Interim Report
Third Quarter 2019

THE FUTURE IS YOURS.

200 YEARS

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ERSTE Group

Key financial data

Income statement

in EUR million	Q3 18	Q2 19	Q3 19	1-9 18	1-9 19
Net interest income	1,158.2	1,168.8	1,187.7	3,372.0	3,517.4
Net fee and commission income	471.4	492.7	503.9	1,430.7	1,484.3
Net trading result and gains/losses from financial instruments at FVPL	36.9	93.7	60.0	115.4	229.9
Operating income	1,722.1	1,821.2	1,801.2	5,096.2	5,394.1
Operating expenses	-1,025.8	-1,030.4	-1,014.9	-3,102.3	-3,160.8
Operating result	**696.3**	**790.9**	**786.4**	**1,993.9**	**2,233.3**
Impairment result from financial instruments	28.9	7.1	0.1	102.2	42.9
Post-provision operating result	**725.2**	**797.9**	**786.5**	**2,096.1**	**2,276.2**
Other operating result	-32.4	-219.9	-46.2	-237.0	-397.2
Levies on banking activities	-24.8	-25.9	-26.2	-88.1	-90.9
Pre-tax result from continuing operations	694.3	588.0	746.8	1,869.0	1,896.6
Taxes on income	-120.0	-117.2	-138.2	-355.0	-350.9
Net result for the period	**574.2**	**470.8**	**608.6**	**1,514.0**	**1,545.7**
Net result attributable to non-controlling interests	120.3	115.9	117.6	285.8	322.7
Net result attributable to owners of the parent	**454.0**	**354.9**	**491.1**	**1,228.3**	**1,223.0**
Earnings per share	1.06	0.74	1.15	2.79	2.78
Return on equity	14.4%	9.3%	14.3%	12.5%	11.6%
Net interest margin (on average interest-bearing assets)	2.27%	2.18%	2.14%	2.29%	2.17%
Cost/income ratio	59.6%	56.6%	56.3%	60.9%	58.6%
Provisioning ratio (on average gross customer loans)	-0.02%	0.03%	0.05%	-0.08%	0.03%
Tax rate	17.3%	19.9%	18.5%	19.0%	18.5%

Balance sheet

in EUR million	Sep 18	Jun 19	Sep 19	Dec 18	Sep 19
Cash and cash balances	15,237	16,843	15,638	17,549	15,638
Trading, financial assets	44,333	45,620	45,895	43,930	45,895
Loans and advances to banks	19,972	23,035	25,241	19,103	25,241
Loans and advances to customers	148,311	155,331	157,841	149,321	157,841
Intangible assets	1,483	1,490	1,491	1,507	1,491
Miscellaneous assets	5,491	5,943	5,996	5,382	5,996
Total assets	**234,827**	**248,261**	**252,101**	**236,792**	**252,101**
Financial liabilities held for trading	2,865	2,518	2,751	2,508	2,751
Deposits from banks	19,086	19,043	19,936	17,658	19,936
Deposits from customers	159,828	169,668	172,511	162,638	172,511
Debt securities issued	28,249	30,773	30,103	29,738	30,103
Miscellaneous liabilities	6,403	6,609	6,670	5,381	6,670
Total equity	18,396	19,649	20,130	18,869	20,130
Total liabilities and equity	**234,827**	**248,261**	**252,101**	**236,792**	**252,101**
Loan/deposit ratio	92.8%	91.5%	91.5%	91.8%	91.5%
NPL ratio	3.5%	2.8%	2.7%	3.2%	2.7%
NPL coverage ratio (based on AC loans, ex collateral)	71.1%	75.4%	76.9%	73.4%	76.9%
CET 1 ratio (phased-in)	12.5%	13.6%	13.2%	13.5%	13.2%

Ratings	Sep 18	Jun 19	Sep 19
Fitch			
Long-term	A-	A	A
Short-term	F1	F1	F1
Outlook	Stable	Stable	Stable
Moody´s			
Long-term	A2	A2	A2
Short-term	P-1	P-1	P-1
Outlook	Positive	Positive	Positive
Standard & Poor´s			
Long-term	A	A	A
Short-term	A-1	A-1	A-1
Outlook	Positive	Positive	Positive

Letter from the CEO

Dear shareholders,

On 4 October 1819, the Viennese priest Johann Baptist Weber founded Erste österreichische Spar-Casse. Who would have thought, 200 years ago, that his idea would change the lives of so many people? Prosperity for all – what a bold aspiration. I should like to take this opportunity to remind you of the key principles of our founding charter, so simple and so radical: "Regardless of their age, gender, social standing, or nationality no one should be excluded from the benefits that the savings bank offers". The social fabric, politics and the economy have since then changed dramatically. Erste Group has developed not only geographically. Our purpose, however, has remained unchanged. We believe in people, in their ability to develop ideas and put them into practice, for this is what creates value and prosperity for our society. Over the past 200 years, Erste Group has helped to change the lives of many people in the CEE region for the better – with the first savings book, the first retail loan, the first ATM and George, the first pan-European banking platform.

At year-end 2019, I will retire as CEO. It has been a privilege to serve on the Group's management board for 25 eventful years, initially with a workforce of about 3,000 in Austria and now with approximately 47,000 employees in Central and Eastern Europe. This year, as we are marking our anniversary, we are stronger than ever before in every way. With growth rates in our region above the European average, the business environment for Erste Group's local banks remains solid. While the challenges facing the financial industry have changed substantially they still have to be reckoned with and only a financially sound bank will be able to fulfil its purpose in a sustainable manner over the long term.

I am pleased that I can take my leave from you on a very positive result – a net profit of EUR 1,223.0 million for the first nine months of 2019. In terms of details, there is little news to report this quarter. The marked rise in the operating result by 12.0% was driven largely by higher core income, i.e. net interest and net fee and commission income (up 4.3% and 3.7%, respectively), as well as the extraordinarily strong net trading and fair value result, which is primarily attributable to the development of interest rates and markets in recent months. Income growth outpaced cost growth despite higher contributions to deposit insurance systems and rising wages (personnel costs are under pressure in most of our core markets not least due to lower unemployment rates). While other operating result was adversely affected by provisions set aside in the second quarter, we benefited from the continued benign risk environment in our region. The historically unusual phenomenon of net releases of provisions rather than risk costs remained. Thanks to the persistently positive trend in asset quality, Erste Group's NPL ratio improved to 2.7%.

Year-to-date, loan growth has been recorded in all of Erste Group's core markets, in both the retail and the corporate segments. Over this period, loans to customers have risen by 5.7% to EUR 157.8 billion. Similarly, customer deposits have increased by 6.1% to EUR 172.5 billion. The loan-to-deposit ratio thus stands at 91.5%.

Erste Group's liquidity and funding positions remain excellent. Erste Group has been highly active in the capital markets in 2019, successfully placing several benchmark bonds at different seniorities from mortgage covered bonds to non-preferred senior (NPS) bonds. The capital base is very solid due to steady organic growth of capital over the past years, supported by a total of three successful placements of additional tier 1 capital (AT1). Taking into account retained earnings for the third quarter (including accrued dividends), the common equity tier 1 ratio stood at 13.5% as of the end of September (CRR final), the internal CET1 target was thus met.

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

The signs are favourable for our Group and there is a good chance that our shareholders will be happy owners in the years ahead. This is my wish for you and, at the same time, also for myself, as in my future role as chairman of the Erste Foundation's supervisory board I will be hoping for rising share prices and solid dividends that will enable us to further develop our social banking and financial education activities, which in turn will again benefit you as shareholders of Erste Group.

Andreas Treichl m.p.

Erste Group on the capital markets

EQUITY MARKET REVIEW

In the third quarter, international stock markets were again driven by geopolitical tensions and their impacts on global economic growth. The ongoing trade conflict between the US and China, which escalated in August through the mutual imposition of additional punitive tariffs, was only one of the factors that caused market volatility. The still unsolved decisions when and under which conditions the United Kingdom will leave the European Union also contributed to uncertainty. Amid persistent concerns over the future development of the economy both the European Central Bank (ECB) and the US central bank (Fed) embarked on further easing of their monetary policies.

Most of the stock markets monitored ended the third quarter on modest gains. Their performance was supported by forecasts of continuing moderate growth of corporate revenues and earnings, with the US expected to see a faster pace of growth than Europe. Another factor was monetary easing by the central banks. At the end of the quarter, the US indices were up year to date by 15.4% (Dow Jones Industrial Index at 26,916.83 points) and 18.7% (Standard & Poor's 500 Index at 2,976.74 points). The broader European Stoxx 600 Index advanced 16.4% to 393.15 while the Austrian Traded Index (ATX) was 9.6% higher year-to-date at 3,010.61 points. At the end of the quarter, the Euro Stoxx Banks Index, which is composed of the leading European bank shares, was almost unchanged year-to-date at 87.70 points, having gained 0.8%.

The expected impacts on the economy, partially resulting from the US-China trade conflict, prompted the central banks to take the decisions that had been expected: in early August and mid-September, respectively, the Fed lowered its benchmark rate in two steps by 25 basis points each to a range of 1.75 to 2.00%. Likewise in mid-September, the ECB cut its deposit facility rate for banks from previously -0.4% to -0.5%. In another move to support the accommodative stance of its monetary policy, the ECB decided to resume, from 1 November 2019 onwards, the asset purchases it had ended as of year-end 2018.

SHARE PERFORMANCE

In the third quarter, the price of the Erste Group Bank AG share was volatile despite a continued strong operating result, an improved cost/income ratio and risk costs remaining at historically low levels. After rising to a new annual high of EUR 34.21 in July, the share price declined markedly in line with the Euro Stoxx Banks Index in August. The Erste Group share's low during the reporting period was marked at EUR 28.85. The performance of European bank shares was mainly attributable to a weakening economic outlook along with the ECB's rate policy and its expected adverse impact on the European banks' net interest income. In September, the Erste Group share partly regained lost ground and ended the third quarter with a closing price of EUR 30.34. Despite a decline by 7.0% quarter-on-quarter, the share price was still 4.4% up year-to-date as of 30 September.

In the third quarter of 2019, trading volume on the three stock exchanges (Vienna, Prague, Bucharest) on which the Erste Group share is listed averaged 761,733 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

In 2019, Erste Group has placed a total volume of EUR 2.5 billion in five benchmark-size issuances at all levels of seniority except tier 2. The most recent issue was a 10-year mortgage covered bond priced at MS + 6bp in September, which resulted in a negative yield of -0.16%. This transaction was the longest Euro denominated bond with a negative yield at this seniority level.

In the third quarter, the Erste Group's management together with the investor relations team met investors in a large number of one-on-one and group meetings, in which questions raised by investors and analysts were answered. The Erste Group's performance and strategy were presented against the backdrop of the current environment at international banking and investor conferences hosted by Autonomous, Raiffeisen, Bank of America Merrill Lynch and mBank. The dialogue with bond investors was continued.

Interim management report

In the interim management report, financial results from January-September 2019 are compared with those from January-September 2018 and balance sheet positions as of 30 September 2019 with those as of 31 December 2018.

EARNINGS PERFORMANCE IN BRIEF

Net interest income increased – mainly in the Czech Republic, but also in Romania and Hungary – to EUR 3,517.4 million (+4.3%; EUR 3,372.0 million). **Net fee and commission income** rose to EUR 1,484.3 million (+3.7%; EUR 1,430.7 million) on the back of payment services, from lending and asset management. While **net trading result** improved significantly to EUR 419.3 million (EUR -50.4 million), the line item **gains/losses from financial instruments measured at fair value through profit or loss** declined to EUR -189.4 million (EUR 165.8 million), the development of both line items was driven by valuation effects. **Operating income** increased to EUR 5,394.1 million (+5.8%; EUR 5,096.2 million). The increase in **general administrative expenses** to EUR 3,160.8 million (+1.9%; EUR 3,102.3 million) was mainly attributable to a rise in personnel expenses to EUR 1,887.2 million (+3.1%; EUR 1,830.5 million). Other administrative expenses included almost all payments to deposit insurance systems expected in 2019 in the amount of EUR 97.7 million (EUR 84.2 million). The increase in amortisation and depreciation to EUR 394.4 million (EUR 350.3 million) is attributable to the first-time application of the new financial reporting standard for leases (IFRS 16) as of 1 January 2019, while a corresponding positive effect was recorded in other administrative expenses. Overall, the **operating result** rose to EUR 2,233.3 million (+12.0%; EUR 1,993.9 million) and the **cost/income ratio** improved to 58.6% (60.9%).

Due to net releases on the back of continued solid asset quality, the **impairment result from financial instruments** amounted to EUR 42.9 million or, adjusted for net allocation of provisions for commitments and guarantees given, 3 basis points of average gross customer loans (EUR 102.2 million or -8 basis points). This was mainly attributable to substantial income received from the recovery of loans already written off, primarily in the Czech Republic, Hungary and Romania, as well as from releases of provisions for commitments and guarantees given in Austria, the Czech Republic and Romania. The **NPL ratio** based on gross customer loans improved further to 2.7% (3.2%). The **NPL coverage ratio** increased to 76.9% (73.4%).

Other operating result amounted to EUR -397.2 million (EUR -237.0 million). The deterioration is attributable to a provision in the amount of EUR 150.8 million set aside for losses expected from a decision of the Romanian High Court in relation to the business activities of a local subsidiary. The expenses for the annual contributions to resolution funds included in this line item rose – in particular in the Czech Republic – to EUR 75.3 million (EUR 70.4 million). Banking and transaction taxes were slightly higher at EUR 90.9 million (EUR 88.1 million), including EUR 12.6 million (EUR 13.8 million) in Hungarian banking taxes posted upfront for the full financial year. Other taxes amounted to EUR 8.3 million (EUR 6.4 million).

The minority charge rose due to significantly better results from the savings banks to EUR 322.7 million (EUR 285.8 million). The **net result attributable to owners of the parent** amounted to EUR 1,223.0 million (-0.4%; EUR 1.228.3 million).

Total equity not including AT1 instruments rose to EUR 18.6 billion (EUR 17.9 billion). After regulatory deductions and filtering in accordance with the CRR, **common equity tier 1 capital** (CET1, final) amounted to EUR 15.9 billion (EUR 15.5 billion), total **own funds** (final) to EUR 21.5 billion (EUR 20.9 billion). While half-year interim profit is included in the above figures, third-quarter profit is not included. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR, final) – rose to EUR 121.4 billion (EUR 115.4 billion). The **common equity tier 1 ratio** (CET1, final) stood at 13.1% (13.5%), the **total capital ratio** at 17.7% (18.1%).

Total assets rose to EUR 252.1 billion (EUR 236.8 billion). On the asset side, cash and cash balances decreased to EUR 15.6 billion (EUR 17.5 billion), while loans and advances to credit institutions increased to EUR 25.2 billion (EUR 19.1 billion). **Loans and advances to customers** rose to EUR 157.8 billion (+5.7%; EUR 149.3 billion). On the liability side, deposits from banks increased to EUR 19.9 billion (EUR 17.7 billion) and **customer deposits** grew again – most notably in the Czech Republic and in Austria – to EUR 172.5 billion (+6.1%; EUR 162.6 billion). The **loan-to-deposit ratio** stood at 91.5% (91.8%).

OUTLOOK

Operating environment anticipated to be conducive to credit expansion.
Real GDP growth is forecast to come in at around 3-4% in Erste Group's CEE core markets and about 2% in Austria in 2019, again driven primarily by robust domestic demand. In CEE, economic activity should be supported by real wage growth and low unemployment. Fiscal discipline is expected to be maintained across CEE.

Business outlook. Erste Group aims to achieve a return on tangible equity (ROTE) of more than 11% in 2019 (based on average tangible equity in 2019). The underlying assumptions are: revenues rising faster than costs (based on mid-single digit net loan growth), risk costs higher, but still at a historically benign level (up to 10 basis points), with a tax rate of below 20%.

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

PERFORMANCE IN DETAIL

in EUR million	1-9 18	1-9 19	Change
Net interest income	3,372.0	3,517.4	4.3%
Net fee and commission income	1,430.7	1,484.3	3.7%
Net trading result and gains/losses from financial instruments at FVPL	115.4	229.9	99.2%
Operating income	5,096.2	5,394.1	5.8%
Operating expenses	-3,102.3	-3,160.8	1.9%
Operating result	**1,993.9**	**2,233.3**	**12.0%**
Impairment result from financial instruments	102.2	42.9	-58.0%
Other operating result	-237.0	-397.2	67.6%
Levies on banking activities	-88.1	-90.9	3.1%
Pre-tax result from continuing operations	**1,869.0**	**1,896.6**	**1.5%**
Taxes on income	-355.0	-350.9	-1.2%
Net result for the period	**1,514.0**	**1,545.7**	**2.1%**
Net result attributable to non-controlling interests	285.8	322.7	12.9%
Net result attributable to owners of the parent	**1,228.3**	**1,223.0**	**-0.4%**

Net interest income

Net interest income rose to EUR 3,517.4 million (EUR 3,372.0 million). The marked increase in the Czech Republic was attributable to the improved interest rate environment and sustained growth in lending to customers. Higher net interest income was also posted in Romania driven primarily by higher market interest rates and in Hungary on the back of lending growth. The implementation of IFRS 16 led to a negative impact of EUR 19.8 million on net interest income. Year on year, interest-bearing assets rose faster than net interest income, not least because of a marked increase in interbank assets, which resulted in the net interest margin (net interest income as a percentage of average interest-bearing assets) slightly narrowing to 2.17% (2.29%).

Net fee and commission income

Net fee and commission income increased to EUR 1,484.3 million (EUR 1,430.7 million). Growth was registered in all core markets, most notably in Hungary. Declining income from the securities business was offset by higher income from payments, lending and asset management. In Slovakia, income from insurance brokerage commissions increased significantly.

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

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

Due to the interest rate development, net trading result improved significantly to EUR 419.3 million (EUR -50.4 million). On the other hand, gains/losses from financial instruments measured at fair value through profit or loss declined to EUR -189.4 million (EUR 165.8 million).

General administrative expenses

in EUR million	1-9 18	1-9 19	Change
Personnel expenses	1,830.5	1,887.2	3.1%
Other administrative expenses	921.5	879.3	-4.6%
Depreciation and amortisation	350.3	394.4	12.6%
General administrative expenses	**3,102.3**	**3,160.8**	**1.9%**

General administrative expenses amounted to EUR 3,160.8 million (EUR 3,102.3 million). **Personnel expenses** increased – mainly in Austria and the Czech Republic – to EUR 1,887.2 million (EUR 1,830.5 million). **Other administrative expenses** declined moderately to EUR 879.6 million (EUR 921.5 million). Contributions to deposit insurance systems – except for Croatia and Serbia already for the full year – increased to EUR 97.7 million (EUR 84.2 million) on the back of continuing strong deposit growth. The largest increase in payments was registered in Romania, to EUR 12.7 million (EUR 4.3 million), but contributions were also up significantly in Austria. The first-time application of the new financial reporting standard for leases (IFRS 16) as of 1 January 2019 had a positive impact on other administrative expenses – through lower rental expenses – in the amount of EUR 60.5 million, but negatively impacted **depreciation and amortisation** by EUR 54.1 million, pushing the latter to EUR 394.4 million (EUR 350.3 million).

Headcount as of end of the period

	Dec 18	Sep 19	Change
Austria	**16,137**	**16,247**	**0.7%**
Erste Group, EB Oesterreich and subsidiaries	9,022	9,108	0.9%
Haftungsverbund savings banks	7,115	7,140	0.3%
Outside Austria	**31,260**	**30,660**	**-1.9%**
Česká spořitelna Group	10,115	9,723	-3.9%
Banca Comercială Română Group	7,237	6,753	-6.7%
Slovenská sporiteľňa Group	4,105	4,085	-0.5%
Erste Bank Hungary Group	3,124	3,154	1.0%
Erste Bank Croatia Group	3,168	3,337	5.3%
Erste Bank Serbia Group	1,108	1,170	5.6%
Savings banks subsidiaries	1,204	1,224	1.7%
Other subsidiaries and foreign branch offices	1,199	1,214	1.2%
Total	**47,397**	**46,907**	**-1.0%**

Operating result

Operating income rose to EUR 5,394.1 million (+5.8%; EUR 5,096.2 million) on the back of significantly improved net interest and net trading income and a rise in net fee and commission income. General administrative expenses increased to EUR 3,160.8 million (+1.9%; EUR 3,102.3 million) due to a rise in personnel expenses and higher depreciation and amortisation while other administrative expenses declined. The operating result improved to EUR 2,233.3 million (+12.0%; EUR 1,993.9 million). The cost/income ratio improved likewise to 58.6% (60.9%).

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

Gains from derecognition of financial instruments not measured at fair value through profit or loss (net) amounted to EUR 17.6 million (EUR 9.9 million). This item includes primarily gains/losses from the sale of securities and the derecognition of financial liabilities.

Impairment result from financial instruments

Due to net releases, the impairment result from financial instruments amounted to EUR 42.9 million (EUR 102.2 million). The negative balance of the allocation/release of provisions for the lending business was offset by continued high income received from the recovery of loans already written off in the amount of EUR 110.1 million (EUR 93.6 million) as well as the release of provisions for commitments and guarantees given in the amount of EUR 78.4 million (EUR 5.8 million).

Other operating result

Other operating result amounted to EUR -397.2 million (EUR -237.0 million). Levies on banking activities rose marginally to EUR 90.9 million (EUR 88.1 million). While levies payable in Austria were nearly unchanged at EUR 18.2 million (EUR 17.6 million), banking tax in Slovakia rose to EUR 24.2 million (EUR 22.5 million). Hungarian banking tax – already posted upfront for the full year 2019 – declined to EUR 12.6 million (EUR 13.8 million). Including financial transaction tax of EUR 35.9 million (EUR 34.2 million), bank levies in Hungary totalled EUR 48.5 million (EUR 48.0 million).

Allocations/release of other provisions amounted to EUR -176.7 million (net releases of EUR 48.5 million). The significant deterioration is attributable to a provision in the amount of EUR 150.8 million set aside for losses expected from a decision of the Romanian High Court in relation to the business activities of a local subsidiary. In addition, other operating result also reflects the annual contributions to resolution funds in the amount of EUR 75.3 million (EUR 70.4 million). The steepest rise, to EUR 26.5 million (EUR 19.1 million), was recorded in the Czech Republic.

