# Interim Report
# Third Quarter 2020

ERSTE Group

## Key financial data

| Income statement | | | | | |
|---|---|---|---|---|---|
| **in EUR million** | **Q3 19** | **Q2 20** | **Q3 20** | **1-9 19** | **1-9 20** |
| Net interest income | 1,187.7 | 1,167.9 | 1,192.4 | 3,517.4 | 3,589.3 |
| Net fee and commission income | 503.9 | 452.5 | 491.6 | 1,484.3 | 1,448.3 |
| Net trading result and gains/losses from financial instruments at FVPL | 60.0 | 129.2 | 81.0 | 229.9 | 90.4 |
| Operating income | 1,801.2 | 1,808.9 | 1,814.0 | 5,394.1 | 5,285.8 |
| Operating expenses | -1,014.9 | -1,003.5 | -1,008.5 | -3,160.8 | -3,123.2 |
| **Operating result** | **786.4** | **805.4** | **805.5** | **2,233.3** | **2,162.7** |
| Impairment result from financial instruments | 0.1 | -613.7 | -194.7 | 42.9 | -870.1 |
| **Post-provision operating result** | **786.5** | **191.8** | **610.8** | **2,276.2** | **1,292.6** |
| Other operating result | -46.2 | -42.3 | -43.8 | -397.2 | -213.6 |
| Levies on banking activities | -26.2 | -33.1 | -17.3 | -90.9 | -100.3 |
| Pre-tax result from continuing operations | 746.8 | 148.8 | 568.3 | 1,896.6 | 1,078.4 |
| Taxes on income | -138.2 | -37.3 | -123.9 | -350.9 | -264.2 |
| **Net result for the period** | **608.6** | **111.5** | **444.4** | **1,545.7** | **814.2** |
| Net result attributable to non-controlling interests | 117.6 | 53.0 | 101.0 | 322.7 | 177.1 |
| **Net result attributable to owners of the parent** | **491.1** | **58.5** | **343.3** | **1,223.0** | **637.1** |
| | | | | | |
| Earnings per share | 1.15 | 0.02 | 0.81 | 2.78 | 1.37 |
| Return on equity | 14.3% | 0.2% | 9.6% | 11.6% | 5.5% |
| Net interest margin (on average interest-bearing assets) | 2.14% | 2.04% | 2.04% | 2.17% | 2.09% |
| Cost/income ratio | 56.3% | 55.5% | 55.6% | 58.6% | 59.1% |
| Provisioning ratio (on average gross customer loans) | 0.00% | 1.48% | 0.46% | -0.04% | 0.70% |
| Tax rate | 18.5% | 25.1% | 21.8% | 18.5% | 24.5% |

| Balance sheet | | | | | |
|---|---|---|---|---|---|
| **in EUR million** | **Sep 19** | **Jun 20** | **Sep 20** | **Dec 19** | **Sep 20** |
| Cash and cash balances | 15,638 | 18,433 | 27,848 | 10,693 | 27,848 |
| Trading, financial assets | 45,895 | 47,667 | 46,511 | 44,295 | 46,511 |
| Loans and advances to banks | 25,241 | 27,418 | 25,672 | 23,055 | 25,672 |
| Loans and advances to customers | 157,841 | 163,736 | 164,514 | 160,270 | 164,514 |
| Intangible assets | 1,491 | 1,331 | 1,331 | 1,368 | 1,331 |
| Miscellaneous assets | 5,996 | 6,106 | 6,107 | 6,012 | 6,107 |
| **Total assets** | **252,101** | **264,692** | **271,983** | **245,693** | **271,983** |
| | | | | | |
| Financial liabilities held for trading | 2,751 | 2,737 | 2,845 | 2,421 | 2,845 |
| Deposits from banks | 19,936 | 21,984 | 26,433 | 13,141 | 26,433 |
| Deposits from customers | 172,511 | 182,670 | 184,830 | 173,846 | 184,830 |
| Debt securities issued | 30,103 | 29,431 | 29,675 | 30,371 | 29,675 |
| Miscellaneous liabilities | 6,670 | 6,669 | 6,762 | 5,437 | 6,762 |
| Total equity | 20,130 | 21,200 | 21,438 | 20,477 | 21,438 |
| **Total liabilities and equity** | **252,101** | **264,692** | **271,983** | **245,693** | **271,983** |
| | | | | | |
| Loan/deposit ratio | 91.5% | 89.6% | 89.0% | 92.2% | 89.0% |
| NPL ratio | 2.7% | 2.4% | 2.4% | 2.5% | 2.4% |
| NPL coverage ratio (based on AC loans, ex collateral) | 76.9% | 91.1% | 95.5% | 77.1% | 95.5% |
| CET1 ratio (final) | 13.1% | 14.2% | 14.1% | 13.7% | 14.1% |

| **Ratings** | **Sep 19** | **Jun 20** | **Sep 20** |
|---|---|---|---|
| **Fitch** | | | |
| Long-term | A | A | A |
| Short-term | F1 | F1 | F1 |
| Outlook | Stable | RWN | RWN |
| **Moody´s** | | | |
| Long-term | A2 | A2 | A2 |
| Short-term | P-1 | 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 | Stable | Stable |

Moody’s affirmed Erste Group Bank AG’s A2 debt and deposit ratings and changed the outlook to stable from positive on 29 October 2020.

# Letter from the CEO

**Dear shareholders,**

in the first nine months of the year 2020, the Covid-19 pandemic has been the central topic worldwide – and hence also in our core markets. The governments of the CEE region had been quick in implementing sweeping measures to contain the outbreak, but the abrupt temporary lockdown of public life resulted in a significant downturn of the economy. To mitigate the sometimes dramatic negative consequences, all governments launched and – later in the year – extended and/or modified substantial support programmes. Despite a recovery in the third quarter, the final extent of the economic downturn is not foreseeable yet. The second wave of the virus pandemic that started in autumn prompted additional political measures as had been expected. These currently vary sometimes substantially from region to region but have one thing in common: to minimise the economic and, last but not least, social consequences as far as possible, maintaining a maximum of economic activity is deemed essential. The restrictions are designed to slow down social life while keeping up industrial production, a key driver of the economies of our core markets. Overall, we expect gross domestic product to decline markedly this year, by four to nine percent. Based on current indicators we expect a recovery in 2021, which will depend, however, on developments in the health sector and the political measures taken and will not follow a linear path.

How did this change in the operating environment impact the performance of Erste Group? Net interest income – traditionally the most important income component of Erste Group – improved in the first nine months of 2020 despite significantly lower interest rates in the Czech Republic. Loan growth as well as access to more favourable ECB funding (TLTRO) were positive drivers. The downturn of the economy due to Covid-19 resulted, however, in lower net fee and commission income, even though growth was recorded in both securities business and asset management. Overall, the third quarter was almost back to pre-crisis levels. Our cost discipline supported the reduction of operating expenses even though no cuts were made in rolling out and developing George, our popular digital platform. Considering the business environment, the operating result was solid at EUR 2.2 billion, but slightly lower than in the previous year. Regulatory costs (banking and transaction levies, contributions to resolution funds and deposit insurance systems) rose by 11.5% to EUR 294.2 million.

Unsurprisingly, the most important bottom-line driver was the development of risk costs. Although the NPL ratio remained at a historically low 2.4%, we implemented a forward-looking approach and factored in the expected deterioration in asset quality as far as possible at this stage. Accordingly, significant provisions were set aside in the first nine months of 2020 in the amount of EUR 870.1 million, which is the equivalent of 70 basis points of average gross customer loans. For the full year we currently expect a level of 65 to 80 basis points. As a result, net profit declined and is also expected to come in significantly lower for the full year 2020.

Balance sheet line items and regulatory capital ratios developed very solidly. The inflow of deposits was again strong and loan volumes rose as well, albeit at a slower rate. Volume was boosted – though less strongly than originally anticipated – by government measures such as loan moratoria and guaranteed loans. I would particularly like to highlight the strong capitalisation of Erste Group: at the end of September 2020, the common equity tier 1 ratio (final) was again at an excellent level of 14.1%. It is thus substantially above our target of 13.5% and far above the regulatory minimum requirement. In addition to sustainable profitability, a strong capital base is important as it is the pre-condition for the bank's ability to pay dividends. The management board and the supervisory board will therefore propose the conditional distribution of a cash dividend of EUR 0.75 per share for the financial year 2019 to the annual general meeting, which will be held virtually on 10 November 2020. Payout will be made on condition that the regulators will adapt their current recommendation to refrain from distributions to shareholders and that such payouts will not be in conflict with any other legal restrictions. The dividend proposal for the financial year 2020 is to be announced on 26 February 2021 along with the release of the preliminary result for the financial year 2020.

Working locally in branches, offices or from home, Erste Group staff have shown great dedication in supporting clients – retail customers, professionals, large and small businesses – in all financial matters. Our mindset and conviction to support our clients even in times of crisis has helped us to strengthen our position in the CEE region. As in previous months, the strong local banks of Erste Group will continue to implement government and community support measures as quickly and flexibly as possible. Our solid financial result, strong team cohesion and solidarity among the countries make me confident that we will overcome the economic challenges lying ahead and emerge stronger from the crisis.

Bernhard Spalt m.p.

# Erste Group on the capital markets

## EQUITY MARKET REVIEW

In the third quarter, international financial markets continued to be affected by the Covid-19 restrictions on social and economic activity and their impacts on the development of corporate and macroeconomic data. Support for the global equity markets came from a better-than-expected second-quarter reporting season, which suggested that full-year 2020 corporate earnings may drop less sharply than originally expected, and a positive macroeconomic growth outlook from 2021 onwards. Later in the quarter, investors' risk appetite was curbed by a rise in positively Covid-19 tested persons, the resulting fears for the economy and uncertainty over the outcome of the US presidential elections as well as the negotiations between the European Union and the United Kingdom in the run-up to Brexit at the end of the year.

The US indices continued their upward trend on the back of the technology and health care sectors. The Dow Jones Industrial Index rose 7.6% to 27,781.70 points, only 2.7% short of its year-end 2019 level. In the third quarter, the broader Standard & Poor's 500 Index increased by 8.5% to 3,363.00 points, up 4.1% year-to-date. The Nasdaq 100 Technology Sector Index rose 11.0% to 11,167.50 points in the third quarter and 24.5% year to date. The other indices covered were lower than at the beginning of the year. The broader European Stoxx 600 Index closed the third quarter nearly unchanged on a gain of 0.2% at 361.09 points, but 13.2% lower than at year-end 2019. The Austrian stock market sustained another setback in the reporting period, by 6.1% to 2,108.75 points, as bank and oil stocks – index heavyweights – traded lower and, overall, lost 33.8% year-to-date. The Euro Stoxx Banks Index, which is composed of the leading European bank shares, closed the reporting period at 54.5 points, down 13.2% quarter-on-quarter and 43.6% year-to-date.

To mitigate the adverse economic impacts of Covid-19 restrictions on social and economic activity, major central banks have massively expanded their balance sheets and thereby injected enormous amounts of liquidity into the financial markets. Both the US central bank (Fed) and the European Central Bank (ECB) announced to continue and, if necessary, expand their asset purchases while not raising their policy rates. Consequently, an extended period of low interest rates is to be expected.

## SHARE PERFORMANCE

Against the backdrop of the weakness in European bank shares, the Erste Group share likewise suffered another setback in the reporting period. At EUR 17.60 the share posted its quarterly low on 25 September, its high at EUR 22.78 on 15 July. On 30 September, the Erste Group share traded at EUR 17.87, down 14.7% quarter-on-quarter. Year-todate, the share price was down 46.8%. The focus of market participants was again on the consequences of the decline in economic activity in Central and Eastern Europe amid Covid-19, above all on the development of lending volumes and operating income as well as risk provisions. Covid-19-related factors (including in particular fiscal policy support measures, moratoria on loan repayments, subsidised and guaranteed loans, interest rate cuts and restrictions on dividend payments) also remained key issues.

The Erste Group share is traded on the stock exchanges of Vienna, Prague and Bucharest. In the third quarter of 2020, trading volume on these stock exchanges averaged 897,023 shares per day and accounted for about 66% of total trading volume in Erste Group shares.

## FUNDING AND INVESTOR RELATIONS

The third quarter was marked by brisk issuing activity. Erste Group met its funding target for 2020 by issuing a EUR 500 million 11NC6 T2 transaction in early September. The issuance (placed at MS+210 basis points) attracted a strong order book of EUR 2.9 billion and achieved a negative new issue concession. This was followed, within a fortnight, by another EUR 500 million transaction – a Senior Preferred 5y Note issued at MS+52 basis points, which already counts towards the 2021 funding target. This transaction likewise stood out for its highly granular EUR 2.7 million order book and a negative new issue concession. In 2021, issuance volume is expected at a similar level as in the current year, with a clear focus on senior preferred bonds.

Because of the restrictions due to Covid-19, banking and investor conferences were organised as virtual events. In the third quarter, conferences were hosted by UBS, Goldman Sachs, PKO, BoAML and mBank. In addition, the management and the investor relations team of Erste Group conducted a large number of one-on-one and group meetings as phone and video conferences, in which questions raised by investors and analysts were answered.

# Interim management report

In the interim management report, financial results from January- September 2020 are compared with those from January-September 2019 and balance sheet positions as of 30 September 2020 with those as of 31 December 2019.

## EARNINGS PERFORMANCE IN BRIEF

**Net interest income** increased – mainly in Austria, but also in Romania – to EUR 3,589.3 million (+2.0%; EUR 3,517.4 million). **Net fee and commission income** decreased to EUR 1,448.3 million (-2.4%; EUR 1,484.3 million) as lower income from payment services (EUR 17 million due to SEPA) and lending was not fully offset by higher income from other fee and commission income categories. While **net trading result** declined significantly to EUR 9.0 million (EUR 419.3 million), the line item **gains/losses from financial instruments measured at fair value through profit or loss** improved to EUR 81.4 million (EUR -189.4 million), both line items being impacted by valuation effects due to market volatility amid the Covid-19 pandemic. **Operating income** decreased to EUR 5,285.8 million (-2.0%; EUR 5,394.1 million). **General administrative expenses** declined to EUR 3,123.2 million (-1.2%; EUR 3,160.8 million). While personnel expenses rose to EUR 1.902,2 million (+0.8%; EUR1,887.2 million), other administrative expenses were reduced to EUR 819.0 million (-6.9%; EUR 879.3 million). Almost all payments into deposit insurance schemes expected for 2020 – EUR 100.3 million (EUR 97.7 million) – are already included in other administrative expenses. Amortisation and depreciation amounted to EUR 402.0 million (EUR 394.4 million). Overall, the **operating result** declined to EUR 2,162.7 million (-3.2%; EUR 2,233.3 million). The **cost/income ratio** rose to 59.1% (58.6%).

Due to net allocations, the **impairment result from financial instruments** amounted to EUR -870.1 million or 70 basis points of average gross customers loans (net releases of EUR 42.9 million or -4 basis points). Allocations to provisions for loans as well as for commitments and guarantees given went up in all core markets. The marked rise in allocations to provisions was primarily driven by the deterioration in the macroeconomic outlook due to Covid-19. A positive contribution came from high income from the recovery of loans already written off in Romania. The **NPL ratio** based on gross customer loans improved to 2.4% (2.5%). The **NPL coverage ratio** increased to 95.5% (77.1%).

**Other operating result** improved to EUR -213.6 million (EUR -397.2 million). Expenses for the annual contributions to resolution funds included in this line item rose – in particular in Austria – to EUR 93.7 million (EUR 75.3 million). The rise in banking and transaction taxes to EUR 100.3 million (EUR 90.9 million) is primarily attributable to banking levies in Slovakia in the amount of EUR 33.8 million (EUR 24.2 million) posted for the last time in the first half of the year. Hungarian banking tax for the entire financial year 2020 was EUR 14.4 million (EUR 12.6 million). In the comparative period, other operating result included allocations to a provision in the amount of EUR 150.8 million set aside for losses expected to result from a supreme court decision concerning the business activities of a Romanian subsidiary.

Taxes on income declined to EUR 264.2 million (EUR 350.9 million). The minority charge decreased to EUR 177.1 million (EUR 322.7 million) due to significantly lower earnings contributions of the savings banks. The **net result attributable to owners of the parent** amounted to EUR 637.1 million (-47.9%; EUR 1,223.0 million).

**Total equity** not including AT1 instruments rose to EUR 19.5 billion (EUR 19.0 billion). After regulatory deductions and filtering in accordance with the CRR, **common equity tier 1 capital** (CET1, final) increased to EUR 16.4 billion (EUR 16.3 billion), total **own funds** (final) rose to EUR 22.4 billion (EUR 22.0 billion). While interim profit of the first half year is included in the above figures, interim profit for the third quarter is not. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR, final) – decreased to EUR 116.1 billion (EUR 118.6 billion). The **common equity tier 1 ratio** (CET1, final) increased to 14.1% (13.7%), the **total capital ratio** to 19.3% (18.5%).

**Total assets** rose to EUR 272.0 billion (EUR 245.7 billion). On the asset side, cash and cash balances increased, primarily in Austria, to EUR 27.8 billion (EUR 10.7 billion), loans and advances to banks to EUR 25.7 billion (EUR 23.1 billion). **Loans and advances to customers** increased to EUR 164.5 billion (+2.6%; EUR 160.3 billion). On the liability side, deposits from banks grew significantly to EUR 26.4 billion (EUR 13.1 billion) as a result of increased ECB refinancing (TLTRO). **Customer deposits** rose again – in particular in the Czech Republic and Austria – to EUR 184.8 billion (+6.3%; EUR 173.8 billion). The **loan-to-deposit ratio** stood at 89.0% (92.2%).

## OUTLOOK

World-wide, the year 2020 has been characterised by the Covid-19 pandemic. The wide-ranging economic and social restrictions imposed to contain the coronavirus have caused significant economic upheaval. The macroeconomic downturn is a direct consequence of the varying degrees of lockdowns of public life imposed by governments world-wide. To mitigate the sometimes dramatic negative impact, all states have passed substantial relief packages ranging from debt moratoria for bank loans, guarantees and bridge financing, short-time work schemes and tax deferrals to direct payments. Central banks have cut interest rates, provided liquidity on an unprecedented scale and decided to buy government and corporate bonds. Bank regulators have reduced capital requirements and recommended a pragmatic interpretation of financial accounting standards as well as postponing dividend payments to a later date.

Against this backdrop, gross domestic product is expected to decline markedly, by four to nine percent, in Austria and Central and Eastern Europe in 2020. This should be followed by a recovery in the year 2021, which, however, will not be following a linear path depending on developments on the health side and the administrative measures taken. With economic activity reduced, operating income is expected to decrease. Specifically, it is expected that in 2020 net interest income will remain flat on the back of substantial rate cuts in the Czech Republic, lower organic lending growth, and negative currency effects. Net fee and commission income is expected to decline slightly due to weaker economic activity. A decline in net trading and fair value result had already been forecast even before the breakout of the coronavirus in view of the strong positive valuation results posted in 2019. In this environment, operating expenses should improve year on year, supported by lower travel expenses, savings due to increased efficiency and positive foreign currency effects. In 2020, the main impact on profit will come from risk costs: for the full year, risk provisions are expected to amount to 65 to 80 basis points of average gross customer loans. The management board of Erste Group is aiming to frontload as much risk costs as is justifiable based on macroeconomic data and forecasts, the development of company ratings and an assessment of the retail customer portfolio. Based on the assumption of state support measures remaining in place and a tangible macroeconomic recovery materialising, Erste Group expects a slight decline in risk costs in 2021. In the absence of goodwill writedowns, other operating result should improve in 2020 versus 2019, when it was weighed down by substantial one-off effects. The tax rate will very likely rise as profitability in countries with low tax rates is forecast to decline. Overall, net profit is expected to decrease significantly in 2020.

The common equity tier 1 ratio (CET1 ratio) is expected to remain at a strong level offering significant room to manoeuvre should the economic development deteriorate. Erste Group's target common equity tier 1 ratio continues to be 13.5%. The management and supervisory boards of Erste Group are proposing to the 2020 annual general meeting, scheduled for 10 November 2020, to pay a cash dividend of EUR 0.75 per share for the financial year 2019. The payment is conditional upon regulators adjusting their current recommendation to refrain from distributions to shareholders and no other legal restrictions being in force prohibiting such distributions on 8 February 2021. An announcement on the proposed dividend for the 2020 business year is scheduled for 26 February 2021, when preliminary results for the 2020 business year will be published.

Potential risks to the guidance are a longer-than-expected duration of the Covid-19 crisis, impacts from other than expected interest rate developments, political or regulatory measures against banks as well as geopolitical and global economic developments. In addition, a deterioration of the economic environment could lead to goodwill writedowns. Erste Group is moreover exposed to legal risks that may materialise regardless of the economic environment.

## PERFORMANCE IN DETAIL

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 3,517.4 | 3,589.3 | 2.0% |
| Net fee and commission income | 1,484.3 | 1,448.3 | -2.4% |
| Net trading result and gains/losses from financial instruments at FVPL | 229.9 | 90.4 | -60.7% |
| Operating income | 5,394.1 | 5,285.8 | -2.0% |
| Operating expenses | -3,160.8 | -3,123.2 | -1.2% |
| **Operating result** | **2,233.3** | **2,162.7** | **-3.2%** |
| Impairment result from financial instruments | 42.9 | -870.1 | n/a |
| Other operating result | -397.2 | -213.6 | -46.2% |
| Levies on banking activities | -90.9 | -100.3 | 10.4% |
| **Pre-tax result from continuing operations** | **1,896.6** | **1,078.4** | **-43.1%** |
| Taxes on income | -350.9 | -264.2 | -24.7% |
| **Net result for the period** | **1,545.7** | **814.2** | **-47.3%** |
| Net result attributable to non-controlling interests | 322.7 | 177.1 | -45.1% |
| **Net result attributable to owners of the parent** | **1,223.0** | **637.1** | **-47.9%** |

### Net interest income

Net interest income rose to EUR 3,589.3 million (EUR 3,517.4 million). While in Austria (Holding) positive impacts came from more favourable ECB refinancing and lower negative interest on deposits with the ECB, net interest income in the Czech Republic declined significantly due to lower interest rates. Included in net interest income are modification losses mainly resulting from moratoria on loan repayments due to Covid-19 in the amount of EUR 37.2 million. The net interest margin (calculated as the annualised sum of net interest income, dividend income and net result from equity method investments over average interest-bearing assets) stood at 2.09% (2.17%).

### Net fee and commission income

Net fee and commission income decreased to EUR 1,448.3 million (EUR 1,484.3 million). Declines were recorded in payment services (EUR 17 million related to SEPA, the payment-integration initiative of the European Union) and in almost all segments of the lending business. Growth – primarily in Austria – was driven mainly by the securities business and asset management. In Slovakia, income from insurance brokerage commissions increased.

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

Valuation effects have a substantial impact on both positions: net trading result & gains/losses from financial instruments measured at fair value through profit or loss. Debt securities issued measured at FV through profit or loss were affected most heavily – the relevant valuation result is shown in the line item gains/losses from financial instruments measured at fair value through profit or loss while valuation results of corresponding hedges are shown in net trading result – as were financial assets in the fair value and trading portfolios.

Due to valuation effects resulting from interest rate developments, net trading result decreased significantly to EUR 9.0 million (EUR 419.3 million). Conversely, gains/losses from financial instruments measured at fair value rose to EUR 81.4 million (EUR -189.4 million). While income from the valuation of debt securities in issue was positive due to the development of interest rates, the valuation result of financial assets in the fair value portfolio was stable: moderate gains from the valuation of the securities portfolio were offset by valuation losses in the loan portfolio measured at fair value.

### General administrative expenses

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Personnel expenses | 1,887.2 | 1,902.2 | 0.8% |
| Other administrative expenses | 879.3 | 819.0 | -6.9% |
| Depreciation and amortisation | 394.4 | 402.0 | 1.9% |
| **General administrative expenses** | **3,160.8** | **3,123.2** | **-1.2%** |

General administrative expenses decreased to EUR 3,123.2 million (EUR 3,160.8 million). **Personnel expenses** increased to EUR 1,902.2 million (EUR 1,887.2 million). Declines in the Czech Republic and Hungary due to positive currency effects were offset by rises in all other core markets, most notably in Slovakia as a result of a one-off payment agreed through collective bargaining. **Other administrative expenses** declined to EUR 819.0 million (EUR 879.3 million) on the back of a reduction of marketing and consulting costs. Contributions to deposit insurance systems – except for Croatia and Serbia already for the full year – were slightly up at EUR 100.3 million (EUR 97.7 million). In Austria, contributions increased strongly to EUR 67.1 million (EUR 53.2 million), while they declined in Romania to EUR 4.4 million (EUR 12.7 million). **Amortisation and depreciation** amounted to EUR 402.0 million (EUR 394.4 million).

## Headcount as of end of the period

| | Dec 19 | Sep 20 | Change |
|---|---|---|---|
| **Austria** | **16,313** | **16,142** | **-1.0%** |
| Erste Group, EB Oesterreich and subsidiaries | 9,153 | 9,038 | -1.3% |
| Haftungsverbund savings banks | 7,160 | 7,104 | -0.8% |
| **Outside Austria** | **30,971** | **30,030** | **-3.0%** |
| Česká spořitelna Group | 9,679 | 9,914 | 2.4% |
| Banca Comercială Română Group | 6,766 | 5,749 | -15.0% |
| Slovenská sporiteľňa Group | 4,081 | 3,795 | -7.0% |
| Erste Bank Hungary Group | 3,174 | 3,234 | 1.9% |
| Erste Bank Croatia Group | 3,341 | 3,292 | -1.5% |
| Erste Bank Serbia Group | 1,135 | 1,196 | 5.4% |
| Savings banks subsidiaries | 1,615 | 1,624 | 0.5% |
| Other subsidiaries and foreign branch offices | 1,180 | 1,225 | 3.9% |
| **Total** | **47,284** | **46,172** | **-2.4%** |

## Operating result
Due to the significant decline of the net trading and fair value result, operating income decreased to EUR 5,285.8 million (-2.0%; EUR 5,394.1 million). General administrative expenses were reduced to EUR 3,123.2 million (-1.2%; EUR 3,160.8 million) on the back of lower other administrative expenses despite an increase in personnel expenses. Operating result declined to EUR 2,162.7 million (-3.2%; EUR 2,233.3 million). The cost/income ratio stood at 59.1% (58.6%).

## Gains/losses from derecognition of financial instruments not measured at fair value through profit or loss
Losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 0.5 million (gains of EUR 17.6 million). This line item includes primarily gains/losses from the sale of securities.

## Impairment result from financial instruments
Due to net allocations, the impairment result from financial instruments amounted to EUR -870.1 million (net releases of EUR 42.9 million). Net allocations to provisions for commitments and guarantees given amounted to EUR 75.8 million (net releases of EUR 78.4 million). The significant rise in allocations to provisions was primarily driven by updated risk parameters with forward-looking information as well as experts' estimates on the impacts of the Covid-19 pandemic. Positive contributions came from continued high income from the recovery of loans already written off – primarily in Romania – in the amount of EUR 110.4 million (EUR 110.1 million).

## Other operating result
Other operating result improved to EUR -213.6 million (EUR -397.2 million). Levies on banking activities rose to EUR 100.3 million (EUR 90.9 million). Thereof, EUR 33.8 million (EUR 24.2 million) were paid in Slovakia, where these levies were charged for the last time in the first half of the year. Banking levies payable in Austria were nearly unchanged at EUR 19.0 million (EUR 18.2 million). Hungarian banking tax for the entire year 2020 rose to EUR 14.4 million (EUR 12.6 million). Together with the financial transaction tax of EUR 33.1 million (EUR 35.9 million), banking levies in Hungary totalled EUR 47.5 million (EUR 48.5 million).

The negative balance of allocations/releases of other provisions decreased markedly to EUR -1.9 million (EUR -176.7 million), as in the comparative period a provision in the amount of EUR 150.8 million had been set aside for losses expected from a supreme court decision concerning the business activities of a Romanian subsidiary. In addition, other operating result also reflects the annual contributions to resolution funds in the amount of EUR 93.7 million (EUR 75.3 million). Increases were recorded across all core markets, but above all in Austria to EUR 43.6 million (EUR 33.4 million).

## Net result
The pre-tax result from continuing operations amounted to EUR 1,078.4 million (EUR 1,896.6 million). Taxes on income declined to EUR 264.2 million (EUR 350.9 million). The minority charge decreased to EUR 177.1 million (EUR 322.7 million) due to substantially lower earnings contributions of savings banks. The net result attributable to owners of the parent amounted to EUR 637.1 million (EUR 1,223.0 million).

## FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Financial results from the third quarter of 2020 are compared with those from the second quarter of 2020.

| in EUR million | Q3 19 | Q4 19 | Q1 20 | Q2 20 | Q3 20 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Net interest income | 1,187.7 | 1,229.5 | 1,229.0 | 1,167.9 | 1,192.4 |
| Net fee and commission income | 503.9 | 515.9 | 504.2 | 452.5 | 491.6 |
| Dividend income | 5.1 | 3.8 | 1.5 | 13.3 | 0.9 |
| Net trading result | 109.2 | -101.0 | -157.4 | 138.2 | 28.2 |
| Gains/losses from financial instruments measured at fair value through profit or loss | -49.2 | 164.9 | 37.5 | -8.9 | 52.9 |
| Net result from equity method investments | 3.1 | 7.0 | 3.3 | 2.6 | 4.0 |
| Rental income from investment properties & other operating leases | 41.5 | 41.7 | 44.8 | 43.5 | 44.0 |
| Personnel expenses | -631.3 | -650.0 | -630.0 | -635.5 | -636.7 |
| Other administrative expenses | -253.8 | -325.8 | -344.8 | -238.6 | -235.6 |
| Depreciation and amortisation | -129.8 | -146.6 | -136.5 | -129.4 | -136.1 |
| Gains/losses from derecognition of financial assets at AC | -1.3 | 1.3 | 0.4 | -0.1 | -0.1 |
| Other gains/losses from derecognition of financial instruments not at FVPL | 7.9 | 5.5 | -1.7 | -0.5 | 1.4 |
| Impairment result from financial instruments | 0.1 | -82.1 | -61.7 | -613.7 | -194.7 |
| Other operating result | -46.2 | -230.9 | -127.6 | -42.3 | -43.8 |
| Levies on banking activities | -26.2 | -37.1 | -49.9 | -33.1 | -17.3 |
| **Pre-tax result from continuing operations** | **746.8** | **433.2** | **361.3** | **148.8** | **568.3** |
| Taxes on income | -138.2 | -67.8 | -103.0 | -37.3 | -123.9 |
| **Net result for the period** | **608.6** | **365.4** | **258.3** | **111.5** | **444.4** |
| Net result attributable to non-controlling interests | 117.6 | 118.2 | 23.0 | 53.0 | 101.0 |
| **Net result attributable to owners of the parent** | **491.1** | **247.2** | **235.3** | **58.5** | **343.3** |

**Net interest income** increased to EUR 1,192.4 million (EUR 1,167.9 million), most notably in Austria and Hungary. The negative impact of moratoria on loan repayments declined – above all in the Czech Republic and in Hungary – to EUR 5.5 million (EUR 26.1 million). The availability of more favourable refinancing under monetary policy measures taken by the ECB in response to Covid-19 had a positive impact in Austria. **Net fee and commission income** rose to EUR 491.6 million (+8.6%; EUR 452.5 million). Increases were recorded in all core markets, primarily in payment services but also in asset management and brokerage commissions. Dividend income declined to EUR 0.9 million (EUR 13.3 million). The decline in **net trading result** to EUR 28.2 million (EUR 138.2 million) is attributable to valuation effects in the derivatives and securities business resulting from interest rate developments. Gains/losses from financial instruments measured at fair value through profit or loss rose to EUR 52.9 million (EUR -8.9 million), primarily due to valuation gains of debt securities in issue driven by interest rate developments. Income from the valuation of the securities portfolio declined.

**General administrative expenses** rose to EUR 1,008.5 million (+0.5%; EUR 1,003.5 million). While personnel expenses increased moderately to EUR 636.7 million (+0.2%; EUR 635.5 million), other administrative expenses were reduced to EUR 235.6 million (-1.2%; EUR 238.6 million). Depreciation and amortisation rose to EUR 136.1 million (EUR 129.4 million). The **cost/income ratio** stood at 55.6% (55.5%).

**Gains/losses from the derecognition of financial instruments not measured at fair value through profit or loss** improved to EUR 1.3 million (EUR -0.6 million). The **impairment result from financial instruments** amounted to EUR -194.7 million (EUR -613.7 million). The negative net balance of allocation/release of provisions for the lending business was again driven by the deterioration in the macro-economic outlook due to Covid-19.

**Other operating result** increased slightly to EUR -43.8 million (EUR -42.3 million). Levies on banking activities amounted to EUR 17.3 million (EUR 33.1 million). Thereof, EUR 11.0 million (EUR 9.8 million) were charged in Hungary. This amount reflects almost exclusively transaction taxes as the full amount of 2020 banking tax had already been posted upfront in the first quarter. While banking tax in Austria was unchanged at EUR 6.4 million (EUR 6.4 million), banking tax is no longer payable in Slovakia from the third quarter (EUR 16.9 million). In the previous quarter, other operating result also included all contributions to resolution funds in the amount of EUR 9.8 million.

The **pre-tax result** rose to EUR 568.3 million (EUR 148.8 million). Taxes on income amounted to EUR 123.9 million (EUR 37.3 million). The minority charge rose to EUR 101.0 million (EUR 53.0 million). As a result, the **net result attributable to owners of the parent** improved to EUR 343.3 million (EUR 58.5 million).

## DEVELOPMENT OF THE BALANCE SHEET

| in EUR million | Dec 19 | Sep 20 | Change |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash balances | 10,693 | 27,848 | >100.0% |
| Trading, financial assets | 44,295 | 46,511 | 5.0% |
| Loans and advances to banks | 23,055 | 25,672 | 11.4% |
| Loans and advances to customers | 160,270 | 164,514 | 2.6% |
| Intangible assets | 1,368 | 1,331 | -2.7% |
| Miscellaneous assets | 6,012 | 6,107 | 1.6% |
| **Total assets** | **245,693** | **271,983** | **10.7%** |
| | | | |
| **Liabilities and equity** | | | |
| Financial liabilities held for trading | 2,421 | 2,845 | 17.5% |
| Deposits from banks | 13,141 | 26,433 | >100.0% |
| Deposits from customers | 173,846 | 184,830 | 6.3% |
| Debt securities issued | 30,371 | 29,675 | -2.3% |
| Miscellaneous liabilities | 5,437 | 6,762 | 24.4% |
| Total equity | 20,477 | 21,438 | 4.7% |
| **Total liabilities and equity** | **245,693** | **271,983** | **10.7%** |

The rise in **cash and cash balances** to EUR 27.8 billion (EUR 10.7 billion) was primarily due to large cash balances held at central banks (not least due to the increased TLTRO funds). **Trading and investment securities** held in various categories of financial assets increased to EUR 46.5 billion (EUR 44.3 billion).

**Loans and advances to credit institutions (net),** including demand deposits other than overnight deposits, increased primarily in the Czech Republic to EUR 25.7 billion (EUR 23.1 billion). **Loans and advances to customers (net)** rose – most importantly in Austria – to EUR 164.5 billion (EUR 160.3 billion) driven by corporate loan growth. In the Czech Republic, the effect of strong growth in local currency was offset by the depreciation of the Czech koruna.

**Loan loss allowances for loans to customers** rose to EUR 3.8 billion (EUR 3.2 billion). The increase reflected the deterioration in the macroeconomic outlook due to Covid-19. The **NPL ratio** – non–performing loans as a percentage of gross customer loans – improved to 2.4% (2.5%), the **NPL coverage ratio** (based on gross customer loans) to 95.5% (77.1%).

**Intangible assets** remained nearly unchanged at EUR 1.3 billion (EUR 1.4 billion). **Miscellaneous assets** amounted to EUR 6.1 billion (EUR 6.0 billion).

**Financial liabilities – held for trading** increased to EUR 2.8 billion (EUR 2.4 billion). **Deposits from banks,** primarily in the form of term deposits, rose to EUR 26.4 billion (EUR 13.1 billion), primarily on the back of higher ECB refinancing volumes (use of TLTRO III funds, which totalled EUR 14.1 billion at the end of September 2020); **deposits from customers** increased to EUR 184.8 billion (EUR 173.8 billion), mainly due to strong growth in overnight deposits and repurchase transactions (leasing liabilities of EUR 0.5 billion were not included in this position). The **loan-to-deposit ratio** stood at 89.0% (92.2%). **Debt securities in issue** declined to EUR 29.7 billion (EUR 30.4 billion). **Miscellaneous liabilities** amounted to EUR 6.8 billion (EUR 5.4 billion).

