Interim Report

Third Quarter 2017

ERSTE Group

Key financial data

Income statement					
in EUR million	**Q3 16**	**Q2 17**	**Q3 17**	**1-9 16**	**1-9 17**
Net interest income	1,073.4	1,091.7	1,086.3	3,267.5	3,229.3
Net fee and commission income	434.9	453.2	451.0	1,319.8	1,361.9
Net trading result	98.7	54.3	36.5	218.7	139.3
Operating income	1,643.1	1,675.2	1,644.2	4,959.7	4,936.9
Operating expenses	-982.7	-985.2	-1,010.1	-2,963.0	-3,013.6
Operating result	**660.4**	**690.0**	**634.1**	**1,996.6**	**1,923.4**
Net impairment loss on financial assets	-37.4	-38.6	32.9	-63.2	-71.5
Post-provision operating result	**622.9**	**651.5**	**667.0**	**1,933.4**	**1,851.9**
Other operating result	-60.3	-82.7	-86.8	-252.4	-296.6
Levies on banking activities	-44.0	-23.6	-22.7	-151.7	-82.1
Pre-tax result from continuing operations	562.0	583.0	608.5	1,828.7	1,626.1
Taxes on income	-125.1	-128.2	-142.0	-403.9	-365.9
Net result for the period	**436.9**	**454.7**	**466.5**	**1,424.8**	**1,260.2**
Net result attributable to non-controlling interests	99.4	92.3	103.5	245.6	272.6
Net result attributable to owners of the parent	**337.4**	**362.5**	**363.0**	**1,179.2**	**987.6**
Earnings per share	0.76	0.80	0.85	2.73	2.26
Cash earnings per share	0.77	0.80	0.86	2.74	2.28
Return on equity	11.1%	11.1%	11.7%	13.5%	10.5%
Cash return on equity	11.1%	11.2%	11.7%	13.6%	10.6%
Net interest margin (on average interest-bearing assets)	2.43%	2.44%	2.39%	2.50%	2.39%
Cost/income ratio	59.8%	58.8%	61.4%	59.7%	61.0%
Provisioning ratio (on average gross customer loans)	0.11%	0.11%	-0.09%	0.06%	0.07%
Tax rate	22.3%	22.0%	23.3%	22.1%	22.5%

Balance sheet					
in EUR million	**Sep 16**	**Jun 17**	**Sep 17**	**Dec 16**	**Sep 17**
Cash and cash balances	14,743	25,842	22,104	18,353	22,104
Trading, financial assets	49,064	44,886	43,539	47,586	43,539
Loans and receivables to credit institutions	5,191	4,347	10,358	3,469	10,358
Loans and receivables to customers	128,985	135,122	138,005	130,654	138,005
Intangible assets	1,443	1,458	1,474	1,390	1,474
Miscellaneous assets	7,386	6,501	6,234	6,775	6,234
Total assets	**206,811**	**218,156**	**221,715**	**208,227**	**221,715**
Financial liabilities - held for trading	6,272	3,960	3,551	4,762	3,551
Deposits from banks	15,228	17,883	19,226	14,631	19,226
Deposits from customers	134,023	145,574	148,363	138,013	148,363
Debt securities issued	27,300	26,602	25,661	27,192	25,661
Miscellaneous liabilities	7,459	6,621	6,945	7,027	6,945
Total equity	16,529	17,515	17,969	16,602	17,969
Total liabilities and equity	**206,811**	**218,156**	**221,715**	**208,227**	**221,715**
Loan/deposit ratio	96.2%	92.8%	93.0%	94.7%	93.0%
NPL ratio	5.5%	4.7%	4.3%	4.9%	4.3%
NPL coverage (exc collateral)	67.7%	68.5%	69.5%	69.1%	69.5%
CET 1 ratio (phased-in)	13.2%	13.2%	12.8%	13.4%	12.8%

Ratings	**Sep 16**	**Jun 17**	**Sep 17**
Fitch			
Long-term	BBB+	A-	A-
Short-term	F2	F1	F1
Outlook	Stable	Stable	Stable
Moody´s			
Long-term	Baa1	Baa1	A3
Short-term	P-2	P-2	P-2
Outlook	Stable	Stable	Positive
Standard & Poor´s			
Long-term	BBB+	A-	A-
Short-term	A-2	A-2	A-2
Outlook	Stable	Positive	Positive

On 30 October 2017 S&P upgraded Erste Group Bank AG’s long- and short- term issuer credit ratings to A/A-1, the outlook is positive.

Letter from the CEO

Dear shareholders,

Erste Group posted a net profit of EUR 987.6 million for the first nine months of 2017. We are thus solidly positioned to meet our targets for 2017 – a return on tangible equity (ROTE) of more than 10% and a higher dividend – and hence match market expectations. Erste Group demonstrates that stable results can be achieved even in a persistently low-interest-rate environment while coping with challenges that were still unthinkable only a few years ago, such as how to deal with negative interest rates. This has been possible last, but not least due a continuing very strong economic environment in Central and Eastern Europe.

In the third quarter 2017, economic growth forecasts for our core markets were raised once again: for Austria, real GDP growth is currently projected at 2.6%, for CEE between 3.0% in Croatia and 6.1% in Romania. Amid falling unemployment rates, rising real wages and still relatively low inflation rates, domestic demand remains the region's main growth engine. While in the euro zone a first rate hike is still a long way off, the Czech National Bank decided to take a first step in August and raised its policy rate to 0.25%. A few months before, it had already lifted the Czech koruna's currency peg to the euro.

Benign macroeconomic trends and – compared with industry peers – solid lending growth of 5.6% were not enough, though, to fully offset the negative impacts of the by now all-too-familiar issues that banks are confronted with. Pressure on net interest income, Erste Group's principal source of income, comes largely from lower interest income from government bonds and customer loans and, to a lesser extent, from lower unwinding contributions. Encouraging, on the other hand, is the increase in net fee and commission income, which has been driven mainly by growth in the securities business and in asset management. This is all the more notable – and I cannot reiterate this often enough – as the development of attractive investment products with a risk-return profile suitable for retail clients represents an enormous challenge in a region whose capital markets are still at an early stage of development. This has ultimately enabled us to keep operating income almost stable at EUR 4.9 billion in the first nine months of the year. Operating expenses, however, rose in line with expectations to EUR 3.0 billion as a large number of IT projects were being implemented at the same time. Regulatory costs continued to be significant. General administrative expenses already included almost all contributions to deposit insurance systems projected for 2017 (with the exception of Croatia and Serbia) in the amount of EUR 74.7 million. Other operating result reflects lower banking and transaction taxes (EUR 82.1 million versus EUR 151.7 million), full-year contributions to resolution funds totalling EUR 65.6 million and provisions in the amount of EUR 45 million for losses from consumer loans due to supreme court rulings regarding negative interest reference rates in Austria.

At 7 basis points, risk costs remained at a historically low level, supported by releases in the third quarter, and thus contributed substantially to the solid result. Painful as the low-interest-rate environment may be where income is concerned, it does have a positive impact on asset quality and the NPL ratio, i.e. non–performing loans as a percentage of loans to customers, which declined again to 4.3%. At the same time, the NPL coverage ratio excluding collateral improved to 69.5%. Erste Group's performing loans have grown by 5.9% so far this year, to EUR 136.1 billion, most robustly in the Czech Republic and in Slovakia. Deposit growth continued unabated at an extraordinarily strong rate of 7.5% despite the low-interest-rate environment and its adverse impact on savers. This has also been a major factor behind Erste Group's excellent liquidity and funding position. Own funds stood at EUR 19.9 billion end of September, common equity tier 1 capital (CET1) at EUR 14.2 billion (both Basel 3 phased-in). The CET 1 ratio (again Basel 3 phased-in) amounted to 12.8% due to a higher level of risk-weighted assets.

We know that in the medium to long run stability will not be enough. Banking has seen a breath-taking development in recent years. Customer expectations have changed enormously, with smartphones now for many customers more important than branches. An increasingly complex regulatory framework has increased not only capital requirements and the need for investment in IT substantially, but also administrative workloads. At the same time, we firmly believe that our strong market position in Central and Eastern Europe, the region with the most dynamic economic growth in Europe, along with our focused digital strategy will ensure Erste Group's success in the long run. Investing in data management as well as the phased cross-border roll-out and ongoing development of our popular digital platform George, while simultaneously developing novel digital products, will translate into cost savings in the years ahead and also enable us to fully exploit our earnings potential.

Against this backdrop, I should like to provide a first outlook on 2018: based on growth forecasts of between two and four percent for our core markets we again expect a return on tangible equity (ROTE) of more than 10% for 2018. This is underpinned by the assumption of stable or slightly growing revenues driven by more than 5% lending growth and rising interest rates in the Czech Republic and Romania, stable currency-adjusted costs on the back of declining project expenditure and rising, albeit still low, risk costs.

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Erste Group on the capital markets

EQUITY MARKET REVIEW

In the third quarter, the international equity markets continued the uptrend seen since the beginning of the year. Markets were driven, on the one hand, by positive corporate and economic news flows and, on the other, by geopolitical risks and their impacts on exchange rates.

Against the backdrop of upward revisions of euro zone growth rates for the years of 2017 and 2018, uncertainty over tax reform plans and increased infrastructure investments in the US, the euro temporarily rose to above 1.20 against the US dollar in the course of the third quarter. Investors continued to focus on central banks' policies: the European Central Bank (ECB) confirmed to continue its sovereign bond purchase programme at a rate of EUR 60 billion per month until December 2017, from January until at least September 2018 at a rate of EUR 30 billion per month, and to keep its key interest rate at 0%. The US central bank (Fed), for its part, announced its intention to start trimming its balance sheet as of October 2017 by reducing its current assets of about USD 4.5 trillion by USD 10 billon a month. US key interest rates have remained unchanged, but the Fed is expected to carry out another rate hike before year-end.

While US leading indices again hit new highs in the third quarter, European indices were trailing behind. The Dow Jones Euro Stoxx Banks Index, which is composed of the leading European bank shares, benefited from the benign economic outlook in Europe and expectations of a rise in yields triggered by the anticipated reduction of asset purchases by the ECB and outperformed aggregate market indices. Continuing its upward trend, the index rose 5.5% to 138.38 points at the end of the third quarter and was 17.6% higher year-to-date. At 2,519.36 points, the US Standard & Poor's 500 Index was up 4.0% quarter-on-quarter as of 30 September and up 12.5% year-to-date. The broader European Euro Stoxx 600 Index closed the third quarter on a gain of 2.3% at 388.16 points and 7.4% higher year-to-date. The Austrian Traded Index (ATX) advanced 6.7% in the third quarter to 3,315.97 points. Year-to-date, it has gained 26.6% and thus clearly outperformed the equity markets covered.