Net result

The pre-tax result from continuing operations amounted to EUR 1,896.6 million (EUR 1,869.0 million). The minority charge rose to EUR 322.7 million (EUR 285.8 million) due to solid results of the savings banks. The net result attributable to owners of the parent amounted to EUR 1,223.0 million (EUR 1,228.3 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Financial results from the third quarter of 2019 are compared with those from the second quarter of 2019.

in EUR million	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Income statement					
Net interest income	1,158.2	1,210.0	1,160.9	1,168.8	1,187.7
Net fee and commission income	471.4	477.7	487.7	492.7	503.9
Dividend income	4.8	6.7	0.5	18.4	5.1
Net trading result	-62.2	48.7	153.3	156.8	109.2
Gains/losses from financial instruments measured at fair value through profit or loss	99.2	29.6	-77.1	-63.0	-49.2
Net result from equity method investments	3.0	3.1	1.8	5.2	3.1
Rental income from investment properties & other operating leases	47.7	43.6	44.6	42.4	41.5
Personnel expenses	-613.8	-643.8	-621.9	-633.9	-631.3
Other administrative expenses	-294.0	-313.4	-358.3	-267.3	-253.8
Depreciation and amortisation	-118.0	-121.7	-135.4	-129.1	-129.8
Gains/losses from derecognition of financial assets at AC	0.5	-0.1	0.3	0.6	-1.3
Other gains/losses from derecognition of financial instruments not at FVPL	1.0	-4.1	0.7	9.4	7.9
Impairment result from financial instruments	28.9	-42.9	35.8	7.1	0.1
Other operating result	-32.4	-67.6	-131.1	-219.9	-46.2
Levies on banking activities	-24.8	-24.1	-38.8	-25.9	-26.2
Pre-tax result from continuing operations	**694.3**	**626.0**	**561.8**	**588.0**	**746.8**
Taxes on income	-120.0	22.5	-95.5	-117.2	-138.2
Net result for the period	**574.2**	**648.5**	**466.3**	**470.8**	**608.6**
Net result attributable to non-controlling interests	120.3	83.3	89.3	115.9	117.6
Net result attributable to owners of the parent	**454.0**	**565.2**	**377.0**	**354.9**	**491.1**

Net interest income improved to EUR 1,187.7 million (+1.6%; EUR 1,168.8 million). Increases were recorded in the Czech Republic and Romania. In all other core markets, net interest income remained largely stable. **Net fee and commission income** improved to EUR 503.9 million (+2.3%; EUR 492.7 million), primarily in Austria and, due to seasonal effects, in Croatia. Dividend income declined to EUR 5.1 million (EUR 18.4 million). The decline in **net trading result** to EUR 109.2 million (EUR 156.8 million) is attributable to valuation effects in the securities and derivatives business due to interest rate developments. Gains/losses from financial instruments measured at fair value through profit or loss improved to EUR -49.2 million (EUR -63.0 million).

General administrative expenses declined to EUR 1,014.3 million (-1.1%; EUR 1.030.4 million). Personnel expenses went down marginally to EUR 631.3 million (-0.4%; EUR 633.9 million). Other administrative expenses decreased to EUR 253.8 million (-5.1%; EUR 267.3 million). Depreciation and amortisation was almost unchanged at EUR 129.8 million (EUR 129.1 million). **The cost/income ratio** improved to 56.4% (56.6%).

Gains/losses from the derecognition of financial instruments not measured at fair value through profit or loss declined to EUR 6.6 million (EUR 10.0 million) due to the derecognition of financial liabilities. The **impairment result from financial instruments** amounted to EUR 0.1 million (EUR 7.1 million). The negative balance of the allocation/release of provisions for the lending business including direct write-offs and income from the recovery of loans already written off was fully compensated by the release of provisions for commitments and guarantees given.

Other operating result improved to EUR -46.2 million (EUR -219.9 million). In the previous quarter, this item had included an allocation to a provision in the amount of EUR 150.8 million set aside for losses expected to result from a Romanian High Court decision concerning the business activities of a local subsidiary. Levies on banking activities were nearly unchanged at EUR 26.2 million (EUR 25.9 million).

Thereof, EUR 11.9 million (EUR 11.8 million) were charged in Hungary – this amount reflects exclusively transaction taxes. Banking tax amounted to EUR 8.2 million (EUR 8.0 million) in Slovakia and EUR 6.1 million (EUR 6.1 million) in Austria.

The **pre-tax result** improved to EUR 746.8 million (EUR 588.0 million). Taxes on income amounted to EUR 138.2 million (EUR 117.2 million), the minority charge rose to EUR 117.6 million (EUR 115.9 million). The **net result attributable to owners of the parent** increased to EUR 491.1 million (EUR 354.9 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 18	Sep 19	Change
Assets			
Cash and cash balances	17,549	15,638	-10.9%
Trading, financial assets	43,930	45,895	4.5%
Loans and advances to banks	19,103	25,241	32.1%
Loans and advances to customers	149,321	157,841	5.7%
Intangible assets	1,507	1,491	-1.1%
Miscellaneous assets	5,382	5,996	11.4%
Total assets	**236,792**	**252,101**	**6.5%**
Liabilities and equity			
Financial liabilities held for trading	2,508	2,751	9.7%
Deposits from banks	17,658	19,936	12.9%
Deposits from customers	162,638	172,511	6.1%
Debt securities issued	29,738	30,103	1.2%
Miscellaneous liabilities	5,381	6,670	24.0%
Total equity	18,869	20,130	6.7%
Total liabilities and equity	**236,792**	**252,101**	**6.5%**

The decline in **cash and cash balances** to EUR 15.6 billion (EUR 17.5 billion) was primarily due to smaller cash balances held at central banks. **Trading and investment securities** held in various categories of financial assets increased to EUR 45.9 billion (EUR 43.9 billion).

Loans and advances to credit institutions (net), including demand deposits other than overnight deposits, increased primarily in the Czech Republic and in the Holding to EUR 25.2 billion (EUR 19.1 billion). **Loans and advances to customers (net)** rose – mainly in the Czech Republic, but also in Austria and Slovakia – to EUR 157.8 billion (EUR 149.3 billion) driven by corporate loan growth.

Loan loss allowances for loans to customers declined to EUR 3.3 billion (EUR 3.6 billion), mostly due to continuing asset quality improvement. The **NPL ratio** – non–performing loans as a percentage of gross customer loans – improved again to 2.7% (3.2%), the **NPL coverage ratio** (based on gross customer loans) to 76.9% (73.4%).

Intangible assets remained unchanged at EUR 1.5 billion (EUR 1.5 billion). **Miscellaneous assets** amounted to EUR 6.0 billion (EUR 5.4 billion).

Financial liabilities – held for trading increased to EUR 2.8 billion (EUR 2.5 billion). **Deposits from banks**, primarily in the form of overnight deposits and repurchase transactions, rose to EUR 19.9 billion (EUR 17.7 billion). **Deposits from customers** increased to EUR 172.5 billion (EUR 162.6 billion), due to strong growth in overnight deposits from retail customers and repurchase transactions. The **loan-to-deposit ratio** stood at 91.5% (91.8%). Debt securities in issue rose to EUR 30.1 billion (EUR 29.7 billion) due to increased issuing activity. **Miscellaneous liabilities** amounted to EUR 6.7 billion (EUR 5.4 billion).

Total assets rose to EUR 252.1 billion (EUR 236.8 billion). **Total equity** increased to EUR 20.1 billion (EUR 18.9 billion). Following three issuances (in June 2016, April 2017 and March 2019), this includes AT1 instruments in the amount of EUR 1,490.4 million. After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) **common equity tier 1 capital** (CET1, final) amounted to EUR 15.9 billion (EUR 15.5 billion). Total **own funds** (CRR, final) rose to EUR 21.5 billion (EUR 20.9 billion). While half-year interim profit is included in the above figures, third-quarter profit is not included. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR, final) – rose to EUR 121.4 billion (EUR 115.4 billion). The **total capital ratio**, total eligible qualifying capital in relation to total risk (CRR, final), stood at 17.7% (18.1%), well above the legal minimum requirement. The **tier 1 ratio** amounted to 14.3% (14.3%), the **common equity tier 1 ratio** at 13.1% (13.5%) (both ratios CRR, final).

SEGMENT REPORTING

January-September 2019 compared with January-September 2018

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

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

BUSINESS SEGMENTS

Retail

in EUR million	1-9 18	1-9 19	Change
Net interest income	1,685.3	1,711.6	1.6%
Net fee and commission income	790.3	810.3	2.5%
Net trading result and gains/losses from financial instruments at FVPL	85.6	90.0	5.1%
Operating income	2,583.4	2,637.1	2.1%
Operating expenses	-1,511.1	-1,543.3	2.1%
Operating result	1,072.3	1,093.8	2.0%
Cost/income ratio	58.5%	58.5%	
Impairment result from financial instruments	-19.9	-48.3	>100.0%
Other result	-24.6	-201.0	>100.0%
Net result attributable to owners of the parent	791.3	660.1	-16.6%
Return on allocated capital	34.2%	26.7%	

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 primarily driven by higher contributions from deposit business in the Czech Republic, Romania and Hungary. While lending business in Croatia, Serbia and Hungary developed positively, contribution from lending business in Czech Republic, Slovakia and Romania decreased on the back of declining margins. The impact was mitigated though by the higher interest rate environment in the Czech Republic and Romania. Net fee and commission income increased mainly due to higher insurance brokerage fees in Slovakia and Hungary, higher payment fees in Hungary and Croatia as well as higher fees from securities business in Hungary. Net trading result and gains/losses from financial instruments FVPL improved on the back of a higher valuation result in Hungary. Operating expenses increased primarily due to higher personnel expenses in a majority of the countries as well as higher IT expenses in the Czech Republic, Croatia and Serbia. Overall, operating result improved and the cost/income ratio remained stable. The deterioration of impairment result from financial instruments was primarily driven by higher provisioning in Romania, the Czech Republic, Austria and Serbia, while risk costs in Slovakia and Hungary declined. A provision in the amount of EUR 150.8 million in Romania as a result of a Romanian High Court decision in relation to the business activities of a local subsidiary (building society), led to a worsening of the other result. Consequently, the net result attributable to the owners of the parent decreased.

Corporates

in EUR million	1-9 18	1-9 19	Change
Net interest income	762.1	810.6	6.4%
Net fee and commission income	204.3	223.3	9.3%
Net trading result and gains/losses from financial instruments at FVPL	65.9	72.7	10.2%
Operating income	1,128.8	1,185.1	5.0%
Operating expenses	-425.9	-423.3	-0.6%
Operating result	702.9	761.9	8.4%
Cost/income ratio	37.7%	35.7%	
Impairment result from financial instruments	83.8	62.3	-25.6%
Other result	-18.1	-16.1	-10.8%
Net result attributable to owners of the parent	597.5	632.3	5.8%
Return on allocated capital	21.0%	19.5%	

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 deposit and loan volumes as well as higher deposit margins in the Czech Republic supported by the higher interest rate environment and positive contribution of lending business in Erste Bank Oesterreich. These effects were partially offset by the lower contribution of lending business in Romania due to a one-off income in 2018. Net fee and commission income increased predominantly in the Czech Republic, Erste Bank Oesterreich and Romania. Net trading result and gains/losses from financial instruments at FVPL increased mainly in Erste Bank Oesterreich due to positive valuation effects and the Czech Republic due to positive development in interest rate derivatives. Overall, operating income improved. Moderately reduced operating expenses further contributed to the improvement of operating result and the cost/income ratio. The net release of risk provisions (line item impairment result from financial instruments) resulted from a further improvement in asset quality, lower default rates, higher recoveries as well as releases of specific provisions. However, the net releases year-on-year decreased, mainly in the Czech Republic and the Holding. Other result worsened on the back of higher provisions for legal expenses in Croatia. The net result attributable to the owners of the parent increased.

Group Markets

in EUR million	1-9 18	1-9 19	Change
Net interest income	171.6	186.4	8.6%
Net fee and commission income	164.9	166.1	0.7%
Net trading result and gains/losses from financial instruments at FVPL	40.4	39.0	-3.5%
Operating income	378.4	394.0	4.1%
Operating expenses	-177.3	-179.6	1.3%
Operating result	201.1	214.3	6.6%
Cost/income ratio	46.9%	45.6%	
Impairment result from financial instruments	2.6	7.7	>100.0%
Other result	-19.2	-13.8	-28.0%
Net result attributable to owners of the parent	146.8	163.6	11.4%
Return on allocated capital	24.9%	23.6%	

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

Net interest income increased primarily on the back of higher volumes of reverse repo business in the Holding. Net fee and commission income increased slightly due to the higher asset management fees and business with institutional clients. Net trading result and gains/losses from financial instruments at FVPL remained largely stable. Consequently, operating income increased. As operating expenses increased only slightly, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved as a result of provision releases in the Holding. Other result improved on the back of lower allocations to resolution funds. Overall, the net result attributable to the owners of the parent increased.

Asset/Liability Management & Local Corporate Center

in EUR million	1-9 18	1-9 19	Change
Net interest income	-72.6	-75.6	4.2%
Net fee and commission income	-69.1	-50.3	-27.2%
Net trading result and gains/losses from financial instruments at FVPL	-21.3	13.7	n/a
Operating income	-128.0	-79.4	-38.0%
Operating expenses	-49.0	-83.4	70.3%
Operating result	-177.0	-162.8	-8.0%
Cost/income ratio	-38.3%	>100%	
Impairment result from financial instruments	1.3	10.1	>100.0%
Other result	-72.0	-74.2	3.0%
Net result attributable to owners of the parent	-192.7	-214.7	11.4%
Return on allocated capital	-10.5%	-9.8%	

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

Net interest income deteriorated primarily due to lower income from the investment portfolio and liquidity positions in the Holding as well as lower contribution from balance sheet management in Erste Bank Oesterreich. These developments were partially compensated by higher interest rates in Czech Republic, higher contribution from balance sheet management in Slovakia and maturity of deposits with high interest expense in Romania. Net fee and commission income improved mainly due to lower fee expenses in Romania. Net trading result and gains/losses from financial instruments at FVPL improved primarily due to valuation results in the Holding and in Erste Bank Oesterreich. Operating expenses increased on the back of higher deposit insurance contribution in Romania, higher costs in Erste Bank Oesterreich and methodological changes affecting cost allocation between business segments in Romania. Overall, operating result improved. Other result deteriorated mainly due to the non-recurrence of selling gains from bonds in Croatia and the Czech Republic. The net result attributable to the owners of the parent worsened.

Savings Banks

in EUR million	1-9 18	1-9 19	Change
Net interest income	754.9	781.9	3.6%
Net fee and commission income	338.1	356.0	5.3%
Net trading result and gains/losses from financial instruments at FVPL	-12.0	48.9	n/a
Operating income	1,113.6	1,219.0	9.5%
Operating expenses	-780.5	-807.9	3.5%
Operating result	333.2	411.2	23.4%
Cost/income ratio	70.1%	66.3%	
Impairment result from financial instruments	34.1	14.6	-57.1%
Other result	-21.6	-16.8	-22.6%
Net result attributable to owners of the parent	51.0	44.4	-13.0%
Return on allocated capital	12.9%	12.9%	

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

The increase in net interest income was primarily driven by higher customer loan volumes. Net fee and commission income increased on the back of higher payment, insurance brokerage, and lending fees. The improvement of net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses rose mainly due to increased personnel, IT and marketing expenses. In addition, deposit insurance contributions increased to EUR 31.1 million (EUR 28.6 million). Operating result as well as the cost/income ratio improved markedly. A lower net release of risk provisions was reflected in the impairment result from financial instruments. Other result improved mainly on a non-recurrence of the last year's negative one-off driven by a changed disclosure of other assets. Payment into the resolution fund decreased to EUR 7.9 million (EUR 9.0 million). Banking tax amounted to EUR 3.2 million (EUR 3.1 million). Overall, the net result attributable to the owners of the parent decreased.

Group Corporate Center

in EUR million	1-9 18	1-9 19	Change
Net interest income	49.2	47.1	-4.1%
Net fee and commission income	6.1	-0.2	n/a
Net trading result and gains/losses from financial instruments at FVPL	-11.6	16.1	n/a
Operating income	60.3	55.1	-8.6%
Operating expenses	-723.6	-704.4	-2.7%
Operating result	-663.3	-649.3	-2.1%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	0.3	-3.6	n/a
Other result	453.2	506.5	11.7%
Net result attributable to owners of the parent	-165.6	-62.6	-62.2%
Return on allocated capital	-4.7%	-1.7%	

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 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.

Lower rental income and corresponding lower operating expenses were triggered by the methodological change. Net trading result and gains/losses from financial instruments at FVPL improved markedly on the back of the higher valuation result. Consequently, operating result improved. Other result went up on higher income in service entities. Overall, the net result attributable to the owners of the parent improved.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-9 18	1-9 19	Change
Net interest income	476.8	476.4	-0.1%
Net fee and commission income	288.3	295.3	2.4%
Net trading result and gains/losses from financial instruments at FVPL	-0.8	22.4	n/a
Operating income	800.7	829.9	3.6%
Operating expenses	-502.1	-522.9	4.1%
Operating result	298.6	307.0	2.8%
Cost/income ratio	62.7%	63.0%	
Impairment result from financial instruments	14.8	-4.6	n/a
Other result	-15.4	-25.5	65.6%
Net result attributable to owners of the parent	215.5	198.6	-7.8%
Return on allocated capital	19.2%	16.1%	

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 remained stable as higher loan and deposit volumes could fully compensate the non-recurrence of the last year's positive one-off effect of the changed disclosure for brokerage fee expenses in the building society. Net fee and commission income increased on the back of higher payment and lending fees. The improvement in net trading result and gains/losses from financial instruments at FVPL was driven by the valuation of a participation. Operating expenses increased mainly due to higher IT, marketing and personnel costs. The deposit insurance contribution amounted to EUR 22.0 million (EUR 21.5 million). Overall, operating result increased and the cost/income ratio went up slightly. The deterioration of impairment result from financial instruments was mainly driven by retail and SME business. Other result worsened due to the non-recurrence of the last year's real estate selling gains and an insurance reimbursement. Payments into the resolution fund decreased to EUR 7.9 million (EUR 10.2 million). Banking tax remained unchanged at EUR 2.7 million (EUR 2.7 million). Overall, the net result attributable to the owners of the parent declined.

Savings Banks

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

Other Austria

in EUR million	1-9 18	1-9 19	Change
Net interest income	276.9	296.4	7.0%
Net fee and commission income	166.4	181.4	9.0%
Net trading result and gains/losses from financial instruments at FVPL	-10.2	-12.1	18.7%
Operating income	479.7	509.4	6.2%
Operating expenses	-272.4	-279.9	2.7%
Operating result	207.2	229.5	10.7%
Cost/income ratio	56.8%	55.0%	
Impairment result from financial instruments	30.4	12.3	-59.7%
Other result	16.4	34.3	>100.0%
Net result attributable to owners of the parent	206.4	219.7	6.4%
Return on allocated capital	15.6%	14.2%	

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

Net interest income increased primarily due to higher volumes of reverse repo business in Group Markets and growth of corporate lending volumes in the Holding. Net fee and commission income increased on higher asset management fees and institutional sales activities in Group Markets. The deterioration of net trading result and gains/losses from financial instruments at FVPL was driven by a lower valuation result from interest rate related products due to less favorable market conditions, partially compensated by a higher market valuation result of securities. Despite an increase of operating expenses driven by higher personnel and IT costs, operating result and cost/income ratio improved. Impairment result from financial instruments deteriorated due to lower net releases of risk provisions. Other result improved mostly due to higher selling gains. Other result also included the resolution fund contribution of EUR 4.9 million (EUR 5.1 million). Overall, the net result attributable to the owners of the parent increased.

Czech Republic

in EUR million	1-9 18	1-9 19	Change
Net interest income	773.7	839.0	8.4%
Net fee and commission income	248.7	257.8	3.6%
Net trading result and gains/losses from financial instruments at FVPL	75.5	77.3	2.5%
Operating income	1,107.7	1,184.2	6.9%
Operating expenses	-535.8	-557.1	4.0%
Operating result	571.9	627.1	9.7%
Cost/income ratio	48.4%	47.0%	
Impairment result from financial instruments	44.0	5.9	-86.6%
Other result	-51.0	-30.2	-40.8%
Net result attributable to owners of the parent	448.8	483.6	7.8%
Return on allocated capital	24.0%	26.0%	

The segment analysis is done on a constant currency basis. The CZK depreciated by 0.5% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) increased primarily due to rising interest rates and higher deposit volumes. Net fee and commission income increased on the back of higher lending, cash management and securities fees. The improvement of net trading result and gains/losses from financial instruments at FVPL was driven by higher contribution from interest rate derivatives and foreign currency transactions. Higher personnel costs led to an increase in operating expenses. Deposit insurance contribution amounted to EUR 10.3 million (EUR 9.6 million). Overall, operating result increased markedly, the cost/income ratio improved. Lower net releases of risk provisions booked in the line item 'impairment result from financial instruments' were mostly attributable to less significant releases in the corporate business. The other result improved mainly due to non-recurrence of buildings impairment, in spite of a higher contribution to the resolution fund of EUR 26.5 million (EUR 19.1 million). Altogether, these developments led to an increase in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-9 18	1-9 19	Change
Net interest income	328.7	324.6	-1.3%
Net fee and commission income	96.9	105.7	9.1%
Net trading result and gains/losses from financial instruments at FVPL	6.7	12.5	86.2%
Operating income	437.5	449.5	2.7%
Operating expenses	-205.9	-210.4	2.2%
Operating result	231.7	239.1	3.2%
Cost/income ratio	47.1%	46.8%	
Impairment result from financial instruments	-17.3	-28.0	61.3%
Other result	-28.3	-28.7	1.6%
Net result attributable to owners of the parent	145.7	146.5	0.6%
Return on allocated capital	21.8%	18.5%	

Net interest income in the Slovakia segment (comprising Slovenská sporitel'ňa Group) decreased on the back of lower loan margins in the retail business. Net fee and commission income improved due to higher insurance brokerage and lending fees. Net trading result and gains/losses from financial instruments at FVPL increased due to valuation effects. Operating expenses increased due to higher personnel expenses and the integration of a subsidiary which was part of the Segment Other in the comparative period. Deposit insurance contribution amounted to EUR 1.0 million (EUR 0.9 million). Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated due to higher provisions in corporate business. Other result remained largely stable although banking tax increased to EUR 24.2 million (EUR 22.5 million) and payment into the resolution fund went up to EUR 3.1 million (EUR 2.7 million). Overall, the net result attributable to the owners of the parent increased slightly.

