	61	44,647
Other Austria	12,007	1,011	410	22	13,451	60	13,511
Central and Eastern Europe	**55,612**	**3,145**	**1,847**	**435**	**61,038**	**134**	**61,172**
Czech Republic	25,598	1,380	464	21	27,463	3	27,466
Romania	6,905	853	372	128	8,259	1	8,260
Slovakia	12,561	330	343	103	13,337	0	13,337
Hungary	3,656	121	83	119	3,979	130	4,109
Croatia	5,699	411	567	62	6,739	0	6,739
Serbia	1,192	50	18	2	1,262	0	1,262
Other	**177**	**43**	**30**	**0**	**250**	**0**	**250**
Total	**136,700**	**10,958**	**4,355**	**536**	**152,549**	**287**	**152,836**

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

The defaulted part of POCI loans amounted to EUR 393 million (EUR 418 million), the non-defaulted part to EUR 119 million (EUR 117 million).

Expected credit loss measurement

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

According to IFRS 9, there are three main stages outlined for expected credit loss (ECL) determination. Stage 1 includes not credit-impaired financial instruments at initial recognition and not credit-impaired financial instruments without a significant increase in credit risk since initial recognition, irrespective of their credit quality. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

If a significant increase in credit risk (SICR) since initial recognition is identified but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. Financial instruments in Stage 2 have their ECL measured based on expected credit losses on a lifetime (LT) basis. If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. Financial instruments in Stage 3 have their ECL measured based on expected credit losses on a LT basis. Purchased or originated credit-impaired (POCI) financial instruments are those financial instruments that are credit-impaired on initial recognition. Their ECL is always measured on LT basis. The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are presented below:

Significant increase in credit risk determination

In the area of expected credit loss (ECL) modelling and calculation of ensuing credit loss allowances (CLA), Erste Group has concluded that one of the key drivers of the impact from applying the ECL model required by IFRS 9 is the assessment of a significant increase in credit risk (SICR) based on whether an instrument's credit risk as at the reporting date has increased significantly from the date it was initially originated for exposures that are not identified as credit-impaired as at the date of initial application of IFRS 9 (for retrospective application) or as at any given reporting period after transition to IFRS 9 (for prospective application). In this respect, across portfolios and product types, quantitative and qualitative indicators are defined for assessing SICR, including the indicator of 30 days-past-due (DPD).

Quantitative criteria. Quantitative SICR indicators include adverse changes in annualised lifetime probability of default and in lifetime probability of default with significance being assessed by reference to a mix of relative and absolute change thresholds. The bank has established thresholds for significant increases in credit risk based on both a percentage and absolute change in PD relative to initial recognition. In order to SICR to occur for a particular financial instrument, both the relative and absolute thresholds need to be breached. The relative measure is calculated as a ratio between current annualised PD and annualised PD value on initial recognition. These ratios are compared against limits set up as threshold for SICR assessment. The breach means that such ratio has reached or is higher than the established threshold.

These relative thresholds for SICR assessment are established at PD segment level or client rating level for each consolidated entity, as necessary, and are subject to initial and on-going validation. The absolute threshold refers to difference of PD on initial recognition and current PD. It is set to 50 bps and serves as a back-stop for migrations between the best ratings. In such cases, relative thresholds may be breached, however overall PD is very low, therefore SICR is not positively concluded. There are no additional cure periods established for quantitative criteria for migration back to Stage 1 other than those already established in general credit risk practice (e.g. for rating improvement).

Qualitative criteria. Qualitative SICR indicators include forbearance-type flags (identification of regulatory forbearance), work-out transfer flags (when the account starts being monitored by the work-out department), information from the early-warning system (if it is not sufficiently considered in the rating) and fraud indicators. The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and in a timely manner. The related group-wide and entity-level credit risk controlling policies and procedures (adapted as necessary in the light of transition to IFRS 9) ensure the necessary governance framework. These indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future. Besides the qualitative indicators defined on a client level, the assessment of a significant increase in credit risk is performed on a portfolio level if the increase in credit risk on individual instruments or at a client level is available only with a certain time lag or is observable exclusively on a portfolio level. There are no additional cure periods established for qualitative criteria for migration back to Stage 1 other than those already established in general credit risk practice for the used above-mentioned flags (forbearance, watch lists).

Low credit risk exemption

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

As of 31 March 2019, low credit risk exception is applied only to debt securities in the Czech subsidiary (Česká spořitelna) with exposure of EUR 10.7 billion, of which EUR 10.6 billion is in Stage 1 (PDs interval of 0.01% - 0.5%).

Measuring ECL – explanation of inputs and measurement

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

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

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

Life-time parameters

The LT PD is developed through observation of historical defaults from initial recognition through the life-time of the loans. It is assumed to be the same across all assets in the same portfolio and rating band. The 1Y and LT EADs are determined based on the expected payment profiles, which vary by product type. The LT EAD calculation utilises repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, credit conversion factor is estimated for reflecting the expected credit exposure in the EAD. The LGD is estimated as a lifetime curve for any point in time, based on historical loss observations. The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of collective allowances differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis, if the characteristics of the respective portfolio in combination with IFRS standards necessitate this.

Incorporation of forward-looking information

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

Grouping of instruments

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

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

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

Customer loans, non-performing loans and collateral include both AC and FVPL portfolios.

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

	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Mar 19												
Retail	1,500	1,498	56,171	56,036	-1,281	620	619	2.7%	2.7%	85.5%	41.4%	41.3%
Corporates	1,598	1,582	52,059	51,968	-1,196	615	615	3.1%	3.0%	75.6%	38.5%	38.9%
Group Markets	0	0	1,648	1,648	-2	0	0	0.0%	0.0%	>500%	0.0%	0.0%
ALM & LCC	28	28	363	363	-32	1	1	7.6%	7.6%	113.8%	3.5%	3.5%
Savings Banks	1,563	1,560	45,137	45,093	-968	783	780	3.5%	3.5%	62.0%	50.1%	50.0%
GCC	2	0	35	35	-2	2	0	6.0%	0.0%	>500%	99.6%	0.0%
Total	**4,691**	**4,669**	**155,413**	**155,144**	**-3,480**	**2,022**	**2,016**	**3.0%**	**3.0%**	**74.5%**	**43.1%**	**43.2%**
Dec 18												
Retail	1,560	1,557	56,533	56,391	-1,310	637	636	2.8%	2.8%	84.2%	40.9%	40.9%
Corporates	1,721	1,701	50,131	50,047	-1,256	621	620	3.4%	3.4%	73.8%	36.1%	36.5%
Group Markets	0	0	1,205	1,205	-4	0	0	0.0%	0.0%	>500%	0.0%	0.0%
ALM & LCC	11	11	251	251	-19	1	1	4.3%	4.3%	180.6%	9.4%	9.4%
Savings Banks	1,586	1,583	44,647	44,586	-971	785	782	3.6%	3.6%	61.4%	49.5%	49.4%
GCC	3	1	69	69	-2	3	1	4.1%	1.0%	237.5%	99.8%	99.2%
Total	**4,881**	**4,853**	**152,836**	**152,549**	**-3,563**	**2,046**	**2,041**	**3.2%**	**3.2%**	**73.4%**	**41.9%**	**42.1%**