SHARE PERFORMANCE

Supported by the continuing upward trend in the financial sector and international markets since the start of the year, the Erste Group share widened its outperformance relative to the European banking index and the ATX. The upgrading of Erste Group's long-term rating and outlook by the US rating agency Moody's and positive sentiment among analysts and investors following the release of the half-year results supported the development of the Erste Group share. Having gained 9.0% in the third quarter and risen to EUR 36.54 as of the end of September, the share price was up 31.3% year-to-date.

In the third quarter of 2017, trading volume on the three stock exchanges (Vienna, Prague, Bucharest) on which the Erste Group share is listed averaged 564,765 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 January 2017, Erste Group issued a EUR 750 million 10-year mortgage covered bond that fits well into its maturity profile. At the beginning of the second quarter, Erste Group placed for the second time EUR 500 million in CRD VI/CRR-compliant additional tier 1 capital. This issue strengthens Erste Group's already comfortable capital position further and contributes to the further optimisation of the capital structure in terms of CRR compliance. With these issuances, Erste Group has already fully covered its funding requirements for the current year.

In the third quarter of 2017, the management together with the investor relations team met with investors in a large number of one-on-one and group meetings, in which questions raised by investors and analysts were answered. The Erste Group's strategy and performance were presented against the backdrop of the current environment at international banking and investor conferences hosted by HSBC, Pekao, Barclays, Kepler Cheuvreux and Bank of America Merrill Lynch.

Interim management report

In the interim management report, financial results from January-September 2017 are compared with those from January-September 2016 and balance sheet positions as of 30 September 2017 with those as of 31 December 2016.

EARNINGS PERFORMANCE IN BRIEF

Net interest income declined to EUR 3,229.3 million (-1.2%; EUR 3,267.5 million) despite lending growth, mostly due to lower interest income from the government bond portfolio and a lower unwinding effect. **Net fee and commission income** increased to EUR 1,361.9 million (+3.2%; EUR 1,319.8 million). Income from the securities business and from asset management was up substantially, while income from the lending business declined. **Net trading result** decreased significantly to EUR 139.3 million (-36.3%; EUR 218.7 million). While **operating income** was nearly stable at EUR 4,936.9 million (-0.5%; EUR 4,959.7 million), **general administrative expenses** rose to EUR 3,013.6 million (+1.7%; EUR 2,963.0 million) in line with expectations. This was attributable to an increase in other administrative expenses and in depreciation and amortisation (+1.7% and +3.9%, respectively) as well as higher personnel expenses of EUR 1,747.2 million (+1.3% to EUR 1,724.7 million). Almost all projected deposit insurance payments for 2017 in the amount of EUR 74.7 million (EUR 83.4 million) are already included in this line item. Consequently, the **operating result** decreased to EUR 1,923.4 million (-3.7%; EUR 1,996.6 million). The **cost/income ratio** rose marginally to 61.0% (59.7%).

Net impairment loss on financial assets remained low at EUR 71.5 million or 7 basis points of average gross customer loans (EUR 63.2 million or 6 basis points). As in the previous year, substantial income from the recovery of loans already written off, mostly in Hungary, had a positive impact. The **NPL ratio** improved again to 4.3% (4.9%). The **NPL coverage ratio** was stable at 69.5% (69.1%)

Other operating result amounted to EUR -296.6 million (EUR -252.4 million). This line item includes the annual contributions to resolutions funds in the amount of EUR 65.6 million (EUR 64.6 million), banking and financial transaction taxes of EUR 82.1 million (EUR 151.7 million), and expenses of EUR 45.0 million for losses from loans to consumers incurred as a result of supreme court rulings regarding negative interest reference rates in Austria.

The minority charge rose to EUR 272.6 million (+11.0%; EUR 245.6 million) due to a rise in the earnings contributions of the savings banks. The **net result attributable to owners of the parent** declined to EUR 987.6 million (-16.2%; EUR 1,179.2 million), which was primarily due to a gain from the sale of shares in VISA Europe in the amount of EUR 138.7 million (pre-tax) in the previous year.

Total equity not including AT1 instruments rose to EUR 17.0 billion (EUR 16.1 billion). After regulatory deductions and filtering according to the CRR, **common equity tier 1 capital** (CET1, Basel 3 phased-in) increased to EUR 14.2 billion (EUR 13.6 billion). Total **own funds** (Basel 3 phased-in) went up to EUR 19.9 billion (EUR 18.8 billion). While half-year interim profit is included in the above figures, third quarter profit is not included. Due to net releases in the third quarter no risk costs were deducted. Total risk (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) rose to EUR 110.8 billion (EUR 101.8 billion). The **common equity tier 1 ratio** (CET1, Basel 3 phased-in) stood at 12.8% (13.4%), the **total capital ratio** (Basel 3 phased-in) at 18.0% (18.5%).

Total assets increased to EUR 221.7 billion (+6.5%; EUR 208.2 billion). On the asset side, cash and cash balances rose to EUR 22.1 billion (EUR 18.4 billion), loans and receivables to credit institutions increased to EUR 10.4 billion (EUR 3.5 billion). **Loans and receivables to customers** rose to EUR 138.0 billion (+5.6%; EUR 130.7 billion). On the liability side, deposits from banks increased to EUR 19.2 billion (EUR 14.6 billion) and **customer deposits** continued to grow – most notably in the Czech Republic and in Austria – to EUR 148.4 billion (+7.5%; EUR 138.0 billion). The **loan-to-deposit** ratio stood at 93.0% (94.7%).

OUTLOOK 2017 & 2018

Operating environment anticipated to be conducive to credit expansion in 2018. Real GDP growth is expected to be between 2% and 4% in Erste Group's CEE core markets, including Austria, in 2018. Real GDP growth should primarily be driven by solid domestic demand as real wage growth and declining unemployment should support economic activity in CEE. Fiscal discipline is expected to be maintained across CEE.

Business outlook. Erste Group confirms an expected return on tangible equity (ROTE) of more than 10% in 2017 and aims to achieve a ROTE of more than 10% in 2018 (based on average tangible equity in 2018). The underlying assumptions for 2018 are flat to slightly growing revenues (assuming 5%+ net loan growth and interest rate hikes in the Czech Republic and Romania), currency-adjusted flat costs (± 1%) due to lower project-related costs and an increase in risk costs, albeit remaining at historically low levels.

Risks to guidance. Impact of longer than expected expansionary monetary policies by central banks including negative interest rates; political risks including consumer protection initiatives and geopolitical risks and global economic risks.

PERFORMANCE IN DETAIL

in EUR million	1-9 16	1-9 17	Change
Net interest income	3,267.5	3,229.3	-1.2%
Net fee and commission income	1,319.8	1,361.9	3.2%
Net trading result	218.7	139.3	-36.3%
Operating income	4,959.7	4,936.9	-0.5%
Operating expenses	-2,963.0	-3,013.6	1.7%
Operating result	**1,996.6**	**1,923.4**	**-3.7%**
Net impairment loss on financial assets	-63.2	-71.5	13.1%
Other operating result	-252.4	-296.6	17.5%
Levies on banking activities	-151.7	-82.1	-45.9%
Pre-tax result from continuing operations	**1,828.7**	**1,626.1**	**-11.1%**
Taxes on income	-403.9	-365.9	-9.4%
Net result for the period	**1,424.8**	**1,260.2**	**-11.6%**
Net result attributable to non-controlling interests	245.6	272.6	11.0%
Net result attributable to owners of the parent	**1,179.2**	**987.6**	**-16.2%**

Net interest income

Net interest income declined to EUR 3,229.3 million (EUR 3,267.5 million) on the back of a persistently challenging market interest rate environment, which resulted in lower interest income from the government bond portfolio and customer loans, and a lower unwinding effect owed to continued asset quality improvements. The implementation of supreme court rulings regarding negative reference interest rates for consumer loans also had a negative impact on net interest income in Austria. Solid net customer loan growth did not fully offset the pressure on net interest income. As a result, the net interest margin (net interest income as a percentage of average interest-bearing assets) declined from 2.50% to 2.39%

Net fee and commission income

Net fee and commission income rose to EUR 1,361.9 million (EUR 1,319.8 million). While income from the securities business and from asset management saw significant growth, income from lending declined, most notably in the Czech Republic and in Slovakia.

Net trading result

Net trading result decreased to EUR 139.3 million (EUR 218.7 million). This was attributable to lower income from securities and derivatives trading and foreign exchange trading as well as negative contributions from hedge accounting. The main reason behind the decrease is the volatility in the revaluation of the EURCZK cross currency swaps.

General administrative expenses

in EUR million	1-9 16	1-9 17	Change
Personnel expenses	1,724.7	1,747.2	1.3%
Other administrative expenses	910.0	925.2	1.7%
Depreciation and amortisation	328.4	341.1	3.9%
General administrative expenses	**2,963.0**	**3,013.6**	**1.7%**

General administrative expenses amounted to EUR 3,013.6 million (EUR 2,963.0 million). **Personnel expenses** increased to EUR 1,747.2 million (EUR 1,724.7 million), **other administrative expenses** to EUR 925.2 million (EUR 910.0 million). IT expenditure rose to EUR 304.8 million (EUR 251.5 million), mainly due to increased regulatory requirements. With the exception of Croatia and Serbia, all deposit insurance contributions expected in 2017 have already been booked upfront in the amount of EUR 74.7 million (EUR 83.4 million). In Romania, contributions declined to EUR 2.2 million (EUR 14.6 million). **Depreciation and amortisation** rose to EUR 341.1 million (EUR 328.4 million) due to the first-time consolidation of two new entities in the last quarter of the previous year.

Headcount as of end of the period

	Dec 16	Sep 17	Change
Domestic	**16,029**	**16,234**	**1.3%**
Erste Group, EB Oesterreich and subsidiaries	8,835	9,036	2.3%
Haftungsverbund savings banks	7,194	7,197	0.1%
Abroad	**31,004**	**31,240**	**0.8%**
Česká spořitelna Group	10,299	10,185	-1.1%
Banca Comercială Română Group	7,078	7,114	0.5%
Slovenská sporiteľňa Group	4,232	4,236	0.1%
Erste Bank Hungary Group	2,873	3,005	4.6%
Erste Bank Croatia Group	3,073	3,181	3.5%
Erste Bank Serbia Group	1,005	1,035	3.0%
Savings banks subsidiaries	1,249	1,228	-1.7%
Other subsidiaries and foreign branch offices	1,195	1,255	5.0%
Total	**47,034**	**47,473**	**0.9%**

Operating result

Operating income was nearly stable at EUR 4,936.9 million (-0.5%; EUR 4,959.7 million) on the back of improved net fee and commission income while net interest income and net trading result declined. General administrative expenses rose to EUR 3,013.6 million (+1.7%; EUR 2,963.0 million), driven by an increase in personnel expenses, other administrative expenses and depreciation and amortisation. The operating result accordingly declined to EUR 1,923.4 million (-3.7%; EUR 1,996.6 million). The cost/income ratio stood at 61.0% (59.7%).