**Total assets** rose to EUR 272.0 billion (EUR 245.7 billion). **Total equity** increased to EUR 21.4 billion (EUR 20.5 billion). This includes AT1 instruments in the amount of EUR 1,987.5 million from four issuances (June 2016, April 2017, March 2019 and January 2020). After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) **common equity tier 1 capital** (CET1, CRR final) rose to EUR 16.4 billion (EUR 16.3 billion). Total **own funds** (CRR final) rose to EUR 22.4 billion (EUR 22.0 billion) on the back of further AT1 issuance. While interim profit of the first half year is included in the above figures, interim profit of the third quarter is not. The changed dividend proposal for the 2019 dividend had a positive capital impact of approx. EUR 320 million. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR final) – decreased to EUR 116.1 billion (EUR 118.6 billion) due to the positive impact of the application of the SME support factor. The **total capital ratio**, total eligible qualifying capital in relation to total risk (CRR final), increased to 19.3% (18.5%), well above the legal minimum requirement. The **tier 1 ratio** went up to 15.9% (15.0%), the **common equity tier 1 ratio** to 14.1% (13.7%) (both ratios CRR final).

## SEGMENT REPORTING

### January- September 2020 compared with January- September 2019

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 correspond to 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 | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 1,711.6 | 1,579.7 | -7.7% |
| Net fee and commission income | 810.3 | 768.9 | -5.1% |
| Net trading result and gains/losses from financial instruments at FVPL | 90.0 | 60.8 | -32.4% |
| Operating income | 2,637.1 | 2,431.6 | -7.8% |
| Operating expenses | -1,543.3 | -1,543.2 | 0.0% |
| Operating result | 1,093.8 | 888.4 | -18.8% |
| Cost/income ratio | 58.5% | 63.5% | |
| Impairment result from financial instruments | -48.3 | -305.9 | >100.0% |
| Other result | -201.0 | -63.1 | -68.6% |
| Net result attributable to owners of the parent | 660.1 | 425.1 | -35.6% |
| Return on allocated capital | 26.7% | 17.9% | |

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 decrease in net interest income was primarily driven by a change of transfer prices that led to a negative impact in the retail segment and a corresponding positive effect in ALM & Local Corporate Center. Lending business in the Czech Republic declined primarily on the depreciation of the Czech koruna against the euro and the negative impact of loan repayment moratoria leading to modification losses. These negative effects were partially mitigated by the growth of customer loan volumes in almost all core markets. Net fee and commission income decreased mainly due to lower fees from payments in all core markets as well as lower fees from lending business mostly on changed disclosure of the fees charged for early loan repayment. Higher fees from securities business in Austria, the Czech Republic, Hungary and Romania and improved fees from insurance brokerage mostly in the Czech Republic could not fully mitigate these developments. Net trading result and gains/losses from financial instruments FVPL decreased due to lower foreign currency transactions in the Czech Republic and negative valuation effects in Hungary. Operating expenses remained unchanged. Consequently, operating result declined and the cost/income ratio worsened. The deterioration of impairment result from financial instruments was primarily driven by updated risk parameters with forward looking information and stage overlays as a consequence of the Covid-19 crisis. The non-recurrence of a provision in the amount of EUR 150.8 million in Romania as a result of a Romanian High Court decision in relation to business activities of the local building society subsidiary led to an improvement of the other result. Overall, the net result attributable to the owners of the parent decreased.

## Corporates

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 810.6 | 826.4 | 1.9% |
| Net fee and commission income | 223.3 | 207.1 | -7.3% |
| Net trading result and gains/losses from financial instruments at FVPL | 72.7 | 29.9 | -58.8% |
| Operating income | 1,185.1 | 1,145.5 | -3.3% |
| Operating expenses | -423.3 | -398.1 | -5.9% |
| Operating result | 761.9 | 747.3 | -1.9% |
| Cost/income ratio | 35.7% | 34.8% | |
| Impairment result from financial instruments | 62.3 | -384.3 | n/a |
| Other result | -16.1 | -39.3 | >100.0% |
| Net result attributable to owners of the parent | 632.3 | 218.5 | -65.4% |
| Return on allocated capital | 19.5% | 7.4% | |

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

Net interest income increased primarily due to higher loan volumes in Austria and positive contributions from lending business in Slovakia, Hungary and Croatia. Net fee and commission income went down as a result of lower payment and lending fees mainly in Romania, the Czech Republic and Croatia. Net trading result and gains/losses from financial instruments at FVPL decreased due to negative valuation effects mainly in the Holding, the Czech Republic and Slovakia. Overall, operating income declined. Operating expenses decreased in several core markets. Although operating result declined the cost/income ratio improved. The increase of risk provisions (line item impairment result from financial instruments) across all core markets resulted from the updated risk parameters with forward looking information and stage overlays as a consequence of Covid-19 crisis. Other result worsened due to the non-recurrence of selling gains. The net result attributable to the owners of the parent decreased significantly.

## Group Markets

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 186.4 | 192.7 | 3.4% |
| Net fee and commission income | 166.1 | 172.3 | 3.7% |
| Net trading result and gains/losses from financial instruments at FVPL | 39.0 | 5.3 | -86.4% |
| Operating income | 394.0 | 369.8 | -6.1% |
| Operating expenses | -179.6 | -170.8 | -4.9% |
| Operating result | 214.3 | 198.9 | -7.2% |
| Cost/income ratio | 45.6% | 46.2% | |
| Impairment result from financial instruments | 7.7 | -10.2 | n/a |
| Other result | -13.8 | -19.2 | 38.7% |
| Net result attributable to owners of the parent | 163.6 | 132.4 | -19.1% |
| Return on allocated capital | 23.6% | 20.8% | |

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

Net interest income went up supported by higher business volumes in the Holding. Net fee and commission income increased mostly due to higher securities fees driven by origination and sales business with institutional clients in Austria. The majority of the other core markets posted higher fee results as well. Net trading result and gains/losses from financial instruments at FVPL decreased sharply due to valuation results of interest rate derivatives as well as a significant decrease in market prices of fair value securities. Overall, operating income decreased. Although operating expenses went down, operating result decreased, and the cost/income ratio deteriorated. Impairment result from financial instruments deteriorated due to risk provisioning in the Holding. Other result deteriorated on the back of higher resolution fund contributions and higher banking tax in Hungary. Overall, the net result attributable to the owners of the parent declined.

## Asset/Liability Management & Local Corporate Center

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | -75.6 | 54.7 | n/a |
| Net fee and commission income | -50.3 | -58.4 | 15.9% |
| Net trading result and gains/losses from financial instruments at FVPL | 13.7 | 18.6 | 35.3% |
| Operating income | -79.4 | 43.5 | n/a |
| Operating expenses | -83.4 | -73.8 | -11.6% |
| Operating result | -162.8 | -30.3 | -81.4% |
| Cost/income ratio | >100% | >100% | |
| Impairment result from financial instruments | 10.1 | -12.0 | n/a |
| Other result | -74.2 | -68.6 | -7.6% |
| Net result attributable to owners of the parent | -214.7 | -74.7 | -65.2% |
| Return on allocated capital | -9.8% | -3.3% | |

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 internal service providers and reconciliation items to local entity results.

Net interest income improved primarily due to a change of transfer prices that led to a negative impact in the retail segment and a corresponding positive effect in ALM & LCC as well as a higher contribution from balance sheet management in the Czech Republic. Net fee and commission income decreased mainly due to a lower result in Austria. Net trading result and gains/losses from financial instruments at FVPL improved slightly due to valuation results in the Czech Republic. Operating expenses declined mainly on methodological changes resulting in cost allocations to the other business segments in Erste Bank Oesterreich and Slovakia. Overall, operating result improved. Other result improved primarily due to real estate selling gains in Austria. The net result attributable to the owners of the parent thus improved.

## Savings Banks

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 781.9 | 801.6 | 2.5% |
| Net fee and commission income | 356.0 | 381.2 | 7.1% |
| Net trading result and gains/losses from financial instruments at FVPL | 48.9 | -11.7 | n/a |
| Operating income | 1,219.0 | 1,202.3 | -1.4% |
| Operating expenses | -807.9 | -818.3 | 1.3% |
| Operating result | 411.2 | 384.0 | -6.6% |
| Cost/income ratio | 66.3% | 68.1% | |
| Impairment result from financial instruments | 14.6 | -165.5 | n/a |
| Other result | -16.8 | -9.2 | -45.0% |
| Net result attributable to owners of the parent | 44.4 | 33.5 | -24.6% |
| Return on allocated capital | 12.9% | 6.5% | |

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 and the inclusion of the income of a new subsidiary of a savings bank. Net fee and commission income increased on the back of higher securities as well as payment and lending fees. The worsening of net trading result and gains/losses from financial instruments at FVPL was primarily driven by valuation effects. Operating expenses rose mainly due to higher IT expenses, increased deposit insurance contributions of EUR 35.6 million (EUR 31.1 million) and the costs of the newly acquired entity. Operating result as well as the cost/income ratio worsened. Impairment result from financial instruments deteriorated significantly on updated risk parameters with forward looking information and stage overlays as a consequence of the Covid-19 crisis. Other result improved on non-recurrence of the data center relocation expenses. Contributions to the resolution fund increased to EUR 9.5 million (EUR 7.9 million). Banking tax remained almost unchanged at EUR 3.4 million (EUR 3.2 million). Overall, the net result attributable to the owners of the parent decreased.

### Group Corporate Center

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 47.1 | 65.6 | 39.2% |
| Net fee and commission income | -0.2 | 6.7 | n/a |
| Net trading result and gains/losses from financial instruments at FVPL | 16.1 | 37.6 | >100.0% |
| Operating income | 55.1 | 104.7 | 90.0% |
| Operating expenses | -704.4 | -746.3 | 5.9% |
| Operating result | -649.3 | -641.6 | -1.2% |
| Cost/income ratio | >100.0% | >100.0% | |
| Impairment result from financial instruments | -3.6 | 7.8 | n/a |
| Other result | 506.5 | 601.1 | 18.7% |
| Net result attributable to owners of the parent | -62.6 | -97.7 | 56.1% |
| Return on allocated capital | -1.7% | -2.0% | |

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 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.

The increase in operating income was driven by higher net interest income on decreased funding costs as well as improved net trading result and gains/losses from financial instruments at FVPL. Operating expenses increased on higher costs in service providing entities. Overall, operating result improved. Other result went up on the back of positive valuation effects. The net result attributable to the owners of the parent decreased driven by the negative tax charge.

## GEOGRAPHICAL SEGMENTS

### Erste Bank Oesterreich & Subsidiaries

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 476.4 | 482.4 | 1.3% |
| Net fee and commission income | 295.3 | 300.4 | 1.7% |
| Net trading result and gains/losses from financial instruments at FVPL | 22.4 | 10.1 | -54.6% |
| Operating income | 829.9 | 843.5 | 1.6% |
| Operating expenses | -522.9 | -519.2 | -0.7% |
| Operating result | 307.0 | 324.3 | 5.6% |
| Cost/income ratio | 63.0% | 61.5% | |
| Impairment result from financial instruments | -4.6 | -96.7 | >100.0% |
| Other result | -25.5 | -13.7 | -46.3% |
| Net result attributable to owners of the parent | 198.6 | 173.6 | -12.6% |
| Return on allocated capital | 16.1% | 16.3% | |

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 volumes and lower interest expense for building society deposits. Net fee and commission income rose on the back of higher securities, insurance brokerage and payment fees. The decline in net trading result and gains/losses from financial instruments at FVPL was primarily driven by the non-recurrence of a positive valuation of a participation. Operating expenses decreased mainly due to lower personnel and marketing expenses, while the deposit insurance contribution went up to EUR 31.4 million (EUR 22.0 million). Consequently, operating result increased and the cost/income ratio improved. The deterioration of impairment result from financial instruments was driven by higher provisioning requirements in the retail and SME business, mainly related to updated risk parameters with forward looking information and stage overlays as a consequence of Covid-19. Other result improved due to selling gains for real estate, which was partially offset by a shift of expenses from rental income from investment properties and other operating lease to other result. Payments into the resolution fund increased to EUR 10.5 million (EUR 7.9 million). Banking tax remained unchanged at EUR 2.7 million (EUR 2.7 million). Overall, the net result attributable to owners of the parent declined.

## Savings Banks

The geographical segment Savings Banks is identical to the business segment Savings Banks (see page 11).

## Other Austria

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 296.4 | 341.3 | 15.2% |
| Net fee and commission income | 181.4 | 180.6 | -0.4% |
| Net trading result and gains/losses from financial instruments at FVPL | -12.1 | -48.6 | >100.0% |
| Operating income | 509.4 | 507.9 | -0.3% |
| Operating expenses | -279.9 | -268.0 | -4.2% |
| Operating result | 229.5 | 239.8 | 4.5% |
| Cost/income ratio | 55.0% | 52.8% | |
| Impairment result from financial instruments | 12.3 | -152.4 | n/a |
| Other result | 34.3 | 3.5 | -89.9% |
| Net result attributable to owners of the parent | 219.7 | 67.9 | -69.1% |
| Return on allocated capital | 14.2% | 4.7% | |

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 growth of corporate lending volumes and increased business volumes with financial institutions in the Holding. Net fee and commission income decreased marginally. Net trading result and gains/losses from financial instruments at FVPL went down significantly due to valuation results of interest rate derivatives and a sharp decline in market prices of fair value securities. Overall operating income deteriorated slightly. Operating result improved driven by a decrease of operating expenses, mostly related to IT and projects. Thus, the cost/income ratio improved. The impairment result from financial instruments deteriorated significantly due to an increased provisioning level in corporate business, mainly related to updated risk parameters with forward looking information and stage overlays as a consequence of Covid-19. Other result decreased due to the non-recurrence of last year's selling gains. Other result included also the resolution fund contribution of EUR 6.9 million (EUR 4.9 million). Overall, the net result attributable to owners of the parent deteriorated significantly.

## Czech Republic

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 839.0 | 788.4 | -6.0% |
| Net fee and commission income | 257.8 | 229.8 | -10.9% |
| Net trading result and gains/losses from financial instruments at FVPL | 77.3 | 76.2 | -1.4% |
| Operating income | 1,184.2 | 1,102.3 | -6.9% |
| Operating expenses | -557.1 | -549.7 | -1.3% |
| Operating result | 627.1 | 552.7 | -11.9% |
| Cost/income ratio | 47.0% | 49.9% | |
| Impairment result from financial instruments | 5.9 | -177.2 | n/a |
| Other result | -30.2 | -35.3 | 17.0% |
| Net result attributable to owners of the parent | 483.6 | 270.0 | -44.2% |
| Return on allocated capital | 26.0% | 13.9% | |

The segment analysis is done on a constant currency basis. The CZK depreciated by 2.7% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) decreased primarily due to significantly lower interest rates as well as a loan repayment moratorium leading to modification losses. Net fee and commission income decreased due to lower maintenance fees for current accounts in the retail segment as well as lower payment fees on the back of the euro cross border payments regulation SEPA and the Covid-19 impact. In addition, lending fees declined on changed disclosure of the fees charged for early loan repayment. These developments were partially offset by an increase in securities fees. The lower result from net trading and from gains/losses from financial instruments at FVPL was attributable to negative valuation effects. While personnel costs and depreciation increased, lower travel, training and marketing costs led to lower operating expenses in EUR terms. The deposit insurance contribution amounted to EUR 10.2 million (EUR 10.3 million). Overall, operating result declined, the cost/income ratio worsened. Impairment result from financial instruments deteriorated as a consequence of Covid-19-induced updates of risk parameters with forward looking information and stage overlays . The other result deteriorated mainly due to higher contributions to the resolution fund of EUR 29.2 million (EUR 26.5 million). Altogether, these developments led to a decrease in the net result attributable to the owners of the parent.

## Slovakia

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 324.6 | 328.6 | 1.3% |
| Net fee and commission income | 105.7 | 106.4 | 0.6% |
| Net trading result and gains/losses from financial instruments at FVPL | 12.5 | 8.6 | -31.4% |
| Operating income | 449.5 | 447.8 | -0.4% |
| Operating expenses | -210.4 | -214.0 | 1.7% |
| Operating result | 239.1 | 233.8 | -2.2% |
| Cost/income ratio | 46.8% | 47.8% | |
| Impairment result from financial instruments | -28.0 | -86.6 | >100.0% |
| Other result | -28.7 | -40.4 | 40.8% |
| Net result attributable to owners of the parent | 146.5 | 81.8 | -44.2% |
| Return on allocated capital | 18.5% | 9.9% | |

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) increased mainly due to the changed disclosure of prepayment fees resulting in a shift from the line item net fee and commission income. As a consequence, net fee and commission income remained almost stable despite higher fees for securities and insurance brokerage. Net trading result and gains/losses from financial instruments at FVPL deteriorated due to valuation effects. Operating expenses increased on the back of higher personnel and IT expenses partially compensated by lower depreciation. Deposit insurance contribution amounted to EUR 1.1 million (EUR 1.0 million). Overall, operating result decreased and the cost/income ratio worsened. Impairment result from financial instruments deteriorated due to higher provisions in retail and corporate business, mainly caused by updated risk parameters and stage overlays as a consequence of Covid-19. Other result deteriorated due to the increase of banking tax that was charged for the last time in the first half of the year – to EUR 33.8 million (EUR 24.2 million) as well as the payment into the resolution fund to EUR 4.0 million (EUR 3.1 million). Overall, the net result attributable to the owners of the parent decreased.

## Romania

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 319.8 | 328.3 | 2.7% |
| Net fee and commission income | 122.2 | 103.9 | -14.9% |
| Net trading result and gains/losses from financial instruments at FVPL | 53.0 | 53.2 | 0.4% |
| Operating income | 510.6 | 502.2 | -1.6% |
| Operating expenses | -268.0 | -251.7 | -6.1% |
| Operating result | 242.6 | 250.6 | 3.3% |
| Cost/income ratio | 52.5% | 50.1% | |
| Impairment result from financial instruments | 25.9 | -57.5 | n/a |
| Other result | -178.5 | -11.2 | -93.7% |
| Net result attributable to owners of the parent | 43.8 | 141.3 | >100.0% |
| Return on allocated capital | 4.0% | 13.6% | |

The segment analysis is done on a constant currency basis. The RON depreciated by 1.9% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) improved on the back of increasing customer loan volumes in retail and corporate business. Net fee and commission income declined due to lower payment and lending fees – affected among others by euro cross border payments regulation SEPA – partially mitigated by higher securities fees. Net trading result and gains/losses from financial instruments at FVPL was unchanged. Operating expenses decreased mainly due to a lower deposit insurance contribution of EUR 4.4 million (EUR 12.7 million) as well as lower depreciation, legal and consultancy expenses. Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated driven by updated risk parameters and stage overlays as a consequence of Covid-19. The non-recurrence of a provision in the amount of EUR 150.8 million as a result of a Romanian High Court decision in relation to business activities of the local building society subsidiary, led to an improvement of the other result. The resolution fund contribution amounted to EUR 7.7 million (EUR 6.6 million). The net result attributable to the owners of the parent increased considerably.

## Hungary

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 158.2 | 160.9 | 1.7% |
| Net fee and commission income | 137.9 | 131.5 | -4.6% |
| Net trading result and gains/losses from financial instruments at FVPL | 31.1 | 13.3 | -57.1% |
| Operating income | 332.2 | 311.6 | -6.2% |
| Operating expenses | -161.9 | -159.8 | -1.3% |
| Operating result | 170.4 | 151.8 | -10.9% |
| Cost/income ratio | 48.7% | 51.3% | |
| Impairment result from financial instruments | 18.3 | -59.2 | n/a |
| Other result | -53.3 | -51.8 | -2.7% |
| Net result attributable to owners of the parent | 119.8 | 27.3 | -77.2% |
| Return on allocated capital | 16.3% | 3.8% | |

The segment analysis is done on a constant currency basis. The HUF depreciated by 7.8% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased (also in EUR) driven by higher customer loan and deposit volumes despite the negative effect of loan moratoria leading to modification losses. Net fee and commission income rose in local currency terms predominantly due to higher securities fees. Net trading result and gains/losses from financial instruments at FVPL decreased on a lower valuation result. Operating expenses went up in local currency terms on the back of higher personnel, IT as well as depreciation expenses. Deposit insurance contributions decreased to EUR 5.9 million (EUR 8.5 million). Overall, operating result and the cost/income ratio deteriorated. Significantly higher risk costs (reflected in the impairment result from financial instruments) were caused by updated risk parameters and stage overlays as a consequence of Covid-19. Other result improved slightly on higher selling gains from non-financial assets. This line item also included the banking tax of EUR 14.4 million (EUR 12.6 million), transaction tax of EUR 33.1 million (EUR 35.9 million) and the contribution to the resolution fund of EUR 3.5 million (EUR 2.8 million). Overall, the net result attributable to the owners of the parent decreased.

## Croatia

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 205.8 | 202.7 | -1.5% |
| Net fee and commission income | 79.9 | 71.6 | -10.4% |
| Net trading result and gains/losses from financial instruments at FVPL | 25.8 | 15.4 | -40.1% |
| Operating income | 322.3 | 299.4 | -7.1% |
| Operating expenses | -166.6 | -165.4 | -0.7% |
| Operating result | 155.8 | 134.1 | -13.9% |
| Cost/income ratio | 51.7% | 55.2% | |
| Impairment result from financial instruments | 1.5 | -74.6 | n/a |
| Other result | -27.8 | -12.5 | -55.0% |
| Net result attributable to owners of the parent | 72.0 | 33.5 | -53.5% |
| Return on allocated capital | 18.0% | 7.4% | |

The segment analysis is done on a constant currency basis. The HRK depreciated by 1.6% against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) decreased driven by the negative impact from modification losses related to loan moratoria. Net fee and commission income decreased on the back of lower payment fees in retail and corporate business driven by the SEPA regulation on cross border payments and the Covid-19 impact. Net trading result and gains/losses from financial instruments at FVPL declined due to a lower result from foreign exchange transactions and valuation effects. Operating expenses remained largely stable and included a EUR 9.2 million (EUR 8.6 million) deposit insurance contribution. Overall, operating result decreased, the cost/income ratio went up. The deterioration of impairment result from financial instruments was predominantly driven by updated risk parameters and stage overlays as a consequence of Covid-19. Other result improved mainly due to significantly lower provisions for legal expenses. This line item included a resolution fund contribution in the amount of EUR 5.7 million (EUR 2.9 million). Overall, the net result attributable to the owners of the parent decreased.

## Serbia

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 42.4 | 48.0 | 13.1% |
| Net fee and commission income | 10.5 | 11.6 | 10.9% |
| Net trading result and gains/losses from financial instruments at FVPL | 4.0 | 2.8 | -30.7% |
| Operating income | 57.1 | 62.5 | 9.5% |
| Operating expenses | -42.1 | -41.9 | -0.6% |
| Operating result | 14.9 | 20.6 | 38.0% |
| Cost/income ratio | 73.8% | 67.0% | |
| Impairment result from financial instruments | -0.5 | -6.7 | >100.0% |
| Other result | -0.3 | -0.6 | 66.6% |
| Net result attributable to owners of the parent | 10.2 | 10.1 | -1.9% |
| Return on allocated capital | 7.4% | 7.7% | |

The segment analysis is done on a constant currency basis. The Serbian Dinar (RSD) appreciated by 0.3% against the EUR in the reporting period. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased due to higher loan volumes in retail and corporate business. Net fee and commission income went up due to higher payment fees. Net trading result and gains/losses from financial instruments at FVPL decreased driven by a lower result from foreign currency transactions and valuation effects. Operating expenses declined slightly on lower IT costs and a lower deposit insurance contribution of EUR 2.6 million (EUR 3.4 million) partially offset by higher depreciation and personnel costs. Operating result thus increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated due to higher provisions in corporate and retail business driven by updated risk parameters and stage overlays as a consequence of Covid-19. Other result deteriorated on the non-recurrence of selling gains from non-financial assets. Overall, the net result attributable to owners of the parent decreased slightly.

## Other

| in EUR million | 1-9 19 | 1-9 20 | Change |
|---|---|---|---|
| Net interest income | 73.0 | 107.0 | 46.5% |
| Net fee and commission income | -62.4 | -68.8 | 10.3% |
| Net trading result and gains/losses from financial instruments at FVPL | -32.9 | -29.1 | -11.8% |
| Operating income | -20.2 | 6.2 | n/a |
| Operating expenses | -144.1 | -135.3 | -6.1% |
| Operating result | -164.3 | -129.1 | -21.4% |
| Cost/income ratio | >100.0% | >100.0% | |
| Impairment result from financial instruments | -2.5 | 6.2 | n/a |
| Other result | -52.8 | -42.8 | -18.9% |
| Net result attributable to owners of the parent | -115.6 | -201.8 | 74.5% |
| Return on allocated capital | -2.7% | -3.6% | |

The residual segment Other consists mainly of internal 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 on higher net interest income driven by decreased funding costs and intercompany effects. As operating expenses also developed positively on the back of higher intercompany effects, operating result went up. Other result improved on the back of positive valuation effects. As the tax charge developed negatively, the net result attributable to owners of the parent decreased.

# Condensed interim consolidated financial statements

## Interim report – 1 January to 30 September 2020

## Consolidated statement of income

| in EUR thousand | Notes | 1-9 19 | 1-9 20 |
|---|---|---|---|
| Net interest income | 1 | 3,517,366 | 3,589,266 |
| Interest income | 1 | 4,139,387 | 3,882,940 |
| Other similar income | 1 | 1,231,453 | 1,103,872 |
| Interest expenses | 1 | -817,778 | -500,979 |
| Other similar expenses | 1 | -1,035,697 | -896,567 |
| Net fee and commission income | 2 | 1,484,254 | 1,448,332 |
| Fee and commission income | 2 | 1,805,797 | 1,733,349 |
| Fee and commission expenses | 2 | -321,543 | -285,017 |
| Dividend income | 3 | 24,048 | 15,671 |
| Net trading result | 4 | 419,305 | 8,982 |
| Gains/losses from financial instruments measured at fair value through profit or loss | 5 | -189,363 | 81,373 |
| Net result from equity method investments | | 10,085 | 9,925 |
| Rental income from investment properties & other operating leases | 6 | 128,431 | 132,291 |
| Personnel expenses | 7 | -1,887,172 | -1,902,224 |
| Other administrative expenses | 7 | -879,312 | -818,990 |
| Depreciation and amortisation | 7 | -394,361 | -401,950 |
| Gains/losses from derecognition of financial assets measured at amortised cost | 8 | -386 | 193 |
| Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss | 9 | 17,952 | -715 |
| Impairment result from financial instruments | 10 | 42,937 | -870,102 |
| Other operating result | 11 | -397,211 | -213,637 |
| Levies on banking activities | 11 | -90,889 | -100,302 |
| **Pre-tax result from continuing operations** | | **1,896,572** | **1,078,416** |
| Taxes on income | 12 | -350,873 | -264,212 |
| **Net result for the period** | | **1,545,699** | **814,204** |
| Net result attributable to non-controlling interests | | 322,737 | 177,123 |
| **Net result attributable to owners of the parent** | | **1,222,962** | **637,081** |

### Earnings per share

| | | 1-9 19 | 1-9 20 |
|---|---|---|---|
| Net result attributable to owners of the parent | in EUR thousand | 1,222,962 | 637,081 |
| Dividend on AT1 capital | in EUR thousand | -38,438 | -51,250 |
| Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend | in EUR thousand | 1,184,524 | 585,831 |
| Weighted average number of outstanding shares | | 426,566,453 | 426,348,153 |
| **Earnings per share** | **in EUR** | **2.78** | **1.37** |
| Weighted average diluted number of outstanding shares | | 426,566,453 | 426,348,153 |
| **Diluted earnings per share** | **in EUR** | **2.78** | **1.37** |

### Development of the number of shares

| | 1-9 19 | 1-9 20 |
|---|---|---|
| Shares outstanding at the beginning of the period | 408,617,137 | 408,127,137 |
| Acquisition of treasury shares | -7,063,616 | -6,472,074 |
| Disposal of treasury shares | 6,668,616 | 3,915,647 |
| Shares outstanding at the end of the period | 408,222,137 | 405,570,710 |
| Treasury shares | 21,577,863 | 24,229,290 |
| **Number of shares issued at the end of the period** | **429,800,000** | **429,800,000** |
| Weighted average number of outstanding shares | 426,566,453 | 426,348,153 |
| Weighted average diluted number of outstanding shares | 426,566,453 | 426,348,153 |

## Consolidated statement of comprehensive income

| in EUR thousand | 1-9 19 | 1-9 20 |
|---|---|---|
| **Net result for the period** | **1,545,699** | **814,204** |
| | | |
| **Other comprehensive income** | | |
| **Items that may not be reclassified to profit or loss** | **-101,708** | **161,197** |
| Remeasurement of defined benefit plans | -166,590 | 3,790 |
| Fair value reserve of equity instruments | 64,549 | -728 |
| Own credit risk reserve | -27,143 | 176,926 |
| Deferred taxes relating to items that may not be reclassified | 27,475 | -18,792 |
| | | |
| **Items that may be reclassified to profit or loss** | **-23,916** | **-411,348** |
| Fair value reserve of debt instruments | 102,810 | 13,641 |
| Gain/loss during the period | 104,658 | 8,936 |
| Reclassification adjustments | -1,434 | -698 |
| Credit loss allowances | -414 | 5,403 |
| Cash flow hedge reserve | -5,437 | 158,310 |
| Gain/loss during the period | 14,683 | 169,958 |
| Reclassification adjustments | -20,120 | -11,647 |
| Currency reserve | -96,131 | -548,120 |
| Gain/loss during the period | -96,131 | -548,120 |
| Deferred taxes relating to items that may be reclassified | -25,328 | -35,149 |
| Gain/loss during the period | -30,323 | -38,098 |
| Reclassification adjustments | 4,994 | 2,949 |
| Share of other comprehensive income of associates and joint ventures accounted for by the equity method | 171 | -29 |
| **Total other comprehensive income** | **-125,624** | **-250,151** |
| | | |
| **Total comprehensive income** | **1,420,075** | **564,053** |
| Total comprehensive income attributable to non-controlling interests | 277,852 | 165,211 |
| **Total comprehensive income attributable to owners of the parent** | **1,142,223** | **398,843** |

## Quarterly results

| in EUR million | Q3 19 | Q4 19 | Q1 20 | Q2 20 | Q3 20 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Net interest income | 1,187.7 | 1,229.5 | 1,229.0 | 1,167.9 | 1,192.4 |
| Interest income | 1,397.4 | 1,404.6 | 1,391.7 | 1,253.5 | 1,237.7 |
| Other similar income | 392.0 | 423.8 | 395.1 | 364.2 | 344.6 |
| Interest expenses | -262.9 | -237.1 | -231.0 | -147.9 | -122.1 |
| Other similar expenses | -338.8 | -361.8 | -326.8 | -302.0 | -267.8 |
| Net fee and commission income | 503.9 | 515.9 | 504.2 | 452.5 | 491.6 |
| Fee and commission income | 616.8 | 567.7 | 604.6 | 541.4 | 587.3 |
| Fee and commission expenses | -113.0 | -51.8 | -100.4 | -88.9 | -95.7 |
| Dividend income | 5.1 | 3.8 | 1.5 | 13.3 | 0.9 |
| Net trading result | 109.2 | -101.0 | -157.4 | 138.2 | 28.2 |
| Gains/losses from financial instruments measured at fair value through profit or loss | -49.2 | 164.9 | 37.5 | -8.9 | 52.9 |
| Net result from equity method investments | 3.1 | 7.0 | 3.3 | 2.6 | 4.0 |
| Rental income from investment properties & other operating leases | 41.5 | 41.7 | 44.8 | 43.5 | 44.0 |
| Personnel expenses | -631.3 | -650.0 | -630.0 | -635.5 | -636.7 |
| Other administrative expenses | -253.8 | -325.8 | -344.8 | -238.6 | -235.6 |
| Depreciation and amortisation | -129.8 | -146.6 | -136.5 | -129.4 | -136.1 |
| Gains/losses from derecognition of financial assets at AC | -1.3 | 1.3 | 0.4 | -0.1 | -0.1 |
| Other gains/losses from derecognition of financial instruments not at FVPL | 7.9 | 5.5 | -1.7 | -0.5 | 1.4 |
| Impairment result from financial instruments | 0.1 | -82.1 | -61.7 | -613.7 | -194.7 |
| Other operating result | -46.2 | -230.9 | -127.6 | -42.3 | -43.8 |
| Levies on banking activities | -26.2 | -37.1 | -49.9 | -33.1 | -17.3 |
| **Pre-tax result from continuing operations** | **746.8** | **433.2** | **361.3** | **148.8** | **568.3** |
| Taxes on income | -138.2 | -67.8 | -103.0 | -37.3 | -123.9 |
| **Net result for the period** | **608.6** | **365.4** | **258.3** | **111.5** | **444.4** |
| Net result attributable to non-controlling interests | 117.6 | 118.2 | 23.0 | 53.0 | 101.0 |
| **Net result attributable to owners of the parent** | **491.1** | **247.2** | **235.3** | **58.5** | **343.3** |
| | | | | | |
| **Statement of comprehensive income** | | | | | |
| **Net result for the period** | **608.6** | **365.4** | **258.3** | **111.5** | **444.4** |
| | | | | | |
| **Other comprehensive income** | | | | | |
| **Items that may not be reclassified to profit or loss** | **-22.2** | **31.6** | **308.5** | **-90.7** | **-56.7** |
| Remeasurement of defined benefit plans | -45.4 | 26.6 | 60.2 | -55.7 | -0.7 |
| Fair value reserve of equity instruments | 17.2 | -10.4 | 7.3 | -8.9 | 0.9 |
| Own credit risk reserve | -0.2 | 9.6 | 278.4 | -44.3 | -57.1 |
| Deferred taxes relating to items that may not be reclassified | 6.2 | 5.7 | -37.4 | 18.3 | 0.3 |
| **Items that may be reclassified to profit or loss** | **-99.8** | **1.1** | **-463.4** | **199.7** | **-147.6** |
| Fair value reserve of debt instruments | 32.5 | -58.2 | -72.4 | 65.4 | 20.6 |
| Gain/loss during the period | 31.3 | -58.3 | -73.8 | 58.9 | 23.9 |
| Reclassification adjustments | 1.2 | -4.6 | 1.0 | -0.2 | -1.6 |
| Credit loss allowances | 0.1 | 4.8 | 0.3 | 6.7 | -1.7 |
| Cash flow hedge reserve | -8.8 | -49.0 | 164.4 | 20.3 | -26.4 |
| Gain/loss during the period | -3.2 | -44.1 | 169.0 | 24.3 | -23.3 |
| Reclassification adjustments | -5.6 | -4.9 | -4.6 | -4.0 | -3.0 |
| Currency reserve | -118.2 | 82.6 | -539.6 | 132.9 | -141.4 |
| Gain/loss during the period | -118.2 | 82.6 | -539.6 | 132.9 | -141.4 |
| Deferred taxes relating to items that may be reclassified | -5.3 | 25.7 | -15.7 | -18.9 | -0.5 |
| Gain/loss during the period | -6.4 | 24.1 | -16.6 | -19.9 | -1.5 |
| Reclassification adjustments | 1.2 | 1.6 | 0.9 | 1.0 | 1.1 |
| Share of other comprehensive income of associates and joint ventures accounted for by the equity method | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 |
| **Total** | **-122.0** | **32.7** | **-154.9** | **109.0** | **-204.2** |
| | | | | | |
| **Total comprehensive income** | **486.7** | **398.0** | **103.4** | **220.5** | **240.1** |
| Total comprehensive income attributable to non-controlling interests | 102.8 | 116.6 | 20.3 | 42.9 | 102.0 |
| **Total comprehensive income attributable to owners of the parent** | **383.9** | **281.4** | **83.1** | **177.6** | **138.1** |

