

Half year financial report 2018

Key financial data

Income statement

in EUR million	Q2 17	Q1 18 Adjusted	Q2 18	1-6 17	1-6 18
Net interest income	1,091.7	1,082.6	1,131.2	2,143.0	2,213.8
Net fee and commission income	453.2	478.6	480.7	910.9	959.3
Net trading result	54.3	11.3	0.6	102.9	11.9
Operating income	1,675.2	1,655.1	1,719.0	3,292.8	3,374.1
Operating expenses	-985.2	-1,065.0	-1,011.5	-2,003.5	-2,076.5
Operating result	690.0	590.2	707.5	1,289.3	1,297.6
Impairment result from financial instruments	-38.6	54.4	18.9	-104.3	73.2
Post-provision operating result	651.5	644.5	726.3	1,184.9	1,370.9
Other operating result	-82.7	-128.0	-76.6	-209.8	-204.6
Levies on banking activities	-23.6	-38.6	-24.7	-59.4	-63.3
Pre-tax result from continuing operations	583.0	520.7	654.0	1,017.6	1,174.7
Taxes on income	-128.2	-114.6	-120.4	-223.9	-234.9
Net result for the period	454.7	406.2	533.6	793.8	939.8
Net result attributable to non-controlling interests	92.3	70.1	95.4	169.1	165.5
Net result attributable to owners of the parent	362.5	336.1	438.2	624.7	774.3
Earnings per share	0.80	0.79	0.94	1.41	1.72
Return on equity	11.1%	10.5%	12.8%	9.9%	11.7%
Net interest margin (on average interest-bearing assets)	2.44%	2.27%	2.32%	2.40%	2.30%
Cost/income ratio	58.8%	64.3%	58.8%	60.8%	61.5%
Provisioning ratio (on average gross customer loans)	0.11%	-0.22%	-0.02%	0.15%	-0.12%
Tax rate	22.0%	22.0%	18.4%	22.0%	20.0%

Balance sheet

in EUR million	Jun 17	Mar 18	Jun 18	Dec 17	Jun 18
Cash and cash balances	25,842	25,246	16,888	21,796	16,888
Trading, financial assets	44,886	43,607	43,899	42,752	43,899
Loans and receivables to credit institutions	4,347	11,944	17,149	9,126	17,149
Loans and receivables to customers	135,122	142,059	144,730	139,532	144,730
Intangible assets	1,458	1,511	1,507	1,524	1,507
Miscellaneous assets	6,501	5,651	5,705	5,929	5,705
Total assets	218,156	230,018	229,878	220,659	229,878
Financial liabilities held for trading	3,960	2,940	3,070	3,423	3,070
Deposits from banks	17,883	20,988	17,867	16,349	17,867
Deposits from customers	145,574	155,306	156,831	150,969	156,831
Debt securities issued	26,602	26,423	28,474	25,095	28,474
Miscellaneous liabilities	6,621	6,366	5,928	6,535	5,928
Total equity	17,515	17,996	17,708	18,288	17,708
Total liabilities and equity	218,156	230,018	229,878	220,659	229,878
Loan/deposit ratio	92.8%	91.5%	92.3%	92.4%	92.3%
NPL ratio	4.7%	3.7%	3.6%	4.0%	3.6%
NPL coverage (exc collateral)	68.5%	72.5%	72.0%	68.8%	72.0%
CET 1 ratio (phased-in)	13.2%	12.6%	12.6%	13.4%	12.6%

Ratings

	Jun 17	Mar 18	Jun 18
Fitch			
Long-term	A-	A-	A-
Short-term	F1	F1	F1
Outlook	Stable	Stable	Stable
Moody's			
Long-term	Baa1	A3	A2
Short-term	P-2	P-2	P-1
Outlook	Stable	Positive	Positive
Standard & Poor's			
Long-term	A-	A	A
Short-term	A-2	A-1	A-1
Outlook	Positive	Positive	Positive

Letter from the CEO

Dear shareholders,

Erste Group posted a strong result for the first six months of 2018, a net profit of EUR 774.3 million (+24.0%). This translates into a return on tangible equity (ROTE) of 13.3% and thus a level that makes the achievement of the full-year target of a ROTE of more than 10% very likely. There is no doubt that the exceptionally benign risk environment in our core markets, which enabled us to post net releases for the first six months, contributed substantially to the rise in net profit. We are pleased, however, with the development of the operating result, which year on year is up for the first time in four years.

The trend reversal in the operating result merits closer analysis, all the more so as it was driven not by short-term, volatile revenues but by solid growth in our core revenues – net interest and net fee and commission income. These were up 3.3% and 5.3%, respectively, more than offsetting declines in the net trading and fair value result and lower income from dividends. This solid development should continue in the second half of the year as loan demand continues to be strong, specifically in those of our markets that are the largest ones in terms of lending volume, namely the Czech Republic, Slovakia and Austria. Cost pressure continued, though. IT projects as well as rising personnel expenses and higher contributions to deposit insurance systems prevented a decline in operating expenses. Quarter-on-quarter momentum was encouraging, however, with the rate of cost increases subsiding from 4.6% in the first to 2.7% in the second quarter of 2018, which gives us confidence about the second half of the year.

The improvement in the operating result came on the back of continued robust economic growth in Central and Eastern Europe, which in 2018 is expected to come in at about three to four percent in our core markets, despite global developments including the potential imposition of trade tariffs. Falling unemployment rates, relatively low inflation rates and rising real wages keep supporting domestic demand and create a sound business environment for Erste Group's local banks. Our region remains competitive, as is demonstrated by high export ratios and current account surpluses. Due to low tax rates, incentives to invest remain strong and labour markets are flexible. Overall, with our geographical footprint, all the conditions needed for a continuing positive development are in place.

The continued strength of the economy was also reflected by an excellent risk environment. Non-performing loans as a percentage of gross loan volume (NPL ratio) declined to 3.6%. The NPL coverage ratio stood at 72.0%. As a result, net releases of risk provisions were posted instead of risk costs. From a long-term vantage point it remains unusual that a bank's net result benefits to such a large extent from a benign risk environment, but this is just one side of the coin. Particularly in the euro zone, interest rates remained at historically low and sometimes even negative levels despite the rise in short-term interest rates in the Czech Republic and Romania and the beginning normalisation of government bond yields, at least on bonds from issuers outside the euro zone. This has caused headwinds on the income side to lessen, but they have still remained noticeable. The rise in net interest income is primarily attributable to continued retail and corporate loan growth at a rate of 3.7% year to date. Higher net fee and commission income also contributed to the increase in net profit. Most notably, income from asset management was up despite the shortage of attractive and risk-adjusted investment products for retail customers in a region whose capital markets are still at an early stage of development.

Erste Group's liquidity and funding positions remained excellent. Deposit inflows of 3.9% year to date despite low interest rates, resulted in a very solid loan-to-deposit ratio of 92.3%. In addition, we issued EUR 2.5 billion in mortgage covered bonds with maturities of between six and ten years in the first half of 2018, on very favourable terms. One-off effects curbed the rise of regulatory capital ratios in the second quarter. As of the end of June, the CET 1 ratio stood at 12.5%, as the buyout of the last remaining sizeable minority owner of BCR and the adverse development of the Czech and the Hungarian currencies towards the end of the quarter took about 0.2%-points off capital ratios. The half-year profit is included in the capital base. This rise in risk-weighted assets was mainly due to business growth. Overall, the total capital ratio (Basel 3, final) stood at 17.3%.

With this very encouraging half-year result we are excellently positioned to meet our targets for 2018 – a first rise in the operating result in many years, a return on tangible equity (ROTE) of more than 10% and a higher dividend per share.

Andreas Treichl

Erste Group on the capital markets

EQUITY MARKET REVIEW

US trade policies and their potential impacts on the global economy, the monetary policies of major central banks, continued discussions about the United Kingdom's Brexit plans and last but not least the uncertainties surrounding the new Italian government drove up stock market volatility in the reporting period. While economic data remained strong and corporate earnings were forecast to rise, adverse effects were being expected from the imposition of tariffs by the US on a range of product groups imported from major trading partners (most notably China and Europe) and retaliatory measures in the form of tariffs levied on certain products imported from the United States. The continuation of the European Central Bank's (ECB's) ultra-loose monetary policy, debates over Italy's public debt and the formation of its new government sent European bank shares markedly lower and also increased volatility in the bond markets. This also placed downward pressure on the single European currency.

Central banks' policies were again closely watched by investors. As had been expected, the US central bank (Fed) raised its key interest rate on the back of an improved outlook on the economy by 25 basis points to a range of 1.75% to 2.0%, while the ECB decided to halve its monthly net asset purchases to EUR 15 billion from October and to end them in December this year. In addition, the ECB announced that it will leave interest rates unchanged for at least another twelve months.

Overall, the broad-based indices ended the second quarter slightly higher in both the US and in Europe, with the Standard & Poor's Index up 2.9% at 2,718.37 points and the Euro Stoxx 600 Index 2.4% higher at 379.93 points. Year-to-date, the European index was down 2.4%, underperforming the US index, which gained 1.7%. The Austrian Traded Index (ATX) was among the European indices that suffered the sharpest losses in the quarter ended, dropping 5.0% to 3,225.96 points. In total, the ATX declined by 4.8% in the first half of the year. The Euro Stoxx Banks Index, which is composed of the leading European bank shares, retreated 12.1% during the reporting period and, year-to-date, fell 15.4% to 110.45 points.

SHARE PERFORMANCE

After rallying in the first quarter, the Erste Group share declined in the midst of a significant downtrend of European bank shares. Notwithstanding the strong net result for the period and improved asset quality, investors and analysts focused on the recovery of net interest income, the development of the net interest margin and measures planned to reduce operating expenses. Moving in tandem with the Euro Stoxx Banks Index, the Erste Group share ended the reporting period on a loss of slightly more than 12%. The Erste Group share marked its low for the first half of the year at EUR 34.78 and its high at EUR 42.38. Due to its strong first-quarter performance, the Erste Group share was down only about 1% year to date at its 30 June 2018 closing price of EUR 35.75.

In the second quarter of 2018, trading volume on the three stock exchanges (Vienna, Prague, Bucharest) on which the Erste Group share is listed averaged 811,603 shares per day. More than half of the trading activity was executed over the counter (OTC) or through electronic trading systems.

FUNDING AND INVESTOR RELATIONS

Erste Group was active in early January 2018 with a EUR 1 billion 10y mortgage covered bond that opened the market for Austrian issuers. Despite its size, the transaction achieved the lowest re-offer spread for an Austrian covered bond issuer. After a 8y EUR 750 million mortgage covered bond, Erste Group issued a third benchmark bond in June, a 6y mortgage covered bond with a deal size of again EUR 750 million. Coupled with ongoing private placement activities Erste Group is well ahead of its funding plan for the current year.

In the second quarter of 2018, the Erste Group's management together with the investor relations team of Erste Group had a large number of one-on-one and group meetings, in which questions raised by investors and analysts were answered. Erste Group's trading performance and strategy were presented against the backdrop of the current economic environment at international banking and investor conferences hosted by Concorde, HSBC, Autonomous, KBW, Deutsche Bank, Bank of America Merrill Lynch, Goldman Sachs and Wood as well as at the spring road show held in Europe and in the US following the presentation of first quarter 2018 results in London. The dialogue with bond investors was also continued.

Interim management report

In the interim management report, financial results from January-June 2018 are compared with those from January-June 2017 and balance sheet positions as of 30 June 2018 with those as of 31 December 2017.

EARNINGS PERFORMANCE IN BRIEF

Net interest income increased – mainly in the Czech Republic and in Romania – to EUR 2,213.8 million (+3.3%; EUR 2,143.0 million). **Net fee and commission income** rose to EUR 959.3 million (+5.3%; EUR 910.9 million) mostly on the back of stronger income from payment services, asset management and lending. While **net trading result** declined significantly to EUR 11.9 million (EUR 102.9 million), the line item gains/losses from financial instruments measured at fair value through profit or loss improved to EUR 66.6 million (EUR 4.5 million). **Operating income** rose to EUR 3,374.1 million (+2.5%; EUR 3,292.8 million). The increase in **general administrative expenses** to EUR 2,076.5 million (+3.6%; EUR 2,003.5 million) was mainly attributable to higher personnel expenses of EUR 1,216.7 million (+5.7%; EUR 1,151.3 million). Depreciation and amortisation was up slightly (+1.8%); administrative expenses were almost unchanged (+0.5%). Other administrative expenses included almost all payments to deposit insurance systems expected in 2018 in the amount of EUR 80.2 million (EUR 68.6 million). Overall, the **operating result** was slightly higher at EUR 1,297.6 million (+0.7%; EUR 1,289.3 million). The **cost/income ratio** rose to 61.5% (60.8%).

The **impairment result from financial instruments** amounted to EUR 73.2 million or, adjusted for net allocation of provisions for commitments and guarantees given, -12 basis points of average gross customer loans (net allocations of EUR 104.3 million or 15 basis points) due to net releases on the back of improved asset quality. This was attributable to the substantial decline in the balance of the allocation and release of provisions for the lending business across almost all segments, most notably in Croatia and in Austria. The **NPL ratio** improved again to 3.6% (4.0%), the **NPL coverage ratio** increased to 72.0% (68.8%) (both based on gross customer loans).

Other operating result amounted to EUR -204.6 million (EUR -209.8 million). It included expenses for the annual contributions to resolution funds in the amount of EUR 71.3 million (EUR 65.4 million). Banking and transaction taxes increased – primarily in Hungary and in Slovakia – to EUR 63.0 million (EUR 59.4 million), including EUR 13.8 million (EUR 13.3 million) in Hungarian banking taxes booked upfront for the full financial year. Other taxes decreased to EUR 6.5 million (EUR 11.9 million).

The minority charge declined slightly to EUR 165.5 million (-2.1%; EUR 169.1 million). The **net result attributable to owners of the parent** increased to EUR 774.3 million (+24.0%; EUR 624.7 million).

Total equity not including AT1 instruments declined to EUR 16.7 billion (EUR 17.3 billion). Transition to the new financial reporting standard IFRS 9 as of 1 January 2018 resulted in a reduction of total equity by EUR 0.7 billion. After regulatory deductions and filtering in accordance with CRR, **common equity tier 1 capital** (CET1, Basel 3 phased-in) amounted to EUR 14.7 billion (EUR 14.7 billion), total **own funds** (Basel 3 phased in) to EUR 20.3 billion (EUR 20.3 billion). First half year earnings are included in the above figures. Total risk (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) rose to EUR 116.3 billion (EUR 110.0 billion). The **common equity tier 1 ratio** (CET 1, Basel 3 phased-in) stood at 12.6% (13.4%), the **total capital ratio** (Basel 3 phased-in) at 17.4% (18.5%).

Total assets were up at EUR 229.9 billion (+4.2%; EUR 220.7 billion). On the asset side, cash and cash balances decreased to EUR 16.9 billion (EUR 21.8 billion), while loans and receivables to credit institutions increased to EUR 17.1 billion (EUR 9.1 billion). **Loans and receivables to customers** rose to EUR 144.7 billion (+3.7%; EUR 139.5 billion). On the liability side, deposits from banks increased to EUR 17.9 billion (EUR 16.3 billion) and **customer deposits** grew again – most notably in Austria, the Czech Republic and Slovakia – to EUR 156.8 billion (+3.9%; EUR 151.0 billion). The **loan-to-deposit ratio** stood at 92.3% (92.4%).

OUTLOOK

Operating environment anticipated to be conducive to credit expansion. Real GDP growth is expected to be approximately between 3% and 4% in Erste Group's CEE core markets, including Austria, in 2018. It should primarily be driven by solid domestic demand, as real wage growth and declining unemployment should support economic activity in CEE. Fiscal discipline is expected to be maintained across CEE.

Business outlook. Erste Group aims to achieve a return on tangible equity (ROTE) of more than 10% in 2018 (based on average tangible equity in 2018). The underlying assumptions are slightly growing revenues (assuming 5%+ net loan growth and interest rate hikes in the Czech Republic and Romania), slightly falling expenses due to lower project-related costs and risk costs remaining at historically low levels.

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

PERFORMANCE IN DETAIL

in EUR million	1-6 17	1-6 18	Change
Net interest income	2,143.0	2,213.8	3.3%
Net fee and commission income	910.9	959.3	5.3%
Net trading result	102.9	11.9	-88.5%
Operating income	3,292.8	3,374.1	2.5%
Operating expenses	-2,003.5	-2,076.5	3.6%
Operating result	1,289.3	1,297.6	0.7%
Impairment result from financial instruments	-104.3	73.2	n/a
Other operating result	-209.8	-204.6	-2.5%
Levies on banking activities	-59.4	-63.3	6.6%
Pre-tax result from continuing operations	1,017.6	1,174.7	15.4%
Taxes on income	-223.9	-234.9	4.9%
Net result for the period	793.8	939.8	18.4%
Net result attributable to non-controlling interests	169.1	165.5	-2.1%
Net result attributable to owners of the parent	624.7	774.3	24.0%

Net interest income

Net interest income rose to EUR 2,213.8 million (EUR 2,143.0 million). The marked increase in the Czech Republic was attributable to the improved market interest rate environment and robust growth in lending to customers. With the exception of a slight rise in Romania, net interest income has been largely stable in all other core markets. As loan volumes rose faster than net interest income, the net interest margin (net interest income as a percentage of average interest-bearing assets) narrowed to 2.30% (2.40%).

Net fee and commission income

Net fee and commission income increased to EUR 959.3 million (EUR 910.9 million). Solid rises were seen in Austria, specifically in income from payment services, asset management and lending. With the exception of a moderate rise in Hungary, net fee and commission income was largely stable in all other segments.

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

Net trading result declined to EUR 11.9 million (EUR 102.9 million), due mostly to negative contributions from securities and derivatives trading and lower income from foreign exchange trading. On the other hand, gains/losses from financial instruments measured at fair value through profit or loss reflected a positive valuation effect of EUR 66.6 million.

General administrative expenses

in EUR million	1-6 17	1-6 18	Change
Personnel expenses	1,151.3	1,216.7	5.7%
Other administrative expenses	624.1	627.5	0.5%
Depreciation and amortisation	228.1	232.3	1.8%
General administrative expenses	2,003.5	2,076.5	3.6%

General administrative expenses amounted to EUR 2,076.5 million (EUR 2,003.5 million). **Personnel expenses** increased to EUR 1,216.7 million (EUR 1,151.3 million), **other administrative expenses** to EUR 627.5 million (EUR 624.1 million). IT expenditure rose to EUR 205.8 million (EUR 194.8 million), mainly due to increased regulatory requirements and the implementation of new systems in Austria. Contributions to deposit insurance systems – except for Croatia and Serbia for the full year – increased significantly to EUR 80.2 million (EUR 68.6 million) on the back of continued strong deposit growth. While in Austria expenses rose to EUR 49.8 million (EUR 42.6 million), contributions were up only marginally in all other core markets. **Depreciation and amortisation** increased to EUR 232.3 million (EUR 228.1 million).

Headcount as of end of the period

	Dec 17	Jun 18	Change
Austria	16,283	16,287	0.0%
Erste Group, EB Oesterreich and subsidiaries	9,144	9,173	0.3%
Haftungsverbund savings banks	7,140	7,114	-0.4%
Outside Austria	31,419	31,314	-0.3%
Česká spořitelna Group	10,171	10,086	-0.8%
Banca Comercială Română Group	7,265	7,200	-0.9%
Slovenská sporiteľňa Group	4,250	4,184	-1.6%
Erste Bank Hungary Group	3,047	3,053	0.2%
Erste Bank Croatia Group	3,201	3,250	1.5%
Erste Bank Serbia Group	1,069	1,091	2.1%
Savings banks subsidiaries	1,184	1,202	1.4%
Other subsidiaries and foreign branch offices	1,233	1,248	1.3%
Total	47,702	47,601	-0.2%

Operating result

Operating income rose to EUR 3,374.1 million (+2.5%; EUR 3,292.8 million) on the back of improved net interest and net fee and commission income. General administrative expenses were up at EUR 2,076.5 million (+3.6%; EUR 2,003.5 million), driven by an increase in other administrative and personnel expenses as well as higher depreciation and amortisation. The operating result improved moderately to EUR 1,297.6 million (+0.7%; EUR 1,289.3 million). The cost/income ratio stood at 61.5% (60.8%).

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

Gains from the derecognition of financial instruments not measured at fair value through profit or loss (net) amounted to EUR 8.4 million (EUR 42.5 million). As in the comparative period, this item includes mostly gains from the sale of securities in Austria and the Czech Republic.

Impairment result from financial instruments

Due to net releases, the impairment result from financial instruments amounted to EUR 73.2 million (net allocations of EUR 104.3 million) or, adjusted for net allocation of provisions for commitments and guarantees given, -12 basis points (15 basis points) of average gross customer loans and thus remained at a historically benign level. This was mostly attributable to the decline in the balance of the allocation and release of provisions for the lending business, which offset the decline in income received from the recovery of loans already written off. From 1 January 2018, this line item also reflects the balance of allocations/releases for commitments and guarantees given in the amount of EUR -14.6 million (previously shown in the line item other operating result).

Other operating result

Other operating result amounted to EUR -204.6 million (EUR -209.8 million). **Levies on banking activities** rose to EUR 63.3 million (EUR 59.4 million). While levies payable in Austria were unchanged at EUR 11.8 million (EUR 11.8 million), banking tax in Slovakia rose to EUR 14.8 million (EUR 13.3 million). Hungarian banking tax – already posted upfront for the full year – amounted to EUR 13.8 million (EUR 13.3 million). Including financial transaction tax of EUR 23.0 million (EUR 21.0 million), bank levies in Hungary totalled EUR 36.8 million (EUR 34.3 million).

Allocation/release of other provisions improved to EUR 19.1 million (EUR -37.2 million). In the comparative period, this line item had included EUR 45.0 million in provisions for losses from loans to consumers resulting from supreme court rulings regarding negative reference interest rates in Austria. In addition, other operating result also reflects the annual contributions to resolution funds in the amount of EUR 71.3 million (EUR 65.4 million). In Austria, contributions increased to EUR 36.7 million (EUR 26.5 million).

Net result

The pre-tax result from continuing operations amounted to EUR 1,174.7 million (EUR 1,017.6 million). The minority charge declined slightly to EUR 165.5 million (EUR 169.1 million). The net result attributable to owners of the parent improved to EUR 774.3 million (EUR 624.7 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

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

in EUR million	Q2 17	Q3 17	Q4 17	Q1 18 Adjusted	Q2 18
Income statement					
Net interest income	1,091.7	1,086.3	1,123.9	1,082.6	1,131.2
Net fee and commission income	453.2	451.0	489.7	478.6	480.7
Dividend income	23.4	10.4	6.2	2.6	14.8
Net trading result	54.3	36.5	83.5	11.3	0.6
Gains/losses from financial instruments measured at fair value through profit or loss	1.5	7.7	-24.4	30.3	36.3
Net result from equity method investments	2.9	4.0	5.7	1.8	5.2
Rental income from investment properties & other operating leases	48.2	48.3	47.6	47.9	50.2
Personnel expenses	-579.6	-595.9	-641.3	-604.5	-612.1
Other administrative expenses	-291.8	-301.1	-384.4	-344.5	-283.0
Depreciation and amortisation	-113.8	-113.0	-118.9	-115.9	-116.3
Gains/losses from financial assets and liabilities not at FVPL, net	14.2	28.3	85.7	0.0	0.0
Gains/losses from derecognition of financial assets at AC	0.0	0.0	0.0	0.1	-0.4
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.0	4.1	4.7
Net impairment loss on financial assets	-38.6	32.9	-60.5	0.0	0.0
Impairment result from financial instruments	0.0	0.0	0.0	54.4	18.9
Other operating result	-82.7	-86.8	-160.9	-128.0	-76.6
Levies on banking activities	-23.6	-22.7	-23.6	-38.6	-24.7
Pre-tax result from continuing operations	583.0	608.5	451.7	520.7	654.0
Taxes on income	-128.2	-142.0	-44.2	-114.6	-120.4
Net result for the period	454.7	466.5	407.5	406.2	533.6
Net result attributable to non-controlling interests	92.3	103.5	78.9	70.1	95.4
Net result attributable to owners of the parent	362.5	363.0	328.6	336.1	438.2

Net interest income rose mostly due to Austrian retail and SME business to EUR 1,131.2 million (+4.5%; EUR 1,082.6 million) and benefited from a EUR 14 million shift from net trading result. **Net fee and commission income** improved moderately to EUR 480.7 million (+0.5%; EUR 478.6 million). **Dividend income** increased to EUR 14.8 million (EUR 2.6 million) due to seasonal effects. **Net trading result** decreased substantially to EUR 0.6 million (EUR 11.3 million), mainly due to the negative impact of the valuation of derivatives and the above-mentioned shift from trading income to net interest income.

General administrative expenses declined to EUR 1,011.5 million (-5.0%; EUR 1,065.0 million). While personnel expenses were higher at EUR 612.1 million (+1.3%; EUR 604.5 million), other administrative expenses decreased to EUR 283.0 million (-17.8%; EUR 344.5 million), mainly because almost all projected full-year deposit insurance contributions for 2018 had already been posted in the first quarter. Depreciation and amortisation rose to EUR 116.3 million (+0.4%; EUR 115.9 million). The cost/income ratio declined to 58.8% (64.3%).

Gains/losses from derecognition of financial instruments not measured at fair value through profit or loss (net) were unchanged at EUR 4.2 million (EUR 4.2 million). Positive impacts came from gains from the sale of securities in Croatia.

Impairment result from financial instruments amounted to EUR 18.9 million (EUR 54.4 million) due to net releases primarily in Austria, Romania and Hungary.

Other operating result improved to EUR -76.6 million (EUR -128.0 million). Levies on banking activities declined to EUR 24.7 million (EUR 38.6 million). Thereof, EUR 11.2 million (EUR 25.6 million) were charged in Hungary. This amount reflects almost exclusively transaction taxes as the full amount of 2018 banking tax of EUR 13.7 million had already been booked upfront in the previous quarter. In Slovakia, levies amounted to EUR 7.5 million (EUR 7.3 million). Banking tax in Austria was almost unchanged at EUR 6.0 million (EUR 5.7 million). Other operating result included contributions to resolution funds in an amount of EUR 3.2 million compared to the expected full year contributions of EUR 68.2 million already posted up front in the first quarter.

The **pre-tax result** improved to EUR 654.0 million (EUR 520.7 million). Taxes on income rose to EUR 120.4 million (EUR 114.6 million). The **net result attributable to owners of the parent** amounted to EUR 438.2 million (EUR 336.1 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 17	Jun 18	Change
Assets			
Cash and cash balances	21,796	16,888	-22.5%
Trading, financial assets	42,752	43,899	2.7%
Loans and receivables to credit institutions	9,126	17,149	87.9%
Loans and receivables to customers	139,532	144,730	3.7%
Intangible assets	1,524	1,507	-1.1%
Miscellaneous assets	5,929	5,705	-3.8%
Total assets	220,659	229,878	4.2%
Liabilities and equity			
Financial liabilities held for trading	3,423	3,070	-10.3%
Deposits from banks	16,349	17,867	9.3%
Deposits from customers	150,969	156,831	3.9%
Debt securities issued	25,095	28,474	13.5%
Miscellaneous liabilities	6,535	5,928	-9.3%
Total equity	18,288	17,708	-3.2%
Total liabilities and equity	220,659	229,878	4.2%

The decline in **cash and cash balances** to EUR 16.9 billion (EUR 21.8 billion) was primarily due to smaller cash balances held at central banks. **Trading and investment securities** held in various categories of financial assets increased to EUR 43.9 billion (EUR 42.8 billion).

Loans and receivables to credit institutions (net), including demand deposits other than overnight deposits, increased primarily in the Czech Republic and in the Holding to EUR 17.1 billion (EUR 9.1 billion). **Loans and receivables to customers (net)** rose – mainly in the Czech Republic, but also in Austria and in Slovakia – to EUR 144.7 billion (EUR +3.7%; EUR 139.5 billion) driven by retail and corporate loan growth. **Allowances for loans and receivables to customers** remained stable at EUR 3.8 billion (EUR 4.0 billion), mostly due to continuing solid asset quality. The **NPL ratio** – non-performing loans as a percentage of gross customers loans – improved again to 3.6% (4.0%), the **NPL coverage ratio (based on gross customer loans)** to 72.0% (68.8%).