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

	Loans to customers				Allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Mar 19											
Retail	50,844	3,681	1,361	150	-120	-206	-890	-65	5.6%	65.4%	43.5%
Corporates	47,287	3,050	1,322	309	-138	-131	-847	-80	4.3%	64.0%	26.0%
Group Markets	1,636	12	0	0	-1	0	0	0	1.2%	87.9%	100.0%
ALM & LCC	281	54	28	0	0	-12	-20	0	21.4%	70.7%	0.0%
Savings Banks	39,145	4,409	1,486	54	-78	-136	-737	-17	3.1%	49.6%	32.4%
GCC	32	1	2	0	0	0	-1	0	0.2%	69.2%	0.0%
Total	**139,224**	**11,208**	**4,199**	**513**	**-338**	**-484**	**-2,495**	**-163**	**4.3%**	**59.4%**	**31.8%**
Dec 18											
Retail	51,191	3,631	1,411	158	-124	-203	-913	-71	5.6%	64.7%	45.0%
Corporates	45,262	3,039	1,431	316	-138	-131	-900	-87	4.3%	62.9%	27.4%
Group Markets	1,190	15	0	0	-3	0	0	0	0.9%	87.0%	100.0%
ALM & LCC	225	15	11	0	0	-11	-8	0	68.4%	79.0%	0.0%
Savings Banks	38,767	4,257	1,499	61	-78	-131	-747	-16	3.1%	49.8%	25.5%
GCC	64	1	3	0	0	0	-1	0	1.2%	46.4%	0.0%
Total	**136,700**	**10,958**	**4,355**	**536**	**-344**	**-476**	**-2,570**	**-174**	**4.3%**	**59.0%**	**32.4%**

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

in EUR million	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Mar 19												
Austria	**2,532**	**2,514**	**92,726**	**92,587**	**-1,559**	**1,251**	**1,249**	**2.7%**	**2.7%**	**62.0%**	**49.4%**	**49.7%**
EBOe & Subs	540	539	33,405	33,377	-348	279	279	1.6%	1.6%	64.6%	51.8%	51.8%
Savings Banks	1,563	1,560	45,137	45,093	-968	783	780	3.5%	3.5%	62.0%	50.1%	50.0%
Other Austria	430	415	14,184	14,117	-243	189	189	3.0%	2.9%	58.5%	44.0%	45.5%
CEE	**2,156**	**2,154**	**62,635**	**62,505**	**-1,919**	**768**	**767**	**3.4%**	**3.4%**	**89.1%**	**35.6%**	**35.6%**
Czech Republic	507	507	28,358	28,355	-508	125	125	1.8%	1.8%	100.1%	24.7%	24.7%
Romania	471	470	8,343	8,342	-474	137	137	5.6%	5.6%	100.9%	29.1%	29.1%
Slovakia	431	431	13,682	13,682	-346	195	195	3.2%	3.2%	80.2%	45.3%	45.3%
Hungary	144	143	4,202	4,076	-123	93	91	3.4%	3.5%	85.8%	64.1%	63.9%
Croatia	582	582	6,746	6,746	-441	214	214	8.6%	8.6%	75.7%	36.7%	36.7%
Serbia	21	21	1,304	1,304	-29	5	5	1.6%	1.6%	136.7%	23.2%	22.8%
Other	**2**	**0**	**53**	**53**	**-2**	**2**	**0**	**4.0%**	**0.0%**	**>500%**	**99.6%**	**0.0%**
Total	**4,691**	**4,669**	**155,413**	**155,144**	**-3,480**	**2,022**	**2,016**	**3.0%**	**3.0%**	**74.5%**	**43.1%**	**43.2%**
Dec 18												
Austria	**2,635**	**2,617**	**91,413**	**91,261**	**-1,591**	**1,265**	**1,263**	**2.9%**	**2.9%**	**60.8%**	**48.0%**	**48.3%**
EBOe & Subs	601	600	33,256	33,224	-368	308	308	1.8%	1.8%	61.4%	51.3%	51.3%
Savings Banks	1,586	1,583	44,647	44,586	-971	785	782	3.6%	3.6%	61.4%	49.5%	49.4%
Other Austria	448	434	13,511	13,451	-251	173	173	3.3%	3.2%	57.9%	38.6%	39.8%
CEE	**2,216**	**2,208**	**61,172**	**61,038**	**-1,956**	**778**	**777**	**3.6%**	**3.6%**	**88.6%**	**35.1%**	**35.2%**
Czech Republic	492	492	27,466	27,463	-497	101	101	1.8%	1.8%	101.2%	20.6%	20.6%
Romania	476	469	8,260	8,259	-477	159	159	5.8%	5.7%	101.7%	33.5%	34.0%
Slovakia	438	438	13,337	13,337	-354	192	192	3.3%	3.3%	80.9%	44.0%	44.0%
Hungary	152	150	4,109	3,979	-128	86	85	3.7%	3.8%	85.3%	56.6%	56.4%
Croatia	638	638	6,739	6,739	-469	234	234	9.5%	9.5%	73.5%	36.6%	36.6%
Serbia	21	21	1,262	1,262	-29	5	5	1.7%	1.7%	139.4%	23.9%	23.9%
Other	**30**	**28**	**250**	**250**	**-16**	**3**	**1**	**12.1%**	**11.3%**	**56.9%**	**9.3%**	**2.5%**
Total	**4,881**	**4,853**	**152,836**	**152,549**	**-3,563**	**2,046**	**2,041**	**3.2%**	**3.2%**	**73.4%**	**41.9%**	**42.1%**