# Consolidated balance sheet

| in EUR thousand | Notes | Dec 19 | Sep 20 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash balances | 13 | 10,693,301 | 27,848,147 |
| Financial assets held for trading | | 5,759,602 | 6,763,761 |
| Derivatives | 14 | 2,805,447 | 3,369,313 |
| Other financial assets held for trading | 15 | 2,954,155 | 3,394,448 |
| Pledged as collateral | | 429,799 | 107,928 |
| Non-trading financial assets at fair value through profit and loss | 16 | 3,208,269 | 3,156,871 |
| Pledged as collateral | | 38,639 | 9,189 |
| Equity instruments | | 390,080 | 394,894 |
| Debt securities | | 2,334,757 | 2,124,096 |
| Loans and advances to customers | | 483,432 | 637,880 |
| Financial assets at fair value through other comprehensive income | 17 | 9,046,504 | 8,578,471 |
| Pledged as collateral | | 603,241 | 279,663 |
| Equity instruments | | 210,117 | 136,139 |
| Debt securities | | 8,836,388 | 8,442,333 |
| Financial assets at amortised cost | 18 | 204,162,083 | 212,823,913 |
| Pledged as collateral | | 2,141,960 | 1,992,450 |
| Debt securities | | 26,763,789 | 28,649,423 |
| Loans and advances to banks | | 23,054,595 | 25,672,193 |
| Loans and advances to customers | | 154,343,699 | 158,502,298 |
| Finance lease receivables | 19 | 4,034,425 | 4,118,459 |
| Hedge accounting derivatives | 20 | 130,118 | 254,020 |
| Fair value changes of hedged items in portfolio hedge of interest rate risk | | -3,766 | 5,531 |
| Property and equipment | | 2,629,247 | 2,496,069 |
| Investment properties | | 1,265,916 | 1,244,575 |
| Intangible assets | | 1,368,320 | 1,331,049 |
| Investments in associates and joint ventures | | 162,984 | 170,348 |
| Current tax assets | | 80,715 | 150,595 |
| Deferred tax assets | | 477,063 | 453,707 |
| Assets held for sale | | 268,860 | 208,805 |
| Trade and other receivables | 21 | 1,408,069 | 1,255,724 |
| Other assets | 22 | 1,001,137 | 1,123,118 |
| **Total assets** | | **245,692,847** | **271,983,163** |
| | | | |
| **Liabilities and equity** | | | |
| Financial liabilities held for trading | | 2,421,082 | 2,845,265 |
| Derivatives | 14 | 2,005,403 | 2,252,823 |
| Other financial liabilities held for trading | 23 | 415,679 | 592,442 |
| Financial liabilities at fair value through profit or loss | | 13,494,319 | 12,334,139 |
| Deposits from customers | | 264,837 | 278,632 |
| Debt securities issued | 24 | 13,010,530 | 11,877,614 |
| Other financial liabilities | | 218,953 | 177,892 |
| Financial liabilities at amortised cost | | 204,143,420 | 229,524,566 |
| Deposits from banks | 25 | 13,140,590 | 26,433,389 |
| Deposits from customers | 25 | 173,066,149 | 184,550,887 |
| Debt securities issued | 25 | 17,360,340 | 17,797,008 |
| Other financial liabilities | | 576,341 | 743,281 |
| Lease liabilities | | 515,068 | 516,288 |
| Hedge accounting derivatives | 20 | 269,189 | 209,311 |
| Fair value changes of hedged items in portfolio hedge of interest rate risk | | 11 | 72 |
| Provisions | 26 | 1,918,740 | 2,008,410 |
| Current tax liabilities | | 60,586 | 67,147 |
| Deferred tax liabilities | | 17,905 | 31,136 |
| Liabilities associated with assets held for sale | | 6,169 | 2,502 |
| Other liabilities | 27 | 2,369,033 | 3,006,032 |
| **Total equity** | | **20,477,324** | **21,438,298** |
| Equity attributable to non-controlling interests | | 4,857,496 | 5,023,701 |
| Additional equity instruments | | 1,490,367 | 1,987,488 |
| Equity attributable to owners of the parent | | 14,129,461 | 14,427,110 |
| Subscribed capital | | 859,600 | 859,600 |
| Additional paid-in capital | | 1,477,719 | 1,477,719 |
| Retained earnings and other reserves | | 11,792,141 | 12,089,791 |
| **Total liabilities and equity** | | **245,692,847** | **271,983,163** |

# 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 | Remeasure-ment of defined benefit plans | Equity attributable to owners of the parent | Additional equity instruments | Equity attributable to non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of 1 January 2020** | **860** | **1,478** | **13,095** | **-45** | **260** | **-399** | **-610** | **-509** | **14,129** | **1,490** | **4,857** | **20,477** |
| Changes in treasury shares | 0 | 0 | -48 | 0 | 0 | 0 | 0 | 0 | -48 | 0 | 0 | -48 |
| Dividends paid | 0 | 0 | -51 | 0 | 0 | 0 | 0 | 0 | -51 | 0 | -4 | -56 |
| capital increase/decrease | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 497 | 6 | 503 |
| Changes in scope of consolidation and ownership interest | 0 | 0 | -2 | 0 | 0 | 0 | 0 | 0 | -2 | 0 | -1 | -3 |
| Reclassification from other comprehensive income to retained earnings | 0 | 0 | 62 | 0 | -60 | -2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | 0 | 0 | 637 | 129 | 18 | 154 | -541 | 2 | 399 | 0 | 165 | 564 |
| Net result for the period | 0 | 0 | 637 | 0 | 0 | 0 | 0 | 0 | 637 | 0 | 177 | 814 |
| Other comprehensive income | 0 | 0 | 0 | 129 | 18 | 154 | -541 | 2 | -238 | 0 | -12 | -250 |
| Change from remeasurement of defined benefit plans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 0 | -2 | 0 |
| Change in fair value reserve | 0 | 0 | 0 | 0 | 18 | 0 | 0 | 0 | 18 | 0 | -10 | 8 |
| Change in cash flow hedge reserve | 0 | 0 | 0 | 129 | 0 | 0 | 0 | 0 | 129 | 0 | 0 | 129 |
| Change in currency reserve | 0 | 0 | 0 | 0 | 0 | 0 | -541 | 0 | -541 | 0 | -7 | -548 |
| Change in own credit risk reserve | 0 | 0 | 0 | 0 | 0 | 154 | 0 | 0 | 154 | 0 | 8 | 162 |
| **As of 30 September 2020** | **860** | **1,478** | **13,693** | **84** | **218** | **-247** | **-1,151** | **-508** | **14,427** | **1,987** | **5,024** | **21,438** |
| | | | | | | | | | | | | |
| **As of 1 January 2019** | **860** | **1,477** | **12,280** | **-3** | **229** | **-435** | **-598** | **-428** | **13,381** | **993** | **4,494** | **18,869** |
| Changes in treasury shares | 0 | 0 | -9 | 0 | 0 | 0 | 0 | 0 | -9 | 0 | 0 | -9 |
| Dividends paid | 0 | 0 | -610 | 0 | 0 | 0 | 0 | 0 | -610 | 0 | -40 | -650 |
| capital increase/decrease | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 497 | 4 | 501 |
| Changes in scope of consolidation and ownership interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassification from other comprehensive income to retained earnings | 0 | 0 | -4 | 0 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | 0 | 0 | 1,223 | -3 | 119 | -9 | -96 | -92 | 1,142 | 0 | 278 | 1,420 |
| Net result for the period | 0 | 0 | 1,223 | 0 | 0 | 0 | 0 | 0 | 1,223 | 0 | 323 | 1,546 |
| Other comprehensive income | 0 | 0 | 0 | -3 | 119 | -9 | -96 | -92 | -81 | 0 | -45 | -126 |
| Change from remeasurement of defined benefit plans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -92 | -92 | 0 | -53 | -145 |
| Change in fair value reserve | 0 | 0 | 0 | 0 | 119 | 0 | 0 | 0 | 119 | 0 | 8 | 127 |
| Change in cash flow hedge reserve | 0 | 0 | 0 | -3 | 0 | 0 | 0 | 0 | -3 | 0 | 0 | -3 |
| Change in currency reserve | 0 | 0 | 0 | 0 | 0 | 0 | -96 | 0 | -96 | 0 | 0 | -96 |
| Change in own credit risk reserve | 0 | 0 | 0 | 0 | 0 | -9 | 0 | 0 | -9 | 0 | 1 | -9 |
| **As of 30 September 2019** | **860** | **1,477** | **12,880** | **-6** | **348** | **-441** | **-694** | **-520** | **13,904** | **1,490** | **4,735** | **20,130** |

# Consolidated statement of cash flows

| in EUR million | 1-9 19 | 1-9 20 |
|---|---|---|
| **Net result for the period** | **1,546** | **814** |
| Non-cash adjustments for items in net profit/loss for the year | | |
| Depreciation, amortisation and net impairment of non-financial assets | 406 | 433 |
| Net allocation to credit loss allowances and other provisions | 238 | 973 |
| Gains/losses from measurement and derecognition of financial assets and financial liabilities | -18 | -434 |
| Other adjustments | -104 | -370 |
| **Changes in assets and liabilities from operating activities after adjustment for non-cash components** | | |
| Financial assets held for trading | -1,592 | -995 |
| Non-trading financial assets at fair value through profit and loss | | |
| Equity instruments | -20 | -5 |
| Debt securities | 205 | 231 |
| Loans and advances to customers | -123 | -172 |
| Financial assets at fair value through other comprehensive income: debt securities | 526 | 407 |
| Financial assets at amortised cost | | |
| Debt securities | -759 | -1,886 |
| Loans and advances to banks | -6,142 | -2,629 |
| Loans and advances to customers | -8,204 | -5,016 |
| Finance lease receivables | -218 | -116 |
| Hedge accounting derivatives | -52 | 5 |
| Other assets from operating activities | -359 | 56 |
| Financial liabilities held for trading | 402 | 738 |
| Financial liabilities at fair value through profit or loss | 21 | -932 |
| Financial liabilities at amortised cost | | |
| Deposits from banks | 2,278 | 13,293 |
| Deposits from customers | 9,405 | 11,485 |
| Debt securities issued | 57 | 437 |
| Other financial liabilities | 124 | 167 |
| Hedge accounting derivatives | 14 | -60 |
| Other liabilities from operating activities | 943 | 603 |
| **Cash flow from operating activities** | **-1,429** | **17,026** |
| Proceeds of disposal | | |
| Financial assets at fair value through other comprehensive income: equity instruments | 0 | 52 |
| Investments in associates and joint ventures | 4 | 0 |
| Property and equipment and intangible assets | 53 | 54 |
| Investment properties | 13 | 6 |
| Acquisition of | | |
| Financial assets at fair value through other comprehensive income: equity instruments | -1 | 0 |
| Investments in associates and joint ventures | 0 | 0 |
| Property and equipment and intangible assets | -302 | -232 |
| Investment properties | -58 | -17 |
| Acquisition of subsidiaries (net of cash and cash equivalents acquired) | 0 | 0 |
| Disposal of subsidiaries | 0 | 0 |
| **Cash flow from investing activities** | **-291** | **-136** |
| Capital increases | 501 | 503 |
| Capital decrease | 0 | 0 |
| Acquisition of non-controlling interest | 0 | -3 |
| Dividends paid to equity holders of the parent | -610 | -51 |
| Dividends paid to non-controlling interests | -40 | -4 |
| **Cash flow from financing activities** | **-149** | **445** |
| | | |
| **Cash and cash equivalents at the beginning of the period** | **17,549** | **10,693** |
| Cash flow from operating activities | -1,429 | 17,026 |
| Cash flow from investing activities | -291 | -136 |
| Cash flow from financing activities | -149 | 445 |
| Effect of currency translation | -42 | -180 |
| **Cash and cash equivalents at the end of period** | **15,638** | **27,848** |
| | | |
| **Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)** | **3,291** | **3,175** |
| Payments for taxes on income | -322 | -400 |
| Interest received | 5,799 | 5,465 |
| Dividends received | 24 | 16 |
| Interest paid | -2,210 | -1,906 |

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 30 September 2020

## 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 30 September 2020 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”.

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 2019** | **380** |
| **Additions** | |
| Entities newly added to the scope of consolidation | 5 |
| **Disposals** | |
| Companies sold or liquidated | -15 |
| Mergers | -5 |
| **As of 30 September 2020** | **365** |

## COVID-19 DISCLOSURES

In the condensed interim consolidated financial statements of Erste Group, considerations and significant impacts of the Covid-19 outbreak are presented in those chapters to which they can be assigned thematically. An overview about these disclosures is presented in the following:

- The chapter “Accounting and measurement methods” contains information about the key sources of estimation uncertainty in the light of the Covid-19 outbreak.
- The chapter “Accounting treatment of issues related to Covid-19” discusses the accounting and measurement methods used for public moratoria and payment holidays, public guarantees and goodwill impairment testing including significant effects of those topics on interim consolidated financial statements 1 January to 30 September 2020.
- Note 29 Risk Management contains a separate sub-chapter “Covid-19” which explains the considerations of the pandemic on the ECL measurement, sensitivity analyses and information on credit exposures subject to certain Covid-19 measures.
- Note 34 Own funds and capital requirements discusses the adjustments to the regulatory framework due to the current Covid-19 crisis.

## 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 2019.

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. Except as described in the following paragraph related to Covid-19, 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 2019, 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.

The Covid-19 pandemic increased the level of uncertainty. The consequences for the economy as well as the measures taken by governments and regulators are likely to affect Erste Group's financial performance and position, including potentially significant impacts for expected credit losses, as well as impacts on operating income and potential goodwill and other non-financial assets impairment assessments. All negative effects that could be reasonable estimated were recognised in the first three quarters of 2020. Erste Group will continue to follow the developments closely and will recognise any effects as the situation further unfolds in the second half of 2020.

Erste Group's accounting and measurement methods in the specific context of the Covid-19 outbreak are described in the following section.

## ACCOUNTING TREATMENT OF ISSUES RELATED TO COVID-19

### Accounting and measurement methods

#### Public moratoria and payment holidays

In light of the spread of COVID-19, a variety of measures have been taken by governments in Erste Group's region aimed at addressing the economic consequences of the outbreak on individuals, households and businesses. Such measures include public moratoria on repayment of loans, overdraft facilities and mortgages. Further, Erste Group banks are offering renegotiations of repayment schedules and payment holidays on a voluntary basis to customers facing liquidity shortages.

The public moratoria in general relate to customers which were performing and to their exposures existing before the outbreak of Covid-19 pandemic. Most of the public moratoria are based on an opt-in approach meaning that customers have to ask the bank for the payment reliefs. However, there are also cases when all applicable customers are automatically subject to the moratorium with an opt-out possibility. Such opt-out models have been implemented in Hungary and Serbia. The range of payment deferral period in Erste Group countries was originally between 3 and 9 months. In some countries, moratoria have been extended: In Austria until 31 January 2021. The Hungarian moratorium has been prolonged (with more restrictive requirements) by additional 6 months until 30 June 2021. In most cases interest continues to accrue on the outstanding balance during the moratorium period. Nevertheless, in many cases an economic loss is incurred and modification losses are recognised from accounting perspective. This results from the fact that the interest accrued, instead of being repaid or capitalised at the end of the moratorium, is repaid over the period after the moratorium.

Both, public moratoria and voluntarily granted payment holidays modify contractual cash flows of the related financial asset and are therefore treated as contractual modifications within the meaning of IFRS 9. The accounting policies published in Erste Group's consolidated financial statements as of 31 December 2019 on contractual modifications of financial assets apply accordingly. The relevant part is described in the following:

For debt instrument assets not measured at FVPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss. The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original EIR. In the statement of income, the modification gain or loss is presented in the line "Interest income" under "Net interest income" if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line "Impairment result from financial instruments".

Contractual modifications would only lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument if the modified terms are substantially different from the original terms. Based on the set of criteria developed by Erste Group to assess whether or not a modification is substantial, the public moratoria and payment holidays applied in Erste Group did not lead to derecognition. In particular, this is because the moratoria and payment holidays are typically below one year and in most cases the contractual interest continues to accrue during the suspension phase. Thus, the weighted remaining maturity as well as the present value of the modified cash flows are not significantly modified. The derecognition criteria are described in a detailed manner in Erste Group's consolidated financial statements as of 31 December 2019 in the section "Derecognition of financial instruments including treatment of contractual modifications" of the "Significant Accounting Policies" chapter.

With respect to the assessment of significant increases in credit risk (SICR), Erste Group does not consider the public moratoria and payment holidays in itself as automatic SICR triggers, but applies its specific assessment rules consisting of qualitative information and quantitative thresholds. Details on this assessment and other considerations on the expected credit loss estimation in the light of the Covid-19 outbreak are described in Note 29 Risk Management.

During the first three quarters of 2020, Erste Group incurred modification losses in total amount of EUR 54.8 million. The vast majority of this impact relates to contractual modifications arising from Covid-19-related to public or private moratoria offered by Erste Group's banks to their respective eligible clients, as well as to other contractual changes bilaterally agreed by Erste Group's banks in response to addressing or preventing clients' liquidity shortages or other financial difficulties associated with the Covid-19 crisis.

Out of the total modification losses, an amount of EUR 37.2 million was presented in the statement of income in line item "Net interest income", while the remaining EUR 17.6 million was presented in line item "Impairment result from financial instruments". About 73% of the modification losses incurred at the following major CEE banks: Česká spořitelna, Erste Bank Hungary, Banca Comercială Română and Erste Bank Croatia (Erste & Steiermärkische Bank d.d.). In the case of Erste Bank Hungary, the portfolio estimate of the loss in an amount of HUF 6 billion (EUR 17.6 million) recognised in the first quarter in the statement of income in line item "Other operating result" was reversed in the second quarter. As a result, from a year-to-date perspective, there is no effect in the "Other operating result" and only the amounts disclosed in the second quarter are relevant.

### Public guarantees

In their efforts to mitigate the economic effects of COVID-19, some governments and other public institutions in Erste Group's region are providing public guarantees on banks' exposures. If Erste Group is a guarantee holder, the treatment depends on whether the financial guarantee is considered as integral to the contractual terms of the financial asset whose risk is guaranteed. If guarantees are entered into at or close to the inception of the guaranteed financial assets Erste Group considers them as integral. Financial guarantees received in the context of public COVID-19 measures typically related to new credit facilities and are therefore considered as integral.

Integral financial guarantees are included in the estimates of expected credit losses from the related financial assets. Premiums paid for integral financial guarantees and other credit enhancements are considered in the EIR of the related financial assets.

The existence of such credit enhancements does not affect the SICR assessment.

### Goodwill impairment testing

Goodwill is tested for impairment annually in November, or whenever there is an indication of possible impairment during the year. Erste Group concluded that the Covid-19 pandemic resulted in significant changes in 2020 with an adverse effect in the economic environment. Therefore, Erste Group performed an impairment test on the goodwill of Česká spořitelna, a.s. as of 30 June 2020 using the principles described in Erste Group's consolidated financial statements as of 31 December 2019 in the section "Business combinations and goodwill" of the "Significant Accounting Policies" chapter. Due to the current uncertain economic environment and outlook, the recoverable amount has been calculated in different scenarios. The test did not result in an impairment loss booking as the calculated recoverable amount exceeds the carrying amount.

The table below summarises the outcome of the sensitivity analysis as of 30 June 2020 performed to determine by how much the key input parameters into the applied discounted cash flow model would need to vary in order to cause the unit's calculated recoverable amount to equal its related carrying amount.

| Jun 20 | CSAS |
|---|---|
| Amount by which recoverable amount exceeds/fall short the carrying amount (in EUR million) | 292 |
| Risk free rate increase that would cause recoverable amount to equal carrying amount (basis points) | 46 |
| Terminal growth rate decrease that would cause recoverable amount to equal carrying amount (basis points) | -831 |
| Beta factor increase that would cause recoverable amount to equal carrying amount (coefficient value) | 0.057 |
| Market risk premium increase that would cause recoverable amount to equal carrying amount (basis points) | 39 |

### Impairment of financial instruments

Regarding the impairment of financial instruments the main contributor to the impairment allocation in line item „Impairment result from financial instruments" in the amount of EUR 478.3 million (out of overall impairment result in the amount of EUR 870.1 million) is directly attributable to changes in macro environment and management actions to identify mostly affected portfolios due to COVID-19 pandemic. Observed deteriorations in credit portfolios, which were also significantly driven by current COVID-19 situation, are the main reason for the remaining impairment allocation.

Details on the effects of COVID-19 on the expected credit loss estimation in the first three quarters of 2020 are described in Note 29 Risk Management.

## 1. Net interest income

| in EUR million | 1-9 19 | 1-9 20 |
|---|---|---|
| Financial assets at AC | 3,987.3 | 3,740.5 |
| Financial assets at FVOCI | 152.1 | 142.4 |
| Interest income | 4,139.4 | 3,882.9 |
| Non-trading financial assets at FVPL | 47.0 | 47.4 |
| Financial assets HfT | 1,108.4 | 924.3 |
| Derivatives - hedge accounting, interest rate risk | -43.6 | -30.9 |
| Other assets | 84.3 | 90.1 |
| Negative interest from financial liabilities | 35.4 | 72.9 |
| Other similar income | 1,231.5 | 1,103.9 |
| **Interest and other similar income** | **5,370.8** | **4,986.8** |
| | | |
| Financial liabilities at AC | -817.8 | -501.0 |
| Interest expenses | -817.8 | -501.0 |
| Financial liabilities at FVPL | -311.8 | -264.0 |
| Financial liabilities HfT | -738.1 | -664.3 |
| Derivatives - hedge accounting, interest rate risk | 115.3 | 101.0 |
| Other liabilities | -40.8 | -22.6 |
| Negative Interest from financial assets | -60.2 | -46.6 |
| Other similar expenses | -1,035.7 | -896.6 |
| **Interest and other similar expenses** | **-1,853.5** | **-1,397.5** |
| | | |
| **Net interest income** | **3,517.4** | **3,589.3** |

In the reporting period an amount of EUR 58.1 million (EUR 58.0 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 -27.5 million (EUR 7.6 million).

## 2. Net fee and commission income

| | 1-9 19 | | 1-9 20 | |
|---|---|---|---|---|
| in EUR million | Income | Expenses | Income | Expenses |
| Securities | 149.0 | -30.1 | 178.5 | -28.9 |
| Issues | 33.1 | -7.9 | 25.5 | -0.7 |
| Transfer orders | 106.1 | -21.2 | 143.4 | -27.2 |
| Other | 9.9 | -1.0 | 9.5 | -0.9 |
| Clearing and settlement | 3.0 | -1.7 | 1.0 | -2.4 |
| Asset management | 276.7 | -30.2 | 291.9 | -28.4 |
| Custody | 77.4 | -14.3 | 75.1 | -15.5 |
| Fiduciary transactions | 1.5 | 0.0 | 0.8 | 0.0 |
| Payment services | 859.2 | -153.7 | 810.7 | -141.5 |
| Card business | 279.7 | -109.8 | 250.1 | -112.6 |
| Other | 579.6 | -43.9 | 560.6 | -28.9 |
| Customer resources distributed but not managed | 151.5 | -10.3 | 161.3 | -6.8 |
| Collective investment | 6.9 | -1.4 | 9.4 | -1.7 |
| Insurance products | 110.9 | -1.6 | 132.4 | -1.7 |
| Building society brokerage | 12.1 | -4.9 | 0.4 | -0.7 |
| Foreign exchange transactions | 20.6 | -1.2 | 18.1 | -1.0 |
| Other | 1.0 | -1.2 | 1.0 | -1.7 |
| Structured finance | 0.0 | -0.1 | 0.2 | -0.1 |
| Servicing fees from securitization activities | 0.0 | 0.0 | 0.0 | -1.5 |
| Lending business | 209.9 | -63.5 | 140.7 | -29.4 |
| Guarantees given, guarantees received | 52.9 | -3.4 | 55.9 | -2.5 |
| Loan commitments given, loan commitments received | 16.1 | -0.4 | 18.5 | -0.6 |
| Other lending business | 140.9 | -59.7 | 66.2 | -26.4 |
| Other | 77.5 | -17.7 | 73.1 | -30.5 |
| **Total fee and commission income and expenses** | **1,805.8** | **-321.5** | **1,733.3** | **-285.0** |
| | | | | |
| **Net fee and commission income** | **1,484.3** | | **1,448.3** | |

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 | 1-9 19 | 1-9 20 |
|---|---|---|
| Financial assets HfT | 3.0 | 0.8 |
| Non-trading financial assets at FVPL | 12.5 | 6.7 |
| Financial assets at FVOCI | 8.5 | 8.2 |
| **Dividend income** | **24.0** | **15.7** |

## 4. Net trading result

| in EUR million | 1-9 19 | 1-9 20 |
|---|---|---|
| Securities and derivatives trading | 283.2 | -116.7 |
| Foreign exchange transactions | 127.1 | 122.3 |
| Result from hedge accounting | 9.0 | 3.4 |
| **Net trading result** | **419.3** | **9.0** |

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

| in EUR million | 1-9 19 | 1-9 20 |
|---|---|---|
| Result from measurement/sale of financial assets designated at FVPL | 11.4 | 12.3 |
| Result from measurement/repurchase of financial liabilities designated at FVPL | -305.5 | 73.9 |
| **Result from financial assets and liabilities designated at FVPL** | **-294.1** | **86.2** |
| Result from measurement/sale of financial assets mandatorily at FVPL | 104.7 | -4.9 |
| **Gains/losses from financial instruments measured at fair value through profit or loss** | **-189.4** | **81.4** |

## 6. Rental income from investment properties & other operating leases

| in EUR million | 1-9 19 | 1-9 20 |
|---|---|---|
| Investment properties | 62.7 | 72.8 |
| Other operating leases | 65.7 | 59.5 |
| **Rental income from investment properties & other operating leases** | **128.4** | **132.3** |

## 7. General administrative expenses

| in EUR million | 1-9 19 | 1-9 20 |
|---|---|---|
| **Personnel expenses** | **-1,887.2** | **-1,902.2** |
| Wages and salaries | -1,425.0 | -1,448.3 |
| Compulsory social security | -354.8 | -356.6 |
| Long-term employee provisions | -31.8 | -22.8 |
| Other personnel expenses | -75.5 | -74.5 |
| **Other administrative expenses** | **-879.3** | **-819.0** |
| Deposit insurance contribution | -97.7 | -100.3 |
| IT expenses | -290.3 | -303.4 |
| Expenses for office space | -119.2 | -115.3 |
| Office operating expenses | -87.1 | -87.1 |
| Advertising/marketing | -129.7 | -98.7 |
| Legal and consulting costs | -94.7 | -72.5 |
| Sundry administrative expenses | -60.7 | -41.8 |
| **Depreciation and amortisation** | **-394.4** | **-402.0** |
| Software and other intangible assets | -135.3 | -132.7 |
| Owner occupied real estate | -103.1 | -117.0 |
| Investment properties | -21.2 | -21.5 |
| Customer relationships | -6.6 | -5.8 |
| Office furniture and equipment and sundry property and equipment | -128.2 | -124.9 |
| **General administrative expenses** | **-3,160.8** | **-3,123.2** |

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

| in EUR million | 1-9 19 | 1-9 20 |
|---|---|---|
| Gains from sale of financial assets at AC | 3.3 | 1.0 |
| Losses from sale of financial assets at AC | -3.6 | -0.8 |
| **Gains/losses from derecognition of financial assets measured at amortised cost** | **-0.4** | **0.2** |

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

| in EUR million | 1-9 19 | 1-9 20 |
|---|---|---|
| Sale of financial assets at FVOCI | 1.5 | 0.7 |
| Sale of financial lease receivables | 0.0 | 0.0 |
| Derecognition of financial liabilities at AC | 16.4 | -1.4 |
| **Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss** | **18.0** | **-0.7** |

## 10. Impairment result from financial instruments

| in EUR million | 1-9 19 | 1-9 20 |
|---|---|---|
| Financial assets at FVOCI | 0.6 | -5.5 |
| Financial assets at AC | -45.7 | -760.9 |
| Net allocation to credit loss allowances | -130.4 | -842.7 |
| Direct write-offs | -23.5 | -17.7 |
| Recoveries recorded directly to the income statement | 110.1 | 110.4 |
| Modification gains or losses | -1.9 | -10.9 |
| Lease receivables | 9.6 | -27.9 |
| Net allocation of provisions for commitments and guarantees given | 78.4 | -75.8 |
| **Impairment result from financial instruments** | **42.9** | **-870.1** |

## 11. Other operating result

| in EUR million | 1-9 19 | 1-9 20 |
|---|---|---|
| **Other operating expenses** | **-483.7** | **-299.7** |
| Allocation to other provisions | -309.2 | -98.2 |
| Levies on banking activities | -90.9 | -100.3 |
| Banking tax | -55.0 | -67.1 |
| Financial transaction tax | -35.9 | -33.2 |
| Other taxes | -8.3 | -7.5 |
| Recovery and resolution fund contributions | -75.3 | -93.7 |
| **Other operating income** | **132.4** | **96.4** |
| Release of other provisions | 132.4 | 96.4 |
| Result from properties/movables/other intangible assets other than goodwill | -9.4 | 1.6 |
| Result from other operating expenses/income | -36.5 | -11.8 |
| **Other operating result** | **-397.2** | **-213.6** |

## 12. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 264.2 million (EUR 350.9 million), thereof EUR 2.4 million deferred tax income (EUR 31.0 million deferred tax income).

## 13. Cash and cash balances

| in EUR million | Dec 19 | Sep 20 |
|---|---|---|
| Cash on hand | 6,032 | 7,076 |
| Cash balances at central banks | 3,466 | 19,155 |
| Other demand deposits at credit institutions | 1,195 | 1,616 |
| **Cash and cash balances** | **10,693** | **27,848** |

## 14. Derivatives held for trading

| in EUR million | Dec 19 | | | Sep 20 | | |
|---|---|---|---|---|---|---|
| | Notional value | Positive fair value | Negative fair value | Notional value | Positive fair value | Negative fair value |
| **Derivatives held in the trading book** | **189,747** | **3,068** | **3,305** | **211,499** | **3,930** | **3,739** |
| Interest rate | 122,129 | 2,609 | 2,728 | 136,605 | 2,881 | 3,042 |
| Equity | 311 | 11 | 3 | 516 | 7 | 9 |
| Foreign exchange | 66,888 | 423 | 571 | 73,332 | 1,015 | 678 |
| Credit | 226 | 3 | 3 | 807 | 4 | 10 |
| Commodity | 10 | 0 | 0 | 27 | 0 | 0 |
| Other | 183 | 23 | 0 | 212 | 23 | 0 |
| **Derivatives held in the banking book** | **28,048** | **1,353** | **341** | **28,412** | **1,401** | **537** |
| Interest rate | 16,891 | 1,254 | 226 | 17,812 | 1,338 | 247 |
| Equity | 5,823 | 52 | 36 | 5,324 | 21 | 123 |
| Foreign exchange | 4,812 | 41 | 78 | 4,793 | 38 | 165 |
| Credit | 348 | 6 | 1 | 316 | 4 | 2 |
| Commodity | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 174 | 1 | 0 | 166 | 0 | 0 |
| **Total gross amounts** | **217,794** | **4,422** | **3,646** | **239,911** | **5,330** | **4,276** |
| Offset | | -1,616 | -1,640 | | -1,961 | -2,023 |
| **Total** | | **2,805** | **2,005** | | **3,369** | **2,253** |

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 19 | Sep 20 |
|---|---|---|
| Equity instruments | 65 | 50 |
| Debt securities | 2,889 | 3,344 |
| General governments | 1,918 | 2,528 |
| Credit institutions | 803 | 696 |
| Other financial corporations | 57 | 57 |
| Non-financial corporations | 111 | 64 |
| **Other financial assets held for trading** | **2,954** | **3,394** |

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

| in EUR million | Dec 19 | | Sep 20 | |
|---|---|---|---|---|
| | Designated | Mandatorily | Designated | Mandatorily |
| Equity instruments | 0 | 390 | 0 | 395 |
| Debt securities | 664 | 1,671 | 676 | 1,448 |
| General governments | 77 | 258 | 63 | 216 |
| Credit institutions | 563 | 160 | 602 | 105 |
| Other financial corporations | 25 | 1,062 | 11 | 980 |
| Non-financial corporations | 0 | 191 | 0 | 148 |
| Loans and advances to customers | 0 | 483 | 0 | 638 |
| General governments | 0 | 2 | 0 | 2 |
| Other financial corporations | 0 | 1 | 0 | 0 |
| Non-financial corporations | 0 | 137 | 0 | 122 |
| Households | 0 | 344 | 0 | 515 |
| Financial assets designated and mandatorily at FVPL | 664 | 2,544 | 676 | 2,481 |
| **Non-trading financial assets at fair value through profit and loss** | | **3,208** | | **3,157** |

## 17. Financial assets at fair value through other comprehensive income

### Equity Instruments

The carrying amount of Erste Group's equity instruments FVOCI as of 30 September 2020 amounted to EUR 136.1 million (EUR 210.1 million), the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 89.0 million (EUR 166.1 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 |
| **Sep 20** | | | | | | | | | | |
| Central banks | 3 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| General governments | 6,080 | 8 | 0 | 6,088 | -4 | 0 | 0 | -4 | 190 | 6,278 |
| Credit institutions | 912 | 8 | 0 | 921 | -2 | -1 | 0 | -3 | 45 | 966 |
| Other financial corporations | 154 | 61 | 0 | 214 | 0 | -2 | 0 | -2 | 3 | 217 |
| Non-financial corporations | 660 | 301 | 0 | 961 | -2 | -7 | 0 | -10 | 17 | 978 |
| **Total** | **7,808** | **379** | **0** | **8,187** | **-9** | **-10** | **0** | **-19** | **255** | **8,442** |
| | | | | | | | | | | |
| **Dec 19** | | | | | | | | | | |
| Central banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General governments | 6,232 | 8 | 0 | 6,240 | -3 | 0 | 0 | -3 | 186 | 6,426 |
| Credit institutions | 1,073 | 27 | 0 | 1,099 | -1 | -1 | 0 | -2 | 17 | 1,116 |
| Other financial corporations | 135 | 46 | 0 | 181 | 0 | -1 | 0 | -2 | 7 | 188 |
| Non-financial corporations | 933 | 137 | 0 | 1,070 | -2 | -5 | 0 | -7 | 37 | 1,107 |
| **Total** | **8,373** | **217** | **0** | **8,590** | **-6** | **-8** | **0** | **-14** | **247** | **8,836** |

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 30 September 2020, 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 20** | | | | | | **Sep 20** |
| Stage 1 | -6 | -2 | 1 | 0 | -2 | 0 | -9 |
| Stage 2 | -8 | 0 | 0 | -3 | 0 | 0 | -10 |
| Stage 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **-14** | **-2** | **1** | **-2** | **-3** | **0** | **-19** |
| | | | | | | | |
| | **Jan 19** | | | | | | **Sep 19** |
| Stage 1 | -8 | -1 | 0 | 0 | 1 | 0 | -7 |
| Stage 2 | -2 | 0 | 0 | 0 | 0 | 0 | -2 |
| Stage 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **-10** | **-1** | **0** | **0** | **1** | **0** | **-9** |

## 18. Financial assets at amortised cost

### Debt securities

| in EUR million | Gross carrying amount Stage 1 | Stage 2 | Stage 3 | Total | Credit loss allowances Stage 1 | Stage 2 | Stage 3 | Total | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| **Sep 20** | | | | | | | | | |
| Central banks | 15 | 0 | 0 | 15 | 0 | 0 | 0 | 0 | 15 |
| General governments | 24,362 | 3 | 0 | 24,366 | -7 | 0 | 0 | -7 | 24,359 |
| Credit institutions | 3,391 | 40 | 0 | 3,430 | -2 | 0 | 0 | -2 | 3,428 |
| Other financial corporations | 125 | 15 | 0 | 140 | 0 | -1 | 0 | -1 | 139 |
| Non-financial corporations | 688 | 21 | 3 | 712 | -1 | -1 | -1 | -4 | 708 |
| **Total** | **28,581** | **78** | **3** | **28,663** | **-9** | **-2** | **-2** | **-13** | **28,649** |
| **Dec 19** | | | | | | | | | |
| Central banks | 53 | 0 | 0 | 53 | -1 | 0 | 0 | -1 | 52 |
| General governments | 22,483 | 29 | 0 | 22,512 | -4 | 0 | 0 | -4 | 22,508 |
| Credit institutions | 3,287 | 1 | 0 | 3,288 | -2 | 0 | 0 | -2 | 3,286 |
| Other financial corporations | 136 | 7 | 0 | 143 | 0 | -1 | 0 | -1 | 142 |
| Non-financial corporations | 760 | 17 | 3 | 780 | -1 | -2 | -2 | -4 | 776 |
| **Total** | **26,718** | **53** | **4** | **26,774** | **-7** | **-2** | **-2** | **-11** | **26,764** |

There were no purchased or originated credit-impaired (POCI) debt securities at amortised cost as of 30 September 2020.