Intangible assets remained unchanged at EUR 1.5 billion (EUR 1.5 billion). **Miscellaneous assets** amounted to EUR 5.7 billion (EUR 5.9 billion).

Financial liabilities – held for trading decreased to EUR 3.1 billion (EUR 3.4 billion). **Deposits from banks**, primarily in the form of overnight deposits and repurchase transactions, rose to EUR 17.9 billion (EUR 16.3 billion). **Deposits from customers** increased to EUR 156.8 billion (EUR 151.0 billion), mainly due to strong growth in overnight deposits in Austria, the Czech Republic and Slovakia. The **loan-to-deposit ratio** stood at 92.3% (92.4%). Debt securities in issue increased to EUR 28.5 billion (EUR 25.1 billion). **Miscellaneous liabilities** declined to EUR 5.9 billion (EUR 6.5 billion).

Total assets increased to EUR 229.9 billion (+4.2%; EUR 220.7 billion). The **total equity** declined to EUR 17.7 billion (-3.2%; EUR 18.3 billion). Following two issuances in June 2016 and April 2017, this has included AT1 instruments in the amount of EUR 993 million. The transition to IFRS 9 as of 1 January 2018 resulted in a decline of Erste Group's total equity by EUR 0.7 billion due to the mandatory remeasurement of financial assets and the optional remeasurement of financial liabilities (own issues). After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) the **common equity tier 1 capital** (CET1, Basel 3 phased-in) stood at EUR 14.7 billion (EUR 14.7 billion), **Total own funds** (Basel 3 phased-in) amounted to EUR 20.3 billion (EUR 20.3 billion). The result for the first two quarters of the year is included in the calculation. **Total risk (risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) increased to EUR 116.3 billion (EUR 110.0 billion).

The **total capital ratio** (Basel 3 phased-in), total eligible qualifying capital in relation to total risk pursuant to CRR, was 17.4% (18.5%), well above the legal minimum requirement. The **tier 1 ratio** (Basel 3 phased in) stood at 13.5% (14.0%), the **common equity tier 1 ratio** (Basel 3 phased-in) at 12.6% (13.4%).

SEGMENT REPORTING

January-June 2018 compared with January-June 2017

Erste Group's segment reporting is based on a matrix organisation. It provides comprehensive information to assess the business line 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 35. At www.erstegroup.com additional information is available in Excel format.

Operating income consists of net interest income, net fee and commission income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, dividend income, net result from equity method investments and rental income from investment properties & other operating leases. The latter three listed items are not disclosed in the tables below. Net trading result and gains/losses from financial instruments measured at fair value through profit or loss are summarized under one position. Operating expenses equal the position general administrative expenses. Operating result is the net amount of operating income and operating expenses. Risk provisions for loans and receivables are included in the position impairment result from financial instruments. Impairments and provisions for commitments and guarantees given were part of other result in 2017 whereas in 2018 this line item is part of 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	1-6 17	1-6 18	Change
Net interest income	1,062.6	1,109.2	4.4%
Net fee and commission income	497.1	526.9	6.0%
Net trading result and gains/losses from financial instruments at FVPL	52.4	52.2	-0.4%
Operating income	1,628.1	1,703.5	4.6%
Operating expenses	-965.3	-1,004.3	4.0%
Operating result	662.9	699.2	5.5%
Cost/income ratio	59.3%	59.0%	
Impairment result from financial instruments	-4.5	-9.2	>100.0%
Other result	-37.7	-29.3	-22.2%
Net result attributable to owners of the parent	476.5	509.2	6.8%
Return on allocated capital	41.6%	33.7%	

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

The increase in net interest income was driven by higher contributions from deposit business in Romania, the Czech Republic, Austria and Croatia as well as lending business in the Czech Republic. These positive developments were supported by CZK exchange rate appreciation and the higher interest rate environment in the Czech Republic and Romania. Net fee and commission income increased primarily due to the wider scope of consolidation at Erste Asset Management as well as increased insurance and asset management fees in Slovakia and increased cards and account related fees in Hungary. Despite higher foreign exchange income in Romania and Hungary net trading result and gains/losses from financial instruments at FVPL declined moderately. Operating expenses increased primarily due to higher costs in the Czech Republic driven by the CZK appreciation and in Romania due to higher personnel and IT expenses. Costs in Croatia went up as well on the back of higher IT and personnel expenses. Operating result and cost/income ratio improved. The deterioration of impairment result from financial instruments was driven primarily by higher portfolio provisioning in Romania and Austria, while risk costs in the Czech Republic and Slovakia declined. Other result improved mainly due to release of provisions for litigation in Romania. Overall, the net result attributable to the owners of the parent increased.

Corporates

in EUR million	1-6 17	1-6 18	Change
Net interest income	482.0	500.8	3.9%
Net fee and commission income	122.4	131.5	7.4%
Net trading result and gains/losses from financial instruments at FVPL	45.1	38.1	-15.6%
Operating income	713.7	732.6	2.7%
Operating expenses	-283.1	-284.5	0.5%
Operating result	430.6	448.1	4.1%
Cost/income ratio	39.7%	38.8%	
Impairment result from financial instruments	-105.6	73.4	n/a
Other result	27.7	-18.0	n/a
Net result attributable to owners of the parent	276.2	392.8	42.2%
Return on allocated capital	18.1%	20.9%	

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

Net interest income increased primarily due to higher loan volumes and deposit margins in the Czech Republic, supported by CZK appreciation and the higher interest rate environment as well as higher contribution of lending business in Erste Bank Oesterreich. A better result in supply chain financing and higher advisory fees in the Holding contributed to the increased net fee and commission income. The decrease in the net trading result was mainly attributable to the non-recurrence of exceptionally high hedging activity of customers in the Czech Republic due to the expected change of the Czech central bank's monetary policy in 2017. Overall, operating income improved. Despite higher operating expenses fueled by CZK appreciation, operating result improved. Cost/income ratio thus improved too. The net release of risk provisions (line item impairment result from financial instruments) resulted from improved quality of the loan portfolio, lower default rates, higher recoveries as well as releases of specific provisions. The biggest improvement was posted in Croatia and Austria. Other result deteriorated due to the changed off-balance risk provisions disclosure (releases posted last year were part of the line item other result). The net result attributable to the owners of the parent increased notably.

Group Markets

in EUR million	1-6 17	1-6 18	Change
Net interest income	100.6	105.8	5.2%
Net fee and commission income	113.6	111.1	-2.2%
Net trading result and gains/losses from financial instruments at FVPL	69.5	30.7	-55.8%
Operating income	284.7	248.4	-12.8%
Operating expenses	-110.6	-119.2	7.8%
Operating result	174.1	129.2	-25.8%
Cost/income ratio	38.8%	48.0%	
Impairment result from financial instruments	0.9	-0.5	n/a
Other result	-7.0	-8.1	15.9%
Net result attributable to owners of the parent	131.8	96.5	-26.8%
Return on allocated capital	37.9%	25.2%	

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

Net interest income increased primarily due to the increased volumes of reverse repo business in the Czech Republic. Net fee and commission income decreased due to the higher commission expenses associated with fixed income and equity products. Net trading result and gains/losses from financial instruments at FVPL decreased due to last year's extraordinary favorable market conditions for interest rate related products and lower valuation results of securities. Consequently, operating income declined. Operating expenses went up on the back of higher project-related costs. Consequently, operating result declined and the cost/income ratio deteriorated. Other result slipped slightly. Overall, the net result attributable to the owners of the parent decreased.

Asset/Liability Management & Local Corporate Center

in EUR million	1-6 17	1-6 18	Change
Net interest income	-26.6	-41.2	54.9%
Net fee and commission income	-43.3	-41.3	-4.5%
Net trading result and gains/losses from financial instruments at FVPL	-52.8	-29.5	-44.1%
Operating income	-95.2	-85.5	-10.2%
Operating expenses	-45.1	-43.3	-4.0%
Operating result	-140.3	-128.8	-8.2%
Cost/income ratio	-47.4%	-50.6%	
Impairment result from financial instruments	3.1	3.2	3.6%
Other result	-70.6	-50.4	-28.6%
Net result attributable to owners of the parent	-186.1	-143.8	-22.7%
Return on allocated capital	-17.9%	-11.6%	

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

Net interest income decreased mainly due lower contribution from balance sheet management in Erste Bank Oesterreich, Romania, and Croatia. Net fee and commission income improved on the back of higher fees from securities in Erste Bank Oesterreich. Net trading result and gains/losses from financial instruments at FVPL improved due to valuation results in the Holding. Operating expenses declined although deposit insurance contribution in Erste Bank Oesterreich increased. Overall, operating result improved. Other result improved due to the non-recurrence of provisions for expected losses from customer loans due to supreme court rulings regarding negative interest reference rates in Erste Bank Oesterreich in 2017 (EUR 13.7 million) and releases of provisions for litigation in Romania in 2018. The effect was partially offset by the non-recurrence of the selling gains from bonds in the Czech Republic, Hungary, and the Holding. The net result attributable to the owners of the parent increased.

Savings Banks

in EUR million	1-6 17	1-6 18	Change
Net interest income	487.5	499.0	2.4%
Net fee and commission income	218.9	227.2	3.8%
Net trading result and gains/losses from financial instruments at FVPL	7.9	-13.8	n/a
Operating income	742.4	736.0	-0.9%
Operating expenses	-519.4	-532.3	2.5%
Operating result	223.1	203.6	-8.7%
Cost/income ratio	70.0%	72.3%	
Impairment result from financial instruments	11.7	3.9	-66.4%
Other result	-35.0	-19.4	-44.8%
Net result attributable to owners of the parent	25.6	30.4	18.6%
Return on allocated capital	15.1%	10.7%	

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

The increase in net interest income was primarily attributable to higher customer loan volumes. Net fee and commission income increased on the back of higher lending and payment fees. The deterioration of net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses went up due to higher deposit insurance contributions of EUR 28.3 million (EUR 23.7 million) and higher personnel expenses. Operating result decreased and the cost/income ratio deteriorated. A lower net release of risk provisions was reflected in the impairment result from financial instruments. Other result improved due to the non-recurrence of the provisions for expected losses from customer loans due to supreme court rulings regarding negative interest reference rates in 2017 (EUR 31.3 million), which was partially offset by the non-recurrence of selling gains from bonds. Payments into the resolution fund increased to EUR 9.0 million (EUR 6.1 million). Banking tax amounted to EUR 2.1 million (EUR 2.6 million). Overall, the net result attributable to the owners of the parent increased.

Group Corporate Center

in EUR million	1-6 17	1-6 18	Change
Net interest income	36.2	30.8	-14.8%
Net fee and commission income	3.1	5.5	76.7%
Net trading result and gains/losses from financial instruments at FVPL	-15.7	7.1	n/a
Operating income	37.3	55.4	48.5%
Operating expenses	-441.2	-467.6	6.0%
Operating result	-403.9	-412.2	2.1%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	-9.9	2.4	n/a
Other result	298.1	287.6	-3.5%
Net result attributable to owners of the parent	-99.4	-110.6	11.3%
Return on allocated capital	-2.6%	-4.7%	

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

Operating income increased mainly due to improved net trading and gains/losses from financial instruments measured at FVPL driven by positive valuation effects in the Holding. Operating expenses went up on the back of higher IT costs. Improvement in the line item impairment result from financial instruments due to the changed recognition of provisions for off-balance sheet items was by and large offset by lower other result. Consequently, the net result attributable to the owners of the parent went down.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-6 17	1-6 18	Change
Net interest income	321.3	317.2	-1.3%
Net fee and commission income	176.8	198.6	12.3%
Net trading result and gains/losses from financial instruments at FVPL	7.5	-1.7	n/a
Operating income	531.3	540.5	1.7%
Operating expenses	-336.6	-337.1	0.1%
Operating result	194.7	203.5	4.5%
Cost/income ratio	63.4%	62.4%	
Impairment result from financial instruments	13.7	8.7	-36.8%
Other result	-27.9	-20.9	-25.2%
Net result attributable to owners of the parent	126.1	139.0	10.2%
Return on allocated capital	22.0%	18.4%	

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 decreased as higher loan and deposit volumes did not fully compensate a change of disclosure for brokerage fee expenses in building society. Net fee and commission income increased mainly due to the shift of brokerage fee expenses to the line item net interest income as well as higher payment and lending fees. The deterioration of net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses remained flat as the higher deposit insurance contributions of EUR 21.5 million (EUR 18.9 million) and higher personnel costs were compensated by lower IT costs and depreciation. Operating result thus increased and the cost/income ratio improved. A lower net release of risk provisions (reflected in the impairment result from financial instruments) was posted in retail business. The improvement of other result was mainly attributable to the non-recurrence of the provisions for expected losses from customer loans due to supreme court rulings regarding negative interest reference rates in 2017 (EUR 13.7 million). The payment into the resolution fund increased to EUR 10.2 million (EUR 6.1 million). Banking tax amounted to EUR 1.8 million (EUR 1.6 million). Overall, the net result attributable to the owners of the parent improved.

Savings Banks

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

Other Austria

in EUR million	1-6 17	1-6 18	Change
Net interest income	185.2	175.4	-5.3%
Net fee and commission income	107.0	115.0	7.5%
Net trading result and gains/losses from financial instruments at FVPL	25.5	0.4	-98.3%
Operating income	348.5	320.9	-7.9%
Operating expenses	-183.6	-187.1	2.0%
Operating result	164.9	133.7	-18.9%
Cost/income ratio	52.7%	58.3%	
Impairment result from financial instruments	-40.2	21.9	n/a
Other result	28.0	-8.6	n/a
Net result attributable to owners of the parent	115.4	115.2	-0.1%
Return on allocated capital	15.3%	13.3%	

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

Net interest income declined primarily as a result of lower income from money market and collateral trading products in Group Markets business and lower lending margins in corporate business. Net fee and commission income increased due to higher fees connected with advisory activity and lending business (particularly supply chain financing) as well as wider scope of consolidation at Erste Asset Management more than off-setting higher commission expenses associated with fixed income and equity products in Group Markets. The decrease of net trading result and gains/losses from financial instruments at FVPL was predominantly caused by the last year's extraordinary favorable market conditions for interest rate related products in Group Markets business and by a weaker valuation result, partially compensated by selling gains from equity instruments. Operating expenses increased mostly on the back of IT costs. Operating result thus decreased, the cost/income ratio deteriorated. Impairment result from financial instruments improved markedly as a result of provisions releases, whereas last year included provisions for the downgrading of one corporate customer. Other result deteriorated mostly due to changed disclosure of provisions for off-balance sheet items and non-recurrence of the positive effect of assets sales gains. Other result also included the resolution fund contribution of EUR 3.2 million (EUR 3.6 million). Overall, the net result attributable to the owners of the parent remained unchanged.

Czech Republic

in EUR million	1-6 17	1-6 18	Change
Net interest income	450.4	507.2	12.6%
Net fee and commission income	166.9	168.1	0.7%
Net trading result and gains/losses from financial instruments at FVPL	52.3	40.8	-22.0%
Operating income	676.9	722.5	6.7%
Operating expenses	-336.7	-359.2	6.7%
Operating result	340.2	363.3	6.8%
Cost/income ratio	49.7%	49.7%	
Impairment result from financial instruments	9.9	35.4	>100.0%
Other result	-3.7	-20.7	>100.0%
Net result attributable to owners of the parent	274.9	298.8	8.7%
Return on allocated capital	28.1%	24.0%	

The segment analysis is done on a constant currency basis. The CZK appreciated by 4.8% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) increased primarily due to rising interest rates and higher loan volumes. Net fee and commission income decreased in local currency terms on the back of lower income from current accounts which could not be fully compensated by higher fees from asset management and insurance brokerage. The decrease of net trading result and gains/losses from financial instruments at FVPL was driven by a lower contribution from foreign currency transactions. Higher personnel and project-related costs led to an increase in operating expenses. Deposit insurance contribution amounted to EUR 9.6 million (EUR 8.1 million). Operating result thus increased, the cost/income ratio remained stable. The significantly improved impairment result from financial instruments was attributable to further improvements in client portfolio quality resulting in releases of risk provisions. The other result deteriorated mainly due to the non-recurrence of securities sales gains. The contribution to the resolution fund amounted to EUR 19.1 million (EUR 15.9 million). Overall, these developments led to an increase in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-6 17	1-6 18	Change
Net interest income	215.1	217.8	1.2%
Net fee and commission income	54.8	58.4	6.6%
Net trading result and gains/losses from financial instruments at FVPL	8.4	4.6	-45.9%
Operating income	283.2	284.7	0.5%
Operating expenses	-135.4	-136.5	0.8%
Operating result	147.8	148.2	0.3%
Cost/income ratio	47.8%	48.0%	
Impairment result from financial instruments	-19.6	-11.7	-40.2%
Other result	-13.1	-19.1	45.7%
Net result attributable to owners of the parent	87.7	91.9	4.8%
Return on allocated capital	27.3%	21.3%	

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) increased due to higher loan volumes. Net fee and commission income improved on the back of higher insurance brokerage and lending fees as well as higher income from card transactions. Net trading result and gains/losses from financial instruments at FVPL decreased mainly due to valuation effects. Operating expenses remained almost stable despite higher IT and personnel costs. Deposit insurance contributions amounted to EUR 0.9 million (EUR 0.8 million). Overall, operating result and cost/income ratio remained stable. Impairment result from financial instruments improved primarily due to lower specific provisions in the retail business. Other result deteriorated mainly due to the changed disclosure of provisions for commitments and guarantees as this line item included a net release and was part of other result in 2017 (from 2018 it is disclosed under impairment result from financial instruments). Banking tax increased to EUR 14.8 million (EUR 13.3 million). The payment into the resolution fund amounted to EUR 2.7 million (EUR 2.8 million). Overall, the net result attributable to the owners of the parent increased.

Romania

in EUR million	1-6 17	1-6 18	Change
Net interest income	183.8	184.7	0.5%
Net fee and commission income	74.7	75.1	0.5%
Net trading result and gains/losses from financial instruments at FVPL	41.8	40.4	-3.5%
Operating income	307.4	309.1	0.5%
Operating expenses	-156.4	-172.0	10.0%
Operating result	151.0	137.1	-9.2%
Cost/income ratio	50.9%	55.6%	
Impairment result from financial instruments	-13.6	6.5	n/a
Other result	-41.0	8.9	n/a
Net result attributable to owners of the parent	50.2	122.5	>100.0%
Return on allocated capital	10.2%	22.0%	

The segment analysis is done on a constant currency basis. The RON depreciated by 2.6% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) increased mainly on the back of a higher contribution from retail deposit business, despite being negatively impacted in the amount of EUR 15.1 million by a change in the segmental capital benefit calculation methodology. Net fee and commission income rose on the back of payment services fees in the retail business. Net trading result and gains/losses from financial instruments at FVPL remained stable. Operating expenses increased due to higher costs related to the move to the new headquarters and project costs as well as higher personnel costs. Deposit insurance contributions almost doubled to EUR 4.3 million (EUR 2.2 million). Overall, operating result decreased and the cost/income ratio deteriorated. Other result improved on non-recurrence of provisions for litigation. The resolution fund contribution declined significantly to EUR 5.5 million (EUR 14.3 million). Consequently, the net result attributable to the owners of the parent increased.

Hungary

in EUR million	1-6 17	1-6 18	Change
Net interest income	98.8	94.7	-4.2%
Net fee and commission income	77.3	83.1	7.4%
Net trading result and gains/losses from financial instruments at FVPL	13.9	15.8	13.6%
Operating income	192.3	195.4	1.6%
Operating expenses	-107.3	-107.6	0.3%
Operating result	84.9	87.8	3.3%
Cost/income ratio	55.8%	55.1%	
Impairment result from financial instruments	32.6	18.6	-43.0%
Other result	-15.2	-42.0	>100.0%
Net result attributable to owners of the parent	95.0	63.9	-32.8%
Return on allocated capital	34.2%	16.9%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 1.5% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) decreased primarily due to a change in the segmental capital benefit calculation methodology in the amount of EUR 6.6 million although loan and deposit volumes increased. Net fee and commission income rose due to higher card, payments and securities fees. Net trading result and gains/losses from financial instruments at FVPL improved mainly due to the higher contribution from derivatives. Operating expenses remained almost stable despite higher IT and marketing costs. Deposit insurance contributions amounted to EUR 8.0 million (EUR 7.8 million). Consequently, operating result and the cost/income ratio improved. A lower net release of risk provisions (reflected in the impairment result from financial instruments) was posted in corporate business. Other result deteriorated due to the non-recurrence of provision releases and higher banking levies of EUR 36.8 million (EUR 34.3 million). This line item also included the contribution to the resolution fund of EUR 2.6 million (EUR 1.9 million). Overall, the net result attributable to the owners of the parent decreased.

Croatia

in EUR million	1-6 17	1-6 18	Change
Net interest income	134.4	139.0	3.4%
Net fee and commission income	44.4	46.1	3.7%
Net trading result and gains/losses from financial instruments at FVPL	14.2	16.6	17.4%
Operating income	204.3	210.8	3.2%
Operating expenses	-103.0	-106.1	3.0%
Operating result	101.3	104.7	3.3%
Cost/income ratio	50.4%	50.3%	
Impairment result from financial instruments	-88.1	-8.7	-90.1%
Other result	-8.1	0.9	n/a
Net result attributable to owners of the parent	0.4	51.8	>100.0%
Return on allocated capital	1.0%	21.7%	

The segment analysis is done on a constant currency basis. The HRK appreciated by 0.4% against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased as higher contributions from deposits and consumer loans in the retail business offset lower corporate lending volumes. Net fee and commission income increased as higher fees in retail and corporate business entirely compensated non-recurring income from debt issuance realised last year. Net trading result and gains/losses from financial instruments at FVPL increased on the back of higher gains from foreign exchange. Operating expenses went up due to higher personnel as well as IT costs and included a EUR 5.6 million (EUR 5.5 million) deposit insurance fund contribution. Overall, the operating result increased and the cost/income ratio remained stable. The significant improvement of impairment result from financial instruments was primarily driven significantly lower provisioning needs in the corporate business. Other result improved on the non-recurrence of the last year's impairment of a participation and release of litigation provisions. This line item included resolution fund contribution in the amount of EUR 4.7 million (EUR 4.0 million). Consequently, the net result attributable to the owners of the parent improved significantly.

Serbia

in EUR million	1-6 17	1-6 18	Change
Net interest income	25.2	24.6	-2.4%
Net fee and commission income	5.5	6.0	8.3%
Net trading result and gains/losses from financial instruments at FVPL	1.7	2.3	41.0%
Operating income	32.6	33.0	1.2%
Operating expenses	-20.4	-24.2	18.4%
Operating result	12.2	8.8	-27.7%
Cost/income ratio	62.6%	73.3%	
Impairment result from financial instruments	0.5	-3.9	n/a
Other result	-0.1	0.0	-69.8%
Net result attributable to owners of the parent	9.6	3.7	-61.4%
Return on allocated capital	18.2%	5.5%	

The segment analysis is done on a constant currency basis. The RSD appreciated by 4.2% against the EUR in the reporting period. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) decreased due to a lower contribution of the corporate business. Net fee and commission income improved due to higher guarantee fees in the corporate business. Net trading result and gains/losses from financial instruments at FVPL went up on the back of government bonds valuation. The increase in operating expenses was driven by higher personnel and project costs. Deposit insurance contribution rose to EUR 1.9 million (EUR 1.5 million). Operating result declined and the cost/income ratio deteriorated. The decline of impairment result from financial instruments was primarily driven by higher provisioning in the corporate business. Overall, the net result attributable to the owners of the parent decreased.

Other

in EUR million	1-6 17	1-6 18	Change
Net interest income	41.2	54.3	31.7%
Net fee and commission income	-15.5	-18.2	17.6%
Net trading result and gains/losses from financial instruments at FVPL	-65.9	-27.0	-59.0%
Operating income	-26.2	21.2	n/a
Operating expenses	-104.7	-114.2	9.1%
Operating result	-130.8	-93.1	-28.9%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	-11.3	2.6	n/a
Other result	-51.2	-75.3	47.0%
Net result attributable to owners of the parent	-160.1	-142.8	-10.8%
Return on allocated capital	-4.0%	-5.1%	

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

Operating income improved primarily due to a better valuation result in the line item net trading result and gains/losses from financial instruments at FVPL. The increase in operating expenses was primarily driven by higher IT costs. Accordingly, operating result improved. The improvement in the line item impairment result from financial instruments due to the changed recognition of provisions for off-balance sheet items was outweighed by a lower other result. Overall, the net result attributable to the owners of the parent improved.