Gains/losses from financial assets and liabilities not measured at fair value through profit or loss (net)

Gains from financial assets and liabilities not measured at fair value through profit or loss (net) declined significantly to EUR 70.8 million (EUR 147.7 million). This item includes mostly gains from the sale of securities in Austria, in the Czech Republic and in Hungary shown in income from financial assets – available for sale. In the comparative period, the item reflected a gain from the sale of shares in VISA Europe in the amount of EUR 138.7 million.

Net impairment loss on financial assets

Net impairment loss on financial assets amounted to EUR 71.5 million (EUR 63.2 million) and hence remained at a historically low level. The continued low level of net impairment loss was mostly attributable to the decline in the balance of the allocation and release of provisions for the lending business together with lower costs of direct loan write-offs, which also offset the decline in income received from the recovery of loans already written off. Net impairment loss on financial assets based on the average volume of gross customer loans amounted to 7 basis points (6 basis points). In addition, this line item included a net impairment loss on financial assets – held to maturity and financial assets – available-for-sale in the amount of EUR -14.5 million (EUR -1.1 million), including EUR -9.7 million for net impairment loss on participations.

Other operating result

Other operating result amounted to EUR -296.6 million (EUR -252.4 million). **Levies on banking activities** declined to EUR 82.1 million (EUR 151.7 million). As banking tax rates have been reduced in Austria from 2017 onwards, banking levies payable by the Austrian subsidiaries decreased significantly to EUR 17.3 million (EUR 85.6 million). This line item was also positively impacted by another reduction of Hungarian banking tax, which has already been booked upfront for the full year 2017. Due to a lower tax rate and an adjustment of the assessment base, the tax charge declined to EUR 12.6 million (EUR 19.6 million). Including financial transaction tax of EUR 32.0 million (EUR 27.8 million), bank levies in Hungary totalled EUR 44.6 million (EUR 47.4 million). In Slovakia, banking tax rose slightly to EUR 20.2 million (EUR 18.6 million).

Allocation/release of other provisions, including for commitments and guarantees given, amounted to EUR -54.5 million (EUR -23.4 million). This included EUR 45.0 million in provisions for losses from loans to consumers resulting from supreme court rulings regarding negative reference interest rates in Austria. In addition, other operating result also reflected the annual contributions to resolution funds in the amount of EUR 65.6 million (EUR 64.6 million) shown in the line item result from other operating expenses/income. In Romania, these increased to EUR 14.3 million (EUR 4.5 million), but declined in Austria, Slovakia and Croatia.

Net result

The pre-tax result from continuing operations amounted to EUR 1,626.1 million (EUR 1,828.7 million). The minority charge rose to EUR 272.6 million (EUR 245.6 million) due to solid earnings contributions of savings banks. The net result attributable to owners of the parent declined to EUR 987.6 million (EUR 1,179.2 million), as positive one-offs from the sale of shares in VISA Europe did not recur.

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Third quarter of 2017 compared to second quarter of 2017

in EUR million	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
Income statement					
Net interest income	1,073.4	1,107.0	1,051.3	1,091.7	1,086.3
Net fee and commission income	434.9	463.2	457.7	453.2	451.0
Dividend income	4.8	9.0	3.7	23.4	10.4
Net trading result	98.7	65.1	48.6	54.3	36.5
Result from financial assets and liabilities designated at fair value through profit or loss	-14.6	15.6	3.0	1.5	7.7
Net result from equity method investments	0.2	3.1	3.2	2.9	4.0
Rental income from investment properties & other operating leases	45.7	68.6	50.1	48.2	48.3
Personnel expenses	-572.0	-614.6	-571.7	-579.6	-595.9
Other administrative expenses	-299.9	-325.8	-332.4	-291.8	-301.1
Depreciation and amortisation	-110.8	-124.7	-114.2	-113.8	-113.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	-0.7	0.3	28.3	14.2	28.3
Net impairment loss on financial assets	-37.4	-132.5	-65.8	-38.6	32.9
Other operating result	-60.3	-412.5	-127.1	-82.7	-86.8
Levies on banking activities	-44.0	-237.1	-35.8	-23.6	-22.7
Pre-tax result from continuing operations	**562.0**	**121.7**	**434.7**	**583.0**	**608.5**
Taxes on income	-125.1	-9.7	-95.6	-128.2	-142.0
Net result for the period	**436.9**	**112.0**	**339.0**	**454.7**	**466.5**
Net result attributable to non-controlling interests	99.4	26.4	76.8	92.3	103.5
Net result attributable to owners of the parent	**337.4**	**85.6**	**262.2**	**362.5**	**363.0**

Net interest income decreased marginally to EUR 1,086.3 million (-0.5%; EUR 1,091.7 million). This was largely attributable to the impact of supreme court rulings regarding negative reference interest rates for consumer loans in Austria. **Net fee and commission income** declined slightly to EUR 451.0 million (-0.5%; EUR 453.2 million), mainly due to lower income from the securities business while income from payment services increased significantly. **Dividend income** went down to EUR 10.4 million (EUR 23.4 million) due to seasonal effects. **Net trading result** decreased to EUR 36.5 million (EUR 54.3 million), primarily on the back of significantly lower income from the securities and derivatives business.

General administrative expenses rose to EUR 1,010.1 million (+2.5%; EUR 985.2 million). Personnel expenses amounted to EUR 595.9 million (+2.7%; EUR 579.6 million) and increased primarily in Austria and in the Czech Republic. Other administrative expenses rose to EUR 301.1 million (EUR +3.2%; EUR 291.8 million), driven mainly by another increase in IT expenditure. Depreciation and amortisation was almost unchanged at EUR 113.0 million (-0.7%; EUR 113.8 million). The cost/income ratio rose to 61.4% (58.8%).

Gains/losses from financial assets and liabilities not measured at fair value through profit or loss (net) rose to EUR 28.3 million (EUR 14.2 million) on the back of gains from the sale of bonds in Austria shown in income from financial assets – available for sale. **Net impairment loss on financial assets** amounted to EUR 32.9 million due to net releases (EUR 38.6 million net allocations) supported by the continued favourable credit risk environment.

Other operating result amounted to EUR -86.8 million (EUR -82.7 million). After EUR 45.0 million had been recognised in provisions for losses from consumer loans in the previous quarter, following supreme court rulings regarding negative reference interest rates in Austria, the reporting quarter saw an increase in provisions for commitments and guarantees given. **Levies on banking activities** declined slightly to EUR 22.7 million (EUR 23.6 million). Banking tax in Austria amounted to EUR 5.5 million (EUR 6.2 million). Banking levies were also charged in Hungary in the amount of EUR 10.3 million (EUR 10.7 million) – this amount reflects only transaction taxes as the full amount of 2017 banking tax of EUR 13.2 million had already been booked upfront in the first quarter – and in Slovakia in the amount of EUR 6.9 million (EUR 6.7 million).

The **pre-tax result** rose to EUR 608.5 million (EUR 583.0 million). Taxes on income increased correspondingly to EUR 142.0 million (EUR 128.2 million). The **net result attributable to owners of the parent** was nearly unchanged at EUR 363.0 million (EUR 362.5 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 16	Sep 17	Change
Assets			
Cash and cash balances	18,353	22,104	20.4%
Trading, financial assets	47,586	43,539	-8.5%
Loans and receivables to credit institutions	3,469	10,358	>100.0%
Loans and receivables to customers	130,654	138,005	5.6%
Intangible assets	1,390	1,474	6.0%
Miscellaneous assets	6,775	6,234	-8.0%
Total assets	**208,227**	**221,715**	**6.5%**
Liabilities and equity			
Financial liabilities - held for trading	4,762	3,551	-25.4%
Deposits from banks	14,631	19,226	31.4%
Deposits from customers	138,013	148,363	7.5%
Debt securities issued	27,192	25,661	-5.6%
Miscellaneous liabilities	7,027	6,945	-1.2%
Total equity	16,602	17,969	8.2%
Total liabilities and equity	**208,227**	**221,715**	**6.5%**

The rise in **cash and cash balances** to EUR 22.1 billion (EUR 18.4 billion) was primarily due to larger cash balances held at central banks on the back of continued strong customer deposit inflows. **Trading and investment securities** held in various categories of financial assets declined to EUR 43.5 billion (EUR 47.6 billion), driven by sales of available-for-sale securities.

Loans and receivables to credit institutions (net), including demand deposits other than overnight deposits, increased to EUR 10.4 billion (EUR 3.5 billion). **Loans and receivables to customers (net)** rose – mainly in the Czech Republic, but also in Austria and in Slovakia – to EUR 138.0 billion (EUR 130.7 billion) on the back of growth in retail mortgage lending and a temporarily expanded money market business. **Allowances for loans and receivables to customers** declined to EUR 4.3 billion (EUR 4.6 billion), mostly due to the continuing improvement in asset quality**.** The **NPL ratio** – non–performing loans as a percentage of loans to customers – improved again to 4.3% (4.9%). The **NPL coverage ratio** was stable at 69.5% (69.1%).

Intangible assets increased to EUR 1.5 billion (EUR 1.4 billion). **Miscellaneous assets** declined to EUR 6.2 billion (EUR 6.8 billion).

Financial liabilities – held for trading decreased to EUR 3.6 billion (EUR 4.8 billion).

Deposits from banks, primarily in the form of overnight deposits and repurchase transactions, went up to EUR 19.2 billion (EUR 14.6 billion)**; deposits from customers** rose to EUR 148.4 billion (EUR 138.0 billion), mainly due to overnight deposits in Austria and in the Czech Republic. The **loan-to-deposit ratio** stood at 93.0% (94.7%). **Debt securities in issue** declined to EUR 25.7 billion (EUR 27.2 billion). **Miscellaneous liabilities** were almost unchanged at EUR 6.9 billion (EUR 7.0 billion).

Total assets increased to EUR 221.7 billion (+6.5%; EUR 208.2 billion). Erste Group's **total equity** increased to EUR 18.0 billion (+8.2%; EUR 16.6 billion). Following 2 issuances in June 2016 and April 2017, this has included AT1 instruments in the amount of EUR 993 million. After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) the **common equity tier 1 capital** (CET1, Basel 3 phased-in) increased to EUR 14.2 billion (EUR 13.6 billion), including the result for the first half of the year but not of the third quarter. Due to net releases in the third quarter no risk costs were deducted. Total **own funds** (Basel 3 phased-in) rose to EUR 19.9 billion (EUR 18.8 billion). **Total risk** (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) increased to EUR 110.8 billion (EUR 101.8 billion).