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

in EUR million	Loans to customers Stage 1	Stage 2	Stage 3	POCI	Allowances Stage 1	Stage 2	Stage 3	POCI	Coverage ratio Stage 2	Stage 3	POCI
Mar 19											
Austria	**82,088**	**8,012**	**2,404**	**83**	**-131**	**-215**	**-1,195**	**-18**	**2.7%**	**49.7%**	**21.9%**
EBOe & Subs	30,252	2,593	526	6	-33	-58	-257	-1	2.2%	48.8%	12.6%
Savings Banks	39,145	4,409	1,486	54	-78	-136	-737	-17	3.1%	49.6%	32.4%
Other Austria	12,691	1,010	392	23	-20	-21	-202	0	2.1%	51.5%	0.0%
CEE	**57,087**	**3,195**	**1,793**	**430**	**-207**	**-269**	**-1,298**	**-145**	**8.4%**	**72.4%**	**33.7%**
Czech Republic	26,546	1,312	470	27	-75	-85	-333	-14	6.5%	70.9%	51.3%
Romania	6,950	896	373	123	-31	-97	-304	-43	10.8%	81.4%	34.7%
Slovakia	12,861	379	339	103	-35	-33	-228	-49	8.8%	67.4%	47.7%
Hungary	3,753	129	80	114	-14	-17	-60	-32	13.0%	75.7%	27.8%
Croatia	5,748	424	513	61	-44	-30	-360	-7	7.1%	70.1%	10.9%
Serbia	1,229	55	18	2	-8	-7	-13	-1	13.1%	71.7%	39.9%
Other	**50**	**1**	**2**	**0**	**0**	**0**	**-1**	**0**	**0.2%**	**69.2%**	**0.0%**
Total	**139,224**	**11,208**	**4,199**	**513**	**-338**	**-484**	**-2,495**	**-163**	**4.3%**	**59.4%**	**31.8%**
Dec 18											
Austria	**80,911**	**7,771**	**2,478**	**101**	**-132**	**-204**	**-1,231**	**-24**	**2.6%**	**49.7%**	**24.1%**
EBOe & Subs	30,136	2,503	568	17	-34	-53	-273	-9	2.1%	48.1%	50.3%
Savings Banks	38,767	4,257	1,499	61	-78	-131	-747	-16	3.1%	49.8%	25.5%
Other Austria	12,007	1,011	410	22	-21	-20	-211	0	1.9%	51.4%	0.0%
CEE	**55,612**	**3,145**	**1,847**	**435**	**-211**	**-271**	**-1,324**	**-149**	**8.6%**	**71.7%**	**34.3%**
Czech Republic	25,598	1,380	464	21	-77	-85	-326	-9	6.2%	70.2%	46.1%
Romania	6,905	853	372	128	-30	-100	-301	-47	11.7%	80.8%	36.4%
Slovakia	12,561	330	343	103	-36	-34	-233	-51	10.3%	68.0%	49.9%
Hungary	3,656	121	83	119	-14	-16	-63	-35	13.4%	76.5%	29.1%
Croatia	5,699	411	567	62	-46	-29	-389	-6	7.0%	68.5%	10.1%
Serbia	1,192	50	18	2	-8	-8	-13	-1	15.1%	72.1%	40.6%
Other	**177**	**43**	**30**	**0**	**-1**	**-1**	**-15**	**0**	**2.3%**	**47.9%**	**0.0%**
Total	**136,700**	**10,958**	**4,355**	**536**	**-344**	**-476**	**-2,570**	**-174**	**4.3%**	**59.0%**	**32.4%**

Loans and advances to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Mar 19						
Austria	**84,278**	**0**	**3,418**	**2,822**	**2,208**	**92,726**
Erste Bank Oesterreich & Subsidiaries	31,820	0	1,419	65	101	33,405
Savings Banks	42,001	0	1,953	106	1,076	45,137
Other Austria	10,457	0	46	2,650	1,031	14,184
Central and Eastern Europe	**27,552**	**34,575**	**42**	**367**	**98**	**62,635**
Czech Republic	4,284	23,790	1	216	67	28,358
Romania	3,316	4,923	0	104	0	8,343
Slovakia	13,626	0	0	25	30	13,682
Hungary	1,064	3,130	7	1	0	4,202
Croatia	4,265	2,438	25	16	0	6,746
Serbia	997	294	9	4	0	1,304
Other	**16**	**31**	**0**	**6**	**0**	**53**
Total	**111,846**	**34,606**	**3,460**	**3,195**	**2,305**	**155,413**
Dec 18						
Austria	**83,141**	**0**	**3,512**	**2,646**	**2,114**	**91,413**
Erste Bank Oesterreich & Subsidiaries	31,641	0	1,455	57	103	33,256
Savings Banks	41,462	0	2,013	98	1,074	44,647
Other Austria	10,039	0	45	2,490	937	13,511
Central and Eastern Europe	**26,448**	**34,255**	**45**	**307**	**117**	**61,172**
Czech Republic	3,628	23,659	1	101	78	27,466
Romania	3,308	4,843	0	109	0	8,260
Slovakia	13,282	0	0	25	30	13,337
Hungary	1,041	3,059	7	2	0	4,109
Croatia	4,222	2,413	28	67	9	6,739
Serbia	968	281	10	4	0	1,262
Other	**195**	**36**	**0**	**19**	**0**	**250**
Total	**109,784**	**34,291**	**3,558**	**2,972**	**2,231**	**152,836**

Market risk

The following table shows the value at risk of the trading book at the 99% confidence level using equally weighted market data and with a holding period of one day.

in EUR million	Dec 18	Mar 19
Interest	5.6	4.0
Currency	0.5	0.7
Shares	0.6	0.6
Commodity	0.1	0.2
Volatility	0.3	0.3
Total	**5.6**	**4.2**

The method used is subject to limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved. This restriction applies to the inclusion of credit spreads in the calculation of the VaR. Issuer specific spreads are applied to sovereign issuers, while sector specific spreads are applied to non-sovereign issuers.

Liquidity risk

Due to the comfortable liquidity position and the usage of the TLTRO II programme (Targeted Longer-Term Refinancing Operations II) of the European Central Bank, Erste Group Bank AG has budgeted long term issuance for 2019 in the amount of EUR 3.8 billion. In the first three months of the year Erste Group issued over EUR 1 billion (net of EUR 4 million buybacks), including one benchmark transactions (a EUR 500 million AT1). On group level, Erste Group's total TLTRO II participation amounts to EUR 3.5 billion.

Leverage ratio

The leverage ratio represents the relationship between core capital (tier 1) and the leverage exposure according to Article 429 Capital Requirements Regulation (CRR). Essentially, the leverage exposure represents the sum of unweighted on- and off-balance-sheet positions considering valuation and risk adjustments as defined within the CRR.

As of 31 March 2019, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.6%, comfortably above the 3.0% minimum requirement proposed by the Basel Committee. Tier 1 capital amounted to EUR 16.9 billion at the reference date, while total leverage exposure stood at EUR 258.7 billion.

The calculation and disclosure of the leverage ratio are based on the European Commission's delegated regulation ((EU) 2015/62 of 10 October 2014), which was published in the Official Journal of the European Union on 17 January 2015.

30. Related party transactions

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung) controls a total of 30.23% interest in Erste Group Bank AG. Privatstiftung is therefore the largest single investor in Erste Group Bank AG. At the end of the reporting period, Erste Group had, in relation to Privatstiftung, accounts payable of EUR 12.0 million (EUR 25.4 million) and no accounts receivable. At the end of the reporting period, Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 9.8 million (EUR 9.7 million). In the reporting period interest expenses amounted to EUR 0.1 million (cumulated in 2018: EUR 0.3 million), resulting from the above mentioned accounts payable.

31. Contingent liabilities – legal proceedings

There have not been any material changes with regard to legal disputes in which Erste Group Bank AG and some of its subsidiaries are involved or their impact on the financial position or profitability of Erste Group compared to the annual report 2018.

32. Fair value of financial instruments

All financial instruments are measured at fair value on recurring basis.

Financial instruments carried at fair value

The measurement of fair value at Erste Group is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Financial instruments for which the fair value is determined on the basis of quoted market prices are mainly listed securities and derivatives as well as liquid OTC bonds.

Description of valuation models and parameters

Erste Group uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently. In 2015, as a consequence of the negative interest environment, valuation models of interest rate options for the respective currencies were adjusted. Log-normal valuation models were replaced by standard market models which are based on a shifted log-normal distribution or a standard distribution. For such models negative interest rates are no restriction.