Condensed interim consolidated financial statements

Interim report – 1 January to 30 June 2018

Consolidated statement of income

in EUR thousand	Notes	1-6 17	1-6 18
Net interest income	1	2,143,000	2,213,775
Interest income	1	2,812,242	2,485,368
Other similar income	1	0	886,868
Interest expenses	1	-669,242	-470,416
Other similar expenses	1	0	-688,046
Net fee and commission income	2	910,932	959,299
Fee and commission income	2	1,149,312	1,205,931
Fee and commission expenses	2	-238,381	-246,633
Dividend income	3	27,096	17,485
Net trading result	4	102,856	11,879
Gains/losses from financial instruments measured at fair value through profit or loss	5	4,480	66,591
Net result from equity method investments		6,098	6,965
Rental income from investment properties & other operating leases	6	98,300	98,115
Personnel expenses	7	-1,151,299	-1,216,692
Other administrative expenses	7	-624,145	-627,508
Depreciation and amortisation	7	-228,058	-232,266
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	8	42,507	0
Gains/losses from derecognition of financial assets measured at amortised cost	9	0	-307
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	10	0	8,755
Net impairment loss on financial assets	11	-104,349	0
Impairment result from financial instruments	12	0	73,246
Other operating result	13	-209,783	-204,601
Levies on banking activities	13	-59,373	-63,290
Pre-tax result from continuing operations		1,017,634	1,174,736
Taxes on income	14	-223,880	-234,947
Net result for the period		793,755	939,789
Net result attributable to non-controlling interests		169,092	165,474
Net result attributable to owners of the parent		624,663	774,315

Earnings per share

		1-6 17	1-6 18
Net result attributable to owners of the parent	in EUR thousand	624,663	774,315
Dividend on AT1 capital	in EUR thousand	-22,188	-38,319
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	602,476	735,996
Weighted average number of outstanding shares		426,670,712	426,717,322
Earnings per share	in EUR	1.41	1.72
Weighted average diluted number of outstanding shares		426,670,712	426,717,322
Diluted earnings per share	in EUR	1.41	1.72

Development of the number of shares

	1-6 17	1-6 18
Shares outstanding at the beginning of the period	409,497,646	409,206,906
Acquisition of treasury shares	-2,983,103	-3,650,715
Disposal of treasury shares	3,063,163	3,517,446
Shares outstanding at the end of the period	409,577,706	409,073,637
Treasury shares	20,222,294	20,726,363
Number of shares issued at the end of the period	429,800,000	429,800,000
Weighted average number of outstanding shares	426,670,712	426,717,322
Weighted average diluted number of outstanding shares	426,670,712	426,717,322

Consolidated statement of comprehensive income

in EUR thousand	1-6 17	1-6 18
Net result for the period	793,755	939,789
Other comprehensive income		
Items that may not be reclassified to profit or loss	14,383	11,951
Remeasurement of net liability of defined pension plans	19,700	-15,749
Fair value changes of equity instruments at fair value through other comprehensive income	0	38,090
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in own credit risk	0	3,946
Deferred taxes relating to items that may not be reclassified	-5,317	-14,336
Items that may be reclassified to profit or loss	37,663	-284,156
Available for sale reserve (including currency translation)	-120,023	0
Gain/loss during the period	-93,202	0
Reclassification adjustments	-26,821	0
Debt instruments at fair value through other comprehensive income	0	-131,676
Gain/loss during the period	0	-119,657
Reclassification adjustments	0	-9,190
Credit loss allowances	0	-2,829
Cash flow hedge reserve	-36,836	-36,105
Gain/loss during the period	-26,151	-20,631
Reclassification adjustments	-10,686	-15,473
Currency translation reserve	162,625	-147,845
Gain/loss during the period	162,625	-147,845
Reclassification adjustments	0	0
Deferred taxes relating to items that may be reclassified	31,896	31,470
Gain/loss during the period	21,899	26,800
Reclassification adjustments	9,997	4,670
Total other comprehensive income	52,046	-272,205
Total comprehensive income	845,801	667,584
Total comprehensive income attributable to non-controlling interests	112,900	147,623
Total comprehensive income attributable to owners of the parent	732,901	519,961

Quarterly results

in EUR million	Q2 17	Q3 17	Q4 17	Q1 18 Adjusted	Q2 18
Income statement					
Net interest income	1,091.7	1,086.3	1,123.9	1,082.6	1,131.2
Interest income	1,414.5	1,411.9	1,400.3	1,222.0	1,263.4
Other similar income	0.0	0.0	0.0	473.8	413.1
Interest expenses	-322.8	-325.6	-276.4	-229.7	-240.7
Other similar expenses	0.0	0.0	0.0	-383.5	-304.6
Net fee and commission income	453.2	451.0	489.7	478.6	480.7
Fee and commission income	578.1	574.3	605.7	602.9	603.0
Fee and commission expenses	-124.9	-123.4	-116.1	-124.3	-122.3
Dividend income	23.4	10.4	6.2	2.6	14.8
Net trading result	54.3	36.5	83.5	11.3	0.6
Gains/losses from financial instruments measured at fair value through profit or loss	1.5	7.7	-24.4	30.3	36.3
Net result from equity method investments	2.9	4.0	5.7	1.8	5.2
Rental income from investment properties & other operating leases	48.2	48.3	47.6	47.9	50.2
Personnel expenses	-579.6	-595.9	-641.3	-604.5	-612.1
Other administrative expenses	-291.8	-301.1	-384.4	-344.5	-283.0
Depreciation and amortisation	-113.8	-113.0	-118.9	-115.9	-116.3
Gains/losses from financial assets and liabilities not at FVPL, net	14.2	28.3	85.7	0.0	0.0
Gains/losses from derecognition of financial assets at AC	0.0	0.0	0.0	0.1	-0.4
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.0	4.1	4.7
Gains/losses from reclassification from AC to FVPL	0.0	0.0	0.0	0.0	0.0
Gains/losses from reclassification from FVOCI to FVPL	0.0	0.0	0.0	0.0	0.0
Net impairment loss on financial assets	-38.6	32.9	-60.5	0.0	0.0
Impairment result from financial instruments	0.0	0.0	0.0	54.4	18.9
Other operating result	-82.7	-86.8	-160.9	-128.0	-76.6
Levies on banking activities	-23.6	-22.7	-23.6	-38.6	-24.7
Pre-tax result from continuing operations	583.0	608.5	451.7	520.7	654.0
Taxes on income	-128.2	-142.0	-44.2	-114.6	-120.4
Net result for the period	454.7	466.5	407.5	406.2	533.6
Net result attributable to non-controlling interests	92.3	103.5	78.9	70.1	95.4
Net result attributable to owners of the parent	362.5	363.0	328.6	336.1	438.2
Statement of comprehensive income					
Net result for the period	454.7	466.5	407.5	406.2	533.6
Other comprehensive income					
Items that may not be reclassified to profit or loss	14.4	0.2	-15.2	-19.5	31.4
Remeasurement of net liability of defined pension plans	19.8	0.2	-27.3	-1.6	-14.2
Fair value changes of equity instruments at FVOCI	0.0	0.0	0.0	9.3	28.8
Fair value changes of financial liabilities at FVPL attributable to changes in own credit risk	0.0	0.0	0.0	-35.9	39.8
Deferred taxes relating to items that may not be reclassified	-5.3	0.0	12.1	8.7	-23.0
Items that may be reclassified to profit or loss	111.2	-7.9	-14.7	-25.0	-259.2
Available for sale reserve (including currency translation)	-29.4	20.5	-85.1	0.0	0.0
Gain/loss during the period	-23.8	45.3	-13.7	0.0	0.0
Reclassification adjustments	-5.7	-24.8	-71.3	0.0	0.0
Debt instruments at fair value through other comprehensive income	0.0	0.0	0.0	-51.1	-80.6
Gain/loss during the period	0.0	0.0	0.0	-44.8	-74.9
Reclassification adjustments	0.0	0.0	0.0	-5.0	-4.2
Credit loss allowances	0.0	0.0	0.0	-1.2	-1.6
Cash flow hedge reserve	-21.5	-36.4	-32.1	-1.9	-34.2
Gain/loss during the period	-23.6	-23.9	-23.9	5.4	-26.0
Reclassification adjustments	2.1	-12.5	-8.2	-7.3	-8.2
Currency translation reserve	147.6	7.4	67.6	16.5	-164.3
Gain/loss during the period	147.6	7.4	67.6	16.5	-164.3
Reclassification adjustments	0.0	0.0	0.0	0.0	0.0
Deferred taxes relating to items that may be reclassified	14.6	0.6	34.8	11.5	20.0
Gain/loss during the period	12.4	-7.5	8.8	8.8	18.0
Reclassification adjustments	2.2	8.0	26.0	2.7	2.0
Total other comprehensive income	125.7	-7.7	-30.0	-44.5	-227.7
Total comprehensive income	580.4	458.8	377.5	361.7	305.9
Total comprehensive income attributable to non-controlling interests	75.6	106.7	57.5	61.0	86.6
Total comprehensive income attributable to owners of the parent	504.8	352.1	320.0	300.7	219.3

Consolidated balance sheet

in EUR thousand	Notes	Dec 17	Jun 18
Assets			
Cash and cash balances	15	21,796,299	16,888,050
Financial assets held for trading		6,349,189	6,887,622
Derivatives	16	3,333,142	3,804,265
Other financial assets held for trading	17	3,016,047	3,083,356
Pledged as collateral		242,434	172,463
Financial assets at fair value through profit or loss	18	542,572	0
Non-trading financial assets at fair value through profit or loss	19	0	3,429,894
Pledged as collateral		0	49,137
Equity instruments		0	278,861
Debt securities		0	2,739,141
Loans and advances to banks		0	0
Loans and advances to customers		0	411,892
Financial assets available for sale	20	16,060,153	0
Pledged as collateral		756,537	0
Financial assets at fair value through other comprehensive income	21	0	9,964,719
Pledged as collateral		0	623,199
Equity instruments		0	241,854
Debt securities		0	9,722,865
Financial assets held to maturity	22	19,800,435	0
Pledged as collateral		1,568,387	0
Loans and receivables to credit institutions	23	9,125,673	0
Loans and receivables to customers	24	139,532,277	0
Financial assets at amortised cost	25	0	180,748,268
Pledged as collateral		0	1,943,525
Debt securities		0	24,028,956
Loans and advances to banks		0	17,148,813
Loans and advances to customers		0	139,570,499
Finance lease receivables	26	0	3,675,526
Hedge accounting derivatives	27	884,311	116,242
Property and equipment		2,386,767	2,363,447
Investment properties		1,111,561	1,102,245
Intangible assets		1,523,564	1,506,872
Investments in associates and joint ventures		198,373	201,262
Current tax assets		107,633	125,209
Deferred tax assets		257,933	319,708
Assets held for sale		213,897	202,761
Trade and other receivables	28	0	1,071,934
Other assets	29	768,795	1,274,151
Total assets		220,659,433	229,877,909

in EUR thousand	Notes	Dec 17	Jun 18
Liabilities and equity			
Financial liabilities held for trading		3,422,793	3,070,152
Derivatives	16	2,933,667	2,528,817
Other financial liabilities held for trading	30	489,126	541,335
Financial liabilities at fair value through profit or loss		1,801,245	14,473,226
Deposits from customers		48,559	55,801
Debt securities issued	31	1,752,686	13,873,768
Other financial liabilities		0	543,657
Financial liabilities at amortised cost		191,711,402	189,875,360
Deposits from banks	32	16,349,382	17,867,166
Deposits from customers	32	150,920,715	156,774,797
Debt securities issued	32	23,342,123	14,600,698
Other financial liabilities		1,099,182	632,700
Finance lease liabilities		0	6
Hedge accounting derivatives	27	360,379	311,269
Fair value changes of hedged items in portfolio hedge of interest rate risk		666,117	0
Provisions	33	1,647,963	1,687,774
Current tax liabilities		101,079	126,650
Deferred tax liabilities		61,454	64,861
Liabilities associated with assets held for sale		2,752	3,334
Other liabilities	34	2,595,932	2,557,550
Total equity		18,288,316	17,707,727
Equity attributable to non-controlling interests		4,416,402	4,402,007
Additional equity instruments		993,275	992,585
Equity attributable to owners of the parent		12,878,639	12,313,135
Subscribed capital		859,600	859,600
Additional paid-in capital		1,476,689	1,476,689
Retained earnings and other reserves		10,542,350	9,976,846
Total liabilities and equity		220,659,433	229,877,909

Consolidated statement of changes in equity

	Sub- scribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Fair value reserve	Liability own credit risk reserve	Currency translation	Remeas- urement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non- controlling interests	Total equity
As of 1 January 2018	860	1,477	10,918	4	545	0	0	-503	-364	-57	12,879	993	4,416	18,288
Changes of initial application of IFRS 9	0	0	254	0	-545	418	-734	0	0	55	-551	0	-122	-673
Restated as of 1 January 2018	860	1,477	11,172	4	0	418	-734	-503	-364	-2	12,328	993	4,294	17,615
Changes in treasury shares	0	0	-6	0	0	0	0	0	0	0	-6	0	0	-6
Dividends paid	0	0	-529	0	0	0	0	0	0	0	-529	0	-42	-571
Capital increases/decreases	0	0	0	0	0	0	0	0	0	0	0	-1	0	-1
Changes in scope of consolidation and ownership interest	0	0	1	0	0	0	0	0	0	0	1	0	2	3
Reclassification from other comprehensive income to retained earnings	0	0	31	0	0	-39	8	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	774	-35	0	-151	57	-149	22	2	520	0	148	668
Net result for the period	0	0	774	0	0	0	0	0	0	0	774	0	165	940
Other comprehensive income	0	0	0	-35	0	-151	57	-149	22	2	-254	0	-18	-272
Changes in presentation of deferred tax	0	0	0	-6	0	-89	59	0	34	2	0	0	0	0
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	0	-12	0	-12	0	-4	-16
Change in revaluation reserve	0	0	0	0	0	-63	0	0	0	0	-63	0	-13	-76
Change in cash flow hedge reserve	0	0	0	-28	0	0	0	0	0	0	-28	0	0	-29
Change in currency translation reserve	0	0	0	0	0	0	0	-149	0	0	-149	0	1	-148
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in own credit risk	0	0	0	0	0	0	-2	0	0	0	-2	0	-1	-3
Other changes in OCI	0	0	0	0	0	0	0	0	0	0	0	0	0	0
As of 30 June 2018	860	1,477	11,443	-31	0	227	-668	-652	-343	0	12,313	993	4,402	17,708
As of 1 January 2017	860	1,478	10,090	107	632	0	0	-734	-357	-112	11,963	497	4,142	16,602
Changes in treasury shares	0	0	-5	0	0	0	0	0	0	0	-5	0	0	-5
Dividends paid	0	0	-432	0	0	0	0	0	0	0	-432	0	-26	-458
Capital increases	0	0	0	0	0	0	0	0	0	0	0	497	0	497
Changes in scope of consolidation and ownership interest	0	0	0	0	0	0	0	0	0	0	0	0	32	32
Other changes	0	0	1	0	0	0	0	0	0	0	1	0	1	2
Total comprehensive income	0	0	625	-56	-175	0	0	155	72	112	733	0	113	846
Net result for the period	0	0	625	0	0	0	0	0	0	0	625	0	169	794
Other comprehensive income	0	0	0	-28	-27	0	0	155	8	0	108	0	-56	52
Changes in presentation of deferred tax	0	0	0	-28	-148	0	0	0	64	112	0	0	0	0
As of 30 June 2017	860	1,478	10,279	51	457	0	0	-579	-285	0	12,260	993	4,262	17,516

Consolidated statement of cash flows

in EUR million	1-6 17	1-6 18
Net result for the period	794	940
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	254	247
Allocation to and release of provisions (including risk provisions)	265	-31
Gains from the measurement and sale of assets	-211	-81
Other adjustments	-85	-90
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets held for trading	724	185
Financial assets at fair value through profit or loss	-51	0
Non-trading financial assets at fair value through profit or loss		
Equity instruments	0	-5
Debt securities	0	-174
Loans and advances to banks	0	0
Loans and advances to customers	0	62
Financial assets - available for sale: debt instruments	2,100	0
Financial assets at fair value through other comprehensive income: debt instruments		
Debt securities	0	257
Financial assets held to maturity	-82	0
Loans and receivables to credit institutions	-877	0
Loans and receivables to customers	-4,692	0
Financial assets at amortised cost		
Debt securities	0	-935
Loans and advances to banks	0	-8,148
Loans and advances to customers	0	-5,082
Finance lease receivables	0	-164
Hedge accounting derivatives	326	-23
Other assets from operating activities	-124	-641
Financial liabilities held for trading	-640	-239
Financial liabilities at fair value through profit or loss	53	-171
Financial liabilities at amortised cost		
Deposits from banks	3,252	1,664
Deposits from customers	7,584	5,814
Debt securities issued	-669	2,274
Other financial liabilities	-187	61
Hedge accounting derivatives	-61	9
Other liabilities from operating activities	-169	102
Finance lease liabilities	0	0
Cash flow from operating activities	7,502	-4,169
Proceeds of disposal		
Financial assets available for sale: equity instruments	0	0
Financial assets at fair value through other comprehensive income: equity instruments	0	9
Associated companies	4	1
Property and equipment and intangible assets	384	560
Investment properties	158	97
Acquisition of		
Financial assets available for sale: equity instruments	-11	0
Financial assets at fair value through other comprehensive income: equity instruments	0	0
Associated companies	0	0
Property and equipment and intangible assets	-628	-636
Investment properties	-164	-94
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
Cash flow from investing activities	-257	-63
Capital increases	496	0
Capital decrease	0	-1
Acquisition of non-controlling interest	0	-2
Dividends paid to equity holders of the parent	-432	-529
Dividends paid to non-controlling interests	-26	-42
Other financing activities	0	0
Cash flow from financing activities	38	-574

in EUR million	1-6 17	1-6 18
Cash and cash equivalents at the beginning of the period	18,353	21,796
Cash flow from operating activities	7,502	-4,169
Cash flow from investing activities	-257	-63
Cash flow from financing activities	38	-574
Effect of currency translation	206	-103
Cash and cash equivalents at the end of period	25,842	16,888
Cash flows related to taxes, interest and dividends	1,937	1,839
Payments for taxes on income (included in cash flow from operating activities)	-225	-262
Interest received	2,857	3,500
Dividends received	27	17
Interest paid	-722	-1,418

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 June 2018

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 June 2018 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and are presented in accordance with the requirements of IAS 34 "Interim Financial Reporting". Erste Group's application of IFRS resulted in no differences between IFRS as issued by the International Accounting Standards Board ("IASB") and IFRS as endorsed by the EU.

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

BASIS OF CONSOLIDATION

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

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

As of 31 December 2017	422
Additions	
Entities newly added to the scope of consolidation	5
Disposals	
Companies sold or liquidated	-14
Mergers	-2
As of 30 June 2018	411

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. However, due to the first application of IFRS 9 (as described below), Erste Group has decided to disclose the full set of accounting policies in the first quarter of 2018 interim financial statements. Also, new notes have been introduced in connection with the application of IFRS 9. Otherwise, the interim financial statements should be read in conjunction with Erste Group's consolidated financial statements as of 31 December 2017.

Amendment in the presentation of the consolidated statement of income

To reflect a decision of IFRS Interpretations Committee from March 2018, Erste Group changed the presentation of net interest income in the consolidated statement of income in the second quarter of 2018. After the change the net interest income is further divided into interest income, other similar income, interest expense and other similar expense.

Interest income relates to interest revenue from financial assets measured at amortised cost and at fair value through other comprehensive income calculated using effective interest rate.

Other similar income captures interest-like sources of income resulting from non-derivative financial assets measured at fair value through profit or loss, held-for-trading derivatives, hedge accounting derivatives, finance lease receivables and negative interest on financial liabilities.

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

Other similar expense captures interest-like sources of expense resulting from non-derivative financial liabilities measured at fair value through profit or loss, held-for-trading derivatives, hedge accounting derivatives, negative interest on financial assets, provisions recognised under IFRS 9 and IAS 37 and net defined liability under IAS 19. The Note 1 Net interest income has been adjusted accordingly.

Application of new standards

IFRS 9 Financial Instruments

As of 1 January 2018, Erste Group has adopted IFRS 9 “Financial Instruments” as issued by the IASB in July 2014 and endorsed by the EU in 2016. This resulted in changes in accounting policies for classification and measurement of financial assets and financial liabilities, as well as for impairment of financial assets. IFRS 9 also significantly amends IFRS 7 “Financial Instruments: Disclosures” due to which disclosures of information on financial instruments have been adapted to the new requirements.

As permitted by the transitional provisions of IFRS 9, Erste Group elected not to restate comparative amounts for the previous financial year 2017. As a result, the comparative period columns in the 2018 financial statements reflect the structure used in 2017 financial statements. Also, the comparative period disclosures in the notes are based on the original classification and measurement requirements of IAS 39 (as superseded by IFRS 9) and IFRS 7 (before the consequential amendments resulting from IFRS 9). As allowed by IFRS 9, Erste Group has elected to continue applying hedge accounting requirements of IAS 39.

After Erste Group published the IFRS 9 transition effects in the first quarter interim report it revised certain values with effect as of 1 January 2018. The adjustments relate to an increase in fair value of financial liabilities designated at fair value through profit or loss by EUR 31 million and transfer of deferred tax asset effects from retained earnings to fair value reserve (i.e. equity neutral) in the amount of EUR 62 million. As a result of these changes, this report includes updated IFRS 9 transition effects disclosures in the extent as published in the first quarter interim report. The consolidated statement of changes in equity has also been adjusted in respect of the lines presenting changes due to initial application of IFRS 9 and restated 1 January 2018 balances.

After Erste Group published the IFRS 9 transition effects in the first quarter interim report it revised certain values with effect as of 1 January 2018. The adjustments relate to an increase in fair value of financial liabilities designated at fair value through profit or loss by EUR 31 million and transfer of deferred tax asset effects from retained earnings to deferred tax accumulated in OCI (i.e. equity neutral) in the amount of EUR 62 million. As a result of these changes, this report includes updated IFRS 9 transition effects disclosures in the extent as published in the first quarter interim report. The consolidated statement of changes in equity has also been adjusted in respect of the lines presenting changes due to initial application of IFRS 9 and restated 1 January 2018 balances.

The financial impact of IFRS 9 adoption is detailed below. The tables make use of the following acronyms:

AC – amortised cost

AFS – available for sale

FV – fair value

FVO – fair value option

FVOCI – fair value through other comprehensive income

FVPL – fair value through profit or loss

HTM – held-to-maturity

L&R – loans and receivables

i. Classification and measurement of financial instruments

The table below presents changes between measurement categories and carrying amounts of financial assets and financial liabilities under IAS 39 and IFRS 9 as at 1 January 2018. To illustrate the transition impact, the effects are disclosed in respect of original balance sheet positions reflecting IAS 39 requirements.

in EUR million	Com-ments	Original classification under IAS 39		New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
		Portfolio	Measurement method			
Financial assets						
Cash and cash balances		Loans and receivables	AC	Amortised cost	21,796	21,795
Derivatives	a	Held-for-trading	FVPL	Held-for-trading (FVPL)	3,307	3,307
Other trading assets		Held-for-trading	FVPL	Held-for-trading (FVPL)	3,016	3,016
Derivatives - hedge accounting	b	Hedge accounting	FV	Hedge accounting	128	128
				Held-for-trading (FVPL)	756	756
Loans and receivables to credit institutions	c,d	Loans and receivables	AC	Amortised cost	9,108	9,127
				Designated at FVPL	17	17
Loans and receivables to customers	e	Loans and receivables	AC	Amortised cost	135,562	135,439
				Mandatorily at FVPL	459	480
				Finance Lease	3,512	3,513
Financial assets - available for sale (Debt securities)	f	AFS	FVOCI	Amortised cost	4,119	3,875
				Mandatorily at FVPL	2,004	2,004
				FVOCI	9,418	9,418
Financial assets - available for sale (Equity instruments)	f	AFS	FVOCI	FVPL	264	264
				FVOCI	255	255
				Amortised cost	19,090	19,087
Financial assets - held to maturity		Held-to-maturity	AC	Mandatorily at FVPL	27	28
				Designated at FVPL	17	17
				FVOCI	667	684
				Amortised cost	3	3
Financial assets - at fair value through profit or loss		FV option	FVPL	Mandatorily at FVPL	138	138
				Designated at FVPL	387	387
				FVOCI	14	14
Total financial assets					214,065	213,755
Financial liabilities						
Derivatives	g	Held-for-trading	FVPL	Held-for-trading (FVPL)	2,663	2,663
Other trading liabilities		Held-for-trading	FVPL	Held-for-trading (FVPL)	489	489
Derivatives - hedge accounting	b	Hedge accounting	FV	Hedge accounting	302	302
				Held-for-trading (FVPL)	58	58
Financial liabilities measured at amortised cost	h,i	Amortised cost	AC	Amortised cost	180,060	180,060
				Designated at FVPL	12,589	13,031
Financial liabilities - at fair value through profit or loss (Debt securities issued)		FV option	FVPL	Designated at FVPL	1,753	1,753
Financial liabilities - at fair value through profit or loss (Deposits from customers)		FV option	FVPL	Designated at FVPL	49	49
Total financial liabilities					197,963	198,405

(a) The column 'original carrying amount under IAS 39' excludes embedded derivatives with a carrying amount of EUR 26 million that were part of 'Derivatives – held for trading' as at 31 December 2017 under IAS 39 and included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9.

(b) The line 'Held-for-trading (FVPL)' relates to derivatives that were de-designated as hedging instruments as of 1 January 2018 and became part of 'Derivatives – held for trading'.

(c) The amount in the line 'Amortised cost' includes debt securities with a carrying amount of EUR 83 million under IAS 39 and of EUR 84 million under IFRS 9.

(d) The entire amount in the line 'Designated at FVPL' relates to debt securities.

(e) The amount in the line 'Amortised cost' includes debt securities with a carrying amount of EUR 46 million under IAS 39 and of EUR 44 million under IFRS 9.

(f) The original carrying amount under IAS 39 is adjusted by EUR 645 million in respect of debt securities and equity securities compared to the 2017 financial statements due to a reclassification between debt and equity instruments related to investments in funds and certain

hybrid instruments. More details can be found in the comment (f) to table ii. Reconciliation of carrying amounts of financial assets based on measurement categories.

(g) The original carrying amount under IAS 39 excludes embedded derivatives with a carrying amount of EUR 270 million that were part of 'Derivatives – held for trading' as at 31 December 2017 under IAS 39 and included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9.

(h) The original carrying amount under IAS 39 in the line 'Amortised cost' that captures financial liabilities that continue to be measured at amortised cost contains:

- _ deposits from customers with a carrying amount of EUR 150,788 million;
- _ deposits from banks with a carrying amount of EUR 16,374 million. This amount includes EUR 24 million related to portfolio fair value hedges (presented in the separate line item 'Changes in fair value of portfolio hedged items' under IAS 39) transferred against the carrying amount of the financial liabilities when the portfolio fair value hedges were de-designated and single fair value hedges were newly designated as of 1 January 2018;
- _ debt securities issued with a carrying amount of EUR 12,333 million. This amount includes EUR 133 million related to portfolio fair value hedges (presented in the separate line item 'Changes in fair value of portfolio hedged items' under IAS 39) transferred against the carrying amount of the financial liabilities when portfolio fair value hedges were de-designated and single fair value hedges were newly designated as of 1 January 2018; and
- _ Other financial liabilities with a carrying amount of EUR 565 million.

(i) The original carrying amount under IAS 39 in the line 'Designated at FVPL' that captures financial liabilities that were designated at FVPL as of 1 January 2018 under IFRS 9 consists of following items:

- _ debt securities issued with a carrying amount of EUR 11,143 million;
- _ deposits from customers with a carrying amount of EUR 133 million;
- _ other financial liabilities that relate to fund units issued by funds consolidated by Erste Group with a carrying amount of EUR 534 million;
- _ embedded derivatives liabilities with a carrying amount of EUR 270 million that were separated under IAS 39 and included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9;
- _ embedded derivatives assets with a carrying amount of EUR 26 million (decreasing the carrying amount of liabilities) that were separated under IAS 39 and included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9;
- _ the amount of EUR 509 million related to portfolio fair value hedges (presented in the separate line item 'Changes in fair value of portfolio hedged items' under IAS 39) included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9; and
- _ other liabilities with a carrying amount of EUR 27 million that due to their economic relation to the underlying bonds, were transferred to debt securities issued designated at fair value through profit or loss.

ii. Reconciliation of carrying amounts of financial assets based on measurement categories

in EUR million	Com- ments	IAS 39 carrying amount 31 Dec 17	Reclassi- fications	Remeas- urement	IFRS 9 carrying amount 1 Jan 18	Retained earnings effects	OCI effects
Amortised cost	a	186,743	0	0	186,743	0	0
Additions:							
from IAS 39 FVOCI (AFS) – debt securities	b	0	4,119	-244	3,875	-2	-242
from IAS 39 FVPL (FVO) – debt securities		0	3	0	3	0	0
from IAS 39 AC (L&R, HTM) (impairment remeasurement)		0	0	-107	-107	-107	0
Subtractions:							
to IFRS 9 FVOCI (IAS 39: HTM) – debt securities	c	0	-666	0	-666	0	0
to IFRS 9 Designated at FVPL (IAS 39: L&R) – debt securities		0	-17	0	-17	0	0
to IFRS 9 Designated at FVPL (IAS 39: HTM) – debt securities		0	-17	0	-17	0	0
to IFRS 9 Mandatorily at FVPL (IAS 39: L&R) – loans and advances to customers	d	0	-459	0	-459	0	0
to IFRS 9 Mandatorily at FVPL (IAS 39: HTM) – debt securities		0	-27	0	-27	0	0
Total change		0	2,936	-351	2,585	-109	-242
Total - amortised cost	e	186,743	2,936	-351	189,328	-109	-242
Fair value through other comprehensive income		16,060	0	0	16,060	0	0
Fair value through other comprehensive income – debt securities	f	15,541	0	0	15,541	0	0
Additions:							
from IAS 39 AC (HTM)	c	0	666	17	684	0	17
from IAS 39 FVPL (FVO)		0	14	0	14	1	-1
from IAS 39 AFS (impairment remeasurement)		0	0	0	0	-11	11
Subtractions:							
to IFRS 9 AC (IAS 39: AFS)	b	0	-4,119	0	-4,119	0	0
to IFRS 9 Mandatorily at FVPL (IAS 39: AFS)	g	0	-2,004	0	-2,004	0	0
Subtotal change – debt securities at FVOCI		0	-5,443	17	-5,426	-10	27
Subtotal – debt securities at FVOCI		15,541	-5,443	17	10,116	-10	27
Fair value through other comprehensive income – equity instruments	f	519	0	0	519	0	0
Subtractions:							
to IFRS 9 FVPL (IAS 39: AFS)	h	0	-264	0	-264	0	0
Subtotal change – equity instruments at FVOCI		0	-264	0	-264	0	0
Subtotal – equity instruments at FVOCI		519	-264	0	255	0	0
Total change		0	-5,707	17	-5,690	-10	27
Total – fair value through other comprehensive income		16,060	-5,707	17	10,370	-10	27
Fair value through profit or loss	i	6,866	0	0	6,866	0	0
Additions:							
from IAS 39 AC (L&R) (IFRS 9: Designated at FVPL) – debt securities		0	17	0	17	0	0
from IAS 39 AC (L&R) (IFRS 9: Mandatorily at FVPL) – loans and advances to customers	d	0	459	21	480	21	0
from IAS 39 AC (HTM) (IFRS 9: Designated at FVPL) – debt securities		0	17	1	17	1	0
from IAS 39 AC (HTM) (IFRS 9: Mandatorily at FVPL) – debt securities		0	27	1	28	1	0
from IAS 39 FVOCI (AFS) (IFRS 9: Mandatorily at FVPL) – debt securities	g	0	2,004	0	2,004	99	-99
from IAS 39 FVOCI (AFS) – equity instruments	h	0	264	0	264	63	-63
from hedge accounting derivatives		0	756	0	756	0	0
Subtractions:							
to IFRS 9 AC (IAS 39: FVO) – debt securities		0	-3	0	-3	0	0
to IFRS 9 FVOCI (IAS 39: FVO) – debt securities		0	-14	0	-14	0	0
Total change		0	3,528	22	3,550	185	-162
Total – fair value through profit or loss	j	6,866	3,528	22	10,416	185	-162
Total – financial assets	k	209,669	756	-311	210,114	66	-377

Note: Remeasurement includes effects of both revaluation and impairment changes.