Consolidated regulatory capital is calculated in accordance with CRR taking into consideration transitional provisions as defined in the Austrian CRR Supplementary Regulation. These transitional provisions define the percentages applicable to eligible capital instruments and regulatory deduction items as well as filters. The **total capital ratio** (Basel 3 phased-in), total eligible qualifying capital in relation to total risk pursuant to CRR, was 18.0% (18.5%), well above the legal minimum requirement. The **tier 1 ratio** (Basel 3 phased in) stood at 13.4% (13.4%), the **common equity tier 1 ratio** (Basel 3 phased-in) at 12.8% (13.4%).

SEGMENT REPORTING

January-September 2017 compared with January-September 2016

Erste Group's segment reporting is based on a matrix organisation. It provides comprehensive information to assess the business line and geographic performance. The tables and information below provide a brief overview and focus on selected and summarised items. For more details please see Note 26. At www.erstegroup.com additional information is available in Excel format.

Operating income consists of net interest income, net fee and commission income, net trading result as well as result from financial assets and liabilities designated 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 four listed items are not separately disclosed in the tables below. Operating expenses equal the position general administrative expenses. Operating result is the net amount of operating income and operating expenses. Risk provisions for loans and receivables are included in the position net impairment loss on financial assets. Other result summarises the positions other operating result and gains/losses from financial assets and liabilities not measured at fair value through profit or loss. 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 16	1-9 17	Change
Net interest income	1,626.1	1,605.7	-1.3%
Net fee and commission income	715.2	739.8	3.4%
Net trading result	73.9	83.4	12.8%
Operating income	2,438.2	2,452.5	0.6%
Operating expenses	-1,385.6	-1,449.3	4.6%
Operating result	1,052.6	1,003.1	-4.7%
Cost/income ratio	56.8%	59.1%	
Net impairment loss on financial assets	-21.9	7.6	n/a
Other result	-22.1	-48.9	>100.0%
Net result attributable to owners of the parent	774.0	733.5	-5.2%
Return on allocated capital	45.8%	42.2%	

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).

Net interest income declined on the back of lower contributions from deposit business in Austria and the Czech Republic as well as lower contributions from lending business in Romania and Slovakia. These developments were partially mitigated by an increasing secured loan portfolio as well as the shift of clients from the Corporates segment in Austria, improved performance of deposit business in Croatia, Slovakia and Romania as well as additional income generated by the unsecured portfolio of the acquired business of Citibank in Hungary. Net fee and commission income increased primarily due to higher securities and payment transfer fees in Austria. The former Citibank retail business in Hungary also contributed positively. Net trading went up due to the higher income from client foreign exchange transactions in the Czech Republic and the increased client base in Hungary. Operating expenses increased primarily due to higher costs in Hungary and Slovakia as well as higher costs in Austria triggered by the shift of clients from the Corporates segment. Operating result thus declined, the cost/income ratio went up. The significant improvement of net impairment loss on financial assets was driven by releases of risk provisions in the Czech Republic, Austria and Romania. Other result deteriorated due to the non-recurrence of the selling gains on property in Austria, provisions for contingent liabilities in Hungary as well as a higher contribution to resolution funds and banking levies. Overall, the net result attributable to the owners of the parent decreased.

Corporates

in EUR million	1-9 16	1-9 17	Change
Net interest income	747.6	731.9	-2.1%
Net fee and commission income	190.9	188.9	-1.0%
Net trading result	61.6	64.3	4.4%
Operating income	1,085.2	1,082.1	-0.3%
Operating expenses	-410.7	-419.6	2.2%
Operating result	674.5	662.5	-1.8%
Cost/income ratio	37.8%	38.8%	
Net impairment loss on financial assets	-1.3	-70.5	>100.0%
Other result	-15.8	10.4	n/a
Net result attributable to owners of the parent	500.8	468.2	-6.5%
Return on allocated capital	22.5%	20.5%	

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 decreased primarily due to the lower contribution from deposit business as well the shift of clients to the Retail Segment of Erste Bank Oesterreich. Net interest income in Croatia was negatively impacted by lower contribution of the lending business. In addition to the shift of customers in Austria, net fee and commission income was affected by the sale of the card-acquiring business in Slovakia. These developments were partially compensated by a better result from securities and guarantees in Hungary. Improvement of net trading result was attributable to higher result from derivatives in Austria as well as increased hedging activities of customers expecting the termination of the National Bank's FX interventions in the Czech Republic. Operating income went down as increased rental income due to new entities in the scope of consolidation could not fully compensate the decrease in net interest income. Higher operating expenses driven by project-related costs contributed to the decrease of the operating result and the increase in the cost/income ratio. Net impairment loss on financial assets increased significantly on the back of lower income from insurance claims in Romania as well as downgrading of one customer in Croatia. On the other hand, risk costs in the Holding and Czech Republic decreased. Other result improved due to the release of provisions for litigations in Hungary. Consequently, the net result attributable to the owners of the parent decreased.

Group Markets

in EUR million	1-9 16	1-9 17	Change
Net interest income	162.6	146.3	-10.0%
Net fee and commission income	145.3	168.2	15.8%
Net trading result	57.2	83.3	45.4%
Operating income	375.7	409.1	8.9%
Operating expenses	-155.4	-167.5	7.8%
Operating result	220.2	241.6	9.7%
Cost/income ratio	41.4%	40.9%	
Net impairment loss on financial assets	8.6	-0.1	n/a
Other result	6.1	-7.0	n/a
Net result attributable to owners of the parent	177.0	183.1	3.4%
Return on allocated capital	38.0%	35.2%	

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

Net interest income decreased primarily due to the generally low interest rate environment, lower volumes of collateral trading products and lower margins on sight deposits of financial institutions. Net fee and commission income increased on the back of accelerated sales activities, higher assets under management and arrangement fees related to debt issuance. The increase in net trading result was attributable to positive market developments affecting fixed income, money market, collateral trading and credit trading products. Therefore, operating income increased. Operating expenses went up on the back of higher project-related costs. Consequently, operating result as well as the cost/income ratio improved. Other result deteriorated due to the booking of one-off income from the resolution of a claim last year. Overall, the net result attributable to the owners of the parent increased.

Asset/Liability Management & Local Corporate Center

in EUR million	1-9 16	1-9 17	Change
Net interest income	-50.5	-42.7	-15.4%
Net fee and commission income	-43.3	-67.0	54.6%
Net trading result	30.2	-61.7	n/a
Operating income	-66.2	-131.4	98.6%
Operating expenses	-79.2	-65.5	-17.3%
Operating result	-145.4	-196.9	35.4%
Cost/income ratio	>100%	-49.8%	
Net impairment loss on financial assets	-7.7	-11.8	53.6%
Other result	46.9	-62.6	n/a
Net result attributable to owners of the parent	-75.0	-224.9	>100.0%
Return on allocated capital	-4.4%	-15.0%	

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

Net interest income increased mainly due to a higher contribution from deposits in Erste Bank Oesterreich partially offset by the lower result from derivatives in the Holding. The decrease in net fee and commission income was primarily related to lower fee income in the Czech Republic and in Erste Bank Oesterreich. The deterioration of net trading result as well as the improvement of result from financial assets and liabilities designated at fair value through profit or loss were driven by valuation results in the Holding. The decrease in operating expenses was mainly attributable to lower costs in Slovakia and lower deposit insurance fund contribution in Romania. Overall, operating result deteriorated. Other result worsened mainly due to the non-recurrence of the selling gains of the shares in VISA Europe in 2016 (EUR 138.7 million) as well as provisions for expected losses from loans to consumers due to supreme court rulings regarding negative interest reference rates in Erste Bank Oesterreich in 2017 (EUR 13.7 million). The net result attributable to the owners of the parent decreased.

Savings Banks

in EUR million	1-9 16	1-9 17	Change
Net interest income	712.6	729.9	2.4%
Net fee and commission income	311.5	325.7	4.6%
Net trading result	-0.7	10.7	n/a
Operating income	1,067.6	1,107.7	3.8%
Operating expenses	-745.0	-762.4	2.3%
Operating result	322.6	345.3	7.0%
Cost/income ratio	69.8%	68.8%	
Net impairment loss on financial assets	-36.2	13.7	n/a
Other result	-22.2	-43.9	97.5%
Net result attributable to owners of the parent	30.2	38.1	26.1%
Return on allocated capital	12.0%	15.3%	

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 mainly attributable to higher loan volumes and lower interest expenses, which was partially offset by the effect of the implementation of supreme court rulings regarding negative reference interest rates for consumer loans. Net fee and commission income increased mostly due to higher fees from securities business and payments. Net trading result improved on the back of positive valuation results. Operating expenses went up due to higher IT expenses. The booking of deposit insurance contributions for the full year amounted to EUR 25.3 million (EUR 22.8 million). Therefore, operating result increased and the cost/income ratio improved. Net impairment loss on financial assets decreased. Other result deteriorated mainly due to provisions for expected losses from loans to consumers due to supreme court rulings regarding negative interest reference rates (EUR 31.3 million) and higher provisions for contingent liabilities. The banking tax decreased to EUR 3.3 million (EUR 11.3 million). The payment into the resolution fund amounted to EUR 6.4 million (EUR 8.5 million). Overall, the net result attributable to the owners of the parent increased.