Romania

in EUR million	1-9 18	1-9 19	Change
Net interest income	292.0	319.8	9.5%
Net fee and commission income	114.0	122.2	7.1%
Net trading result and gains/losses from financial instruments at FVPL	70.0	53.0	-24.3%
Operating income	489.7	510.6	4.3%
Operating expenses	-260.6	-268.0	2.8%
Operating result	229.1	242.6	5.9%
Cost/income ratio	53.2%	52.5%	
Impairment result from financial instruments	-9.4	25.9	n/a
Other result	3.1	-178.5	n/a
Net result attributable to owners of the parent	177.7	43.8	-75.4%
Return on allocated capital	20.5%	4.0%	

The segment analysis is done on a constant currency basis. The RON depreciated by 1.9% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) improved on the back of higher market interest rates and higher customer deposit volumes. Net fee and commission income increased on higher payment, card and securities fees. Net trading result and gains/losses from financial instruments at FVPL decreased primarily due to a lower result from foreign exchange business. Operating expenses increased mainly due to higher deposit insurance contributions of EUR 12.7 million (EUR 4.3 million) and higher personnel expenses. Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved mainly in corporate business resulting in overall higher net releases of risk provisions. A provision in the amount of EUR 150.8 million as a result of a Romanian High Court decision in relation to the business activities of a subsidiary, the local building society, led to a worsening of the other result. The resolution fund contribution amounted to EUR 6.6 million (EUR 5.5 million). Consequently, the net result attributable to the owners of the parent decreased.

Hungary

in EUR million	1-9 18	1-9 19	Change
Net interest income	145.6	158.2	8.6%
Net fee and commission income	124.6	137.9	10.7%
Net trading result and gains/losses from financial instruments at FVPL	31.2	31.1	-0.4%
Operating income	304.3	332.2	9.2%
Operating expenses	-158.1	-161.9	2.4%
Operating result	146.3	170.4	16.5%
Cost/income ratio	51.9%	48.7%	
Impairment result from financial instruments	27.8	18.3	-34.1%
Other result	-54.4	-53.3	-2.1%
Net result attributable to owners of the parent	112.7	119.8	6.3%
Return on allocated capital	19.3%	16.3%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 1.7% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased driven by higher customer loan and deposit volumes. Net fee and commission income rose due to higher securities and insurance brokerage fees. Net trading result and gains/losses from financial instruments at FVPL remained stable. Operating expenses went up on the back of higher personnel costs. Deposit insurance contributions increased to EUR 8.5 million (EUR 8.0 million). Overall, operating result and the cost/income ratio improved. Lower net releases of risk provisions (reflected in the impairment result from financial instruments) were caused by provisioning requirements in corporate business. Other result remained largely stable. This line item also included the banking tax of EUR 12.6 million (EUR 13.8 million), transaction tax of EUR 35.9 million (EUR 34.2 million) and the contribution to the resolution fund of EUR 2.8 million (EUR 2.6 million). Overall, the net result attributable to the owners of the parent increased.

Croatia

in EUR million	1-9 18	1-9 19	Change
Net interest income	206.7	205.8	-0.4%
Net fee and commission income	76.5	79.9	4.4%
Net trading result and gains/losses from financial instruments at FVPL	24.3	25.8	5.9%
Operating income	320.8	322.3	0.5%
Operating expenses	-159.1	-166.6	4.7%
Operating result	161.7	155.8	-3.7%
Cost/income ratio	49.6%	51.7%	
Impairment result from financial instruments	-19.9	1.5	n/a
Other result	0.5	-27.8	n/a
Net result attributable to owners of the parent	77.6	72.0	-7.2%
Return on allocated capital	20.9%	18.0%	

The segment analysis is done on a constant currency basis. The Croatian Kuna remained stable against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) decreased as higher contributions from deposits and consumer loans in the retail business could not offset a lower contribution from balance sheet management and lower margins on corporate loans. Net fee and commission income increased due to higher payment fees in retail business as well as one-off bond origination fees. Net trading result and gains/losses from financial instruments at FVPL increased on the back of higher result from foreign exchange transactions. Operating expenses went up due to higher personnel and IT costs and included a EUR 8.6 million (EUR 8.3 million) deposit insurance fund contribution. Overall, operating result decreased, the cost/income ratio went up. The improvement of impairment result from financial instruments was driven by lower provisioning needs in corporate business. Other result deteriorated mainly due to higher provisions for legal expenses. This line item included resolution fund contribution in the amount of EUR 2.9 million (EUR 3.8 million). Consequently, the net result attributable to the owners of the parent decreased.

Serbia

in EUR million	1-9 18	1-9 19	Change
Net interest income	37.6	42.4	12.7%
Net fee and commission income	9.1	10.5	15.6%
Net trading result and gains/losses from financial instruments at FVPL	3.8	4.0	5.8%
Operating income	50.6	57.1	12.8%
Operating expenses	-36.1	-42.1	16.7%
Operating result	14.5	14.9	3.0%
Cost/income ratio	71.4%	73.8%	
Impairment result from financial instruments	-3.0	-0.5	-82.2%
Other result	-0.5	-0.3	-37.1%
Net result attributable to owners of the parent	8.2	10.2	25.6%
Return on allocated capital	7.6%	7.4%	

The segment analysis is done on a constant currency basis. The Serbian Dinar (RSD) appreciated by 0.2% against the EUR in the reporting period. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased on the back of higher loan volumes in retail and corporate business. Net fee and commission income went up due to higher payment fees. Net trading result and gains/losses from financial instruments at FVPL remained largely stable. The increase in operating expenses was driven by IT and personnel costs, both primarily related to the planned implementation of a new core banking system. Deposit insurance contribution rose to EUR 3.4 million (EUR 2.9 million). Operating result thus increased, the cost/income ratio went up. The improvement of impairment result from financial instruments was primarily driven by releases in corporate business. Overall, the net result attributable to the owners of the parent increased.

Other

in EUR million	1-9 18	1-9 19	Change
Net interest income	79.0	73.0	-7.5%
Net fee and commission income	-31.9	-62.4	95.4%
Net trading result and gains/losses from financial instruments at FVPL	-73.1	-32.9	-54.9%
Operating income	-8.4	-20.2	>100.0%
Operating expenses	-191.8	-144.1	-24.9%
Operating result	-200.2	-164.3	-18.0%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	0.7	-2.5	n/a
Other result	-75.8	-52.8	-30.4%
Net result attributable to owners of the parent	-215.2	-115.6	-46.3%
Return on allocated capital	-5.2%	-2.7%	

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

Operating income decreased mainly due to lower fees as well lower rental income on the back of lower operating lease volumes. These developments were partially compensated by positive valuation effects in the line item net trading result and gains/losses from financial instruments at FVPL. Operating expenses decreased on lower costs in non-core entities and a positive effect of intercompany eliminations. Other result improved on higher income in service entities. Overall the net result attributable to the owners of the parent improved.

Condensed interim consolidated financial statements

Interim report – 1 January to 30 September 2019

Consolidated statement of income

in EUR thousand	Notes	1-9 18	1-9 19
Net interest income	1	3,371,963	3,517,366
Interest income	1	3,799,363	4,139,387
Other similar income	1	1,335,646	1,231,453
Interest expenses	1	-732,879	-817,778
Other similar expenses	1	-1,030,167	-1,035,697
Net fee and commission income	2	1,430,701	1,484,254
Fee and commission income	2	1,789,978	1,805,797
Fee and commission expenses	2	-359,278	-321,543
Dividend income	3	22,308	24,048
Net trading result	4	-50,351	419,305
Gains/losses from financial instruments measured at fair value through profit or loss	5	165,765	-189,363
Net result from equity method investments		10,006	10,085
Rental income from investment properties & other operating leases	6	145,791	128,431
Personnel expenses	7	-1,830,482	-1,887,172
Other administrative expenses	7	-921,523	-879,312
Depreciation and amortisation	7	-350,260	-394,361
Gains/losses from derecognition of financial assets measured at amortised cost	8	153	-386
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	9	9,745	17,952
Impairment result from financial instruments	10	102,155	42,937
Other operating result	11	-236,977	-397,211
Levies on banking activities	11	-88,131	-90,889
Pre-tax result from continuing operations		**1,868,993**	**1,896,572**
Taxes on income	12	-354,974	-350,873
Net result for the period		**1,514,019**	**1,545,699**
Net result attributable to non-controlling interests		285,754	322,737
Net result attributable to owners of the parent		**1,228,265**	**1,222,962**

Earnings per share

		1-9 18	1-9 19
Net result attributable to owners of the parent	in EUR thousand	1,228,265	1,222,962
Dividend on AT1 capital	in EUR thousand	-38,319	-38,438
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	1,189,946	1,184,524
Weighted average number of outstanding shares		426,717,322	426,566,453
Earnings per share	**in EUR**	**2.79**	**2.78**
Weighted average diluted number of outstanding shares		426,717,322	426,566,453
Diluted earnings per share	**in EUR**	**2.79**	**2.78**

Development of the number of shares

	1-9 18	1-9 19
Shares outstanding at the beginning of the period	409,206,906	408,617,137
Acquisition of treasury shares	-6,362,968	-7,063,616
Disposal of treasury shares	6,199,699	6,668,616
Shares outstanding at the end of the period	409,043,637	408,222,137
Treasury shares	20,756,363	21,577,863
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,717,322	426,566,453
Weighted average diluted number of outstanding shares	426,717,322	426,566,453

Consolidated statement of comprehensive income

in EUR thousand	1-9 18	1-9 19
Net result for the period	**1,514,019**	**1,545,699**
Other comprehensive income		
Items that may not be reclassified to profit or loss	**135,856**	**-101,708**
Remeasurement of defined benefit plans	-15,757	-166,590
Fair value reserve of equity instruments	57,284	64,549
Own credit risk reserve	120,028	-27,143
Deferred taxes relating to items that may not be reclassified	-25,700	27,475
Items that may be reclassified to profit or loss	**-300,100**	**-23,916**
Fair value reserve of debt instruments	-163,199	102,810
Gain/loss during the period	-150,763	104,658
Reclassification adjustments	-10,337	-1,434
Credit loss allowances	-2,100	-414
Cash flow hedge reserve	-101,929	-5,437
Gain/loss during the period	-78,838	14,683
Reclassification adjustments	-23,091	-20,120
Currency reserve	-89,464	-96,131
Gain/loss during the period	-89,464	-96,131
Deferred taxes relating to items that may be reclassified	54,493	-25,328
Gain/loss during the period	47,806	-30,323
Reclassification adjustments	6,687	4,994
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0	171
Total other comprehensive income	**-164,244**	**-125,624**
Total comprehensive income	**1,349,775**	**1,420,075**
Total comprehensive income attributable to non-controlling interests	256,687	277,852
Total comprehensive income attributable to owners of the parent	**1,093,087**	**1,142,223**

Quarterly results

in EUR million	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Income statement					
Net interest income	1,158.2	1,210.0	1,160.9	1,168.8	1,187.7
Interest income	1,314.0	1,374.9	1,356.6	1,385.5	1,397.4
Other similar income	448.8	437.0	425.3	414.1	392.0
Interest expenses	-262.5	-270.6	-271.2	-283.6	-262.9
Other similar expenses	-342.1	-331.3	-349.8	-347.2	-338.8
Net fee and commission income	471.4	477.7	487.7	492.7	503.9
Fee and commission income	584.0	587.0	595.8	593.2	616.8
Fee and commission expenses	-112.6	-109.3	-108.1	-100.5	-113.0
Dividend income	4.8	6.7	0.5	18.4	5.1
Net trading result	-62.2	48.7	153.3	156.8	109.2
Gains/losses from financial instruments measured at fair value through profit or loss	99.2	29.6	-77.1	-63.0	-49.2
Net result from equity method investments	3.0	3.1	1.8	5.2	3.1
Rental income from investment properties & other operating leases	47.7	43.6	44.6	42.4	41.5
Personnel expenses	-613.8	-643.8	-621.9	-633.9	-631.3
Other administrative expenses	-294.0	-313.4	-358.3	-267.3	-253.8
Depreciation and amortisation	-118.0	-121.7	-135.4	-129.1	-129.8
Gains/losses from derecognition of financial assets at AC	0.5	-0.1	0.3	0.6	-1.3
Other gains/losses from derecognition of financial instruments not at FVPL	1.0	-4.1	0.7	9.4	7.9
Impairment result from financial instruments	28.9	-42.9	35.8	7.1	0.1
Other operating result	-32.4	-67.6	-131.1	-219.9	-46.2
Levies on banking activities	-24.8	-24.1	-38.8	-25.9	-26.2
Pre-tax result from continuing operations	**694.3**	**626.0**	**561.8**	**588.0**	**746.8**
Taxes on income	-120.0	22.5	-95.5	-117.2	-138.2
Net result for the period	**574.2**	**648.5**	**466.3**	**470.8**	**608.6**
Net result attributable to non-controlling interests	120.3	83.3	89.3	115.9	117.6
Net result attributable to owners of the parent	**454.0**	**565.2**	**377.0**	**354.9**	**491.1**
Statement of comprehensive income					
Net result for the period	**574.2**	**648.5**	**466.3**	**470.8**	**608.6**
Other comprehensive income					
Items that may not be reclassified to profit or loss	**123.9**	**-13.6**	**-31.4**	**-48.0**	**-22.2**
Remeasurement of defined benefit plans	0.0	-111.7	-50.3	-70.9	-45.4
Fair value reserve of equity instruments	19.2	-20.5	33.5	13.9	17.2
Own credit risk reserve	116.1	106.9	-25.1	-1.8	-0.2
Deferred taxes relating to items that may not be reclassified	-11.4	11.7	10.5	10.8	6.2
Items that may be reclassified to profit or loss	**-15.9**	**108.3**	**-39.2**	**115.1**	**-99.8**
Fair value reserve of debt instruments	-31.5	10.9	27.5	42.7	32.5
Gain/loss during the period	-31.1	-1.7	29.6	43.8	31.3
Reclassification adjustments	-1.1	13.8	-1.3	-1.3	1.2
Credit loss allowances	0.7	-1.2	-0.7	0.2	0.1
Cash flow hedge reserve	-65.8	99.0	-8.1	11.4	-8.8
Gain/loss during the period	-58.2	106.9	-0.8	18.7	-3.2
Reclassification adjustments	-7.6	-7.8	-7.3	-7.2	-5.6
Currency reserve	58.4	17.4	-51.7	73.8	-118.2
Gain/loss during the period	58.4	17.4	-51.7	73.8	-118.2
Deferred taxes relating to items that may be reclassified	23.0	-19.0	-7.0	-13.1	-5.3
Gain/loss during the period	21.0	-17.5	-8.8	-15.0	-6.4
Reclassification adjustments	2.0	-1.5	1.9	1.9	1.2
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.0	0.0	0.0	0.2	0.0
Total	**108.0**	**94.7**	**-70.7**	**67.0**	**-122.0**
Total comprehensive income	**682.2**	**743.2**	**395.6**	**537.8**	**486.7**
Total comprehensive income attributable to non-controlling interests	109.1	66.0	77.5	97.6	102.8
Total comprehensive income attributable to owners of the parent	**573.1**	**677.3**	**318.1**	**440.2**	**383.9**

Consolidated balance sheet

in EUR thousand	Notes	Dec 18	Sep 19
Assets			
Cash and cash balances	13	17,549,181	15,637,761
Financial assets held for trading		5,584,460	7,215,181
Derivatives	14	3,037,413	3,551,441
Other financial assets held for trading	15	2,547,047	3,663,740
Pledged as collateral		162,856	116,862
Non-trading financial assets at fair value through profit and loss	16	3,310,046	3,349,993
Pledged as collateral		37,237	34,900
Equity instruments		372,297	392,666
Debt securities		2,651,166	2,538,812
Loans and advances to customers		286,583	418,515
Financial assets at fair value through other comprehensive income	17	9,271,881	8,940,410
Pledged as collateral		212,439	588,051
Equity instruments		238,876	311,851
Debt securities		9,033,005	8,628,560
Financial assets at amortised cost	18	189,106,358	204,078,694
Pledged as collateral		959,617	1,935,188
Debt securities		26,050,153	26,807,758
Loans and advances to banks		19,102,754	25,241,125
Loans and advances to customers		143,953,451	152,029,812
Finance lease receivables	19	3,762,767	3,987,337
Hedge accounting derivatives	20	132,411	181,769
Fair value changes of hedged items in portfolio hedge of interest rate risk		0	176
Property and equipment		2,292,792	2,508,643
Investment properties		1,159,330	1,225,855
Intangible assets		1,507,082	1,490,993
Investments in associates and joint ventures		198,093	201,829
Current tax assets		101,315	80,190
Deferred tax assets		402,190	435,573
Assets held for sale		213,127	242,422
Trade and other receivables	21	1,318,411	1,405,044
Other assets	22	882,387	1,119,130
Total assets		**236,791,833**	**252,101,002**
Liabilities and equity			
Financial liabilities held for trading		2,508,250	2,751,261
Derivatives	14	2,000,173	2,410,588
Other financial liabilities held for trading	23	508,077	340,673
Financial liabilities at fair value through profit or loss		14,121,895	14,549,710
Deposits from customers		211,810	276,658
Debt securities issued	24	13,445,678	13,753,510
Other financial liabilities		464,407	519,542
Financial liabilities at amortised cost		196,862,845	208,727,697
Deposits from banks	25	17,657,544	19,935,779
Deposits from customers	25	162,426,423	171,831,457
Debt securities issued	25	16,292,610	16,349,871
Other financial liabilities		486,268	610,589
Lease liabilities		6	403,133
Hedge accounting derivatives	20	276,968	290,602
Fair value changes of hedged items in portfolio hedge of interest rate risk		48	57
Provisions	26	1,704,526	2,001,025
Current tax liabilities		99,234	88,632
Deferred tax liabilities		22,886	24,235
Liabilities associated with assets held for sale		3,310	7,148
Other liabilities	27	2,323,146	3,127,748
Total equity		**18,868,719**	**20,129,753**
Equity attributable to non-controlling interests		4,494,030	4,735,041
Additional equity instruments		993,242	1,490,367
Equity attributable to owners of the parent		13,381,447	13,904,345
Subscribed capital		859,600	859,600
Additional paid-in capital		1,476,689	1,476,633
Retained earnings and other reserves		11,045,159	11,568,112
Total liabilities and equity		**236,791,833**	**252,101,002**

Consolidated statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Fair value reserve	Own credit risk reserve	Currency reserve	Remeasurement of defined benefit plans	Income tax	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 2019	**860**	**1,477**	**12,280**	**-3**	**229**	**-435**	**-598**	**-428**	**0**	**13,381**	**993**	**4,494**	**18,869**
Changes in treasury shares	0	0	-9	0	0	0	0	0	0	-9	0	0	-9
Dividends paid	0	0	-610	0	0	0	0	0	0	-610	0	-40	-650
capital increase/decrease	0	0	0	0	0	0	0	0	0	0	497	4	501
Changes in scope of consolidation and ownership interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Reclassification from other comprehensive income to retained earnings	0	0	-4	0	0	4	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0	0	0	-1
Total comprehensive income	0	0	1,223	-3	119	-9	-96	-92	0	1,142	0	278	1,420
Net result for the period	0	0	1,223	0	0	0	0	0	0	1,223	0	323	1,546
Other comprehensive income	0	0	0	-3	119	-9	-96	-92	0	-81	0	-45	-126
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	-92	0	-92	0	-53	-145
Change in fair value reserve	0	0	0	0	119	0	0	0	0	119	0	8	127
Change in cash flow hedge reserve	0	0	0	-3	0	0	0	0	0	-3	0	0	-3
Change in currency reserve	0	0	0	0	0	0	-96	0	0	-96	0	0	-96
Change in own credit risk reserve	0	0	0	0	0	-9	0	0	0	-9	0	1	-9
As of 30 September 2019	**860**	**1,477**	**12,880**	**-6**	**348**	**-441**	**-694**	**-520**	**0**	**13,904**	**1,490**	**4,735**	**20,130**
Restated as of 1 January 2018	**860**	**1,477**	**11,172**	**4**	**418**	**-734**	**-503**	**-364**	**-2**	**12,328**	**993**	**4,294**	**17,615**
Changes in treasury shares	0	0	-7	0	0	0	0	0	0	-7	0	0	-7
Dividends paid	0	0	-529	0	0	0	0	0	0	-529	0	-45	-574
capital increase/decrease	0	0	0	0	0	0	0	0	0	0	0	11	11
Changes in scope of consolidation and ownership interest	0	0	-2	0	0	0	0	0	0	-2	0	0	-2
Reclassification from other comprehensive income to retained earnings	0	0	31	0	-39	9	0	0	0	0	0	0	0
Other changes	0	0	2	0	0	0	0	0	0	2	0	1	3
Total comprehensive income	0	0	1,228	-87	-149	166	-89	22	2	1,093	0	257	1,350
Net result for the period	0	0	1,228	0	0	0	0	0	0	1,228	0	286	1,514
Other comprehensive income	0	0	0	-87	-149	166	-89	22	2	-135	0	-29	-164
Changes in presentation of income tax	0	0	0	-6	-89	59	0	34	2	0	0	0	0
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	-12	0	-12	0	-4	-16
Change in fair value reserve	0	0	0	0	-60	0	0	0	0	-60	0	-22	-83
Change in cash flow hedge reserve	0	0	0	-80	0	0	0	0	0	-80	0	-1	-81
Change in currency reserve	0	0	0	0	0	0	-89	0	0	-89	0	-1	-89
Change in own credit risk reserve	0	0	0	0	0	106	0	0	0	106	0	-1	105
As of 30 September 2018	**860**	**1,477**	**11,894**	**-83**	**230**	**-559**	**-592**	**-343**	**0**	**12,884**	**993**	**4,518**	**18,396**

Consolidated statement of cash flows

in EUR million	1-9 18	1-9 19
Net result for the period	**1,514**	**1,546**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation and net impairment of non-financial assets	418	406
Net allocation to credit loss allowances and other provisions	-88	238
Gains/losses from measurement and derecognition of financial assets and financial liabilities	115	-18
Other adjustments	-146	-104
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets held for trading	1,007	-1,592
Non-trading financial assets at fair value through profit and loss		
Equity instruments	-30	-20
Debt securities	-162	205
Loans and advances to customers	90	-123
Financial assets at fair value through other comprehensive income: debt securities	393	526
Financial assets at amortised cost		
Debt securities	-2,336	-759
Loans and advances to banks	-10,971	-6,142
Loans and advances to customers	-8,419	-8,204
Finance lease receivables	-202	-218
Hedge accounting derivatives	-49	-52
Other assets from operating activities	-712	-359
Financial liabilities held for trading	-581	402
Financial liabilities at fair value through profit or loss	-181	21
Financial liabilities at amortised cost		
Deposits from banks	2,884	2,278
Deposits from customers	8,805	9,405
Debt securities issued	2,255	57
Other financial liabilities	20	124
Hedge accounting derivatives	40	14
Other liabilities from operating activities	645	943
Cash flow from operating activities	**-5,689**	**-1,429**
Proceeds of disposal		
Financial assets at fair value through other comprehensive income: equity instruments	50	0
Investments in associates and joint ventures	9	4
Property and equipment and intangible assets	347	53
Investment properties	91	13
Acquisition of		
Financial assets at fair value through other comprehensive income: equity instruments	-59	-1
Investments in associates and joint ventures	0	0
Property and equipment and intangible assets	-636	-302
Investment properties	-94	-58
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
Cash flow from investing activities	**-292**	**-291**
Capital increases	11	501
Capital decrease	0	0
Acquisition of non-controlling interest	-2	0
Dividends paid to equity holders of the parent	-529	-610
Dividends paid to non-controlling interests	-45	-40
Cash flow from financing activities	**-565**	**-149**
Cash and cash equivalents at the beginning of the period	**21,796**	**17,549**
Cash flow from operating activities	-5,689	-1,429
Cash flow from investing activities	-292	-291
Cash flow from financing activities	-565	-149
Effect of currency translation	-12	-42
Cash and cash equivalents at the end of period	**15,237**	**15,638**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)	**2,824**	**3,291**
Payments for taxes on income	-360	-322
Interest received	5,252	5,799
Dividends received	22	24
Interest paid	-2,090	-2,210

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

Condensed notes to the interim consolidated financial statements 1 January to 30 September 2019

BASIS OF PREPARATION

The condensed consolidated interim financial statements (”interim financial statements”) of the group of Erste Group Bank AG (“Erste Group”) for the period from 1 January to 30 September 2019 were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and are presented in accordance with the requirements of IAS 34 “Interim Financial Reporting”. Erste Group’s application of IFRS resulted in no differences between IFRS as issued by the International Accounting Standards Board (“IASB”) and IFRS as endorsed by the EU.