(a) The amount includes IAS 39 balance sheet line items with following carrying amounts in EUR million:

- _ cash and cash balances: 21,796;
- _ loans and receivables to credit institutions: 9,126;
- _ loans and receivables to customers: 136,021 (excluding finance lease receivables); and
- _ financial assets – held to maturity: 19,800.

(b) Debt securities that were classified as available for sale and measured at FVOCI under IAS 39 and that are part of the portfolios connected to asset and liability management activities were reclassified to the amortised cost measurement category under IFRS 9 due to the business model of holding the assets to collect contractual cash flows.

(c) Debt securities previously classified as held to maturity and measured at amortised cost under IAS 39 were reclassified to the FVOCI measurement category under IFRS 9 due to the application of the business model whose objective is achieved by both holding the assets to collect the contractual cash flows and selling the assets.

(d) The reclassification relates largely to loans to customers that do not have contractual cash flows that are solely payments of principal and interest (SPPI) and thus have to be measured at FVPL. The most significant cases are loans having interest mismatch features that do not pass the quantitative testing required by IFRS 9 (see description in the part ‘SPPI assessment’ of chapter ‘Significant accounting judgements, assumptions and estimates’) and loans having a leverage element in the contractual interest rate.

(e) The IFRS 9 carrying amount as at 1 January 2018 includes IFRS 9 balance sheet line items with following carrying amounts in EUR million:

- _ cash and cash balances 21,795;
- _ financial assets at amortised cost:
 - _ debt securities: 23,094;
 - _ loans and advance to banks: 9,043;
 - _ loans and advances to customers: 134,454; and
 - _ trade and other receivables: 942.

(f) The carrying amount of debt securities at FVOCI (AFS) under IAS 39 also includes:

- _ Investments in funds with a carrying amount of EUR 599 million that until 2017 were treated as equity instruments in the financial statements. Emphasis was put on their economic substance of being equity security-like. From 2018, Erste Group has started to classify them as debt instruments. Preference is put on the puttable feature due to which they meet the definition of a liability in accordance with IAS 32. Thus, they are debt instruments both from the issuer and the investor perspective. In the transition disclosures they are treated as debt instruments also in respect of the IAS 39 carrying amount.
- _ Certain investments in hybrid instruments with a carrying amount of EUR 46 million that were classified as equity instruments under IAS 39. Their classification as debt vs equity instruments was analysed upon the transition to IFRS 9 with a conclusion that they are debt instruments. In the transition disclosures they are treated as debt instruments also in respect of the IAS 39 carrying amount.

As a result, the reclassification between the debt and equity instruments also impacted the carrying amount of equity instruments at FVOCI (AFS) under IAS 39 which, compared to the amount presented in the 2017 financial statements, is decreased by the above amounts in the transition disclosures.

(g) The cases of reclassifications of debt securities from the available for sale category measured at FVOCI under IAS 39 to the mandatorily at FVPL category under IFRS 9 were:

- _ financial assets held by investment funds consolidated by Erste Group with a carrying amount of EUR 1,007 million reclassified due to being managed and evaluated on a fair value basis;
- _ investments in funds that are not consolidated by Erste Group with a carrying amount of EUR 599 million reclassified due to the assets having contractual cash flows that are not SPPI;
- _ debt securities with a carrying amount of EUR 235 million reclassified due to the assets having contractual cash flows that are not SPPI; and
- _ investments in securitisations with a carrying amount of EUR 162 million reclassified due to expectations that their value will be primarily realised through sales.

(h) The reclassification from the available for sale category under IAS 39 to the fair value through profit or loss category under IFRS 9 relates to those investments in equity instruments that are not held for trading and that were not designated as measured at FVOCI upon the transition to IFRS 9.

(i) The amount includes IAS 39 balance sheet line items with following carrying amounts in EUR million:

- _ derivatives – held for trading: 3,307.
This amount excludes embedded derivatives with a carrying amount of EUR 26 million that were separated under IAS 39 and that were included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9;
- _ other trading assets: 3,016; and financial assets - at fair value through profit or loss: 543.

(j) The IFRS 9 carrying amount as at 1 January 2018 includes IFRS 9 balance sheet line items with following carrying amounts in EUR million:

- _ derivatives – held for trading: 4,064;
- _ other trading assets: 3,016;
- _ non-trading financial assets at FVPL:
 - _ equity instruments: 264;
 - _ debt securities mandatorily at FVPL: 2,170;
 - _ debt securities designated at FVPL: 422; and
 - _ loans and advances to customers mandatorily at FVPL: 480.

(k) The total in the reclassification column amounts to EUR 756 million and equals the carrying amount of hedge accounting derivatives which were dedesignated as of 1 January 2018 and became derivatives – held for trading. As hedge accounting derivatives did not constitute an official IAS 39 measurement category their subtractions are not captured in the table and they only appear as additions under the fair value through profit or loss category.

iii. Reconciliation of carrying amounts of financial liabilities based on measurement categories

in EUR million	Com- ments	IAS 39 carrying amount 31 Dec 17	Reclassi- fications	Remeas- urement	IFRS 9 carrying amount 1 Jan 18	Retained earnings effects	OCI effects
Amortised cost	a	192,649	0	0	192,649	0	0
Subtractions:							
to IFRS 9 FVO (IAS 39: AC)	b	0	-12,589	0	-12,589	0	0
Total change		0	-12,589	0	-12,589	0	0
Total – amortised cost	c	192,649	-12,589	0	180,060	0	0
Fair value through profit or loss	d	4,953	0	0	4,953	0	0
Additions:							
from IAS 39 AC	b	0	12,589	442	13,031	161	-603
from IAS 39 FVO to IFRS 9 FVO (Reclassification of FV change due to credit risk)		0	0	0	0	145	-145
from hedge accounting derivatives		0	58	0	58	0	0
Total change		0	12,647	442	13,089	306	-748
Total – fair value through profit or loss	e	4,953	12,647	442	18,042	306	-748
Total – financial liabilities	f	197,602	58	442	198,102	306	-748

(a) The amount includes IAS 39 balance sheet line items with following carrying amounts in EUR million:

- _ deposits from banks: 16,373;
This amount also includes EUR 24 million related to portfolio fair value hedges (presented in the separate line item ‘Changes in fair value of portfolio hedged items’ under IAS 39). This amount was transferred against the carrying amount of financial liabilities when portfolio fair value hedges were de-designated and single fair value hedges were newly designated as of 1 January 2018;
- _ deposits from customers: 150,921;
- _ debt securities issued: 24,255, this amounts also includes:
 - _ effect of embedded derivatives assets with a carrying amount of EUR 26 million (decreasing the carrying amount of liabilities) and embedded derivative liabilities with a carrying amount of EUR 270 million that were separated under IAS 39 and presented as held for trading. They were included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9;
 - _ the amount of EUR 642 million related to portfolio fair value hedges (presented in the separate line item ‘Changes in fair value of portfolio hedged items’ under IAS 39); As of 1 January 2018 under IFRS 9, the amount was included in the financial liabilities designated at fair value through profit or loss (EUR 509 million) and in the financial liabilities measured at amortised cost designated as hedged items in single fair value hedges (EUR 133 million);
 - _ amount reported in other liabilities under IAS 39 with a carrying amount of EUR 27 million that upon transition to IFRS 9 was analysed and, due to the economic relation of these liabilities to the underlying bonds, was transferred to debt securities issued; and
 - _ other financial liabilities 1,099.

(b) The amounts related to financial liabilities measured at amortised cost under IAS 39 and designated at fair value through profit or loss as of 1 January 2018 under IFRS 9 consist of:

- _ debt securities issued with a reclassification amount of EUR 11,922 million and a remeasurement amount of EUR 437 million;
- _ deposits from customers with a reclassification amount of EUR 133 million and a remeasurement amount of EUR 4 million; and

_ other financial liabilities (fund units issued by funds consolidated by Erste Group) with a reclassification amount of EUR 534 million. The effect of the fair value changes resulting from credit risk of the financial liabilities that is recognised in OCI amounts to EUR 748 million, thereof EUR 603 million are attributable to newly designated financial liabilities.

(c) The IFRS 9 carrying amount as at 1 January 2018 includes IFRS 9 balance sheet line items with following carrying amounts in EUR million:

- _ deposits from banks: 16,374;
- _ deposits from customers: 150,788;
- _ debt securities issued: 12,333; and
- _ other financial liabilities: 565.

(d) The amount includes IAS 39 balance sheet line items with following carrying amounts in EUR million:

- _ derivatives – held for trading: 2,663.
- This amount excludes embedded derivatives with a carrying amount of EUR 270 million that became part of financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9;
- _ other trading liabilities: 489;
- _ financial liabilities - at fair value through profit or loss:
 - _ deposits from customers: 49; and
 - _ debt securities issued: 1,753.

(e) The IFRS 9 carrying amount as at 1 January 2018 includes IFRS 9 balance sheet line items with following carrying amounts in EUR million:

- _ derivatives: 2,721;
- _ other trading liabilities: 489;
- _ financial liabilities designated at fair value through profit or loss:
 - _ deposits from customers: 186;
 - _ debt securities issued: 14,113; and
 - _ other financial liabilities: 534.

(f) The total in the reclassification column amounts to EUR 58 million and equals the carrying amount of hedge accounting derivatives which were dedesignated as of 1 January 2018 and became derivatives – held for trading. As hedge accounting derivatives did not constitute an official IAS 39 measurement category their subtractions are not captured in the table and they only appear as additions under the fair value through profit or loss category.

iv. Reconciliation of impairment allowances

The following table reconciles the amounts of loss allowances as at 31 December 2017 based on the IAS 39 incurred loss impairment model with the amounts as at 1 January 2018 subject to the IFRS 9 expected credit loss impairment model:

in EUR million	IAS 39/IAS 37 31 Dec 17	Reclassifications	Remeasurement	IFRS 9 1 Jan 18
Debt instruments at AC	-3,833	40	-215	-4,008
Debt instruments at FVOCI	0	-8	-5	-13
Finance lease	-154	0	-18	-172
Off balance-sheet exposures (loan commitments and guarantees given)	-323	0	16	-307
Total	-4,310	32	-223	-4,500

The column Reclassifications relates to changes in impairment allowances due to differences in the scope of requirements between IFRS 9 and IAS 39. As a result, the decrease in impairment due to reclassifications amounting to EUR 32 million:

- _ relates mainly to reversals of IAS 39-based loan loss provisions recognised under IAS 39 in respect of debt instruments (mainly loans) that were classified as mandatorily at FVPL under IFRS 9;
- _ is also affected by increase in loss allowances newly recognised on 1 January 2018 of EUR 8 million in respect of former AFS debt securities classified at FVOCI under IFRS 9. However this change did not impact the group equity upon transition to IFRS 9.

The column Remeasurement relates to changes in impairment allowances that were (under IAS 39 for financial assets and under IAS 37 for off-balance sheet credit risk bearing exposures) and continue to stay (under IFRS 9) in the impairment calculation scope. In this respect:

- _ the line 'Debt instruments at AC' captures differences in loss allowances for debt instruments measured at amortised cost under IFRS 9 that were previously classified as loans and receivables (other than trade and other receivables) and held-to-maturity in accordance with IAS 39;
- _ the line 'Debt instruments at FVOCI' reconciles the loss allowances for debt instruments measured at FVOCI under IFRS 9 that were classified as held-to-maturity.

Further, the increase in impairments amounting to EUR 223 million attributable to remeasurement includes following special effects that did not impact the group equity upon transition to IFRS 9:

- _ an increase of EUR 303 million representing additional impairment allowances against credit-impaired loans ('Stage 3') in respect of which contractual interest receivables accruing after default were 'suspended' off-balance up to 31 December 2017 but were re-integrated in the on-balance gross carrying amounts of the related assets as of 1 January 2018;
- _ a decrease of EUR 187 million related to impairments of loans that were retrospectively identified as originated credit-impaired upon transition to IFRS 9. These impairments were included in the gross carrying amounts of the related assets as of 1 January 2018 (irrespective of whether cured or still defaulted).

As a result, the impairment remeasurements had a negative impact on the group equity amounting to EUR 106 million. Overall, the re-classifications and remeasurements impairment effects decreased the group equity by EUR 66 million.

v. Deferred tax effects upon transition to IFRS 9

The following table presents the changes in the carrying amounts of Erste Group's deferred tax assets and liabilities due to the initial application of IFRS 9:

in EUR million	IAS 39 Closing balance 31 Dec 17	IFRS 9 Opening balance 1 Jan 18	Retained earnings effects	OCI effects
Deferred tax assets	258	299	-277	318
Deferred tax liabilities	-61	-38	225	-202

1. Net interest income

in EUR million	1-6 17	1-6 18
Financial assets held to maturity	270.9	0.0
Loans and receivables	2,010.0	0.0
Financial assets at amortised cost	0.0	2,376.2
Financial assets available for sale	176.2	0.0
Financial assets at fair value through other comprehensive income	0.0	109.2
Interest income	0.0	2,485.4
Non-trading financial assets at fair value through profit or loss	0.0	33.8
Financial assets held for trading	313.2	752.8
Financial assets at fair value through profit or loss	6.9	0.0
Derivatives - hedge accounting, interest rate risk	-11.8	17.5
Other assets	13.3	52.1
Negative interest from financial liabilities	33.6	30.6
Other similar income	0.0	886.9
Interest and other similar income	2,812.2	3,372.2
Financial liabilities at amortised cost	-597.8	-470.4
Interest expenses	0.0	-470.4
Financial liabilities at fair value through profit or loss	-26.5	-216.3
Financial liabilities held for trading	-195.2	-473.4
Derivatives - hedge accounting, interest rate risk	187.2	63.4
Other liabilities	-9.2	-13.1
Negative Interest from financial assets	-27.6	-48.7
Other similar expenses	0.0	-688.0
Interest and other similar expenses	-669.2	-1,158.5
Net interest income	2,143.0	2,213.8

For the first six months of 2018, an amount of EUR 39.1 million relating to impaired financial assets is included in various line items of net interest income. Net interest income includes modification gains or losses of financial instruments which are allocated to the Stage1.

2. Net fee and commission income

in EUR million	1-6 17	1-6 18
Securities	107.9	98.9
Issues	19.3	17.7
Transfer orders	85.5	77.0
Other	3.1	4.2
Clearing and settlement	4.6	2.2
Asset management	137.9	154.4
Custody	38.7	38.1
Fiduciary transactions	1.6	1.4
Payment services	428.2	449.7
Card business	88.1	98.5
Other	340.1	351.2
Customer resources distributed but not managed	84.3	87.4
Collective investment	6.7	3.6
Insurance products	57.8	62.1
Building society brokerage	7.9	10.5
Foreign exchange transactions	11.0	12.2
Other	0.8	-1.0
Structured finance	0.0	-0.1
Servicing fees from securitization activities	0.0	0.0
Lending business	71.3	82.2
Guarantees given, guarantees received	27.7	30.0
Loan commitments given, loan commitments received	12.1	13.0
Other lending business	31.4	39.2
Other	36.7	45.0
Net fee and commission income	910.9	959.3

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.

The fees and commission above include income of EUR 190.3 million relating to financial assets and financial liabilities not measured at fair value through profit or loss. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

3. Dividend income

in EUR million	1-6 17	1-6 18
Financial assets held for trading	0.5	0.3
Financial assets at fair value through profit or loss	1.1	0.0
Non-trading financial assets at fair value through profit or loss	0.0	8.2
Financial assets available for sale	25.5	0.0
Financial assets at fair value through other comprehensive income	0.0	9.0
Dividend income	27.1	17.5

4. Net trading result

in EUR million	1-6 17	1-6 18
Securities and derivatives trading	9.5	-71.0
Foreign exchange transactions	98.4	82.6
Result from hedge accounting	-5.1	0.3
Net trading result	102.9	11.9

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

in EUR million	1-6 17	1-6 18
Result from measurement/sale of financial assets designated at fair value through profit or loss	7.9	-15.0
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	-3.5	77.7
Result from financial assets and liabilities designated at fair value through profit or loss	4.5	62.6
Result from measurement/repurchase of financial assets mandatorily at fair value through profit or loss	0.0	3.9
Gains/losses from financial instruments measured at fair value through profit or loss	4.5	66.6

6. Rental income from investment properties & other operating leases

in EUR million	1-6 17	1-6 18
Investment properties	42.2	44.1
Other operating leases	56.1	54.1
Rental income from investment properties & other operating leases	98.3	98.1

7. General administrative expenses

in EUR million	1-6 17	1-6 18
Personnel expenses	-1,151.3	-1,216.7
Wages and salaries	-864.9	-917.6
Compulsory social security	-225.1	-224.6
Long-term employee provisions	-11.6	-14.7
Other personnel expenses	-49.7	-59.8
Other administrative expenses	-624.1	-627.5
Deposit insurance contribution	-68.6	-80.2
IT expenses	-194.8	-205.8
Expenses for office space	-117.4	-120.1
Office operating expenses	-56.3	-37.0
Advertising/marketing	-73.7	-77.4
Legal and consulting costs	-68.5	-61.9
Sundry administrative expenses	-45.0	-45.2
Depreciation and amortisation	-228.1	-232.3
Software and other intangible assets	-85.4	-89.6
Owner occupied real estate	-37.8	-38.1
Investment properties	-11.7	-12.8
Customer relationships	-4.1	-4.5
Office furniture and equipment and sundry property and equipment	-89.0	-87.3
General administrative expenses	-2,003.5	-2,076.5

8. Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net

in EUR million	1-6 17	1-6 18
From sale of financial assets available for sale	37.6	0.0
From sale of financial assets held to maturity	2.4	0.0
From sale of loans and receivables	3.1	0.0
From repurchase of liabilities measured at amortised cost	-0.6	0.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	42.5	0.0

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

in EUR million	1-6 17	1-6 18
Gains from sale of financial assets at amortised cost	0.0	0.8
Losses from sale of financial assets at amortised cost	0.0	-1.1
Gains/losses from derecognition of financial assets measured at amortised cost	0.0	-0.3

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

in EUR million	1-6 17	1-6 18
From sale of financial assets at fair value through other comprehensive income	0.0	9.3
From sale of financial lease receivables	0.0	0.0
From repurchase of liabilities measured at amortised cost	0.0	-0.5
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	0.0	8.8

11. Net impairment loss on financial assets

in EUR million	1-6 17	1-6 18
Financial assets available for sale	-11.4	0.0
Loans and receivables	-92.7	0.0
Allocation to risk provisions	-1,115.3	0.0
Release of risk provisions	940.3	0.0
Direct write-offs	-52.4	0.0
Recoveries recorded directly to the income statement	134.7	0.0
Financial assets held to maturity	-0.2	0.0
Net impairment loss on financial assets	-104.3	0.0

12. Impairment result from financial instruments

in EUR million	1-6 17	1-6 18
Financial assets at fair value through other comprehensive income	0.0	3.1
Financial assets at amortised cost	0.0	83.3
Net allocation to risk provisions	0.0	53.6
Direct write-offs	0.0	-27.3
Recoveries recorded directly to the income statement	0.0	61.6
Modification gains or losses	0.0	-4.6
Finance lease	0.0	1.5
Net allocation of provisions for commitments and guarantees given	0.0	-14.6
Impairment result from financial instruments	0.0	73.2

13. Other operating result

in EUR million	1-6 17	1-6 18
Other operating expenses	-397.1	-160.9
Allocation to other provisions	-144.7	-19.8
Allocation to provisions for commitments and guarantees given	-115.7	0.0
Levies on banking activities	-59.4	-63.3
Banking tax	-38.4	-40.3
Financial transaction tax	-21.0	-23.0
Other taxes	-11.9	-6.5
Recovery and resolution fund contributions	-65.4	-71.3
Other operating income	224.4	30.2
Release of other provisions	37.2	38.9
Release of provisions for commitments and guarantees given	186.0	0.0
Result from properties/movables/other intangible assets other than goodwill	1.2	-8.7
Result from other operating expenses/income	-37.1	-73.8
Other operating result	-209.8	-204.6

14. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 234.9 million (EUR 223.9 million), thereof EUR 29.8 million (EUR 53.8 million) net deferred tax expense.

15. Cash and cash balances

in EUR million	Dec 17	Jun 18
Cash on hand	4,303	4,898
Cash balances at central banks	16,466	10,666
Other demand deposits at credit institutions	1,028	1,324
Cash and cash balances	21,796	16,888

16. Derivatives held for trading

in EUR million	Dec 17			Jun 18		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	177,692	3,433	3,063	181,482	3,685	3,414
Interest rate	115,445	2,929	2,611	114,875	2,845	2,694
Equity	494	5	2	801	7	7
Foreign exchange	61,294	496	443	65,438	806	709
Credit	403	2	7	209	4	3
Commodity	56	0	0	0	0	0
Other	0	0	0	158	23	1
Derivatives held in the banking book	30,555	795	958	24,867	1,318	314
Interest rate	15,069	526	731	14,915	1,138	161
Equity	2,990	127	59	3,997	129	24
Foreign exchange	11,580	102	153	5,361	45	126
Credit	436	15	14	395	6	3
Commodity	2	0	0	0	0	0
Other	479	25	1	200	1	0
Total gross amounts	208,247	4,228	4,021	206,349	5,003	3,728
Offset		-895	-1,087		-1,199	-1,199
Total		3,333	2,934		3,804	2,529

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.

17. Other financial assets held for trading

in EUR million	Dec 17	Jun 18
Equity instruments	129	91
Debt securities	2,887	2,992
General governments	2,167	2,204
Credit institutions	507	540
Other financial corporations	41	66
Non-financial corporations	172	183
Other financial assets held for trading	3,016	3,083

18. Financial assets at fair value through profit or loss

in EUR million	Dec 17	Jun 18
Equity instruments	140	0
Debt securities	400	0
General governments	68	0
Credit institutions	281	0
Other financial corporations	52	0
Loans and advances	3	0
Financial assets at fair value through profit or loss	543	0

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

in EUR million	Jun 18	
	Designated	Mandatorily
Equity instruments	0	279
Debt securities	625	2,114
General governments	171	588
Credit institutions	395	334
Other financial corporations	59	1,037
Non-financial corporations	0	154
Loans and advances to banks	0	0
Loans and advances to customers	0	412
General governments	0	12
Other financial corporations	0	31
Non-financial corporations	0	172
Households	0	196
Financial assets designated and mandatorily at fair value through profit or loss	625	2,805
Non-trading financial assets at fair value through profit or loss		3,430

20. Financial assets available for sale

in EUR million	Dec 17	Jun 18
Equity instruments	1,164	0
Debt securities	14,896	0
General governments	10,090	0
Credit institutions	1,922	0
Other financial corporations	724	0
Non-financial corporations	2,161	0
Financial assets available for sale	16,060	0

21. Financial assets at fair value through other comprehensive income

in EUR million	Gross carrying amount	Credit loss allowances			Accumulated fair value changes	Fair value
		Stage 1	Stage 2	Stage 3		
Jun 18						
Equity instruments	242	0	0	0	0	242
Debt securities	9,496	-9	-2	0	226	9,723
Central banks	7	0	0	0	0	7
General governments	7,177	-4	0	0	160	7,337
Credit institutions	941	-2	0	0	13	955
Other financial corporations	258	0	0	0	15	273
Non-financial corporations	1,113	-2	-1	0	38	1,151
Total	9,738	-9	-2	0	226	9,965

Allowances for financial assets at fair value through other comprehensive income

in EUR million	As of	Additions	Charge-offs	Changes in credit risk (net)	Transfers between stages	Other	As of
	Jan 18						Jun 18
Stage 1	-12	-1	1	4	0	0	-9
Stage 2	-1	0	0	-1	0	0	-2
Stage 3	0	0	0	0	0	0	0
Total	-13	-1	1	3	0	0	-10

22. Financial assets held to maturity

in EUR million	Gross carrying amount		Collective allowances		Net carrying amount	
	Dec 17	Jun 18	Dec 17	Jun 18	Dec 17	Jun 18
General governments	18,074	0	-2	0	18,072	0
Credit institutions	1,279	0	-1	0	1,279	0
Other financial corporations	125	0	0	0	125	0
Non-financial corporations	325	0	-1	0	325	0
Financial assets held to maturity	19,804	0	-3	0	19,800	0

23. Loans and receivables to credit institutions

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
Dec 17				
Debt securities	102	0	-1	101
Central banks	0	0	0	0
Credit institutions	102	0	-1	101
Loans and receivables	9,031	-2	-4	9,025
Central banks	5,864	0	0	5,864
Credit institutions	3,167	-2	-4	3,161
Total	9,133	-2	-5	9,126

Allowances for loans and receivables to credit institutions

in EUR million	Dec 16	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes	Jun 17	Amounts written off	Recoveries of amounts previously written off
Specific allowances	-2	0	0	0	0	0	-2	0	1
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-2	0	0	0	0	0	-2	0	1
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	0	0	0	0	0	-2	0	1
Collective allowances	-5	-5	0	6	0	1	-5	0	0
Debt securities	-1	0	0	0	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	0	0	0	0	0	-1	0	0
Loans and receivables	-5	-5	0	5	0	1	-4	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-5	-5	0	5	0	1	-4	0	0
Total	-7	-5	0	6	0	1	-7	0	1

24. Loans and receivables to customers

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
Dec 17				
Debt securities with customers	47	0	-1	46
General governments	8	0	0	7
Other financial corporations	0	0	0	0
Non-financial corporations	39	0	-1	38
Loans and advances to customers	143,462	-3,272	-704	139,487
General governments	7,001	-2	-14	6,985
Other financial corporations	3,698	-105	-17	3,576
Non-financial corporations	62,594	-1,767	-413	60,414
Households	70,169	-1,398	-260	68,511
Total	143,509	-3,272	-705	139,532

Allowances for loans and receivables to customers

in EUR million	Dec 16	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes	Jun 17	Amounts written off	Recoveries of amounts previously written off
Specific allowances	-3,887	-825	349	648	40	-41	-3,716	-52	134
Debt securities with customers	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0
Loans and advances to customers	-3,887	-825	349	648	40	-41	-3,716	-52	134
General governments	-6	0	0	4	0	0	-2	0	0
Other financial corporations	-94	-21	4	11	1	-7	-106	0	0
Non-financial corporations	-2,207	-412	154	357	18	-22	-2,112	-41	40
Households	-1,580	-391	191	277	20	-12	-1,495	-11	94
Collective allowances	-726	-285	0	286	0	-10	-736	0	0
Debt securities with customers	-1	0	0	0	0	0	-1	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-1	0	0	0	0	0	-1	0	0
Loans and advances to customers	-725	-285	0	286	0	-10	-735	0	0
General governments	-13	-5	0	2	0	0	-16	0	0
Other financial corporations	-23	-7	0	9	0	0	-21	0	0
Non-financial corporations	-401	-159	0	134	0	-7	-434	0	0
Households	-288	-114	0	141	0	-3	-264	0	0
Total	-4,613	-1,110	349	934	40	-51	-4,451	-52	134