Loans. IFRS 9 regulation significantly changed accounting classification of loans. Not SPPI (solely payments of principal and interest) compliant loans are to be valued at fair value. The methodology to compute fair value of these loans corresponds to the basic present value technique where expected cash flows of assets are discounted by the full rate including risk premium required for non-market risk based part of the interest rate to be compliant with fair value definition. The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer's probability of default and loss given default. These adjusted cash flows are then discounted by a yield curve which consists of a risk free rate and a funding spread. The complex interest rate assets are valued by Monte Carlo simulation approach to include convexity correction and time value of embedded options.

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

Equity instruments. Non-trading equity instruments which have quoted market prices in an active market are valued by using the quoted market price. For other investments in non-trading equity instruments the fair value is determined by standard valuation models using also unobservable input parameters. These models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple method. The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognized in an investee's statement of financial position as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting fair values of the recognized and unrecognized assets and liabilities should therefore represent the fair value of the investee's equity. The dividend discount model assumes that the price of equity instruments issued by an entity equals the present value of all its expected future dividends in perpetuity. Similar to the dividend discount model, the simplified income approach estimates the fair value based on the future income. However, it can be used also when only one year planned income is available. The simplified income approach and the dividend discount model discount future income and dividends using the cost of equity. The cost of equity is dependent on the risk-free rate, the market risk premium, the relevered beta and the country risk premium. The relevered beta is derived from the industry classification which is published and maintained by Damodaran. In rare cases, techniques for non-trading equity instruments may also include models based on multiples. The comparable company multiple method is a valuation technique within the market approach that uses prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee's equity or enterprise value can be inferred.

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

OTC-derivative financial instruments. Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps and commodity swaps) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes- and Hull-White-type as well as hazard rate models. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used.

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

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

According to the described methodology the accumulated CVA-adjustments amounted to EUR 15.4 million (EUR 15.1 million) and the total DVA-adjustment amounted to EUR 3.0 million (EUR 4.1 million).

Validation and control

The responsibility for valuation of financial instruments measured at fair value is independent of the trading units. In addition, Erste Group has implemented an independent validation function in order to ensure separation between units responsible for model development, fair value measurement and validation. The aim of independent model validation is to evaluate model risks arising from the models' theoretical foundation, the appropriateness of input data (market data) and model calibration.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

Level 1 of the fair value hierarchy

The fair value of financial instruments assigned to Level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as Level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

These include OTC derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO), own issues and deposits.

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor on the basis of valuation models that rely entirely on observable market data. In these cases individual valuation parameters which are not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as Level 3 of the fair value hierarchy. For Level 3 valuations besides observable parameters typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters. Furthermore, internally calculated cost of equity and adjustments made on the equity (in the adjusted net asset value method) are unobservable parameters for the valuation of non-trading equity instruments.

These include shares, participations and funds not quoted, illiquid bonds as well as collateralized mortgage obligations (CMO) as well as loans and own issues.

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

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

	Dec 18				Mar 19			
in EUR million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets HfT	1,419	4,085	80	5,584	2,074	4,178	79	6,331
Derivatives	2	2,974	61	3,037	4	3,146	58	3,208
Other financial assets held for trading	1,417	1,111	19	2,547	2,070	1,032	21	3,123
Non-trading financial assets at FVPL	2,239	293	778	3,310	2,288	342	698	3,328
Equity instruments	31	24	317	372	45	25	297	367
Debt securities	2,208	268	174	2,651	2,243	317	133	2,692
Loans and advances	0	0	287	287	0	0	269	269
Financial assets at FVOCI	7,707	1,063	502	9,272	7,794	803	610	9,207
Hedge accounting derivatives	0	131	1	132	0	139	0	139
Total assets	**11,365**	**5,573**	**1,361**	**18,299**	**12,156**	**5,461**	**1,388**	**19,005**
Liabilities								
Financial liabilities HfT	465	2,030	14	2,508	248	2,017	12	2,277
Derivatives	2	1,985	14	2,000	2	1,966	10	1,979
Other financial liabilities held for trading	463	45	0	508	246	50	2	298
Financial liabilities at FVPL	618	12,943	561	14,122	642	13,257	550	14,449
Deposits from customers	0	212	0	212	0	229	0	229
Debt securities issued	618	12,731	96	13,446	642	13,028	114	13,784
Other financial liabilities	0	0	464	464	0	0	436	436
Hedge accounting derivatives	0	277	0	277	0	285	0	285
Total liabilities	**1,083**	**15,249**	**574**	**16,907**	**890**	**15,559**	**563**	**17,011**

Derivatives transacted via clearing houses are presented after netting in compliance with their balance sheet treatment. The netted derivatives are allocated to Level 2. The allocation of the appropriate level of positions is determined at the end of the reporting period.

Valuation process for financial instruments categorised as Level 3

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

Changes in volumes of Level 1 and Level 2

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

	Dec 18		Mar 19	
in EUR million	Level 1	Level 2	Level 1	Level 2
Securities				
Net transfer from Level 1		525		-136
Net transfer from Level 2	-525		136	
Net transfer from Level 3	1	-76	3	-11
Purchases/sales/expiries	-4,234	-648	650	-144
Changes in derivatives	-7	-1,081	2	179
Total year-to-date change	**-4,765**	**-1,280**	**791**	**-112**

Level 1 movements. The total amount of Level 1 financial assets increased by EUR 791 million compared to last year. The change in volume of Level 1 securities (increased by EUR 789 million) was determined on the one hand by matured or sold assets in the amount of EUR 874 million and on the other hand by new investments in the amount of EUR 943 million. The increase in volume for securities that were allocated to Level 1 at both reporting dates amounted to EUR 575 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 157 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by governments (EUR 150 million), but also to securities issued by other corporates (EUR 4 million) and financial institutions (EUR 3 million). Due to lower market activity and changes to modelled fair value, securities in total of EUR 21 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by governments (EUR 9 million), other corporates (EUR 4 million) as well as securities issued by financial institutions (EUR 7 million). Level 3 instruments in the amount of EUR 5 million were reclassified to Level 1. Deteriorated availability of market-observable prices led to a reclassification of EUR 2 million from Level 1 to Level 3. The remaining positive change in the amount of EUR 7 million was due to partial sales and fair value changes of reclassified instruments. The volume of derivatives increased by EUR 2 million.

Level 2 movements. The total value of Level 2 financial assets decreased compared to year end 2018 by EUR 112 million. The Level 2 fair value change of securities and other receivables (down by EUR 291 million) can be explained for the most part by matured or sold positions in the amount of EUR 730 million and new investments in the amount of EUR 645 million. The reduction in volume for securities that have been allocated to Level 2 at both reporting dates amounted to EUR 44 million due to purchases or sales in volumes and changes in market values. Due to reduced market depth a total volume of EUR 21 million was reclassified from Level 1 to Level 2. This applies mainly to securities issued by governments (EUR 9 million), securities issued by other corporates (EUR 4 million) and financial institutions (EUR 7 million). Securities in the amount of EUR 157 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 93 million was reclassified from Level 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 82 million was reclassified from Level 3 to Level 2. The remaining decrease in the amount of EUR 15 million was due to partial sales and fair value changes of reclassified instruments. The increase on the asset side derivatives in Level 2 by EUR 179 million are caused by changes in market values and by netting effects.