Group Corporate Center

in EUR million	1-9 16	1-9 17	Change
Net interest income	59.8	56.5	-5.6%
Net fee and commission income	6.0	6.6	10.9%
Net trading result	-2.8	-39.7	>100.0%
Operating income	86.8	45.1	-48.0%
Operating expenses	-678.5	-688.7	1.5%
Operating result	-591.7	-643.5	8.8%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets	-4.7	-10.4	>100.0%
Other result	366.1	437.5	19.5%
Net result attributable to owners of the parent	-227.8	-210.3	-7.6%
Return on allocated capital	-5.4%	-3.7%	

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

Operating income declined mainly due to lower valuation results. The increase in operating expenses was primarily driven by higher IT costs. Other result improved significantly on the back of lower Austrian banking tax. Consequently, the net result attributable to the owners of the parent improved.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-9 16	1-9 17	Change
Net interest income	475.5	481.4	1.2%
Net fee and commission income	249.1	255.2	2.5%
Net trading result	12.2	11.1	-9.3%
Operating income	758.7	784.6	3.4%
Operating expenses	-483.3	-496.6	2.7%
Operating result	275.4	288.0	4.6%
Cost/income ratio	63.7%	63.3%	
Net impairment loss on financial assets	-8.3	20.5	n/a
Other result	14.6	-30.4	n/a
Net result attributable to owners of the parent	199.8	195.8	-2.0%
Return on allocated capital	22.0%	22.2%	

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

Net interest income increased mainly due to higher customer loan volumes and re-pricing of deposits as well as lower interest expenses which was partially offset by a change in the scope of consolidation and by the effect of the implementation of supreme court rulings regarding negative reference interest rates for consumer loans. Net fee and commission income increased due to higher securities, payments and insurance fees. The net trading result decreased slightly due to valuation effects of derivatives. Operating expenses increased on the back of higher IT costs. The booking of deposit insurance contributions for the full year amounted to EUR 18.9 million (EUR 18.5 million). Consequently, operating result increased and the cost/income ratio improved. Net impairment loss on financial assets benefited not only from lower provisioning requirements in corporate and retail business but also from release of risk provisions. The deterioration of other result was driven by non-recurrence of the selling gains from buildings in 2016, provisions for expected losses from loans to consumers due to supreme court rulings regarding negative interest reference rates (EUR 13.7 million) and the non-recurrence of the last year's selling gains of the shares in Visa Europe in the amount of EUR 12.2 million. Banking tax decreased to EUR 2.4 million (EUR 10.8 million). Payment into the resolution fund decreased to EUR 6.1 million (EUR 7.1 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 16	1-9 17	Change
Net interest income	293.6	277.5	-5.5%
Net fee and commission income	144.2	158.4	9.8%
Net trading result	5.6	22.6	>100.0%
Operating income	498.9	515.7	3.4%
Operating expenses	-257.8	-272.4	5.6%
Operating result	241.1	243.4	0.9%
Cost/income ratio	51.7%	52.8%	
Net impairment loss on financial assets	-28.5	-22.9	-19.4%
Other result	29.9	34.1	14.0%
Net result attributable to owners of the parent	187.6	196.2	4.6%
Return on allocated capital	16.5%	17.5%	

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

Net interest income declined primarily as a result of lower income from money market products in Group Markets business as well as a decrease of lending margins in the corporate loan portfolio in New York branch. Net fee and commission income increased due to higher asset management volumes and increased profitability of funds, increased capital markets sales activities, as well as the inclusion of Intermarket Bank (reported as part of EBOe & Subsidiaries segment in 2016). The increase of net trading result was predominantly attributable to the positive impact of mark-to-market valuations and better performance of credit trading products. Overall, operating income improved, while costs increased mostly driven by higher project costs. The cost/income ratio deteriorated despite an improvement in the operating result. Net impairment loss on financial assets declined. Other result improved mostly on the back of real estate project selling gains in Immorent, partially offset by the non-recurring positive effect from the resolution of a claim in the previous year. This line item also included a resolution fund contribution of EUR 3.6 million (EUR 3.1 million). Overall, the net result attributable to the owners of the parent improved.

Czech Republic

in EUR million	1-9 16	1-9 17	Change
Net interest income	686.4	685.6	-0.1%
Net fee and commission income	255.1	250.2	-1.9%
Net trading result	73.8	82.0	11.2%
Operating income	1,029.1	1,027.8	-0.1%
Operating expenses	-489.4	-506.0	3.4%
Operating result	539.7	521.7	-3.3%
Cost/income ratio	47.6%	49.2%	
Net impairment loss on financial assets	-39.3	17.7	n/a
Other result	30.5	-7.1	n/a
Net result attributable to owners of the parent	417.2	424.0	1.6%
Return on allocated capital	32.4%	28.3%	

The segment analysis is done on a constant currency basis. The CZK appreciated by 1.8% vs the EUR in the period under review. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) decreased primarily due to declining asset margins. Net fee and commission income went down on the back of lower payment service and lending fees. Net trading result increased on the back of increased hedging activities of customers in expectation of the termination of the National Bank's FX interventions and positive result from securities and derivatives trading. Higher personnel and project related costs led to an increase in operating expenses. Deposit insurance contribution amounted to EUR 8.2 million (EUR 7.4 million). Operating result thus decreased, the cost/income ratio went up. The decline of net impairment loss on financial assets was attributable to an improvement in corporate and retail portfolio quality resulting in net releases of risk provisions. The other result deteriorated mainly due to the non-recurrence of the last year's selling gains of the shares in VISA Europe in the amount of EUR 52.6 million. The resolution fund contribution amounted to EUR 16.1 million (EUR 14.7 million). Overall, these developments led to an increase in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-9 16	1-9 17	Change
Net interest income	339.6	324.3	-4.5%
Net fee and commission income	92.6	83.4	-9.9%
Net trading result	9.7	11.7	19.9%
Operating income	447.5	425.5	-4.9%
Operating expenses	-205.5	-205.2	-0.1%
Operating result	242.0	220.3	-9.0%
Cost/income ratio	45.9%	48.2%	
Net impairment loss on financial assets	-30.5	-29.7	-2.5%
Other result	15.2	-22.9	n/a
Net result attributable to owners of the parent	170.7	127.9	-25.1%
Return on allocated capital	35.1%	26.0%	

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) decreased mainly due to a lower asset/liability management contribution driven by the low interest rate environment and lower loan margins in retail business that could not be fully compensated by higher loan volumes and re-pricing of deposits. Net fee and commission income went down due to lower lending and point-of-sale maintenance fees due to the sale of the card-acquiring business in 2016. The increase in the net trading result was driven by the valuation of derivatives. Operating expenses remained stable, as higher IT costs were offset by lower deposit insurance contribution for the full year of EUR 0.8 million (EUR 2.5 million). Overall, operating result decreased, the cost/income ratio deteriorated. Net impairment loss on financial assets remained stable. The other result declined mainly due to the non-recurrence of the last year's selling gains of the shares in VISA Europe in the amount of EUR 26.8 million. The payment into the resolution fund decreased to EUR 2.8 million (EUR 4.0 million). Banking tax amounted to EUR 20.2 million (EUR 18.6 million). Overall, the net result attributable to the owners of the parent declined.

Romania

in EUR million	1-9 16	1-9 17	Change
Net interest income	285.7	272.4	-4.7%
Net fee and commission income	118.8	113.3	-4.6%
Net trading result	56.3	61.4	9.0%
Operating income	470.2	458.4	-2.5%
Operating expenses	-248.9	-238.6	-4.1%
Operating result	221.3	219.8	-0.7%
Cost/income ratio	52.9%	52.1%	
Net impairment loss on financial assets	50.8	-13.5	n/a
Other result	-3.4	-52.2	>100.0%
Net result attributable to owners of the parent	225.9	102.8	-54.5%
Return on allocated capital	32.7%	14.1%	

Net interest income in the Romania segment (comprising Banca Comercială Română Group) decreased mainly due to lower income from lending business and lower unwinding effects. Net fee and commission income decreased on the back of lower transaction and account maintenance fees in the retail business. The increase in net trading result was mostly attributable to foreign currency positioning and derivatives revaluation. Operating expenses decreased markedly on the back of the significantly lower deposit insurance fund contribution for the full year of EUR 2.2 million (EUR 14.6 million). Overall, operating result decreased slightly but the cost/income ratio improved. Despite the non-recurrence of last year's high net provision releases, net impairment loss on financial assets remained low. Other result worsened mainly due to the non-recurrence of the last year's selling gains of the shares in VISA Europe in the amount of EUR 24.3 million, higher provisions for litigations as well as higher resolution fund contribution of EUR 14.3 million (EUR 4.5 million). Overall, the net result attributable to the owners of the parent decreased.

Hungary

in EUR million	1-9 16	1-9 17	Change
Net interest income	129.7	147.8	14.0%
Net fee and commission income	103.9	117.2	12.9%
Net trading result	14.6	27.7	89.7%
Operating income	251.2	293.1	16.7%
Operating expenses	-139.7	-161.6	15.7%
Operating result	111.5	131.4	17.9%
Cost/income ratio	55.6%	55.1%	
Net impairment loss on financial assets	71.0	45.5	-35.9%
Other result	-65.5	-14.7	-77.5%
Net result attributable to owners of the parent	109.6	151.0	37.8%
Return on allocated capital	30.2%	36.2%	

Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased due to an improved performance of the unsecured portfolio on the back of the acquisition of Citibank's retail portfolio, partially offset by a lower unwinding contribution. Net fee and commission income increased on the back of higher card, payments and securities fees in retail business supported by the former Citibank portfolio. Net trading result improved mainly due to the higher contribution of derivatives. Operating expenses increased primarily due to additional costs related to the former Citibank business and IT expenses. The contribution to the deposit insurance fund for the full year amounted to EUR 8.7 million (EUR 7.2 million). Consequently, operating result and the cost/income ratio improved. A lower net release of risk provisions (net impairment loss on financial assets) was posted both in retail and corporate business. Other result improved on the release of provisions for litigations, higher selling gains from securities and shares in VISA Inc. and Mastercard Inc. as well as lower banking levies of EUR 44.6 million (EUR 47.4 million). This line item also included the contribution to the resolution fund of EUR 1.8 million (EUR 1.8 million). Overall, the net result attributable to the owners of the parent improved.

Croatia

in EUR million	1-9 16	1-9 17	Change
Net interest income	199.1	200.8	0.8%
Net fee and commission income	66.6	72.1	8.2%
Net trading result	23.6	20.7	-12.1%
Operating income	310.6	310.0	-0.2%
Operating expenses	-144.7	-152.4	5.3%
Operating result	165.9	157.7	-5.0%
Cost/income ratio	46.6%	49.1%	
Net impairment loss on financial assets	-28.6	-91.9	>100.0%
Other result	3.0	-10.2	n/a
Net result attributable to owners of the parent	76.9	22.1	-71.3%
Return on allocated capital	27.0%	8.7%	

The segment analysis is done on a constant currency basis. The HRK appreciated by 1.3% vs the EUR in the period under review. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased moderately due to exchange rate movements. Net fee and commission income went up due to higher fees from payment transfers and card transactions in retail business as well as fees related to debt issuance. The net trading result decreased on the back of lower foreign exchange and securities trading. Operating expenses increased due to higher personnel as well as IT costs and included a EUR 8.1 million (EUR 8,5 million) deposit insurance fund contribution. Overall, the operating result declined and the cost/income ratio went up. The deterioration of net impairment loss on financial assets was primarily driven by the downgrading of one customer in the corporate business. Other result deteriorated mainly due to the non-recurrence of last year's selling gains of the shares in VISA Europe in the amount of EUR 10.0 million. It included the full-year booking of the resolution fund contribution of EUR 4.0 million (EUR 5.2 million). Consequently, the net result attributable to the owners of the parent decreased.