### 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 20** | | | | | | **Sep 20** |
| Stage 1 | -7 | -2 | 2 | 0 | -3 | 0 | -9 |
| Stage 2 | -2 | 0 | 0 | -1 | 1 | 0 | -2 |
| Stage 3 | -2 | 0 | 0 | 0 | 0 | 0 | -2 |
| **Total** | **-11** | **-2** | **2** | **0** | **-2** | **0** | **-13** |
| | **Jan 19** | | | | | | **Sep 19** |
| Stage 1 | -6 | -1 | 0 | 0 | 1 | 0 | -6 |
| Stage 2 | 0 | 0 | 0 | 0 | -1 | 0 | -1 |
| Stage 3 | -2 | 0 | 0 | 0 | 0 | 0 | -2 |
| **Total** | **-8** | **-1** | **0** | **0** | **0** | **0** | **-9** |

## 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 | |
| **Sep 20** | | | | | | | | | |
| Central banks | 18,573 | 0 | 0 | 18,573 | 0 | 0 | 0 | 0 | 18,572 |
| Credit institutions | 7,070 | 44 | 2 | 7,115 | -12 | -1 | -2 | -15 | 7,100 |
| **Total** | **25,642** | **44** | **2** | **25,688** | **-13** | **-1** | **-2** | **-15** | **25,672** |
| **Dec 19** | | | | | | | | | |
| Central banks | 16,109 | 0 | 0 | 16,109 | 0 | 0 | 0 | 0 | 16,108 |
| Credit institutions | 6,936 | 17 | 2 | 6,955 | -6 | 0 | -2 | -9 | 6,946 |
| **Total** | **23,045** | **17** | **2** | **23,063** | **-7** | **0** | **-2** | **-9** | **23,055** |

There were no purchased or originated credit-impaired (POCI) AC loans and advances to banks as of 30 September 2020.

## 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 20** | | | | | | **Sep 20** |
| Stage 1 | -7 | -15 | 9 | 0 | -1 | 0 | -13 |
| Stage 2 | 0 | 0 | 0 | -1 | -1 | 0 | -1 |
| Stage 3 | -2 | 0 | 2 | 0 | -2 | 0 | -2 |
| **Total** | **-9** | **-15** | **12** | **-1** | **-3** | **0** | **-15** |
| | **Jan 19** | | | | | | **Sep 19** |
| Stage 1 | -3 | -26 | 24 | 0 | -1 | 0 | -6 |
| Stage 2 | -3 | 0 | 0 | 0 | 3 | 0 | 0 |
| Stage 3 | -2 | 0 | 0 | 0 | 0 | 0 | -2 |
| **Total** | **-9** | **-26** | **24** | **0** | **3** | **0** | **-8** |

## Loans and advances to customers

| in EUR million | Gross carrying amount: Stage 1 | Gross carrying amount: Stage 2 | Gross carrying amount: Stage 3 | Gross carrying amount: POCI | Gross carrying amount: Total | Credit loss allowances: Stage 1 | Credit loss allowances: Stage 2 | Credit loss allowances: Stage 3 | Credit loss allowances: POCI | Credit loss allowances: Total | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sep 20** | | | | | | | | | | | |
| General governments | 6,587 | 226 | 2 | 3 | 6,819 | -5 | -5 | -2 | -1 | -13 | 6,806 |
| Other financial corporations | 3,190 | 828 | 10 | 12 | 4,040 | -7 | -21 | -6 | 0 | -34 | 4,006 |
| Non-financial corporations | 52,524 | 16,462 | 1,546 | 230 | 70,762 | -186 | -627 | -979 | -89 | -1,882 | 68,880 |
| Households | 68,987 | 9,512 | 1,822 | 129 | 80,451 | -122 | -454 | -1,031 | -33 | -1,640 | 78,811 |
| **Total** | **131,289** | **27,028** | **3,380** | **374** | **162,071** | **-320** | **-1,107** | **-2,019** | **-123** | **-3,569** | **158,502** |
| **Dec 19** | | | | | | | | | | | |
| General governments | 6,449 | 325 | 3 | 4 | 6,781 | -17 | -3 | -2 | -1 | -23 | 6,757 |
| Other financial corporations | 3,342 | 244 | 12 | 13 | 3,612 | -5 | -9 | -8 | 0 | -22 | 3,590 |
| Non-financial corporations | 60,331 | 5,618 | 1,584 | 242 | 67,774 | -176 | -243 | -965 | -96 | -1,479 | 66,296 |
| Households | 70,577 | 6,538 | 1,886 | 145 | 79,146 | -122 | -251 | -1,029 | -43 | -1,445 | 77,701 |
| **Total** | **140,699** | **12,725** | **3,484** | **404** | **157,312** | **-320** | **-506** | **-2,003** | **-139** | **-2,969** | **154,344** |

## Development of credit loss allowances for loans and advances to customers

| in EUR million | As of | Additions | Derecognitions | Transfer between stages | Other changes in credit risk (net) | Insignificant modifications (net) | Write-offs | Other | As of |
|---|---|---|---|---|---|---|---|---|---|
| | **Jan 20** | | | | | | | | **Sep 20** |
| **Stage 1** | **-320** | **-160** | **45** | **255** | **-146** | **0** | **0** | **6** | **-320** |
| General governments | -17 | -5 | 2 | 1 | 14 | 0 | 0 | 0 | -5 |
| Other financial corporations | -5 | -5 | 2 | 3 | -3 | 0 | 0 | 0 | -7 |
| Non-financial corporations | -176 | -97 | 29 | 97 | -42 | 0 | 0 | 3 | -186 |
| Households | -122 | -54 | 11 | 154 | -114 | 0 | 0 | 3 | -122 |
| **Stage 2** | **-506** | **-62** | **80** | **-740** | **104** | **-2** | **1** | **17** | **-1,107** |
| General governments | -3 | 0 | 0 | -3 | 1 | 0 | 0 | 0 | -5 |
| Other financial corporations | -9 | -1 | 1 | -8 | -3 | 0 | 0 | 0 | -21 |
| Non-financial corporations | -243 | -47 | 52 | -373 | -24 | 0 | 0 | 7 | -627 |
| Households | -251 | -15 | 27 | -355 | 131 | -2 | 1 | 10 | -454 |
| **Stage 3** | **-2,003** | **-58** | **156** | **-64** | **-243** | **2** | **158** | **33** | **-2,019** |
| General governments | -2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -2 |
| Other financial corporations | -8 | 0 | 2 | 0 | -2 | 0 | 3 | 0 | -6 |
| Non-financial corporations | -965 | -27 | 76 | -24 | -122 | 1 | 73 | 8 | -979 |
| Households | -1,029 | -30 | 79 | -39 | -119 | 1 | 82 | 24 | -1,031 |
| **POCI** | **-139** | **0** | **11** | **0** | **-1** | **0** | **3** | **3** | **-123** |
| General governments | -1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1 |
| Other financial corporations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-financial corporations | -96 | 0 | 7 | 0 | -2 | 0 | 0 | 1 | -89 |
| Households | -43 | 0 | 5 | 0 | 1 | 0 | 2 | 2 | -33 |
| **Total** | **-2,969** | **-280** | **293** | **-548** | **-285** | **0** | **162** | **58** | **-3,569** |
| | **Jan 19** | | | | | | | | **Sep 19** |
| **Stage 1** | **-321** | **-201** | **65** | **197** | **-72** | **0** | **0** | **0** | **-333** |
| General governments | -16 | -3 | 1 | 1 | -1 | 0 | 0 | 0 | -18 |
| Other financial corporations | -8 | -7 | 7 | 3 | 0 | 0 | 0 | 0 | -6 |
| Non-financial corporations | -169 | -131 | 45 | 70 | 2 | 0 | 0 | 0 | -183 |
| Households | -128 | -59 | 13 | 123 | -74 | 0 | 0 | 0 | -126 |
| **Stage 2** | **-455** | **-19** | **60** | **-257** | **200** | **0** | **1** | **2** | **-467** |
| General governments | -10 | 0 | 0 | -1 | 8 | 0 | 0 | 0 | -4 |
| Other financial corporations | -5 | -1 | 0 | -2 | 2 | 0 | 0 | 3 | -3 |
| Non-financial corporations | -191 | -6 | 34 | -94 | 54 | 0 | 0 | -3 | -205 |
| Households | -249 | -11 | 26 | -160 | 135 | -1 | 1 | 2 | -256 |
| **Stage 3** | **-2,341** | **-53** | **213** | **-52** | **-194** | **1** | **315** | **3** | **-2,109** |
| General governments | -2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -2 |
| Other financial corporations | -40 | -8 | 4 | 0 | 0 | 0 | 7 | 28 | -9 |
| Non-financial corporations | -1,133 | -24 | 78 | -23 | -72 | 0 | 187 | -28 | -1,016 |
| Households | -1,166 | -20 | 131 | -29 | -122 | 0 | 121 | 3 | -1,082 |
| **POCI** | **-173** | **0** | **20** | **0** | **6** | **2** | **6** | **1** | **-137** |
| General governments | 0 | 0 | 0 | 0 | -2 | 0 | 0 | 0 | -2 |
| Other financial corporations | -3 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 0 |
| Non-financial corporations | -97 | 0 | 10 | 0 | -1 | 2 | 3 | 0 | -83 |
| Households | -73 | 0 | 10 | 0 | 6 | 0 | 3 | 2 | -52 |
| **Total** | **-3,290** | **-273** | **359** | **-112** | **-61** | **2** | **323** | **6** | **-3,046** |

## 19. Finance lease 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 | |
| **Sep 20** | | | | | | | | | | | |
| General governments | 358 | 0 | 16 | 0 | 374 | -3 | 0 | 0 | 0 | -3 | 371 |
| Credit institutions | 4 | 0 | 0 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Other financial corporations | 73 | 0 | 0 | 0 | 73 | 0 | 0 | 0 | 0 | 0 | 73 |
| Non-financial corporations | 2,284 | 475 | 258 | 0 | 3,017 | -12 | -8 | -121 | 0 | -141 | 2,877 |
| Households | 760 | 30 | 16 | 0 | 806 | -3 | -1 | -7 | 0 | -12 | 794 |
| **Total** | **3,479** | **506** | **290** | **0** | **4,274** | **-18** | **-9** | **-128** | **0** | **-156** | **4,118** |
| **Dec 19** | | | | | | | | | | | |
| General governments | 363 | 0 | 16 | 0 | 379 | -2 | 0 | 0 | 0 | -2 | 377 |
| Credit institutions | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Other financial corporations | 71 | 0 | 0 | 0 | 71 | 0 | 0 | 0 | 0 | 0 | 71 |
| Non-financial corporations | 2,585 | 96 | 253 | 0 | 2,934 | -10 | -4 | -106 | 0 | -121 | 2,813 |
| Households | 747 | 21 | 15 | 0 | 783 | -3 | -1 | -7 | 0 | -11 | 772 |
| **Total** | **3,768** | **117** | **284** | **0** | **4,169** | **-15** | **-5** | **-114** | **0** | **-134** | **4,034** |

## Development of credit loss allowances for finance lease receivables

| in EUR million | As of | Additions | Derecognitions | Transfer between stages | Other changes in credit risk (net) | Insignificant modifications (net) | Write-offs | Other | As of |
|---|---|---|---|---|---|---|---|---|---|
| | **Jan 20** | | | | | | | | **Sep 20** |
| Stage 1 | -15 | -4 | 0 | 5 | -4 | 0 | 0 | 0 | -18 |
| Stage 2 | -5 | 0 | 0 | -5 | 0 | 0 | 0 | 0 | -9 |
| Stage 3 | -114 | 0 | 1 | -6 | -18 | 0 | 3 | 6 | -128 |
| POCI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **-134** | **-4** | **1** | **-5** | **-22** | **0** | **3** | **6** | **-156** |
| | **Jan 19** | | | | | | | | **Sep 19** |
| Stage 1 | -18 | -4 | 0 | 3 | 5 | 0 | 0 | 0 | -14 |
| Stage 2 | -3 | 0 | 0 | -2 | 2 | 0 | 0 | 0 | -3 |
| Stage 3 | -130 | 0 | 2 | -2 | 3 | 0 | 7 | 0 | -120 |
| POCI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **-151** | **-4** | **2** | **-2** | **10** | **0** | **7** | **0** | **-138** |

## 20. Hedge accounting derivatives

| in EUR million | Dec 19 | | | Sep 20 | | |
|---|---|---|---|---|---|---|
| | Notional value | Positive fair value | Negative fair value | Notional value | Positive fair value | Negative fair value |
| **Fair value hedges** | **11,234** | **460** | **296** | **12,950** | **530** | **308** |
| Interest rate | 11,234 | 460 | 296 | 12,950 | 530 | 308 |
| Equity | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign exchange | 0 | 0 | 0 | 0 | 0 | 0 |
| Credit | 0 | 0 | 0 | 0 | 0 | 0 |
| Commodity | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| **Cash flow hedges** | **3,532** | **21** | **81** | **3,275** | **132** | **19** |
| Interest rate | 3,280 | 20 | 79 | 2,704 | 132 | 7 |
| Equity | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign exchange | 252 | 1 | 2 | 571 | 0 | 12 |
| Credit | 0 | 0 | 0 | 0 | 0 | 0 |
| Commodity | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total gross amounts** | **14,766** | **481** | **377** | **16,224** | **662** | **327** |
| Offset | 0 | -350 | -107 | | -408 | -118 |
| **Total** | | **130** | **269** | | **254** | **209** |

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 | |
| **Sep 20** | | | | | | | | | | | |
| Central banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General governments | 35 | 16 | 0 | 0 | 51 | 0 | 0 | 0 | 0 | 0 | 51 |
| Credit institutions | 20 | 3 | 0 | 0 | 24 | 0 | 0 | 0 | 0 | -1 | 23 |
| Other financial corporations | 26 | 4 | 0 | 0 | 29 | 0 | 0 | 0 | 0 | 0 | 29 |
| Non-financial corporations | 459 | 592 | 44 | 0 | 1,094 | -2 | -2 | -34 | 0 | -39 | 1,056 |
| Households | 70 | 29 | 24 | 0 | 122 | -1 | -6 | -19 | 0 | -25 | 97 |
| **Total** | **610** | **642** | **68** | **0** | **1,321** | **-3** | **-9** | **-53** | **0** | **-65** | **1,256** |
| **Dec 19** | | | | | | | | | | | |
| Central banks | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| General governments | 44 | 18 | 0 | 0 | 63 | 0 | 0 | 0 | 0 | 0 | 62 |
| Credit institutions | 22 | 2 | 0 | 0 | 25 | 0 | -1 | 0 | 0 | -1 | 24 |
| Other financial corporations | 24 | 5 | 0 | 0 | 30 | 0 | 0 | 0 | 0 | 0 | 29 |
| Non-financial corporations | 500 | 680 | 50 | 10 | 1,240 | -3 | -2 | -41 | -1 | -47 | 1,193 |
| Households | 70 | 33 | 19 | 0 | 122 | -3 | -7 | -13 | 0 | -23 | 99 |
| **Total** | **661** | **738** | **70** | **10** | **1,480** | **-6** | **-10** | **-55** | **-1** | **-72** | **1,408** |

### Development of credit loss allowances for trade and other receivables

| in EUR million | As of | Additions | Derecognitions | Transfer between stages | Other changes in credit risk (net) | Insignificant modifications (net) | Write-offs | Other | As of |
|---|---|---|---|---|---|---|---|---|---|
| | **Jan 20** | | | | | | | | **Sep 20** |
| Stage 1 | -6 | -2 | 1 | 2 | 2 | 0 | 0 | 0 | -3 |
| Stage 2 | -10 | 0 | 1 | -3 | 2 | 0 | 0 | 0 | -9 |
| Stage 3 | -55 | 0 | 2 | -1 | -6 | 0 | 3 | 4 | -53 |
| POCI | -1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **-72** | **-2** | **4** | **-1** | **-2** | **0** | **3** | **5** | **-65** |
| | **Jan 19** | | | | | | | | **Sep 19** |
| Stage 1 | -5 | -4 | 1 | 1 | -2 | 0 | 0 | 0 | -8 |
| Stage 2 | -19 | 0 | 1 | -1 | 3 | 0 | 6 | 0 | -9 |
| Stage 3 | -98 | -1 | 7 | -2 | -5 | 0 | 16 | 0 | -82 |
| POCI | -1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1 |
| **Total** | **-122** | **-4** | **10** | **-1** | **-3** | **0** | **22** | **0** | **-99** |

## 22. Other assets

| in EUR million | Dec 19 | Sep 20 |
|---|---|---|
| Prepayments | 123 | 143 |
| Inventories | 198 | 168 |
| Sundry assets | 680 | 812 |
| **Other assets** | **1,001** | **1,123** |

## 23. Other financial liabilities held for trading

| in EUR million | Dec 19 | Sep 20 |
|---|---|---|
| Short positions | 368 | 523 |
| Equity instruments | 35 | 147 |
| Debt securities | 333 | 375 |
| Debt securities issued | 48 | 70 |
| **Other financial liabilities held for trading** | **416** | **592** |

## 24. Financial liabilities at fair value through profit and loss

### Debt securities issued

| in EUR million | Dec 19 | Sep 20 |
|---|---|---|
| Subordinated debt securities issued | 4,539 | 4,065 |
| Other debt securities issued | 8,471 | 7,813 |
| Bonds | 5,386 | 4,788 |
| Other certificates of deposits/name certificates | 872 | 867 |
| Mortgage covered bonds | 1,961 | 1,942 |
| Public sector covered bonds | 252 | 216 |
| **Debt securities issued** | **13,011** | **11,878** |

## 25. Financial liabilities at amortised costs

### Deposits from banks

| in EUR million | Dec 19 | Sep 20 |
|---|---|---|
| Overnight deposits | 1,951 | 2,946 |
| Term deposits | 9,613 | 21,867 |
| Repurchase agreements | 1,577 | 1,620 |
| **Deposits from banks** | **13,141** | **26,433** |

### Deposits from customers

| in EUR million | Dec 19 | Sep 20 |
|---|---|---|
| **Overnight deposits** | **121,651** | **136,893** |
| Savings deposits | 31,476 | 35,213 |
| Other financial corporations | 150 | 185 |
| Non-financial corporations | 1,992 | 2,367 |
| Households | 29,334 | 32,661 |
| Non-savings deposits | 90,174 | 101,680 |
| General governments | 5,339 | 6,826 |
| Other financial corporations | 5,705 | 6,498 |
| Non-financial corporations | 27,245 | 31,653 |
| Households | 51,886 | 56,701 |
| **Term deposits** | **49,910** | **44,684** |
| Deposits with agreed maturity | 43,508 | 38,237 |
| Savings deposits | 28,248 | 26,293 |
| Other financial corporations | 1,098 | 936 |
| Non-financial corporations | 1,323 | 1,385 |
| Households | 25,826 | 23,973 |
| Non-savings deposits | 15,261 | 11,944 |
| General governments | 3,294 | 2,636 |
| Other financial corporations | 2,488 | 1,836 |
| Non-financial corporations | 3,493 | 2,266 |
| Households | 5,985 | 5,206 |
| Deposits redeemable at notice | 6,402 | 6,447 |
| General governments | 12 | 1 |
| Other financial corporations | 86 | 113 |
| Non-financial corporations | 163 | 262 |
| Households | 6,140 | 6,071 |
| **Repurchase agreements** | **1,505** | **2,974** |
| General governments | 9 | 1,966 |
| Other financial corporations | 1,431 | 1,007 |
| Non-financial corporations | 65 | 0 |
| **Deposits from customers** | **173,066** | **184,551** |
| **General governments** | **8,655** | **11,430** |
| **Other financial corporations** | **10,958** | **10,576** |
| **Non-financial corporations** | **34,281** | **37,932** |
| **Households** | **119,173** | **124,613** |

## Debt securities issued

| in EUR million | Dec 19 | Sep 20 |
|---|---|---|
| Subordinated debt securities issued | 1,439 | 1,461 |
| Senior non-preferred bonds | | 673 |
| Other debt securities issued | 15,417 | 15,663 |
| Bonds | 2,929 | 3,707 |
| Certificates of deposit | 81 | 32 |
| Other certificates of deposits/name certificates | 237 | 215 |
| Mortgage covered bonds | 10,796 | 11,008 |
| Public sector covered bonds | 0 | 0 |
| Other | 1,374 | 701 |
| **Debt securities issued** | **17,360** | **17,797** |

## 26. Provisions

| in EUR million | Dec 19 | Sep 20 |
|---|---|---|
| Long-term employee provisions | 1,054 | 1,011 |
| Pending legal issues and tax litigation | 353 | 343 |
| Commitments and guarantees given | 293 | 315 |
| Provisions for commitments and financial guarantees in Stage 1 | 64 | 74 |
| Provisions for commitments and financial guarantees in Stage 2 | 75 | 156 |
| Provisions for commitments and financial guarantees - Defaulted | 154 | 86 |
| Other provisions | 219 | 340 |
| Provisions for onerous contracts | 3 | 2 |
| Restructuring | 5 | 4 |
| Other | 216 | 337 |
| **Provisions** | **1,919** | **2,008** |

### 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 to 0.74% p.a. as of 30 September 2020 (31 December 2019: 0.95% p. a.) to reflect the actual interest rate levels. Furthermore, the collective agreement trend has been decreased to 1.90% p.a. (31 December 2019: 2.00% p.a.) and the ASVG trend to 1.70% p.a. (31 December 2019: 1.75% p.a). According to IAS 19 the resulting measurement adjustment for pension and severance payment provisions amounting to EUR 3.8 million (before tax) has been recognised in other comprehensive income those for jubilee provisions, in amount of EUR 0.1 million has been considered in the income statement.

## 27. Other liabilities

| in EUR million | Dec 19 | Sep 20 |
|---|---|---|
| Deferred income | 117 | 138 |
| Sundry liabilities | 2,252 | 2,868 |
| **Other liabilities** | **2,369** | **3,006** |

## 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 2020.

**Erste Group – business segments**

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

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

**Corporates.** The Corporates segment comprises business done with corporate customers of different turnover size (small and medium-sized enterprises and Large Corporate customers) as well as commercial real estate and public sector business. 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. Large Corporates (LC) are companies with an annual turnover above the defined SME thresholds and/or large corporate customers/client groups with substantial operations in core markets/extended core markets of Erste Group (former Local Large Corporates and Group Large Corporates business). Commercial Real Estate (CRE) covers for example investors in real estate for the purpose of generating income from the rental of individual properties or portfolios of properties, developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale. Public Sector consists of three sets of customers: public sector, public corporations and non-profit sector. In addition, the majority of municipalities are also segmented as Public Sector clients.

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

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

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

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

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

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

### Geographical segmentation

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

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


The geographical area Austria consists of the following three segments:

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

The geographical area Central and Eastern Europe (CEE) consists of six segments covering Erste Group's banking subsidiaries located in the respective CEE countries:

_ **Czech Republic** (comprising Česká spořitelna Group)
_ **Slovakia** (comprising Slovenská sporitel'ňa Group)
_ **Romania** (comprising Banca Comercială Română Group)
_ **Hungary** (comprising Erste Bank Hungary Group)
_ **Croatia** (comprising Erste Bank Croatia Group), and
_ **Serbia** (comprising Erste Bank Serbia Group).

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

### Measurement

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

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

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

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

## Business segments (1)

| in EUR million | Retail | | Corporates | | Group Markets | | ALM&LCC | |
|---|---|---|---|---|---|---|---|---|
| | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 |
| Net interest income | 1,711.6 | 1,579.7 | 810.6 | 826.4 | 186.4 | 192.7 | -75.6 | 54.7 |
| Net fee and commission income | 810.3 | 768.9 | 223.3 | 207.1 | 166.1 | 172.3 | -50.3 | -58.4 |
| Dividend income | 3.6 | 0.0 | 1.7 | 0.7 | 2.5 | -0.6 | 7.2 | 8.0 |
| Net trading result | 85.1 | 73.4 | 68.1 | 42.0 | 10.2 | -6.1 | 246.3 | -87.8 |
| Gains/losses from financial instruments at FVPL | 4.9 | -12.5 | 4.6 | -12.1 | 28.9 | 11.4 | -232.6 | 106.4 |
| Net result from equity method investments | 5.0 | 4.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | 2.1 |
| Rental income from investment properties & other operating leases | 16.6 | 18.0 | 76.9 | 81.3 | 0.0 | 0.0 | 25.2 | 18.5 |
| General administrative expenses | -1,543.3 | -1,543.2 | -423.3 | -398.1 | -179.6 | -170.8 | -83.4 | -73.8 |
| Gains/losses from derecognition of financial assets at AC | -0.2 | 0.1 | -1.1 | 0.1 | 0.0 | 0.0 | 6.2 | -0.4 |
| Other gains/losses from derecognition of financial instruments not at FVPL | 0.0 | 0.0 | 19.4 | 0.5 | 0.0 | 1.2 | -6.4 | -0.1 |
| Impairment result from financial instruments | -48.3 | -305.9 | 62.3 | -384.3 | 7.7 | -10.2 | 10.1 | -12.0 |
| Other operating result | -200.8 | -63.2 | -34.4 | -39.8 | -13.8 | -20.4 | -74.0 | -68.0 |
| Levies on banking activities | -51.2 | -52.5 | -20.2 | -17.7 | -3.0 | -3.3 | -1.0 | -10.6 |
| **Pre-tax result from continuing operations** | **844.5** | **519.4** | **808.1** | **323.8** | **208.2** | **169.5** | **-226.9** | **-110.9** |
| Taxes on income | -155.1 | -84.5 | -149.1 | -60.9 | -39.7 | -34.3 | 5.9 | 34.1 |
| **Net result for the period** | **689.4** | **434.9** | **659.0** | **262.8** | **168.4** | **135.3** | **-221.0** | **-76.8** |
| Net result attributable to non-controlling interests | 29.3 | 9.8 | 26.7 | 44.3 | 4.8 | 2.9 | -6.3 | -2.1 |
| **Net result attributable to owners of the parent** | **660.1** | **425.1** | **632.3** | **218.5** | **163.6** | **132.4** | **-214.7** | **-74.7** |
| | | | | | | | | |
| Operating income | 2,637.1 | 2,431.6 | 1,185.1 | 1,145.5 | 394.0 | 369.8 | -79.4 | 43.5 |
| Operating expenses | -1,543.3 | -1,543.2 | -423.3 | -398.1 | -179.6 | -170.8 | -83.4 | -73.8 |
| **Operating result** | **1,093.8** | **888.4** | **761.9** | **747.3** | **214.3** | **198.9** | **-162.8** | **-30.3** |
| | | | | | | | | |
| Risk-weighted assets (credit risk, eop) | 20,402 | 17,605 | 42,741 | 42,170 | 3,994 | 3,331 | 6,481 | 6,650 |
| Average allocated capital | 3,452 | 3,242 | 4,511 | 4,771 | 953 | 869 | 3,010 | 3,096 |
| Cost/income ratio | 58.5% | 63.5% | 35.7% | 34.8% | 45.6% | 46.2% | >100% | >100% |
| Return on allocated capital | 26.7% | 17.9% | 19.5% | 7.4% | 23.6% | 20.8% | -9.8% | -3.3% |
| Total assets (eop) | 63,453 | 64,146 | 57,259 | 59,689 | 53,286 | 41,475 | 50,341 | 72,026 |
| Total liabilities excluding equity (eop) | 89,063 | 95,087 | 31,436 | 33,509 | 38,131 | 39,495 | 51,751 | 54,115 |
| | | | | | | | | |
| **Impairments** | **-49.1** | **-306.4** | **55.9** | **-415.0** | **7.7** | **-10.2** | **6.7** | **-12.6** |
| Net impairment loss on financial assets AC | -51.4 | -295.4 | 0.3 | -290.2 | 6.3 | -11.1 | 8.5 | -11.3 |
| Net impairment loss on financial assets FVOCI | 0.0 | 0.0 | 0.2 | -3.5 | 0.0 | 0.0 | 0.5 | -2.7 |
| Net impairment loss on finance lease receivables | -0.4 | -5.9 | 10.2 | -20.8 | 0.0 | 0.0 | 0.3 | 0.4 |
| Net impairment loss on commitments and guarantees given | 3.5 | -4.6 | 51.6 | -69.9 | 1.4 | 0.9 | 0.8 | 1.7 |
| Impairment of goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net impairment on investments in subsidiaries, joint ventures and associates | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net impairment on other non-financial assets | -0.8 | -0.5 | -6.4 | -30.7 | 0.0 | 0.0 | -3.4 | -0.6 |

## Business segments (2)

| in EUR million | Savings Banks | | Group Corporate Center | | Intragroup Elimination | | Total Group | |
|---|---|---|---|---|---|---|---|---|
| | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 |
| Net interest income | 781.9 | 801.6 | 47.1 | 65.6 | 55.4 | 68.4 | 3,517.4 | 3,589.3 |
| Net fee and commission income | 356.0 | 381.2 | -0.2 | 6.7 | -20.8 | -29.4 | 1,484.3 | 1,448.3 |
| Dividend income | 3.1 | 2.5 | 6.0 | 5.0 | 0.0 | 0.0 | 24.0 | 15.7 |
| Net trading result | 41.6 | 4.9 | 18.4 | 32.7 | -50.5 | -50.2 | 419.3 | 9.0 |
| Gains/losses from financial instruments at FVPL | 7.2 | -16.6 | -2.3 | 4.9 | 0.0 | 0.0 | -189.4 | 81.4 |
| Net result from equity method investments | 0.0 | 0.0 | 4.7 | 3.6 | 0.0 | 0.0 | 10.1 | 9.9 |
| Rental income from investment properties & other operating leases | 29.2 | 28.6 | -18.6 | -13.8 | -0.9 | -0.3 | 128.4 | 132.3 |
| General administrative expenses | -807.9 | -818.3 | -704.4 | -746.3 | 581.0 | 627.4 | -3,160.8 | -3,123.2 |
| Gains/losses from derecognition of financial assets at AC | 0.5 | 0.1 | 0.3 | 0.5 | -6.0 | -0.2 | -0.4 | 0.2 |
| Other gains/losses from derecognition of financial instruments not at FVPL | -0.6 | -1.5 | -0.5 | -1.0 | 6.1 | 0.2 | 18.0 | -0.7 |
| Impairment result from financial instruments | 14.6 | -165.5 | -3.6 | 7.8 | 0.0 | 0.0 | 42.9 | -870.1 |
| Other operating result | -16.6 | -7.8 | 506.7 | 601.5 | -564.2 | -615.9 | -397.2 | -213.6 |
| Levies on banking activities | -3.2 | -3.4 | -12.3 | -12.8 | 0.0 | 0.0 | -90.9 | -100.3 |
| **Pre-tax result from continuing operations** | **409.1** | **209.3** | **-146.4** | **-32.7** | **0.0** | **0.0** | **1,896.6** | **1,078.4** |
| Taxes on income | -101.0 | -59.4 | 88.2 | -59.1 | 0.0 | 0.0 | -350.9 | -264.2 |
| **Net result for the period** | **308.0** | **149.8** | **-58.1** | **-91.8** | **0.0** | **0.0** | **1,545.7** | **814.2** |
| Net result attributable to non-controlling interests | 263.7 | 116.4 | 4.5 | 5.9 | 0.0 | 0.0 | 322.7 | 177.1 |
| **Net result attributable to owners of the parent** | **44.4** | **33.5** | **-62.6** | **-97.7** | **0.0** | **0.0** | **1,223.0** | **637.1** |
| | | | | | | | | |
| Operating income | 1,219.0 | 1,202.3 | 55.1 | 104.7 | -16.8 | -11.4 | 5,394.1 | 5,285.8 |
| Operating expenses | -807.9 | -818.3 | -704.4 | -746.3 | 581.0 | 627.4 | -3,160.8 | -3,123.2 |
| **Operating result** | **411.2** | **384.0** | **-649.3** | **-641.6** | **564.2** | **615.9** | **2,233.3** | **2,162.7** |
| | | | | | | | | |
| Risk-weighted assets (credit risk, eop) | 25,176 | 23,220 | 1,446 | 1,551 | 0 | 0 | 100,240 | 94,527 |
| Average allocated capital | 3,189 | 3,088 | 4,482 | 6,158 | 0 | 0 | 19,597 | 21,226 |
| Cost/income ratio | 66.3% | 68.1% | >100% | >100% | >100% | >100% | 58.6% | 59.1% |
| Return on allocated capital | 12.9% | 6.5% | -1.7% | -2.0% | | | 10.5% | 5.1% |
| Total assets (eop) | 65,439 | 71,302 | 3,256 | 3,270 | -40,933 | -39,924 | 252,101 | 271,983 |
| Total liabilities excluding equity (eop) | 60,501 | 66,115 | 2,033 | 2,172 | -40,944 | -39,949 | 231,971 | 250,545 |
| | | | | | | | | |
| **Impairments** | **14.8** | **-165.5** | **-6.5** | **5.7** | **0.0** | **0.0** | **29.6** | **-904.0** |
| Net impairment loss on financial assets AC | -5.0 | -158.5 | -4.4 | 5.6 | 0.0 | 0.0 | -45.7 | -760.9 |
| Net impairment loss on financial assets FVOCI | -0.1 | 0.0 | 0.0 | 0.7 | 0.0 | 0.0 | 0.6 | -5.5 |
| Net impairment loss on finance lease receivables | -0.5 | -1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 9.6 | -27.9 |
| Net impairment loss on commitments and guarantees given | 20.2 | -5.5 | 0.9 | 1.6 | 0.0 | 0.0 | 78.4 | -75.8 |
| 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 | 0.3 | 0.0 | -0.3 | -2.1 | 0.0 | 0.0 | 0.0 | -2.1 |
| Net impairment on other non-financial assets | -0.1 | 0.0 | -2.6 | 0.0 | 0.0 | 0.0 | -13.4 | -31.8 |