The total Level 2 financial liabilities increased by EUR 309 million. Whereas the fair value of derivatives decreased by EUR 11 million, the portfolio of securities increased by EUR 303 million. The fair value of client deposits increased by EUR 17 million.

Movements in Level 3 of financial instruments carried at fair value

Development of fair value of financial instruments in Level 3

in EUR million		Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales	Settle-ments	Additions to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency translation	
	Jan 19											Mar 19
Assets												
Financial assets HfT	80	15	0	3	-1	0	0	0	0	-19	0	79
Derivatives	61	15	0	0	0	0	0	0	0	-18	0	58
Other financial assets held for trading	19	0	0	3	-1	0	0	0	0	0	0	21
Non-trading financial assets at FVPL	778	-6	0	24	-5	-33	1	0	10	-70	0	698
Equity instruments	317	-11	0	9	-2	0	1	0	0	-18	0	297
Debt securities	174	2	0	1	-2	-1	0	0	8	-49	0	133
Loans and advances	287	3	0	14	-1	-32	0	0	1	-3	1	269
Financial assets FVOCI	502	0	34	28	-1	-5	0	0	88	-36	-1	610
Hedge accounting derivatives	1	0	0	0	0	0	0	0	0	-1	0	0
Total assets	**1,361**	**9**	**34**	**55**	**-6**	**-38**	**1**	**0**	**98**	**-126**	**-1**	**1,388**
Liabilities												
Financial liabilities HfT	14	0	0	0	0	0	0	0	2	-4	0	12
Derivatives	14	0	0	0	0	0	0	0	0	-4	0	10
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	2	0	0	2
Financial liabilities at FVPL	561	7	0	40	-29	-29	0	-30	0	1	0	550
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	96	1	0	15	0	0	0	0	0	1	0	114
Other financial liabilities	464	6	0	25	-29	-29	0	-30	0	0	0	436
Total liabilities	**574**	**8**	**0**	**40**	**-29**	**-29**	**0**	**-30**	**2**	**-2**	**0**	**563**
	Jan 18											Mar 18
Assets												
Financial assets HfT	68	0	0	1	-9	0	0	0	14	-9	0	64
Derivatives	25	0	0	1	0	0	0	0	0	-2	0	23
Other financial assets held for trading	43	0	0	0	-9	0	0	0	14	-7	0	41
Non-trading financial assets at FVPL	859	6	0	34	-100	-19	0	-1	53	-65	-1	766
Financial assets at FVOCI	446	0	1	8	0	-11	0	0	70	-13	0	501
Total assets	**1,373**	**6**	**1**	**43**	**-109**	**-30**	**0**	**-1**	**136**	**-87**	**-1**	**1,331**
Liabilities												
Financial liabilities HfT	5	1	0	0	0	0	0	0	3	-1	0	7
Derivatives	5	1	0	0	0	0	0	0	3	-1	0	7
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities at FVPL	1,128	39	0	0	0	-23	0	-141	0	0	0	1,002
Deposits from customers	137	0	0	0	0	0	0	-137	0	0	0	0
Debt securities issued	456	4	0	0	0	-23	0	0	0	0	0	437
Other financial liabilities	534	35	0	0	0	0	0	-4	0	0	0	565
Total liabilities	**1,132**	**40**	**0**	**0**	**0**	**-23**	**0**	**-141**	**3**	**-1**	**0**	**1,009**

Level 3 movements. The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, the external market values of securitizations were subject to an internal validation process, which is based on observable market inputs. Based on the described analysis securities in the amount of EUR 93 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by other corporates (EUR 81 million), securities issued by financial institutions (EUR 9 million) and securities from central governments in the amount of EUR 3 million. On the other hand securities in the amount of EUR 82 million were reclassified from Level 3 to Level 2. Thereof EUR 49 million are securities issued by financial institutions and EUR 33 million are securities issued by other corporates. The movement from Level 3 to Level 1 amounted to EUR 5 million, while EUR 2 million were reclassified from Level 1 to Level 3. Loans and advances measured at fair value under IFRS 9 decreased by EUR 18 million. The additional change in Level 3 positions was on the one hand caused by a decrease in derivative exposure of EUR 4 million and on the other hand by an increase caused by the purchase, sale and market value change of securities in the amount of EUR 41 million.

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

in EUR million	1-3 18	1-3 19
Assets		
Financial assets HfT	1.1	14.8
Derivatives	1.1	14.7
Other financial assets held for trading	0.0	0.1
Non-trading financial assets at FVPL	-3.8	-6.2
Equity instruments	0.0	-10.9
Debt securities	0.4	2.6
Loans and advances	-4.2	2.0
Financial assets at FVOCI	0.6	0.3
Total	**-2.1**	**8.9**

For financial liabilities measured at fair value in Level 3 a valuation of EUR -6.3 million was posted via income statement for the end of the reporting period (EUR -0.6 million).

The volume of Level 3 financial assets can be allocated to the following categories:

_ Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).

_ Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.

_ Loans which do not comply with the contractual cash flow criteria.

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Mar 19					
Positive fair value of derivatives	Forwards, swaps, options	56.4	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.97%-100% (4.36%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	46.3	Discounted cash flow	Credit Spread	0.81%-4.87% (3.33%)
	Loans	268.9	Discounted cash flow	PD	0%-43.38% (0.97%)
				LGD	0%-85.69% (23.0%)
Financial assets at FVOCI	Fixed and variable coupon bonds	85.3	Discounted cash flow	Credit Spread	0.98%-7.27% (4.05%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	175.2	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.22-1.25 Recreation 0.95 Real Estate (General/Diversified) 0.82 Financial Svcs. (Non-bank & Insurance) 0.94-1.04 Banks (Regional) 0.74
				Country risk premium	Croatia 3.47%, Austria 0.41%-0.46% Czech Republic 0.81% Romania 2.26%, Russia 2.89%, Slovakia 0.98%, Spain 1.85% Resulting cost of equity based on above inputs: 7.42%-13.73%
		168.7	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		40.5	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
Dez 18					
Positive fair value of derivatives	Forwards, swaps, options	54.9	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.59%-100% (5.59%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	91.6	Discounted cash flow	Credit Spread	0.81%-4.87% (3.53%)
	Loans	286.6	Discounted cash flow	PD	0%-43.38% (0.98%)
				LGD	05-85.69% (19.14%)
Financial assets at FVOCI	Fixed and variable coupon bonds	75.1	Discounted cash flow	Credit Spread	1.95%-7.27% (4.39%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	174.6	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.22-1.25 Recreation 0.95 Real Estate (General/Diversified) 0.82 Financial Svcs. (Non-bank & Insurance) 0.94-1.04 Banks (Regional) 0.74
				Country risk premium	Croatia 3.47%, Austria 0.41%-0.46% Czech Republic 0.81% Romania 2.26%, Russia 2.89%, Slovakia 0.98%, Spain 1.85% Resulting cost of equity based on above inputs: 7.42%-13.73%
		162.8	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		40.4	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.