Serbia

in EUR million	1-9 16	1-9 17	Change
Net interest income	34.6	38.1	10.2%
Net fee and commission income	8.2	8.4	3.5%
Net trading result	2.5	2.9	13.8%
Operating income	45.6	49.7	8.9%
Operating expenses	-29.7	-31.5	5.9%
Operating result	15.9	18.2	14.7%
Cost/income ratio	65.2%	63.3%	
Net impairment loss on financial assets	-2.8	-0.2	-93.8%
Other result	-0.6	-0.2	-60.3%
Net result attributable to owners of the parent	9.5	13.8	44.7%
Return on allocated capital	13.7%	16.9%	

Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased mainly due to higher loan and deposit volumes. Net fee and commission income as well as net trading result remained largely unchanged. The increase in operating expenses was driven by higher personnel and project costs. Operating result as well as cost/income ratio improved. Net impairment loss on financial assets declined on the back of improved portfolio quality mainly in corporate business. Overall, the net result attributable to the owners of the parent increased.

Other

in EUR million	1-9 16	1-9 17	Change
Net interest income	110.7	71.5	-35.4%
Net fee and commission income	-30.1	-22.0	-26.9%
Net trading result	21.1	-111.4	n/a
Operating income	80.3	-35.6	n/a
Operating expenses	-219.0	-186.9	-14.7%
Operating result	-138.7	-222.5	60.4%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets	-10.8	-10.8	-0.8%
Other result	-106.3	-78.3	-26.3%
Net result attributable to owners of the parent	-248.2	-283.9	14.4%
Return on allocated capital	-5.0%	-4.6%	

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

Net interest income declined mainly due to a lower ALM result in the Holding on the back of an unfavorable yield curve development. Net trading result as well as result from financial assets and liabilities designated at fair value through profit or loss went down on the back of valuation effects. Lower operating expenses could not compensate for the decline in operating income, thus operating result declined. The net result attributable to the owners of the parent declined.

Condensed interim consolidated financial statements

Interim report – 1 January to 30 September 2017

Consolidated statement of income

in EUR thousand	Notes	1-9 16	1-9 17
Net interest income	1	3,267,492	3,229,301
Interest income	1	4,450,123	4,224,138
Interest expenses	1	-1,182,631	-994,836
Net fee and commission income	2	1,319,772	1,361,899
Fee and commission income	2	1,653,450	1,723,660
Fee and commission expenses	2	-333,678	-361,761
Dividend income	3	36,221	37,484
Net trading result	4	218,694	139,318
Result from financial assets and liabilities designated at fair value through profit or loss	4	-27,081	12,132
Net result from equity method investments		5,894	10,148
Rental income from investment properties & other operating leases	5	138,674	146,631
Personnel expenses	6	-1,724,677	-1,747,233
Other administrative expenses	6	-909,983	-925,220
Depreciation and amortisation	6	-328,386	-341,105
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7	147,715	70,774
Net impairment loss on financial assets	8	-63,210	-71,475
Other operating result	9	-252,420	-296,559
Levies on banking activities	9	-151,691	-82,103
Pre-tax result from continuing operations		**1,828,704**	**1,626,096**
Taxes on income	10	-403,905	-365,871
Net result for the period		**1,424,799**	**1,260,224**
Net result attributable to non-controlling interests		245,622	272,607
Net result attributable to owners of the parent		**1,179,177**	**987,617**

Earnings per share

		1-9 16	1-9 17
Net result attributable to owners of the parent	in EUR thousand	1,179,177	987,617
Dividend on AT1 capital	in EUR thousand	-14,670	-22,188
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	1,164,507	965,430
Weighted average number of outstanding shares		426,667,600	426,672,931
Earnings per share	**in EUR**	**2.73**	**2.26**
Weighted average diluted number of outstanding shares		426,667,600	426,672,931
Diluted earnings per share	**in EUR**	**2.73**	**2.26**

Changes in number of outstanding shares

	1-9 16	1-9 17
Shares outstanding at the beginning of the period	410,487,814	409,497,646
Acquisition of treasury shares	-5,802,806	-4,985,700
Disposal of treasury shares	4,821,135	5,067,960
Shares outstanding at the end of the period	409,506,143	409,579,906
Treasury shares	20,293,857	20,220,094
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,667,600	426,672,931
Weighted average diluted number of outstanding shares	426,667,600	426,672,931

Consolidated statement of comprehensive income

in EUR thousand	1-9 16	1-9 17
Net result for the period	**1,424,799**	**1,260,224**
Other comprehensive income		
Items that may not be reclassified to profit or loss	**-80,680**	**14,605**
Remeasurement of net liability of defined benefit plans	-109,250	19,942
Deferred taxes relating to items that may not be reclassified	28,570	-5,337
Items that may be reclassified to profit or loss	**155,118**	**29,777**
Available for sale reserve (including currency translation)	132,171	-99,513
Gain/loss during the period	288,909	-47,896
Reclassification adjustments	-156,739	-51,616
Cash flow hedge reserve (including currency translation)	1,954	-73,192
Gain/loss during the period	58,169	-50,019
Reclassification adjustments	-56,215	-23,173
Currency translation	57,658	170,023
Gain/loss during the period	57,658	170,023
Reclassification adjustments	0	0
Deferred taxes relating to items that may be reclassified	-36,664	32,459
Gain/loss during the period	-78,016	14,434
Reclassification adjustments	41,352	18,025
Total other comprehensive income	**74,438**	**44,382**
Total comprehensive income	**1,499,237**	**1,304,606**
Total comprehensive income attributable to non-controlling interests	315,927	219,634
Total comprehensive income attributable to owners of the parent	**1,183,310**	**1,084,972**

Quarterly results

in EUR million	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
Income statement					
Net interest income	1,073.4	1,107.0	1,051.3	1,091.7	1,086.3
Net fee and commission income	434.9	463.2	457.7	453.2	451.0
Dividend income	4.8	9.0	3.7	23.4	10.4
Net trading result	98.7	65.1	48.6	54.3	36.5
Result from financial assets and liabilities designated at fair value through profit or loss	-14.6	15.6	3.0	1.5	7.7
Net result from equity method investments	0.2	3.1	3.2	2.9	4.0
Rental income from investment properties & other operating leases	45.7	68.6	50.1	48.2	48.3
Personnel expenses	-572.0	-614.6	-571.7	-579.6	-595.9
Other administrative expenses	-299.9	-325.8	-332.4	-291.8	-301.1
Depreciation and amortisation	-110.8	-124.7	-114.2	-113.8	-113.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	-0.7	0.3	28.3	14.2	28.3
Net impairment loss on financial assets	-37.4	-132.5	-65.8	-38.6	32.9
Other operating result	-60.3	-412.5	-127.1	-82.7	-86.8
Levies on banking activities	-44.0	-237.1	-35.8	-23.6	-22.7
Pre-tax result from continuing operations	**562.0**	**121.7**	**434.7**	**583.0**	**608.5**
Taxes on income	-125.1	-9.7	-95.6	-128.2	-142.0
Net result for the period	**436.9**	**112.0**	**339.0**	**454.7**	**466.5**
Net result attributable to non-controlling interests	99.4	26.4	76.8	92.3	103.5
Net result attributable to owners of the parent	**337.4**	**85.6**	**262.2**	**362.5**	**363.0**

Statement of comprehensive income					
Net result for the period	**436.9**	**112.0**	**339.0**	**454.7**	**466.5**
Other comprehensive income					
Items that may not be reclassified to profit or loss					
Remeasurement of net liability of defined benefit plans	-27.6	73.1	-0.1	19.8	0.2
Deferred taxes relating to items that may not be reclassified	7.0	-37.7	0.0	-5.3	0.0
Total	**-20.6**	**35.5**	**0.0**	**14.4**	**0.2**
Items that may be reclassified to profit or loss					
Available for sale reserve (including currency translation)	112.1	-136.8	-90.6	-29.4	20.5
Gain/loss during the period	117.8	-146.1	-69.4	-23.8	45.3
Reclassification adjustments	-5.7	9.3	-21.2	-5.7	-24.8
Cash flow hedge reserve (including currency translation)	-9.1	-15.3	-15.3	-21.5	-36.4
Gain/loss during the period	-0.9	-39.9	-2.6	-23.6	-23.9
Reclassification adjustments	-8.1	24.6	-12.8	2.1	-12.5
Currency translation	69.5	-28.8	15.0	147.6	7.4
Gain/loss during the period	69.5	-28.8	15.0	147.6	7.4
Reclassification adjustments	0.0	0.0	0.0	0.0	0.0
Deferred taxes relating to items that may be reclassified	-21.8	45.5	17.3	14.6	0.6
Gain/loss during the period	-24.7	44.6	9.5	12.4	-7.5
Reclassification adjustments	2.9	0.9	7.8	2.2	8.0
Total	**150.8**	**-135.4**	**-73.6**	**111.2**	**-7.9**
Total other comprehensive income	**130.3**	**-100.0**	**-73.6**	**125.7**	**-7.7**
Total comprehensive income	**567.1**	**12.0**	**265.4**	**580.4**	**458.8**
Total comprehensive income attributable to non-controlling interests	119.0	-8.1	37.3	75.6	106.7
Total comprehensive income attributable to owners of the parent	**448.1**	**20.1**	**228.1**	**504.8**	**352.1**

Consolidated balance sheet

in EUR thousand	Notes	Dec 16	Sep 17
Assets			
Cash and cash balances	11	18,352,596	22,103,820
Financial assets - held for trading		7,950,401	6,849,520
Derivatives	12	4,474,783	3,638,930
Other trading assets	13	3,475,618	3,210,590
Financial assets - at fair value through profit or loss	14	479,512	548,583
Financial assets - available for sale	15	19,885,535	16,743,384
Financial assets - held to maturity	16	19,270,184	19,397,556
Loans and receivables to credit institutions	17	3,469,440	10,358,111
Loans and receivables to customers	18	130,654,451	138,005,456
Derivatives - hedge accounting	19	1,424,452	1,006,392
Property and equipment		2,476,913	2,414,448
Investment properties		1,022,704	1,032,533
Intangible assets		1,390,245	1,474,168
Investments in associates and joint ventures		193,277	196,017
Current tax assets		124,224	122,552
Deferred tax assets		233,773	209,232
Assets held for sale		279,447	217,112
Other assets	20	1,019,916	1,035,918
Total assets		**208,227,070**	**221,714,803**
Liabilities and equity			
Financial liabilities - held for trading		4,761,782	3,550,769
Derivatives	12	4,184,508	3,206,320
Other trading liabilities	21	577,273	344,449
Financial liabilities - at fair value through profit or loss		1,763,043	1,809,738
Deposits from banks		0	0
Deposits from customers		73,917	50,604
Debt securities issued	22	1,689,126	1,759,134
Other financial liabilities		0	0
Financial liabilities measured at amortised cost		178,908,933	192,089,458
Deposits from banks	23	14,631,353	19,225,727
Deposits from customers	23	137,938,808	148,312,632
Debt securities issued	23	25,502,621	23,902,023
Other financial liabilities		836,150	649,076
Derivatives - hedge accounting	19	472,675	409,318
Changes in fair value of portfolio hedged items		942,028	745,226
Provisions	24	1,702,354	1,644,635
Current tax liabilities		65,859	76,583
Deferred tax liabilities		67,542	110,387
Liabilities associated with assets held for sale		4,637	0
Other liabilities	25	2,936,220	3,309,535
Total equity		**16,601,996**	**17,969,152**
Equity attributable to non-controlling interests		4,142,054	4,366,762
Equity attributable to owners of the parent		12,459,942	13,602,390
Total liabilities and equity		**208,227,070**	**221,714,803**