25. Financial assets at amortised cost

in EUR million	Gross carrying amount	Credit loss allowances				Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
Jun 18						
Debt securities	24,037	-6	-2	0	0	24,029
Central banks	11	0	0	0	0	11
General governments	21,174	-4	0	0	0	21,169
Credit institutions	1,951	-1	0	0	0	1,951
Other financial corporations	164	0	0	0	0	164
Non-financial corporations	736	-1	-1	0	0	734
Loans and advances to banks	17,156	-4	-1	-2	0	17,149
Central banks	11,659	-1	0	0	0	11,659
Credit institutions	5,497	-3	-1	-2	0	5,490
Loans and advances to customers	143,100	-339	-446	-2,565	-180	139,570
General governments	6,640	-15	-19	-2	0	6,604
Other financial corporations	4,647	-11	-7	-56	-3	4,570
Non-financial corporations	60,080	-180	-181	-1,243	-92	58,384
Households	71,734	-132	-238	-1,265	-85	70,013
Total	184,293	-348	-449	-2,568	-180	180,748

Allowances for financial assets at amortised cost – debt securities

in EUR million	As of	Additions	Charge-offs	Changes in credit risk (net)	Transfers between stages	Other	As of
	Jan 18						Jun 18
Stage 1	-6	0	0	-2	2	0	-6
Stage 2	-3	-2	2	2	0	0	-2
Stage 3	0	0	0	0	0	0	0
Total	-9	-2	2	0	1	0	-8

Allowances for financial assets at amortised cost – loans and advances to banks

in EUR million	As of	Additions	Charge-offs	Changes in credit risk (net)	Transfers between stages	Other	As of
	Jan 18						Jun 18
Stage 1	-5	-7	8	0	0	0	-4
Stage 2	0	0	0	0	-1	0	-1
Stage 3	-2	0	0	0	0	0	-2
POCI	0	0	0	0	0	0	0
Total	-8	-7	8	0	-1	0	-7

Allowances for financial assets at amortised cost – loans and advances to customers

in EUR million	As of	Additions	Charge-offs	Changes in credit risk (net)	Transfers between stages	Modifications without derecognition (net)	Decrease in allowance account due to write-offs	Other	As of
	Jan 18								Jun 18
Stage 1	-345	-106	55	-189	238	2	1	7	-339
General governments	-16	-9	9	-2	3	0	0	0	-15
Other financial corporations	-17	-6	7	2	2	0	0	0	-11
Non-financial corporations	-181	-59	33	-59	79	1	0	6	-180
Households	-131	-32	6	-131	154	1	1	1	-132
Stage 2	-496	-15	25	263	-242	5	6	8	-446
General governments	-26	0	0	10	-4	0	0	1	-19
Other financial corporations	-3	-1	1	0	-4	0	0	0	-7
Non-financial corporations	-217	-9	17	79	-61	4	0	6	-181
Households	-249	-5	8	174	-174	2	5	2	-238
Stage 3	-2,825	-61	97	119	-73	11	164	3	-2,565
General governments	-1	0	0	0	-1	0	0	0	-2
Other financial corporations	-89	0	0	23	0	0	9	1	-56
Non-financial corporations	-1,449	-45	67	96	-29	10	109	-2	-1,243
Households	-1,286	-16	30	0	-44	0	46	4	-1,265
POCI	-210	-12	29	-13	0	0	22	4	-180
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	-7	0	0	4	0	0	0	0	-3
Non-financial corporations	-108	-11	27	-22	0	0	21	1	-92
Households	-94	-1	2	5	0	0	1	2	-85
Total	-3,876	-194	207	180	-78	18	193	21	-3,530

26. Finance lease receivables

in EUR million	Gross carrying amount	Credit loss allowances				Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
Jun 18						
Central banks	0	0	0	0	0	0
General governments	405	-2	0	0	0	403
Credit institutions	1	0	0	0	0	1
Other financial corporations	40	0	0	0	0	40
Non-financial corporations	2,704	-9	-2	-135	-1	2,557
Households	685	-3	-1	-6	0	675
Total	3,835	-15	-3	-141	-1	3,676

Allowances for finance lease receivables

in EUR million	As of	Additions	Charge-offs	Changes in credit risk (net)	Transfers between stages	Modifications without derecognition (net)	Decrease in allowance account due to write-offs	Other	As of
	Jan 18								Jun 18
Stage 1	-18	-2	0	3	1	0	0	1	-15
Stage 2	-4	0	0	1	0	0	0	0	-3
Stage 3	-149	-1	0	5	0	0	4	-1	-141
POCI	-1	0	0	0	0	0	0	0	-1
Total	-172	-3	1	9	0	0	4	1	-160

27. Hedge accounting derivatives

in EUR million	Dec 17			Jun 18		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	19,715	1,373	414	12,313	345	336
Interest rate	19,715	1,373	414	12,313	345	336
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	2,288	10	67	2,958	2	85
Interest rate	2,288	10	67	2,901	2	83
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	56	0	2
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total gross amounts	22,003	1,383	480	15,270	347	421
Offset		-498	-120		-231	-109
Total		884	360		116	311

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.

28. Trade and other receivables

in EUR million	Gross carrying amount	Credit loss allowances				Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
Jun 18						
Central banks	1	0	0	0	0	1
General governments	40	0	-6	0	0	34
Credit institutions	17	0	0	0	0	17
Other financial corporations	27	0	0	-1	0	26
Non-financial corporations	1,006	-2	-8	-91	0	905
Households	125	-3	-8	-24	0	90
Total	1,216	-6	-22	-115	-1	1,072

Allowances for trade and other receivables

in EUR million	As of Jan 18	Additions	Charge-offs	Changes in credit risk (net)	Transfers between stages	Modifications without derecognition (net)	Decrease in allowance account due to write-offs	Other	As of
									Jun 18
Stage 1	-5	-1	0	0	0	0	0	0	-6
Stage 2	-5	-11	0	1	0	0	0	-6	-22
Stage 3	-105	-1	2	-15	0	0	7	-4	-115
POCI	-1	0	0	0	0	0	0	0	-1
Total	-116	-13	3	-14	-1	0	7	-11	-144

29. Other assets

in EUR million	Dec 17	Jun 18
Prepayments	149	178
Inventories	187	165
Sundry assets	433	931
Other assets	769	1,274

30. Other financial liabilities held for trading

in EUR million	Dec 17	Jun 18
Short positions	430	484
Equity instruments	188	62
Debt securities	242	422
Debt securities issued	59	57
Other financial liabilities held for trading	489	541

31. Financial liabilities at fair value through profit and loss

Debt securities issued

in EUR million	Dec 17	Jun 18
Subordinated debt securities issued	880	5,009
Other debt securities issued	873	8,865
Bonds	502	5,703
Other certificates of deposits/name certificates	55	774
Mortgage covered bonds	316	1,997
Public sector covered bonds	0	391
Debt securities issued	1,753	13,874

32. Financial liabilities at amortised costs

Deposits from banks

in EUR million	Dec 17	Jun 18
Overnight deposits	3,460	4,237
Term deposits	11,893	11,194
Repurchase agreements	996	2,436
Deposits from banks	16,349	17,867

Deposits from customers

in EUR million	Dec 17	Jun 18
Overnight deposits	99,278	105,079
Savings deposits	24,494	26,095
Other financial corporations	134	173
Non-financial corporations	1,531	1,733
Households	22,829	24,189
Non-savings deposits	74,785	78,984
General governments	5,502	6,479
Other financial corporations	5,409	5,202
Non-financial corporations	22,716	22,652
Households	41,158	44,651
Term deposits	50,576	50,740
Deposits with agreed maturity	44,966	44,926
Savings deposits	30,472	30,146
Other financial corporations	409	928
Non-financial corporations	1,447	1,366
Households	28,616	27,851
Non-savings deposits	14,494	14,781
General governments	2,123	2,443
Other financial corporations	2,631	2,896
Non-financial corporations	3,424	3,328
Households	6,316	6,113
Deposits redeemable at notice	5,610	5,814
General governments	8	26
Other financial corporations	79	103
Non-financial corporations	97	103
Households	5,426	5,582
Repurchase agreements	1,066	956
Other financial corporations	1,030	944
Non-financial corporations	36	12
Deposits from customers	150,921	156,775
General governments	7,633	8,949
Other financial corporations	9,693	10,246
Non-financial corporations	29,250	29,194
Households	104,345	108,386

Debt securities issued

in EUR million	Dec 17	Jun 18
Subordinated debt securities issued	4,937	944
Other debt securities issued	18,405	13,656
Bonds	8,474	3,030
Certificates of deposit	164	189
Other certificates of deposits/name certificates	830	337
Mortgage covered bonds	7,610	8,714
Public sector covered bonds	1,187	782
Other	141	604
Debt securities issued	23,342	14,601

33. Provisions

in EUR million	Dec 17	Jun 18
Long-term employee provisions	914	909
Pending legal issues and tax litigation	351	308
Commitments and guarantees given	323	334
Provisions for guarantees - off balance sheet (defaulted customers)	181	0
Provisions for guarantees - off balance sheet (non-defaulted customers)	141	0
Provisions for commitments and financial guarantees in Stage 1	0	73
Provisions for commitments and financial guarantees in Stage 2	0	72
Provisions for commitments and financial guarantees - Defaulted	0	189
Other provisions	60	137
Provisions for onerous contracts	4	4
Other	57	133
Provisions	1,648	1,688

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 increased compared to the previous year to 1.92% p.a. as of 30 June 2018 (31 December 2017: 1.82% p. a.) in order to reflect the increasing interest rate levels. Furthermore, the collective agreement trend has been increased to 1.70% p.a. (31 December 2017: 1.50% p.a.) and the ASVG trend to 1.60% p.a. (31 December 2017: 1.50% p.a). According to IAS 19 the resulting measurement adjustment for pension and severance payment provisions amounting to EUR -15,7 million (before tax) has been recognised in other comprehensive income those for jubilee provisions, in amount of EUR -0,9 million has been considered in the income statement.

34. Other liabilities

in EUR million	Dec 17	Jun 18
Deferred income	173	158
Sundry liabilities	2,423	2,400
Other liabilities	2,596	2,558

35. 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 2018.



Retail

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

Corporates

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

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 internal service providers that operate on a non-profit basis and reconciliation items to local entity results. The corporate center of Erste Group Bank AG is included in the Group Corporate Center segment.

Savings Banks

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

Group Corporate Center

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

Intragroup Elimination

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

Geographical segmentation

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

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



The geographical area Austria consists of the following three segments:

- The **Erste Bank Oesterreich & Subsidiaries** (EBOe & Subsidiaries) segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).
- The **Savings banks** segment is identical to the business segment Savings banks.

- _ The **Other Austria** segment comprises Erste Group Bank AG (Holding) with its Corporates and Group Markets business, Erste Group Immorent GmbH, Erste Asset Management GmbH and Intermarket Bank AG.

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

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

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

Measurement

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

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

Capital consumption per segment is regularly reviewed by the management of Erste Group to assess the performance of the segments. The average allocated capital is determined by the credit risk, market risk and operational 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).

Comparability of 2018 and 2017 figures

Presentation of 2018 and 2017 figures in the tables below follows the structure of the consolidated statement of income. The following should be noted in respect of the additional information shown under 'Impairments and risk provisions' section. The position 'Impairments and provisions for commitments and guarantees given' was called 'Allocations/releases of provisions for contingent credit risk liabilities' in 2017. The position 'Net impairment on other non-financial assets' was called 'Net impairment loss on other non-financial assets' and also included Net impairment on investments in subsidiaries, joint ventures and associates in 2017; from 2018 respective information is split into two positions.

The adjustment of the methodology of the cost of capital calculation including capital benefit effective from 1 January 2018 affected the split of the net interest income as well as average allocated capital between the business and geographical segments.

Business segments (1)

in EUR million	Retail		Corporates		Group Markets		ALM&LCC	
	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18
Net interest income	1,062.6	1,109.2	482.0	500.8	100.6	105.8	-26.6	-41.2
Net fee and commission income	497.1	526.9	122.4	131.5	113.6	111.1	-43.3	-41.3
Dividend income	0.6	0.3	0.3	0.6	1.0	0.8	10.0	9.0
Net trading result	52.4	54.5	44.9	41.4	61.3	38.0	-48.9	-101.2
Gains/losses from financial instruments at FVPL	0.0	-2.4	0.2	-3.3	8.2	-7.3	-3.9	71.7
Net result from equity method investments	4.7	3.7	0.0	0.0	0.0	0.0	0.2	1.3
Rental income from investment properties & other operating leases	10.7	11.3	63.9	61.7	0.0	0.0	17.3	16.2
General administrative expenses	-965.3	-1,004.3	-283.1	-284.5	-110.6	-119.2	-45.1	-43.3
Gains/losses from financial assets and liabilities not at FVPL, net	0.0		3.5		0.0		30.5	
Gains/losses from derecognition of financial assets at AC		-0.5		0.0		0.0		0.0
Other gains/losses from derecognition of financial instruments not at FVPL		1.1		0.0		0.0		7.8
Gains/losses from reclassification from AC to FVPL		0.0		0.0		0.0		0.0
Gains/losses from reclassification from FVOCI to FVPL		0.0		0.0		0.0		0.0
Net impairment loss on financial assets	-4.5		-105.6		0.9		3.1	
Impairment result from financial instruments	0.0	-9.2	0.0	73.4	0.0	-0.5	0.0	3.2
Other operating result	-37.7	-30.0	24.3	-18.0	-7.0	-8.1	-101.1	-58.2
Levies on banking activities	-24.4	-29.8	-7.5	-10.6	-0.8	-2.1	-16.6	-10.8
Pre-tax result from continuing operations	620.6	660.7	352.7	503.5	168.0	120.5	-207.8	-176.0
Taxes on income	-117.9	-122.1	-68.0	-88.3	-34.0	-22.8	5.1	29.9
Net result for the period	502.7	538.6	284.7	415.2	134.0	97.7	-202.7	-146.1
Net result attributable to non-controlling interests	26.1	29.4	8.5	22.4	2.2	1.3	-16.6	-2.3
Net result attributable to owners of the parent	476.5	509.2	276.2	392.8	131.8	96.5	-186.1	-143.8
Operating income	1,628.1	1,703.5	713.7	732.6	284.7	248.4	-95.2	-85.5
Operating expenses	-965.3	-1,004.3	-283.1	-284.5	-110.6	-119.2	-45.1	-43.3
Operating result	662.9	699.2	430.6	448.1	174.1	129.2	-140.3	-128.8
Risk-weighted assets (credit risk, eop)	18,282	19,702	34,619	38,622	4,336	4,093	4,449	5,658
Average allocated capital	2,440	3,220	3,166	4,003	714	782	2,278	2,537
Cost/income ratio	59.3%	59.0%	39.7%	38.8%	38.8%	48.0%	-47.4%	-50.6%
Return on allocated capital	41.6%	33.7%	18.1%	20.9%	37.9%	25.2%	-17.9%	-11.6%
Total assets (eop)	56,288	60,132	48,342	51,535	34,374	44,200	56,154	52,551
Total liabilities excluding equity (eop)	77,489	82,554	27,744	29,237	26,478	37,076	52,191	48,396
Impairments and risk provisions	-11.3	-9.5	-30.3	74.7	1.2	-0.5	-2.7	-12.3
Net impairment loss on loans and receivables to credit institutions/customers	-4.6		-105.5		1.0		3.7	
Net impairment loss on other financial assets	0.0		-0.1		0.0		-0.6	
Net impairment loss on financial instruments AC		-7.8		82.0		1.2		-2.0
Net impairment loss on financial instruments FVOCI		0.0		-0.8		0.0		2.2
Net impairment loss on financial instruments Leasing		-1.1		2.5		0.0		0.0
Impairments and provisions for commitments and guarantees given	-5.6	-0.3	76.4	-10.3	0.3	-1.8	1.9	2.9
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		0.0		0.0
Net impairment on other non-financial assets	-1.2	-0.3	-1.1	1.3	0.0	0.0	-7.7	-15.5

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18
Net interest income	487.5	499.0	36.2	30.8	0.8	9.4	2,143.0	2,213.8
Net fee and commission income	218.9	227.2	3.1	5.5	-0.9	-1.5	910.9	959.3
Dividend income	9.2	3.0	6.2	3.9	-0.1	0.0	27.1	17.5
Net trading result	7.9	-0.9	-15.7	-13.5	0.9	-6.3	102.9	11.9
Gains/losses from financial instruments at FVPL	0.0	-12.8	0.0	20.6	0.0	0.0	4.5	66.6
Net result from equity method investments	0.0	0.0	1.2	2.0	0.0	0.0	6.1	7.0
Rental income from investment properties & other operating leases	19.0	20.6	6.4	6.2	-18.9	-17.9	98.3	98.1
General administrative expenses	-519.4	-532.3	-441.2	-467.6	361.1	374.9	-2,003.5	-2,076.5
Gains/losses from financial assets and liabilities not at FVPL, net	8.4		0.2		0.0		42.5	
Gains/losses from derecognition of financial assets at AC		0.0		0.2		0.0		-0.3
Other gains/losses from derecognition of financial instruments not at FVPL		0.1		-0.3		0.0		8.8
Gains/losses from reclassification from AC to FVPL		0.0		0.0		0.0		0.0
Gains/losses from reclassification from FVOCI to FVPL		0.0		0.0		0.0		0.0
Net impairment loss on financial assets	11.7		-9.9		0.0		-104.3	
Impairment result from financial instruments	0.0	3.9	0.0	2.4	0.0	0.0	0.0	73.2
Other operating result	-43.4	-19.5	297.9	287.7	-342.8	-358.5	-209.8	-204.6
Levies on banking activities	-2.6	-2.1	-7.6	-7.9	0.0	0.0	-59.4	-63.3
Pre-tax result from continuing operations	199.7	188.2	-115.6	-122.2	0.0	0.0	1,017.6	1,174.7
Taxes on income	-41.7	-45.0	32.7	13.3	0.0	0.0	-223.9	-234.9
Net result for the period	158.0	143.2	-82.9	-108.8	0.0	0.0	793.8	939.8
Net result attributable to non-controlling interests	132.4	112.9	16.4	1.8	0.0	0.0	169.1	165.5
Net result attributable to owners of the parent	25.6	30.4	-99.4	-110.6	0.0	0.0	624.7	774.3
Operating income	742.4	736.0	37.3	55.4	-18.2	-16.3	3,292.8	3,374.1
Operating expenses	-519.4	-532.3	-441.2	-467.6	361.1	374.9	-2,003.5	-2,076.5
Operating result	223.1	203.6	-403.9	-412.2	342.8	358.6	1,289.3	1,297.6
Risk-weighted assets (credit risk, eop)	20,923	22,899	1,214	1,399	0	0	83,822	92,372
Average allocated capital	2,112	2,692	6,407	4,689	0	0	17,116	17,923
Cost/income ratio	70.0%	72.3%	>100%	>100%	>100%	>100%	60.8%	61.5%
Return on allocated capital	15.1%	10.7%	-2.6%	-4.7%			9.4%	10.6%
Total assets (eop)	58,918	62,122	3,413	3,426	-39,333	-44,088	218,156	229,878
Total liabilities excluding equity (eop)	54,482	57,011	1,557	2,014	-39,301	-44,119	200,641	212,170
Impairments and risk provisions	6.6	3.9	-12.1	2.4	0.0	0.0	-48.6	58.7
Net impairment loss on loans and receivables to credit institutions/customers	12.8		0.0		0.0		-92.7	
Net impairment loss on other financial assets	-1.1		-9.9		0.0		-11.7	
Net impairment loss on financial instruments AC		4.0		5.8		0.0		83.3
Net impairment loss on financial instruments FVOCI		0.8		0.8		0.0		3.1
Net impairment loss on financial instruments Leasing		0.1		0.0		0.0		1.5
Impairments and provisions for commitments and guarantees given	-3.4	-1.0	0.6	-4.2	0.0	0.0	70.3	-14.6
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
Net impairment on other non-financial assets	-1.6	0.0	-2.9	0.0	0.0	0.0	-14.5	-14.6

Geographical segmentation – overview

in EUR million	Austria		Central and Eastern Europe		Other		Total Group	
	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18
Net interest income	994.0	991.5	1,107.8	1,168.0	41.2	54.3	2,143.0	2,213.8
Net fee and commission income	502.7	540.8	423.7	436.7	-15.5	-18.2	910.9	959.3
Dividend income	17.4	9.9	3.6	3.7	6.1	3.9	27.1	17.5
Net trading result	32.6	9.4	135.0	127.1	-64.8	-124.7	102.9	11.9
Gains/losses from financial instruments at FVPL	8.3	-24.4	-2.7	-6.6	-1.1	97.6	4.5	66.6
Net result from equity method investments	0.6	0.6	4.3	4.4	1.2	2.0	6.1	7.0
Rental income from investment properties & other operating leases	66.6	69.5	25.0	22.3	6.7	6.3	98.3	98.1
General administrative expenses	-1,039.5	-1,056.6	-859.3	-905.7	-104.7	-114.2	-2,003.5	-2,076.5
Gains/losses from financial assets and liabilities not at FVPL, net	15.1		18.2		9.2		42.5	
Gains/losses from derecognition of financial assets at AC		-0.4		0.2		-0.2		-0.3
Other gains/losses from derecognition of financial instruments not at FVPL		1.7		6.4		0.7		8.8
Gains/losses from reclassification from AC to FVPL		0.0		0.0		0.0		0.0
Gains/losses from reclassification from FVOCI to FVPL		0.0		0.0		0.0		0.0
Net impairment loss on financial assets	-14.8		-78.3		-11.3		-104.3	
Impairment result from financial instruments	0.0	34.5	0.0	36.1	0.0	2.6	0.0	73.2
Other operating result	-50.0	-50.2	-99.3	-78.7	-60.4	-75.8	-209.8	-204.6
Levies on banking activities	-4.2	-3.8	-47.6	-51.5	-7.6	-7.9	-59.4	-63.3
Pre-tax result from continuing operations	533.0	526.4	678.0	814.0	-193.3	-165.7	1,017.6	1,174.7
Taxes on income	-124.4	-115.6	-149.1	-144.0	49.6	24.6	-223.9	-234.9
Net result for the period	408.6	410.8	528.9	670.0	-143.7	-141.1	793.8	939.8
Net result attributable to non-controlling interests	141.5	126.3	11.2	37.4	16.4	1.8	169.1	165.5
Net result attributable to owners of the parent	267.1	284.5	517.7	632.6	-160.1	-142.8	624.7	774.3
Operating income	1,622.2	1,597.4	1,696.7	1,755.6	-26.2	21.2	3,292.8	3,374.1
Operating expenses	-1,039.5	-1,056.6	-859.3	-905.7	-104.7	-114.2	-2,003.5	-2,076.5
Operating result	582.7	540.8	837.4	849.9	-130.8	-93.1	1,289.3	1,297.6
Risk-weighted assets (credit risk, eop)	46,626	49,879	35,384	40,546	1,812	1,946	83,822	92,372
Average allocated capital	4,871	6,123	4,950	6,255	7,296	5,545	17,116	17,923
Cost/income ratio	64.1%	66.1%	50.6%	51.6%	>100%	>100%	60.8%	61.5%
Return on allocated capital	16.9%	13.5%	21.5%	21.6%	-4.0%	-5.1%	9.4%	10.6%
Total assets (eop)	146,264	153,727	95,167	105,723	-23,275	-29,572	218,156	229,878
Total liabilities excluding equity (eop)	119,116	123,992	85,493	95,902	-3,968	-7,724	200,641	212,170
Impairments and risk provisions	-14.4	18.7	-15.4	37.4	-18.8	2.6	-48.6	58.7
Net impairment loss on loans and receivables to credit institutions/customers	-13.7		-77.5		-1.5		-92.7	
Net impairment loss on other financial assets	-1.1		-0.8		-9.8		-11.7	
Net impairment loss on financial instruments AC		32.2		45.2		5.9		83.3
Net impairment loss on financial instruments FVOCI		0.0		2.1		1.0		3.1
Net impairment loss on financial instruments Leasing		3.1		-1.4		-0.1		1.5
Impairments and provisions for commitments and guarantees given	4.5	-0.7	65.8	-9.7	0.0	-4.1	70.3	-14.6
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
Net impairment on other non-financial assets	-4.0	-15.8	-3.0	1.3	-7.5	-0.1	-14.5	-14.6

Geographical area – Austria

in EUR million	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18
Net interest income	321.3	317.2	487.5	499.0	185.2	175.4	994.0	991.5
Net fee and commission income	176.8	198.6	218.9	227.2	107.0	115.0	502.7	540.8
Dividend income	7.5	5.8	9.2	3.0	0.7	1.1	17.4	9.9
Net trading result	7.4	8.3	7.9	-0.9	17.4	2.0	32.6	9.4
Gains/losses from financial instruments at FVPL	0.1	-10.0	0.0	-12.8	8.2	-1.6	8.3	-24.4
Net result from equity method investments	0.3	0.5	0.0	0.0	0.2	0.1	0.6	0.6
Rental income from investment properties & other operating leases	17.7	20.1	19.0	20.6	29.9	28.8	66.6	69.5
General administrative expenses	-336.6	-337.1	-519.4	-532.3	-183.6	-187.1	-1,039.5	-1,056.6
Gains/losses from financial assets and liabilities not at FVPL, net	2.8		8.4		3.9		15.1	
Gains/losses from derecognition of financial assets at AC		-0.4		0.0		0.0		-0.4
Other gains/losses from derecognition of financial instruments not at FVPL		1.6		0.1		0.0		1.7
Gains/losses from reclassification from AC to FVPL		0.0		0.0		0.0		0.0
Gains/losses from reclassification from FVOCI to FVPL		0.0		0.0		0.0		0.0
Net impairment loss on financial assets	13.7		11.7		-40.2		-14.8	
Impairment result from financial instruments	0.0	8.7	0.0	3.9	0.0	21.9	0.0	34.5
Other operating result	-30.8	-22.0	-43.4	-19.5	24.2	-8.7	-50.0	-50.2
Levies on banking activities	-1.6	-1.8	-2.6	-2.1	0.0	0.0	-4.2	-3.8
Pre-tax result from continuing operations	180.5	191.2	199.7	188.2	152.8	147.0	533.0	526.4
Taxes on income	-44.5	-42.6	-41.7	-45.0	-38.2	-28.1	-124.4	-115.6
Net result for the period	136.0	148.7	158.0	143.2	114.6	118.9	408.6	410.8
Net result attributable to non-controlling interests	9.8	9.7	132.4	112.9	-0.8	3.7	141.5	126.3
Net result attributable to owners of the parent	126.1	139.0	25.6	30.4	115.4	115.2	267.1	284.5
Operating income	531.3	540.5	742.4	736.0	348.5	320.9	1,622.2	1,597.4
Operating expenses	-336.6	-337.1	-519.4	-532.3	-183.6	-187.1	-1,039.5	-1,056.6
Operating result	194.7	203.5	223.1	203.6	164.9	133.7	582.7	540.8
Risk-weighted assets (credit risk, eop)	11,380	12,393	20,923	22,899	14,324	14,587	46,626	49,879
Average allocated capital	1,245	1,631	2,112	2,692	1,513	1,800	4,871	6,123
Cost/income ratio	63.4%	62.4%	70.0%	72.3%	52.7%	58.3%	64.1%	66.1%
Return on allocated capital	22.0%	18.4%	15.1%	10.7%	15.3%	13.3%	16.9%	13.5%
Total assets (eop)	43,195	43,945	58,918	62,122	44,152	47,660	146,264	153,727
Total liabilities excluding equity (eop)	41,423	42,104	54,482	57,011	23,211	24,877	119,116	123,992
Impairments and risk provisions	13.8	8.6	6.6	3.9	-34.8	6.2	-14.4	18.7
Net impairment loss on loans and receivables to credit institutions/customers	13.7		12.8		-40.2		-13.7	
Net impairment loss on other financial assets	0.0		-1.1		0.0		-1.1	
Net impairment loss on financial instruments AC		12.5		4.0		15.7		32.2
Net impairment loss on financial instruments FVOCI		0.0		0.8		-0.8		0.0
Net impairment loss on financial instruments Leasing		-1.4		0.1		4.3		3.1
Impairments and provisions for commitments and guarantees given	-0.4	-2.5	-3.4	-1.0	8.3	2.7	4.5	-0.7
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
Net impairment on other non-financial assets	0.5	-0.1	-1.6	0.0	-2.9	-15.8	-4.0	-15.8