Equity instruments with a fair value in amount of EUR 111 million are assessed on the basis of expert opinions. For equity instruments other than participations classified as Level 3, the amount of EUR°23.430.2°million (2018: EUR°23.4°million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Fair value changes per product type using reasonably possible alternatives

	Dec 18		Mar 19	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	2.2	-2.8	1.6	-2.3
Income statement	2.2	-2.8	1.6	-2.3
Debt securities	45.3	-60.3	85.1	-113.5
Income statement	23.7	-31.5	64.5	-86.0
Other comprehensive income	21.6	-28.8	20.6	-27.5
Equity instruments	71.6	-52.8	75.6	-53.2
Income statement	36.2	-31.6	40.1	-31.8
Other comprehensive income	35.4	-21.2	35.5	-21.4
Loans and advances	9.5	-24.8	3.0	-19.0
Income statement	9.5	-24.8	3.0	-19.0
Other comprehensive income	0.0	0.0	0.0	0.0
Total	**128.6**	**-140.7**	**165.3**	**-188.0**
Income statement	**71.6**	**-90.7**	**109.2**	**-139.1**
Other comprehensive income	**57.0**	**-50.0**	**56.1**	**-48.9**

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

The following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis table:

- for debt securities range of credit spreads between +100 basis points and -75 basis points
- for equity related instruments the price range between -10% and +5%
- for unquoted equity instruments measured by the adjusted net asset value the price range between -10% and +10%
- for unquoted equity instruments measured by dividend discount model/simplified income approach the cost of equity range beween -2% and +2%
- for CVA on derivatives PDs rating upgrade/downgrade by one notch, as well as the change of LGD by -5% and +10%.
- for loans, the PDs rating upgrade/downgrade by 1%, the change of LGD by -5% and +10% and a range of credit spreads between +100 basis points and -75 basis points

Fair values of financial instruments for which fair value is disclosed in the notes

	Dec 18		Mar 19	
in EUR million	Carrying amount (balance sheet)	Fair value	Carrying amount (balance sheet)	Fair value
Assets				
Cash and cash balances	17,549	17,549	16,382	16,382
Financial assets at AC	189,106	192,194	195,852	199,026
Loans and advances to banks	19,103	19,098	22,741	22,726
Loans and advances to customers	143,953	146,096	146,518	148,591
Debt securities	26,050	27,000	26,594	27,709
Finance lease receivables	3,763	3,775	3,779	3,771
Trade and other receivables	1,318	1,315	1,391	1,385
Liabilities				
Financial liabilities at AC	196,863	196,895	201,357	201,619
Deposits from banks	17,658	17,752	20,295	20,464
Deposits from customers	162,426	162,179	165,556	165,394
Debt securities issued	16,293	16,478	14,886	15,141
Other financial liabilities	486	486	620	620
Financial guarantees and commitments				
Financial guarantees	n/a	201	n/a	138
Irrevocable commitments	n/a	102	n/a	122

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

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PDs and LGDs used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of debt securities at amortised cost are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

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

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances. Moreover optionality is taken into account when calculating the fair value.

For off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) the following fair value approaches are applied: the fair value of unused loan commitments is estimated using regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated total fair value and the notional amount of the hypothetical loan equivalents represents the fair value of the unused loan commitments. In case of the total fair value being higher than the notional amount of the hypothetical loan equivalents the unused loan commitments have a positive fair value. The fair value of financial guarantees is estimated in analogy to credit default swaps. The fair value of the guarantee is the sum of the present value of the protection leg and the present value of the premium leg. The value of the protection leg is estimated using the PDs and LGDs of the respective customers, whereas the value of the premium leg is estimated by the present value of the future fee payments to be received. If the protection leg is higher than the premium leg, financial guarantees have a negative fair value.

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

	1-3 18	1-3 19
Austria	**16,209**	**16,188**
Erste Group, EB Oesterreich and subsidiaries	9,075	9,046
Haftungsverbund savings banks	7,134	7,141
Outside Austria	**31,173**	**31,129**
Česká spořitelna Group	10,131	10,039
Banca Comercială Română Group	7,212	7,190
Slovenská sporiteľňa Group	4,147	4,065
Erste Bank Hungary Group	3,047	3,122
Erste Bank Croatia Group	3,164	3,192
Erste Bank Serbia Group	1,082	1,124
Savings banks subsidiaries	1,183	1,196
Other subsidiaries and foreign branch offices	1,207	1,200
Total	**47,382**	**47,317**

34. Own funds and capital requirements

Regulatory scope of consolidation and institutional protection scheme

The consolidated regulatory capital and the consolidated regulatory capital requirements are calculated based on the scope of consolidation stipulated in the Capital Requirements Regulation (CRR). Based on Art. 4 para 1 (3), (16) to (27) CRR in line with Art. 18 and 19 CRR and para 30 of the Austrian Banking Act (ABA), the scope consists of credit institutions, investment firms, financial institutions and ancillary service undertakings. This definition differs from the scope of consolidation according to IFRS, which also includes insurance companies and other entities.

The Austrian savings banks are included as subsidiaries in Erste Group's regulatory scope of consolidation based on the cross-guarantee contract of the 'Haftungsverbund'. Furthermore, Erste Group Bank AG together with the savings banks forms an institutional protection scheme (IPS) according to Art. 113 (7) CRR. Disclosure requirements for the institutional protection scheme according to Art. 113 (7) e

CRR are met by the publication of the consolidated financial statements, which cover all entities included in the institutional protection scheme.

Regulatory Requirements

Since 1 January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to the CRR and the Capital Requirement Directive (CRD IV). The CRD IV was enacted in national law in the Austrian Banking Act (ABA). Erste Group applies these rules and calculates the capital ratios according to Basel 3, taking into consideration the Austrian transitional provisions which are defined in the CRR 'Begleitverordnung', published by the Austrian regulator. Starting with 1 October 2016 the European Regulation on the exercise of options and discretions available in Union law entered into force, which is applied by Erste Group as well.

Own funds

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

The regulatory minimum capital ratios including the capital buffers as of 31 March 2019 amount to

- 9.4% for CET1 (4.5% CET1, +2.5% capital conservation buffer, +2.0% buffer for systemic vulnerability and for systemic concentration risk and +0.37% countercyclical capital buffer),
- 10.9% for tier 1 capital (sum of CET1 and AT1) and
- 12.9% for total own funds.

In addition to minimum capital ratios and capital buffer requirements, institutions also have to fulfil capital requirements determined in the Supervisory Review and Evaluation Process (SREP).

Capital buffer requirements are set out in sections 23 (capital conservation buffer), 23a (countercyclical buffer), 23b (Global Systemic Important Institution (G-SII) buffer), 23c (Other Systemic Important Institution (O-SII) buffer) and 23d (systemic risk buffer) of the ABA and further specified in the regulation of the Financial Market Authority (FMA) on the establishment and recognition of the countercyclical buffer rate in accordance with section 23a para 3 ABA, on the establishment of the systemic risk buffer in accordance with section 23d para 3 ABA as well as on the detailed definition of the bases of calculation in accordance with section 23a para 3 clause 1 ABA and section 24 para 2 ABA (capital buffers regulation). All capital buffers have to be met entirely with CET1 capital and relate, except the countercyclical buffer, to total risk.

Sections 23, 23a, 23b and 23c ABA as well as the capital buffers regulation entered into force on 1 January 2016. The capital buffers regulation was amended on 23 May 2016 to include requirements for O-SII buffers.