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

BASIS OF CONSOLIDATION

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

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

As of 31 December 2018	**400**
Additions	
Entities newly added to the scope of consolidation	2
Disposals	
Companies sold or liquidated	-11
Mergers	-4
As of 30 September 2019	**387**

ACCOUNTING AND MEASUREMENT METHODS

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

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

Application of new standards

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

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

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

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

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

Subsequently, the carrying amount of the lease liability is increased by interest accrued using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification. The incremental borrowing rate for movables consists of Euribor as a base rate, adjusted by a surcharge based on the entity's rating, the term of the lease and the collateral provided. The determination of the incremental borrowing rate for property leases is based on two components, the market rate and the single property rate. The market rate considers the lease term, creditworthiness and the base rate Euribor and is derived from existing bank data from the lending business. The single property rate represents a surcharge to the market rate based on the quality of the single property.

Lessor accounting remains similar to the IAS 17 standard, i.e. the lessor continues to classify leases as finance or operating leases. Compared to IAS 17 the disclosure requirements are more comprehensive under IFRS 16. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases. When Erste Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use assets arising from the head lease, not with reference to the underlying asset.

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

In the statement of financial position, right-of-use assets have been included in the line item 'Property and equipment', except for those meeting the definition of investment property. The decrease of the CET 1 ratio is immaterial.

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

In the context of transition to IFRS 16, right-of-use assets and lease liabilities in the amount of EUR 431 million were recognised as of 1 January 2019. Mainly land and buildings are subject to lease at Erste Group.

Reconciliation of total lease commitments to lease liabilities

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

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

1. Net interest income

in EUR million	1-9 18	1-9 19
Financial assets at AC	3,635.7	3,987.3
Financial assets at FVOCI	163.7	152.1
Interest income	3,799.4	4,139.4
Non-trading financial assets at FVPL	50.9	47.0
Financial assets HfT	1,152.0	1,108.4
Derivatives - hedge accounting, interest rate risk	16.7	-43.6
Other assets	76.4	84.3
Negative interest from financial liabilities	39.6	35.4
Other similar income	1,335.6	1,231.5
Interest and other similar income	**5,135.0**	**5,370.8**
Financial liabilities at AC	-732.9	-817.8
Interest expenses	-732.9	-817.8
Financial liabilities at FVPL	-316.5	-311.8
Financial liabilities HfT	-731.5	-738.1
Derivatives - hedge accounting, interest rate risk	108.4	115.3
Other liabilities	-19.7	-40.8
Negative Interest from financial assets	-70.8	-60.2
Other similar expenses	-1,030.2	-1,035.7
Interest and other similar expenses	**-1,763.0**	**-1,853.5**
Net interest income	**3,372.0**	**3,517.4**

In the reporting period an amount of EUR 58.0 million (EUR 57.4 million) relating to impaired financial assets is included in various line items of net interest income. In addition, the line item "Financial assets at AC" includes modification gains or losses of financial instruments which are allocated to the Stage 1 of EUR 7.6 million (EUR -0.9 million).

2. Net fee and commission income

	1-9 18		1-9 19	
in EUR million	Income	Expenses	Income	Expenses
Securities	170.6	-33.5	149.0	-30.1
Issues	32.7	-9.0	33.1	-7.9
Transfer orders	129.2	-23.0	106.1	-21.2
Other	8.7	-1.4	9.9	-1.0
Clearing and settlement	4.0	-2.1	3.0	-1.7
Asset management	272.5	-45.9	276.7	-30.2
Custody	73.6	-14.7	77.4	-14.3
Fiduciary transactions	2.1	0.0	1.5	0.0
Payment services	822.3	-150.9	859.2	-153.7
Card business	252.4	-103.3	279.7	-109.8
Other	569.8	-47.7	579.6	-43.9
Customer resources distributed but not managed	161.0	-16.1	151.5	-10.3
Collective investment	8.7	-3.3	6.9	-1.4
Insurance products	102.5	-1.9	110.9	-1.6
Building society brokerage	22.0	-6.8	12.1	-4.9
Foreign exchange transactions	19.7	-1.1	20.6	-1.2
Other	8.2	-3.0	1.0	-1.2
Structured finance	0.0	-0.1	0.0	-0.1
Lending business	193.1	-67.1	209.9	-63.5
Guarantees given, guarantees received	50.8	-5.5	52.9	-3.4
Loan commitments given, loan commitments received	20.5	-0.8	16.1	-0.4
Other lending business	121.9	-60.8	140.9	-59.7
Other	90.7	-28.8	77.5	-17.7
Total fee and commission income and expenses	**1,790.0**	**-359.3**	**1,805.8**	**-321.5**
Net fee and commission income	**1,430.7**		**1,484.3**	

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

3. Dividend income

in EUR million	1-9 18	1-9 19
Financial assets HfT	1.8	3.0
Non-trading financial assets at FVPL	11.2	12.5
Financial assets at FVOCI	9.3	8.5
Dividend income	**22.3**	**24.0**

4. Net trading result

in EUR million	1-9 18	1-9 19
Securities and derivatives trading	-212.2	283.2
Foreign exchange transactions	167.7	127.1
Result from hedge accounting	-5.8	9.0
Net trading result	**-50.4**	**419.3**

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

in EUR million	1-9 18	1-9 19
Result from measurement/sale of financial assets designated at FVPL	-16.0	11.4
Result from measurement/repurchase of financial liabilities designated at FVPL	165.5	-305.5
Result from financial assets and liabilities designated at FVPL	**149.6**	**-294.1**
Result from measurement/sale of financial assets mandatorily at FVPL	16.2	104.7
Gains/losses from financial instruments measured at fair value through profit or loss	**165.8**	**-189.4**

6. Rental income from investment properties & other operating leases

in EUR million	1-9 18	1-9 19
Investment properties	63.8	62.7
Other operating leases	82.0	65.7
Rental income from investment properties & other operating leases	**145.8**	**128.4**

7. General administrative expenses

in EUR million	1-9 18	1-9 19
Personnel expenses	**-1,830.5**	**-1,887.2**
Wages and salaries	-1,387.5	-1,425.0
Compulsory social security	-339.4	-354.8
Long-term employee provisions	-22.1	-31.8
Other personnel expenses	-81.4	-75.5
Other administrative expenses	**-921.5**	**-879.3**
Deposit insurance contribution	-84.2	-97.7
IT expenses	-303.8	-290.3
Expenses for office space	-175.1	-119.2
Office operating expenses	-84.4	-87.1
Advertising/marketing	-116.5	-129.7
Legal and consulting costs	-92.5	-94.7
Sundry administrative expenses	-65.0	-60.7
Depreciation and amortisation	**-350.3**	**-394.4**
Software and other intangible assets	-135.4	-135.3
Owner occupied real estate	-56.3	-103.1
Investment properties	-19.4	-21.2
Customer relationships	-6.7	-6.6
Office furniture and equipment and sundry property and equipment	-132.5	-128.2
General administrative expenses	**-3,102.3**	**-3,160.8**

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

in EUR million	1-9 18	1-9 19
Gains from sale of financial assets at AC	1.8	3.3
Losses from sale of financial assets at AC	-1.6	-3.6
Gains/losses from derecognition of financial assets measured at amortised cost	**0.2**	**-0.4**

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

in EUR million	1-9 18	1-9 19
Sale of financial assets at FVOCI	10.5	1.5
Sale of financial lease receivables	0.0	0.0
Derecognition of financial liabilities at AC	-0.7	16.4
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**9.7**	**18.0**

10. Impairment result from financial instruments

in EUR million	1-9 18	1-9 19
Financial assets at FVOCI	2.6	0.6
Financial assets at AC	87.8	-45.7
Net allocation to credit loss allowances	32.3	-130.4
Direct write-offs	-33.3	-23.5
Recoveries recorded directly to the income statement	93.6	110.1
Modification gains or losses	-4.8	-1.9
Lease receivables	6.0	9.6
Net allocation of provisions for commitments and guarantees given	5.8	78.4
Impairment result from financial instruments	**102.2**	**42.9**

11. Other operating result

in EUR million	1-9 18	1-9 19
Other operating expenses	**-195.1**	**-483.7**
Allocation to other provisions	-30.2	-309.2
Levies on banking activities	-88.1	-90.9
Banking tax	-53.9	-55.0
Financial transaction tax	-34.2	-35.9
Other taxes	-6.4	-8.3
Recovery and resolution fund contributions	-70.4	-75.3
Other operating income	**78.7**	**132.4**
Release of other provisions	78.7	132.4
Result from properties/movables/other intangible assets other than goodwill	-56.5	-9.4
Result from other operating expenses/income	-64.1	-36.5
Other operating result	**-237.0**	**-397.2**

12. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 350.9 million (EUR 355.0 million), thereof EUR 31.0 million deferred tax income (EUR 30.1 million deferred tax expense).

13. Cash and cash balances

in EUR million	Dec 18	Sep 19
Cash on hand	5,688	5,434
Cash balances at central banks	10,853	8,974
Other demand deposits at credit institutions	1,009	1,230
Cash and cash balances	**17,549**	**15,638**

14. Derivatives held for trading

in EUR million	Dec 18			Sep 19		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**179,098**	**3,011**	**2,871**	**201,709**	**3,931**	**4,111**
Interest rate	114,275	2,544	2,453	122,395	3,259	3,416
Equity	330	8	10	403	9	3
Foreign exchange	63,941	432	405	77,828	613	666
Credit	341	7	3	864	25	25
Commodity	11	0	0	11	0	0
Other	199	21	0	209	26	0
Derivatives held in the banking book	**28,035**	**1,191**	**331**	**27,944**	**1,635**	**382**
Interest rate	16,597	1,077	152	16,543	1,548	216
Equity	5,501	77	76	5,761	40	58
Foreign exchange	5,335	32	100	5,071	41	106
Credit	382	5	3	390	6	1
Commodity	0	0	0	5	0	0
Other	220	1	0	174	1	0
Total gross amounts	**207,133**	**4,202**	**3,202**	**229,653**	**5,567**	**4,493**
Offset		-1,165	-1,202		-2,015	-2,083
Total		**3,037**	**2,000**		**3,551**	**2,411**

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

15. Other financial assets held for trading

in EUR million	Dec 18	Sep 19
Equity instruments	68	76
Debt securities	2,479	3,588
General governments	1,698	2,539
Credit institutions	540	885
Other financial corporations	68	49
Non-financial corporations	172	114
Other financial assets held for trading	**2,547**	**3,664**

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

in EUR million	Dec 18		Sep 19	
	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	372	0	393
Debt securities	672	1,979	640	1,899
General governments	188	565	78	570
Credit institutions	424	296	536	208
Other financial corporations	60	973	26	968
Non-financial corporations	0	146	0	152
Loans and advances to customers	0	287	0	419
General governments	0	8	0	3
Other financial corporations	0	15	0	5
Non-financial corporations	0	102	0	157
Households	0	161	0	254
Financial assets designated and mandatorily at FVPL	672	2,638	640	2,710
Non-trading financial assets at fair value through profit and loss		**3,310**		**3,350**

17. Financial assets at fair value through other comprehensive income

Equity Instruments

The carrying amount of Erste Group's equity instruments FVOCI as of 30 September 2019 amounted to EUR 311.9 million (EUR 238.9 million), the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 237.0 million (EUR 172.2 million).

Debt Instruments

Debt securities

	Gross carrying amount				Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Accumulated fair value changes	Fair value
Sep 19										
Central banks	10	0	0	10	0	0	0	0	0	10
General governments	5,903	8	0	5,911	-3	0	0	-3	232	6,143
Credit institutions	1,127	18	0	1,145	-2	0	0	-2	25	1,170
Other financial corporations	160	20	0	179	0	0	0	-1	7	186
Non-financial corporations	994	79	0	1,073	-2	-2	0	-4	46	1,119
Total	**8,194**	**125**	**0**	**8,319**	**-7**	**-2**	**0**	**-9**	**310**	**8,629**
Dec 18										
Central banks	5	0	0	5	0	0	0	0	0	5
General governments	6,685	8	0	6,693	-3	0	0	-3	164	6,857
Credit institutions	894	17	0	911	-3	0	0	-3	9	921
Other financial corporations	175	6	0	182	0	0	0	-1	4	186
Non-financial corporations	965	72	0	1,037	-2	-2	0	-4	28	1,065
Total	**8,724**	**104**	**0**	**8,827**	**-8**	**-2**	**0**	**-10**	**206**	**9,033**

As defined in IFRS 9, the gross carrying amount of debt instruments at FVOCI equals the amortised cost before deducting any credit loss allowances. As of 30 September 2019, there were no purchased or originated credit-impaired (POCI) debt securities at FVOCI.

Development of credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 19						**Sep 19**
Stage 1	-8	-1	0	0	1	0	-7
Stage 2	-2	0	0	0	0	0	-2
Stage 3	0	0	0	0	0	0	0
Total	**-10**	**-1**	**0**	**0**	**1**	**0**	**-9**
	Jan 18						**Sep 18**
Stage 1	-12	-1	1	0	3	1	-8
Stage 2	-1	0	0	0	-1	-1	-3
Stage 3	0	0	0	0	0	0	0
Total	**-13**	**-1**	**1**	**0**	**2**	**0**	**-11**

18. Financial assets at amortised cost

Debt securities

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Sep 19									
Central banks	20	0	0	20	0	0	0	0	20
General governments	22,333	14	0	22,348	-4	0	0	-4	22,344
Credit institutions	3,544	1	0	3,545	-2	0	0	-2	3,543
Other financial corporations	140	6	0	145	0	0	0	0	145
Non-financial corporations	743	14	3	759	-1	-1	-2	-3	756
Total	**26,779**	**34**	**4**	**26,817**	**-6**	**-1**	**-2**	**-9**	**26,808**
Dec 18									
Central banks	12	0	0	12	0	0	0	0	12
General governments	22,373	26	1	22,400	-4	0	0	-4	22,396
Credit institutions	2,752	1	0	2,752	-1	0	0	-1	2,751
Other financial corporations	144	1	0	145	0	0	0	0	145
Non-financial corporations	739	7	3	749	-1	0	-2	-3	746
Total	**26,020**	**34**	**4**	**26,059**	**-6**	**0**	**-2**	**-8**	**26,050**

There were no purchased or originated credit-impaired (POCI) debt securities at amortised cost as of 30 September 2019.

Development of credit loss allowances for debt securities

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

Loans and advances to banks

in EUR million	Gross carrying amount Stage 1	Stage 2	Stage 3	Total	Credit loss allowances Stage 1	Stage 2	Stage 3	Total	Carrying amount
Sep 19									
Central banks	18,731	0	0	18,731	0	0	0	0	18,730
Credit institutions	6,500	17	2	6,518	-5	0	-2	-7	6,511
Total	**25,230**	**17**	**2**	**25,249**	**-6**	**0**	**-2**	**-8**	**25,241**
Dec 18									
Central banks	14,939	0	0	14,939	0	0	0	0	14,938
Credit institutions	3,956	215	2	4,172	-2	-3	-2	-8	4,165
Total	**18,894**	**215**	**2**	**19,111**	**-3**	**-3**	**-2**	**-8**	**19,103**

There were no purchased or originated credit-impaired (POCI) AC loans and advances to banks as of 30 September 2019.

Development of credit loss allowances for loans and advances to banks

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 19						**Sep 19**
Stage 1	-3	-26	24	0	-1	0	-6
Stage 2	-3	0	0	0	3	0	0
Stage 3	-2	0	0	0	0	0	-2
Total	**-9**	**-26**	**24**	**0**	**3**	**0**	**-8**
	Jan 18						**Sep 18**
Stage 1	-5	-12	16	0	-6	0	-7
Stage 2	0	-14	11	-2	2	0	-3
Stage 3	-2	0	0	0	0	0	-2
Total	**-8**	**-26**	**27**	**-1**	**-4**	**0**	**-12**

Loans and advances to customers

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Sep 19											
General governments	6,443	256	3	5	6,706	-18	-4	-2	-2	-26	6,680
Other financial corporations	3,578	156	12	13	3,759	-6	-3	-9	0	-17	3,742
Non-financial corporations	61,076	4,112	1,634	251	67,073	-183	-205	-1,016	-83	-1,487	65,586
Households	68,986	6,508	1,899	144	77,537	-126	-256	-1,082	-52	-1,515	76,022
Total	**140,082**	**11,032**	**3,548**	**413**	**155,075**	**-333**	**-467**	**-2,109**	**-137**	**-3,046**	**152,030**
Dec 18											
General governments	6,729	324	2	3	7,059	-16	-10	-2	0	-28	7,030
Other financial corporations	3,166	127	47	15	3,355	-8	-5	-40	-3	-56	3,298
Non-financial corporations	56,377	3,616	1,869	345	62,207	-169	-191	-1,133	-97	-1,590	60,617
Households	66,271	6,151	2,031	171	74,623	-128	-249	-1,166	-73	-1,615	73,008
Total	**132,544**	**10,217**	**3,949**	**533**	**147,243**	**-321**	**-455**	**-2,341**	**-173**	**-3,290**	**143,953**

Development of credit loss allowances for loans and advances to customers

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 19								**Sep 19**
Stage 1	**-321**	**-201**	**65**	**197**	**-72**	**0**	**0**	**0**	**-333**
General governments	-16	-3	1	1	-1	0	0	0	-18
Other financial corporations	-8	-7	7	3	0	0	0	0	-6
Non-financial corporations	-169	-131	45	70	2	0	0	0	-183
Households	-128	-59	13	123	-74	0	0	0	-126
Stage 2	**-455**	**-19**	**60**	**-257**	**200**	**0**	**1**	**2**	**-467**
General governments	-10	0	0	-1	8	0	0	0	-4
Other financial corporations	-5	-1	0	-2	2	0	0	3	-3
Non-financial corporations	-191	-6	34	-94	54	0	0	-3	-205
Households	-249	-11	26	-160	135	-1	1	2	-256
Stage 3	**-2,341**	**-53**	**213**	**-52**	**-194**	**1**	**315**	**3**	**-2,109**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-40	-8	4	0	0	0	7	28	-9
Non-financial corporations	-1,133	-24	78	-23	-72	0	187	-28	-1,016
Households	-1,166	-20	131	-29	-122	0	121	3	-1,082
POCI	**-173**	**0**	**20**	**0**	**6**	**2**	**6**	**1**	**-137**
General governments	0	0	0	0	-2	0	0	0	-2
Other financial corporations	-3	0	0	0	3	0	0	0	0
Non-financial corporations	-97	0	10	0	-1	2	3	0	-83
Households	-73	0	10	0	6	0	3	2	-52
Total	**-3,290**	**-273**	**359**	**-112**	**-61**	**2**	**323**	**6**	**-3,046**
	Jan 18								**Sep 18**
Stage 1	**-345**	**-160**	**86**	**365**	**-283**	**2**	**1**	**3**	**-332**
General governments	-16	-9	9	6	-5	0	0	0	-16
Other financial corporations	-17	-21	22	4	2	0	0	0	-10
Non-financial corporations	-181	-82	45	155	-118	1	0	3	-176
Households	-131	-48	10	200	-162	1	1	0	-130
Stage 2	**-496**	**-76**	**56**	**-359**	**433**	**5**	**2**	**5**	**-429**
General governments	-26	0	8	-1	8	0	0	0	-10
Other financial corporations	-3	-10	7	-5	6	0	0	0	-6
Non-financial corporations	-217	-51	28	-114	180	4	1	6	-163
Households	-249	-14	13	-240	239	2	1	-1	-250
Stage 3	**-2,825**	**-77**	**133**	**-91**	**40**	**11**	**259**	**25**	**-2,526**
General governments	-1	0	0	0	0	0	0	0	-1
Other financial corporations	-89	0	0	0	26	0	9	1	-52
Non-financial corporations	-1,449	-60	88	-34	64	10	156	18	-1,207
Households	-1,286	-17	45	-57	-50	1	93	6	-1,265
POCI	**-210**	**-15**	**26**	**0**	**7**	**0**	**24**	**2**	**-165**
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	-7	0	0	0	4	0	0	0	-3
Non-financial corporations	-108	-13	25	0	-7	0	23	0	-80
Households	-94	-1	1	0	9	0	2	2	-81
Total	**-3,876**	**-327**	**300**	**-86**	**197**	**19**	**286**	**35**	**-3,452**