Geographical area – Central and Eastern Europe

in EUR million	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18	1-6 17	1-6 18
Net interest income	450.4	507.2	215.1	217.8	183.8	184.7	98.8	94.7	134.4	139.0	25.2	24.6	1,107.8	1,168.0
Net fee and commission income	166.9	168.1	54.8	58.4	74.7	75.1	77.3	83.1	44.4	46.1	5.5	6.0	423.7	436.7
Dividend income	1.7	2.0	0.7	0.7	0.8	0.8	0.2	0.1	0.1	0.1	0.0	0.0	3.6	3.7
Net trading result	53.0	40.8	8.6	4.7	41.5	40.0	16.1	23.1	14.2	16.2	1.7	2.3	135.0	127.1
Gains/losses from financial instruments at FVPL	-0.7	0.0	-0.2	-0.2	0.3	0.4	-2.1	-7.3	0.0	0.5	0.0	0.0	-2.7	-6.6
Net result from equity method investments	-0.5	0.1	4.0	3.0	0.0	0.5	0.0	0.0	0.7	0.7	0.1	0.0	4.3	4.4
Rental income from investment properties & other operating leases	5.9	4.4	0.2	0.2	6.4	7.7	2.0	1.8	10.5	8.3	0.1	0.0	25.0	22.3
General administrative expenses	-336.7	-359.2	-135.4	-136.5	-156.4	-172.0	-107.3	-107.6	-103.0	-106.1	-20.4	-24.2	-859.3	-905.7
Gains/losses from financial assets and liabilities not at FVPL, net	10.0		0.3		0.0		7.8		0.1		0.0		18.2	
Gains/losses from derecognition of financial assets at AC		0.2		0.0		0.0		0.0		0.0		0.0		0.2
Other gains/losses from derecognition of financial instruments not at FVPL		1.0		0.0		0.5		1.3		3.6		0.1		6.4
Gains/losses from reclassification from AC to FVPL		0.0		0.0		0.0		0.0		0.0		0.0		0.0
Gains/losses from reclassification from FVOCI to FVPL		0.0		0.0		0.0		0.0		0.0		0.0		0.0
Net impairment loss on financial assets	9.9		-19.6		-13.6		32.6		-88.1		0.5		-78.3	
Impairment result from financial instruments	0.0	35.4	0.0	-11.7	0.0	6.5	0.0	18.6	0.0	-8.7	0.0	-3.9	0.0	36.1
Other operating result	-13.7	-21.9	-13.4	-19.1	-41.0	8.5	-23.0	-43.3	-8.2	-2.7	-0.1	-0.1	-99.3	-78.7
Levies on banking activities	0.0	0.0	-13.3	-14.8	0.0	0.0	-34.3	-36.7	0.0	0.0	0.0	0.0	-47.6	-51.5
Pre-tax result from continuing operations	346.4	378.0	115.1	117.4	96.4	152.5	102.3	64.3	5.1	96.9	12.6	4.9	678.0	814.0
Taxes on income	-68.6	-76.6	-27.5	-25.6	-42.7	-21.6	-7.3	-0.4	-2.3	-19.6	-0.7	-0.2	-149.1	-144.0
Net result for the period	277.8	301.4	87.7	91.9	53.7	130.9	95.0	63.9	2.8	77.3	11.9	4.6	528.9	670.0
Net result attributable to non-controlling interests	2.9	2.6	0.0	0.0	3.6	8.4	0.0	0.0	2.4	25.5	2.3	0.9	11.2	37.4
Net result attributable to owners of the parent	274.9	298.8	87.7	91.9	50.2	122.5	95.0	63.9	0.4	51.8	9.6	3.7	517.7	632.6
Operating income	676.9	722.5	283.2	284.7	307.4	309.1	192.3	195.4	204.3	210.8	32.6	33.0	1,696.7	1,755.6
Operating expenses	-336.7	-359.2	-135.4	-136.5	-156.4	-172.0	-107.3	-107.6	-103.0	-106.1	-20.4	-24.2	-859.3	-905.7
Operating result	340.2	363.3	147.8	148.2	151.0	137.1	84.9	87.8	101.3	104.7	12.2	8.8	837.4	849.9
Risk-weighted assets (credit risk, eop)	16,254	18,390	4,978	6,107	5,208	5,686	3,632	3,699	4,357	5,383	954	1,282	35,384	40,546
Average allocated capital	1,991	2,536	647	871	1,058	1,197	560	763	562	718	132	170	4,950	6,255
Cost/income ratio	49.7%	49.7%	47.8%	48.0%	50.9%	55.6%	55.8%	55.1%	50.4%	50.3%	62.6%	73.3%	50.6%	51.6%
Return on allocated capital	28.1%	24.0%	27.3%	21.3%	10.2%	22.0%	34.2%	16.9%	1.0%	21.7%	18.2%	5.5%	21.5%	21.6%
Total assets (eop)	47,623	55,027	15,587	16,957	14,507	15,060	7,298	8,016	8,913	9,080	1,240	1,583	95,167	105,723
Total liabilities excluding equity (eop)	43,195	50,624	14,142	15,541	12,946	13,377	6,277	7,048	7,858	7,914	1,074	1,397	85,493	95,902
Impairments and risk provisions	12.3	36.6	-15.5	-11.7	-14.2	7.2	93.8	18.5	-92.0	-9.2	0.3	-4.0	-15.4	37.4
Net impairment loss on loans and receivables to credit institutions/customers	10.5		-19.5		-13.5		32.6		-88.0		0.5		-77.5	
Net impairment loss on other financial assets	-0.6		0.0		-0.1		0.0		-0.1		0.0		-0.8	
Net impairment loss on financial instruments AC		34.3		-11.8		15.5		18.2		-6.9		-4.0		45.2
Net impairment loss on financial instruments FVOCI		2.7		0.0		-0.2		0.0		-0.7		0.3		2.1
Net impairment loss on financial instruments Leasing		-1.7		0.0		-0.2		0.0		0.4		0.1		-1.4
Impairments and provisions for commitments and guarantees given	1.9	0.1	3.7	0.1	-2.9	-8.6	61.5	0.3	1.8	-1.4	-0.1	-0.3	65.8	-9.7
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
Net impairment on other non-financial assets	0.5	1.2	0.4	0.0	2.2	0.7	-0.3	0.0	-5.7	-0.5	-0.1	0.0	-3.0	1.3

36. Risk management

It is a core function of every bank to take risks in a conscious and selective manner and to manage such risks professionally. Erste Group's proactive risk policy and strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity. 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 2017.

Credit risk

The classification of credit assets into risk grades is based on Erste Group's internal ratings. For the purpose of external reporting, internal rating grades of Erste Group are grouped into 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

- _ cash and cash balances – other demand deposits to credit institutions;
- _ financial assets held for trading (without equity instruments);
- _ non-trading financial assets at fair value through profit or loss (FVPL) (without equity instruments);
- _ financial assets at fair value through other comprehensive income (FVOCI) (without equity instruments);
- _ financial assets at amortised cost (AC);
- _ assets held for sale – financial instruments
- _ finance lease receivables;
- _ positive fair value of hedge accounting derivatives;
- _ trade and other receivables;
- _ off-balance sheet exposures (financial guarantees, irrevocable loan and other commitments).

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet exposures) without taking into account loan loss allowances, provisions for guarantees, any collateral held (including risk transfer to guarantors), netting effects, other credit enhancements or credit risk mitigating transactions.

The gross carrying amount of the credit risk exposure increased to EUR 250.5 billion (+10.7%; EUR 226.2 billion).

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

in EUR million	Credit risk exposure	Credit risk provisions and adjustments	Carrying amount (balance sheet)
Jun 18			
Cash and cash balances - other demand deposits to credit institutions	1,325	1	1,324
Financial assets held for trading	6,797	0	6,797
Non-trading financial assets at FVPL	3,151	0	3,151
Debt securities	2,739	0	2,739
Loans and advances to banks	0	0	0
Loans and advances to customers	412	0	412
Financial assets at FVOCI	9,706	-17	9,723
Debt securities	9,706	-17	9,723
Loans and advances to banks	0	0	0
Loans and advances to customers	0	0	0
Financial assets at AC	184,293	3,545	180,748
Debt securities	24,037	8	24,029
Loans and advances to banks	17,156	7	17,149
Loans and advances to customers	143,100	3,530	139,570
Assets held for sale - financial instruments	0	0	0
Finance lease receivables	3,835	160	3,676
Positive fair value of hedge accounting derivatives	116	0	116
Trade and other receivables	1,216	144	1,072
Off balance-sheet exposures	40,043	334	-
Total	250,483	4,166	206,607

Adjustments include impairments for financial assets measured at amortised cost, provisions for off-balance sheet exposures as well as changes to the carrying amount for financial assets at fair value through other comprehensive income.

The significant increase of off-balance sheet exposures results primarily from the first-time consideration of undrawn revocable loan commitments as impairment relevant as part of the IFRS 9 implementation.

in EUR million	Gross carrying amount	Credit risk provisions	Net carrying amount
Dec 17			
Cash and cash balances - other demand deposits to credit institutions	1,028	0	1,028
Loans and receivables to credit institutions	9,133	7	9,126
Loans and receivables to customers	143,509	3,990	139,519
Financial assets held to maturity	19,804	3	19,800
Financial assets held for trading	2,887	0	2,887
Financial assets at fair value through profit or loss	403	0	403
Financial assets available for sale	14,896	0	14,896
Positive fair value of derivatives	4,243	0	4,243
Contingent credit risk liabilities	30,337	310	--
Total	226,239	4,310	191,902

Concerning contingent liabilities the gross carrying amount refers to the nominal value, while credit risk provisions refer to provisions for guarantees. A net carrying amount is not presented in the case of contingent liabilities.

On the next pages the credit risk volume is presented by:

- _ Basel 3 exposure class and financial instrument;
- _ counterparty sector and financial instrument;
- _ industry and risk category
- _ industry and IFRS 9 treatment;
- _ country of risk and risk category;
- _ country of risk and IFRS 9 treatment;
- _ business segment and risk category;
- _ business segment and IFRS 9 treatment;
- _ geographical segment and risk category;
- _ geographical segment and IFRS 9 treatment.

Credit risk exposure by Basel 3 exposure class and financial instrument

in EUR million	At amortised cost													Total
	Cash and cash balances - other demand deposits to credit institutions	Financial assets held for trading	Non-trading financial assets at FVPL	Financial assets at FVOCI	Debt securities	Loans and advances to banks	Loans and advances to customers	Assets held for sale - financial instruments	Finance lease receivables	Positive fair value of derivatives	Trade and other receivables	Off balance-sheet exposures		
Jun 18														
Sovereigns	8	2,527	775	7,945	21,757	11,663	6,148	0	404	0	29	1,971	53,225	
Institutions	1,316	3,517	634	614	1,690	5,279	630	0	1	97	23	657	14,456	
Corporates	1	752	1,524	1,148	590	198	62,457	0	2,241	19	1,043	24,746	94,720	
Retail	0	1	219	0	0	16	73,866	0	1,189	0	121	12,669	88,081	
Total	1,325	6,797	3,151	9,706	24,037	17,156	143,100	0	3,835	116	1,216	40,043	250,483	

in EUR million	Debt securities											Gross exposure
	Cash and cash balances - other demand deposits to credit institutions	Loans and receivables to credit institutions	Loans and receivables to customers	Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available-for-sale	Positive fair value of derivatives	Contingent credit risk liabilities			
	At amortised cost					At fair value						
Dec 17												
Sovereigns	8	5,893	6,557	18,743	2,242	79	11,495	282	1,296	46,595		
Institutions	997	2,988	726	807	467	137	1,456	3,664	544	11,787		
Corporates	23	251	62,962	254	178	186	1,946	296	20,691	86,786		
Retail	0	0	73,265	0	0	0	0	1	7,806	81,071		
Total	1,028	9,133	143,509	19,804	2,887	403	14,896	4,243	30,337	226,239		

The assignment of obligors to Basel 3 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 3 exposure classes are presented in aggregated form. The aggregated exposure class 'sovereigns' also contains regional and local governments as well as public sector entities in addition to central governments, central banks, international organisations and multinational development banks. Institutions include banks and recognised investment firms.

Credit risk exposure by counterparty sector and financial instrument

in EUR million	At amortised cost													Total
	Cash and cash balances - other demand deposits to credit institutions	Financial assets held for trading	Non-trading financial assets at FVPL	Financial assets at FVOCI	Debt securities	Loans and advances to banks	Loans and advances to customers	Assets held for sale - financial instruments	Finance lease receivables	Positive fair value of derivatives	Trade and other receivables	Off balance-sheet exposures		
Jun 18														
Central banks	0	90	0	0	24	11,659	0	0	0	0	1	16	11,789	
General governments	0	2,327	772	7,347	21,161	0	6,640	0	405	0	40	2,201	40,893	
Credit institutions	1,325	3,623	730	954	1,951	5,497	0	0	1	113	17	632	14,843	
Other financial corporations	0	257	1,127	266	164	0	4,649	0	40	3	24	1,271	7,802	
Non-financial corporations	0	498	326	1,139	736	0	60,077	0	2,704	1	1,009	24,400	90,891	
Households	0	2	196	0	0	0	71,734	0	685	0	125	11,523	84,265	
Total	1,325	6,797	3,151	9,706	24,037	17,156	143,100	0	3,835	116	1,216	40,043	250,483	

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 18					
Agriculture and forestry	2,260	503	36	159	2,957
Mining	618	22	6	48	695
Manufacturing	15,651	1,269	123	583	17,626
Energy and water supply	3,889	334	24	87	4,334
Construction	8,827	1,302	275	525	10,928
Trade	9,934	1,500	148	701	12,283
Transport and communication	6,462	637	94	124	7,317
Hotels and restaurants	3,242	966	83	327	4,618
Financial and insurance services	33,082	1,305	82	129	34,597
Real estate and housing	23,848	2,646	167	603	27,264
Services	11,520	1,311	123	337	13,290
Public administration	38,105	363	2	8	38,479
Education, health and art	2,511	671	21	232	3,434
Households	63,485	6,116	547	1,869	72,017
Other	363	2	279	1	645
Total	223,798	18,945	2,010	5,731	250,483
Dec 17					
Agriculture and forestry	2,207	487	41	202	2,937
Mining	690	30	6	61	787
Manufacturing	13,541	1,363	228	597	15,729
Energy and water supply	3,684	392	34	118	4,227
Construction	8,514	1,126	261	564	10,466
Trade	8,956	1,420	183	798	11,358
Transport and communication	6,140	551	79	131	6,901
Hotels and restaurants	2,945	873	91	360	4,269
Financial and insurance services	23,333	887	83	165	24,468
Real estate and housing	23,150	2,532	230	698	26,610
Services	9,864	1,156	126	479	11,626
Public administration	36,833	217	1	9	37,060
Education, health and art	2,514	477	23	219	3,232
Households	58,056	5,387	539	1,872	65,854
Other	359	5	284	0	648
Total	200,788	16,904	2,207	6,273	226,172

Credit risk exposure by industry and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Jun 18						
Agriculture and forestry	2,488	299	126	25	20	2,957
Mining	608	22	28	20	18	695
Manufacturing	14,942	1,223	537	42	882	17,626
Energy and water supply	3,929	200	82	5	119	4,334
Construction	8,968	855	483	33	588	10,928
Trade	10,216	1,152	632	65	218	12,283
Transport and communication	6,328	422	111	13	444	7,317
Hotels and restaurants	3,705	507	307	26	73	4,618
Financial and insurance services	27,414	1,014	92	33	6,043	34,597
Real estate and housing	24,575	1,417	459	153	660	27,264
Services	11,107	1,011	315	26	831	13,290
Public administration	35,101	497	4	3	2,873	38,479
Education, health and art	2,723	450	227	1	34	3,434
Households	64,738	4,965	1,694	176	444	72,017
Other	558	46	1	0	40	645
Total	217,400	14,080	5,096	620	13,287	250,483

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

The defaulted part of POCI amounted to EUR 476.1 million, the non-defaulted part to EUR 143.6 million.

Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 18					
Core markets	195,010	16,747	1,803	5,227	218,786
Austria	95,545	8,871	1,236	2,078	107,730
Czech Republic	49,331	3,146	183	812	53,472
Romania	13,682	1,558	121	650	16,010
Slovakia	18,188	1,261	69	594	20,112
Hungary	8,333	797	71	217	9,417
Croatia	8,035	1,010	116	842	10,003
Serbia	1,895	105	7	35	2,042
Other EU	20,913	1,130	162	318	22,523
Other industrialised countries	4,482	110	4	55	4,651
Emerging markets	3,393	958	40	131	4,523
Southeastern Europe/CIS	1,730	443	30	108	2,311
Asia	1,280	158	7	4	1,449
Latin America	61	27	2	14	105
Middle East/Africa	323	329	1	5	658
Total	223,798	18,945	2,010	5,731	250,483
Dec 17					
Core markets	175,189	14,952	1,990	5,698	197,828
Austria	87,413	7,659	1,268	2,291	98,631
Czech Republic	41,016	2,725	258	785	44,784
Romania	12,477	1,744	139	753	15,114
Slovakia	17,095	1,161	67	595	18,918
Hungary	8,291	607	106	260	9,264
Croatia	7,281	920	144	930	9,275
Serbia	1,615	135	7	84	1,843
Other EU	18,842	1,205	176	404	20,627
Other industrialised countries	3,809	137	9	51	4,007
Emerging markets	2,949	610	32	119	3,710
Southeastern Europe/CIS	1,492	418	26	99	2,035
Asia	856	104	3	0	963
Latin America	50	26	1	15	92
Middle East/Africa	551	62	2	5	620
Total	200,788	16,904	2,207	6,273	226,172

Credit risk exposure by region and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Jun 18						
Core markets	194,144	12,205	4,698	535	7,203	218,786
Austria	93,415	7,877	2,003	43	4,392	107,730
Czech Republic	50,073	2,022	783	10	584	53,472
Romania	13,858	1,169	529	140	314	16,010
Slovakia	18,891	473	458	150	141	20,112
Hungary	7,823	163	128	126	1,178	9,417
Croatia	8,355	442	768	62	376	10,003
Serbia	1,729	60	30	5	218	2,042
Other EU	16,056	1,245	242	63	4,917	22,523
Other industrialised countries	3,955	167	40	15	474	4,651
Emerging markets	3,245	463	115	7	693	4,523
Southeastern Europe/CIS	1,946	217	100	7	41	2,311
Asia	861	13	4	0	571	1,449
Latin America	56	17	6	0	26	105
Middle East/Africa	382	216	5	0	55	658
Total	217,400	14,080	5,096	620	13,287	250,483

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
Jun 18					
Retail	55,147	6,588	536	1,713	63,983
Corporates	62,215	4,392	409	2,173	69,189
Group Markets	23,351	804	27	3	24,185
Asset/Liability Management and Local Corporate Center	29,594	85	177	20	29,876
Savings Banks	52,770	7,063	783	1,820	62,437
Group Corporate Center	720	12	78	2	812
Total	223,798	18,945	2,010	5,731	250,483
Dec 17					
Retail	51,988	5,475	522	1,723	59,708
Corporates	56,366	4,529	579	2,641	64,114
Group Markets	15,515	372	31	3	15,921
Asset/Liability Management and Local Corporate Center	28,183	96	185	15	28,479
Savings Banks	48,683	6,321	801	1,891	57,696
Group Corporate Center	54	109	90	1	254
Total	200,788	16,904	2,207	6,273	226,172

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
Jun 18						
Retail	57,629	4,123	1,534	178	520	63,983
Corporates	60,810	4,055	1,819	392	2,114	69,189
Group Markets	16,614	607	2	0	6,962	24,185
Asset/Liability Management and Local Corporate Center	29,424	205	20	0	227	29,876
Savings Banks	52,223	5,059	1,720	50	3,386	62,437
Group Corporate Center	699	32	2	0	79	812
Total	217,400	14,080	5,096	620	13,287	250,483

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 18					
Austria	122,382	11,265	1,305	3,015	137,967
EBOe & Subsidiaries	38,471	2,987	441	648	42,546
Savings Banks	52,770	7,063	783	1,820	62,437
Other Austria	31,141	1,215	81	547	32,984
Central and Eastern Europe	95,961	7,634	624	2,692	106,912
Czech Republic	50,145	3,219	172	617	54,153
Romania	12,727	1,479	177	634	15,017
Slovakia	16,416	1,167	64	505	18,152
Hungary	7,082	624	69	184	7,960
Croatia	8,066	1,041	135	728	9,970
Serbia	1,525	104	7	23	1,660
Other	5,454	46	80	24	5,604
Total	223,798	18,945	2,010	5,731	250,483
Dec 17					
Austria	111,426	9,675	1,352	3,397	125,849
EBOe & Subsidiaries	35,681	2,523	444	681	39,329
Savings Banks	48,683	6,321	801	1,891	57,696
Other Austria	27,062	830	106	825	28,823
Central and Eastern Europe	84,561	7,120	766	2,851	95,298
Czech Republic	41,616	2,741	254	575	45,186
Romania	11,411	1,753	182	729	14,076
Slovakia	15,641	1,110	63	507	17,320
Hungary	7,094	461	105	215	7,875
Croatia	7,433	961	154	792	9,341
Serbia	1,365	94	7	33	1,500
Other	4,801	109	90	25	5,025
Total	200,788	16,904	2,207	6,273	226,172

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
Jun 18						
Austria	113,663	9,443	2,850	108	11,903	137,967
EBOe & Subsidiaries	37,882	3,122	637	2	903	42,546
Savings Banks	52,223	5,059	1,720	50	3,386	62,437
Other Austria	23,559	1,262	493	55	7,615	32,984
Central and Eastern Europe	98,337	4,561	2,227	512	1,275	106,912
Czech Republic	50,825	2,360	592	9	367	54,153
Romania	13,117	1,204	513	140	43	15,017
Slovakia	17,155	405	354	169	69	18,152
Hungary	6,991	94	95	127	652	7,960
Croatia	8,762	441	654	62	51	9,970
Serbia	1,486	58	18	5	93	1,660
Other	5,400	76	20	0	109	5,604
Total	217,400	14,080	5,096	620	13,287	250,483

Loans to customers

The tables on the following pages present the structure of the customer loan book, excluding loans to central banks and credit institutions broken-down by different categories. Loans 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 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 to customers by credit loss allowances;
- _ business segment and coverage by credit loss allowances and IFRS 9 treatment;
- _ geographical segment and coverage of non-performing loans to customers by credit loss allowances;
- _ geographical segment and coverage by credit loss allowances and IFRS 9 treatment;
- _ geographical segment and currency.

Loans to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 18					
Retail	46,279	5,846	514	1,688	54,327
Corporates	43,030	3,450	271	1,890	48,641
Group Markets	1,759	302	0	0	2,060
Asset/Liability Management and Local Corporate Center	233	30	50	19	333
Savings Banks	35,272	5,526	635	1,722	43,156
Group Corporate Center	18	6	2	2	29
Total	126,591	15,160	1,473	5,321	148,545
Dec 17					
Retail	45,516	5,025	501	1,691	52,734
Corporates	40,790	3,729	417	2,312	47,249
Group Markets	933	231	5	0	1,169
Asset/Liability Management and Local Corporate Center	111	30	51	14	206
Savings Banks	34,551	5,159	654	1,758	42,122
Group Corporate Center	20	4	5	1	30
Total	121,921	14,179	1,633	5,776	143,509

Loans to customers by business segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Gross customer loans (AC)	Not subject to IFRS 9 impairment	Total
Jun 18							
Retail	48,892	3,595	1,516	174	54,177	150	54,327
Corporates	43,383	3,233	1,590	311	48,517	123	48,641
Group Markets	1,642	419	0	0	2,060	0	2,060
Asset/Liability Management and Local Corporate Center	148	166	19	0	333	0	333
Savings Banks	37,038	4,299	1,631	50	43,017	138	43,156
Group Corporate Center	25	2	2	0	29	0	29
Total	131,127	11,713	4,758	536	148,133	412	148,545

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

The defaulted part of POCI loans amounted to EUR 424.3 million, the non-defaulted part to EUR 111.2 million.

Loans to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 18					
Austria	76,411	8,563	986	2,838	88,798
Erste Bank Oesterreich & Subsidiaries	28,792	2,457	298	612	32,159
Savings Banks	35,272	5,526	635	1,722	43,156
Other Austria	12,348	580	53	503	13,483
Central and Eastern Europe	50,040	6,557	482	2,459	59,538
Czech Republic	23,940	2,723	142	543	27,347
Romania	6,050	1,320	90	539	7,999
Slovakia	11,215	1,064	63	454	12,797
Hungary	3,067	463	64	179	3,773
Croatia	4,803	891	118	721	6,532
Serbia	966	95	6	22	1,089
Other	141	40	5	24	209
Total	126,591	15,160	1,473	5,321	148,545
Dec 17					
Austria	74,809	7,960	1,019	3,112	86,900
Erste Bank Oesterreich & Subsidiaries	28,681	2,181	294	631	31,787
Savings Banks	34,551	5,159	654	1,758	42,122
Other Austria	11,578	620	71	723	12,991
Central and Eastern Europe	46,934	6,214	609	2,639	56,396
Czech Republic	22,481	2,298	183	525	25,487
Romania	5,452	1,559	116	632	7,759
Slovakia	10,514	1,014	62	458	12,048
Hungary	3,038	416	103	209	3,766
Croatia	4,601	849	138	783	6,371
Serbia	848	79	6	32	965
Other	179	4	5	25	212
Total	121,921	14,179	1,633	5,776	143,509

Loans to customers by geographical segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Gross customer loans (AC)	Not subject to IFRS 9 impairment	Total
Jun 18							
Austria	77,900	7,855	2,687	85	88,527	270	88,798
EBOe & Subsidiaries	28,818	2,664	603	2	32,088	71	32,159
Savings Banks	37,038	4,299	1,631	50	43,017	138	43,156
Other Austria	12,044	892	453	33	13,422	62	13,483
Central and Eastern Europe	53,082	3,813	2,051	450	59,396	141	59,538
Czech Republic	24,825	1,991	520	9	27,345	3	27,347
Romania	6,458	975	427	136	7,996	4	7,999
Slovakia	11,953	381	351	112	12,797	0	12,797
Hungary	3,337	83	91	126	3,638	135	3,773
Croatia	5,494	330	646	62	6,532	0	6,532
Serbia	1,015	52	17	5	1,089	0	1,089
Other	144	45	20	0	209	0	209
Total	131,127	11,713	4,758	536	148,133	412	148,545

Non-performing loans to customers by business segment and coverage by credit loss allowances

in EUR million	Non-performing loans		Gross customer loans		Credit loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Jun 18												
Retail	1,688	1,685	54,327	54,177	1,391	674	672	3.1%	3.1%	82.5%	39.9%	39.9%
Corporates	1,890	1,868	48,641	48,517	1,346	690	682	3.9%	3.9%	72.1%	36.5%	36.5%
Group Markets	0	0	2,060	2,060	6	0	0	0.0%	0.0%	>100%	0.0%	0.0%
ALM & LCC	19	19	333	333	26	0	0	5.7%	5.7%	134.9%	1.3%	1.3%
Savings Banks	1,722	1,714	43,156	43,017	1,062	834	827	4.0%	4.0%	61.9%	48.4%	48.3%
GCC	2	2	29	29	2	2	0	7.4%	7.4%	72.5%	99.7%	0.0%
Total	5,321	5,289	148,545	148,133	3,833	2,200	2,182	3.6%	3.6%	72.5%	41.3%	41.2%

Gross customer loans, non-performing loans, and collateral include amortised cost and FVPL portfolios.