As of the reporting date 31 March 2019, Erste Group has to fulfil the following capital buffer requirements.

According to section 23 para 1 ABA, Erste Group has to establish a capital conservation buffer in the amount of 2.5%. The transitional provisions for capital conservation buffers, by way of derogation from the requirements under section 23 ABA, are regulated in section 103q para 11 ABA: for the period from 1 January 2018 until 31 December 2018: 1.875%. Starting with 1 January 2019, 2.5% are applied.

According to section 23a ABA the capital buffer requirement for the countercyclical capital buffer is regulated in section 4 capital buffers regulation as follows

- The institution specific requirement for the countercyclical buffer in accordance with section 23a para 1 ABA results from the weighted average of the rates of the countercyclical capital buffer that apply in the jurisdictions where significant credit risk positions are situated in accordance with section 5 of the credit institution, multiplied by the total amount of risk in accordance with Art. 92 (3), of the Regulation (EU) no. 575/2013
- For the calculation of the weighted average according to para 1 capital buffer requirement, the countercyclical buffer quota for the national area as defined by the respective authority is multiplied by the result out of the comparison of the capital requirement related to significant credit risk positions within the national area and the total capital requirement as defined within Part 3, Title II and IV of Regulation (EU) no. 575/2013.
- Starting from 1 January 2016 is for the purposes of section 23a para 3 clause 2 ABA the capital buffer rate for the home country allocated, significant credit risk positions is 0%.

_ If the competent authority of another member state or a third country for the national legal area determines a rate of over 2.5% for the purposes of para 1 for significant credit risk positions in this legal area, a rate of 2.5% has to be applied.
_ If the responsible third country authority establishes a national buffer rate, this rate is valid twelve months after the date on which the relevant third country authority has announced a change in the buffer rate.

The transitional provisions for the countercyclical buffer, by way of derogation from the requirements under section 23a ABA, are regulated in section 103q para 11 ABA as follows: for the period from 1 January 2018 until 31 December 2018 maximum of 1.875%. From 1 January 2019 onwards 2.5% is applied.

Erste Group is not obliged to establish a G-SII buffer in line with section 23b ABA. According to Section 7b of the capital buffers regulation, Erste Group has to establish an O-SII buffer under section 23c ABA in the amount of 2%. However, Erste Group is only required to hold the higher of the O-SII and the systemic risk buffer under section 23d ABA. As the size of the O-SII buffer as well as the transitional arrangements for its introduction are identical to the provisions for the systemic risk buffer as set out below, no additional buffer requirements arise for Erste Group.

With respect to the systemic risk buffer under section 23d ABA, the capital buffers regulation specifies:
_ According to section 7 para 1 (2) capital buffers regulation, Erste Group has to establish a capital buffer for systemic vulnerability in the amount of 1%.
_ According to section 7 para 2 (1) capital buffers regulation, Erste Group has to establish a capital buffer for the systemic concentration risk in the amount of 1%.

In accordance with section 10 capital buffers regulation the buffer rates for systemic vulnerability and for systemic concentration risk respectively are phased in from 1 January to 31 December 2018 with 1%. From 1 January 2019 onwards 2% is applied.

As a result of the 2018 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a transitional common equity tier 1 (CET1) ratio of 6.25% as of 31. March 2019. This minimum CET1 ratio of 6.25% includes Pillar 1 minimum requirement (4.5%) and Pillar 2 requirement (P2R, 1.75% valid as of 1 January 2019). In addition, Erste Group is subject to combined buffer requirement consisting of the capital conservation buffer (2.5%), the institution specific countercyclical capital buffer (0.37%) and the systemic risk buffer (2.0%) requirements. Thus, overall transitional CET1 capital requirement amounts to 11.12%. In addition, ECB expects Erste Group to meet a Pillar 2 Guidance (P2G) of 1.0% valid as of 1 January 2019), fully in CET1 capital. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

Overview of capital requirements and capital buffers

	Dec 18	Mar 19
Pillar 1		
Minimum CET 1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirements	8.00%	8.00%
Combined buffer requirement (CBR)	3.19%	4.87%
Capital conservation buffer	1.88%	2.50%
Institution-specific countercyclical capital buffer	0.32%	0.37%
Systemic risk buffer (SRB)	1.00%	2.00%
O-SII capital buffer	1.00%	2.00%
Pillar2		
Pillar 2 requirement (P2R)	1.75%	1.75%
Total CET 1 requirement for Pillar 1 and Pillar 2	**9.44%**	**11.12%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**10.94%**	**12.62%**
Total Own Funds requirement for Pillar 1 and Pillar 2	**12.94%**	**14.62%**

The combined buffer requirement is the sum of the capital conservation buffer, the countercyclical capital buffer and the maximum of the O-SII capital buffer or the systemic risk buffer.

The Pillar 2 requirement has to be fulfilled with CET 1 capital and excludes the P2G.

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

		Dec 18		Mar 19	
in EUR million	Article pursuant to CRR	Phased-in	Final	Phased-in	Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	2,336	2,336	2,336	2,336
Retained earnings	26 (1) (c), 26 (2)	11,541	11,541	11,558	11,558
Interim profit	26 (2)	0	0	0	0
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-1,342	-1,342	-1,458	-1,458
Minority interest recognised in CET1	4 (1) (120) 84	4,322	4,322	4,314	4,314
Transitional adjustments due to additional minority interests	479, 480	0	0	0	0
Common equity tier 1 capital (CET1) before regulatory adjustments		**16,857**	**16,857**	**16,750**	**16,750**
Own CET1 instruments	36 (1) (f), 42	-114	-114	-90	-90
Prudential filter: cash flow hedge reserve	33 (1) (a)	3	3	9	9
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	443	443	456	456
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-4	-4	-3	-3
Value adjustments due to the requirements for prudent valuation	34, 105	-78	-78	-86	-86
Regulatory adjustments relating to unrealised gains (0%)	468	0	0	0	0
Regulatory adjustments relating to unrealised losses (0%)	467	0	0	0	0
Securitisations with a risk weight of 1,250%	36 (1) (k)	-32	-32	-28	-28
Goodwill	4 (1) (113), 36 (1) (b), 37	-710	-710	-709	-709
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	-726	-726	-705	-705
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-21	-21	-20	-20
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-102	-102	-134	-134
Development of unaudited risk provisions during the year (EU No 183/2014)		0	0	0	0
Other transitional adjustments CET1	469 to 472, 478, 481	0	0	0	0
Goodwill (0%)		0	0	0	0
Other intangible assets (0%)		0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
Deferred tax assets allocated up to December 2013, that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (20%)		0	0	0	0
Deferred tax assets allocated on or after January 2014 that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (0%)		0	0	0	0
Own CET1 instruments (0%)	36 (1) (f)	0	0	0	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0	0	0	0
Common equity tier 1 capital (CET1)	**50**	**15,517**	**15,517**	**15,437**	**15,437**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	993	993	1,490	1,490
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	7	7	8	8
Additional tier 1 capital (AT1) before regulatory adjustments		**1,000**	**1,000**	**1,498**	**1,498**
Own AT1 instruments	52 (1) (b), 56 (a), 57	-2	-2	-2	-2
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	0	0	0	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	0	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	0	0	0	0
Goodwill (0%)		0	0	0	0
Other intangible assets (0%)		0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
Own CET1 instruments (0%)	36 (1) (f)	0	0	0	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0	0	0	0
Additional tier 1 capital (AT1)	**61**	**999**	**999**	**1,496**	**1,496**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**16,516**	**16,515**	**16,934**	**16,934**