19. Finance lease receivables

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Sep 19											
General governments	367	0	18	0	386	-2	0	0	0	-2	383
Credit institutions	2	0	0	0	2	0	0	0	0	0	2
Other financial corporations	64	0	0	0	64	0	0	0	0	0	64
Non-financial corporations	2,576	89	241	0	2,907	-9	-3	-113	0	-125	2,782
Households	733	20	13	0	766	-3	-1	-6	0	-10	756
Total	**3,744**	**110**	**271**	**0**	**4,125**	**-14**	**-3**	**-120**	**0**	**-138**	**3,987**
Dec 18											
General governments	387	1	19	0	407	-2	0	-1	0	-3	405
Credit institutions	2	0	0	0	2	0	0	0	0	0	2
Other financial corporations	62	0	0	0	63	0	0	0	0	0	62
Non-financial corporations	2,415	73	253	0	2,742	-12	-2	-124	0	-139	2,604
Households	669	19	12	0	700	-3	-1	-6	0	-10	690
Total	**3,535**	**94**	**284**	**0**	**3,914**	**-18**	**-3**	**-130**	**0**	**-151**	**3,763**

Development of credit loss allowances for finance lease receivables

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 19								**Sep 19**
Stage 1	-18	-4	0	3	5	0	0	0	-14
Stage 2	-3	0	0	-2	2	0	0	0	-3
Stage 3	-130	0	2	-2	3	0	7	0	-120
POCI	0	0	0	0	0	0	0	0	0
Total	**-151**	**-4**	**2**	**-2**	**10**	**0**	**7**	**0**	**-138**
	Jan 18								**Sep 18**
Stage 1	-18	-2	0	3	-3	0	4	1	-15
Stage 2	-4	0	0	-2	3	0	0	0	-3
Stage 3	-149	-1	1	-1	6	0	7	0	-137
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-172**	**-3**	**1**	**0**	**6**	**0**	**11**	**1**	**-156**

20. Hedge accounting derivatives

in EUR million	Dec 18			Sep 19		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**11,510**	**373**	**295**	**11,501**	**653**	**340**
Interest rate	11,510	373	295	11,501	653	340
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Cash flow hedges	**3,632**	**36**	**72**	**3,475**	**48**	**62**
Interest rate	3,574	36	71	3,230	48	58
Equity	0	0	0	0	0	0
Foreign exchange	57	0	1	245	0	4
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total gross amounts	**15,142**	**410**	**367**	**14,975**	**701**	**402**
Offset	0	-277	-90		-519	-111
Total		**132**	**277**		**182**	**291**

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

21. Trade and other receivables

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Sep 19											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	54	16	0	0	69	0	0	0	0	0	69
Credit institutions	19	7	0	0	27	0	0	0	0	-1	26
Other financial corporations	23	4	1	0	28	0	0	-1	0	-1	27
Non-financial corporations	523	643	76	11	1,253	-4	-1	-64	-1	-71	1,182
Households	73	34	21	0	128	-3	-7	-16	0	-27	101
Total	**692**	**704**	**98**	**11**	**1,504**	**-8**	**-9**	**-82**	**-1**	**-99**	**1,405**
Dec 18											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	28	22	0	0	49	0	-6	0	0	-6	43
Credit institutions	25	21	0	0	47	0	-1	0	0	-1	46
Other financial corporations	38	3	1	0	42	0	0	-1	0	-1	41
Non-financial corporations	482	591	100	2	1,176	-2	-3	-81	-1	-87	1,089
Households	76	31	20	0	126	-2	-9	-16	0	-27	99
Total	**649**	**668**	**121**	**2**	**1,441**	**-5**	**-19**	**-98**	**-1**	**-122**	**1,318**

Development of credit loss allowances for trade and other receivables

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 19								**Sep 19**
Stage 1	-5	-4	1	1	-2	0	0	0	-8
Stage 2	-19	0	1	-1	3	0	6	0	-9
Stage 3	-98	-1	7	-2	-5	0	16	0	-82
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-122**	**-4**	**10**	**-1**	**-3**	**0**	**22**	**0**	**-99**
	Jan 18								**Sep 18**
Stage 1	-5	-1	0	1	0	0	0	-1	-5
Stage 2	-5	-11	1	-3	8	0	0	-6	-18
Stage 3	-105	-1	5	-1	-30	0	8	-18	-142
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-116**	**-14**	**6**	**-3**	**-22**	**0**	**8**	**-25**	**-166**

22. Other assets

in EUR million	Dec 18	Sep 19
Prepayments	110	134
Inventories	187	221
Sundry assets	585	764
Other assets	**882**	**1,119**

23. Other financial liabilities held for trading

in EUR million	Dec 18	Sep 19
Short positions	463	291
Equity instruments	77	23
Debt securities	387	268
Debt securities issued	45	50
Other financial liabilities held for trading	**508**	**341**

24. Financial liabilities at fair value through profit and loss

Debt securities issued

in EUR million	Dec 18	Sep 19
Subordinated debt securities issued	4,879	4,951
Other debt securities issued	8,567	8,802
Bonds	5,469	5,593
Other certificates of deposits/name certificates	771	870
Mortgage covered bonds	1,945	2,065
Public sector covered bonds	381	275
Debt securities issued	**13,446**	**13,754**

25. Financial liabilities at amortised costs

Deposits from banks

in EUR million	Dec 18	Sep 19
Overnight deposits	4,280	5,507
Term deposits	11,985	12,181
Repurchase agreements	1,392	2,248
Deposits from banks	**17,658**	**19,936**

Deposits from customers

in EUR million	Dec 18	Sep 19
Overnight deposits	**110,201**	**116,996**
Savings deposits	27,693	30,124
Other financial corporations	180	162
Non-financial corporations	1,771	1,850
Households	25,742	28,113
Non-savings deposits	82,508	86,871
General governments	4,943	6,820
Other financial corporations	5,465	5,400
Non-financial corporations	24,916	25,351
Households	47,184	49,300
Term deposits	**50,743**	**51,362**
Deposits with agreed maturity	44,800	45,130
Savings deposits	29,720	28,013
Other financial corporations	964	773
Non-financial corporations	1,339	1,168
Households	27,418	26,073
Non-savings deposits	15,080	17,118
General governments	3,760	3,450
Other financial corporations	2,418	3,862
Non-financial corporations	3,081	3,697
Households	5,821	6,108
Deposits redeemable at notice	5,942	6,232
General governments	13	12
Other financial corporations	102	103
Non-financial corporations	109	133
Households	5,719	5,984
Repurchase agreements	**1,483**	**3,473**
Other financial corporations	1,452	894
Non-financial corporations	0	0
Deposits from customers	**162,426**	**171,831**
General governments	**8,747**	**12,862**
Other financial corporations	**10,581**	**11,194**
Non-financial corporations	**31,215**	**32,199**
Households	**111,884**	**115,577**

Debt securities issued

in EUR million	Dec 18	Sep 19
Subordinated debt securities issued	951	967
Senior non-preferred bonds		514
Other debt securities issued	15,341	14,869
Bonds	3,073	2,895
Certificates of deposit	864	262
Other certificates of deposits/name certificates	267	241
Mortgage covered bonds	9,112	10,994
Public sector covered bonds	10	0
Other	2,016	476
Debt securities issued	**16,293**	**16,350**

26. Provisions

in EUR million	Dec 18	Sep 19
Long-term employee provisions	981	1,125
Pending legal issues and tax litigation	332	355
Commitments and guarantees given	329	268
Provisions for commitments and financial guarantees in Stage 1	76	73
Provisions for commitments and financial guarantees in Stage 2	58	53
Provisions for commitments and financial guarantees - Defaulted	196	142
Other provisions	62	254
Provisions for onerous contracts	3	3
Other	60	251
Provisions	**1,705**	**2,001**

Effects from the change in material valuation parameters

For the calculation of the defined benefit obligation for pension and severance payment provisions as well as for jubilee provisions, the interest rate used has been decreased to 0.77% p.a. as of 30 September 2019 (31 December 2018: 1.92% p. a.) to reflect the declining interest rate levels. Furthermore, the collective agreement trend has been increased to 2.00% p.a. (31 December 2018: 1.80% p.a.) and the ASVG trend to 1.75% p.a. (31 December 2018: 1.70% p.a.). According to IAS 19 the resulting measurement adjustment for pension and severance payment provisions amounting to EUR -166.6 million (before tax) has been recognised in other comprehensive income those for jubilee provisions, in amount of EUR -13.4 million has been considered in the income statement.

27. Other liabilities

in EUR million	Dec 18	Sep 19
Deferred income	131	136
Sundry liabilities	2,193	2,992
Other liabilities	**2,323**	**3,128**

28. Segment reporting

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

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

Business segmentation

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

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

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

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

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

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

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

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

Intragroup Elimination. Intragroup Elimination (IC) is not defined as a segment but is the reconciliation to the consolidated accounting result. It includes 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 sporitel'ňa Group)
- **Romania** (comprising Banca Comercială Română Group)
- **Hungary** (comprising Erste Bank Hungary Group)
- **Croatia** (comprising Erste Bank Croatia Group), and
- **Serbia** (comprising Erste Bank Serbia Group).

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

Measurement

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

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

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

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

Business segments (1)

in EUR million	Retail		Corporates		Group Markets		ALM&LCC	
	1-9 18	1-9 19	1-9 18	1-9 19	1-9 18	1-9 19	1-9 18	1-9 19
Net interest income	1,685.3	1,711.6	762.1	810.6	171.6	186.4	-72.6	-75.6
Net fee and commission income	790.3	810.3	204.3	223.3	164.9	166.1	-69.1	-50.3
Dividend income	0.3	3.6	3.4	1.7	1.4	2.5	8.2	7.2
Net trading result	88.8	85.1	49.1	68.1	49.3	10.2	-173.9	246.3
Gains/losses from financial instruments at FVPL	-3.2	4.9	16.8	4.6	-8.9	28.9	152.6	-232.6
Net result from equity method investments	5.0	5.0	0.0	0.0	0.0	0.0	1.9	0.4
Rental income from investment properties & other operating leases	16.9	16.6	93.0	76.9	0.0	0.0	24.9	25.2
General administrative expenses	-1,511.1	-1,543.3	-425.9	-423.3	-177.3	-179.6	-49.0	-83.4
Gains/losses from derecognition of financial assets at AC	0.0	-0.2	0.0	-1.1	0.0	0.0	-0.1	6.2
Other gains/losses from derecognition of financial instruments not at FVPL	1.1	0.0	0.0	19.4	0.0	0.0	8.2	-6.4
Impairment result from financial instruments	-19.9	-48.3	83.8	62.3	2.6	7.7	1.3	10.1
Other operating result	-25.7	-200.8	-18.0	-34.4	-19.3	-13.8	-80.2	-74.0
Levies on banking activities	-45.0	-51.2	-16.2	-20.2	-2.7	-3.0	-9.3	-1.0
Pre-tax result from continuing operations	**1,027.8**	**844.5**	**768.6**	**808.1**	**184.4**	**208.2**	**-247.7**	**-226.9**
Taxes on income	-192.7	-155.1	-138.1	-149.1	-34.4	-39.7	48.9	5.9
Net result for the period	**835.1**	**689.4**	**630.6**	**659.0**	**150.0**	**168.4**	**-198.8**	**-221.0**
Net result attributable to non-controlling interests	43.8	29.3	33.0	26.7	3.2	4.8	-6.1	-6.3
Net result attributable to owners of the parent	**791.3**	**660.1**	**597.5**	**632.3**	**146.8**	**163.6**	**-192.7**	**-214.7**
Operating income	2,583.4	2,637.1	1,128.8	1,185.1	378.4	394.0	-128.0	-79.4
Operating expenses	-1,511.1	-1,543.3	-425.9	-423.3	-177.3	-179.6	-49.0	-83.4
Operating result	**1,072.3**	**1,093.8**	**702.9**	**761.9**	**201.1**	**214.3**	**-177.0**	**-162.8**
Risk-weighted assets (credit risk, eop)	19,836	20,402	38,244	42,741	4,192	3,994	5,804	6,481
Average allocated capital	3,265	3,452	4,021	4,511	804	953	2,527	3,010
Cost/income ratio	58.5%	58.5%	37.7%	35.7%	46.9%	45.6%	-38.3%	>100%
Return on allocated capital	34.2%	26.7%	21.0%	19.5%	24.9%	23.6%	-10.5%	-9.8%
Total assets (eop)	61,502	63,453	52,128	57,259	47,472	53,286	48,516	50,341
Total liabilities excluding equity (eop)	83,835	89,063	30,168	31,436	36,849	38,131	47,170	51,751
Impairments	**-22.7**	**-49.1**	**82.2**	**55.9**	**2.6**	**7.7**	**-37.3**	**6.7**
Net impairment loss on financial assets AC	-22.3	-51.4	87.1	0.3	0.7	6.3	-2.2	8.5
Net impairment loss on financial assets FVOCI	0.0	0.0	-0.7	0.2	0.0	0.0	1.9	0.5
Net impairment loss on finance lease receivables	-0.6	-0.4	6.1	10.2	0.0	0.0	0.1	0.3
Net impairment loss on commitments and guarantees given	3.0	3.5	-8.6	51.6	1.9	1.4	1.6	0.8
Impairment of goodwill	-2.6	0.0	0.0	0.0	0.0	0.0	2.6	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	-0.1	-0.8	-1.6	-6.4	0.0	0.0	-41.2	-3.4

Business segments (2)

	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
in EUR million	**1-9 18**	**1-9 19**	**1-9 18**	**1-9 19**	**1-9 18**	**1-9 19**	**1-9 18**	**1-9 19**
Net interest income	754.9	781.9	49.2	47.1	21.4	55.4	3,372.0	3,517.4
Net fee and commission income	338.1	356.0	6.1	-0.2	-3.8	-20.8	1,430.7	1,484.3
Dividend income	3.5	3.1	5.6	6.0	0.0	0.0	22.3	24.0
Net trading result	-5.4	41.6	-26.6	18.4	-31.6	-50.5	-50.4	419.3
Gains/losses from financial instruments at FVPL	-6.6	7.2	15.0	-2.3	0.0	0.0	165.8	-189.4
Net result from equity method investments	0.0	0.0	3.1	4.7	0.0	0.0	10.0	10.1
Rental income from investment properties & other operating leases	29.2	29.2	8.0	-18.6	-26.3	-0.9	145.8	128.4
General administrative expenses	-780.5	-807.9	-723.6	-704.4	565.2	581.0	-3,102.3	-3,160.8
Gains/losses from derecognition of financial assets at AC	0.2	0.5	0.5	0.3	-0.5	-6.0	0.2	-0.4
Other gains/losses from derecognition of financial instruments not at FVPL	0.8	-0.6	-0.4	-0.5	0.0	6.1	9.7	18.0
Impairment result from financial instruments	34.1	14.6	0.3	-3.6	0.0	0.0	102.2	42.9
Other operating result	-22.6	-16.6	453.1	506.7	-524.3	-564.2	-237.0	-397.2
Levies on banking activities	-3.1	-3.2	-11.9	-12.3	0.0	0.0	-88.1	-90.9
Pre-tax result from continuing operations	**345.6**	**409.1**	**-209.8**	**-146.4**	**0.0**	**0.0**	**1,869.0**	**1,896.6**
Taxes on income	-83.0	-101.0	44.3	88.2	0.0	0.0	-355.0	-350.9
Net result for the period	**262.7**	**308.0**	**-165.5**	**-58.1**	**0.0**	**0.0**	**1,514.0**	**1,545.7**
Net result attributable to non-controlling interests	211.7	263.7	0.1	4.5	0.0	0.0	285.8	322.7
Net result attributable to owners of the parent	**51.0**	**44.4**	**-165.6**	**-62.6**	**0.0**	**0.0**	**1,228.3**	**1,223.0**
Operating income	1,113.6	1,219.0	60.3	55.1	-40.3	-16.8	5,096.2	5,394.1
Operating expenses	-780.5	-807.9	-723.6	-704.4	565.2	581.0	-3,102.3	-3,160.8
Operating result	**333.2**	**411.2**	**-663.3**	**-649.3**	**524.8**	**564.2**	**1,993.9**	**2,233.3**
Risk-weighted assets (credit risk, eop)	23,248	25,176	1,462	1,446	0	0	92,786	100,240
Average allocated capital	2,713	3,189	4,674	4,482	0	0	18,005	19,597
Cost/income ratio	70.1%	66.3%	>100%	>100%	>100%	>100%	60.9%	58.6%
Return on allocated capital	12.9%	12.9%	-4.7%	-1.7%			11.2%	10.5%
Total assets (eop)	62,095	65,439	4,804	3,256	-41,689	-40,933	234,827	252,101
Total liabilities excluding equity (eop)	57,417	60,501	2,695	2,033	-41,703	-40,944	216,432	231,971
Impairments	**34.1**	**14.8**	**-24.4**	**-6.5**	**0.0**	**0.0**	**34.5**	**29.6**
Net impairment loss on financial assets AC	21.0	-5.0	3.6	-4.4	0.0	0.0	87.8	-45.7
Net impairment loss on financial assets FVOCI	0.6	-0.1	0.8	0.0	0.0	0.0	2.6	0.6
Net impairment loss on finance lease receivables	0.5	-0.5	0.0	0.0	0.0	0.0	6.0	9.6
Net impairment loss on commitments and guarantees given	12.0	20.2	-4.1	0.9	0.0	0.0	5.8	78.4
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.3	0.0	-0.3	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	-0.1	-24.7	-2.6	0.0	0.0	-67.7	-13.4

Geographical segmentation – overview

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	**1-9 18**	**1-9 19**	**1-9 18**	**1-9 19**	**1-9 18**	**1-9 19**	**1-9 18**	**1-9 19**
Net interest income	1,508.6	1,554.6	1,784.4	1,889.7	79.0	73.0	3,372.0	3,517.4
Net fee and commission income	792.7	832.6	669.9	714.0	-31.9	-62.4	1,430.7	1,484.3
Dividend income	12.5	14.1	4.2	4.0	5.6	6.0	22.3	24.0
Net trading result	-20.6	35.7	205.4	199.3	-235.2	184.3	-50.4	419.3
Gains/losses from financial instruments at FVPL	-2.5	23.5	6.2	4.4	162.1	-217.3	165.8	-189.4
Net result from equity method investments	0.3	-1.7	6.6	7.1	3.1	4.7	10.0	10.1
Rental income from investment properties & other operating leases	102.9	99.7	33.9	37.4	9.0	-8.6	145.8	128.4
General administrative expenses	-1,555.0	-1,610.7	-1,355.5	-1,406.1	-191.8	-144.1	-3,102.3	-3,160.8
Gains/losses from derecognition of financial assets at AC	-0.2	-0.6	0.7	0.0	-0.3	0.2	0.2	-0.4
Other gains/losses from derecognition of financial instruments not at FVPL	2.3	-0.9	6.9	-6.0	0.6	24.9	9.7	18.0
Impairment result from financial instruments	79.4	22.3	22.1	23.1	0.7	-2.5	102.2	42.9
Other operating result	-22.8	-6.5	-138.1	-312.9	-76.1	-77.8	-237.0	-397.2
Levies on banking activities	-5.7	-5.9	-70.5	-72.7	-11.9	-12.3	-88.1	-90.9
Pre-tax result from continuing operations	**897.7**	**962.0**	**1,246.7**	**1,154.0**	**-275.4**	**-219.5**	**1,869.0**	**1,896.6**
Taxes on income	-193.8	-217.5	-221.4	-241.8	60.2	108.4	-355.0	-350.9
Net result for the period	**703.9**	**744.5**	**1,025.3**	**912.3**	**-215.2**	**-111.1**	**1,514.0**	**1,545.7**
Net result attributable to non-controlling interests	231.1	281.9	54.6	36.3	0.1	4.5	285.8	322.7
Net result attributable to owners of the parent	**472.8**	**462.6**	**970.7**	**876.0**	**-215.2**	**-115.6**	**1,228.3**	**1,223.0**
Operating income	2,394.0	2,558.4	2,710.7	2,855.9	-8.4	-20.2	5,096.2	5,394.1
Operating expenses	-1,555.0	-1,610.7	-1,355.5	-1,406.1	-191.8	-144.1	-3,102.3	-3,160.8
Operating result	**839.0**	**947.7**	**1,355.1**	**1,449.8**	**-200.2**	**-164.3**	**1,993.9**	**2,233.3**
Risk-weighted assets (credit risk, eop)	49,744	54,347	40,928	43,864	2,114	2,029	92,786	100,240
Average allocated capital	6,126	7,065	6,338	6,994	5,541	5,537	18,005	19,597
Cost/income ratio	65.0%	63.0%	50.0%	49.2%	>100%	>100%	60.9%	58.6%
Return on allocated capital	15.4%	14.1%	21.6%	17.4%	-5.2%	-2.7%	11.2%	10.5%
Total assets (eop)	154,291	164,611	106,456	115,107	-25,920	-27,617	234,827	252,101
Total liabilities excluding equity (eop)	125,538	130,700	96,244	103,889	-5,350	-2,617	216,432	231,971
Impairments	**64.0**	**23.3**	**-5.1**	**13.8**	**-24.4**	**-7.6**	**34.5**	**29.6**
Net impairment loss on financial assets AC	49.9	-20.0	34.5	-22.3	3.4	-3.3	87.8	-45.7
Net impairment loss on financial assets FVOCI	-0.2	0.2	1.5	0.7	1.2	-0.3	2.6	0.6
Net impairment loss on finance lease receivables	6.5	12.9	-0.2	-3.2	-0.3	0.0	6.0	9.6
Net impairment loss on commitments and guarantees given	23.2	29.2	-13.8	47.9	-3.6	1.2	5.8	78.4
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.3	0.0	0.0	0.0	-0.3	0.0	0.0
Net impairment on other non-financial assets	-15.4	0.7	-27.2	-9.3	-25.1	-4.8	-67.7	-13.4