## Geographical segmentation – overview

| in EUR million | Austria | | Central and Eastern Europe | | Other | | Total Group | |
|---|---|---|---|---|---|---|---|---|
| | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 |
| Net interest income | 1,554.6 | 1,625.3 | 1,889.7 | 1,856.9 | 73.0 | 107.0 | 3,517.4 | 3,589.3 |
| Net fee and commission income | 832.6 | 862.3 | 714.0 | 654.9 | -62.4 | -68.8 | 1,484.3 | 1,448.3 |
| Dividend income | 14.1 | 8.8 | 4.0 | 1.9 | 6.0 | 5.0 | 24.0 | 15.7 |
| Net trading result | 35.7 | -39.1 | 199.3 | 153.5 | 184.3 | -105.4 | 419.3 | 9.0 |
| Gains/losses from financial instruments at FVPL | 23.5 | -11.1 | 4.4 | 16.1 | -217.3 | 76.4 | -189.4 | 81.4 |
| Net result from equity method investments | -1.7 | 1.5 | 7.1 | 4.8 | 4.7 | 3.6 | 10.1 | 9.9 |
| Rental income from investment properties & other operating leases | 99.7 | 106.0 | 37.4 | 37.9 | -8.6 | -11.6 | 128.4 | 132.3 |
| General administrative expenses | -1,610.7 | -1,605.5 | -1,406.1 | -1,382.3 | -144.1 | -135.3 | -3,160.8 | -3,123.2 |
| Gains/losses from derecognition of financial assets at AC | -0.6 | 0.3 | 0.0 | 0.4 | 0.2 | -0.5 | -0.4 | 0.2 |
| Other gains/losses from derecognition of financial instruments not at FVPL | -0.9 | -0.4 | -6.0 | 0.5 | 24.9 | -0.8 | 18.0 | -0.7 |
| Impairment result from financial instruments | 22.3 | -414.6 | 23.1 | -461.7 | -2.5 | 6.2 | 42.9 | -870.1 |
| Other operating result | -6.5 | -19.4 | -312.9 | -152.8 | -77.8 | -41.4 | -397.2 | -213.6 |
| Levies on banking activities | -5.9 | -6.2 | -72.7 | -81.3 | -12.3 | -12.8 | -90.9 | -100.3 |
| **Pre-tax result from continuing operations** | **962.0** | **514.1** | **1,154.0** | **730.0** | **-219.5** | **-165.6** | **1,896.6** | **1,078.4** |
| Taxes on income | -217.5 | -86.3 | -241.8 | -147.7 | 108.4 | -30.2 | -350.9 | -264.2 |
| **Net result for the period** | **744.5** | **427.8** | **912.3** | **582.2** | **-111.1** | **-195.8** | **1,545.7** | **814.2** |
| Net result attributable to non-controlling interests | 281.9 | 152.9 | 36.3 | 18.3 | 4.5 | 5.9 | 322.7 | 177.1 |
| **Net result attributable to owners of the parent** | **462.6** | **274.9** | **876.0** | **563.9** | **-115.6** | **-201.8** | **1,223.0** | **637.1** |
| | | | | | | | | |
| Operating income | 2,558.4 | 2,553.7 | 2,855.9 | 2,725.9 | -20.2 | 6.2 | 5,394.1 | 5,285.8 |
| Operating expenses | -1,610.7 | -1,605.5 | -1,406.1 | -1,382.3 | -144.1 | -135.3 | -3,160.8 | -3,123.2 |
| **Operating result** | **947.7** | **948.2** | **1,449.8** | **1,343.6** | **-164.3** | **-129.1** | **2,233.3** | **2,162.7** |
| | | | | | | | | |
| Risk-weighted assets (credit risk, eop) | 54,347 | 50,801 | 43,864 | 41,347 | 2,029 | 2,378 | 100,240 | 94,527 |
| Average allocated capital | 7,065 | 6,822 | 6,994 | 7,134 | 5,537 | 7,270 | 19,597 | 21,226 |
| Cost/income ratio | 63.0% | 62.9% | 49.2% | 50.7% | >100% | >100% | 58.6% | 59.1% |
| Return on allocated capital | 14.1% | 8.4% | 17.4% | 10.9% | -2.7% | -3.6% | 10.5% | 5.1% |
| Total assets (eop) | 164,611 | 177,802 | 115,107 | 119,374 | -27,617 | -25,192 | 252,101 | 271,983 |
| Total liabilities excluding equity (eop) | 130,700 | 142,948 | 103,889 | 107,470 | -2,617 | 127 | 231,971 | 250,545 |
| | | | | | | | | |
| **Impairments** | **23.3** | **-414.6** | **13.8** | **-476.0** | **-7.6** | **-13.4** | **29.6** | **-904.0** |
| Net impairment loss on financial assets AC | -20.0 | -370.2 | -22.3 | -394.6 | -3.3 | 4.0 | -45.7 | -760.9 |
| Net impairment loss on financial assets FVOCI | 0.2 | -0.4 | 0.7 | -5.7 | -0.3 | 0.5 | 0.6 | -5.5 |
| Net impairment loss on finance lease receivables | 12.9 | -5.1 | -3.2 | -23.1 | 0.0 | 0.3 | 9.6 | -27.9 |
| Net impairment loss on commitments and guarantees given | 29.2 | -38.9 | 47.9 | -38.4 | 1.2 | 1.4 | 78.4 | -75.8 |
| 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 | 0.3 | 0.0 | 0.0 | 0.0 | -0.3 | -2.1 | 0.0 | -2.1 |
| Net impairment on other non-financial assets | 0.7 | 0.0 | -9.3 | -14.3 | -4.8 | -17.5 | -13.4 | -31.8 |

## Geographical area – Austria

| | EBOe & Subsidiaries | | Savings Banks | | Other Austria | | Austria | |
|---|---|---|---|---|---|---|---|---|
| **in EUR million** | **1-9 19** | **1-9 20** | **1-9 19** | **1-9 20** | **1-9 19** | **1-9 20** | **1-9 19** | **1-9 20** |
| Net interest income | 476.4 | 482.4 | 781.9 | 801.6 | 296.4 | 341.3 | 1,554.6 | 1,625.3 |
| Net fee and commission income | 295.3 | 300.4 | 356.0 | 381.2 | 181.4 | 180.6 | 832.6 | 862.3 |
| Dividend income | 6.8 | 6.1 | 3.1 | 2.5 | 4.2 | 0.2 | 14.1 | 8.8 |
| Net trading result | 36.9 | 6.9 | 41.6 | 4.9 | -42.9 | -50.9 | 35.7 | -39.1 |
| Gains/losses from financial instruments at FVPL | -14.5 | 3.2 | 7.2 | -16.6 | 30.8 | 2.3 | 23.5 | -11.1 |
| Net result from equity method investments | 0.5 | 1.3 | 0.0 | 0.0 | -2.2 | 0.2 | -1.7 | 1.5 |
| Rental income from investment properties & other operating leases | 28.6 | 43.2 | 29.2 | 28.6 | 41.9 | 34.3 | 99.7 | 106.0 |
| General administrative expenses | -522.9 | -519.2 | -807.9 | -818.3 | -279.9 | -268.0 | -1,610.7 | -1,605.5 |
| Gains/losses from derecognition of financial assets at AC | 0.0 | 0.1 | 0.5 | 0.1 | -1.1 | 0.1 | -0.6 | 0.3 |
| Other gains/losses from derecognition of financial instruments not at FVPL | -0.3 | -0.1 | -0.6 | -1.5 | 0.0 | 1.2 | -0.9 | -0.4 |
| Impairment result from financial instruments | -4.6 | -96.7 | 14.6 | -165.5 | 12.3 | -152.4 | 22.3 | -414.6 |
| Other operating result | -25.3 | -13.8 | -16.6 | -7.8 | 35.4 | 2.2 | -6.5 | -19.4 |
| Levies on banking activities | -2.7 | -2.7 | -3.2 | -3.4 | 0.0 | -0.1 | -5.9 | -6.2 |
| **Pre-tax result from continuing operations** | **276.9** | **213.9** | **409.1** | **209.3** | **276.1** | **90.9** | **962.0** | **514.1** |
| Taxes on income | -67.1 | -8.5 | -101.0 | -59.4 | -49.3 | -18.4 | -217.5 | -86.3 |
| **Net result for the period** | **209.7** | **205.4** | **308.0** | **149.8** | **226.7** | **72.6** | **744.5** | **427.8** |
| Net result attributable to non-controlling interests | 11.2 | 31.8 | 263.7 | 116.4 | 7.1 | 4.7 | 281.9 | 152.9 |
| **Net result attributable to owners of the parent** | **198.6** | **173.6** | **44.4** | **33.5** | **219.7** | **67.9** | **462.6** | **274.9** |
| | | | | | | | | |
| Operating income | 829.9 | 843.5 | 1,219.0 | 1,202.3 | 509.4 | 507.9 | 2,558.4 | 2,553.7 |
| Operating expenses | -522.9 | -519.2 | -807.9 | -818.3 | -279.9 | -268.0 | -1,610.7 | -1,605.5 |
| **Operating result** | **307.0** | **324.3** | **411.2** | **384.0** | **229.5** | **239.8** | **947.7** | **948.2** |
| | | | | | | | | |
| Risk-weighted assets (credit risk, eop) | 13,042 | 12,342 | 25,176 | 23,220 | 16,128 | 15,239 | 54,347 | 50,801 |
| Average allocated capital | 1,744 | 1,687 | 3,189 | 3,088 | 2,132 | 2,047 | 7,065 | 6,822 |
| Cost/income ratio | 63.0% | 61.5% | 66.3% | 68.1% | 55.0% | 52.8% | 63.0% | 62.9% |
| Return on allocated capital | 16.1% | 16.3% | 12.9% | 6.5% | 14.2% | 4.7% | 14.1% | 8.4% |
| Total assets (eop) | 47,000 | 51,601 | 65,439 | 71,302 | 52,172 | 54,899 | 164,611 | 177,802 |
| Total liabilities excluding equity (eop) | 44,883 | 49,412 | 60,501 | 66,115 | 25,316 | 27,422 | 130,700 | 142,948 |
| | | | | | | | | |
| **Impairments** | **-4.6** | **-96.7** | **14.8** | **-165.5** | **13.1** | **-152.4** | **23.3** | **-414.6** |
| Net impairment loss on financial assets AC | -16.6 | -83.3 | -5.0 | -158.5 | 1.5 | -128.4 | -20.0 | -370.2 |
| Net impairment loss on financial assets FVOCI | 0.0 | 0.0 | -0.1 | 0.0 | 0.3 | -0.3 | 0.2 | -0.4 |
| Net impairment loss on finance lease receivables | 1.8 | -4.4 | -0.5 | -1.5 | 11.6 | 0.8 | 12.9 | -5.1 |
| Net impairment loss on commitments and guarantees given | 10.2 | -9.0 | 20.2 | -5.5 | -1.1 | -24.4 | 29.2 | -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 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 |
| Net impairment on other non-financial assets | 0.0 | 0.0 | -0.1 | 0.0 | 0.8 | 0.0 | 0.7 | 0.0 |

## Geographical area – Central and Eastern Europe

| | Czech Republic | | Slovakia | | Romania | | Hungary | | Croatia | | Serbia | | Central and Eastern Europe | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| in EUR million | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 | 1-9 19 | 1-9 20 |
| Net interest income | 839.0 | 788.4 | 324.6 | 328.6 | 319.8 | 328.3 | 158.2 | 160.9 | 205.8 | 202.7 | 42.4 | 48.0 | 1,889.7 | 1,856.9 |
| Net fee and commission income | 257.8 | 229.8 | 105.7 | 106.4 | 122.2 | 103.9 | 137.9 | 131.5 | 79.9 | 71.6 | 10.5 | 11.6 | 714.0 | 654.9 |
| Dividend income | 2.4 | 0.5 | 0.8 | 0.6 | 0.5 | 0.7 | 0.1 | 0.0 | 0.2 | 0.1 | 0.0 | 0.0 | 4.0 | 1.9 |
| Net trading result | 78.6 | 53.1 | 12.4 | 5.9 | 53.1 | 50.9 | 26.4 | 22.5 | 24.7 | 18.3 | 4.1 | 2.8 | 199.3 | 153.5 |
| Gains/losses from financial instruments at FVPL | -1.3 | 23.1 | 0.1 | 2.7 | -0.1 | 2.3 | 4.6 | -9.2 | 1.0 | -2.9 | 0.0 | 0.0 | 4.4 | 16.1 |
| Net result from equity method investments | 1.4 | 1.1 | 5.0 | 3.4 | -0.2 | -0.5 | 0.0 | 0.0 | 0.9 | 0.8 | 0.1 | 0.0 | 7.1 | 4.8 |
| Rental income from investment properties & other operating leases | 6.3 | 6.2 | 0.9 | 0.2 | 15.4 | 16.7 | 4.9 | 5.8 | 9.9 | 8.9 | 0.0 | 0.0 | 37.4 | 37.9 |
| General administrative expenses | -557.1 | -549.7 | -210.4 | -214.0 | -268.0 | -251.7 | -161.9 | -159.8 | -166.6 | -165.4 | -42.1 | -41.9 | -1,406.1 | -1,382.3 |
| Gains/losses from derecognition of financial assets at AC | 0.3 | 0.0 | 0.1 | 0.0 | -0.1 | 0.0 | 0.0 | 0.5 | -0.1 | 0.0 | -0.2 | -0.1 | 0.0 | 0.4 |
| Other gains/losses from derecognition of financial instruments not at FVPL | -1.1 | 0.0 | -0.5 | 0.0 | -6.2 | 0.0 | 1.7 | 0.5 | 0.1 | 0.0 | 0.0 | 0.0 | -6.0 | 0.5 |
| Impairment result from financial instruments | 5.9 | -177.2 | -28.0 | -86.6 | 25.9 | -57.5 | 18.3 | -59.2 | 1.5 | -74.6 | -0.5 | -6.7 | 23.1 | -461.7 |
| Other operating result | -29.4 | -35.3 | -28.3 | -40.4 | -172.2 | -11.2 | -55.0 | -52.8 | -27.8 | -12.5 | -0.1 | -0.5 | -312.9 | -152.8 |
| Levies on banking activities | 0.0 | 0.0 | -24.2 | -33.8 | 0.0 | 0.0 | -48.5 | -47.5 | 0.0 | 0.0 | 0.0 | 0.0 | -72.7 | -81.3 |
| **Pre-tax result from continuing operations** | **602.8** | **340.2** | **182.4** | **106.8** | **90.0** | **181.9** | **135.4** | **40.8** | **129.5** | **46.9** | **14.0** | **13.4** | **1,154.0** | **730.0** |
| Taxes on income | -119.2 | -70.1 | -35.9 | -25.0 | -46.1 | -40.5 | -15.6 | -13.4 | -23.9 | 2.0 | -1.2 | -0.8 | -241.8 | -147.7 |
| **Net result for the period** | **483.7** | **270.1** | **146.5** | **81.8** | **43.8** | **141.5** | **119.8** | **27.3** | **105.6** | **49.0** | **12.9** | **12.6** | **912.3** | **582.2** |
| Net result attributable to non-controlling interests | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | 0.2 | 0.0 | 0.0 | 33.6 | 15.5 | 2.6 | 2.5 | 36.3 | 18.3 |
| **Net result attributable to owners of the parent** | **483.6** | **270.0** | **146.5** | **81.8** | **43.8** | **141.3** | **119.8** | **27.3** | **72.0** | **33.5** | **10.2** | **10.1** | **876.0** | **563.9** |
| | | | | | | | | | | | | | | |
| Operating income | 1,184.2 | 1,102.3 | 449.5 | 447.8 | 510.6 | 502.2 | 332.2 | 311.6 | 322.3 | 299.4 | 57.1 | 62.5 | 2,855.9 | 2,725.9 |
| Operating expenses | -557.1 | -549.7 | -210.4 | -214.0 | -268.0 | -251.7 | -161.9 | -159.8 | -166.6 | -165.4 | -42.1 | -41.9 | -1,406.1 | -1,382.3 |
| **Operating result** | **627.1** | **552.7** | **239.1** | **233.8** | **242.6** | **250.6** | **170.4** | **151.8** | **155.8** | **134.1** | **14.9** | **20.6** | **1,449.8** | **1,343.6** |
| | | | | | | | | | | | | | | |
| Risk-weighted assets (credit risk, eop) | 19,007 | 17,101 | 6,989 | 7,215 | 6,600 | 6,090 | 4,193 | 3,877 | 5,455 | 5,574 | 1,621 | 1,490 | 43,864 | 41,347 |
| Average allocated capital | 2,487 | 2,586 | 1,059 | 1,107 | 1,450 | 1,385 | 981 | 956 | 785 | 882 | 233 | 217 | 6,994 | 7,134 |
| Cost/income ratio | 47.0% | 49.9% | 46.8% | 47.8% | 52.5% | 50.1% | 48.7% | 51.3% | 51.7% | 55.2% | 73.8% | 67.0% | 49.2% | 50.7% |
| Return on allocated capital | 26.0% | 13.9% | 18.5% | 9.9% | 4.0% | 13.6% | 16.3% | 3.8% | 18.0% | 7.4% | 7.4% | 7.7% | 17.4% | 10.9% |
| Total assets (eop) | 60,969 | 60,332 | 18,351 | 20,243 | 15,173 | 15,991 | 8,564 | 9,542 | 10,016 | 10,753 | 2,033 | 2,512 | 115,107 | 119,374 |
| Total liabilities excluding equity (eop) | 55,777 | 54,856 | 16,772 | 18,481 | 13,432 | 14,073 | 7,414 | 8,417 | 8,728 | 9,422 | 1,765 | 2,221 | 103,889 | 107,470 |
| | | | | | | | | | | | | | | |
| **Impairments** | **5.3** | **-178.6** | **-27.4** | **-85.4** | **17.4** | **-69.4** | **18.1** | **-60.1** | **0.9** | **-75.8** | **-0.5** | **-6.7** | **13.8** | **-476.0** |
| Net impairment loss on financial assets AC | -16.8 | -166.0 | -31.5 | -81.0 | 5.9 | -43.1 | 18.1 | -36.9 | 2.5 | -61.5 | -0.6 | -6.2 | -22.3 | -394.6 |
| Net impairment loss on financial assets FVOCI | 0.1 | -2.1 | 0.0 | 0.0 | -0.2 | -1.1 | 0.0 | 0.0 | 0.9 | -2.5 | 0.0 | 0.0 | 0.7 | -5.7 |
| Net impairment loss on finance lease receivables | 1.3 | 0.3 | -3.2 | -0.6 | -1.0 | -1.2 | -0.8 | -18.2 | 0.2 | -3.0 | 0.3 | -0.3 | -3.2 | -23.1 |
| Net impairment loss on commitments and guarantees given | 21.3 | -9.3 | 6.7 | -5.0 | 21.2 | -12.1 | 1.0 | -4.1 | -2.1 | -7.7 | -0.2 | -0.1 | 47.9 | -38.4 |
| 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 | -0.6 | -1.5 | 0.6 | 1.2 | -8.5 | -11.9 | -0.2 | -0.9 | -0.6 | -1.1 | 0.0 | 0.0 | -9.3 | -14.3 |

## 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 2019.

### 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 in the reporting period to EUR 287.8 billion (+5.1%; EUR 273.8 billion).

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

| in EUR million | Credit risk exposure | Allowances | Adjustments | Carrying amount |
|---|---|---|---|---|
| **Sep 20** | | | | |
| Cash and cash balances - demand deposits to credit institutions | 1,617 | -1 | 0 | 1,616 |
| Debt instruments HfT | 6,714 | 0 | 0 | 6,714 |
| Non-trading debt instruments at FVPL | 2,762 | 0 | 0 | 2,762 |
| Debt securities | 2,124 | 0 | 0 | 2,124 |
| Loans and advances to banks | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 638 | 0 | 0 | 638 |
| Debt instruments at FVOCI | 8,187 | -19 | 255 | 8,442 |
| Debt securities | 8,187 | -19 | 255 | 8,442 |
| Loans and advances to banks | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 0 | 0 | 0 | 0 |
| Debt instruments at AC | 216,421 | -3,597 | 0 | 212,824 |
| Debt securities | 28,663 | -13 | 0 | 28,649 |
| Loans and advances to banks | 25,688 | -15 | 0 | 25,672 |
| Loans and advances to customers | 162,071 | -3,569 | 0 | 158,502 |
| Trade and other receivables | 1,321 | -65 | 0 | 1,256 |
| Finance lease receivables | 4,274 | -156 | 0 | 4,118 |
| Debt instruments held for sale in disposal groups | 0 | 0 | 0 | 0 |
| Positive fair value of hedge accounting derivatives | 254 | 0 | 0 | 254 |
| Off balance-sheet exposures | 46,248 | -396 | 0 | - |
| **Total** | **287,799** | **-4,235** | **255** | **237,987** |
| | | | | |
| **Dec 19** | | | | |
| Cash and cash balances - demand deposits to credit institutions | 1,196 | 0 | 0 | 1,195 |
| Debt instruments HfT | 5,694 | 0 | 0 | 5,694 |
| Non-trading debt instruments at FVPL | 2,818 | 0 | 0 | 2,818 |
| Debt securities | 2,335 | 0 | 0 | 2,335 |
| Loans and advances to banks | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 483 | 0 | 0 | 483 |
| Debt instruments at FVOCI | 8,590 | -14 | 247 | 8,836 |
| Debt securities | 8,590 | -14 | 247 | 8,836 |
| Loans and advances to banks | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 0 | 0 | 0 | 0 |
| Debt instruments at AC | 207,150 | -2,988 | 0 | 204,162 |
| Debt securities | 26,774 | -11 | 0 | 26,764 |
| Loans and advances to banks | 23,063 | -9 | 0 | 23,055 |
| Loans and advances to customers | 157,312 | -2,969 | 0 | 154,344 |
| Trade and other receivables | 1,480 | -72 | 0 | 1,408 |
| Finance lease receivables | 4,169 | -134 | 0 | 4,034 |
| Debt instruments held for sale in disposal groups | 0 | 0 | 0 | 0 |
| Positive fair value of hedge accounting derivatives | 130 | 0 | 0 | 130 |
| Off balance-sheet exposures | 42,552 | -310 | 0 | - |
| **Total** | **273,778** | **-3,518** | **247** | **228,279** |

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 | Finance lease receivables | Positive fair value of derivatives | Trade and other receivables | Off balance-sheet exposures | Total |
| **Sep 20** | | | | | | | | | | | | |
| Central banks | 0 | 69 | 0 | 47 | 34 | 18,573 | 0 | 0 | 0 | 0 | 0 | 18,723 |
| General governments | 0 | 2,720 | 281 | 6,044 | 24,348 | 0 | 6,819 | 374 | 0 | 51 | 3,062 | 43,698 |
| Credit institutions | 1,617 | 3,151 | 706 | 921 | 3,430 | 7,115 | 0 | 4 | 254 | 24 | 980 | 18,202 |
| Other financial corporations | 0 | 241 | 991 | 214 | 140 | 0 | 4,040 | 73 | 0 | 29 | 2,123 | 7,851 |
| Non-financial corporations | 0 | 531 | 269 | 961 | 712 | 0 | 70,762 | 3,017 | 0 | 1,094 | 28,226 | 105,572 |
| Households | 0 | 3 | 515 | 0 | 0 | 0 | 80,451 | 806 | 0 | 122 | 11,857 | 93,753 |
| **Total** | **1,617** | **6,714** | **2,762** | **8,187** | **28,663** | **25,688** | **162,071** | **4,274** | **254** | **1,321** | **46,248** | **287,799** |
| **Dec 19** | | | | | | | | | | | | |
| Central banks | 0 | 19 | 0 | 19 | 50 | 16,109 | 0 | 0 | 0 | 1 | 21 | 16,218 |
| General governments | 0 | 2,037 | 336 | 6,221 | 22,514 | 0 | 6,781 | 379 | 0 | 63 | 2,098 | 40,429 |
| Credit institutions | 1,196 | 3,059 | 723 | 1,099 | 3,288 | 6,955 | 0 | 1 | 129 | 25 | 955 | 17,429 |
| Other financial corporations | 0 | 98 | 1,088 | 181 | 143 | 0 | 3,612 | 71 | 0 | 30 | 1,513 | 6,735 |
| Non-financial corporations | 0 | 481 | 328 | 1,070 | 780 | 0 | 67,774 | 2,934 | 1 | 1,240 | 26,493 | 101,099 |
| Households | 0 | 1 | 344 | 0 | 0 | 0 | 79,146 | 783 | 0 | 122 | 11,472 | 91,868 |
| **Total** | **1,196** | **5,694** | **2,818** | **8,590** | **26,774** | **23,063** | **157,312** | **4,169** | **130** | **1,480** | **42,552** | **273,778** |

## Credit risk exposure by industry and risk category

| in EUR million | Low risk | Management attention | Substandard | Non-performing | Total |
|---|---|---|---|---|---|
| **Sep 20** | | | | | |
| Agriculture and forestry | 2,087 | 805 | 296 | 113 | 3,302 |
| Mining | 740 | 78 | 5 | 25 | 849 |
| Manufacturing | 15,774 | 3,145 | 727 | 526 | 20,172 |
| Energy and water supply | 3,780 | 729 | 101 | 62 | 4,672 |
| Construction | 9,578 | 1,931 | 384 | 334 | 12,228 |
| Trade | 10,542 | 2,673 | 629 | 419 | 14,264 |
| Transport and communication | 6,703 | 1,071 | 255 | 150 | 8,180 |
| Hotels and restaurants | 3,790 | 1,241 | 320 | 237 | 5,588 |
| Financial and insurance services | 43,502 | 1,427 | 393 | 30 | 45,352 |
| Real estate and housing | 25,966 | 4,735 | 1,008 | 361 | 32,070 |
| Services | 12,069 | 1,742 | 606 | 254 | 14,671 |
| Public administration | 40,899 | 362 | 99 | 1 | 41,361 |
| Education, health and art | 2,896 | 621 | 148 | 207 | 3,872 |
| Households | 72,767 | 4,877 | 1,695 | 1,532 | 80,870 |
| Other | 277 | 6 | 64 | 0 | 348 |
| **Total** | **251,372** | **25,443** | **6,732** | **4,252** | **287,799** |
| **Dec 19** | | | | | |
| Agriculture and forestry | 2,063 | 851 | 214 | 122 | 3,250 |
| Mining | 713 | 33 | 11 | 50 | 807 |
| Manufacturing | 16,376 | 1,942 | 483 | 474 | 19,274 |
| Energy and water supply | 3,654 | 485 | 199 | 79 | 4,418 |
| Construction | 9,867 | 1,612 | 435 | 418 | 12,332 |
| Trade | 10,906 | 1,979 | 434 | 438 | 13,757 |
| Transport and communication | 6,669 | 712 | 309 | 108 | 7,798 |
| Hotels and restaurants | 3,662 | 928 | 285 | 251 | 5,126 |
| Financial and insurance services | 39,692 | 884 | 244 | 27 | 40,848 |
| Real estate and housing | 24,692 | 3,747 | 1,326 | 438 | 30,203 |
| Services | 12,202 | 1,245 | 335 | 254 | 14,038 |
| Public administration | 38,218 | 292 | 85 | 1 | 38,595 |
| Education, health and art | 2,982 | 413 | 155 | 216 | 3,767 |
| Households | 71,039 | 4,813 | 1,759 | 1,587 | 79,198 |
| Other | 306 | 0 | 61 | 0 | 368 |
| **Total** | **243,042** | **19,936** | **6,338** | **4,463** | **273,778** |

### Credit risk exposure by region and risk category

| in EUR million | Low risk | Management attention | Substandard | Non-performing | Total |
|---|---|---|---|---|---|
| **Sep 20** | | | | | |
| **Core markets** | **216,486** | **22,686** | **5,763** | **3,830** | **248,765** |
| Austria | 105,720 | 9,535 | 1,799 | 1,540 | 118,595 |
| Czech Republic | 53,008 | 6,225 | 1,548 | 648 | 61,430 |
| Romania | 16,613 | 1,582 | 525 | 425 | 19,145 |
| Slovakia | 20,565 | 2,390 | 876 | 433 | 24,264 |
| Hungary | 9,581 | 1,161 | 630 | 155 | 11,527 |
| Croatia | 8,316 | 1,463 | 310 | 606 | 10,696 |
| Serbia | 2,683 | 328 | 76 | 21 | 3,108 |
| **Other EU** | **21,995** | **1,280** | **478** | **277** | **24,031** |
| **Other industrialised countries** | **7,990** | **508** | **57** | **22** | **8,577** |
| **Emerging markets** | **4,900** | **968** | **434** | **124** | **6,426** |
| Southeastern Europe/CIS | 2,762 | 561 | 164 | 109 | 3,597 |
| Asia | 1,583 | 114 | 48 | 5 | 1,749 |
| Latin America | 244 | 7 | 7 | 8 | 267 |
| Middle East/Africa | 311 | 286 | 215 | 1 | 813 |
| **Total** | **251,372** | **25,443** | **6,732** | **4,252** | **287,799** |
| | | | | | |
| **Dec 19** | | | | | |
| **Core markets** | **208,069** | **18,042** | **5,869** | **4,023** | **236,003** |
| Austria | 100,495 | 8,357 | 1,816 | 1,687 | 112,355 |
| Czech Republic | 52,422 | 4,515 | 1,147 | 673 | 58,757 |
| Romania | 15,908 | 1,407 | 559 | 407 | 18,281 |
| Slovakia | 18,851 | 1,305 | 1,544 | 479 | 22,180 |
| Hungary | 9,475 | 1,030 | 471 | 157 | 11,134 |
| Croatia | 8,506 | 1,093 | 274 | 598 | 10,472 |
| Serbia | 2,411 | 335 | 57 | 22 | 2,824 |
| **Other EU** | **24,839** | **837** | **226** | **296** | **26,198** |
| **Other industrialised countries** | **5,334** | **123** | **34** | **14** | **5,504** |
| **Emerging markets** | **4,800** | **934** | **210** | **130** | **6,074** |
| Southeastern Europe/CIS | 2,698 | 571 | 64 | 116 | 3,449 |
| Asia | 1,576 | 152 | 21 | 4 | 1,754 |
| Latin America | 156 | 18 | 10 | 9 | 193 |
| Middle East/Africa | 370 | 193 | 114 | 1 | 678 |
| **Total** | **243,042** | **19,936** | **6,338** | **4,463** | **273,778** |

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 |
|---|---|---|---|---|---|
| **Sep 20** | | | | | |
| Retail | 59,203 | 5,511 | 2,237 | 1,411 | 68,362 |
| Corporates | 65,978 | 11,898 | 2,530 | 1,487 | 81,892 |
| Group Markets | 19,121 | 601 | 299 | 3 | 20,025 |
| ALM & LCC | 46,420 | 121 | 135 | 24 | 46,700 |
| Savings Banks | 60,350 | 7,287 | 1,462 | 1,310 | 70,409 |
| GCC | 300 | 25 | 69 | 18 | 411 |
| **Total** | **251,372** | **25,443** | **6,732** | **4,252** | **287,799** |
| | | | | | |
| **Dec 19** | | | | | |
| Retail | 58,616 | 5,977 | 2,512 | 1,474 | 68,579 |
| Corporates | 67,378 | 6,807 | 2,189 | 1,467 | 77,841 |
| Group Markets | 17,962 | 346 | 133 | 3 | 18,444 |
| ALM & LCC | 41,554 | 121 | 92 | 75 | 41,842 |
| Savings Banks | 57,280 | 6,673 | 1,403 | 1,431 | 66,786 |
| GCC | 252 | 13 | 9 | 13 | 287 |
| **Total** | **243,042** | **19,936** | **6,338** | **4,463** | **273,778** |

## 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 |
|---|---|---|---|---|---|---|
| **Sep 20** | | | | | | |
| Retail | 58,890 | 7,312 | 1,353 | 121 | 685 | 68,362 |
| Corporates | 61,298 | 14,708 | 1,221 | 253 | 4,412 | 81,892 |
| Group Markets | 12,678 | 218 | 2 | 0 | 7,127 | 20,025 |
| ALM & LCC | 46,216 | 97 | 24 | 0 | 363 | 46,700 |
| Savings Banks | 54,439 | 11,583 | 1,271 | 51 | 3,065 | 70,409 |
| GCC | 270 | 75 | 18 | 0 | 50 | 411 |
| **Total** | **233,791** | **33,993** | **3,888** | **425** | **15,702** | **287,799** |
| | | | | | | |
| **Dec 19** | | | | | | |
| Retail | 61,886 | 4,613 | 1,398 | 139 | 543 | 68,579 |
| Corporates | 67,684 | 5,489 | 1,203 | 294 | 3,170 | 77,841 |
| Group Markets | 12,199 | 126 | 2 | 0 | 6,116 | 18,444 |
| ALM & LCC | 41,380 | 78 | 75 | 0 | 309 | 41,842 |
| Savings Banks | 56,822 | 5,945 | 1,397 | 47 | 2,576 | 66,786 |
| GCC | 205 | 3 | 13 | 0 | 65 | 287 |
| **Total** | **240,176** | **16,256** | **4,087** | **480** | **12,779** | **273,778** |

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

The defaulted part of POCI amounted to EUR 278 million (EUR 339 million), the non-defaulted part to EUR 148 million (EUR 141 million).

## Credit risk exposure by geographical segment and risk category

| in EUR million | Low risk | Management attention | Substandard | Non-performing | Total |
|---|---|---|---|---|---|
| **Sep 20** | | | | | |
| **Austria** | **139,030** | **12,364** | **2,671** | **2,104** | **156,170** |
| EBOe & Subsidiaries | 42,299 | 3,116 | 568 | 453 | 46,437 |
| Savings Banks | 60,350 | 7,287 | 1,462 | 1,310 | 70,409 |
| Other Austria | 36,380 | 1,961 | 641 | 342 | 39,324 |
| **Central and Eastern Europe** | **105,063** | **13,051** | **3,991** | **2,130** | **124,236** |
| Czech Republic | 53,705 | 6,427 | 1,625 | 564 | 62,322 |
| Romania | 14,876 | 1,473 | 522 | 454 | 17,325 |
| Slovakia | 17,259 | 2,357 | 878 | 439 | 20,932 |
| Hungary | 8,253 | 1,049 | 526 | 132 | 9,960 |
| Croatia | 8,861 | 1,450 | 365 | 521 | 11,196 |
| Serbia | 2,110 | 294 | 76 | 21 | 2,501 |
| **Other** | **7,279** | **28** | **69** | **18** | **7,393** |
| **Total** | **251,372** | **25,443** | **6,732** | **4,252** | **287,799** |
| | | | | | |
| **Dec 19** | | | | | |
| **Austria** | **134,745** | **10,174** | **2,309** | **2,324** | **149,551** |
| EBOe & Subsidiaries | 41,074 | 2,788 | 584 | 529 | 44,975 |
| Savings Banks | 57,280 | 6,673 | 1,403 | 1,431 | 66,786 |
| Other Austria | 36,391 | 713 | 323 | 364 | 37,790 |
| **Central and Eastern Europe** | **102,434** | **9,749** | **4,019** | **2,126** | **118,328** |
| Czech Republic | 53,611 | 4,596 | 1,161 | 556 | 59,924 |
| Romania | 13,926 | 1,430 | 559 | 441 | 16,356 |
| Slovakia | 16,553 | 1,291 | 1,541 | 473 | 19,859 |
| Hungary | 7,883 | 1,014 | 403 | 133 | 9,432 |
| Croatia | 8,649 | 1,102 | 299 | 501 | 10,551 |
| Serbia | 1,812 | 316 | 57 | 21 | 2,206 |
| **Other** | **5,863** | **13** | **9** | **13** | **5,899** |
| **Total** | **243,042** | **19,936** | **6,338** | **4,463** | **273,778** |

## 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 |
|---|---|---|---|---|---|---|
| **Sep 20** | | | | | | |
| **Austria** | **118,095** | **23,889** | **2,024** | **74** | **12,088** | **156,170** |
| EBOe & Subsidiaries | 37,657 | 7,146 | 442 | 6 | 1,185 | 46,437 |
| Savings Banks | 54,439 | 11,583 | 1,271 | 51 | 3,065 | 70,409 |
| Other Austria | 25,999 | 5,160 | 310 | 17 | 7,837 | 39,324 |
| **Central and Eastern Europe** | **108,475** | **10,027** | **1,847** | **351** | **3,536** | **124,236** |
| Czech Republic | 57,343 | 3,787 | 527 | 42 | 623 | 62,322 |
| Romania | 13,829 | 1,993 | 369 | 74 | 1,060 | 17,325 |
| Slovakia | 17,688 | 2,123 | 327 | 135 | 658 | 20,932 |
| Hungary | 7,988 | 874 | 102 | 77 | 918 | 9,960 |
| Croatia | 9,584 | 1,052 | 505 | 20 | 36 | 11,196 |
| Serbia | 2,043 | 198 | 18 | 2 | 241 | 2,501 |
| **Other** | **7,221** | **77** | **18** | **0** | **78** | **7,393** |
| **Total** | **233,791** | **33,993** | **3,888** | **425** | **15,702** | **287,799** |
| | | | | | | |
| **Dec 19** | | | | | | |
| **Austria** | **124,594** | **11,625** | **2,245** | **69** | **11,017** | **149,551** |
| EBOe & Subsidiaries | 39,844 | 3,553 | 523 | 6 | 1,049 | 44,975 |
| Savings Banks | 56,822 | 5,945 | 1,397 | 47 | 2,576 | 66,786 |
| Other Austria | 27,928 | 2,127 | 326 | 17 | 7,392 | 37,790 |
| **Central and Eastern Europe** | **109,787** | **4,627** | **1,829** | **411** | **1,674** | **118,328** |
| Czech Republic | 57,259 | 1,746 | 525 | 32 | 362 | 59,924 |
| Romania | 14,020 | 1,551 | 370 | 110 | 303 | 16,356 |
| Slovakia | 18,774 | 511 | 360 | 135 | 79 | 19,859 |
| Hungary | 8,360 | 264 | 87 | 94 | 626 | 9,432 |
| Croatia | 9,499 | 488 | 468 | 37 | 59 | 10,551 |
| Serbia | 1,875 | 66 | 18 | 2 | 246 | 2,206 |
| **Other** | **5,795** | **3** | **13** | **0** | **88** | **5,899** |
| **Total** | **240,176** | **16,256** | **4,087** | **480** | **12,779** | **273,778** |

## Expected credit loss measurement

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

### Classification into stages and definition of credit-impaired financial instruments

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

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

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

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

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

### Significant increase in credit risk determination

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

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

The relative measure is calculated as a ratio between current annualised PD and annualised PD value on initial recognition. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level for each consolidated entity, as necessary, and are subject to initial and on-going validation.