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
Dec 17					
Retail	1,691	52,734	1,319	3.2%	78.0%
Corporates	2,312	47,249	1,605	4.9%	69.4%
Group Markets	0	1,169	2	0.0%	>100.0%
Asset/Liability Management and Local Corporate Center	14	206	25	6.6%	>100.0%
Savings Banks	1,758	42,122	1,026	4.2%	58.3%
Group Corporate Center	1	30	0	2.3%	16.5%
Total	5,776	143,509	3,977	4.0%	68.8%

The NPL ratio is calculated by dividing non-performing loans and receivables by total loans and receivables. The NPL coverage ratio (excluding collateral) is calculated by dividing risk allowances (specific and collective allowances) by non-performing loans and receivables to customers. Collateral or other recoveries are not taken into account.

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

in EUR million	Loans to customers				Credit loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
Jun 18											
Retail	48,892	3,595	1,516	174	128	190	989	84	5.3%	65.3%	48.3%
Corporates	43,383	3,233	1,590	311	144	139	985	78	4.3%	62.0%	25.2%
Group Markets	1,642	419	0	0	5	1	0	0	0.2%	83.8%	14.7%
ALM & LCC	148	166	19	0	1	10	15	0	6.2%	76.1%	0.0%
Savings Banks	37,038	4,299	1,631	50	81	131	831	19	3.0%	51.0%	38.8%
GCC	25	2	2	0	0	0	1	0	0.8%	59.6%	0.0%
Total	131,127	11,713	4,758	536	359	471	2,821	182	4.0%	59.3%	34.0%

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

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

Quantitative indicators include adverse changes in annualized lifetime probability of default and in 12-month probability of defaults with significance being assessed by reference to a mix of relative and absolute change thresholds. Generally the indicators for probability of default are determined to reflect the risk as a "point-in-time" measure and with consideration of forward-looking information (FLI). The thresholds are established at PD segment level or client rating level, as necessary, and are subject to initial and on-going validation.

Qualitative SICR indicators include forbearance-type flags, work-out transfer flag, information from early-warning-system (if it is not sufficiently considered in rating) and fraud indicators. The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and timely. 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. Besides the qualitative indicators defined on client level, the assessment of significant increase in credit risk is performed on portfolio level if the increase in credit risk on individual instrument or client level is only available with a certain time lag or is observable exclusively on portfolio level.

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.

The calculation of credit loss allowances is done on a monthly basis on single exposure level and in the contractual currency of the exposure. To compute the credit loss allowance, Erste Group applies an expected credit loss (ECL) model based on a three stages approach that either leads to a twelve-month ECL or to a lifetime ECL.

The three stages approach applies to financial instruments which are not categorised as purchased or originated credit-impaired financial assets which form a category on their own. Depending on the impairment status and the assessment of the development of credit risk, the financial instruments are assigned to one of three stages.

Stage 1 includes financial instruments at initial recognition and financial assets without a significant increase in credit risk since initial recognition irrespective of their credit quality. In stage 1, the credit risk loss allowances are calculated as twelve-months ECL.

Stage 2 includes financial instruments with a significant increase in credit risk but not credit-impaired at the reporting date. In stage 2, the credit risk loss allowances are calculated as lifetime ECL. Special rules exist for the classification of first-time drawings on committed credit lines. Depending on the development of credit risk between the commitment and the first drawing the exposure is categorised as stage 1 or stage 2.

Stage 3 includes financial assets which are credit-impaired at the reporting date. In principle, a financial instrument becomes credit-impaired when the customer defaults. Erste Group generally applies a customer view which leads to an impairment of all claims even if the customer defaults only on one of several transactions. On the other side, an upgrade to a non-defaulted rating grade implies that the total exposure ceases to be impaired. In stage 3, the credit loss allowances are calculated as lifetime ECL.

Credit loss allowances are calculated individually or collectively. The individual approach is applied in case of exposures to significant defaulted customers and consists of the individual assessment of the difference between the gross carrying amount and the net present value of the expected cash flows which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate.

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

Collective allowances are calculated for exposures to non-defaulted customers according to a rule-based approach irrespective of the significance of the customer. The level of collective allowances depends on the gross carrying amount, the probability of default, the loss given default and the credit conversion factor in case of off-balance-sheet exposures. The result of discounting future cash flows to their present values is taken into consideration in the LGD calculation.

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 may differ from the risk parameters compliant to capital requirement regulations if the characteristics of the respective portfolio in combination with IFRS standards necessitate this.

Non-performing loans to customers by geographical segment and coverage by credit loss allowances

in EUR million	Non-performing loans		Gross customer loans		Credit loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Jun 18												
Austria	2,838	2,811	88,797	88,527	1,703	1,375	1,361	3.2%	3.2%	60.6%	48.4%	48.4%
EBOe & Subs	612	611	32,159	32,088	385	311	310	1.9%	1.9%	63.1%	50.8%	50.8%
Savings Banks	1,722	1,714	43,156	43,017	1,062	834	827	4.0%	4.0%	61.9%	48.4%	48.3%
Other Austria	503	486	13,483	13,422	256	230	223	3.7%	3.6%	52.7%	45.8%	45.8%
CEE	2,459	2,454	59,538	59,396	2,113	823	821	4.1%	4.1%	86.1%	33.5%	33.5%
Czech Republic	543	543	27,347	27,345	522	115	115	2.0%	2.0%	96.1%	21.2%	21.2%
Romania	539	536	7,999	7,996	514	163	163	6.7%	6.7%	95.9%	30.2%	30.4%
Slovakia	454	454	12,797	12,797	365	199	199	3.6%	3.6%	80.3%	43.9%	43.9%
Hungary	179	178	3,773	3,638	138	104	103	4.7%	4.9%	77.8%	58.0%	57.7%
Croatia	721	721	6,532	6,532	542	233	233	11.0%	11.0%	75.3%	32.4%	32.3%
Serbia	22	22	1,089	1,089	32	8	8	2.0%	2.0%	142.8%	37.2%	36.9%
Other	24	24	209	209	16	2	0	11.7%	11.7%	66.4%	8.7%	0.0%
Total	5,321	5,289	148,545	148,133	3,833	2,200	2,182	3.6%	3.6%	72.5%	41.3%	41.2%

Gross customer loans, non-performing loans, and collateral include amortized cost and FVPL portfolios.

in EUR million	Non-performing loans	Total	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
Dec 17					
Austria	3,112	86,900	1,749	3.6%	56.2%
Erste Bank Oesterreich & Subsidiaries	631	31,787	360	2.0%	57.1%
Savings Banks	1,758	42,122	1,026	4.2%	58.3%
Other Austria	723	12,991	363	5.6%	50.2%
Central and Eastern Europe	2,639	56,396	2,214	4.7%	83.9%
Czech Republic	525	25,487	486	2.1%	92.5%
Romania	632	7,759	586	8.1%	92.7%
Slovakia	458	12,048	365	3.8%	79.7%
Hungary	209	3,766	186	5.5%	89.3%
Croatia	783	6,371	556	12.3%	70.9%
Serbia	32	965	36	3.3%	112.0%
Other	25	212	14	11.7%	56.6%
Total	5,776	143,509	3,977	4.0%	68.8%

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

in EUR million	Loans to customers				Credit loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
Jun 18											
Austria	77,900	7,855	2,687	85	144	210	1,325	24	2.7%	49.3%	28.7%
EBOe & Subs	28,818	2,664	603	2	34	58	293	1	2.2%	48.5%	27.9%
Savings Banks	37,038	4,299	1,631	50	81	131	831	19	3.0%	51.0%	38.8%
Other Austria	12,044	892	453	33	29	20	202	4	2.3%	44.6%	13.5%
CEE	53,082	3,813	2,051	450	214	259	1,483	157	6.8%	72.3%	35.0%
Czech Republic	24,825	1,991	520	9	72	78	368	4	3.9%	70.9%	45.0%
Romania	6,458	975	427	136	30	104	332	48	10.7%	77.9%	35.0%
Slovakia	11,953	381	351	112	40	34	236	55	9.0%	67.4%	48.7%
Hungary	3,338	83	91	126	15	14	68	42	16.6%	74.9%	32.9%
Croatia	5,494	330	646	62	48	20	466	8	6.1%	72.1%	13.6%
Serbia	1,015	52	17	5	10	9	12	1	16.7%	70.5%	26.3%
Other	144	45	20	0	1	2	13	0	4.2%	68.1%	0.0%
Total	131,126	11,713	4,758	536	359	471	2,821	182	4.0%	59.3%	34.0%

Loans to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Jun 18						
Austria	80,665	0	3,605	2,428	2,099	88,798
Erste Bank Oesterreich & Subsidiaries	30,500	0	1,492	57	109	32,159
Savings Banks	40,005	0	2,071	86	994	43,156
Other Austria	10,160	0	42	2,285	996	13,483
Central and Eastern Europe	26,339	32,521	52	504	122	59,538
Czech Republic	4,303	22,672	1	278	94	27,347
Romania	3,313	4,567	0	119	0	7,999
Slovakia	12,748	0	0	25	24	12,797
Hungary	916	2,846	8	4	0	3,773
Croatia	4,226	2,195	32	74	5	6,532
Serbia	832	242	11	4	0	1,089
Other	178	32	0	0	0	209
Total	107,182	32,553	3,657	2,932	2,222	148,545

Dec 17						
Austria	78,985	0	4,005	2,147	1,763	86,900
Erste Bank Oesterreich & Subsidiaries	30,040	0	1,590	46	112	31,787
Savings Banks	38,853	0	2,237	83	949	42,122
Other Austria	10,093	0	178	2,018	702	12,991
Central and Eastern Europe	24,697	31,135	102	375	86	56,396
Czech Republic	3,392	21,866	1	164	64	25,487
Romania	3,413	4,202	0	143	0	7,759
Slovakia	12,004	0	0	28	16	12,048
Hungary	886	2,850	27	3	0	3,766
Croatia	4,264	2,005	63	33	6	6,371
Serbia	738	212	11	4	0	965
Other	176	31	0	6	0	212
Total	103,858	31,166	4,107	2,528	1,849	143,509

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 17	Jun 18
Interest	4.5	5.1
Currency	0.7	3.3
Shares	1.0	0.6
Commodity	0.7	0.2
Volatility	0.4	0.4
Total	5.0	6.5

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

Liquidity risk

Due to the comfortable liquidity position and the usage of the TLTRO II programme (Targeted Longer-Term Refinancing Operations II) of the European Central Bank, Erste Group Bank AG has budgeted long term issuance for 2018 in the amount of EUR 3.1 billion. In the first six months of the year Erste Group issued over EUR 2.8 billion (net of EUR 65 million buybacks), including three benchmark transactions (in total EUR 2.5 billion mortgage covered bonds). On group level, Erste Group's total TLTRO II participation amounts to EUR 3.5 billion.

Leverage ratio

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

As of 30 June 2018, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.4% (Basel 3 final), comfortably above the 3.0% minimum requirement proposed by the Basel Committee. Tier 1 capital amounted to EUR 15.7 billion at the reference date, while total leverage exposure stood at EUR 244.3 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.

37. Related party transactions

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung) controls a total of 29.54% 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 5.8 million (EUR 8.8 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 10.2 million (EUR 10.2 million). There was no interest income of Erste Group in the reporting period (cumulated in 2017: EUR 0.3 million), interest expenses amounted to EUR 0.1 (cumulated in 2017: EUR 0.5 million), resulting from the above mentioned accounts payable and receivable.

38. Contingent liabilities – legal proceedings

There have not been any material changes with regard to legal disputes in which Erste Group Bank AG and some of its subsidiaries are involved or their impact on the financial position or profitability of Erste Group compared to the annual report 2017.

39. Fair value of financial instruments

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

Financial instruments carried at fair value

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

Description of valuation models and parameters

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

Loans. IFRS 9 regulation significantly changed accounting classification of assets. 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 assets 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 effective discount rate incorporating other risk/cost components. The complex interest rate assets are valued by Monte Carlo simulation approach to include convexity correction and time value of embedded options.

Securities. For plain vanilla (fixed and floating) 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.

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 levered beta and the country risk premium. The levered beta is derived from the industry classification which is published and maintained by Damodaran. In rare cases, techniques for non-trading equity instruments may also include 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. 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. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances.

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

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

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

According to the described methodology the accumulated CVA-adjustments amounted to EUR 11.6 million (EUR 10.8 million) and the total DVA-adjustment amounted to EUR 3.9 million (EUR 3.9 million).

Validation and control

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

Fair value hierarchy

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

Level 1 of the fair value hierarchy

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

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

Level 2 of the fair value hierarchy

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

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

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, own issues and deposits.

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

in EUR million	Dec 17				Jun 18			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets held for trading	2,043	4,241	65	6,349	2,125	4,707	55	6,888
Derivatives	9	3,302	22	3,333	4	3,765	36	3,804
Other financial assets held for trading	2,034	939	43	3,016	2,121	943	19	3,083
Financial assets - FVPL	496	26	21	543	0	0	0	0
Non-trading financial assets - FVPL	0	0	0	0	2,251	342	837	3,430
Equity instruments	0	0	0	0	25	0	253	279
Debt securities	0	0	0	0	2,226	342	172	2,739
Loans and advances	0	0	0	0	0	0	412	412
Financial assets available for sale	13,591	1,702	767	16,060	0	0	0	0
Financial assets - FVOCI	0	0	0	0	8,583	843	538	9,965
Hedge accounting derivatives	0	884	0	884	0	116	0	116
Total assets	16,130	6,853	853	23,836	12,960	6,008	1,430	20,398
Liabilities								
Financial liabilities held for trading	439	2,981	3	3,423	486	2,578	6	3,070
Derivatives	9	2,922	3	2,934	2	2,521	6	2,529
Other financial liabilities held for trading	430	59	0	489	484	57	0	541
Financial liabilities - FVPL	0	1,801	0	1,801	0	13,374	1,099	14,473
Deposits from customers	0	49	0	49	0	56	0	56
Debt securities issued	0	1,753	0	1,753	0	13,319	555	13,874
Other financial liabilities	0	0	0	0	0	0	544	544
Hedge accounting derivatives	0	360	0	360	0	311	0	311
Total liabilities	439	5,142	3	5,584	486	16,264	1,104	17,855

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 17		Jun 18	
	Level 1	Level 2	Level 1	Level 2
Securities				
Net transfer from Level 1	0	-203	0	-25
Net transfer from Level 2	203	0	25	0
Net transfer from Level 3	-6	126	1	-45
Purchases/sales/expiries	-3,567	-633	-3,192	-469
Changes in derivatives	6	-1,588	-5	-305
Total year-to-date change	-3,364	-2,298	-3,170	-845

Level 1 movements. Level 1 financial assets decreased by EUR 3,170 million compared to year-end 2017. The change in volume of Level 1 securities (decrease by EUR 3,165 million) was determined on the one hand by matured or sold assets in the amount of EUR 1,532 million and on the other hand by new investments in the amount of EUR 1,393 million. The volume decline for securities that were allocated to Level 1 at both reporting dates amounted to EUR 3,026 million (due to purchases and partial sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 139 million could be reclassified from Level 2 to Level 1. This applied to securities issued by financial institutions (EUR 111 million), to securities issued by governments (EUR 23 million) and other corporates (EUR 6 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 114 million have been moved from Level 1 to Level 2. This applies to securities issued by governments (EUR 48 million) as well as securities issued by financial institutions (EUR 26 million) and other corporates (EUR 40 million). Level 3 instruments in the amount of EUR 3 million were reclassified to Level 1. Deteriorated availability of market-observable prices led to a reclassification of EUR 2 million from Level 1 to Level 3. The remaining reduction in the amount of EUR 26 million was due to partial sales and fair value changes of reclassified instruments. The volume of derivatives decreased by EUR 5 million.

Level 2 movements. The total amount of Level 2 financial assets decreased by EUR 870 million compared to year end 2017. The change in volume of Level 2 securities (decrease by EUR 539 million) was determined on the one hand by matured or sold assets in the amount of EUR 722 million and on the other hand by new investments in the amount of EUR 659 million. The decrease in volume for securities that were allocated to Level 2 at both reporting dates amounted to EUR 366 million (due to partial purchases and sales and fair value changes caused by market movements). Due to lower market activity and change to modelled fair value, securities in total of EUR 114 million have been moved from Level 1 to Level 2. Due to improved market liquidity, assets in the amount of EUR 139 million could be reclassified from Level 2 to Level 1. The usage of significant unobservable input parameters led to the reclassification of securities from Level 2 to Level 3 in the amount of EUR 105 million. On the other hand, securities in the amount of EUR 60 million could be reclassified from Level 3 to Level 2. The residual decrease in Level 2 securities, in the amount of EUR 40 million, was caused by partial sales and fair value changes of reclassified instruments. Positive market value of derivatives assigned to Level 2 decreased by EUR 305 million due to market changes and netting effects.

Following the reclassification of own issues from an amortized cost treatment to a valuation at fair value, the total Level 2 financial liabilities increased by EUR 11 billion. Whereas the fair value of derivatives decreased by EUR 454 million, the fair value of securities increased by EUR 12 billion. The fair value of client deposits remained fairly stable with an increase of EUR 7 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 the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	
	Jan 18											Jun 18
Assets												
Financial assets held for trading	68	-6	0	0	-9	-4	0	0	23	-17	0	55
Derivatives	25	-6	0	0	0	0	0	0	16	0	0	36
Other financial assets held for trading	43	0	0	0	-9	-4	0	0	6	-17	0	19
Non-trading financial assets - FVPL	859	13	0	52	-104	-32	0	-1	100	-42	-8	837
Equity instruments	230	11	0	1	0	0	0	0	16	-3	-1	253
Debt securities	150	3	0	8	-6	0	0	-1	43	-26	0	172
Loans and advances	479	-1	0	43	-98	-32	0	0	42	-13	-7	412
Financial assets - FVOCI	446	1	-19	12	0	-20	0	0	136	-14	-4	538
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	1,373	8	-19	64	-113	-57	0	-1	259	-73	-11	1,430
Liabilities												
Financial liabilities - held for trading	5	-2	0	0	0	0	0	0	3	0	0	6
Derivatives	5	-2	0	0	0	0	0	0	3	0	0	6
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities - at fair value through profit or loss	1,128	14	0	91	0	-4	0	-141	34	-22	0	1,099
Deposits from customers	137	0	0	0	0	0	0	-137	0	0	0	0
Debt securities issued	456	0	0	91	0	-4	0	0	34	-22	0	555
Other financial liabilities	534	14	0	0	0	0	0	-4	0	0	0	544
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total liabilities	1,132	12	0	91	0	-4	0	-141	37	-23	0	1,104
	Dec 16											Jun 17
Assets												
Financial assets - held for trading	138	-24	0	12	-8	-2	0	0	11	-64	1	63
Derivatives	96	-27	0	0	-1	-2	0	0	2	-24	1	45
Other financial assets held for trading	42	3	0	12	-8	0	0	0	9	-40	0	18
Financial assets - at fair value through profit or loss	28	0	0	0	0	0	0	0	0	-10	0	18
Financial assets - available-for-sale	867	19	8	42	-21	-14	0	-2	211	-136	1	975
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	1,034	-6	8	53	-29	-16	0	-2	222	-211	3	1,056
Liabilities												
Financial liabilities - held for trading	1	0	0	0	0	0	0	0	0	-1	0	0
Derivatives	1	0	0	0	0	0	0	0	0	-1	0	0
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities - at fair value through profit or loss	90	0	0	0	0	0	0	0	8	-98	0	0
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	90	0	0	0	0	0	0	0	8	-98	0	0
Other financial liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total liabilities	91	0	0	0	0	0	0	0	8	-99	0	1

The gains or losses of Level 3 financial instruments classified as 'Financial assets – held for trading', 'Financial assets – at fair value through profit or loss' (for the period ended 30 June 2017), 'Non-trading financial assets at fair value through profit or loss' (for the period ended 30 June 2018) and 'Hedge accounting derivatives' is disclosed in the income statement line item 'Net trading result'. Gains or losses from derecognition of 'Financial assets – available for sale' is shown in the income statement line item 'Gains/Losses from financial assets and liabilities not measured at fair value through profit or loss, net' for the period ended 30 June 2017. Gains or losses from derecognition of 'Financial assets at fair value through other comprehensive income' is shown in the income statement line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss' for the period ended 30 June

2018. Impairments of 'Financial assets – available for sale' are disclosed in the line item 'Net impairment loss on financial assets' for the period ended 30 June 2017. Impairment of 'Financial assets at fair value through other comprehensive income' is disclosed in the line item 'Impairment result from financial instruments' for the period ended 30 June 2018. Gains or losses in other comprehensive income of Level 3 financial instruments disclosed in the balance sheet line item 'Financial assets – available for sale' are reported directly in equity under 'Available for sale reserve' for the period ended 30 June 2017. Level 3 gains or losses in other comprehensive income disclosed in the balance sheet line item 'Financial assets at fair value through other comprehensive income' are reported directly in equity under 'Change in fair value reserve' for the period ended 30 June 2018.

Level 3 movements. The reclassification of securities from and to Level 3 was caused by a change in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, the external market values of securitizations were subject to an internal validation process, which is based on observable market inputs. Based on the described analysis securities in the amount of EUR 105 million were reclassified from Level 2 to Level 3. On the other hand securities in the amount of EUR 60 million were reclassified from Level 3 to Level 2 mainly due to the change of inputs for pricing models. The net movement from Level 3 to Level 1 amounted to EUR 3 million, while EUR 2 million were reclassified from Level 1 to Level 3. The main driver for the increase in Level 3 instruments of EUR 409 million can be allocated to loans and advances which are measured at fair value under IFRS 9. The remaining change in Level 3 assets of EUR 125 million resulted from purchases, sales, matured issues and changes in volume.

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

in EUR million	1-6 17	1-6 18
Assets		
Financial assets held for trading	-13.6	-10.4
Derivatives	-13.6	-10.4
Other financial assets held for trading	0.0	0.0
Financial assets at fair value through profit or loss	-0.3	0.0
Non-trading financial assets at fair value through profit or loss	0.0	4.5
Equity instruments	0.0	-1.0
Debt securities	0.0	10.8
Loans and advances	0.0	-5.3
Financial assets available for sale	-0.1	0.0
Financial assets at fair value through other comprehensive income	0.0	2.3
Hedge accounting derivatives	0.0	0.0
Total	0.0	-3.6

For financial liabilities measured at fair value in Level 3 a valuation of EUR -17.8 million was posted via income statement for the end of the reporting period (EUR -0.7 million). This amount consists fully of financial liabilities designated at FVPL.

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

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Jun 18					
Positive fair value of derivatives	Forwards, swaps, options	44.4	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD LGD	0.44%-100% (6.61%) 60%
Financial assets at FVPL	Fixed and variable coupon bonds	14.5	Discounted cash flow	Credit Spread	3.50%-4.33% (3.67%)
	Loans	411.9	Discounted cash flow	PD LGD	0%-39.72% (1.09%) 0%-85.69% (19.54%)
Financial assets at FVOCI	Fixed and variable coupon bonds	138.4	Discounted cash flow	Credit Spread	0.29%-5.46% (2.08%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	157.8	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.22-1.25, Life Insurance 2.00 Real Estate (General/Diversified) 0.82 Financial Svcs. (Non-bank & Insurance) 0.94-1.11 Restaurant 0.80 Banks (Regional) 0.71-0.74
				Country risk premium	Croatia 3.08%, Austria 0.41%, Czech Republic 0.81%, Romania 2.26%, Hungary 2.26%, Russia 2.56%, Slovakia 0.87% Resulting cost of equity based on above inputs: 6.52%-16.30%
		156.8	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		34.3	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
Dec 17					
Positive fair value of derivatives	Forwards, swaps, options	23.2	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD LGD	0.76% -100% (10.5%) 60%
Financial assets - available for sale	Fixed and variable coupon bonds	154.2	Discounted cash flow	Credit Spread	0.8% -8.0% (2.3%)
	Non-trading equity instruments (participations)	142.5	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Life Insurance 1.99-2.02 Real Estate (General/Diversified) 0.8 Financial Services (Non-bank & Insurance) 0.95 Restaurant 0.95
				Country risk premium	Croatia 3.47%, Austria 0.46%, Czech Republic 0.81%, Romania 2.32%, Spain 2.01% Resulting cost of equity based on above inputs: 7.24% - 18.87%
		144.3	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		33.1	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.

For equity instruments other than participations classified as Level 3, the amount of EUR 21 million (2017: EUR 70.8 million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Sensitivity analysis using reasonably possible alternatives per product type

in EUR million	Dec 17		Jun 18	
	Fair value changes		Fair value changes	
	Positive	Negative	Positive	Negative
Derivatives	1.9	-1.9	2.0	-2.0
Income statement	1.9	-1.9	2.0	-2.0
Other comprehensive income	0.0	0.0	0.0	0.0
Debt securities	26.2	-34.9	31.9	-42.6
Income statement	1.9	-2.6	23.4	-31.1
Other comprehensive income	24.2	-32.3	8.6	-11.4
Equity instruments	73.8	-72.5	73.2	-49.8
Income statement	38.3	-23.9	34.1	-26.9
Other comprehensive income	35.4	-48.6	39.1	-22.9
Loans	0.0	0.0	9.0	-15.9
Income statement	0.0	0.0	9.0	-15.9
Other comprehensive income	0.0	0.0	0.0	0.0
Total	101.9	-109.3	116.1	-110.2
Income statement	42.1	-28.4	68.5	-76.0
Other comprehensive income	59.6	-80.9	47.6	-34.3

The sensitivity analysis for loans measured at fair value covers the Austrian portfolio.

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.

For the calculation of the fair value of unquoted equity instruments, new models have been introduced during the year 2017. The sensitivity analysis was done using input parameters for the new models starting from the year 2017.

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% (considered in the sensitivity analyses since 2017)
- _ for unquoted equity instruments measured by dividend discount model/simplified income approach the cost of equity range between -2% and +2% (considered in the sensitivity analyses since 2017)
- _ 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

in EUR million	Dec 17		Jun 18	
	Carrying amount (balance sheet)	Fair value	Carrying amount (balance sheet)	Fair value
Assets				
Cash and cash balances	21,796	21,796	16,888	16,888
Financial assets held to maturity	19,800	20,969	0	0
Loans and receivables to credit institutions	9,126	9,145	0	0
Loans and receivables to customers	139,532	141,431	0	0
Financial assets at amortised cost	0	0	180,748	184,413
Loans and advances to banks	0	0	17,149	17,132
Loans and advances to customers	0	0	139,570	142,353
Debt securities	0	0	24,029	24,928
Finance lease receivables	0	0	3,676	3,670
Assets held for sale	0	0	0	0
Trade and other receivables	0	0	1,072	1,069
Liabilities				
Financial liabilities at amortised cost	191,711	193,570	189,875	190,527
Deposits from banks	16,349	16,421	17,867	18,048
Deposits from customers	150,921	151,168	156,775	157,017
Debt securities issued	23,342	24,876	14,601	14,833
Other financial liabilities	1,099	1,105	633	630
Financial guarantees and commitments				
Financial guarantees	n/a	-50	n/a	150
Irrevocable commitments	n/a	43	n/a	124

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 financial assets 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.

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

	1-6 17	1-6 18
Austria	16,071	16,256
Erste Group, EB Oesterreich and subsidiaries	8,887	9,118
Haftungsverbund savings banks	7,184	7,139
Outside Austria	31,253	31,316
Česká spořitelna Group	10,211	10,212
Banca Comercială Română Group	7,054	7,214
Slovenská sporiteľňa Group	4,272	4,165
Erste Bank Hungary Group	3,197	3,058
Erste Bank Croatia Group	3,099	3,182
Erste Bank Serbia Group	1,013	1,089
Savings banks subsidiaries	1,242	1,204
Other subsidiaries and foreign branch offices	1,164	1,191
Total	47,324	47,572

41. Own funds and capital requirements

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

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

Own funds

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

The items of own funds as disclosed are also used for internal capital management purpose. Erste Group fulfilled the capital requirements.

The regulatory minimum capital ratios including the capital buffers as of 30 June 2018 amount to

- _ 7.5% for CET1 (4.5% CET1, +1.875% capital conservation buffer, +1.0% buffer for systemic vulnerability and for systemic concentration risk and +0.16% countercyclical capital buffer),
- _ 9.0% for tier 1 capital (sum of CET1 and AT1) and
- _ 11.0% for total own funds.