Geographical area – Austria

	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
in EUR million	**1-9 18**	**1-9 19**	**1-9 18**	**1-9 19**	**1-9 18**	**1-9 19**	**1-9 18**	**1-9 19**
Net interest income	476.8	476.4	754.9	781.9	276.9	296.4	1,508.6	1,554.6
Net fee and commission income	288.3	295.3	338.1	356.0	166.4	181.4	792.7	832.6
Dividend income	6.8	6.8	3.5	3.1	2.3	4.2	12.5	14.1
Net trading result	-3.2	36.9	-5.4	41.6	-12.0	-42.9	-20.6	35.7
Gains/losses from financial instruments at FVPL	2.3	-14.5	-6.6	7.2	1.8	30.8	-2.5	23.5
Net result from equity method investments	0.7	0.5	0.0	0.0	-0.4	-2.2	0.3	-1.7
Rental income from investment properties & other operating leases	29.0	28.6	29.2	29.2	44.6	41.9	102.9	99.7
General administrative expenses	-502.1	-522.9	-780.5	-807.9	-272.4	-279.9	-1,555.0	-1,610.7
Gains/losses from derecognition of financial assets at AC	-0.4	0.0	0.2	0.5	0.0	-1.1	-0.2	-0.6
Other gains/losses from derecognition of financial instruments not at FVPL	1.5	-0.3	0.8	-0.6	0.0	0.0	2.3	-0.9
Impairment result from financial instruments	14.8	-4.6	34.1	14.6	30.4	12.3	79.4	22.3
Other operating result	-16.6	-25.3	-22.6	-16.6	16.3	35.4	-22.8	-6.5
Levies on banking activities	-2.7	-2.7	-3.1	-3.2	0.0	0.0	-5.7	-5.9
Pre-tax result from continuing operations	**298.0**	**276.9**	**345.6**	**409.1**	**254.0**	**276.1**	**897.7**	**962.0**
Taxes on income	-69.7	-67.1	-83.0	-101.0	-41.1	-49.3	-193.8	-217.5
Net result for the period	**228.3**	**209.7**	**262.7**	**308.0**	**212.9**	**226.7**	**703.9**	**744.5**
Net result attributable to non-controlling interests	12.8	11.2	211.7	263.7	6.5	7.1	231.1	281.9
Net result attributable to owners of the parent	**215.5**	**198.6**	**51.0**	**44.4**	**206.4**	**219.7**	**472.8**	**462.6**
Operating income	800.7	829.9	1,113.6	1,219.0	479.7	509.4	2,394.0	2,558.4
Operating expenses	-502.1	-522.9	-780.5	-807.9	-272.4	-279.9	-1,555.0	-1,610.7
Operating result	**298.6**	**307.0**	**333.2**	**411.2**	**207.2**	**229.5**	**839.0**	**947.7**
Risk-weighted assets (credit risk, eop)	12,347	13,042	23,248	25,176	14,149	16,128	49,744	54,347
Average allocated capital	1,591	1,744	2,713	3,189	1,822	2,132	6,126	7,065
Cost/income ratio	62.7%	63.0%	70.1%	66.3%	56.8%	55.0%	65.0%	63.0%
Return on allocated capital	19.2%	16.1%	12.9%	12.9%	15.6%	14.2%	15.4%	14.1%
Total assets (eop)	43,882	47,000	62,095	65,439	48,314	52,172	154,291	164,611
Total liabilities excluding equity (eop)	41,971	44,883	57,417	60,501	26,151	25,316	125,538	130,700
Impairments	**15.1**	**-4.6**	**34.1**	**14.8**	**14.7**	**13.1**	**64.0**	**23.3**
Net impairment loss on financial assets AC	12.1	-16.6	21.0	-5.0	16.8	1.5	49.9	-20.0
Net impairment loss on financial assets FVOCI	0.0	0.0	0.6	-0.1	-0.8	0.3	-0.2	0.2
Net impairment loss on finance lease receivables	-1.0	1.8	0.5	-0.5	7.0	11.6	6.5	12.9
Net impairment loss on commitments and guarantees given	3.7	10.2	12.0	20.2	7.5	-1.1	23.2	29.2
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.3
Net impairment on other non-financial assets	0.3	0.0	0.0	-0.1	-15.7	0.8	-15.4	0.7

Geographical area – Central and Eastern Europe

in EUR million	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
	1-9 18	1-9 19	1-9 18	1-9 19	1-9 18	1-9 19	1-9 18	1-9 19	1-9 18	1-9 19	1-9 18	1-9 19	1-9 18	1-9 19
Net interest income	773.7	839.0	328.7	324.6	292.0	319.8	145.6	158.2	206.7	205.8	37.6	42.4	1,784.4	1,889.7
Net fee and commission income	248.7	257.8	96.9	105.7	114.0	122.2	124.6	137.9	76.5	79.9	9.1	10.5	669.9	714.0
Dividend income	2.2	2.4	0.9	0.8	0.8	0.5	0.1	0.1	0.1	0.2	0.0	0.0	4.2	4.0
Net trading result	64.6	78.6	7.1	12.4	67.4	53.1	38.6	26.4	23.9	24.7	3.8	4.1	205.4	199.3
Gains/losses from financial instruments at FVPL	10.9	-1.3	-0.4	0.1	2.7	-0.1	-7.4	4.6	0.4	1.0	0.0	0.0	6.2	4.4
Net result from equity method investments	1.0	1.4	3.9	5.0	0.6	-0.2	0.0	0.0	1.1	0.9	0.0	0.1	6.6	7.1
Rental income from investment properties & other operating leases	6.6	6.3	0.2	0.9	12.2	15.4	2.8	4.9	12.1	9.9	0.0	0.0	33.9	37.4
General administrative expenses	-535.8	-557.1	-205.9	-210.4	-260.6	-268.0	-158.1	-161.9	-159.1	-166.6	-36.1	-42.1	-1,355.5	-1,406.1
Gains/losses from derecognition of financial assets at AC	0.6	0.3	0.0	0.1	0.0	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.2	0.7	0.0
Other gains/losses from derecognition of financial instruments not at FVPL	1.8	-1.1	0.0	-0.5	0.5	-6.2	1.3	1.7	3.3	0.1	0.1	0.0	6.9	-6.0
Impairment result from financial instruments	44.0	5.9	-17.3	-28.0	-9.4	25.9	27.8	18.3	-19.9	1.5	-3.0	-0.5	22.1	23.1
Other operating result	-53.4	-29.4	-28.3	-28.3	2.6	-172.2	-55.7	-55.0	-2.7	-27.8	-0.6	-0.1	-138.1	-312.9
Levies on banking activities	0.0	0.0	-22.5	-24.2	0.0	0.0	-48.0	-48.5	0.0	0.0	0.0	0.0	-70.5	-72.7
Pre-tax result from continuing operations	**565.0**	**602.8**	**186.1**	**182.4**	**222.8**	**90.0**	**119.6**	**135.4**	**142.3**	**129.5**	**10.9**	**14.0**	**1,246.7**	**1,154.0**
Taxes on income	-112.1	-119.2	-40.4	-35.9	-32.8	-46.1	-6.9	-15.6	-28.4	-23.9	-0.7	-1.2	-221.4	-241.8
Net result for the period	**452.8**	**483.7**	**145.7**	**146.5**	**189.9**	**43.8**	**112.7**	**119.8**	**113.9**	**105.6**	**10.2**	**12.9**	**1,025.3**	**912.3**
Net result attributable to non-controlling interests	4.1	0.0	0.0	0.0	12.2	0.1	0.0	0.0	36.3	33.6	2.1	2.6	54.6	36.3
Net result attributable to owners of the parent	**448.8**	**483.6**	**145.7**	**146.5**	**177.7**	**43.8**	**112.7**	**119.8**	**77.6**	**72.0**	**8.2**	**10.2**	**970.7**	**876.0**
Operating income	1,107.7	1,184.2	437.5	449.5	489.7	510.6	304.3	332.2	320.8	322.3	50.6	57.1	2,710.7	2,855.9
Operating expenses	-535.8	-557.1	-205.9	-210.4	-260.6	-268.0	-158.1	-161.9	-159.1	-166.6	-36.1	-42.1	-1,355.5	-1,406.1
Operating result	**571.9**	**627.1**	**231.7**	**239.1**	**229.1**	**242.6**	**146.3**	**170.4**	**161.7**	**155.8**	**14.5**	**14.9**	**1,355.1**	**1,449.8**
Risk-weighted assets (credit risk, eop)	18,377	19,007	6,243	6,989	5,937	6,600	3,777	4,193	5,214	5,455	1,382	1,621	40,928	43,864
Average allocated capital	2,520	2,487	892	1,059	1,236	1,450	782	981	728	785	180	233	6,338	6,994
Cost/income ratio	48.4%	47.0%	47.1%	46.8%	53.2%	52.5%	51.9%	48.7%	49.6%	51.7%	71.4%	73.8%	50.0%	49.2%
Return on allocated capital	24.0%	26.0%	21.8%	18.5%	20.5%	4.0%	19.3%	16.3%	20.9%	18.0%	7.6%	7.4%	21.6%	17.4%
Total assets (eop)	54,336	60,969	17,309	18,351	15,483	15,173	8,152	8,564	9,481	10,016	1,694	2,033	106,456	115,107
Total liabilities excluding equity (eop)	49,781	55,777	15,833	16,772	13,730	13,432	7,114	7,414	8,284	8,728	1,502	1,765	96,244	103,889
Impairments	**18.5**	**5.3**	**-17.1**	**-27.4**	**-10.0**	**17.4**	**27.3**	**18.1**	**-20.8**	**0.9**	**-3.1**	**-0.5**	**-5.1**	**13.8**
Net impairment loss on financial assets AC	47.5	-16.8	-19.0	-31.5	-1.7	5.9	28.1	18.1	-16.9	2.5	-3.4	-0.6	34.5	-22.3
Net impairment loss on financial assets FVOCI	2.1	0.1	0.0	0.0	-0.2	-0.2	0.0	0.0	-0.6	0.9	0.3	0.0	1.5	0.7
Net impairment loss on finance lease receivables	-1.0	1.3	0.1	-3.2	0.0	-1.0	0.3	-0.8	0.4	0.2	0.1	0.3	-0.2	-3.2
Net impairment loss on commitments and guarantees given	-4.6	21.3	1.6	6.7	-7.5	21.2	-0.6	1.0	-2.8	-2.1	0.1	-0.2	-13.8	47.9
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	-25.5	-0.6	0.2	0.6	-0.6	-8.5	-0.4	-0.2	-0.9	-0.6	0.0	0.0	-27.2	-9.3

29. Risk management

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

Credit risk

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

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

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

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

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

Credit risk exposure

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

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

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

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

The credit risk exposure increased in the first three quarters of the year to EUR 274.2 billion (+7.2%; EUR 255.9 billion).

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

in EUR million	Credit risk exposure	Allowances	Adjustments	Carrying amount
Sep 19				
Cash and cash balances - demand deposits to credit institutions	1,230	0	0	1,230
Debt instruments HfT	7,139	0	0	7,139
Non-trading debt instruments at FVPL	2,957	0	0	2,957
Debt securities	2,539	0	0	2,539
Loans and advances to banks	0	0	0	0
Loans and advances to customers	419	0	0	419
Debt instruments at FVOCI	8,319	-9	310	8,629
Debt securities	8,319	-9	310	8,629
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	207,141	-3,063	0	204,079
Debt securities	26,817	-9	0	26,808
Loans and advances to banks	25,249	-8	0	25,241
Loans and advances to customers	155,075	-3,046	0	152,030
Trade and other receivables	1,504	-99	0	1,405
Finance lease receivables	4,125	-138	0	3,987
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	182	0	0	182
Off balance-sheet exposures	41,642	-281	0	-
Total	**274,240**	**-3,591**	**310**	**229,607**
Dec 18				
Cash and cash balances - demand deposits to credit institutions	1,009	0	0	1,009
Debt instruments HfT	5,516	0	0	5,516
Non-trading debt instruments at FVPL	2,938	0	0	2,938
Debt securities	2,651	0	0	2,651
Loans and advances to banks	0	0	0	0
Loans and advances to customers	287	0	0	287
Debt instruments at FVOCI	8,828	-10	205	9,033
Debt securities	8,828	-10	205	9,033
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	192,413	-3,307	0	189,106
Debt securities	26,059	-8	0	26,050
Loans and advances to banks	19,111	-8	0	19,103
Loans and advances to customers	147,243	-3,290	0	143,953
Trade and other receivables	1,441	-122	0	1,318
Finance lease receivables	3,914	-151	0	3,763
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	132	0	0	132
Off balance-sheet exposures	39,673	-343	0	-
Total	**255,864**	**-3,933**	**205**	**212,816**

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

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

Credit risk exposure by counterparty sector and financial instrument

in EUR million	Cash and cash balances - demand deposits to credit institutions	Debt instruments HfT	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Finance lease receivables	Positive fair value of derivatives	Trade and other receivables	Off balance-sheet exposures	Total
Sep 19												
Central banks	0	51	0	0	25	18,731	0	0	0	0	12	18,819
General governments	0	2,671	651	5,920	22,343	0	6,706	386	0	69	2,271	41,018
Credit institutions	1,230	3,560	745	1,145	3,545	6,518	0	2	182	27	822	17,775
Other financial corporations	0	226	999	179	145	0	3,759	64	0	28	1,424	6,824
Non-financial corporations	0	630	309	1,073	759	0	67,073	2,907	0	1,253	25,708	99,712
Households	0	1	254	0	0	0	77,537	766	0	128	11,406	90,092
Total	**1,230**	**7,139**	**2,957**	**8,319**	**26,817**	**25,249**	**155,075**	**4,125**	**182**	**1,504**	**41,642**	**274,240**
Dec 18												
Central banks	0	20	0	3	25	14,939	0	0	0	0	17	15,004
General governments	0	1,819	761	6,694	22,387	0	7,059	407	0	49	1,958	41,134
Credit institutions	1,009	3,062	721	912	2,752	4,172	0	2	125	47	668	13,470
Other financial corporations	0	132	1,048	182	145	0	3,355	63	5	42	1,389	6,361
Non-financial corporations	0	482	248	1,037	749	0	62,207	2,742	2	1,176	24,282	92,926
Households	0	1	161	0	0	0	74,623	700	0	126	11,358	86,968
Total	**1,009**	**5,516**	**2,938**	**8,828**	**26,059**	**19,111**	**147,243**	**3,914**	**132**	**1,441**	**39,673**	**255,864**

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Sep 19					
Agriculture and forestry	2,060	831	199	140	3,231
Mining	685	52	7	49	793
Manufacturing	16,371	1,787	506	534	19,197
Energy and water supply	3,503	536	101	76	4,216
Construction	9,887	1,675	353	425	12,340
Trade	10,423	1,943	433	445	13,244
Transport and communication	6,453	815	210	107	7,585
Hotels and restaurants	3,651	1,008	258	247	5,164
Financial and insurance services	42,842	961	163	25	43,991
Real estate and housing	24,595	3,717	812	443	29,566
Services	12,432	1,283	317	272	14,303
Public administration	38,696	285	57	1	39,039
Education, health and art	2,925	422	159	215	3,721
Households	69,674	4,271	1,910	1,632	77,487
Other	289	1	70	0	360
Total	**244,488**	**19,586**	**5,555**	**4,612**	**274,240**
Dec 18					
Agriculture and forestry	2,026	753	136	180	3,096
Mining	620	39	11	48	717
Manufacturing	15,127	1,856	470	580	18,033
Energy and water supply	3,408	498	157	85	4,147
Construction	8,878	1,546	467	525	11,417
Trade	9,806	1,887	489	510	12,692
Transport and communication	6,485	685	186	123	7,479
Hotels and restaurants	3,433	767	262	313	4,775
Financial and insurance services	34,271	885	231	79	35,467
Real estate and housing	23,163	3,130	1,035	576	27,904
Services	11,058	1,256	293	327	12,934
Public administration	38,236	254	209	6	38,705
Education, health and art	2,736	424	149	228	3,536
Households	64,557	6,314	1,980	1,734	74,584
Other	321	1	55	0	377
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Sep 19					
Core markets	**209,482**	**17,705**	**5,054**	**4,160**	**236,401**
Austria	99,370	8,665	2,065	1,689	111,789
Czech Republic	55,314	4,337	1,181	658	61,489
Romania	14,952	1,495	471	471	17,389
Slovakia	19,585	894	642	526	21,646
Hungary	9,543	922	368	179	11,013
Croatia	8,421	1,095	274	613	10,403
Serbia	2,298	297	53	24	2,672
Other EU	**25,736**	**1,004**	**257**	**331**	**27,328**
Other industrialised countries	**5,138**	**118**	**44**	**17**	**5,316**
Emerging markets	**4,132**	**758**	**200**	**105**	**5,194**
Southeastern Europe/CIS	1,944	421	101	86	2,552
Asia	1,807	161	20	4	1,991
Latin America	68	14	12	10	103
Middle East/Africa	314	162	67	5	548
Total	**244,488**	**19,586**	**5,555**	**4,612**	**274,240**
Dec 18					
Core markets	**195,827**	**18,419**	**5,790**	**4,757**	**224,792**
Austria	96,632	7,692	2,065	1,953	108,342
Czech Republic	50,840	4,220	1,256	697	57,013
Romania	13,903	1,485	473	565	16,426
Slovakia	15,941	2,812	1,242	553	20,549
Hungary	8,762	832	426	198	10,218
Croatia	7,789	1,087	291	767	9,934
Serbia	1,960	291	37	23	2,311
Other EU	**19,788**	**894**	**156**	**408**	**21,245**
Other industrialised countries	**4,807**	**142**	**35**	**37**	**5,022**
Emerging markets	**3,704**	**839**	**149**	**113**	**4,804**
Southeastern Europe/CIS	1,798	425	77	94	2,395
Asia	1,497	138	14	3	1,653
Latin America	56	16	13	10	96
Middle East/Africa	352	260	44	5	661
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

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

Credit risk exposure by reporting segment and risk category

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

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Sep 19					
Retail	57,937	5,403	2,582	1,450	67,371
Corporates	66,875	6,791	1,300	1,570	76,537
Group Markets	31,651	416	93	3	32,163
ALM & LCC	31,505	122	77	138	31,842
Savings Banks	56,272	6,844	1,497	1,438	66,050
GCC	248	10	5	13	277
Total	**244,488**	**19,586**	**5,555**	**4,612**	**274,240**
Dec 18					
Retail	54,909	7,216	2,520	1,583	66,228
Corporates	60,200	6,353	1,973	2,048	70,573
Group Markets	25,366	389	62	2	25,819
ALM & LCC	28,769	136	89	12	29,005
Savings Banks	54,210	6,192	1,468	1,666	63,536
GCC	673	8	19	3	703
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by business segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Sep 19						
Retail	61,082	4,284	1,338	136	532	67,371
Corporates	67,940	4,020	1,308	294	2,973	76,535
Group Markets	24,738	83	2	0	7,339	32,163
ALM & LCC	31,357	56	137	1	292	31,843
Savings Banks	56,405	5,283	1,374	50	2,938	66,050
GCC	198	3	13	0	62	277
Total	**241,721**	**13,729**	**4,173**	**481**	**14,137**	**274,240**
Dec 18						
Retail	60,043	4,113	1,428	161	482	66,228
Corporates	62,338	3,819	1,691	372	2,354	70,573
Group Markets	19,678	290	2	0	5,849	25,819
ALM & LCC	28,668	55	12	0	271	29,005
Savings Banks	53,921	4,913	1,569	62	3,071	63,536
GCC	645	2	3	0	53	703
Total	**225,292**	**13,193**	**4,704**	**595**	**12,079**	**255,864**

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

The defaulted part of POCI amounted to EUR 336 million (EUR 471 million), the non-defaulted part to EUR 144 million (EUR 124 million).