### Relative thresholds for SICR assessment by geographical segment

| | Threshold interval (x times) | |
|---|---|---|
| | Min | Max |
| **Sep 20** | | |
| **Austria** | **1.13** | **2.37** |
| EBOe & Subs. | 1.13 | 2.37 |
| Savings Banks | 1.13 | 2.37 |
| Other Austria | 1.13 | 2.37 |
| **CEE** | **1.03** | **4.08** |
| Czech Republic | 1.13 | 3.59 |
| Slovakia | 1.13 | 4.08 |
| Romania | 1.13 | 3.36 |
| Hungary | 1.13 | 3.21 |
| Croatia | 1.13 | 3.13 |
| Serbia | 1.03 | 3.47 |
| **Total** | **1.03** | **4.08** |
| **Dec 19** | | |
| **Austria** | **1.13** | **2.37** |
| EBOe & Subs. | 1.13 | 2.37 |
| Savings Banks | 1.13 | 2.37 |
| Other Austria | 1.13 | 2.37 |
| **CEE** | **1.03** | **4.41** |
| Czech Republic | 1.13 | 3.59 |
| Slovakia | 1.13 | 4.41 |
| Romania | 1.13 | 3.36 |
| Hungary | 1.13 | 3.21 |
| Croatia | 1.13 | 3.13 |
| Serbia | 1.03 | 3.47 |
| **Total** | **1.03** | **4.41** |

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

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

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

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

**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. We have introduced additional portfolio level SICR assessment criteria due to COVID-19 pandemic and related economic impacts. Please see Covid-19 disclosures starting on page 57.

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

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

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

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

### Measuring ECL – explanation of inputs and measurement

Credit loss allowances are calculated individually or collectively.

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

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

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

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

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

**Life-time parameters**

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

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

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

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

## Incorporation of forward-looking information

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

Thus, the unbiased probability-weighted ECL considering FLI is derived using the weights representing the probability of occurrence of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. Nevertheless, the main indication of estimated economic development is the GDP development. We are disclosing sensitivity of the staging and ECL on macro scenarios in the Covid-19 section below.

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

| | | Probability weights | | GDP growth in % | | | |
|---|---|---|---|---|---|---|---|
| | Scenario | 2020 | 2021-22 | 2019 | 2020 | 2021 | 2022 |
| **Sep 20** | | | | | | | |
| Austria | Upside | 38% | 1% | | -3.7 | 5.9 | 4.0 |
| | Baseline | 40% | 40% | 1.6 | -6.2 | 4.3 | 2.4 |
| | Downside | 22% | 59% | | -7.4 | 2.1 | 0.2 |
| Czech Republic | Upside | 38% | 17% | | -3.8 | 6.8 | 7.2 |
| | Baseline | 40% | 40% | 2.0 | -6.9 | 5.0 | 5.4 |
| | Downside | 22% | 43% | | -8.8 | 2.1 | 2.5 |
| Slovakia | Upside | 38% | 8% | | -2.8 | 8.2 | 6.7 |
| | Baseline | 40% | 40% | 2.3 | -6.3 | 6.0 | 4.5 |
| | Downside | 22% | 52% | | -9.0 | 2.6 | 1.1 |
| Romania | Upside | 38% | 17% | | -0.8 | 6.5 | 6.3 |
| | Baseline | 40% | 40% | 4.2 | -4.7 | 3.9 | 3.7 |
| | Downside | 22% | 43% | | -7.2 | 0.5 | 0.3 |
| Hungary | Upside | 38% | 4% | | -2.8 | 5.8 | 7.1 |
| | Baseline | 40% | 40% | 5.0 | -5.8 | 4.6 | 5.9 |
| | Downside | 22% | 56% | | -6.6 | 2.4 | 3.7 |
| Croatia | Upside | 39% | 8% | | -6.4 | 8.2 | 9.0 |
| | Baseline | 40% | 40% | 4.4 | -9.0 | 5.2 | 3.6 |
| | Downside | 21% | 52% | | -11.6 | 2.2 | -1.8 |
| Serbia | Upside | 38% | 15% | | 1.1 | 6.3 | 5.3 |
| | Baseline | 40% | 40% | 4.1 | -1.0 | 5.0 | 4.0 |
| | Downside | 22% | 45% | | -2.0 | 3.3 | 2.3 |
| | | | | | | | |
| **Dec 19** | | | | | | | |
| Austria | Upside | 11% | 11% | 1.7 | 3.1 | 3.2 | 3.1 |
| | Baseline | 50% | 50% | 1.7 | 1.6 | 1.7 | 1.6 |
| | Downside | 39% | 39% | 1.7 | -0.2 | -0.1 | -0.2 |
| Czech Republic | Upside | 13% | 13% | 2.6 | 4.6 | 4.7 | 4.8 |
| | Baseline | 50% | 50% | 2.6 | 2.6 | 2.7 | 2.8 |
| | Downside | 37% | 37% | 2.6 | 0.1 | 0.2 | 0.3 |
| Slovakia | Upside | 12% | 12% | 3.4 | 5.7 | 5.3 | 5.2 |
| | Baseline | 50% | 50% | 3.4 | 3.3 | 2.9 | 2.8 |
| | Downside | 38% | 38% | 3.4 | 0.1 | -0.3 | -0.4 |
| Romania | Upside | 10% | 10% | 4.5 | 6.9 | 6.5 | 5.0 |
| | Baseline | 50% | 50% | 4.5 | 3.8 | 3.4 | 1.9 |
| | Downside | 40% | 40% | 4.5 | 0.3 | -0.1 | -1.6 |
| Hungary | Upside | 7% | 7% | 4.1 | 5.0 | 4.4 | 4.3 |
| | Baseline | 50% | 50% | 4.1 | 3.2 | 2.6 | 2.5 |
| | Downside | 43% | 43% | 4.1 | 0.6 | 0.0 | -0.1 |
| Croatia | Upside | 10% | 10% | 3.2 | 4.1 | 5.3 | 6.3 |
| | Baseline | 50% | 50% | 3.2 | 2.5 | 2.4 | 2.4 |
| | Downside | 40% | 40% | 3.2 | 0.9 | -0.5 | -1.5 |
| Serbia | Upside | 10% | 10% | 3.3 | 5.7 | 6.2 | n/a |
| | Baseline | 50% | 50% | 3.3 | 3.5 | 4.0 | n/a |
| | Downside | 40% | 40% | 3.3 | 1.1 | 1.6 | n/a |

As of December 2019, the growth rates for the year 2019 correspond to estimated values. As of September 2020, they represent real observed values.

The GDP development prediction in the Czech Republic was worsened in October 2020 in comparison with the third quarter of 2020 by 100 basis points for both 2020 and 2021 (September 2020: -6.9% for 2020 and +5.0% for 2021; October 2020: -7.9% for 2020 and +4.0% for 2021). The estimate for 2022 did not change. This update would not have a significant effect on the ECL. The SICR COVID-19 overlay release in case of FLI effect increases would compensate for the negative effects of the slight macro forecast worsening. This development and further developments will be included in the FLI re-estimation in the fourth quarter of 2020.

### Covid-19

The Covid-19 pandemic has been causing high uncertainty in the global economy and on the global markets. Social distancing rules and lockdown restrictions imposed by governments led to economic slow-down and a significant drop of revenues across industries. Unprecedented state aid packages (e.g. state guarantees, bridge financing, the state temporarily paying workers' salaries to avoid redundancies, hardship funds for one-person and micro businesses) and moratoria programs were introduced in all of Erste Group's core markets to support citizens and companies. While such measures mitigate the negative economic effects, they complicate a timely reflection of a potential deterioration of the loan portfolios.

### Effect on customers

Immediately upon the crisis showing severe economic impacts in our region (governmental decisions on lockdowns in countries of Erste Group perimeter), initiatives were started aiming to, on the one hand support Erste Group´s clients to the utmost extent, and on the other hand, manage the respective risks and bearing the responsibility of Erste Group towards all stakeholders in mind.
The measures differed from country to country as they had to be based on the legislative steps taken by the respective governments. Nevertheless, Erste Group gave a guidance to the entities in respect of underwriting, reporting and classification processes. Apart from overall valid state-moratoria as e.g. in Hungary and Serbia, some measures like short-term deferrals were applied in all countries, whereas financial support schemes with public or state guarantees were offered only in some countries or to some client-segments. In addition to programmes with standard parameters that were defined at a very early stage of the crisis and should support an efficient processing, also individual solutions were agreed with clients that did not meet all predefined requirements.

### Credit risk exposure of non-financial corporations by industry – measures applied in response to the COVID-19 crisis

| in EUR million | Loans and advances subject to EBA-compliant moratoria | Other loans and advances subject to COVID-19-related forbearance measures | Newly originated loans and advances subject to public guarantee schemes related to COVID-19 | Public guarantees received related to COVID-19 |
|---|---|---|---|---|
| **Sep 20** | | | | |
| Agriculture and forestry | 215 | 15 | 16 | 13 |
| Mining | 21 | - | 4 | 4 |
| Manufacturing | 1,218 | 128 | 520 | 362 |
| Energy and water supply | 146 | 9 | 16 | 10 |
| Construction | 209 | 8 | 86 | 73 |
| Trade | 497 | 32 | 300 | 254 |
| Transport and communication | 442 | 6 | 155 | 139 |
| Hotels and restaurants | 719 | 25 | 140 | 128 |
| Financial and insurance services | 60 | - | 0 | 0 |
| Real estate and housing | 1,407 | 212 | 7 | 6 |
| Services | 281 | 15 | 184 | 125 |
| Public administration | 0 | - | - | - |
| Education, health and art | 125 | 21 | 26 | 23 |
| **Total** | **5,340** | **471** | **1,455** | **1,139** |

Loans and advances of non-financial corporations to which measures applied in the response to Covid-19 were granted and are currently valid (have not been expired) amounted to EUR 7.3 billion as of 30 September 2020. Measures mostly refer to EBA-compliant moratoria. The highest amount of granted moratoria measures for non-financial corporations referred to manufacturing and real estate and housing followed by hotels and restaurants and trade.

Loans and advances of households to which the measures applied in the response to Covid-19 were granted and are currently valid (have not been expired), amounted to EUR 6.6 billion as of 30 September 2020.

Besides measures disclosed in the table above, additional measures that do not meet the forbearance criteria amounting to EUR 2.6 billion as of 30 September 2020 were approved as a direct response to the  COVID-19 crisis.

### Effect on business

In March 2020, risk management and business divisions started a joint initiative aiming to quickly provide a harmonised guidance for a focused industry approach within Erste Group, reflecting the changed economic environment. Industries and sub-industries were categorised into high, medium and low expected impacts due to Covid-19 based on a combination of research material, feedback collected from client meetings and single name analyses, both centrally as well as in the entities.

Main drivers for assigning corresponding green, yellow and red industry classification was the assessment of both, short-term as well as medium-term impacts of the crisis on the specific (sub)industry. E.g. a complete lock-down of businesses like hotels or passenger air transport resulted in a “red” classification on short-term view and based on expected re-opening/ recovery remained on “red” or was assessed as “yellow” or “green” on medium-term view. The classifications are regularly reviewed to take current developments into account. A respective business and risk strategy for the (sub)industries was formulated based on the assessment. The assessed risk for the specific (sub)industry can lead to strategic recommendations (e.g. to temporarily limit financing for specific categories to existing clients only) and/or the revision of underwriting standards. This approach was aligned with all affected entities and business lines and approved by the respective governance bodies of Erste Group.

Exposures in particular industries that belong to red sub-industries are referred to as “high risk” in the following tables.

### Credit risk exposure and credit loss allowances by industry and IFRS9 treatment – industry heatmap

| in EUR million | Stage 1 | Stage 2 | Stage 3 | POCI | Credit risk exposure (AC and FVOCI) | Not subject to IFRS 9 impairment | Total | Credit loss allowances |
|---|---|---|---|---|---|---|---|---|
| **Sep 20** | | | | | | | | |
| Agriculture and forestry | 2,631 | 533 | 108 | 6 | 3,277 | 25 | 3,302 | - 90 |
| of which high risk | 18 | 1 | 0 | - | 19 | - | 19 | - 0 |
| Mining | 550 | 51 | 16 | 4 | 621 | 227 | 849 | - 19 |
| of which high risk | 378 | 28 | 8 | 4 | 419 | 199 | 618 | - 14 |
| Manufacturing | 13,866 | 4,536 | 482 | 46 | 18,930 | 1,242 | 20,172 | - 519 |
| of which high risk | 5,439 | 3,048 | 239 | 27 | 8,754 | 72 | 8,826 | - 240 |
| Energy and water supply | 3,777 | 619 | 55 | 6 | 4,458 | 214 | 4,672 | - 83 |
| of which high risk | 19 | 0 | - | - | 19 | - | 19 | - 0 |
| Construction | 9,162 | 1,558 | 281 | 17 | 11,018 | 1,210 | 12,228 | - 322 |
| of which high risk | 44 | 6 | 3 | 0 | 53 | 0 | 53 | - 2 |
| Trade | 9,746 | 3,199 | 382 | 42 | 13,369 | 895 | 14,264 | - 405 |
| of which high risk | 3,609 | 1,885 | 135 | 10 | 5,639 | 47 | 5,686 | - 155 |
| Transport and communication | 6,037 | 1,620 | 146 | 4 | 7,808 | 372 | 8,180 | - 162 |
| of which high risk | 2,076 | 1,164 | 83 | 3 | 3,326 | 26 | 3,351 | - 94 |
| Hotels and restaurants | 2,007 | 3,268 | 226 | 30 | 5,530 | 58 | 5,588 | - 222 |
| of which high risk | 1,979 | 3,199 | 217 | 30 | 5,424 | 32 | 5,456 | - 208 |
| Financial and insurance services | 38,057 | 1,511 | 24 | 12 | 39,604 | 5,748 | 45,352 | - 88 |
| Real estate and housing | 25,162 | 5,640 | 245 | 130 | 31,177 | 893 | 32,070 | - 403 |
| of which high risk | 510 | 215 | 12 | 0 | 737 | 6 | 743 | - 13 |
| Services | 10,588 | 3,070 | 242 | 5 | 13,905 | 766 | 14,671 | - 316 |
| of which high risk | 4,603 | 1,936 | 105 | 5 | 6,650 | 95 | 6,745 | - 147 |
| Public administration | 37,873 | 293 | 1 | 3 | 38,170 | 3,191 | 41,361 | - 24 |
| Education, health and art | 2,874 | 742 | 207 | 0 | 3,824 | 48 | 3,872 | - 154 |
| of which high risk | 485 | 303 | 56 | 0 | 844 | 6 | 850 | - 54 |
| Private households | 71,142 | 7,339 | 1,474 | 120 | 80,075 | 796 | 80,870 | -1,427 |
| Other | 318 | 13 | 0 | 0 | 331 | 17 | 348 | - 1 |
| **Total** | **233,791** | **33,993** | **3,888** | **425** | **272,097** | **15,702** | **287,799** | **-4,235** |
| **Dec 19** | | | | | | | | |
| Agriculture and forestry | 2,849 | 265 | 111 | 11 | 3,236 | 14 | 3,250 | - 83 |
| Mining | 680 | 52 | 27 | 23 | 781 | 26 | 807 | - 27 |
| Manufacturing | 16,043 | 1,805 | 431 | 46 | 18,324 | 951 | 19,274 | -406 |
| Energy and water supply | 3,657 | 558 | 75 | 4 | 4,294 | 124 | 4,418 | - 89 |
| Construction | 10,160 | 862 | 389 | 31 | 11,441 | 890 | 12,332 | -348 |
| Trade | 11,290 | 1,363 | 396 | 41 | 13,091 | 666 | 13,757 | -346 |
| Transport and communication | 6,934 | 462 | 104 | 5 | 7,506 | 292 | 7,798 | - 97 |
| Hotels and restaurants | 4,314 | 503 | 243 | 26 | 5,086 | 41 | 5,126 | -148 |
| Financial and insurance services | 34,931 | 515 | 27 | 13 | 35,486 | 5,362 | 40,848 | - 56 |
| Real estate and housing | 27,130 | 2,031 | 316 | 134 | 29,611 | 592 | 30,203 | - 291 |
| Services | 11,709 | 1,322 | 243 | 6 | 13,279 | 759 | 14,038 | -222 |
| Public administration | 35,748 | 385 | 1 | 3 | 36,137 | 2,459 | 38,595 | -13 |
| Education, health and art | 3,097 | 417 | 216 | 0 | 3,730 | 37 | 3,767 | - 136 |
| Private households | 71,273 | 5,715 | 1,511 | 136 | 78,636 | 562 | 79,198 | -1,256 |
| Other | 361 | 0 | 0 | 0 | 361 | 7 | 368 | - 1 |
| **Total** | **240,176** | **16,256** | **4,087** | **480** | **260,999** | **12,779** | **273,778** | **-3,518** |

### Effect on Expected Credit Loss

As described above, an increase of the ECL might result from a re-assessment of the credit risk parameters and a migration to worse stages either via significant increase in credit risk (SICR) or a default.

We have concluded so far that all moratoria introduced in our core markets fulfil the conditions as defined in the EBA guidelines published on 25 March and 2 April 2020. Relief offered to credit owners thus did not result in an automatic transfers from Stage 1 to Stage 2. However, Erste Group continues to perform individual assessments whether there are other circumstances that would lead to forbearance or default classification.

We have re-assessed credit risk parameters based on the new macro-scenarios FLI overlay. We will continue monitoring of the macro and macro-prediction development in order to reflect up-to-date information in our credit risk parameters. GDP scenarios and weights are shown in the table on page 57. The effect of the FLI in the ECL calculation as of 30 September 2020 amounted to EUR 422 million. The increase of EUR 305 million in comparison with EUR 117 million as of 31 December 2019 can be directly attributed to the Covid-19 situation.

Erste Group has addressed expected SICR by introducing Covid-19 portfolio overlays. We divided the portfolio in private individuals (PIs) and non-private individuals (non-PIs) and assessed the customers by taking into account any Covid-19 related relieve measure granted as well as the internal industry heat-map and corresponding PD levels. Based on this assessment and individual reviews, customers were migrated to stage 2, i.e. life-time ECL measure. The industry heat map and the portfolio overlays are subject to regular reviews. The effect of Covid-19 portfolio overlays in the ECL calculation as of 30 September 2020 amounted to EUR 173 million.

Erste Group will assess releases of Covid-19 portfolio overlays for PI portfolios once the moratoria are lifted. When moratoria do no longer distort DPD information, behavioural scoring will allow proper SICR assessment. In case of non-PI portfolios, release of the overlays will be assessed after a consistent improvement of the macro indicators is observed.

Erste Group expects further increases of the ECL in the following quarters mainly due to:
- rating migrations of the portfolios,
- potential FLI updates and related changes in credit risk parameters,
- an increase in defaults especially after state aid measures, in particular moratoria, are lifted.

The sensitivity analyses tables below present staging splits of the current performing exposure and ECL. Movements of exposures between performing stages and resulting changes in ECL triggered by effect of Covid-19 SICR overlays and FLI macro overlays is shown.

Effects on industry segments, high risk industry subsegments and geographical segment are disclosed.

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

## Sensitivity analyses – Forward looking information (FLI) and stage overlays due to the Covid-19 pandemic

### Impact on credit risk exposure by geographical segment

| in EUR million | Current status - parameters (FLI shifted) | | Current status without stage overlays due to COVID-19 | | Point in time parameters (before FLI shift) | |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 |
| **Sep 20** | | | | | | |
| **Austria** | **118,095** | **23,889** | **+7,160.8** | **-7,160.8** | **+4,598.1** | **-4,598.1** |
| EBOe & Subs. | 37,657 | 7,146 | +2,141.1 | -2,141.1 | +1,439.6 | -1,439.6 |
| Savings Banks | 54,439 | 11,583 | +3,800.6 | -3,800.6 | +2,017.3 | -2,017.3 |
| Other Austria | 25,999 | 5,160 | +1,219.1 | -1,219.1 | +1,141.3 | -1,141.3 |
| **CEE** | **108,475** | **10,027** | **+3,469.0** | **-3,469.0** | **+983.8** | **-983.8** |
| Czech Republic | 57,343 | 3,787 | +1,203.9 | -1,203.9 | +476.0 | -476.0 |
| Slovakia | 13,829 | 1,993 | +1,015.8 | -1,015.8 | +40.5 | -40.5 |
| Romania | 17,688 | 2,123 | +485.5 | -485.5 | +181.6 | -181.6 |
| Hungary | 7,988 | 874 | +377.3 | -377.3 | +175.3 | -175.3 |
| Croatia | 9,584 | 1,052 | +266.9 | -266.9 | +92.2 | -92.2 |
| Serbia | 2,043 | 198 | +119.5 | -119.5 | +18.1 | -18.1 |
| **Other** | **7,221** | **77** | **+0.0** | **+0.0** | **+0.0** | **+0.0** |
| **Total** | **233,791** | **33,993** | **+10,629.8** | **-10,629.8** | **+5,581.9** | **-5,581.9** |
| **Dec 19** | | | | | | |
| Austria | 124,594 | 11,625 | +0.0 | +0.0 | +1,159.5 | -1,159.5 |
| EBOe & Subs. | 39,844 | 3,553 | 0 | 0 | +264.8 | -264.8 |
| Savings Banks | 56,822 | 5,945 | 0 | 0 | +632.7 | -632.7 |
| **Other Austria** | **27,928** | **2,127** | **0** | **0** | **+261.9** | **-261.9** |
| CEE | 109,787 | 4,627 | +0.0 | +0.0 | +444.3 | -444.3 |
| Czech Republic | 57,259 | 1,746 | 0 | 0 | +82.3 | -82.3 |
| Slovakia | 18,774 | 511 | 0 | 0 | +21.8 | -21.8 |
| Romania | 14,020 | 1,551 | 0 | 0 | +251.1 | -251.1 |
| Hungary | 8,360 | 264 | 0 | 0 | +58.2 | -58.2 |
| Croatia | 9,499 | 488 | 0 | 0 | +23.1 | -23.1 |
| Serbia | 1,875 | 66 | 0 | 0 | +7.7 | -7.7 |
| **Other** | **5,795** | **3** | **+0.0** | **+0.0** | **+0.0** | **+0.0** |
| **Total** | **240,176** | **16,256** | **+0.0** | **+0.0** | **+1,603.8** | **-1,603.8** |

### Impact on credit loss allowances by geographical segment

| in EUR million | Current status - parameters (FLI shifted) | | Current status without stage overlays due to COVID-19 | | Point in time parameters (before FLI shift) | |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 |
| **Sep 20** | | | | | | |
| **Austria** | **-203** | **-684** | **-34.5** | **+117.1** | **+54.8** | **+192.2** |
| EBOe & Subs. | -42 | -157 | -9.7 | +35.9 | +13.8 | +42.3 |
| Savings Banks | -120 | -349 | -22.9 | +72.3 | +33.0 | +87.2 |
| Other Austria | -41 | -178 | -1.9 | +9.0 | +8.1 | +62.7 |
| **CEE** | **-243** | **-610** | **-56.9** | **+147.5** | **+55.3** | **+119.8** |
| Czech Republic | -76 | -199 | -14.1 | +46.1 | +7.8 | +42.1 |
| Slovakia | -29 | -112 | -21.9 | +33.7 | +2.6 | +8.0 |
| Romania | -53 | -157 | -7.5 | +29.4 | +9.2 | +34.6 |
| Hungary | -16 | -64 | -5.6 | +16.4 | +11.6 | +25.0 |
| Croatia | -58 | -67 | -6.6 | +18.2 | +20.4 | +8.4 |
| Serbia | -11 | -11 | -1.2 | +3.7 | +3.8 | +1.7 |
| **Other** | **-2** | **0** | **+0.0** | **+0.0** | **+0.0** | **+0.0** |
| **Total** | **-447** | **-1,294** | **-91.4** | **+264.6** | **+110.2** | **+312.0** |
| **Dec 19** | | | | | | |
| **Austria** | **-173** | **-290** | **+0.0** | **+0.0** | **+2.2** | **+42.2** |
| EBOe & Subs. | -37 | -69 | 0 | 0 | +1.0 | +8.0 |
| Savings Banks | -108 | -179 | 0 | 0 | +1.5 | +22.8 |
| Other Austria | -28 | -42 | 0 | 0 | -0.3 | +11.3 |
| **CEE** | **-252** | **-317** | **+0.0** | **+0.0** | **+24.3** | **+48.5** |
| Czech Republic | -78 | -84 | 0 | 0 | +1.1 | +4.7 |
| Slovakia | -39 | -38 | 0 | 0 | -0.3 | +2.4 |
| Romania | -47 | -135 | 0 | 0 | +4.5 | +32.1 |
| Hungary | -16 | -27 | 0 | 0 | +5.1 | +7.8 |
| Croatia | -61 | -27 | 0 | 0 | +11.7 | +1.0 |
| Serbia | -10 | -6 | 0 | 0 | +2.2 | +0.6 |
| **Other** | **0** | **0** | **+0.0** | **+0.0** | **+0.0** | **+0.0** |
| **Total** | **-425** | **-607** | **+0.0** | **+0.0** | **+26.4** | **+90.7** |

## Impact on credit risk exposure by industry

| in EUR million | Current status - parameters (FLI shifted) | | Current status without stage overlays due to COVID-19 | | Point in time parameters (before FLI shift) | |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 |
| **Sep 20** | | | | | | |
| Agriculture and forestry | 2,631 | 533 | +115.0 | -115.0 | +62.6 | -62.6 |
| of which high risk | 18 | 1 | +0.0 | +0.0 | +0.0 | +0.0 |
| Mining | 550 | 51 | +8.2 | -8.2 | +28.5 | -28.5 |
| of which high risk | 378 | 28 | +6.0 | -6.0 | +19.9 | -19.9 |
| Manufacturing | 13,866 | 4,536 | +2,593.0 | -2,593.0 | +751.4 | -751.4 |
| of which high risk | 5,439 | 3,048 | +2,305.1 | -2,305.1 | +127.6 | -127.6 |
| Energy and water supply | 3,777 | 619 | +1.1 | -1.1 | +89.0 | -89.0 |
| of which high risk | 19 | 0 | +0.0 | +0.0 | +0.0 | +0.0 |
| Construction | 9,162 | 1,558 | +53.3 | -53.3 | +840.6 | -840.6 |
| of which high risk | 44 | 6 | +1.8 | -1.8 | +0.2 | -0.2 |
| Trade | 9,746 | 3,199 | +1,510.9 | -1,510.9 | +342.0 | -342.0 |
| of which high risk | 3,609 | 1,885 | +1,438.1 | -1,438.1 | +157.5 | -157.5 |
| Transport and communication | 6,037 | 1,620 | +714.3 | -714.3 | +216.0 | -216.0 |
| of which high risk | 2,076 | 1,164 | +616.7 | -616.7 | +54.8 | -54.8 |
| Hotels and restaurants | 2,007 | 3,268 | +2,403.2 | -2,403.2 | +159.8 | -159.8 |
| of which high risk | 1,979 | 3,199 | +2,402.9 | -2,402.9 | +159.8 | -159.8 |
| Financial and insurance services | 38,057 | 1,511 | +2.0 | -2.0 | +225.8 | -225.8 |
| Real estate and housing | 25,162 | 5,640 | +1,379.4 | -1,379.4 | +1,484.7 | -1,484.7 |
| of which high risk | 510 | 215 | +189.6 | -189.6 | +0.8 | -0.8 |
| Services | 10,588 | 3,070 | +649.9 | -649.9 | +287.8 | -287.8 |
| of which high risk | 4,603 | 1,936 | +624.2 | -624.2 | +175.1 | -175.1 |
| Public administration | 37,873 | 293 | +2.0 | -2.0 | +256.3 | -256.3 |
| Education, health and art | 2,874 | 742 | +196.5 | -196.5 | +88.3 | -88.3 |
| of which high risk | 485 | 303 | +185.1 | -185.1 | +3.5 | -3.5 |
| Households | 71,142 | 7,339 | +1,001.0 | -1,001.0 | +748.5 | -748.5 |
| Other | 318 | 13 | +0.0 | -0.0 | +0.7 | -0.7 |
| **Total** | **233,791** | **33,993** | **+10,629.8** | **-10,629.8** | **+5,581.9** | **-5,581.9** |
| | | | | | | |
| **Dec 19** | | | | | | |
| Agriculture and forestry | 2,849 | 265 | +0.0 | +0.0 | +15.5 | -15.5 |
| Mining | 680 | 52 | +0.0 | +0.0 | +0.3 | -0.3 |
| Manufacturing | 16,043 | 1,805 | +0.0 | +0.0 | +193.7 | -193.7 |
| Energy and water supply | 3,657 | 558 | +0.0 | +0.0 | +8.9 | -8.9 |
| Construction | 10,160 | 862 | +0.0 | +0.0 | +122.7 | -122.7 |
| Trade | 11,290 | 1,363 | +0.0 | +0.0 | +167.5 | -167.5 |
| Transport and communication | 6,934 | 462 | +0.0 | +0.0 | +36.4 | -36.4 |
| Hotels and restaurants | 4,314 | 503 | +0.0 | +0.0 | +29.9 | -29.9 |
| Financial and insurance services | 34,931 | 515 | +0.0 | +0.0 | +30.9 | -30.9 |
| Real estate and housing | 27,130 | 2,031 | +0.0 | +0.0 | +276.8 | -276.8 |
| Services | 11,709 | 1,322 | +0.0 | +0.0 | +219.1 | -219.1 |
| Public administration | 35,748 | 385 | +0.0 | +0.0 | +0.0 | -0.0 |
| Education, health and art | 3,097 | 417 | +0.0 | +0.0 | +26.5 | -26.5 |
| Households | 71,273 | 5,715 | +0.0 | +0.0 | +474.6 | -474.6 |
| Other | 361 | 0 | +0.0 | +0.0 | +1.0 | -1.0 |
| **Total** | **240,176** | **16,256** | **+0.0** | **+0.0** | **+1,603.8** | **-1,603.8** |

## Impact on credit loss allowances by industry

| in EUR million | Current status - parameters (FLI shifted) | Current status without stage overlays due to COVID-19 | | Point in time parameters (before FLI shift) | |
|---|---|---|---|---|---|
| | All stages | Stage 1 | Stage 2 | Stage 1 | Stage 2 |
| **Sep 20** | | | | | |
| Agriculture and forestry | -90 | -2.3 | +4.2 | +1.9 | +7.4 |
| of which high risk | 0 | +0.0 | +0.0 | +0.0 | +0.0 |
| Mining | -19 | -0.1 | +0.2 | +0.3 | +0.7 |
| of which high risk | -14 | -0.1 | +0.1 | +0.2 | +0.3 |
| Manufacturing | -519 | -17.9 | +40.8 | +12.6 | +53.4 |
| of which high risk | -240 | -13.2 | +28.7 | +5.9 | +25.8 |
| Energy and water supply | -83 | -0.0 | +0.0 | +3.9 | +4.7 |
| of which high risk | 0 | +0.0 | +0.0 | +0.0 | +0.0 |
| Construction | -322 | -0.6 | +1.8 | +5.8 | +23.5 |
| of which high risk | -2 | -0.0 | +0.2 | +0.0 | +0.0 |
| Trade | -405 | -15.3 | +30.6 | +10.4 | +22.8 |
| of which high risk | -155 | -14.1 | +28.6 | +5.3 | +11.5 |
| Transport and communication | -162 | -8.8 | +21.3 | +4.9 | +11.6 |
| of which high risk | -94 | -7.0 | +17.5 | +2.3 | +4.1 |
| Hotels and restaurants | -222 | -14.2 | +56.1 | +7.9 | +15.4 |
| of which high risk | -208 | -14.2 | +56.1 | +7.9 | +15.2 |
| Financial and insurance services | -88 | -0.0 | +0.1 | +3.6 | +6.4 |
| Real estate and housing | -403 | -6.0 | +27.1 | +17.5 | +53.2 |
| of which high risk | -13 | -1.1 | +8.3 | +0.4 | +0.3 |
| Services | -316 | -5.8 | +13.3 | +4.5 | +14.5 |
| of which high risk | -147 | -5.4 | +12.5 | +2.7 | +8.0 |
| Public administration | -24 | -0.0 | +0.1 | +2.5 | +1.4 |
| Education, health and art | -154 | -1.6 | +4.4 | +3.2 | +6.2 |
| of which high risk | -54 | -1.4 | +4.1 | +1.7 | +1.5 |
| Households | -1,427 | -18.8 | +64.7 | +30.8 | +90.6 |
| Other | -1 | -0.0 | +0.0 | +0.3 | +0.1 |
| **Total** | **-4,235** | **-91.4** | **+264.6** | **+110.2** | **+312.0** |
| | | | | | |
| **Dec 19** | | | | | |
| Agriculture and forestry | -83 | +0.0 | +0.0 | +0.9 | +1.1 |
| Mining | -27 | +0.0 | +0.0 | +0.1 | +0.1 |
| Manufacturing | -406 | +0.0 | +0.0 | +1.8 | +8.6 |
| Energy and water supply | -89 | +0.0 | +0.0 | +1.1 | +0.7 |
| Construction | -348 | +0.0 | +0.0 | +5.3 | +3.4 |
| Trade | -346 | +0.0 | +0.0 | +1.2 | +7.1 |
| Transport and communication | -97 | +0.0 | +0.0 | +1.0 | +2.0 |
| Hotels and restaurants | -148 | +0.0 | +0.0 | +1.1 | +2.3 |
| Financial and insurance services | -56 | +0.0 | +0.0 | +0.9 | +1.2 |
| Real estate and housing | -291 | +0.0 | +0.0 | +1.8 | +8.9 |
| Services | -222 | +0.0 | +0.0 | +0.3 | +5.5 |
| Public administration | -13 | +0.0 | +0.0 | +0.0 | +0.0 |
| Education, health and art | -136 | +0.0 | +0.0 | +0.9 | +1.5 |
| Private households | -1,256 | +0.0 | +0.0 | +10.0 | +48.3 |
| Other | -1 | +0.0 | +0.0 | -0.0 | +0.0 |
| **Total** | **-3,518** | **+0.0** | **+0.0** | **+26.4** | **+90.7** |

The following tables present sensitivity analyses taking into consideration only changes due to the different values of PDs according to the baseline, upside and downside FLI scenarios. Covid-19 SICR overlays are ignored. Sensitivities of these particular scenarios are calculated in comparison to current production - weighted scenarios FLI shifted - PDs (weights and scenarios are disclosed in the "Incorporation of forward-looking information" section above). The staging and ECL results if each baseline, upside or downside scenario were of 100% weight are shown in industry and geographical segmentation. The point in time PD effect as of 31 December 2019 is displayed as comparative information only.

The sensitivity analyses confirms that the FLI macro shift due to the Covid-19 induced macro situation is significantly higher in both exposure and ECL as of 30 September 2020 in comparison to 31 December 2019. Credit risk exposure in an amount of EUR 5,582 million is in stage 2 due to FLI shift as of 30 September 2020 compared to EUR 1,604 million as of 31 December 2019. This increase of stage 2 credit risk exposure led to an ECL increase of EUR 305 million (difference between EUR 422 million as of 30 September 2020 and EUR 117 million as of 31 December 2019). In addition, it can be concluded that current point in time PDs calculated based on latest observed default rates would lead to lower stage 2 credit risk exposures and related provisions than the upside FLI macro scenario. In a downside scenario, stage 2 credit risk exposure would increase by EUR 2,998 million corresponding to an increase of ECL by EUR 219 million.