The table will be continued on the subsequent page.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 18 Phased-in	Dec 18 Final	Mar 19 Phased-in	Mar 19 Final
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**16,516**	**16,515**	**16,934**	**16,934**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	3,797	3,797	3,776	3,776
Instruments issued by subsidiaries recognised in T2	87, 88	241	241	274	274
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0	0	0	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	0	0	0	0
IRB excess of provisions over expected losses eligible	62 (d)	371	371	326	326
Tier 2 capital (T2) before regulatory adjustments		**4,410**	**4,410**	**4,376**	**4,376**
Own T2 instruments	63 (b) (i), 66 (a), 67	-34	-34	-36	-36
Standardised approach general credit risk adjustments	62 (c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	0	0	0	0
Tier 2 capital (T2)	**71**	**4,375**	**4,375**	**4,340**	**4,340**
Total own funds	**4 (1) (118) and 72**	**20,891**	**20,891**	**21,274**	**21,274**
Capital requirement	**92 (3), 95, 96, 98**	**9,168**	**9,228**	**9,340**	**9,376**
CET1 capital ratio	**92 (2) (a)**	**13.5%**	**13.5%**	**13.2%**	**13.2%**
Tier 1 capital ratio	**92 (2) (b)**	**14.4%**	**14.3%**	**14.5%**	**14.4%**
Total capital ratio	**92 (2) (c)**	**18.2%**	**18.1%**	**18.2%**	**18.2%**

The capital structure table above is based on EBA's final draft for implementing technical standards on disclosure for own funds published in the Official Journal of the European Union on 20 December 2013, enlarged by the EBA GL 2014/14. Positions, which are not relevant for Erste Group are not disclosed. Figures shown under full implementation of Basel 3 considered the current CRR. Changes are possible due to final Regulatory Technical Standards (RTS) that are not yet available. The percentage rates of the transitional provisions refer to the current year.

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

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

in EUR million	Article pursuant to CRR	Dec 18 Total risk (phased-in)	Dec 18 Capital requirement (phased-in)	Mar 19 Total risk (phased-in)	Mar 19 Capital requirement (phased-in)
Total risk exposure amount	92 (3), 95, 96, 98	114,599	9,168	116,751	9,340
Risk-weighted assets (credit risk)	92 (3) (a) (f)	92,549	7,404	95,668	7,653
Standardised approach		16,547	1,324	17,283	1,383
IRB approach		76,002	6,080	78,385	6,271
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	3,434	275	2,926	234
Operational risk	92 (3) (e) 92 (4) (b)	15,241	1,219	14,252	1,140
Exposure for CVA	92 (3) (d)	661	53	681	54
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	2,715	217	3,223	258

in EUR million	Article pursuant to CRR	Dec 18 Total risk (final)	Dec 18 Capital requirement (final)	Mar 19 Total risk (final)	Mar 19 Capital requirement (final)
Total risk exposure amount	92 (3), 95, 96, 98	115,354	9,228	117,199	9,376
Risk-weighted assets (credit risk)	92 (3) (a) (f)	93,303	7,464	96,116	7,689
Standardised approach		17,301	1,384	17,731	1,419
IRB approach		76,002	6,080	78,385	6,271
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	3,434	275	2,926	234
Operational risk	92 (3) (e) 92 (4) (b)	15,241	1,219	14,252	1,140
Exposure for CVA	92 (3) (d)	661	53	681	54
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	2,715	217	3,223	258

35. Events after the reporting date

There are no significant events after the balance sheet date.

Abbreviations

ABA	Austrian Banking Act
AC	Amortized cost
AFS	Available for sale
ALM	Asset Liability Management
AT1	Additional Tier 1
BCR	Banca Comercială Românlă S.A.
ALM & LCC	Asset/LiabiltyManagement & Local Corporate Center
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSAS	Česká spořitelna, a.s.
CVA	Credit Value Adjustments
EBA	European Banking Authority
EBC	Erste Bank Croatia
EBH	Erste Bank Hungary Zrt.
EBOe	Erste Bank Oesterreich
EBOe & Subs	Erste Bank Oesterreich and Subsidiaries
ECL	Expected Credit Loss
EIR	Effective interest rate
EU	European Union
FVO	Fair value option-designated at fair value
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX	Foreign exchange
G-SII	Global Systemic Important Institution
HFT	Held for trading
HTM	Held to maturity
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LGD	Loss Given Default
L&R	Loans and receivables
MDA	Maximum distributable amount
NPL	Non-performing loans
OCI	Other comprehensive income
O-SII	Other Systemic Important Institution
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
P&L	Profit or loss
PD	Probability of Default
POCI	Purchased or originated credit impaired
RTS	Regulatory Technical Standards
RW	Risk weight
RWA	Risk Weighted Assets
SICR	Significant increase in credit risk
SLSP	Slovenská sporiteľňa
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
T1	Tier 1
T2	Tier 2
VAR	Value at Risk

Your Notes

We have prepared this report with the greatest possible care and have thoroughly checked the data presented in it. However, we cannot rule out errors associated with rounding, transmission, typesetting or printing. The English version of the report is a translation.

Note regarding forward-looking statements

This report contains forward-looking statements. These statements are based on current estimates, assumptions and projections of Erste Group Bank AG and currently available public information. They are not guarantees of future performance and involve certain known and yet unknown risks and uncertainties and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the actual results or performance to be materially different from those that may be expressed or implied by such statements. Erste Group Bank AG does not assume any obligation to update the forward-looking statements contained in this report.

Shareholder Events

15 May 2019	Annual General Meeting in Vienna
31 July 2019	Half year financial report 2019
30 October 2019	Results for the first three quarters of 2019

The financial calendar is subject to change. The latest updated version is available on Erste Group's website:

www.erstegroup.com/investorrelations

Group Investor Relations

Erste Group Bank AG
Am Belvedere 1
1100 Vienna
Austria

E-Mail:	investor.relations@erstegroup.com
Internet:	www.erstegroup.com/investorrelations

Thomas Sommerauer

Phone:	+43 (0)5 0100 - 17326
E-Mail:	thomas.sommerauer@erstegroup.com

Peter Makray

Phone:	+43 (0)5 0100 - 16878
E-Mail:	peter.makray@erstegroup.com

Simone Pilz

Phone:	+43 (0)5 0100 - 13036
E-Mail:	simone.pilz@erstegroup.com

Gerald Krames

Phone:	+43 (0)5 0100 - 12751
E-Mail:	gerald.krames@erstegroup.com

Ticker Symbols

Reuters:	ERST.VI
Bloomberg:	EBS AV
Datastream:	O:ERS
ISIN:	AT0000652011

www.erstegroup.com

ERSTE Group

THE FUTURE IS YOURS.
200 YEARS
#BELIEVEINYOURSELF