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Sep 19					
Austria	**133,459**	**10,519**	**2,548**	**2,367**	**148,892**
EBOe & Subsidiaries	40,315	2,809	774	501	44,399
Savings Banks	56,272	6,844	1,497	1,438	66,050
Other Austria	36,872	866	277	428	38,443
Central and Eastern Europe	**105,614**	**9,056**	**3,002**	**2,232**	**119,904**
Czech Republic	56,419	4,383	1,205	551	62,558
Romania	13,544	1,522	470	511	16,047
Slovakia	17,459	878	640	507	19,484
Hungary	7,806	906	301	131	9,144
Croatia	8,624	1,071	332	510	10,537
Serbia	1,762	296	53	22	2,134
Other	**5,414**	**11**	**5**	**13**	**5,444**
Total	**244,488**	**19,586**	**5,555**	**4,612**	**274,240**
Dec 18					
Austria	**123,157**	**9,491**	**2,491**	**2,786**	**137,925**
EBOe & Subsidiaries	39,353	2,547	750	636	43,286
Savings Banks	54,210	6,192	1,468	1,666	63,536
Other Austria	29,594	752	273	484	31,103
Central and Eastern Europe	**95,417**	**10,760**	**3,620**	**2,498**	**112,297**
Czech Republic	51,499	4,317	1,216	561	57,594
Romania	12,917	1,485	475	603	15,480
Slovakia	14,115	2,744	1,250	487	18,596
Hungary	7,634	797	310	166	8,907
Croatia	7,734	1,126	332	660	9,852
Serbia	1,518	291	37	22	1,868
Other	**5,551**	**42**	**19**	**30**	**5,642**
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by geographical segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Sep 19						
Austria	**124,651**	**9,620**	**2,252**	**71**	**12,298**	**148,892**
EBOe & Subsidiaries	39,766	3,099	486	7	1,042	44,399
Savings Banks	56,405	5,283	1,374	50	2,938	66,050
Other Austria	28,480	1,239	392	14	8,317	38,443
Central and Eastern Europe	**111,732**	**4,106**	**1,908**	**409**	**1,749**	**119,904**
Czech Republic	59,838	1,777	517	24	401	62,558
Romania	14,286	1,034	441	102	185	16,047
Slovakia	18,297	575	375	145	91	19,484
Hungary	7,999	181	78	105	782	9,144
Croatia	9,483	488	478	30	58	10,537
Serbia	1,829	50	19	2	233	2,134
Other	**5,338**	**3**	**13**	**0**	**89**	**5,444**
Total	**241,721**	**13,729**	**4,173**	**481**	**14,137**	**274,240**
Dec 18						
Austria	**115,410**	**9,247**	**2,606**	**102**	**10,560**	**137,925**
EBOe & Subsidiaries	38,838	2,926	597	17	908	43,286
Savings Banks	53,921	4,913	1,569	62	3,071	63,536
Other Austria	22,650	1,409	439	24	6,580	31,103
Central and Eastern Europe	**104,388**	**3,903**	**2,068**	**493**	**1,446**	**112,297**
Czech Republic	54,940	1,728	532	21	374	57,594
Romania	13,760	1,052	489	134	45	15,480
Slovakia	17,666	347	347	152	85	18,596
Hungary	7,869	128	94	121	696	8,907
Croatia	8,549	596	589	62	57	9,852
Serbia	1,604	52	18	2	190	1,868
Other	**5,495**	**43**	**30**	**0**	**74**	**5,642**
Total	**225,292**	**13,193**	**4,704**	**595**	**12,079**	**255,864**

Loans and advances to customers

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

Loans and advances to customers comprise:

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

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

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

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Sep 19					
Retail	49,691	4,803	2,391	1,432	58,317
Corporates	46,662	5,287	1,097	1,343	54,389
Group Markets	1,158	26	6	0	1,190
ALM & LCC	150	18	65	121	355
Savings Banks	38,760	5,332	1,329	1,380	46,801
GCC	23	5	2	13	43
Total	**136,443**	**15,471**	**4,890**	**4,290**	**161,094**
Dec 18					
Retail	46,081	6,542	2,350	1,560	56,533
Corporates	41,998	4,844	1,568	1,721	50,131
Group Markets	1,097	107	1	0	1,205
ALM & LCC	126	41	73	11	251
Savings Banks	36,944	4,881	1,236	1,586	44,647
GCC	57	3	7	3	69
Total	**126,303**	**16,418**	**5,234**	**4,881**	**152,836**

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

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Sep 19							
Retail	52,802	3,804	1,321	133	58,061	256	58,317
Corporates	49,524	3,337	1,138	241	54,240	149	54,389
Group Markets	1,122	68	0	0	1,190	0	1,190
ALM & LCC	219	15	121	1	355	0	355
Savings Banks	40,804	4,614	1,323	49	46,791	10	46,801
GCC	25	2	13	0	40	3	43
Total	**144,496**	**11,839**	**3,916**	**424**	**160,676**	**419**	**161,094**
Dec 18							
Retail	51,191	3,631	1,411	158	56,391	142	56,533
Corporates	45,262	3,039	1,431	316	50,047	84	50,131
Group Markets	1,190	15	0	0	1,205	0	1,205
ALM & LCC	225	15	11	0	251	0	251
Savings Banks	38,767	4,257	1,499	61	44,586	61	44,647
GCC	64	1	3	0	69	0	69
Total	**136,700**	**10,958**	**4,355**	**536**	**152,549**	**287**	**152,836**

Loans and advances to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Sep 19					
Austria	**83,782**	**8,092**	**2,235**	**2,253**	**96,362**
EBOe & Subsidiaries	30,778	2,354	717	470	34,319
Savings Banks	38,760	5,332	1,329	1,380	46,801
Other Austria	14,245	407	188	403	15,242
Central and Eastern Europe	**52,617**	**7,374**	**2,654**	**2,024**	**64,669**
Czech Republic	23,560	3,743	1,088	491	28,882
Romania	6,852	1,090	379	427	8,749
Slovakia	12,263	783	613	460	14,119
Hungary	3,521	750	245	121	4,637
Croatia	5,300	764	279	503	6,846
Serbia	1,121	243	50	22	1,436
Other	**44**	**5**	**2**	**13**	**63**
Total	**136,443**	**15,471**	**4,890**	**4,290**	**161,094**
Dec 18					
Austria	**79,323**	**7,323**	**2,132**	**2,635**	**91,413**
Erste Bank Oesterreich & Subsidiaries	29,870	2,104	682	601	33,256
Savings Banks	36,944	4,881	1,236	1,586	44,647
Other Austria	12,510	339	214	448	13,511
Central and Eastern Europe	**46,803**	**9,058**	**3,095**	**2,216**	**61,172**
Czech Republic	22,308	3,612	1,054	492	27,466
Romania	6,279	1,109	396	476	8,260
Slovakia	9,204	2,601	1,095	438	13,337
Hungary	3,055	646	257	152	4,109
Croatia	4,996	847	257	638	6,739
Serbia	961	244	36	21	1,262
Other	**177**	**36**	**7**	**30**	**250**
Total	**126,303**	**16,418**	**5,234**	**4,881**	**152,836**

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

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Sep 19							
Austria	**85,616**	**8,363**	**2,151**	**70**	**96,200**	**162**	**96,362**
EBOe & Subsidiaries	31,164	2,681	456	7	34,308	11	34,319
Savings Banks	40,804	4,614	1,323	49	46,791	10	46,801
Other Austria	13,648	1,068	371	14	15,102	141	15,242
Central and Eastern Europe	**58,834**	**3,474**	**1,752**	**354**	**64,415**	**254**	**64,669**
Czech Republic	26,901	1,496	459	24	28,880	3	28,882
Romania	7,412	878	360	97	8,748	1	8,749
Slovakia	13,118	531	374	96	14,119	0	14,119
Hungary	4,044	169	70	104	4,387	250	4,637
Croatia	5,993	352	470	30	6,846	0	6,846
Serbia	1,366	48	19	2	1,436	0	1,436
Other	**46**	**2**	**13**	**0**	**61**	**3**	**63**
Total	**144,496**	**11,839**	**3,916**	**424**	**160,676**	**419**	**161,094**
Dec 18							
Austria	**80,911**	**7,771**	**2,478**	**101**	**91,261**	**153**	**91,413**
EBOe & Subsidiaries	30,136	2,503	568	17	33,224	32	33,256
Savings Banks	38,767	4,257	1,499	61	44,586	61	44,647
Other Austria	12,007	1,011	410	22	13,451	60	13,511
Central and Eastern Europe	**55,612**	**3,145**	**1,847**	**435**	**61,038**	**134**	**61,172**
Czech Republic	25,598	1,380	464	21	27,463	3	27,466
Romania	6,905	853	372	128	8,259	1	8,260
Slovakia	12,561	330	343	103	13,337	0	13,337
Hungary	3,656	121	83	119	3,979	130	4,109
Croatia	5,699	411	567	62	6,739	0	6,739
Serbia	1,192	50	18	2	1,262	0	1,262
Other	**177**	**43**	**30**	**0**	**250**	**0**	**250**
Total	**136,700**	**10,958**	**4,355**	**536**	**152,549**	**287**	**152,836**

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

The defaulted part of POCI loans amounted to EUR 287 million (EUR 418 million), the non-defaulted part to EUR 137 million (EUR 117 million).

Expected credit loss measurement

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

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

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

Significant increase in credit risk determination

In the area of expected credit loss (ECL) modelling and calculation of ensuing credit loss allowances (CLA), one of the key drivers is the assessment of a significant increase in credit risk (SICR) based on whether an instrument's credit risk as at the reporting date has increased significantly from the date it was initially originated. In this respect, across portfolios and product types, quantitative and qualitative indicators are defined for assessing SICR, including the indicator of 30 days-past-due (DPD).

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

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

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

Low credit risk exemption

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

As of 30 September 2019, low credit risk exception is applied only to debt securities in the Czech subsidiary (Česká spořitelna) with exposure of EUR 9.8 billion, of which EUR 9.8 billion is in Stage 1 (PDs interval of 0.01%-0.5%).

Measuring ECL – explanation of inputs and measurement

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

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

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

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

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

Life-time parameters

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

Incorporation of forward-looking information

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

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

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

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

	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio (exc collateral)	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Sep 19												
Retail	1,432	1,431	58,317	58,061	-1,224	582	581	2.5%	2.5%	85.5%	40.7%	40.6%
Corporates	1,343	1,324	54,389	54,240	-1,108	477	477	2.5%	2.4%	83.6%	35.5%	36.0%
Group Markets	0	0	1,190	1,190	-2	0	0	0.0%	0.0%	>500%	0.0%	0.0%
ALM & LCC	121	121	355	355	-49	91	91	34.2%	34.2%	40.5%	75.0%	75.0%
Savings Banks	1,380	1,379	46,801	46,791	-892	687	678	2.9%	2.9%	64.6%	49.8%	49.1%
GCC	13	11	43	40	-8	6	4	30.9%	27.7%	68.5%	42.8%	32.0%
Total	**4,290**	**4,267**	**161,094**	**160,676**	**-3,282**	**1,843**	**1,830**	**2.7%**	**2.7%**	**76.9%**	**43.0%**	**42.9%**
Dec 18												
Retail	1,560	1,557	56,533	56,391	-1,310	637	636	2.8%	2.8%	84.2%	40.9%	40.9%
Corporates	1,721	1,701	50,131	50,047	-1,256	621	620	3.4%	3.4%	73.8%	36.1%	36.5%
Group Markets	0	0	1,205	1,205	-4	0	0	0.0%	0.0%	>500%	0.0%	0.0%
ALM & LCC	11	11	251	251	-19	1	1	4.3%	4.3%	180.6%	9.4%	9.4%
Savings Banks	1,586	1,583	44,647	44,586	-971	785	782	3.6%	3.6%	61.4%	49.5%	49.4%
GCC	3	1	69	69	-2	3	1	4.1%	1.0%	237.5%	99.8%	99.2%
Total	**4,881**	**4,853**	**152,836**	**152,549**	**-3,563**	**2,046**	**2,041**	**3.2%**	**3.2%**	**73.4%**	**41.9%**	**42.1%**

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

	Loans to customers				Allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Sep 19											
Retail	52,802	3,804	1,321	133	-120	-203	-849	-52	5.3%	64.2%	38.8%
Corporates	49,524	3,337	1,138	241	-145	-130	-755	-77	3.9%	66.4%	32.0%
Group Markets	1,122	68	0	0	-1	-1	0	0	1.8%	87.9%	100.0%
ALM & LCC	219	15	121	1	-1	-5	-43	0	34.1%	35.6%	22.9%
Savings Banks	40,804	4,614	1,323	49	-88	-139	-655	-9	3.0%	49.5%	18.8%
GCC	25	2	13	0	0	0	-7	0	0.2%	56.8%	0.0%
Total	**144,496**	**11,839**	**3,916**	**424**	**-355**	**-479**	**-2,310**	**-138**	**4.0%**	**59.0%**	**32.6%**
Dec 18											
Retail	51,191	3,631	1,411	158	-124	-203	-913	-71	5.6%	64.7%	45.0%
Corporates	45,262	3,039	1,431	316	-138	-131	-900	-87	4.3%	62.9%	27.4%
Group Markets	1,190	15	0	0	-3	0	0	0	0.9%	87.0%	100.0%
ALM & LCC	225	15	11	0	0	-11	-8	0	68.4%	79.0%	0.0%
Savings Banks	38,767	4,257	1,499	61	-78	-131	-747	-16	3.1%	49.8%	25.5%
GCC	64	1	3	0	0	0	-1	0	1.2%	46.4%	0.0%
Total	**136,700**	**10,958**	**4,355**	**536**	**-344**	**-476**	**-2,570**	**-174**	**4.3%**	**59.0%**	**32.4%**

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

	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio (exc collateral)	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Sep 19												
Austria	**2,253**	**2,234**	**96,362**	**96,200**	**-1,429**	**1,114**	**1,104**	**2.3%**	**2.3%**	**64.0%**	**49.4%**	**49.4%**
EBOe & Subs	470	470	34,319	34,308	-303	261	261	1.4%	1.4%	64.5%	55.5%	55.5%
Savings Banks	1,380	1,379	46,801	46,791	-892	687	678	2.9%	2.9%	64.6%	49.8%	49.1%
Other Austria	403	385	15,242	15,102	-235	166	166	2.6%	2.5%	61.0%	41.2%	43.1%
CEE	**2,024**	**2,022**	**64,669**	**64,415**	**-1,845**	**723**	**723**	**3.1%**	**3.1%**	**91.2%**	**35.7%**	**35.7%**
Czech Republic	491	491	28,882	28,880	-493	122	122	1.7%	1.7%	100.4%	24.8%	24.8%
Romania	427	426	8,749	8,748	-445	139	139	4.9%	4.9%	104.3%	32.6%	32.6%
Slovakia	460	460	14,119	14,119	-357	181	181	3.3%	3.3%	77.6%	39.4%	39.4%
Hungary	121	120	4,637	4,387	-110	76	75	2.6%	2.7%	91.1%	62.9%	62.6%
Croatia	503	503	6,846	6,846	-413	200	200	7.3%	7.3%	82.2%	39.9%	39.9%
Serbia	22	22	1,436	1,436	-28	5	5	1.5%	1.5%	129.0%	21.6%	21.6%
Other	**13**	**11**	**63**	**61**	**-8**	**6**	**4**	**20.8%**	**18.2%**	**70.4%**	**42.8%**	**32.0%**
Total	**4,290**	**4,267**	**161,094**	**160,676**	**-3,282**	**1,843**	**1,830**	**2.7%**	**2.7%**	**76.9%**	**43.0%**	**42.9%**
Dec 18												
Austria	**2,635**	**2,617**	**91,413**	**91,261**	**-1,591**	**1,265**	**1,263**	**2.9%**	**2.9%**	**60.8%**	**48.0%**	**48.3%**
EBOe & Subs	601	600	33,256	33,224	-368	308	308	1.8%	1.8%	61.4%	51.3%	51.3%
Savings Banks	1,586	1,583	44,647	44,586	-971	785	782	3.6%	3.6%	61.4%	49.5%	49.4%
Other Austria	448	434	13,511	13,451	-251	173	173	3.3%	3.2%	57.9%	38.6%	39.8%
CEE	**2,216**	**2,208**	**61,172**	**61,038**	**-1,956**	**778**	**777**	**3.6%**	**3.6%**	**88.6%**	**35.1%**	**35.2%**
Czech Republic	492	492	27,466	27,463	-497	101	101	1.8%	1.8%	101.2%	20.6%	20.6%
Romania	476	469	8,260	8,259	-477	159	159	5.8%	5.7%	101.7%	33.5%	34.0%
Slovakia	438	438	13,337	13,337	-354	192	192	3.3%	3.3%	80.9%	44.0%	44.0%
Hungary	152	150	4,109	3,979	-128	86	85	3.7%	3.8%	85.3%	56.6%	56.4%
Croatia	638	638	6,739	6,739	-469	234	234	9.5%	9.5%	73.5%	36.6%	36.6%
Serbia	21	21	1,262	1,262	-29	5	5	1.7%	1.7%	139.4%	23.9%	23.9%
Other	**30**	**28**	**250**	**250**	**-16**	**3**	**1**	**12.1%**	**11.3%**	**56.9%**	**9.3%**	**2.5%**
Total	**4,881**	**4,853**	**152,836**	**152,549**	**-3,563**	**2,046**	**2,041**	**3.2%**	**3.2%**	**73.4%**	**41.9%**	**42.1%**

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

	Loans to customers				Allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Sep 19											
Austria	**85,616**	**8,363**	**2,151**	**70**	**-144**	**-219**	**-1,056**	**-10**	**2.6%**	**49.1%**	**13.9%**
EBOe & Subs	31,164	2,681	456	7	-34	-61	-207	0	2.3%	45.3%	7.2%
Savings Banks	40,804	4,614	1,323	49	-88	-139	-655	-9	3.0%	49.5%	18.8%
Other AT	13,648	1,068	371	14	-22	-19	-194	0	1.7%	52.3%	0.0%
CEE	**58,834**	**3,474**	**1,752**	**354**	**-211**	**-259**	**-1,246**	**-128**	**7.5%**	**71.1%**	**36.3%**
Czech Republic	26,901	1,496	459	24	-74	-86	-324	-10	5.8%	70.5%	40.2%
Romania	7,412	878	360	97	-32	-90	-289	-34	10.2%	80.3%	34.4%
Slovakia	13,118	531	374	96	-34	-36	-236	-51	6.9%	63.0%	52.7%
Hungary	4,044	169	70	104	-15	-18	-51	-25	10.9%	73.2%	24.2%
Croatia	5,993	352	470	30	-48	-23	-333	-9	6.6%	70.8%	28.4%
Serbia	1,366	48	19	2	-8	-6	-13	-1	12.0%	70.4%	31.8%
Other	**46**	**2**	**13**	**0**	**0**	**0**	**-7**	**0**	**12.7%**	**56.8%**	**0.0%**
Total	**144,496**	**11,839**	**3,916**	**424**	**-355**	**-479**	**-2,310**	**-138**	**4.0%**	**59.0%**	**32.6%**
Dec 18											
Austria	**80,911**	**7,771**	**2,478**	**101**	**-132**	**-204**	**-1,231**	**-24**	**2.6%**	**49.7%**	**24.1%**
EBOe & Subs	30,136	2,503	568	17	-34	-53	-273	-9	2.1%	48.1%	50.3%
Savings Banks	38,767	4,257	1,499	61	-78	-131	-747	-16	3.1%	49.8%	25.5%
Other AT	12,007	1,011	410	22	-21	-20	-211	0	1.9%	51.4%	0.0%
CEE	**55,612**	**3,145**	**1,847**	**435**	**-211**	**-271**	**-1,324**	**-149**	**8.6%**	**71.7%**	**34.3%**
Czech Republic	25,598	1,380	464	21	-77	-85	-326	-9	6.2%	70.2%	46.1%
Romania	6,905	853	372	128	-30	-100	-301	-47	11.7%	80.8%	36.4%
Slovakia	12,561	330	343	103	-36	-34	-233	-51	10.3%	68.0%	49.9%
Hungary	3,656	121	83	119	-14	-16	-63	-35	13.4%	76.5%	29.1%
Croatia	5,699	411	567	62	-46	-29	-389	-6	7.0%	68.5%	10.1%
Serbia	1,192	50	18	2	-8	-8	-13	-1	15.1%	72.1%	40.6%
Other	**177**	**43**	**30**	**0**	**-1**	**-1**	**-15**	**0**	**2.3%**	**47.9%**	**0.0%**
Total	**136,700**	**10,958**	**4,355**	**536**	**-344**	**-476**	**-2,570**	**-174**	**4.3%**	**59.0%**	**32.4%**

Loans and advances to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Sep 19						
Austria	**87,807**	**0**	**3,304**	**2,877**	**2,374**	**96,362**
Erste Bank Oesterreich & Subsidiaries	32,772	0	1,369	78	100	34,319
Savings Banks	43,693	0	1,882	115	1,111	46,801
Other Austria	11,341	0	52	2,685	1,164	15,242
Central and Eastern Europe	**28,270**	**35,918**	**30**	**357**	**93**	**64,669**
Czech Republic	4,239	24,386	1	195	62	28,882
Romania	3,280	5,335	0	134	0	8,749
Slovakia	14,079	0	0	9	31	14,119
Hungary	1,261	3,368	6	2	0	4,637
Croatia	4,303	2,507	23	12	0	6,846
Serbia	1,109	322	0	4	0	1,436
Other	**18**	**40**	**0**	**5**	**0**	**63**
Total	**116,095**	**35,958**	**3,334**	**3,239**	**2,468**	**161,094**
Dec 18						
Austria	**83,141**	**0**	**3,512**	**2,646**	**2,114**	**91,413**
Erste Bank Oesterreich & Subsidiaries	31,641	0	1,455	57	103	33,256
Savings Banks	41,462	0	2,013	98	1,074	44,647
Other Austria	10,039	0	45	2,490	937	13,511
Central and Eastern Europe	**26,448**	**34,255**	**45**	**307**	**117**	**61,172**
Czech Republic	3,628	23,659	1	101	78	27,466
Romania	3,308	4,843	0	109	0	8,260
Slovakia	13,282	0	0	25	30	13,337
Hungary	1,041	3,059	7	2	0	4,109
Croatia	4,222	2,413	28	67	9	6,739
Serbia	968	281	10	4	0	1,262
Other	**195**	**36**	**0**	**19**	**0**	**250**
Total	**109,784**	**34,291**	**3,558**	**2,972**	**2,231**	**152,836**

Market risk

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

in EUR million	Dec 18	Sep 19
Interest	5.6	4.7
Currency	0.5	0.5
Shares	0.6	0.4
Commodity	0.1	0.2
Volatility	0.3	0.3
Total	**5.6**	**4.9**

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 favourable liquidity position and the usage of the TLTRO II programme (Targeted Longer-Term Refinancing Operations II) of the European Central Bank, Erste Group Bank AG has budgeted long term issuance for 2019 in the amount of EUR 3.8 billion. In the first nine months of the year Erste Group issued over EUR 3.3 billion (net of EUR 38 million buybacks), including five EUR 500-benchmark transactions (additional tier 1, senior non-preferred, senior preferred und two mortgage 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 September 2019, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.5%, comfortably above the 3.0% minimum requirement defined in Article 92 Capital Requirements Regulation (CRR). Tier 1 capital amounted to EUR 17.4 billion at the reference date, while total leverage exposure stood at EUR 266.4 billion.

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

30. Related party transactions

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung) controls a total of 30.36% 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 7.0 million (EUR 25.4 million) and no accounts receivable. At the end of the reporting period, Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 7.4 million (EUR 9.7 million). In the reporting period interest expenses amounted to EUR 0.2 million (EUR 0.3 million), resulting from the above mentioned accounts payable.

31. Contingent liabilities – legal proceedings

Since half year financial report 2019 there have not been any material changes in the assessment of the influence of the outcome of the litigation cases in which Erste Group Bank AG and some of its subsidiaries are involved with respect of the financial and/or earnings situation of Erste Group.

32. Fair value of financial instruments

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

Financial instruments carried at fair value

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

Description of valuation models and parameters

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

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

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

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

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

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

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

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

According to the described methodology the accumulated CVA-adjustments amounted to EUR 23.1 million (2018: EUR 15.1 million) and the total DVA-adjustment amounted to EUR 2.7 million (2018: EUR 4.1 million).