## Sensitivity analyses – Different probabilities of default (PD)

### Impact of different scenarios on credit risk exposure by geographical segment

| | Point in time (before FLI shift) | | Upside scenario | | Baseline scenario | | Downside scenario | |
|---|---|---|---|---|---|---|---|---|
| in EUR million | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 |
| **Sep 20** | | | | | | | | |
| **Austria** | **+4,598.1** | **-4,598.1** | **+3,508.2** | **-3,508.2** | **-603.1** | **+603.1** | **-2,327.3** | **+2,327.3** |
| EBOe & Subs. | +1,439.6 | -1,439.6 | +970.8 | -970.8 | -207.3 | +207.3 | -720.2 | +720.2 |
| Savings Banks | +2,017.3 | -2,017.3 | +1,505.6 | -1,505.6 | -215.9 | +215.9 | -1,213.1 | +1,213.1 |
| Other Austria | +1,141.3 | -1,141.3 | +1,031.8 | -1,031.8 | -179.9 | +179.9 | -394.1 | +394.1 |
| **CEE** | **+983.8** | **-983.8** | **+364.7** | **-364.7** | **+40.0** | **-40.0** | **-670.4** | **+670.4** |
| Czech Republic | +476.0 | -476.0 | +250.9 | -250.9 | +26.7 | -26.7 | -410.3 | +410.3 |
| Slovakia | +40.5 | -40.5 | +6.7 | -6.7 | -1.7 | +1.7 | -8.3 | +8.3 |
| Romania | +181.6 | -181.6 | +33.1 | -33.1 | +7.6 | -7.6 | -42.9 | +42.9 |
| Hungary | +175.3 | -175.3 | +15.3 | -15.3 | +0.5 | -0.5 | -13.2 | +13.2 |
| Croatia | +92.2 | -92.2 | +45.7 | -45.7 | -3.5 | +3.5 | -128.4 | +128.4 |
| Serbia | +18.1 | -18.1 | +13.0 | -13.0 | +10.3 | -10.3 | -67.3 | +67.3 |
| **Other** | **+0.0** | **+0.0** | **+0.0** | **+0.0** | **+0.0** | **+0.0** | **+0.0** | **+0.0** |
| **Total** | **+5,581.9** | **-5,581.9** | **+3,872.9** | **-3,872.9** | **-563.2** | **+563.2** | **-2,997.7** | **+2,997.7** |
| **Dec 19** | | | | | | | | |
| **Austria** | **+1,159.5** | **-1,159.5** | | | | | | |
| EBOe & Subs. | +264.8 | -264.8 | | | | | | |
| Savings Banks | +632.7 | -632.7 | | | | | | |
| Other Austria | +261.9 | -261.9 | | | | | | |
| **CEE** | **+444.3** | **-444.3** | | | | | | |
| Czech Republic | +82.3 | -82.3 | | | | | | |
| Slovakia | +21.8 | -21.8 | | | | | | |
| Romania | +251.1 | -251.1 | | | | | | |
| Hungary | +58.2 | -58.2 | | | | | | |
| Croatia | +23.1 | -23.1 | | | | | | |
| Serbia | +7.7 | -7.7 | | | | | | |
| **Other** | **+0.0** | **+0.0** | | | | | | |
| **Total** | **+1,603.8** | **-1,603.8** | | | | | | |

## Impact of different scenarios on credit loss allowances by geographical segment

| in EUR million | Point in time (before FLI shift) | | Upside scenario | | Baseline scenario | | Downside scenario | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 |
| **Sep 20** | | | | | | | | |
| **Austria** | **+54.8** | **+192.2** | **+11.2** | **+143.7** | **-10.3** | **-35.1** | **-15.8** | **-124.1** |
| EBOe & Subs. | +13.8 | +42.3 | +3.2 | +32.0 | -2.5 | -7.2 | -4.1 | -29.8 |
| Savings Banks | +33.0 | +87.2 | +9.1 | +64.0 | -5.7 | -11.8 | -9.5 | -66.1 |
| Other Austria | +8.1 | +62.7 | -1.2 | +47.7 | -2.2 | -16.0 | -2.2 | -28.2 |
| **CEE** | **+55.3** | **+119.8** | **+16.5** | **+34.8** | **-0.0** | **+6.1** | **-18.4** | **-61.2** |
| Czech Republic | +7.8 | +42.1 | +0.6 | +20.3 | -1.2 | +5.8 | +2.7 | -33.7 |
| Slovakia | +2.6 | +8.0 | +1.8 | +2.3 | -0.5 | -0.6 | -2.3 | -3.2 |
| Romania | +9.2 | +34.6 | +2.0 | +3.8 | +0.1 | +0.3 | -4.7 | -6.6 |
| Hungary | +11.6 | +25.0 | +0.8 | +2.1 | -0.3 | +0.1 | -1.2 | -1.8 |
| Croatia | +20.4 | +8.4 | +7.3 | +5.0 | -0.8 | -0.3 | -10.2 | -12.1 |
| Serbia | +3.8 | +1.7 | +4.0 | +1.1 | +2.7 | +0.7 | -2.6 | -3.8 |
| **Other** | **+0.0** | **+0.0** | **+0.0** | **+0.0** | **+0.0** | **+0.0** | **+0.0** | **+0.0** |
| **Total** | **+110.2** | **+312.0** | **+27.7** | **+178.5** | **-10.4** | **-29.0** | **-34.2** | **-185.2** |

| **Dec 19** | | |
|---|---|---|
| **Austria** | **+2.2** | **+42.2** |
| EBOe & Subs. | +1.0 | +8.0 |
| Savings Banks | +1.5 | +22.8 |
| Other Austria | -0.3 | +11.3 |
| **CEE** | **+24.3** | **+48.5** |
| Czech Republic | +1.1 | +4.7 |
| Slovakia | -0.3 | +2.4 |
| Romania | +4.5 | +32.1 |
| Hungary | +5.1 | +7.8 |
| Croatia | +11.7 | +1.0 |
| Serbia | +2.2 | +0.6 |
| **Other** | **+0.0** | **+0.0** |
| **Total** | **+26.4** | **+90.7** |

## Impact of different scenarios on credit risk exposure by industry

| in EUR million | Point in time (before FLI shift) | | Upside scenario | | Baseline scenario | | Downside scenario | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 |
| **Sep 20** | | | | | | | | |
| Agriculture and forestry | +62.6 | -62.6 | +32.7 | -32.7 | +6.5 | -6.5 | -62.3 | +62.3 |
| of which high risk | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 |
| Mining | +28.5 | -28.5 | +7.6 | -7.6 | -38.4 | +38.4 | -44.7 | +44.7 |
| of which high risk | +19.9 | -19.9 | +0.1 | -0.1 | -27.0 | +27.0 | -28.5 | +28.5 |
| Manufacturing | +751.4 | -751.4 | +627.3 | -627.3 | -309.7 | +309.7 | -513.4 | +513.4 |
| of which high risk | +127.6 | -127.6 | +113.6 | -113.6 | -146.6 | +146.6 | -208.9 | +208.9 |
| Energy and water supply | +89.0 | -89.0 | +59.7 | -59.7 | +3.1 | -3.1 | -54.1 | +54.1 |
| of which high risk | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 |
| Construction | +840.6 | -840.6 | +590.3 | -590.3 | -66.8 | +66.8 | -380.4 | +380.4 |
| of which high risk | +0.2 | -0.2 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 |
| Trade | +342.0 | -342.0 | +247.7 | -247.7 | -115.0 | +115.0 | -429.8 | +429.8 |
| of which high risk | +157.5 | -157.5 | +114.4 | -114.4 | -62.3 | +62.3 | -196.8 | +196.8 |
| Transport and communication | +216.0 | -216.0 | +165.5 | -165.5 | -64.9 | +64.9 | -150.7 | +150.7 |
| of which high risk | +54.8 | -54.8 | +25.5 | -25.5 | -28.1 | +28.1 | -58.0 | +58.0 |
| Hotels and restaurants | +159.8 | -159.8 | +146.4 | -146.4 | -54.7 | +54.7 | -188.2 | +188.2 |
| of which high risk | +159.8 | -159.8 | +146.4 | -146.4 | -54.7 | +54.7 | -188.2 | +188.2 |
| Financial and insurance services | +225.8 | -225.8 | +165.3 | -165.3 | +11.7 | -11.7 | -49.4 | +49.4 |
| Real estate and housing | +1,484.7 | -1,484.7 | +1,117.9 | -1,117.9 | +45.4 | -45.4 | -604.2 | +604.2 |
| of which high risk | +0.8 | -0.8 | +0.0 | -0.0 | +0.0 | +0.0 | -6.0 | +6.0 |
| Services | +287.8 | -287.8 | +181.0 | -181.0 | -44.2 | +44.2 | -186.1 | +186.1 |
| of which high risk | +175.1 | -175.1 | +102.5 | -102.5 | -45.1 | +45.1 | -116.5 | +116.5 |
| Public administration | +256.3 | -256.3 | +173.9 | -173.9 | +1.9 | -1.9 | -6.6 | +6.6 |
| Education, health and art | +88.3 | -88.3 | +70.5 | -70.5 | -1.8 | +1.8 | -64.9 | +64.9 |
| of which high risk | +3.5 | -3.5 | +1.4 | -1.4 | -6.3 | +6.3 | -19.0 | +19.0 |
| Households | +748.5 | -748.5 | +287.0 | -287.0 | +63.7 | -63.7 | -262.9 | +262.9 |
| Other | +0.7 | -0.7 | +0.0 | -0.0 | +0.0 | +0.0 | +0.0 | +0.0 |
| **Total** | **+5,581.9** | **-5,581.9** | **+3,872.9** | **-3,872.9** | **-563.2** | **+563.2** | **-2,997.7** | **+2,997.7** |

| | | |
|---|---|---|
| **Dec 19** | | |
| Agriculture and forestry | +15.5 | -15.5 |
| Mining | +0.3 | -0.3 |
| Manufacturing | +193.7 | -193.7 |
| Energy and water supply | +8.9 | -8.9 |
| Construction | +122.7 | -122.7 |
| Trade | +167.5 | -167.5 |
| Transport and communication | +36.4 | -36.4 |
| Hotels and restaurants | +29.9 | -29.9 |
| Financial and insurance services | +30.9 | -30.9 |
| Real estate and housing | +276.8 | -276.8 |
| Services | +219.1 | -219.1 |
| Public administration | +0.0 | -0.0 |
| Education, health and art | +26.5 | -26.5 |
| Households | +474.6 | -474.6 |
| Other | +1.0 | -1.0 |
| **Total** | **+1,603.8** | **-1,603.8** |

## Impact of different scenarios on credit loss allowances by industry

| in EUR million | Point in time (before FLI shift) | | Upside scenario | | Baseline scenario | | Downside scenario | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 |
| **Sep 20** | | | | | | | | |
| Agriculture and forestry | +1.9 | +7.4 | +1.1 | +3.7 | +0.0 | -0.4 | -1.3 | -5.3 |
| of which high risk | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 |
| Mining | +0.3 | +0.7 | +0.1 | +0.3 | +0.1 | -0.7 | +0.0 | -1.0 |
| of which high risk | +0.2 | +0.3 | +0.1 | +0.0 | +0.1 | -0.5 | +0.0 | -0.7 |
| Manufacturing | +12.6 | +53.4 | +2.7 | +35.3 | -0.5 | -21.9 | -3.1 | -35.3 |
| of which high risk | +5.9 | +25.8 | +1.8 | +14.7 | +0.0 | -13.8 | -0.7 | -18.4 |
| Energy and water supply | +3.9 | +4.7 | +1.4 | +3.1 | -0.4 | +0.2 | -1.9 | -3.2 |
| of which high risk | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 | +0.0 |
| Construction | +5.8 | +23.5 | +0.1 | +16.7 | -1.3 | -2.0 | -1.9 | -15.8 |
| of which high risk | +0.0 | +0.0 | +0.0 | +0.0 | -0.0 | -0.0 | -0.0 | -0.0 |
| Trade | +10.4 | +22.8 | +4.0 | +14.4 | -0.7 | -5.5 | -2.7 | -20.4 |
| of which high risk | +5.3 | +11.5 | +2.1 | +7.4 | -0.6 | -3.2 | -0.7 | -11.1 |
| Transport and communication | +4.9 | +11.6 | +1.7 | +9.2 | -0.0 | -2.9 | -1.9 | -10.7 |
| of which high risk | +2.3 | +4.1 | +1.0 | +2.8 | +0.1 | -2.2 | -0.8 | -5.2 |
| Hotels and restaurants | +7.9 | +15.4 | +2.7 | +11.6 | -0.7 | +0.0 | -2.3 | -13.4 |
| of which high risk | +7.9 | +15.2 | +2.7 | +11.5 | -0.7 | +0.0 | -2.3 | -13.2 |
| Financial and insurance services | +3.6 | +6.4 | +0.9 | +5.2 | -0.7 | +0.2 | -2.1 | -2.1 |
| Real estate and housing | +17.5 | +53.2 | +3.4 | +38.7 | -3.4 | +1.0 | -5.6 | -32.8 |
| of which high risk | +0.4 | +0.3 | +0.1 | +0.1 | -0.0 | +0.0 | -0.0 | -0.3 |
| Services | +4.5 | +14.5 | +1.6 | +9.6 | -0.1 | -2.6 | -1.2 | -13.3 |
| of which high risk | +2.7 | +8.0 | +0.9 | +5.3 | +0.2 | -2.6 | -0.3 | -7.9 |
| Public administration | +2.5 | +1.4 | +1.1 | +0.6 | -0.2 | +0.1 | -1.9 | -0.3 |
| Education, health and art | +3.2 | +6.2 | +1.3 | +4.8 | -0.4 | -0.4 | -1.7 | -5.2 |
| of which high risk | +1.7 | +1.5 | +0.7 | +1.0 | -0.1 | -0.5 | -0.7 | -1.7 |
| Households | +30.8 | +90.6 | +5.5 | +25.1 | -2.1 | +5.9 | -6.6 | -26.5 |
| Other | +0.3 | +0.1 | +0.0 | +0.0 | -0.0 | +0.0 | -0.1 | -0.0 |
| **Total** | **+110.2** | **+312.0** | **+27.7** | **+178.5** | **-10.4** | **-29.0** | **-34.2** | **-185.2** |

| | | |
|---|---|---|
| **Dec 19** | | |
| Agriculture and forestry | +0.9 | +1.1 |
| Mining | +0.1 | +0.1 |
| Manufacturing | +1.8 | +8.6 |
| Energy and water supply | +1.1 | +0.7 |
| Construction | +5.3 | +3.4 |
| Trade | +1.2 | +7.1 |
| Transport and communication | +1.0 | +2.0 |
| Hotels and restaurants | +1.1 | +2.3 |
| Financial and insurance services | +0.9 | +1.2 |
| Real estate and housing | +1.8 | +8.9 |
| Services | +0.3 | +5.5 |
| Public administration | +0.0 | +0.0 |
| Education, health and art | +0.9 | +1.5 |
| Households | +10.0 | +48.3 |
| Other | -0.0 | +0.0 |
| **Total** | **+26.4** | **+90.7** |

## 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 loan loss allowances and collateral;
_ business segment and coverage by loan loss allowances and IFRS 9 treatment;
_ geographical segment and coverage of non-performing loans and advances to customers by loan loss allowances and collateral;
_ geographical segment and coverage by loan loss allowances and IFRS 9 treatment;
_ 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 |
|---|---|---|---|---|---|
| **Sep 20** | | | | | |
| Retail | 51,302 | 4,968 | 2,053 | 1,392 | 59,715 |
| Corporates | 45,141 | 8,936 | 2,113 | 1,314 | 57,504 |
| Group Markets | 883 | 156 | 44 | 1 | 1,084 |
| ALM & LCC | 47 | 8 | 108 | 9 | 171 |
| Savings Banks | 41,396 | 5,775 | 1,256 | 1,250 | 49,677 |
| GCC | 23 | 20 | 66 | 18 | 125 |
| **Total** | **138,791** | **19,863** | **5,639** | **3,983** | **168,276** |
| | | | | | |
| **Dec 19** | | | | | |
| Retail | 50,297 | 5,385 | 2,277 | 1,454 | 59,413 |
| Corporates | 46,518 | 5,308 | 1,759 | 1,266 | 54,851 |
| Group Markets | 896 | 33 | 5 | 0 | 934 |
| ALM & LCC | 199 | 15 | 77 | 59 | 351 |
| Savings Banks | 39,959 | 5,319 | 1,196 | 1,349 | 47,823 |
| GCC | 24 | 7 | 2 | 13 | 46 |
| **Total** | **137,892** | **16,066** | **5,317** | **4,142** | **163,418** |

### 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 |
|---|---|---|---|---|---|---|---|
| **Sep 20** | | | | | | | |
| Retail | 51,172 | 6,577 | 1,335 | 118 | 59,204 | 512 | 59,715 |
| Corporates | 44,139 | 11,887 | 1,157 | 205 | 57,388 | 116 | 57,504 |
| Group Markets | 995 | 87 | 1 | 0 | 1,084 | 0 | 1,084 |
| ALM & LCC | 146 | 17 | 9 | 0 | 171 | 0 | 171 |
| Savings Banks | 38,869 | 9,531 | 1,219 | 51 | 49,670 | 7 | 49,677 |
| GCC | 31 | 74 | 18 | 0 | 123 | 3 | 125 |
| **Total** | **135,353** | **28,173** | **3,738** | **374** | **167,638** | **638** | **168,276** |
| | | | | | | | |
| **Dec 19** | | | | | | | |
| Retail | 53,491 | 4,067 | 1,379 | 136 | 59,073 | 340 | 59,413 |
| Corporates | 49,049 | 4,371 | 1,066 | 233 | 54,719 | 132 | 54,851 |
| Group Markets | 888 | 46 | 0 | 0 | 934 | 0 | 934 |
| ALM & LCC | 274 | 17 | 59 | 0 | 351 | 0 | 351 |
| Savings Banks | 41,373 | 5,074 | 1,320 | 46 | 47,814 | 9 | 47,823 |
| GCC | 27 | 3 | 13 | 0 | 43 | 3 | 46 |
| **Total** | **145,104** | **13,578** | **3,837** | **415** | **162,934** | **483** | **163,418** |

## Loans and advances to customers by geographical segment and risk category

| in EUR million | Low risk | Management attention | Substandard | Non-performing | Total |
|---|---|---|---|---|---|
| **Sep 20** | | | | | |
| **Austria** | **87,479** | **9,541** | **2,169** | **1,991** | **101,181** |
| EBOe & Subsidiaries | 31,796 | 2,610 | 510 | 426 | 35,342 |
| Savings Banks | 41,396 | 5,775 | 1,256 | 1,250 | 49,677 |
| Other Austria | 14,288 | 1,156 | 403 | 315 | 16,163 |
| **Central and Eastern Europe** | **51,266** | **10,300** | **3,404** | **1,974** | **66,944** |
| Czech Republic | 21,916 | 4,939 | 1,421 | 542 | 28,818 |
| Romania | 7,170 | 1,051 | 438 | 394 | 9,054 |
| Slovakia | 12,025 | 1,947 | 782 | 393 | 15,147 |
| Hungary | 3,410 | 869 | 403 | 127 | 4,809 |
| Croatia | 5,366 | 1,246 | 288 | 499 | 7,399 |
| Serbia | 1,378 | 248 | 71 | 20 | 1,717 |
| **Other** | **46** | **22** | **66** | **18** | **151** |
| **Total** | **138,791** | **19,863** | **5,639** | **3,983** | **168,276** |
| | | | | | |
| **Dec 19** | | | | | |
| **Austria** | **85,578** | **7,958** | **1,912** | **2,191** | **97,639** |
| Erste Bank Oesterreich & Subsidiaries | 31,302 | 2,303 | 540 | 500 | 34,645 |
| Savings Banks | 39,959 | 5,319 | 1,196 | 1,349 | 47,823 |
| Other Austria | 14,317 | 337 | 177 | 341 | 15,172 |
| **Central and Eastern Europe** | **52,268** | **8,101** | **3,403** | **1,938** | **65,709** |
| Czech Republic | 23,703 | 3,909 | 1,057 | 519 | 29,188 |
| Romania | 6,890 | 1,073 | 448 | 359 | 8,771 |
| Slovakia | 11,540 | 1,175 | 1,296 | 426 | 14,437 |
| Hungary | 3,534 | 866 | 307 | 124 | 4,831 |
| Croatia | 5,451 | 817 | 242 | 489 | 6,999 |
| Serbia | 1,149 | 261 | 52 | 20 | 1,482 |
| **Other** | **46** | **7** | **2** | **13** | **69** |
| **Total** | **137,892** | **16,066** | **5,317** | **4,142** | **163,418** |

## 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 |
|---|---|---|---|---|---|---|---|
| **Sep 20** | | | | | | | |
| **Austria** | **79,544** | **19,510** | **1,931** | **73** | **101,058** | **123** | **101,181** |
| EBOe & Subsidiaries | 28,919 | 5,984 | 423 | 6 | 35,332 | 9 | 35,342 |
| Savings Banks | 38,869 | 9,531 | 1,219 | 51 | 49,670 | 7 | 49,677 |
| Other Austria | 11,756 | 3,995 | 288 | 16 | 16,056 | 107 | 16,163 |
| **Central and Eastern Europe** | **55,755** | **8,586** | **1,790** | **301** | **66,432** | **512** | **66,944** |
| Czech Republic | 25,131 | 3,138 | 507 | 42 | 28,818 | 0 | 28,818 |
| Romania | 6,953 | 1,671 | 358 | 71 | 9,053 | 0 | 9,054 |
| Slovakia | 12,767 | 1,964 | 326 | 90 | 15,147 | 0 | 15,147 |
| Hungary | 3,361 | 763 | 97 | 77 | 4,297 | 512 | 4,809 |
| Croatia | 6,018 | 877 | 484 | 20 | 7,399 | 0 | 7,399 |
| Serbia | 1,525 | 173 | 18 | 2 | 1,717 | 0 | 1,717 |
| **Other** | **54** | **76** | **18** | **0** | **148** | **3** | **151** |
| **Total** | **135,353** | **28,173** | **3,738** | **374** | **167,638** | **638** | **168,276** |
| | | | | | | | |
| **Dec 19** | | | | | | | |
| **Austria** | **85,639** | **9,700** | **2,123** | **68** | **97,530** | **109** | **97,639** |
| EBOe & Subsidiaries | 31,130 | 3,001 | 496 | 6 | 34,633 | 12 | 34,645 |
| Savings Banks | 41,373 | 5,074 | 1,320 | 46 | 47,814 | 9 | 47,823 |
| Other Austria | 13,136 | 1,624 | 307 | 16 | 15,084 | 88 | 15,172 |
| **Central and Eastern Europe** | **59,415** | **3,875** | **1,701** | **347** | **65,338** | **372** | **65,709** |
| Czech Republic | 27,169 | 1,467 | 489 | 32 | 29,157 | 31 | 29,188 |
| Romania | 7,102 | 1,272 | 300 | 97 | 8,770 | 1 | 8,771 |
| Slovakia | 13,519 | 474 | 358 | 85 | 14,437 | 0 | 14,437 |
| Hungary | 4,071 | 247 | 80 | 94 | 4,491 | 340 | 4,831 |
| Croatia | 6,154 | 352 | 456 | 37 | 6,999 | 0 | 6,999 |
| Serbia | 1,399 | 63 | 18 | 2 | 1,482 | 0 | 1,482 |
| **Other** | **50** | **3** | **13** | **0** | **66** | **3** | **69** |
| **Total** | **145,104** | **13,578** | **3,837** | **415** | **162,934** | **483** | **163,418** |

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) loans are loans already credit impaired when purchased or originated.

The defaulted part of POCI loans amounted to EUR 230 million (EUR 281 million), the non-defaulted part to EUR 144 million (EUR 134 million).

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 excl collateral | NPL collateralisation ratio | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| in EUR million | Total | AC | Total | AC | AC | Total | AC | Total | AC | AC | Total | AC |
| **Sep 20** | | | | | | | | | | | | |
| Retail | 1,392 | 1,391 | 59,715 | 59,204 | -1,409 | 549 | 548 | 2.3% | 2.4% | 101.2% | 39.4% | 39.4% |
| Corporates | 1,314 | 1,303 | 57,504 | 57,388 | -1,380 | 525 | 525 | 2.3% | 2.3% | 106.0% | 40.0% | 40.3% |
| Group Markets | 1 | 1 | 1,084 | 1,084 | -3 | 0 | 0 | 0.1% | 0.1% | 405.3% | 0.0% | 0.0% |
| ALM & LCC | 9 | 8 | 171 | 171 | -14 | 0 | 0 | 5.0% | 5.0% | 168.1% | 0.8% | 0.8% |
| Savings Banks | 1,250 | 1,248 | 49,677 | 49,670 | -966 | 630 | 629 | 2.5% | 2.5% | 77.4% | 50.4% | 50.4% |
| GCC | 18 | 15 | 125 | 123 | -17 | 7 | 5 | 14.0% | 12.1% | 116.8% | 41.4% | 30.5% |
| **Total** | **3,983** | **3,966** | **168,276** | **167,638** | **-3,789** | **1,712** | **1,706** | **2.4%** | **2.4%** | **95.5%** | **43.0%** | **43.0%** |
| | | | | | | | | | | | | |
| **Dec 19** | | | | | | | | | | | | |
| Retail | 1,454 | 1,452 | 59,413 | 59,073 | -1,202 | 617 | 616 | 2.4% | 2.5% | 82.8% | 42.4% | 42.4% |
| Corporates | 1,266 | 1,247 | 54,851 | 54,719 | -1,069 | 481 | 481 | 2.3% | 2.3% | 85.7% | 38.0% | 38.5% |
| Group Markets | 0 | 0 | 934 | 934 | -2 | 0 | 0 | 0.0% | 0.0% | >500% | 0.0% | 0.0% |
| ALM & LCC | 59 | 59 | 351 | 351 | -26 | 48 | 48 | 16.9% | 16.9% | 44.0% | 81.5% | 81.5% |
| Savings Banks | 1,349 | 1,347 | 47,823 | 47,814 | -861 | 695 | 693 | 2.8% | 2.8% | 63.9% | 51.5% | 51.5% |
| GCC | 13 | 11 | 46 | 43 | -13 | 5 | 3 | 28.4% | 25.6% | 115.3% | 40.4% | 29.5% |
| **Total** | **4,142** | **4,117** | **163,418** | **162,934** | **-3,174** | **1,847** | **1,842** | **2.5%** | **2.5%** | **77.1%** | **44.6%** | **44.7%** |

### 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 |
| **Sep 20** | | | | | | | | | | | |
| Retail | 51,172 | 6,577 | 1,335 | 118 | -110 | -419 | -845 | -34 | 6.4% | 63.3% | 29.1% |
| Corporates | 44,139 | 11,887 | 1,157 | 205 | -135 | -411 | -747 | -86 | 3.5% | 64.6% | 42.1% |
| Group Markets | 995 | 87 | 1 | 0 | -1 | -2 | 0 | 0 | 1.7% | 7.1% | 100.0% |
| ALM & LCC | 146 | 17 | 9 | 0 | -1 | -5 | -9 | 0 | 27.4% | 104.6% | |
| Savings Banks | 38,869 | 9,531 | 1,219 | 51 | -95 | -287 | -581 | -3 | 3.0% | 47.6% | 5.3% |
| GCC | 31 | 74 | 18 | 0 | 0 | 0 | -17 | 0 | 0.4% | 94.6% | 0.0% |
| **Total** | **135,353** | **28,173** | **3,738** | **374** | **-341** | **-1,124** | **-2,200** | **-124** | **4.0%** | **58.8%** | **33.0%** |
| | | | | | | | | | | | |
| **Dec 19** | | | | | | | | | | | |
| Retail | 53,491 | 4,067 | 1,379 | 136 | -116 | -214 | -827 | -44 | 5.3% | 60.0% | 32.8% |
| Corporates | 49,049 | 4,371 | 1,066 | 233 | -137 | -157 | -682 | -93 | 3.6% | 64.0% | 40.1% |
| Group Markets | 888 | 46 | 0 | 0 | -1 | -1 | 0 | 0 | 3.1% | 98.7% | 100.0% |
| ALM & LCC | 274 | 17 | 59 | 0 | -1 | -5 | -20 | 0 | 29.9% | 34.5% | 0.0% |
| Savings Banks | 41,373 | 5,074 | 1,320 | 46 | -86 | -143 | -629 | -3 | 2.8% | 47.7% | 5.5% |
| GCC | 27 | 3 | 13 | 0 | 0 | 0 | -13 | 0 | 0.1% | 96.6% | 0.0% |
| **Total** | **145,104** | **13,578** | **3,837** | **415** | **-341** | **-520** | **-2,172** | **-140** | **3.8%** | **56.6%** | **33.9%** |

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

| | Non-performing | | Customer loans | | Allowances | Collateral for NPL | | NPL ratio | | NPL coverage ratio excl collateral | NPL collateralisation ratio | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| in EUR million | Total | AC | Total | AC | AC | Total | AC | Total | AC | AC | Total | AC |
| **Sep 20** | | | | | | | | | | | | |
| **Austria** | **1,991** | **1,978** | **101,181** | **101,058** | **-1,632** | **987** | **985** | **2.0%** | **2.0%** | **82.5%** | **49.6%** | **49.8%** |
| EBOe & Subs | 426 | 426 | 35,342 | 35,332 | -339 | 228 | 228 | 1.2% | 1.2% | 79.5% | 53.5% | 53.5% |
| Savings Banks | 1,250 | 1,248 | 49,677 | 49,670 | -966 | 630 | 629 | 2.5% | 2.5% | 77.4% | 50.4% | 50.4% |
| Other Austria | 315 | 304 | 16,163 | 16,056 | -328 | 129 | 128 | 2.0% | 1.9% | 107.8% | 40.9% | 42.2% |
| **CEE** | **1,974** | **1,973** | **66,944** | **66,432** | **-2,139** | **718** | **717** | **2.9%** | **3.0%** | **108.4%** | **36.3%** | **36.3%** |
| Czech Republic | 542 | 542 | 28,818 | 28,818 | -624 | 133 | 133 | 1.9% | 1.9% | 115.1% | 24.5% | 24.5% |
| Romania | 394 | 394 | 9,054 | 9,053 | -471 | 160 | 160 | 4.4% | 4.4% | 119.6% | 40.7% | 40.7% |
| Slovakia | 393 | 393 | 15,147 | 15,147 | -412 | 146 | 146 | 2.6% | 2.6% | 105.0% | 37.1% | 37.1% |
| Hungary | 127 | 126 | 4,809 | 4,297 | -154 | 73 | 73 | 2.6% | 2.9% | 122.3% | 58.0% | 57.8% |
| Croatia | 499 | 499 | 7,399 | 7,399 | -442 | 201 | 201 | 6.7% | 6.7% | 88.6% | 40.3% | 40.3% |
| Serbia | 20 | 20 | 1,717 | 1,717 | -36 | 4 | 4 | 1.2% | 1.2% | 179.2% | 21.4% | 21.4% |
| **Other** | **18** | **15** | **151** | **148** | **-17** | **7** | **5** | **11.6%** | **10.0%** | **117.2%** | **41.4%** | **30.5%** |
| **Total** | **3,983** | **3,966** | **168,276** | **167,638** | **-3,789** | **1,712** | **1,706** | **2.4%** | **2.4%** | **95.5%** | **43.0%** | **43.0%** |
| **Dec 19** | | | | | | | | | | | | |
| **Austria** | **2,191** | **2,171** | **97,639** | **97,530** | **-1,367** | **1,128** | **1,126** | **2.2%** | **2.2%** | **63.0%** | **51.5%** | **51.9%** |
| EBOe & Subs | 500 | 500 | 34,645 | 34,633 | -290 | 286 | 286 | 1.4% | 1.4% | 58.0% | 57.2% | 57.3% |
| Savings Banks | 1,349 | 1,347 | 47,823 | 47,814 | -861 | 695 | 693 | 2.8% | 2.8% | 63.9% | 51.5% | 51.5% |
| Other Austria | 341 | 323 | 15,172 | 15,084 | -216 | 147 | 147 | 2.2% | 2.1% | 66.8% | 43.0% | 45.3% |
| **CEE** | **1,938** | **1,935** | **65,709** | **65,338** | **-1,794** | **713** | **712** | **2.9%** | **3.0%** | **92.7%** | **36.8%** | **36.8%** |
| Czech Republic | 519 | 519 | 29,188 | 29,157 | -500 | 124 | 124 | 1.8% | 1.8% | 96.3% | 24.0% | 24.0% |
| Romania | 359 | 359 | 8,771 | 8,770 | -417 | 138 | 138 | 4.1% | 4.1% | 116.3% | 38.5% | 38.5% |
| Slovakia | 426 | 426 | 14,437 | 14,437 | -344 | 169 | 169 | 3.0% | 3.0% | 80.8% | 39.7% | 39.7% |
| Hungary | 124 | 122 | 4,831 | 4,491 | -115 | 74 | 73 | 2.6% | 2.7% | 93.8% | 59.8% | 59.8% |
| Croatia | 489 | 489 | 6,999 | 6,999 | -390 | 203 | 203 | 7.0% | 7.0% | 79.7% | 41.4% | 41.4% |
| Serbia | 20 | 20 | 1,482 | 1,482 | -29 | 5 | 5 | 1.4% | 1.4% | 140.3% | 22.9% | 22.9% |
| **Other** | **13** | **11** | **69** | **66** | **-13** | **5** | **3** | **19.0%** | **16.8%** | **115.5%** | **40.4%** | **29.5%** |
| **Total** | **4,142** | **4,117** | **163,418** | **162,934** | **-3,174** | **1,847** | **1,842** | **2.5%** | **2.5%** | **77.1%** | **44.6%** | **44.7%** |

## 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 | | | | Allowances | | | | Coverage ratio | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Stage 1 | Stage 2 | Stage 3 | POCI | Stage 2 | Stage 3 | POCI |
| **Sep 20** | | | | | | | | | | | |
| **Austria** | **79,544** | **19,510** | **1,931** | **73** | **-150** | **-558** | **-922** | **-3** | **2.9%** | **47.7%** | **3.7%** |
| EBOe & Subs | 28,919 | 5,984 | 423 | 6 | -33 | -125 | -181 | 0 | 2.1% | 42.7% | 0.1% |
| Savings Banks | 38,869 | 9,531 | 1,219 | 51 | -95 | -287 | -581 | -3 | 3.0% | 47.6% | 5.3% |
| Other AT | 11,756 | 3,995 | 288 | 16 | -22 | -146 | -160 | 0 | 3.6% | 55.5% | 0.0% |
| **CEE** | **55,755** | **8,586** | **1,790** | **301** | **-191** | **-566** | **-1,261** | **-121** | **6.6%** | **70.5%** | **40.1%** |
| Czech Republic | 25,131 | 3,138 | 507 | 42 | -63 | -179 | -361 | -20 | 5.7% | 71.3% | 48.0% |
| Romania | 6,953 | 1,671 | 358 | 71 | -40 | -147 | -266 | -18 | 8.8% | 74.3% | 26.0% |
| Slovakia | 12,767 | 1,964 | 326 | 90 | -26 | -106 | -222 | -58 | 5.4% | 67.9% | 65.1% |
| Hungary | 3,361 | 763 | 97 | 77 | -11 | -59 | -68 | -15 | 7.8% | 70.1% | 19.5% |
| Croatia | 6,018 | 877 | 484 | 20 | -42 | -63 | -330 | -8 | 7.1% | 68.1% | 40.8% |
| Serbia | 1,525 | 173 | 18 | 2 | -9 | -11 | -15 | -1 | 6.3% | 82.7% | 37.7% |
| **Other** | **54** | **76** | **18** | **0** | **0** | **0** | **-17** | **0** | **0.4%** | **94.6%** | **0.0%** |
| **Total** | **135,353** | **28,173** | **3,738** | **374** | **-341** | **-1,124** | **-2,200** | **-124** | **4.0%** | **58.8%** | **33.0%** |
| **Dec 19** | | | | | | | | | | | |
| **Austria** | **85,639** | **9,700** | **2,123** | **68** | **-130** | **-230** | **-1,004** | **-3** | **2.4%** | **47.3%** | **3.8%** |
| EBOe & Subs | 31,130 | 3,001 | 496 | 6 | -29 | -55 | -206 | 0 | 1.8% | 41.5% | 0.0% |
| Savings Banks | 41,373 | 5,074 | 1,320 | 46 | -86 | -143 | -629 | -3 | 2.8% | 47.7% | 5.5% |
| Other AT | 13,136 | 1,624 | 307 | 16 | -16 | -31 | -169 | 0 | 1.9% | 54.9% | 0.0% |
| **CEE** | **59,415** | **3,875** | **1,701** | **347** | **-210** | **-290** | **-1,155** | **-138** | **7.5%** | **67.9%** | **39.8%** |
| Czech Republic | 27,169 | 1,467 | 489 | 32 | -68 | -77 | -335 | -19 | 5.3% | 68.4% | 60.1% |
| Romania | 7,102 | 1,272 | 300 | 97 | -37 | -122 | -229 | -29 | 9.6% | 76.3% | 29.9% |
| Slovakia | 13,519 | 474 | 358 | 85 | -35 | -36 | -220 | -53 | 7.6% | 61.6% | 62.2% |
| Hungary | 4,071 | 247 | 80 | 94 | -13 | -25 | -55 | -21 | 10.3% | 69.4% | 22.8% |
| Croatia | 6,154 | 352 | 456 | 37 | -48 | -24 | -303 | -15 | 6.8% | 66.4% | 39.3% |
| Serbia | 1,399 | 63 | 18 | 2 | -9 | -6 | -13 | -1 | 9.0% | 73.6% | 38.1% |
| **Other** | **50** | **3** | **13** | **0** | **0** | **0** | **-13** | **0** | **0.1%** | **96.6%** | **0.0%** |
| **Total** | **145,104** | **13,578** | **3,837** | **415** | **-341** | **-520** | **-2,172** | **-140** | **3.8%** | **56.6%** | **33.9%** |

## Loans and advances to customers by geographical segment and currency

| in EUR million | EUR | CEE-LCY | CHF | USD | Other | Total |
|---|---|---|---|---|---|---|
| **Sep 20** | | | | | | |
| **Austria** | **93,294** | **0** | **2,829** | **2,794** | **2,264** | **101,181** |
| Erste Bank Oesterreich & Subsidiaries | 34,029 | 0 | 1,181 | 51 | 81 | 35,342 |
| Savings Banks | 46,702 | 0 | 1,610 | 64 | 1,301 | 49,677 |
| Other Austria | 12,563 | 0 | 38 | 2,679 | 883 | 16,163 |
| **Central and Eastern Europe** | **29,557** | **37,126** | **24** | **175** | **62** | **66,944** |
| Czech Republic | 4,201 | 24,503 | 0 | 72 | 43 | 28,818 |
| Romania | 3,144 | 5,843 | 0 | 66 | 0 | 9,054 |
| Slovakia | 15,124 | 0 | 0 | 4 | 18 | 15,147 |
| Hungary | 1,269 | 3,514 | 3 | 22 | 0 | 4,809 |
| Croatia | 4,525 | 2,846 | 20 | 7 | 1 | 7,399 |
| Serbia | 1,293 | 420 | 0 | 3 | 0 | 1,717 |
| **Other** | **90** | **40** | **4** | **17** | **0** | **151** |
| **Total** | **122,940** | **37,167** | **2,857** | **2,986** | **2,326** | **168,276** |
| **Dec 19** | | | | | | |
| **Austria** | **89,317** | **0** | **3,185** | **2,637** | **2,500** | **97,639** |
| Erste Bank Oesterreich & Subsidiaries | 33,167 | 0 | 1,325 | 60 | 93 | 34,645 |
| Savings Banks | 44,643 | 0 | 1,809 | 87 | 1,284 | 47,823 |
| Other Austria | 11,507 | 0 | 51 | 2,490 | 1,124 | 15,172 |
| **Central and Eastern Europe** | **28,261** | **37,042** | **28** | **289** | **90** | **65,709** |
| Czech Republic | 3,822 | 25,155 | 0 | 151 | 60 | 29,188 |
| Romania | 3,192 | 5,471 | 0 | 108 | 0 | 8,771 |
| Slovakia | 14,391 | 0 | 0 | 16 | 30 | 14,437 |
| Hungary | 1,282 | 3,541 | 6 | 2 | 0 | 4,831 |
| Croatia | 4,426 | 2,544 | 22 | 7 | 0 | 6,999 |
| Serbia | 1,147 | 331 | 0 | 4 | 0 | 1,482 |
| **Other** | **22** | **42** | **0** | **5** | **0** | **69** |
| **Total** | **117,599** | **37,084** | **3,214** | **2,931** | **2,590** | **163,418** |

### 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 19 | Sep 20 |
|---|---|---|
| Interest | 3.2 | 4.2 |
| Currency | 0.8 | 1.6 |
| Shares | 0.4 | 0.9 |
| Commodity | 0.1 | 0.2 |
| Volatility | 0.7 | 0.4 |
| **Total** | **3.1** | **4.0** |

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 favorable liquidity position and the usage of the TLTRO II and III programmes (Targeted Longer-Term Refinancing Operations) of the European Central Bank, Erste Group Bank AG has budgeted long term issuance for 2020 in the amount of EUR 4.0 billion. In the first six months of the year, Erste Group issued over EUR 3.4 billion (net of EUR 59 million buybacks), including five EUR benchmark transactions (EUR 500 million additional tier 1, EUR 500 million tier 2, EUR 750 million mortgage bond, and two preferred senior bonds in the total amount of EUR 1.25 billion). Also in the CEE entities, the liquidity situation remained stable and did not show any negative impacts due to the Covid-19 situation in the third quarter of 2020. On group level, Erste Group's total TLTRO participation amounted to EUR 14.1 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 30 September 2020, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.4%, comfortably above the 3.0% minimum requirement defined in Article 92 Capital Requirements Regulation (CRR). Tier 1 capital amounted to EUR 18.4 billion at the reference date, while total leverage exposure stood at EUR 286.6 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 31.30% 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 14.2 million (EUR 8.2 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 7.2 million (EUR 7.3 million). In the reporting period interest expenses amounted to EUR 0.2 million (EUR 0.3 million), resulting from the above mentioned accounts payable.