Consolidated statement of changes in equity

	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 2017	**860**	**1,478**	**10,090**	**107**	**632**	**-734**	**-357**	**-112**	**11,963**	**497**	**4,142**	**16,602**
Changes in treasury shares	0	0	-8	0	0	0	0	0	-8	0	0	-8
Dividends paid	0	0	-432	0	0	0	0	0	-432	0	-28	-460
Capital increases	0	0	0	0	0	0	0	0	0	497	0	497
Participation capital	0	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation	0	0	0	0	0	0	0	0	0	0	32	32
Other changes	0	0	1	0	0	0	0	0	1	0	1	2
Acquisition of non-controlling interest	0	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	988	-72	-26	166	12	18	1,085	0	220	1,305
Net result for the period	0	0	988	0	0	0	0	0	988	0	273	1,260
Other comprehensive income	0	0	0	-72	0	0	0	0	-72	0	-1	-73
As of 30 September 2017	**860**	**1,478**	**10,639**	**35**	**606**	**-568**	**-345**	**-94**	**12,609**	**993**	**4,367**	**17,970**
As of 1 January 2016	**860**	**1,478**	**9,071**	**115**	**688**	**-759**	**-334**	**-112**	**11,005**	**0**	**3,802**	**14,808**
Changes in treasury shares	0	0	-12	0	0	0	0	0	-12	0	0	-12
Dividends paid	0	0	-205	0	0	0	0	0	-205	0	-59	-265
Capital increases	0	0	0	0	0	0	0	0	0	497	0	497
Participation capital	0	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interest	0	0	-1	0	0	0	0	0	-1	0	5	3
Total comprehensive income	0	0	1,179	7	8	50	-64	3	1,183	0	316	1,499
Net result for the period	0	0	1,179	0	0	0	0	0	1,179	0	246	1,425
Other comprehensive income	0	0	0	7	8	50	-64	3	4	0	70	74
As of 30 September 2016	**860**	**1,478**	**10,031**	**122**	**696**	**-709**	**-398**	**-109**	**11,970**	**497**	**4,063**	**16,529**

In the column additional components of equity, Erste Group reports additional tier 1 bonds issued in June 2016 and April 2017, each with a nominal value of EUR 500 million. After deduction of costs directly attributable to each capital increase (EUR 3 million), net increase in capital amounted to EUR 497 million respectively.

Additional tier 1 bonds are unsecured and subordinated bonds which are classified as equity under IFRS.

Consolidated statement of cash flows

in EUR million	1-9 16 restated	1-9 17
Net result for the period	**1,425**	**1,260**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	396	372
Allocation to and release of provisions (including risk provisions)	394	241
Gains from the measurement and sale of assets	-308	-269
Other adjustments	104	-107
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets - held for trading	-989	1,073
Financial assets - at fair value through profit or loss	-112	-59
Financial assets - available for sale: debt instruments	354	3,117
Financial assets - held to maturity	-747	-125
Loans and advances to credit institutions	-395	-6,888
Loans and advances to customers	-3,450	-7,534
Derivatives - hedge accounting	-10	346
Other assets from operating activities	330	73
Financial liabilities - held for trading	404	-1,021
Financial liabilities - at fair value through profit or loss	-170	48
Financial liabilities measured at amortised cost		
Deposits from banks	1,016	4,594
Deposits from customers	6,147	10,374
Debt securities issued	-2,267	-1,602
Other financial liabilities	85	-187
Derivatives - hedge accounting	49	-63
Other liabilities from operating activities	-16	113
Cash flow from operating activities	**2,241**	**3,757**
Financial assets - available for sale: equity instruments	167	77
Proceeds of disposal		
Associated companies	-12	7
Property and equipment, intangible assets and investment properties	499	426
Acquisition of		
Associated companies	0	0
Property and equipment, intangible assets and investment properties	-773	-792
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
Cash flow from investing activities	**-120**	**-281**
Capital increases	497	497
Capital decrease	0	0
Acquisition of non-controlling interest	0	0
Dividends paid to equity holders of the parent	-205	-432
Dividends paid to non-controlling interests	-59	-28
Other financing activities	0	0
Cash flow from financing activities	**232**	**36**
Cash and cash equivalents at the beginning of the period	**12,350**	**18,353**
Cash flow from operating activities	2,241	3,757
Cash flow from investing activities	-120	-281
Cash flow from financing activities	232	36
Effect of currency translation	40	239
Cash and cash equivalents at the end of period	**14,743**	**22,104**
Cash flows related to taxes, interest and dividends	**3,105**	**3,045**
Payments for taxes on income (included in cash flow from operating activities)	-313	-317
Interest received	4,560	4,316
Dividends received	36	37
Interest paid	-1,178	-991

Cash and cash equivalents are equal to cash in hand and balances held with central banks.

Condensed notes to the interim consolidated financial statements 1 January to 30 September 2017

BASIS OF PREPARATION

The condensed consolidated interim financial statements ("interim financial statements") of Erste Group for the period from 1 January to 30 September 2017 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". The 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.

Evolvement of number of entities and funds included in Erste Group's IFRS consolidation scope

As of 31 December 2016	**448**
Additions	
Entities newly added to the scope of consolidation	2
Disposals	
Companies sold or liquidated	-13
Mergers	-3
As of 30 September 2017	**434**

ACCOUNTING AND MEASUREMENT METHODS

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 2016. The interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' (IAS 34) and are presented in Euro, which is the functional currency of the parent company.

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 2016, 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.

For the restatement of the comparative figures of Group cash flow statement please refer to the consolidated financial statement of Erste Group as of 31 December 2016.

APPLICATION OF AMENDED AND NEW IFRS/IAS

The following standards, interpretations and their amendments which are relevant for the business of Erste Group became effective as of 1 January 2017 but are not yet endorsed by the EU:
- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7: Disclosure Initiative
- Amendments to IFRS 12 as part of Annual Improvements to IFRS Standards 2014-2016 Cycle

The following interpretation was issued by the IASB but is not yet endorsed by the EU:
- IFRIC 23: Uncertainty over Income Tax Treatments

Compared to the annual group financial statements as of 31 December 2016, no material changes in accounting policies were resulting from new or amended standards.

IFRS 9: Financial Instruments (IASB Effective Date: 1 January 2018)

IFRS 9 was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 addresses three main areas of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Regarding the description of IFRS 9 requirements please refer to the IFRS 9 impact part of Erste Group's consolidated financial statements as of 31 December 2016 in chapter "Significant Accounting Policies".

Erste Group started the preparation for the transition to IFRS 9 in early 2015, when the IFRS 9 Implementation Project was officially set up, notably in terms of resources, budget, timeline, business streams and project steering, at both Erste Group and local entity level. The year 2015 and much of the year 2016 were mainly dedicated to the development (and alignment with all relevant internal and external stakeholders) of master business concepts and detailed business requirements for the key streams of the project: classification and measurement, fair valuation, impairment and disclosures/reporting.

Since late 2016, both at group and at local entity level, most efforts within the project have been refocused on implementation topics, in consideration of the wide range of the impacted internal policies, working instructions, processes, IT systems and applications across Erste Group's entities and business units.

Throughout the implementation work, but also in the light of the developing market practice and of the guidance issued by the relevant authoritative bodies and the global audit firms, a limited number of business requirements have been revisited and/or subject to further refinement and additional clarification. This refinement process is expected to continue throughout the remaining part of 2017 and the early part of 2018, without however significantly interfering with the implementation milestones and the scheduled "go live" dates of the related system functionalities. Erste Group and local policies and procedures are in process of being updated and formally approved accordingly.

The second half of 2017 is being used for running the newly implemented IFRS 9 functionalities (as they get tested and accepted at user level across Erste Group's entities) in parallel to the outgoing IAS 39 production processes. Such a "parallel run" is primarily meant to ensure the technical readiness for transiting to IFRS 9 on 1 January 2018, but also the plausibility and the traceability of the transition impact, both on the date of initial application and subsequently. Hence, we see the "parallel run" as an additional source (and opportunity) for further refinement and calibration of the business requirements, notably in the area of impairment.

The current status of IFRS 9 implementation project at Erste Group enables that quantitative estimates of IFRS 9 financial impacts at an aggregated level are provided in the area of classification and measurement. In the area of impairment the proposed methodology is currently subject to internal reviews and adjustments. Further, experiences during the parallel run phase will be considered and may affect both assessment of significant increases in credit risk and estimates of expected credit losses. As a result, no quantitative estimates for the impairment of financial instruments are provided in the interim report as of 30 September 2017.

In respect to classification and measurement, the presented data can differ to the impacts which will be recorded upon transition to IFRS 9 as at 1 January 2018 due to market developments, changes resulting from acquisitions, originations and derecognitions of financial instruments as well as further refinement of valuation methods in the period till 31 December 2017.

For financial assets Erste Group has analysed the classification requirements and found that while the majority of financial assets shall be continued to be carried at amortised cost, the first time application will trigger the following changes in the measurement categories:

- Reclassification of loans currently measured at amortised cost according to IAS 39 in amount up to EUR 1 billion into the measurement category "fair value through profit or loss" according to IFRS 9 due to not meeting the contractual cash flow characteristics as required by IFRS 9. The reclassification predominantly relates to loans bearing interest rates featuring imperfections (e.g. rates linked to secondary market rates for bonds) that do not pass quantitative testing required by IFRS 9.
- Reclassification of debt securities which are part of the liquidity buffer portfolios in Austrian Savings Banks in fair value amount between EUR 3 and 4 billion in available-for-sale portfolio according to IAS 39 into amortised cost measurement category according to IFRS 9 due to meeting the criteria of the held to collect business model.
- Reclassification of financial assets from available-for-sale portfolio according to IAS 39 into fair value through profit or loss measurement category according to IFRS 9 in fair value amount between EUR 2 and 3 billion. This concerns: (a) investment funds to be reclassified because they do not meet the respective contractual cash flow characteristics, (b) financial assets held by investment funds

consolidated by Erste Group which will change the measurement category due to being managed and evaluated on fair value basis and (c) investments in equity instruments.

For financial liabilities Erste Group intends to make use of transitional provisions which allow designating a financial liability as measured at fair value through profit or loss if the designation removes or significantly reduces accounting mismatches that would otherwise arise. As a result, issued bonds measured at amortised cost according to IAS 39 in the amount between EUR 9 and 10 billion are expected to be reclassified into the fair value through profit or loss measurement category according to IFRS 9.