Validation and control

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

Fair value hierarchy

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

Level 1 of the fair value hierarchy

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

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

Leve 2 of the fair value hierarchy

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

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

Level 3 of the fair value hierarchy

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

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

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

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

	Dec 18				Sep 19			
in EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets HfT	1,419	4,085	80	5,584	2,715	4,355	145	7,215
Derivatives	2	2,974	61	3,037	3	3,424	125	3,551
Other financial assets held for trading	1,417	1,111	19	2,547	2,712	931	20	3,664
Non-trading financial assets - FVPL	2,239	293	778	3,310	2,166	412	773	3,350
Equity instruments	31	24	317	372	54	34	304	393
Debt securities	2,208	268	174	2,651	2,111	377	50	2,539
Loans and advances	0	0	287	287	0	0	419	419
Financial assets FVOCI	7,707	1,063	502	9,272	7,389	983	568	8,940
Hedge accounting derivatives	0	131	1	132	0	181	1	182
Total assets	**11,365**	**5,573**	**1,361**	**18,299**	**12,270**	**5,931**	**1,487**	**19,687**
Liabilities								
Financial liabilities HfT	465	2,030	14	2,508	287	2,451	14	2,751
Derivatives	2	1,985	14	2,000	2	2,394	14	2,411
Other financial liabilities held for trading	463	45	0	508	285	56	0	341
Financial liabilities - FVPL	618	12,943	561	14,122	640	13,257	654	14,550
Deposits from customers	0	212	0	212	0	277	0	277
Debt securities issued	618	12,731	96	13,446	640	12,980	134	13,754
Other financial liabilities	0	0	464	464	0	0	520	520
Hedge accounting derivatives	0	277	0	277	0	291	0	291
Total liabilities	**1,083**	**15,249**	**574**	**16,907**	**926**	**15,998**	**667**	**17,592**

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

Valuation process for financial instruments categorised as Level 3

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

Changes in volumes of Level 1 and Level 2

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

in EUR million	Dec 18 Level 1	Dec 18 Level 2	Sep 19 Level 1	Sep 19 Level 2
Securities				
Net transfer from Level 1		525		-64
Net transfer from Level 2	-525		64	
Net transfer from Level 3	1	-76	4	147
Purchases/sales/expiries	-4,234	-648	836	-224
Changes in derivatives	-7	-1,081	0	500
Total year-to-date change	**-4,765**	**-1,280**	**904**	**359**

Level 1-Movements. The total amount of Level 1 financial assets increased by EUR 905 million compared to last year. The change in volume of Level 1 securities (increased by EUR 904 million) was determined on the one hand by matured or sold assets in the amount of EUR 1,853 million and on the other hand by new investments in the amount of EUR 2,070 million. The increase in volume for securities that were allocated to Level 1 at both reporting dates amounted to EUR 593 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 166 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by governments (EUR 147 million), but also to securities issued by other corporates (EUR 15 million) and financial institutions (EUR 4 million). Due to lower market activity and changes to modelled fair value, securities in total of EUR 102 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by financial institutions (EUR 52 million), governments (EUR 40 million) as well as securities issued by other corporates (EUR 10 million). Level 3 instruments in the amount of EUR 4 million were reclassified to Level 1. The remaining positive change in the amount of EUR 26 million was due to partial purchases and fair value changes of reclassified instruments. The volume of derivatives remained unchanged.

Level 2-Movements. The total value of Level 2 financial assets increased by EUR 358 million. The Level 2 fair value change of securities and other receivables (down by EUR 142 million) can be explained for the most part by matured or sold positions in the amount of EUR 1,132 million and new investments in the amount of EUR 815 million. The increase in volume for securities that have been allocated to Level 2 at both reporting dates amounted to EUR 55 million due to purchases or sales in volumes and changes in market values. Due to reduced market depth a total volume of EUR 102 million was reclassified from Level 1 to Level 2 in 2019. This applies mainly to securities issued by financial institutions (EUR 52 million), securities issued by governments (EUR 40 million) and other corporates (EUR 10 million). Securities in the amount of EUR 166 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 4 million was reclassified from Level 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 151 million was reclassified from Level 3 to Level 2. The remaining increase in the amount of EUR 38 million was due to partial purchases and fair value changes of reclassified instruments. The increase on the asset side derivatives in Level 2 by EUR 500 million are caused by changes in market values and by netting effects.

The total Level 2 financial liabilities increased by EUR 748 million. Whereas the fair value of derivatives increased by EUR 423 million, the portfolio of securities increased by EUR 260 million. The fair value of client deposits increased by EUR 65 million.

Movements in Level 3 of financial instruments carried at fair value

Development of fair value of financial instruments in Level 3

in EUR million		Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales	Settle-ments	Additions to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency translation	
	Jan 19											**Sep 19**
Assets												
Financial assets HfT	80	59	0	12	-5	0	0	0	10	-11	0	145
Derivatives	61	59	0	5	-5	0	0	0	10	-6	0	125
Other financial assets held for trading	19	0	0	7	-1	0	0	0	0	-5	0	20
Non-trading financial assets at FVPL	778	19	0	528	-246	-138	0	0	1	-160	-9	773
Equity instruments	317	9	0	11	-5	-9	0	0	0	-20	0	304
Debt securities	174	2	0	10	-8	-14	0	0	0	-114	0	50
Loans and advances	287	8	0	507	-234	-115	0	0	0	-26	-9	419
Financial assets FVOCI	502	1	82	21	-1	-6	0	0	17	-47	-1	568
Hedge accounting derivatives	1	0	0	1	0	0	0	0	0	-1	0	1
Total assets	**1,361**	**80**	**82**	**562**	**-253**	**-144**	**0**	**0**	**28**	**-219**	**-10**	**1,487**
Liabilities												
Financial liabilities HfT	14	-2	0	1	0	0	0	0	0	1	0	14
Derivatives	14	-2	0	1	0	0	0	0	0	1	0	14
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities at FVPL	561	34	0	138	-73	-4	0	-30	124	-96	0	654
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	96	12	0	0	0	-2	0	0	124	-96	0	134
Other financial liabilities	464	22	0	138	-73	-2	0	-30	0	0	0	520
Total liabilities	**574**	**32**	**0**	**139**	**-73**	**-4**	**0**	**-30**	**124**	**-95**	**0**	**667**
	Jan 18											**Sep 18**
Assets												
Financial assets HfT	68	-10	0	2	-9	-4	0	0	29	-27	0	48
Derivatives	25	-10	0	2	0	0	0	0	18	-11	0	25
Other financial assets held for trading	43	0	0	0	-9	-4	0	0	10	-17	0	24
Non-trading financial assets at FVPL	859	29	0	118	-166	-61	1	-1	102	-24	-7	851
Financial assets at FVOCI	446	1	-3	12	-7	-17	0	0	145	-14	-2	559
Total assets	**1,373**	**20**	**-3**	**132**	**-182**	**-82**	**1**	**-1**	**275**	**-66**	**-9**	**1,458**
Liabilities												
Financial liabilities HfT	5	0	0	0	0	0	0	0	8	0	0	13
Derivatives	5	0	0	0	0	0	0	0	3	0	0	8
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	5	0	0	5
Financial liabilities at FVPL	1,128	3	0	93	0	-4	0	-141	27	-49	0	1,057
Deposits from customers	137	0	0	0	0	0	0	-137	0	0	0	0
Debt securities issued	456	-4	0	93	0	-4	0	0	27	-49	0	520
Other financial liabilities	534	7	0	0	0	0	0	-4	0	0	0	537
Total liabilities	**1,132**	**4**	**0**	**93**	**0**	**-4**	**0**	**-141**	**35**	**-49**	**0**	**1,070**

Level 3 movements. The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, the external market values of securitizations were subject to an internal validation process, which is based on observable market inputs. Based on the described analysis securities in the amount of EUR 4 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by financial institutions (EUR 4 million). On the other hand securities in the amount of EUR 151 million were reclassified from Level 3 to Level 2. Thereof EUR 114 million are securities issued by financial institutions, EUR 34 million are securities issued by other corporates and EUR 3 million are securities issued by governments. The movement from Level 3 to Level 1 amounted to EUR 4 million. Loans and advances which are measured at fair value under IFRS 9 increased by EUR 132 million. The additional change in Level 3 positions was on the one hand caused by an increase in derivative exposure of EUR 63 million and on the other hand by an increase caused by the purchase, sale and market value change of securities in the amount of EUR 84 million.

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

in EUR million	1-9 18	1-9 19
Assets		
Financial assets HfT	-6.2	61.2
Derivatives	-6.2	61.1
Other financial assets held for trading	0.0	0.0
Non-trading financial assets at FVPL	27.3	21.3
Equity instruments	29.3	9.6
Debt securities	5.7	2.0
Loans and advances	-7.6	9.7
Financial assets at FVOCI	-0.7	-0.2
Total	**20.5**	**82.3**

For financial liabilities measured at fair value in Level 3 a valuation of EUR -30.7 million (EUR -12.2 million) was posted via income statement for the end of the reporting period.

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

_ Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
_ Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.
_ Loans which do not comply with the contractual cash flow criteria.

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Sep 19					
Positive fair value of derivatives	Forwards, swaps, options	121,2	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.74%-100% (3.96%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	6,3	Discounted cash flow	Credit Spread	0.81%-4.87% (2.82%)
	Loans	418,5	Discounted cash flow	PD	0%-43,38% (0,76%)
				LGD	0%-79,25% (45,30%)
Financial assets at FVOCI	Fixed and variable coupon bonds	86,2	Discounted cash flow	Credit Spread	0,72-7,27% (4,83%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	171,0	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 0.94-1.25 Recreation 0.93 Real Estate (General/Diversified) 0.75 Financial Services. (Non-bank & Insurance) 0.93-1.04 Banks (Regional) 0.58 Transportation 0.91
				Country risk premium	Croatia 3.39%, Austria 0.37%-0.46% Czech Republic 0.81% Romania 2.26%-2.55%, Russia 2.04%, Slovakia 0.98%, Spain 1.48% Resulting cost of equity based on above inputs: 6.20%-13.85%
		146,6	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		39,6	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
Dez 18					
Positive fair value of derivatives	Forwards, swaps, options	54.9	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.59%-100% (5.59%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	91.6	Discounted cash flow	Credit Spread	0.81%-4.87% (3.53%)
	Loans	286.6	Discounted cash flow	PD	0%-43.38% (0.98%)
				LGD	05-85.69% (19.14%)
Financial assets at FVOCI	Fixed and variable coupon bonds	75.1	Discounted cash flow	Credit Spread	1.95%-7.27% (4.39%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	174.6	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.22-1.25 Recreation 0.95 Real Estate (General/Diversified) 0.82 Financial Svcs. (Non-bank & Insurance) 0.94-1.04 Banks (Regional) 0.74
				Country risk premium	Croatia 3.47%, Austria 0.41%-0.46% Czech Republic 0.81% Romania 2.26%, Russia 2.89%, Slovakia 0.98%, Spain 1.85% Resulting cost of equity based on above inputs: 7.42%-13.73%
		162.8	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		40.4	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.

Equity instruments with a fair value in amount of EUR 177.1 million are assessed on the basis of expert opinions. For equity instruments other than participations classified as Level 3, the amount of EUR°24.7°million (2018: EUR°23.4°million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Fair value changes per product type using reasonably possible alternatives

	Dec 18		Sep 19	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	2.2	-2.8	3.2	-4.0
Income statement	2.2	-2.8	3.2	-4.0
Debt securities	45.3	-60.3	13.7	-18.2
Income statement	23.7	-31.5	2.8	-3.8
Other comprehensive income	21.6	-28.8	10.9	-14.5
Equity instruments	71.6	-52.8	77.3	-52.1
Income statement	36.2	-31.6	37.4	-28.6
Other comprehensive income	35.4	-21.2	39.9	-23.5
Loans	9.5	-24.8	3.0	-19.0
Income statement	9.5	-24.8	3.0	-19.0
Other comprehensive income	0.0	0.0	0.0	0.0
Total	**128.6**	**-140.7**	**97.2**	**-93.3**
Income statement	**71.6**	**-90.7**	**46.4**	**-55.4**
Other comprehensive income	**57.0**	**-50.0**	**50.8**	**-38.0**

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

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

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

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

in EUR million	Dec 18 Carrying amount (balance sheet)	Dec 18 Fair value	Sep 19 Carrying amount (balance sheet)	Sep 19 Fair value
Assets				
Cash and cash balances	17,549	17,549	15,638	15,638
Financial assets at AC	189,106	192,194	204,079	210,927
Loans and advances to banks	19,103	19,098	25,241	25,286
Loans and advances to customers	143,953	146,096	152,030	157,207
Debt securities	26,050	27,000	26,808	28,434
Finance lease receivables	3,763	3,775	3,987	4,017
Assets held for sale	11	11	0	0
Trade and other receivables	1,318	1,315	1,405	1,428
Liabilities				
Financial liabilities at AC	196,863	196,895	208,728	209,654
Deposits from banks	17,658	17,752	19,936	20,209
Deposits from customers	162,426	162,179	171,831	172,226
Debt securities issued	16,293	16,478	16,350	16,608
Other financial liabilities	486	486	611	611
Financial guarantees and commitments				
Financial guarantees	n/a	201	n/a	115
Irrevocable commitments	n/a	102	n/a	701

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

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

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

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

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

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

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

	1-9 18	1-9 19
Austria	**16,332**	**16,229**
Erste Group, EB Oesterreich and subsidiaries	9,154	9,073
Haftungsverbund savings banks	7,178	7,156
Outside Austria	**31,098**	**30,933**
Česká spořitelna Group	10,157	9,924
Banca Comercială Română Group	7,223	7,006
Slovenská sporiteľňa Group	4,112	4,068
Erste Bank Hungary Group	3,116	3,125
Erste Bank Croatia Group	3,188	3,283
Erste Bank Serbia Group	1,092	1,144
Savings banks subsidiaries	1,203	1,204
Other subsidiaries and foreign branch offices	1,008	1,180
Total	**47,431**	**47,162**

34. 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 financial statement.

Regulatory scope of consolidation and institutional protection scheme

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

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

Regulatory Requirements

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

Own funds

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

The regulatory minimum capital ratios including the capital buffers as of 30 September 2019 amount to

- 9.5% for CET1 (4.5% CET1, +2.5% capital conservation buffer, +2.0% buffer for systemic vulnerability and for systemic concentration risk and +0.45% countercyclical capital buffer),
- 11.0% for tier 1 capital (sum of CET1 and AT1) and
- 13.0% 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 2019, Erste Group has to fulfil the following capital buffer requirements.

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

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

- The institution specific requirement for the countercyclical buffer in accordance with section 23a para 1 ABA results from the weighted average of the rates of the countercyclical capital buffer that apply in the jurisdictions where significant credit risk positions are situated in accordance with section 5 of the credit institution, multiplied by the total amount of risk in accordance with Art. 92 (3), of the Regulation (EU) no. 575/2013
- For the calculation of the weighted average according to para 1 capital buffer requirement, the countercyclical buffer quota for the national area as defined by the respective authority is multiplied by the result out of the comparison of the capital requirement related to significant credit risk positions within the national area and the total capital requirement as defined within Part 3, Title II and IV of Regulation (EU) no. 575/2013.
- Starting from 1 January 2016 is for the purposes of section 23a para 3 clause 2 ABA the capital buffer rate for the home country allocated, significant credit risk positions is 0%.
- If the competent authority of another member state or a third country for the national legal area determines a rate of over 2.5% for the purposes of para 1 for significant credit risk positions in this legal area, a rate of 2.5% has to be applied.
- If the responsible third country authority establishes a national buffer rate, this rate is valid twelve months after the date on which the relevant third country authority has announced a change in the buffer rate.

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

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

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

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

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

As a result of the 2018 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a transitional common equity tier 1 (CET1) ratio of 6.25% as of 30 September 2019. This minimum CET1 ratio of 6.25% includes Pillar 1 minimum requirement (4.5%) and Pillar 2 requirement (P2R, 1.75% valid as of 1 January 2019). In addition, Erste Group is subject to combined buffer requirement consisting of the capital conservation buffer (2.5%), the institution specific countercyclical capital buffer (0.45%) and the systemic risk buffer (2.0%) requirements. Thus, overall transitional CET1 capital requirement amounts to 11.20%. In addition, ECB expects Erste Group to meet a Pillar 2 Guidance (P2G) of 1.0% valid as of 1 January 2019), fully in CET1 capital. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

Overview of capital requirements and capital buffers

	Dec 18	Sep 19
Pillar 1		
Minimum CET 1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirements	8.00%	8.00%
Combined buffer requirement (CBR)	3.19%	4.95%
Capital conservation buffer	1.88%	2.50%
Institution-specific countercyclical capital buffer	0.32%	0.45%
Systemic risk buffer (SRB)	1.00%	2.00%
O-SII capital buffer	1.00%	2.00%
Pillar2		
Pillar 2 requirement (P2R)	1.75%	1.75%
Total CET 1 requirement for Pillar 1 and Pillar 2	**9.44%**	**11.20%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**10.94%**	**12.70%**
Total Own Funds requirement for Pillar 1 and Pillar 2	**12.94%**	**14.70%**

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 CET1 capital and excludes the P2G.

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

in EUR million	Article pursuant to CRR	Dec 18 Phased-in	Dec 18 Final	Sep 19 Phased-in	Sep 19 Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	2,336	2,336	2,336	2,336
Retained earnings	26 (1) (c), 26 (2)	11,541	11,541	11,555	11,555
Interim profit	26 (2)	0	0	401	401
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-1,342	-1,342	-1,504	-1,504
Minority interest recognised in CET1	4 (1) (120) 84	4,322	4,322	4,447	4,447
Transitional adjustments due to additional minority interests	479, 480	0	0	0	0
Common equity tier 1 capital (CET1) before regulatory adjustments		**16,857**	**16,857**	**17,234**	**17,234**
Own CET1 instruments	36 (1) (f), 42	-114	-114	-68	-68
Prudential filter: cash flow hedge reserve	33 (1) (a)	3	3	6	6
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	443	443	447	447
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-4	-4	-3	-3
Value adjustments due to the requirements for prudent valuation	34, 105	-78	-78	-89	-89
Regulatory adjustments relating to unrealised gains (0%)	468	0	0	0	0
Regulatory adjustments relating to unrealised losses (0%)	467	0	0	0	0
Securitisations with a risk weight of 1,250%	36 (1) (k)	-32	-32	-28	-28
Goodwill	4 (1) (113), 36 (1) (b), 37	-710	-710	-709	-709
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	-726	-726	-703	-703
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-21	-21	-19	-19
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-102	-102	-150	-150
Development of unaudited risk provisions during the year (EU No 183/2014)		0	0	0	0
Other transitional adjustments CET1	469 to 472, 478, 481	0	0	0	0
Goodwill (0%)		0	0	0	0
Other intangible assets (0%)		0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
Deferred tax assets allocated up to December 2013, that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (20%)		0	0	0	0
Deferred tax assets allocated on or after January 2014 that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (0%)		0	0	0	0
Own CET1 instruments (0%)	36 (1) (f)	0	0	0	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0	0	0	0
Common equity tier 1 capital (CET1)	**50**	**15,517**	**15,517**	**15,917**	**15,917**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	993	993	1,490	1,490
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	7	7	8	8
Additional tier 1 capital (AT1) before regulatory adjustments		**1,000**	**1,000**	**1,498**	**1,498**
Own AT1 instruments	52 (1) (b), 56 (a), 57	-2	-2	-2	-2
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	0	0	0	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	0	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	0	0	0	0
Goodwill (0%)		0	0	0	0
Other intangible assets (0%)		0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
Own CET1 instruments (0%)	36 (1) (f)	0	0	0	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0	0	0	0
Additional tier 1 capital (AT1)	**61**	**999**	**999**	**1,497**	**1,497**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**16,516**	**16,515**	**17,414**	**17,414**

The table will be continued on the subsequent page.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 18 Phased-in	Dec 18 Final	Sep 19 Phased-in	Sep 19 Final
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**16,516**	**16,515**	**17,414**	**17,414**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	3,797	3,797	3,532	3,532
Instruments issued by subsidiaries recognised in T2	87, 88	241	241	263	263
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0	0	0	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	0	0	0	0
IRB excess of provisions over expected losses eligible	62 (d)	371	371	344	344
Tier 2 capital (T2) before regulatory adjustments		**4,410**	**4,410**	**4,140**	**4,140**
Own T2 instruments	63 (b) (i), 66 (a), 67	-34	-34	-46	-46
Standardised approach general credit risk adjustments	62 (c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	0	0	0	0
Tier 2 capital (T2)	**71**	**4,375**	**4,375**	**4,093**	**4,093**
Total own funds	**4 (1) (118) and 72**	**20,891**	**20,891**	**21,508**	**21,508**
Capital requirement	**92 (3), 95, 96, 98**	**9,168**	**9,228**	**9,676**	**9,714**
CET1 capital ratio	**92 (2) (a)**	**13.5%**	**13.5%**	**13.2%**	**13.1%**
Tier 1 capital ratio	**92 (2) (b)**	**14.4%**	**14.3%**	**14.4%**	**14.3%**
Total capital ratio	**92 (2) (c)**	**18.2%**	**18.1%**	**17.8%**	**17.7%**

Minority interest recognised in CET1includes interim result from saving banks in an amount of EUR 36 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 third quarter of 2018 about a final decision in view of credit risk models, which became effective as of end of September 2018. This decision had an effect on risk weighted assets (RWA) on consolidated level of around EUR 300 million. As pre-emption of the expected effects from the implementation of the new loss given default (LGD) estimation methodology, Erste Group incorporated a RWA add-on in the amount of EUR 514 million as of the first quarter 2019.

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

in EUR million	Article pursuant to CRR	Dec 18 Total risk (phased-in)	Dec 18 Capital requirement (phased-in)	Sep 19 Total risk (phased-in)	Sep 19 Capital requirement (phased-in)
Total risk exposure amount	92 (3), 95, 96, 98	114,599	9,168	120,953	9,676
Risk-weighted assets (credit risk)	92 (3) (a) (f)	92,549	7,404	99,624	7,970
Standardised approach		16,547	1,324	17,666	1,413
IRB approach		76,002	6,080	81,958	6,557
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	3,434	275	3,185	255
Operational risk	92 (3) (e) 92 (4) (b)	15,241	1,219	14,334	1,147
Exposure for CVA	92 (3) (d)	661	53	616	49
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	2,715	217	3,194	256

in EUR million	Article pursuant to CRR	Dec 18 Total risk (final)	Dec 18 Capital requirement (final)	Sep 19 Total risk (final)	Sep 19 Capital requirement (final)
Total risk exposure amount	92 (3), 95, 96, 98	115,354	9,228	121,421	9,714
Risk-weighted assets (credit risk)	92 (3) (a) (f)	93,303	7,464	100,091	8,007
Standardised approach		17,301	1,384	18,133	1,451
IRB approach		76,002	6,080	81,958	6,557
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	3,434	275	3,185	255
Operational risk	92 (3) (e) 92 (4) (b)	15,241	1,219	14,334	1,147
Exposure for CVA	92 (3) (d)	661	53	616	49
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	2,715	217	3,194	256

35. Events after the reporting date

There are no significant events after the balance sheet date.

Abbreviations

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

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

Note regarding forward-looking statements

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

Shareholder Events

28 February 2020	Full-year preliminary results 2019
27 March 2020	Annual financial report 2019
30 April 2020	Results for the first quarter of 2020
13 May 2020	Annual General Meeting
31 July 2020	Half-year financial report 2020
2 November 2020	Results for the first three quarters of 2020

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

www.erstegroup.com/investorrelations

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Ticker Symbols

Reuters:	ERST.VI
Bloomberg:	EBS AV
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