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

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

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

As of the reporting date 30 June 2018, Erste Group has to fulfil the following capital buffer requirements.

According to section 23 para 1 ABA, Erste Group has to establish a capital conservation buffer in the amount of 2.5%. The transitional provisions for capital conservation buffers, by way of derogation from the requirements under section 23 ABA, are regulated in section 103q para 11 ABA: for the period from 1 January 2017 until 31 December 2017: 1.25%; for the period from 1 January 2018 until 31 December 2018: 1.875%.

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 with the result out of the comparison of the capital requirement related to significant credit risk positions within the national area and the total capital requirement as defined within Part 3, Title II and IV of Regulation (EU) no. 575/2013.
- _ Starting from 1 January 2016 is for the purposes of section 23a para 3 clause 2 ABA the capital buffer rate for the home country allocated, significant credit risk positions is 0%.
- _ If the competent authority of another member state or a third country for the national legal area determines a rate of over 2.5% for the purposes of para 1 for significant credit risk positions in this legal area, a rate of 2.5% has to be applied.
- _ If the responsible third country authority establishes a national buffer rate, this rate is valid twelve months after the date on which the relevant third country authority has announced a change in the buffer rate.

The transitional provisions for the countercyclical buffer, by way of derogation from the requirements under section 23a ABA, are regulated in section 103q para 11 ABA as follows: for the period from 1 January 2017 until 31 December 2017: maximum of 1.25%; for the period from 1 January 2018 until 31 December 2018: maximum of 1.875%.

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

With respect to the systemic risk buffer under section 23d ABA, the capital buffers regulation specifies:

- _ According to section 7 para 1 (2) capital buffers regulation, Erste Group has to establish a capital buffer for systemic vulnerability in the amount of 1%.
- _ According to section 7 para 2 (1) capital buffers regulation, Erste Group has to establish a capital buffer for the systemic concentration risk in the amount of 1%.

In accordance with section 10 capital buffers regulation the buffer rates for systemic vulnerability and for systemic concentration risk respectively are phased in from 1 January to 31 December 2017 with 0.5%, from 1 January to 31 December 2018 with 1%.

As a result of the 2017 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a transitional common equity tier 1 (CET1) ratio of 6.25% as of 30. June 2018. This minimum CET1 ratio of 6.25% includes Pillar 1 minimum requirement (4.5%) and Pillar 2 requirement (P2R, 1.75% valid as of 1 January 2018). In addition, Erste Group is subject to combined buffer requirement consisting of phasing in capital conservation buffer (1.875%), the institution specific countercyclical capital buffer (0.16%) and the systemic risk buffer (1.0%) requirements. Thus, overall transitional CET1 capital requirement amounts to 9.28%. In addition, ECB expects Erste Group to meet a Pillar 2 Guidance (P2G) of 1.05% valid as of 1 January 2018), fully in CET1 capital. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

Overview of capital requirements and capital buffers

	Dec 17	Jun 18
Pillar 1		
Minimum CET 1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirements	8.00%	8.00%
Combined buffer requirement (CBR)	1.90%	3.03%
Capital conservation buffer	1.25%	1.88%
Institution-specific countercyclical capital buffer	0.15%	0.16%
Systemic risk buffer (SRB)	0.50%	1.00%
O-SII capital buffer	0.50%	1.00%
Pillar2		
Pillar 2 requirement (P2R)	1.75%	1.75%
Total CET 1 requirement for Pillar 1 and Pillar 2	8.15%	9.28%
Total Tier 1 requirement for Pillar 1 and Pillar 2	9.65%	10.78%
Total Own Funds requirement for Pillar 1 and Pillar 2	11.65%	12.78%

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

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

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

in EUR million	CRR articles	Dec 17		Jun 18	
		Phased-in	Final	Phased-in	Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26(1)(a)(b), 27-30, 36(1)(f), 42	2,336	2,336	2,336	2,336
Retained earnings	26(1)(c), 26(2)	10,266	10,266	10,515	10,515
Interim profit	26(2)	0	0	480	480
Accumulated other comprehensive income	4(1)(100), 26(1)(d)	-233	-233	-1,546	-1,546
Minority interest recognised in CET1	4(1)(120), 84	3,909	3,909	4,105	4,105
Transitional adjustments due to additional minority interests	479, 480	37	0	0	0
Common equity tier 1 capital (CET1) before regulatory adjustments		16,315	16,278	15,889	15,889
Own CET1 instruments	36(1)(f), 42	-105	-105	-119	-119
Prudential filter: cash flow hedge reserve	33(1)(a)	-5	-5	31	31
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33(1)(b)	146	146	677	677
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33(1)(c), 33(2)	-4	-4	-4	-4
Value adjustments due to the requirements for prudent valuation	34, 105	-83	-83	-78	-78
Regulatory adjustments relating to unrealised gains (0%)	468	-154	0	0	0
Regulatory adjustments relating to unrealised losses (0%)	467	16	0	0	0
Securitized assets with a risk weight of 1,250%	36(1)(k)	-29	-29	-3	-3
Goodwill	4(1)(113), 36(1)(b), 37	-712	-712	-712	-712
Other intangible assets	4(1)(115), 36(1)(b), 37(a)	-801	-801	-786	-786
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36(1)(c), 38	-49	-49	-75	-75
IRB shortfall of credit risk adjustments to expected losses	36(1)(d), 40, 158, 159	-187	-187	-140	-140
Development of unaudited risk provisions during the year (EU No 183/2014)		0	0	0	0
Other transitional adjustments CET1	469-472, 478, 481	365	0	1	0
Goodwill (0%)		142	0	0	0
Other intangible assets (0%)		160	0	0	0
IRB shortfall of provisions to expected losses (0%)		37	0	0	0
Deferred tax assets allocated up to December 2013, that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (20%)		1	0	1	0
Deferred tax assets allocated on or after January 2014 that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (0%)		9	0	0	0
Own CET1 instruments (0%)	36(1)(f)	14	0	0	0
Common equity tier 1 capital (CET1)	50	14,712	14,448	14,682	14,681
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51(a), 52-54, 56(a), 57	993	993	993	993
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	0	0	0	0
Additional tier 1 capital (AT1) before regulatory adjustments		993	993	993	993
Own AT1 instruments	52(1)(b), 56(a), 57	-2	-2	-2	-2
Transitional adjustments due to grandfathered AT1 instruments	483(4)(5), 484-487, 489, 491	0	0	0	0
AT1 instruments of financial sector entities where the institution has a significant investment	4(1)(27), 56(d), 59, 79	0	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	-336	0	0	0
Goodwill (0%)		-142	0	0	0
Other intangibles (0%)		-160	0	0	0
IRB shortfall of provisions to expected losses (0%)		-19	0	0	0
Own CET1 instruments (0%)	36(1)(f)	-14	0	0	0
Additional tier 1 capital (AT1)	61	656	992	991	991
Tier 1 capital = CET1 + AT1	25	15,368	15,440	15,673	15,672

The table will be continued on the subsequent page.

Continuation of the table:

in EUR million	CRR articles	Dec 17		Jun 18	
		Phased-in	Final	Phased-in	Final
Tier 1 capital = CET1 + AT1	25	15,368	15,440	15,673	15,672
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62(a), 63-65, 66(a), 67	4,385	4,385	4,110	4,110
Instruments issued by subsidiaries recognised in T2	87, 88	219	219	228	228
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	61	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)	344	344	299	299
Tier 2 capital (T2) before regulatory adjustments		5,010	4,948	4,636	4,636
Own T2 instruments	63(b)(i), 66(a), 67	-50	-50	-50	-50
Standardised approach general credit risk adjustments	62(c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	-19	0	0	0
IRB shortfall of provisions to expected losses (0%)		-19	0	0	0
T2 instruments of financial sector entities where the institution has a significant investment	4(1)(27), 66(d), 68, 69, 79	-0.6	-0.6	-1	-1
Tier 2 capital (T2)	71	4,940	4,898	4,586	4,586
Total own funds	4(1)(118) and 72	20,309	20,337	20,259	20,258
Capital requirement	92(3), 95, 96, 98	8,802	8,926	9,300	9,360
CET1 capital ratio	92(2)(a)	13.4%	12.9%	12.6%	12.5%
Tier 1 capital ratio	92(2)(b)	14.0%	13.8%	13.5%	13.4%
Total capital ratio	92(2)(c)	18.5%	18.2%	17.4%	17.3%

Minority interest recognised in CET1 includes interim result from saving banks in an amount of EUR 74 million.

The capital structure table above is based on EBA's final draft for implementing technical standards on disclosure for own funds published in the Official Journal of the European Union on 20 December 2013, enlarged by the EBA GL 2014/14. Positions, which are not relevant for Erste Group are not disclosed. Figures shown under full implementation of Basel 3 considered the current CRR.

Changes are possible due to final Regulatory Technical Standards (RTS) that are not yet available. The percentage rates of the transitional provisions refer to the current year.

Erste Group has been informed by ECB in the second quarter of 2018 about its intention to issue a decision in view of a credit risk model, which would become effective earliest by end of September 2018. It could have an effect on risk weighted assets (RWA) on consolidated level of EUR 300 million to EUR 550 million (which corresponds to a reduction of the CET1 ratio of 3 to 6 basis points).

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

in EUR million	Article pursuant to CRR	Dec 17		Jun 18	
		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	110,028	8,802	116,253	9,300
Risk-weighted assets (credit risk)	92 (3) (a) (f)	86,162	6,893	91,653	7,332
Standardised approach		15,640	1,251	15,783	1,263
IRB approach		70,522	5,642	75,870	6,070
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	1	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	2,914	233	3,618	289
Operational risk	92 (3) (e) 92 (4) (b)	17,911	1,433	17,844	1,428
Exposure for CVA	92 (3) (d)	622	50	718	57
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	2,419	194	2,419	194

in EUR million	Article pursuant to CRR	Dec 17		Jun 18	
		Total risk (final)	Capital requirement (final)	Total risk (final)	Capital requirement (final)
Total risk exposure amount	92 (3), 95, 96, 98	111,571	8,926	117,006	9,360
Risk-weighted assets (credit risk)	92 (3) (a) (f)	87,705	7,016	92,406	7,392
Standardised approach		15,640	1,251	16,536	1,323
IRB approach		72,065	5,765	75,870	6,070
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	1	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	2,914	233	3,618	289
Operational risk	92 (3) (e) 92 (4) (b)	17,911	1,433	17,844	1,428
Exposure for CVA	92 (3) (d)	622	50	718	57
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	2,419	194	2,419	194

Own funds reconciliation

For the disclosure of own funds, Erste Group follows the requirements according to Art. 437 CRR as well as the requirements defined in the Implementing Technical Standards (EU) No 1423/2013, which were published in the Official Journal of the European Union on 20 December 2013. Furthermore Erste Group applies the EBA Guideline No 2014/14 of more frequent disclosure regarding own funds.

Based on the requirements defined by the EBA in the Implementing Technical Standards, the following information must be provided:

- _ A full reconciliation of CET1 items - additional tier 1 (AT1) items, tier 2 (T2) items, filters and deductions applied pursuant to Art. 32 to 35, 36, 56, 66 and 79 CRR- to the own funds of the institution's balance sheet in accordance with Art. 437 (1) (a) CRR (see the following tables: Balance sheet, Total equity, Intangible assets, Tax assets and liabilities, Subordinated liabilities).
- _ A table designed by the EBA in order to show the capital structure of regulatory capital. The table includes details on the capital structure of Erste Group including the capital components as well as any regulatory deductions and prudential filters. Disclosures in this table cover the disclosure requirements as defined in Art. 437 (1) (d) CRR, separate disclosure of the nature and amounts of each prudential filter applied pursuant to Art. 32 to 35 CRR, each deduction according to Art. 36, 56 and 66 CRR as well as items not deducted in accordance with Art. 47, 48, 56, 66 and 79 CRR.

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

The tables may contain rounding differences.

Balance Sheet

in EUR million	Dec 17			Jun 18		
	IFRS	Effects - scope of consolidation	CRR	IFRS	Effects - scope of consolidation	CRR
Assets						
Cash and cash balances	21,796	-2	21,794	16,888	-16	16,872
Financial assets held for trading	6,349	-6	6,343	6,888	-2	6,885
Derivatives	3,333	-2	3,331	3,804	2	3,806
Other financial assets held for trading	3,016	-4	3,012	3,083	-4	3,079
Pledged as collateral	242		242	172	0	172
Financial assets at fair value through profit or loss	543	-29	514	0	1	2
Non-trading financial assets at fair value through profit or loss	0	0	0	3,430	-568	2,862
Pledged as collateral	0	0	0	49	0	49
Equity instruments	0	0	0	279	-11	268
Debt securities	0	0	0	2,739	-557	2,182
Loans and advances to banks	0	0	0	0	0	0
Loans and advances to customers	0	0	0	412	0	412
Financial assets available for sale	16,060	-495	15,565	0	0	0
Pledged as collateral	757	16	773	0	0	0
Financial assets at fair value through other comprehensive income	0	0	0	9,965	-1	9,964
Pledged as collateral	0	0	0	623	0	623
Equity instruments	0	0	0	242	-1	241
Debt securities	0	0	0	9,723	0	9,723
Financial assets held to maturity	19,800	-1	19,799	0	0	0
Pledged as collateral	1,568	0	1,568	0	0	0
Loans and receivables to credit institutions	9,126	-4	9,122	0	0	0
Loans and receivables to customers	139,532	337	139,869	0	0	0
Financial assets at amortised cost	0	0	0	180,748	411	181,160
Pledged as collateral	0	0	0	1,944	0	1,944
Debt securities	0	0	0	24,029	-1	24,028
Loans and advances to banks	0	0	0	17,149	-16	17,133
Loans and advances to customers	0	0	0	139,570	428	139,999
Finance lease receivables	0	0	0	3,676	-45	3,631
Hedge accounting derivatives	884	0	884	116	0	116
Property and equipment	0	0	0	2,363	-110	2,254
Investment properties	2,387	-109	2,278	1,102	-325	778
Intangible assets	1,112	-283	828	1,507	-8	1,499
Investments in associates and joint ventures	1,524	-9	1,515	201	164	366
Current tax assets	198	-25	174	125	0	125
Deferred tax assets	108	0	107	320	-3	317
Assets held for sale	258	-6	252	203	-67	135
Trade and other receivables	214	-78	136	1,072	-2	1,070
Other assets	769	92	860	1,274	-97	1,177
Total assets	220,659	-619	220,041	229,878	-668	229,210
Liabilities and equity						
Financial liabilities held for trading	3,423	1	3,424	3,070	1	3,072
Derivatives	2,934	1	2,935	2,529	1	2,530
Other financial liabilities held for trading	489	0	489	541	0	541
Financial liabilities at fair value through profit or loss	1,801	0	1,801	14,473	-529	13,944
Deposits from customers	49	0	49	56	0	56
Debt securities issued	1,753	0	1,753	13,874	14	13,888
Other financial liabilities	0	0	0	544	-544	0
Financial liabilities at amortised cost	191,711	-411	191,300	189,875	65	189,940
Deposits from banks	16,349	-4	16,345	17,867	-4	17,863
Deposits from customers	150,921	162	151,082	156,775	103	156,878
Debt securities issued	23,342	-35	23,307	14,601	-32	14,569
Other financial liabilities	1,099	-534	566	633	-2	631
Finance lease liabilities	0	0	0	0	0	0
Hedge accounting derivatives	360	0	360	311	0	311
Fair value changes of hedged items in portfolio hedge of interest rate risk	666	0	666	0	0	0
Provisions	1,648	-10	1,638	1,688	-10	1,678
Current tax liabilities	101	-2	99	127	-1	125
Deferred tax liabilities	61	-12	50	65	-9	56
Liabilities associated with assets held for sale	3	0	3	3	0	3
Other liabilities	2,596	-104	2,492	2,558	-106	2,451
Total equity	18,288	-82	18,206	17,708	-79	17,629
Equity attributable to non-controlling interests	4,416	-13	4,403	4,402	-12	4,390
Additional equity instruments	993	0	993	993	0	993
Equity attributable to owners of the parent	12,879	-69	12,810	12,313	-67	12,246
Subscribed capital	860	0	860	860	0	860
Additional paid-in capital	1,477	0	1,477	1,477	0	1,477
Retained earnings and other reserves	10,918	-61	10,857	9,977	-67	9,910
Total liabilities and equity	220,659	-619	220,041	229,878	-668	229,210

The following tables represent, as far as possible, a reconciliation between the IFRS balance sheet items to the items of CET1, AT1 and T2, as well as information on the regulatory adjustments arising from correction items in accordance with Art. 32 to 35 CRR and the deductions according to Art. 36, 56, 66 and 79 CRR.

The letter in the last column sets the derived amount from IFRS figures with the appropriate eligible amount of own funds presentation in conjunction.

Total equity

in EUR million	IFRS	Effects - scope of consolidation	CRR	IPS adjustments	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Jun 18							
Subscribed capital	860	0	860	0	0	860	
Capital reserves	1,477	0	1,477	0	-1	1,476	
Capital instruments and the related share premium accounts	2,336	0	2,336	0	-1	2,336	a
Retained earnings	11,443	-61	11,382	0	-387	10,995	b
Other comprehensive income (OCI)	-1,466	-6	-1,471	-56	-19	-1,546	c
Cash flow hedge reserve	-31	0	-31	0	0	-31	g
Available for sale reserve							
Fair value reserve	227	0	227	7	17	315	
Liability own credit risk reserve	-668	0	-668	-9	0	-677	o
Currency translation	-652	-6	-657	-2	-35	-693	
Remeasurement of net liability of defined pension plans	-343	0	-343	-116	-1	-460	
Deferred tax							
Equity attributable to owners of the parent	12,313	-67	12,246	-56	-407	11,784	
Additional equity instruments	993	0	993	0	-993	0	
Equity attributable to non-controlling interests	4,402	-12	4,390	33	-318	4,105	d
Total equity	17,708	-79	17,629	-23	-1,718	15,889	

IPS adjustments include the amounts for entities that are consolidated due to the Institutional Protections Scheme according to Art. 113 (7) CRR. Further details regarding the development of IFRS equity are disclosed under section Group Statement of Changes in Total Equity.

Intangible assets

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Jun 18						
Intangible assets	1,507	- 8	1,499	- 1	1,498	e

Deferred Taxes

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Jun 18						
Deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	75	0	75	-1	74	f
Related DTA allocated on or after Jan 14 for which 100% CET1 deduction is required according to CRR transitional provisions			72	0	72	
Related DTA allocated up to Dec 13 for which 80% deduction from CET1 is required according to CRR transitional provisions			3	-1	2	
Deferred tax assets that rely on future profitability and arise from temporary differences	245	-3	242	-242	0	
Deferred tax assets	320	-3	317	-243	74	

Based on the threshold definition according to Art. 48 CRR deferred tax assets that rely on future profitability and arise from temporary differences are not deductible for Erste Group at 30 June 2018. In accordance with Art. 48 (4) CRR the non-deductible amount is risk weighted with 250% and considered within the credit risk.

Subordinated liabilities and additional tier 1 issuances

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Jun 18						
Subordinated issues, deposits and supplementary capital	6,059	2	6,060	-1,773	4,287	
Tier 2 capital instruments (including related share premium) issued by the parent company	0	0	0	0	4,060	i
Qualifying own funds instruments included in consolidated tier 2 capital issued by subsidiaries and held by third parties	0	0	0	0	228	m
thereof instruments issued by subsidiaries subject to phase-out	0	0	0	0	0	
Additional Tier 1 (AT1) issuances	993	0	993	-2	991	j
Subordinated liabilities	7,051	2	7,053	-1,774	5,279	

Transitional provisions

The Transitional Provisions which are applied by Erste Group, are based on CRR-Supplementary Regulation according to BGBl II Nr. 425/2013, and the regulation of the European Central Bank on the exercise of options and discretions, ECB/2016/4.

Own funds template

Disclosure requirements: Art. 437 (1) (d) (e) CRR

Erste Group does not consider Art. 437 (1) (f) CRR for the calculation of consolidated own funds.

The table below presents the composition of the regulatory capital based on the Implementing Technical Standards on the disclosure of own funds published in the Official Journal of the EU.

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

in EUR million		Jun 18	Regulation (EU) No 575/2013	Reference to tables
1	Capital instruments and the related share premium accounts	2,336	26(1), 27, 28, 29, EBA list 26(3)	a
	of which: ordinary shares	2,336	EBA list 26(3)	a
2	Retained earnings	10,995	261(c)	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-1,546	26(1)	c
3a	Fund for general banking risk	0	26(1)(f)	
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1	0	486(2)	
	Public sector capital injections grandfathered until Jan 18	0	483(2)	
5	Minority interests (amount allowed in consolidated CET1)	4,105	84, 479, 480	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26(2)	
6	CET1 capital before regulatory adjustments	15,889		
Common Equity Tier 1 (CET1): regulatory adjustments				
7	Additional value adjustments (negative amount)	-78	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-1,498	36(1)(b), 37, 472(4)	e
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	-74	36(1)(c), 38, 472(5)	f
11	Fair value reserves related to gains or losses on cash flow hedges	31	33(a)	g
12	Negative amounts resulting from the calculation of expected loss amounts	-140	36(1)(d), 40, 159, 472(6)	
13	Any increase in equity that results from securitised assets (negative amount)	0	32(1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	673	33(b)	o
15	Defined-benefit pension fund assets (negative amount)	0	36(1)(e), 41, 472(7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-119	36(1)(f), 42, 472(8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	36(1)(g), 44, 472(9)	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36(1)(h), 43, 45, 46, 49(2)(3), 79, 472(10)	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36(1)(i), 43, 45, 47, 48(1)(b), 49(1)-(3), 79, 470, 472(11)	
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-3	36(1)(k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36(1)(k)(i), 89-91	
20c	of which: securitisation positions (negative amount)	-3	36(1)(k)(ii), 243(1)(b), 244(1)(b), 258	
20d	of which: free deliveries (negative amount)	0	36(1)(k)(iii), 379(3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	0	36(1)(c), 38, 48(1)(a), 470, 472(5)	
22	Amount exceeding the 15% threshold (negative amount)	0	48(1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	36(1)(i), 48(1)(b), 470, 472(11)	
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary differences	0	36(1)(c), 38, 48(1)(a), 470, 472(5)	
25a	Losses for the current financial year (negative amount)	0	36(1)(a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36(1)(l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0		
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0		
	of which: unrealised losses	0	467	
	of which: unrealised gains	0	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	481	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36(1)(j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1,207		
29	CET1 capital	14,681		

The table is continued on the next page.

in EUR million		Jun 18	Regulation (EU) No 575/2013	Reference to tables
Additional Tier 1 (AT1) capital: instruments			0	
30	Capital instruments and the related share premium accounts	993	51, 52	
31	of which: classified as equity under applicable accounting standards	993		
32	of which: classified as liabilities under applicable accounting standards	0		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486(3)	
	Public sector capital injections grandfathered until Jan 18	0	483(3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	0	85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase-out	0	486(3)	
36	AT1 capital before regulatory adjustments	993		j
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-2	52(1)(b), 56(a), 57, 475(2)	j
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	56(b), 58, 475(3)	
39	Holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56(c), 59, 60, 79, 475(4)	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56(d), 59, 79, 475(4)	
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)	0		
41a	Residual amounts deducted from AT1 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)	
	of which: interim loss	0		
	of which: intangible assets	0		
	of which: shortfall of provisions to expected loss	0		
	of which: own CET1 Instruments	0		
41b	Residual amounts deducted from AT1 with regard to deduction from T2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477(3), 477(4)(a)	
	of which: reciprocal cross holdings in T2 instruments	0		
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		
41c	Amount to be deducted from or added to AT1 with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	
	of which: possible filter to unrealised losses	0	467	
	of which: possible filter to unrealised gains	0	468	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56(e)	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-2		
44	Additional Tier 1 (AT1) capital	991		
45	Tier 1 capital (T1 = CET1 + AT1)	15,673		
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	4,110	62, 63	l
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	486(4)	
	Public sector capital injections grandfathered until Jan 18	0		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	228		m
49	of which: instruments issued by subsidiaries subject to phase-out	0	486(4)	
50	Credit risk adjustments	299	62(c)(d)	
51	Tier 2 (T2) capital before regulatory adjustment	4,636	0	
T2 capital: regulatory adjustments			0	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-50		l
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0		
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	66(c), 69, 70, 79, 477(4)	
54a	of which: new holdings not subject to transitional arrangements	0	0	
54b	of which: holdings existing before 1 Jan 2013 and subject to transitional arrangements	0	0	
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-0.6	66(d), 69, 79, 477(4)	

The table is continued on the next page.

in EUR million		Jun 18	Regulation (EU) No 575/2013	Reference to tables
56	Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		
56a	Residual amounts deducted from T2 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)	
	of which: shortfall of provisions to expected loss	0	472(6)	
	of which: non-significant investments	0	472(10)	
56b	Residual amounts deducted from T2 with regard to deduction from AT1 during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	475, 475(2)(a), 475(3), 475(4)(a)	
	of which: reciprocal cross holdings in T1 instruments	0		
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		
56c	Amounts to be deducted from or added to T2 with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	
	of which possible filter to unrealised losses	0	467	
	of which: possible filter to unrealised gains	0	468	
57	Total regulatory adjustments to Tier 2 (T2) capital	-51		
58	Tier 2 (T2) capital	4,586		
59	Total capital (TC = T1 + T2)	20,258		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0		
	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	0	472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)	
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	475, 475(2)(b), 475(2)(c), 475(4)(b)	
	of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)	0	477, 477(2)(b), 477(2)(c), 477(4)(b)	
60	Total risk-weighted assets	116,253		
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	12.6%	92(2)(a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	13.5%	92(2)(b), 465	
63	Total capital (as a percentage of total risk exposure amount)	17.4%	92(2)(c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	3.03%	CRD 128, 129, 130	
65	of which: capital conservation buffer requirement	1.88%		
66	of which: countercyclical buffer requirement	0.16%		
67	of which: systemic risk buffer requirement	1.00%		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.00%	CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	6.4%	CRD 128	
Amounts below the thresholds for deduction (before risk-weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	572	36(1)(h), 45, 46, 472(10), 56(c), 59, 60, 475(4), 66(c), 69, 70, 477(4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	299	36(1)(i), 45, 48, 470, 472(11)	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	242	36(1)(c), 38, 48, 470, 472(5)	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	197	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	299	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	455	62	
Capital instruments subject to phase-out arrangements (only applicable between Jan 2013 and Jan 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements	40%	484(3), 486(2)&(5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484(3), 486(2)&(5)	
82	Current cap on AT1 instruments subject to phase-out arrangements	40%	484(4), 486(3)&(5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484(4), 486(3)&(5)	
84	Current cap on T2 instruments subject to phase-out arrangements	40%	484(5), 486(4)&(5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484(5), 486(4)&(5)	

42. Events after the reporting date

There are no significant events after the balance sheet date.

Statement of all Legal Representatives

We confirm to the best of our knowledge that the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Management board

Andreas Treichl mp, Chairman	Willibald Cernko mp, Member
Peter Bosek mp, Member	Gernot Mittendorfer mp, Member
Petr Brávek mp, Member	Jozef Sikela mp, Member

Vienna, 31 July 2018

Your Notes

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

Note regarding forward-looking statements

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

Shareholder Events

2 November 2018 Results for the first three quarters of 2018
15 May 2019 Annual general meeting

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

www.erstegroup.com/investorrelations

Group Investor Relations

Erste Group Bank AG
Am Belvedere 1
1100 Vienna
Austria

Email: investor.relations@erstegroup.com
Internet: www.erstegroup.com/en/investors

Thomas Sommerauer
Phone: +43 (0) 5 0100 17326
Email: thomas.sommerauer@erstegroup.com

Peter Makray
Phone: +43 (0) 5 0100 16878
Email: peter.makray@erstegroup.com

Simone Pilz
Phone: +43 (0) 5 0100 13036
Email: simone.pilz@erstegroup.com

Gerald Krames
Phone: +43 (0) 5 0100 12751
Email: gerald.krames@erstegroup.com

Ticker Symbols

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