## 31. Contingent liabilities – legal proceedings

There have not been any material changes since year-end 2019 in the assessment of the influence of the outcome of the litigation cases in which Erste Group Bank AG and some of its subsidiaries are involved with respect of the financial and/or earnings situation of Erste Group, with the exception of the following: in the Czech Republic, a former corporate client has some time ago initiated arbitration proceedings in which it is now seeking payment from CSAS of CZK 949,9 million (approx. EUR 34,5 million) plus a multiple thereof in interest in connection with its financing by CSAS in the late nineties. Besides raising other defenses, CSAS denies the existence of such payment obligation and considers the claim as already heard and dismissed by an arbitration court more than ten years ago.

## 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.** 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 simulation. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. For determining the fair value of derivatives secured in EURO a discounting interest rate reflecting the interest rate of the corresponding cash collateral is used. As a result of the IBOR reform it has been decided that the so far used EONIA (Euro Over Night Index Average) will be replaced by ESTER (Euro Short-Term Rate) with a transition phase until 31 December 2021. In Erste Group all contracts with CCP's (Central Counter Parties), LCH (London Clearing House) and EUREX have been converted in 2020 and for the respective collaterals ESTER is used as interest rate. The fair value of these derivatives is already determined using ESTER as discount rate. The valuation difference resulting from the conversion has been offset by a compensation payment. The change for all bilateral contracts and CSA's (Credit Support Annex) is in process and will take place the same way as for CCP's contracts.

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 28.4 million (2019: EUR 15.7 million) and the total DVA-adjustment amounted to EUR 4.2 million (2019: EUR 2.8 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.

### Leve 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. In addition, fund units issued by investment funds fully consolidated by Erste Group as well as own issues are reported in this category.

A reclassification from Level 1 into Level 2 or Level 3 as well as vice versa will be 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 19 | | | | Sep 20 | | | |
|---|---|---|---|---|---|---|---|---|
| **in EUR million** | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | | | | | |
| Financial assets HfT | 2,209 | 3,457 | 93 | 5,760 | 2,024 | 4,600 | 140 | 6,764 |
| Derivatives | 7 | 2,720 | 79 | 2,805 | 7 | 3,238 | 124 | 3,369 |
| Other financial assets held for trading | 2,202 | 737 | 14 | 2,954 | 2,017 | 1,362 | 15 | 3,394 |
| Non-trading financial assets - FVPL | 1,985 | 302 | 922 | 3,208 | 1,850 | 220 | 1,087 | 3,157 |
| Equity instruments | 55 | 5 | 330 | 390 | 38 | 5 | 351 | 395 |
| Debt securities | 1,929 | 297 | 109 | 2,335 | 1,812 | 214 | 98 | 2,124 |
| Loans and advances | 0 | 0 | 483 | 483 | 0 | 0 | 638 | 638 |
| Financial assets FVOCI | 7,745 | 845 | 457 | 9,047 | 7,119 | 1,041 | 418 | 8,578 |
| Hedge accounting derivatives | 0 | 129 | 1 | 130 | 0 | 254 | 0 | 254 |
| **Total assets** | **11,939** | **4,733** | **1,473** | **18,144** | **10,993** | **6,115** | **1,645** | **18,753** |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Financial liabilities HfT | 371 | 2,045 | 5 | 2,421 | 523 | 2,313 | 9 | 2,845 |
| Derivatives | 3 | 1,997 | 5 | 2,005 | 9 | 2,235 | 9 | 2,253 |
| Other financial liabilities held for trading | 368 | 48 | 0 | 416 | 514 | 78 | 0 | 592 |
| Financial liabilities - FVPL | 366 | 12,821 | 308 | 13,494 | 367 | 11,762 | 205 | 12,334 |
| Deposits from customers | 0 | 265 | 0 | 265 | 0 | 279 | 0 | 279 |
| Debt securities issued | 366 | 12,556 | 89 | 13,011 | 367 | 11,484 | 27 | 11,878 |
| Other financial liabilities | 0 | 0 | 219 | 219 | 0 | 0 | 178 | 178 |
| Hedge accounting derivatives | 0 | 269 | 0 | 269 | 0 | 209 | 1 | 209 |
| **Total liabilities** | **736** | **15,135** | **313** | **16,185** | **890** | **14,284** | **214** | **15,389** |

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

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

### Valuation process for financial instruments categorised as Level 3

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

## Changes in volumes of Level 1 and Level 2

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

| in EUR million | Dec 19 | | Sep 20 | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 1 | Level 2 |
| Securities | | | | |
| Net transfer from Level 1 | | -60 | | 277 |
| Net transfer from Level 2 | 60 | | -277 | |
| Net transfer from Level 3 | 3 | 146 | 0 | 28 |
| Purchases/sales/expiries | 507 | -670 | -669 | 435 |
| Changes in derivatives | 4 | -256 | 0 | 642 |
| **Total year-to-date change** | **574** | **-840** | **-946** | **1,382** |

**Level 1-Movements.** The total amount of Level 1 financial assets decreased by EUR 945 million compared to last year. The volume of Level 1 securities decreased by EUR 945 million. The main changes are caused by matured or sold assets in the amount of EUR 2,624 million and by new investments in the amount of EUR 1,641 million. Furthermore, the increase in volume for securities that were allocated to Level 1 at both reporting dates (2020 and 2019) amounted to EUR 290 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 19 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by governments (EUR 9 million), securities issued by financial institutions (EUR 6 million) and securities issued by other corporates (EUR 4 million). Due to lower market activity and changes to modelled fair value, securities in total of EUR 296 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by governments (EUR 192 million), other corporates (EUR 62 million) as well as securities issued by financial institutions (EUR 42 million). The remaining positive change in the amount of EUR 25 million was due to partial purchases and fair value changes of reclassified instruments. The volume of derivatives attributed to Level 1 remained unchanged.

**Level 2-Movements – Financial Assets.** The total value of Level 2 financial assets increased between 2020 and 2019 by EUR 1,382 million. The Level 2 fair value change of securities and other receivables (up by EUR 740 million) can be explained for the most part by matured or sold positions in the amount of EUR 630 million and new investments in the amount of EUR 1,170 million. The decrease in volume for securities that have been allocated to Level 2 at both reporting dates 2020 and 2019 amounted to EUR 107 million due to purchases or sales in volumes and changes in market values. Due to reduced market depth a total volume of EUR 296 million was reclassified from Level 1 to Level 2 in 2020. This applies mainly to securities issued by governments (EUR 192 million), securities issued by other corporates (EUR 62 million) and financial institutions (EUR 42 million). Securities in the amount of EUR 19 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 13 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 41 million was reclassified from Level 3 to Level 2. The remaining increase in the amount of EUR 2 million was due to partial purchases and fair value changes of reclassified instruments. The increase on the asset side derivatives in Level 2 by EUR 642 million are caused by changes in market values and by netting effects.

**Level 2-Movements – Financial Liabilities.** The total Level 2 financial liabilities decreased by EUR 851 million. Whereas the fair value of derivatives increased by EUR 177 million, the portfolio of securities decreased by EUR 1,042 million. The fair value of client deposits increased by EUR 14 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 20** | | | | | | | | | | | **Sep 20** |
| **Assets** | | | | | | | | | | | | |
| Financial assets HfT | 93 | 17 | 0 | 8 | -1 | -1 | 0 | 0 | 26 | -1 | -2 | 140 |
| Derivatives | 79 | 18 | 0 | 6 | -1 | -1 | 0 | 0 | 26 | -1 | -2 | 124 |
| Other financial assets held for trading | 14 | -1 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15 |
| Non-trading financial assets at FVPL | 922 | 3 | 0 | 344 | -73 | -49 | 0 | 0 | 2 | -10 | -52 | 1,087 |
| Equity instruments | 330 | 9 | 0 | 46 | -29 | 0 | 0 | 0 | 1 | -1 | -4 | 351 |
| Debt securities | 109 | 11 | 0 | 17 | -13 | -16 | 0 | 0 | 1 | -8 | -3 | 98 |
| Loans and advances | 483 | -17 | 0 | 281 | -31 | -33 | 0 | 0 | 0 | -1 | -45 | 638 |
| Financial assets FVOCI | 457 | 2 | 0 | 92 | -82 | -12 | 0 | 0 | 11 | -45 | -3 | 418 |
| Hedge accounting derivatives | 1 | -1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total assets** | **1,473** | **21** | **0** | **444** | **-157** | **-62** | **0** | **0** | **38** | **-56** | **-57** | **1,645** |
| | | | | | | | | | | | | |
| **Liabilities** | | | | | | | | | | | | |
| Financial liabilities HfT | 5 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 9 |
| Derivatives | 5 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 9 |
| Other financial liabilities held for trading | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial liabilities at FVPL | 308 | 3 | -1 | 70 | -70 | -34 | 0 | 0 | 0 | -72 | 0 | 205 |
| Deposits from customers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt securities issued | 89 | 1 | -1 | 10 | 0 | 0 | 0 | 0 | 0 | -72 | 0 | 27 |
| Other financial liabilities | 219 | 2 | 0 | 60 | -70 | -34 | 0 | 0 | 0 | 0 | 0 | 178 |
| **Total liabilities** | **313** | **6** | **-1** | **70** | **-70** | **-34** | **0** | **0** | **2** | **-72** | **0** | **214** |
| | | | | | | | | | | | | |
| | **Jan 19** | | | | | | | | | | | **Sep 19** |
| **Assets** | | | | | | | | | | | | |
| Financial assets HfT | 80 | 59 | 0 | 12 | -5 | 0 | 0 | 0 | 10 | -11 | 0 | 145 |
| Derivatives | 61 | 59 | 0 | 5 | -5 | 0 | 0 | 0 | 10 | -6 | 0 | 125 |
| Other financial assets held for trading | 19 | 0 | 0 | 7 | -1 | 0 | 0 | 0 | 0 | -5 | 0 | 20 |
| Non-trading financial assets at FVPL | 778 | 19 | 0 | 528 | -246 | -138 | 0 | 0 | 1 | -160 | -9 | 773 |
| Financial assets at FVOCI | 502 | 1 | 82 | 21 | -1 | -6 | 0 | 0 | 17 | -47 | -1 | 568 |
| **Total assets** | **1,361** | **80** | **82** | **562** | **-253** | **-144** | **0** | **0** | **28** | **-219** | **-10** | **1,487** |
| | | | | | | | | | | | | |
| **Liabilities** | | | | | | | | | | | | |
| Financial liabilities HfT | 14 | -2 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 14 |
| Derivatives | 14 | -2 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 14 |
| Other financial liabilities held for trading | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial liabilities at FVPL | 561 | 34 | 0 | 138 | -73 | -4 | 0 | -30 | 124 | -96 | 0 | 654 |
| Deposits from customers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt securities issued | 96 | 12 | 0 | 0 | 0 | -2 | 0 | 0 | 124 | -96 | 0 | 134 |
| Other financial liabilities | 464 | 22 | 0 | 138 | -73 | -2 | 0 | -30 | 0 | 0 | 0 | 520 |
| **Total liabilities** | **574** | **32** | **0** | **139** | **-73** | **-4** | **0** | **-30** | **124** | **-95** | **0** | **667** |

**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. Based on the described analysis securities in the amount of EUR 13 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by other corporates (EUR 9 million), financial institutions (EUR 2 million) and governments (EUR 2 million). On the other hand securities in the amount of EUR 41 million were reclassified from Level 3 to Level 2. Thereof EUR 31 million are securities issued by other corporates, EUR 8 million by financial institutions and EUR 2 million are securities issued by governments. Loans and advances which are measured at fair value under IFRS 9 increased by EUR 154 million. The additional change in Level 3 positions was caused by a increase in derivative exposure of EUR 45 million.

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

| in EUR million | 1-9 19 | 1-9 20 |
|---|---|---|
| **Assets** | | |
| Financial assets HfT | 61.2 | 23.5 |
| Derivatives | 61.1 | 24.5 |
| Other financial assets held for trading | 0.0 | -1.0 |
| Non-trading financial assets at FVPL | 21.3 | -1.0 |
| Equity instruments | 9.6 | 6.5 |
| Debt securities | 2.0 | 9.7 |
| Loans and advances | 9.7 | -17.2 |
| Financial assets at FVOCI | -0.2 | 1.6 |
| Hedge accounting derivatives | 0.0 | -0.7 |
| **Total** | **82.3** | **23.5** |

For financial liabilities measured at fair value in Level 3 a valuation of EUR 8.1 million (2019: EUR -6.7 million) was posted via income statement for the end of the reporting period.

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) |
|---|---|---|---|---|---|
| **Sep 20** | | | | | |
| Positive fair value of derivatives | Forwards, swaps, options | 128.4 | Discounted cash flow and option models with CVA adjustment based on potential future exposure | PD | 1.03%-100% (5.88%) |
| | | | | LGD | 60% |
| Financial assets at FVPL | Fixed and variable coupon bonds | 4.5 | Discounted cash flow | Credit Spread | 0.77%-7.76% (3.52%) |
| | Loans | 637,9 | Discounted cash flow | PD | 1.23%-5.80% (1.86%) |
| | | | | LGD | 55.92%-56.26% (56.10%) |
| Financial assets at FVOCI | Fixed and variable coupon bonds | 82.1 | Discounted cash flow | Credit Spread | 1.09%-8.60% (3.19%) |
| Financial assets at FVOCI / at FVPL | Non-trading equity instruments (participations) | 204.5 | Dividend Discount Model; Simplified Income Approach | Beta relevered | Industries:<br>Insurance (General) 0.90-0.95<br>Recreation 0.82<br>Real Estate (General/Diversified) 0.71<br>Real Estate (Operations/Services) 0.50<br>Financial Svcs. (Non-bank & Insurance) 0.93-1.10<br>Banks (Regional) 0.51<br>Health Resort and Gesundheitszentrum GmbH 0.74 |
| | | | | Country risk premium | Croatia 4.45%,<br>Austria 0.37%-0.50%<br>Czech Republic 0.90%<br>Romania 3.26%, Russia 2.75%,<br>Slovakia 1.26%, Hungary 3.26%<br>Resulting cost of equity based on above inputs: 4.19%-12.83% |
| | | 186.4 | Adjusted Net Asset Value | Adjusted Equity | Depending on accounting equity of investment. |
| | | 31.0 | Market comparable companies | EV / SALES<br>EV / EBITDA<br>EV / EBIT<br>P/E<br>P/E (implicit)<br>P/B | Depending on industry classification according to Damodaran. |
| **Dez 19** | | | | | |
| Positive fair value of derivatives | Forwards, swaps, options | 75.8 | Discounted cash flow and option models with CVA adjustment based on potential future exposure | PD | 0.66%-100% (4.40%) |
| | | | | LGD | 60% |
| Financial assets at FVPL | Fixed and variable coupon bonds | 6.1 | Discounted cash flow | Credit Spread | 0.81%-6.21% (3.29%) |
| | Loans | 483.4 | Discounted cash flow | PD | 0%-39.70% (0.81%) |
| | | | | LGD | 0%-79.30% (25.18%) |
| Financial assets at FVOCI | Fixed and variable coupon bonds | 140.9 | Discounted cash flow | Credit Spread | 1.23%-7.27% (4.31%) |
| Financial assets at FVOCI / at FVPL | Non-trading equity instruments (participations) | 214.8 | Dividend Discount Model; Simplified Income Approach | Beta relevered | Industries:<br>Insurance (General) 0.92-0.96<br>Recreation 0.93<br>Real Estate (General/Diversified) 0.75<br>Financial Services (Non-bank & Insurance) 0.93-1.02<br>Banks (Regional) 0.58 |
| | | | | Country risk premium | Croatia 2.79%, Austria 0.37%,<br>Czech Republic 0.65%,<br>Romania 2.04%, Russia 2.04%,<br>Slovakia 0.79%, Spain 1.48%<br>Resulting cost of equity based on above inputs: 6.32%-11.01% |
| | | 191.7 | Adjusted Net Asset Value | Adjusted Equity | Depending on accounting equity of investment. |
| | | 159.0 | Market comparable companies | EV / SALES<br>EV / EBITDA<br>EV / EBIT<br>P/E<br>P/E (implicit)<br>P/B | Depending on industry classification according to Damodaran. |

Equity instruments with a fair value in amount of EUR 64.8 million (2019: EUR 147.5 million) are assessed on the basis of expert opinions. For equity instruments other than participations classified as Level 3, the amount of EUR°95.4°million (2019: EUR°25.6°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 19 | | Sep 20 | |
|---|---|---|---|---|
| in EUR million | Positive | Negative | Positive | Negative |
| Derivatives | 2.4 | -3.2 | 5.4 | -11.2 |
| Income statement | 2.4 | -3.2 | 5.4 | -11.2 |
| Debt securities | 11.6 | -15.5 | 12.1 | -16.1 |
| Income statement | 2.4 | -3.2 | 2.0 | -2.6 |
| Other comprehensive income | 9.2 | -12.3 | 10.1 | -13.5 |
| Equity instruments | 106.5 | -67.6 | 119.4 | -80.2 |
| Income statement | 62.7 | -42.5 | 81.1 | -57.7 |
| Other comprehensive income | 43.8 | -25.1 | 38.3 | -22.5 |
| Loans | 10.8 | -29.7 | 19.6 | -39.9 |
| Income statement | 10.8 | -29.7 | 19.6 | -39.9 |
| **Total** | **131.3** | **-116.0** | **156.5** | **-147.4** |
| **Income statement** | **78.3** | **-78.6** | **108.1** | **-111.4** |
| **Other comprehensive income** | **53.0** | **-37.4** | **48.4** | **-36.0** |

**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 19 | | Sep 20 | |
|---|---|---|---|---|
| in EUR million | Carrying amount (balance sheet) | Fair value | Carrying amount (balance sheet) | Fair value |
| **Assets** | | | | |
| Cash and cash balances | 10,693 | 10,693 | 27,848 | 27,848 |
| Financial assets at AC | 204,162 | 208,412 | 212,824 | 220,442 |
| Loans and advances to banks | 23,055 | 23,072 | 25,672 | 25,717 |
| Loans and advances to customers | 154,344 | 157,342 | 158,502 | 164,402 |
| Debt securities | 26,764 | 27,998 | 28,649 | 30,322 |
| Finance lease receivables | 4,034 | 4,024 | 4,118 | 4,091 |
| Assets held for sale | 0 | 0 | 0 | 0 |
| Trade and other receivables | 1,408 | 1,412 | 1,256 | 1,257 |
| | | | | |
| **Liabilities** | | | | |
| Financial liabilities at AC | 204,143 | 204,392 | 229,525 | 229,995 |
| Deposits from banks | 13,141 | 13,337 | 26,433 | 26,560 |
| Deposits from customers | 173,066 | 172,948 | 184,551 | 184,689 |
| Debt securities issued | 17,360 | 17,531 | 17,797 | 18,002 |
| Other financial liabilities | 576 | 577 | 743 | 743 |
| | | | | |
| **Financial guarantees and commitments** | | | | |
| Financial guarantees | n/a | 82 | n/a | 37 |
| Irrevocable commitments | n/a | 357 | n/a | 501 |

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)

| | 1-9 19 | 1-9 20 |
|---|---|---|
| **Austria** | **16,229** | **16,203** |
| Erste Group, EB Oesterreich and subsidiaries | 9,073 | 9,124 |
| Haftungsverbund savings banks | 7,156 | 7,079 |
| **Outside Austria** | **30,933** | **31,188** |
| Česká spořitelna Group | 9,924 | 9,892 |
| Banca Comercială Română Group | 7,006 | 6,777 |
| Slovenská sporiteľňa Group | 4,068 | 3,982 |
| Erste Bank Hungary Group | 3,125 | 3,213 |
| Erste Bank Croatia Group | 3,283 | 3,310 |
| Erste Bank Serbia Group | 1,144 | 1,166 |
| Savings banks subsidiaries | 1,204 | 1,620 |
| Other subsidiaries and foreign branch offices | 1,180 | 1,228 |
| **Total** | **47,162** | **47,391** |

## 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).

### 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.

Furthermore, 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 30 September 2020, 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%.

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.

According to section 23a ABA, a maximum countercyclical buffer of 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 amount to 2%.

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

As a result of the 2019 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a Pillar 2 requirement of 1.75% (P2R, valid as of 1 January 2020).

In the wake of the current Covid-19 crisis, the ECB made an adjustment to the regulatory framework on 12 March 2020 to stabilize the financial markets. The originally envisaged relief for 2021 regarding the composition of capital for the Pillar 2 requirement under article 104a (4) CRD V can be applied directly by credit institutions under the supervision of the ECB. Therefore, the minimum CET1 ratio of 5.48% encompasses the Pillar 1 minimum requirement of 4.5% and the Pillar 2 requirement of 0.98% (56.25% of 1.75%) as of 30 September 2020.

Taking all requirements into account (minimum capital requirements, combined buffer requirement consisting of the capital conservation buffer (2.5%), the institution specific countercyclical capital buffer (0.18%) and the systemic risk buffer (2.0%) as well as the Pillar 2 requirements), Erste Group has to fulfil the following capital ratios:
_ a CET1 requirement of 10.16% (Pillar 1 CET requirement of 4.5%, combined capital buffer requirement of 4.68% and 56,25% of 1.75% Pillar 2 requirement),
_ a T1 requirement of 11.99% (+Pillar 1 AT1 requirement of 1.5% and 18.75% of 1.75% Pillar 2 requirement) and
_ a total own funds requirement of 14.43% (+Pillar 1 T2 requirement of 2.0% and 25% of 1.75% Pillar 2 requirement).

Following the SREP, Erste Group is expected to meet a Pillar 2 Guidance (P2G) of 1.0% valid as of 1 January 2020. The ECB press release of 12 March 2020 also indicated that the Pillar 2 Guidance need not be fully complied with temporarily by credit institutions during the current corona crisis. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

### Overview of capital requirements and capital buffers (not taking into account temporary adjustments)

| | Dec 19 | Sep 20 |
|---|---|---|
| **Pillar 1** | | |
| Minimum CET1 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) | 4.91% | 4.68% |
| Capital conservation buffer | 2.50% | 2.50% |
| Institution-specific countercyclical capital buffer | 0.41% | 0.18% |
| Systemic risk buffer (SRB) | 2.00% | 2.00% |
| O-SII capital buffer | 2.00% | 2.00% |
| **Pillar2** | | |
| Pillar 2 requirement (P2R) | 1.75% | 1.75% |
| **Total CET1 requirement for Pillar 1 and Pillar 2** | **11.16%** | **10.16%** |
| **Total Tier 1 requirement for Pillar 1 and Pillar 2** | **12.66%** | **11.99%** |
| **Total Own Funds requirement for Pillar 1 and Pillar 2** | **14.66%** | **14.43%** |

The Pillar 2 requirement excludes the P2G.

As announced by the European Central Bank (ECB) in its press release on 12 March 2020[1], Erste Group is not obliged to fully comply with the capital conservation buffer of 2.5% during the current corona crisis. In the "Frequently Asked Questions - FAQs"[2] published on 20 March 2020, however, the ECB states that the incomplete fulfillment of the combined buffer requirement leads to restrictions on distributions and banks are only allowed to make distributions within the limits of the maximum distributable amount (MDA).

Taking into account ECB's communication on the temporary capital relief measures with regard to the Pillar 2 requirement, the full usage of the capital conservation buffer as well as the Pillar 2 guidance (P2G), Erste Group's CET1 requirement amounts to 7.66%, its T1 requirement amounts to 9.49% and its total own funds requirement amounts to 11.93%.

[1] https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200312~43351ac3ac.en.html

[2] https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200320_FAQs~a4ac38e3ef.en.html

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

| in EUR million | Article pursuant to CRR | Dec 19 Phased-in | Dec 19 Final | Sep 20 Phased-in | Sep 20 Final |
|---|---|---|---|---|---|
| **Common equity tier 1 capital (CET1)** | | | | | |
| Capital instruments eligible as CET1 | 26(1)(a)(b),27-30,36(1)(f),42 | 2,337 | 2,337 | 2,337 | 2,337 |
| Retained earnings | 26 (1) (c), 26 (2) | 12,238 | 12,238 | 12,585 | 12,585 |
| Interim profit | 26 (2) | 0 | 0 | 157 | 157 |
| Accumulated other comprehensive income | 4 (1) (100), 26 (1) (d) | -1,458 | -1,458 | -1,783 | -1,783 |
| Minority interest recognised in CET1 | 4 (1) (120) 84 | 4,448 | 4,448 | 4,801 | 4,801 |
| **Common equity tier 1 capital (CET1) before regulatory adjustments** | | **17,565** | **17,565** | **18,097** | **18,097** |
| Own CET1 instruments | 36 (1) (f), 42 | -68 | -68 | -61 | -61 |
| Prudential filter: cash flow hedge reserve | 33 (1) (a) | 45 | 45 | -84 | -84 |
| Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities | 33 (1) (b) | 406 | 406 | 243 | 243 |
| Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities | 33 (1) (c), 33 (2) | -3 | -3 | -4 | -4 |
| Value adjustments due to the requirements for prudent valuation | 34, 105 | -85 | -85 | -59 | -59 |
| 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) | -45 | -45 | -35 | -35 |
| Goodwill | 4 (1) (113), 36 (1) (b), 37 | -544 | -544 | -544 | -544 |
| Other intangible assets | 4 (1) (115), 36 (1) (b), 37 (a) | -741 | -741 | -696 | -696 |
| Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities | 36 (1) (c), 38 | -102 | -102 | -91 | -91 |
| IRB shortfall of credit risk adjustments to expected losses | 36 (1) (d), 40, 158, 159 | -158 | -158 | 0 | 0 |
| Development of unaudited risk provisions during the year (EU No 183/2014) | | -17 | -17 | -349 | -349 |
| **Common equity tier 1 capital (CET1)** | **50** | **16,252** | **16,252** | **16,417** | **16,417** |
| **Additional tier 1 capital (AT1)** | | | | | |
| Capital instruments eligible as AT1 | 51 (a), 52 to 54, 56 (a), 57 | 1,490 | 1,490 | 1,987 | 1,987 |
| Instruments issued by subsidiaries that are given recognition in AT1 | 85, 86 | 8 | 8 | 7 | 7 |
| **Additional tier 1 capital (AT1) before regulatory adjustments** | | **1,498** | **1,498** | **1,994** | **1,994** |
| Own AT1 instruments | 52 (1) (b), 56 (a), 57 | -2 | -2 | -2 | -2 |
| Transitional adjustments due to grandfathered AT1 instruments | 483 (4)(5), 484-487, 489, 491 | 0 | 0 | 0 | 0 |
| AT1 instruments of financial sector entities where the institution has a significant investment | 4 (1) (27), 56 (d), 59, 79 | 0 | 0 | 0 | 0 |
| **Additional tier 1 capital (AT1)** | **61** | **1,497** | **1,497** | **1,993** | **1,993** |
| **Tier 1 capital = CET1 + AT1** | **25** | **17,749** | **17,749** | **18,409** | **18,409** |
| **Tier 2 capital (T2)** | | | | | |
| Capital instruments and subordinated loans eligible as T2 | 62 (a), 63 to 65, 66 (a), 67 | 3,660 | 3,660 | 3,322 | 3,322 |
| Instruments issued by subsidiaries recognised in T2 | 87, 88 | 267 | 267 | 212 | 212 |
| 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) | 328 | 328 | 460 | 460 |
| **Tier 2 capital (T2) before regulatory adjustments** | | **4,255** | **4,255** | **3,995** | **3,995** |
| Own T2 instruments | 63 (b) (i), 66 (a), 67 | -44 | -44 | -48 | -48 |
| Standardised approach general credit risk adjustments | 62 (c) | 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** | **4,211** | **4,211** | **3,947** | **3,947** |
| **Total own funds** | **4 (1) (118) and 72** | **21,961** | **21,961** | **22,356** | **22,356** |
| **Capital requirement** | **92 (3), 95, 96, 98** | **9,448** | **9,484** | **9,244** | **9,285** |
| **CET1 capital ratio** | **92 (2) (a)** | **13.8%** | **13.7%** | **14.2%** | **14.1%** |
| **Tier 1 capital ratio** | **92 (2) (b)** | **15.0%** | **15.0%** | **15.9%** | **15.9%** |
| **Total capital ratio** | **92 (2) (c)** | **18.6%** | **18.5%** | **19.3%** | **19.3%** |

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

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

In order to mitigate the ramifications of the Covid-19 pandemic further, certain adjustments to the CRR and CRR II became effective on 27 June 2020 through EU Regulation No. 2020/873. The so-called CRR quick fix encompassed a revised supporting factor for loans to small and medium-sized enterprises (SMEs) which resulted in a credit RWA reduction of EUR -4.5 billion at Erste Group in June 2020. Furthermore, the temporary treatment of a 0% risk weight on public debt issued in the EEA currency of another EU member state lead to an additional RWA relief in the amount of EUR -1.0 billion for the exposure in standardized approach. As the temporary treatment of 0% risk weight is valid until 31 December 2022, fully loaded RWA as of June 2020 is calculated under IRB treatment for BCR Sovereign exposure as of 1 January 2023 and results in an credit RWA increase of EUR +0.5 billion.

In the third quarter of 2020, the so called "baby loans" portfolio in Hungary resulted in a decrease in RWA under the Standardised Approach of EUR 118 million.

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

| | | Dec 19 | | Sep 20 | |
|---|---|---|---|---|---|
| in EUR million | Article pursuant to CRR | Total risk (phased-in) | Capital requirement (phased-in) | Total risk (phased-in) | Capital requirement (phased-in) |
| Total risk exposure amount | 92 (3), 95, 96, 98 | 118,105 | 9,448 | 115,554 | 9,244 |
| Risk-weighted assets (credit risk) | 92 (3) (a) (f) | 96,325 | 7,706 | 94,059 | 7,525 |
| Standardised approach | | 18,007 | 1,441 | 17,400 | 1,392 |
| IRB approach | | 78,318 | 6,265 | 76,651 | 6,132 |
| Contribution to the default fund of a CCP | | 0 | 0 | 8 | 0 |
| 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) | 2,795 | 224 | 3,289 | 263 |
| Operational risk | 92 (3) (e) 92 (4) (b) | 14,934 | 1,195 | 14,588 | 1,167 |
| Exposure for CVA | 92 (3) (d) | 569 | 46 | 468 | 37 |
| Other exposure amounts (including Basel 1 floor) | 3, 458, 459, 500 | 3,483 | 279 | 3,151 | 252 |

| | | Dec 19 | | Sep 20 | |
|---|---|---|---|---|---|
| in EUR million | Article pursuant to CRR | Total risk (final) | Capital requirement (final) | Total risk (final) | Capital requirement (final) |
| Total risk exposure amount | 92 (3), 95, 96, 98 | 118,556 | 9,484 | 116,058 | 9,285 |
| Risk-weighted assets (credit risk) | 92 (3) (a) (f) | 96,776 | 7,742 | 94,563 | 7,565 |
| Standardised approach | | 18,458 | 1,477 | 17,400 | 1,392 |
| IRB approach | | 78,318 | 6,265 | 77,155 | 6,172 |
| Contribution to the default fund of a CCP | | 0 | 0 | 8 | 0 |
| 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) | 2,795 | 224 | 3,289 | 263 |
| Operational risk | 92 (3) (e) 92 (4) (b) | 14,934 | 1,195 | 14,588 | 1,167 |
| Exposure for CVA | 92 (3) (d) | 569 | 46 | 468 | 37 |
| Other exposure amounts (including Basel 1 floor) | 3, 458, 459, 500 | 3,483 | 279 | 3,151 | 252 |

## 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 |

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

| | |
|---|---|
| 10 November 2020 | Annual general meeting (virtual) |
| 26 February 2021 | Full-year preliminary results 2020 |
| 26 March 2021 | Annual financial report 2020 |
| 30 April 2021 | Results for the first quarter of 2021 |
| 19 May 2021 | Annual general meeting |
| 30 July 2021 | Half year financial report 2021 |
| 2 November 2021 | Results for the first three quarters of 2021 |

The financial calendar is subject to change. The latest updated version is available on Erste Group's website:
www.erstegroup.com/investorrelations

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## Ticker Symbols

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