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1. Net interest income

in EUR million	1-9 16	1-9 17
Interest income		
Financial assets - held for trading	539.3	479.7
Financial assets - at fair value through profit or loss	6.6	10.1
Financial assets - available for sale	324.5	257.1
Financial assets - held to maturity	410.7	400.5
Loans and receivables	3,111.6	3,023.5
Derivatives - hedge accounting, interest rate risk	-1.3	-17.6
Other assets	22.6	19.3
Total interest income	**4,414.0**	**4,172.5**
Interest expenses		
Financial liabilities - held for trading	-342.5	-279.3
Financial liabilities - at fair value through profit or loss	-40.1	-39.6
Financial liabilities measured at amortised cost	-1,051.6	-889.6
Derivatives - hedge accounting, interest rate risk	301.2	272.3
Other liabilities	-20.0	-14.3
Total interest expense	**-1,152.9**	**-950.6**
Negative interest from financial liabilities	36.1	51.6
Negative Interest from financial assets	-29.7	-44.2
Net interest income	**3,267.5**	**3,229.3**

2. Net fee and commission income

in EUR million	1-9 16	1-9 17
Securities	118.6	149.7
Own issues	13.9	26.9
Transfer orders	97.7	117.8
Other	7.0	5.0
Clearing and settlement	2.4	5.5
Asset management	184.5	209.6
Custody	57.1	60.2
Fiduciary transactions	2.1	2.3
Payment services	653.1	655.0
Card business	145.9	141.3
Other	507.2	513.8
Customer resources distributed but not managed	112.5	121.6
Collective investment	10.9	9.6
Insurance products	73.8	83.4
Building society brokerage	11.2	9.5
Foreign exchange transactions	16.2	18.0
Other	0.4	1.1
Structured finance	0.0	0.0
Servicing fees from securitization activities	0.0	0.0
Lending business	132.4	108.2
Guarantees given, guarantees received	42.6	40.9
Loan commitments given, loan commitments received	18.3	16.8
Other lending business	71.6	50.5
Other	57.1	49.7
Net fee and commission income	**1,319.8**	**1,361.9**

3. Dividend income

in EUR million	1-9 16	1-9 17
Financial assets - held for trading	0.5	0.6
Financial assets - at fair value through profit or loss	2.2	2.1
Financial assets - available for sale	33.5	34.7
Dividend income	**36.2**	**37.5**

4. Net trading and result from financial assets and liabilities designated at fair value through profit or loss

Net trading result

in EUR million	1-9 16	1-9 17
Securities and derivatives trading	26.7	6.1
Foreign exchange transactions	162.4	146.7
Result from hedge accounting	29.6	-13.6
Net trading result	**218.7**	**139.3**

Result from financial assets and liabilities designated at fair value through profit or loss

in EUR million	1-9 16	1-9 17
Result from measurement/sale of financial assets designated at fair value through profit or loss	5.9	10.5
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	-32.9	1.6
Result from financial assets and liabilities designated at fair value through profit or loss	**-27.1**	**12.1**

5. Rental income from investment properties & other operating leases

in EUR million	1-9 16	1-9 17
Investment properties	58.2	62.5
Other operating leases	80.4	84.1
Rental income from investment properties & other operating leases	**138.7**	**146.6**

6. General administrative expenses

in EUR million	1-9 16	1-9 17
Personnel expenses	**-1,724.7**	**-1,747.2**
Wages and salaries	-1,285.0	-1,316.9
Compulsory social security	-335.9	-341.2
Long-term employee provisions	-25.4	-15.8
Other personnel expenses	-78.4	-73.3
Other administrative expenses	**-910.0**	**-925.2**
Deposit insurance contribution	-83.4	-74.7
IT expenses	-251.5	-304.8
Expenses for office space	-184.8	-176.2
Office operating expenses	-82.6	-84.6
Advertising/marketing	-111.6	-112.4
Legal and consulting costs	-98.3	-106.0
Sundry administrative expenses	-97.8	-66.6
Depreciation and amortisation	**-328.4**	**-341.1**
Software and other intangible assets	-120.9	-126.0
Owner occupied real estate	-60.0	-56.4
Investment properties	-77.0	-79.6
Customer relationships	-3.8	-6.4
Office furniture and equipment and sundry property and equipment	-66.7	-72.8
General administrative expenses	**-2,963.0**	**-3,013.6**

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

in EUR million	1-9 16	1-9 17
From sale of financial assets available for sale	157.4	66.0
From sale of financial assets held to maturity	2.9	2.6
From sale of loans and receivables	0.1	3.8
From repurchase of liabilities measured at amortised cost	-12.7	-1.6
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	**147.7**	**70.8**

In June 2016 Erste Group sold its shares in VISA Europe Ltd. which resulted in a gain related to the sale of shares of EUR 138.7 Mio included in the line item “Gains/losses from sale of financial assets available for sale”.

8. Net impairment loss on financial assets not measured at fair value through profit or loss

in EUR million	1-9 16	1-9 17
Financial assets - available for sale	-1.2	-14.6
Loans and receivables	-62.1	-56.9
Allocation to risk provisions	-1,510.0	-1,440.5
Release of risk provisions	1,301.0	1,315.5
Direct write-offs	-161.8	-61.4
Recoveries recorded directly to the income statement	308.6	129.4
Financial assets - held to maturity	0.1	0.1
Net impairment loss on financial assets	**-63.2**	**-71.5**

9. Other operating result

in EUR million	1-9 16	1-9 17
Other operating expenses	**-472.8**	**-522.4**
Allocation to other provisions	-13.7	-157.2
Allocation to provisions for commitments and guarantees given	-228.3	-186.2
Levies on banking activities	-151.7	-82.1
Banking tax	-123.9	-50.1
Financial transaction tax	-27.8	-32.0
Other taxes	-14.5	-31.3
Recovery and resolution fund contributions	-64.6	-65.6
Impairment of goodwill	0.0	0.0
Other operating income	**220.4**	**225.9**
Release of other provisions	19.3	45.7
Release of provisions for commitments and guarantees given	199.4	243.2
Result from properties/movables/other intangible assets other than goodwill	-41.1	1.3
Result from other operating expenses/income	42.8	-64.3
Other operating result	**-252.4**	**-296.6**

10. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 365.9 million (EUR 403.9 million), thereof EUR 96.5 million (EUR 135.9 million) net deferred tax expense.

11. Cash and cash balances

in EUR million	Dec 16	Sep 17
Cash on hand	3,738	4,013
Cash balances at central banks	13,333	16,053
Other demand deposits	1,282	2,038
Cash and cash balances	**18,353**	**22,104**

12. Derivatives – held for trading

in EUR million	Dec 16 Notional value	Dec 16 Positive fair value	Dec 16 Negative fair value	Sep 17 Notional value	Sep 17 Positive fair value	Sep 17 Negative fair value
Derivatives held in the trading book	**160,050**	**4,364**	**3,754**	**184,840**	**3,642**	**3,162**
Interest rate	119,263	3,940	3,503	115,148	3,046	2,721
Equity	685	25	8	708	15	3
Foreign exchange	39,538	386	225	68,308	577	427
Credit	324	1	5	474	1	7
Commodity	240	13	12	203	3	4
Other	0	0	0	0	0	0
Derivatives held in the banking book	**32,436**	**916**	**1,407**	**31,722**	**892**	**1,106**
Interest rate	16,347	675	902	15,569	615	843
Equity	2,820	113	76	3,032	111	57
Foreign exchange	12,328	87	418	12,181	127	191
Credit	460	11	10	445	14	13
Commodity	1	0	0	1	0	0
Other	480	31	1	494	25	1
Total gross amounts	**192,486**	**5,281**	**5,161**	**216,562**	**4,534**	**4,268**
Offset		-806	-977		-895	-1,062
Total		**4,475**	**4,185**		**3,639**	**3,206**

Erste Group undertakes a part of its interest rate derivative transactions via London Clearing House. Therefore, those derivatives are shown net of the respective cash collaterals in the group balance sheet.

13. Other trading assets

in EUR million	Dec 16	Sep 17
Equity instruments	80	110
Debt securities	3,128	3,101
General governments	2,322	2,294
Credit institutions	496	616
Other financial corporations	141	57
Non-financial corporations	169	134
Loans and advances	268	0
Other trading assets	**3,476**	**3,211**

14. Financial assets – at fair value through profit or loss

in EUR million	Dec 16	Sep 17
Equity instruments	144	163
Debt securities	333	383
General governments	31	63
Credit institutions	298	271
Other financial corporations	5	49
Non-financial corporations	0	0
Loans and advances	2	2
Financial assets - at fair value through profit or loss	**480**	**549**

15. Financial assets – available for sale

in EUR million	Dec 16	Sep 17
Equity instruments	1,364	1,297
Debt securities	18,522	15,446
General governments	12,778	10,749
Credit institutions	2,478	1,887
Other financial corporations	742	550
Non-financial corporations	2,524	2,261
Loans and advances	0	0
Financial assets - available for sale	**19,886**	**16,743**

16. Financial assets – held to maturity

in EUR million	Gross carrying amount		Collective allowances		Net carrying amount	
	Dec 16	Sep 17	Dec 16	Sep 17	Dec 16	Sep 17
General governments	17,700	17,664	-2	-2	17,699	17,662
Credit institutions	1,022	1,223	-1	-1	1,021	1,222
Other financial corporations	177	132	0	0	177	132
Non-financial corporations	375	383	-1	-1	374	382
Financial assets - held to maturity	**19,274**	**19,401**	**-4**	**-3**	**19,270**	**19,398**

17. Loans and receivables to credit institutions

Loans and receivables to credit institutions

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 30 September 2017				
Debt securities	111	0	0	111
Central banks	0	0	0	0
Credit institutions	111	0	0	111
Loans and receivables	10,254	-2	-4	10,248
Central banks	6,475	0	0	6,475
Credit institutions	3,778	-2	-4	3,772
Total	**10,364**	**-2**	**-4**	**10,358**

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 31 December 2016				
Debt securities	199	0	-1	198
Central banks	0	0	0	0
Credit institutions	199	0	-1	198
Loans and receivables	3,279	-2	-5	3,272
Central banks	666	0	0	665
Credit institutions	2,614	-2	-5	2,606
Total	**3,478**	**-2**	**-6**	**3,469**

Allowances for loans and receivables to credit institutions

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	Dec 16						Sep 17		
Specific allowances	**-2**	**0**	**0**	**0**	**0**	**0**	**-2**	**0**	**1**
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-2	0	0	0	0	0	-2	0	1
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	0	0	0	0	0	-2	0	1
Collective allowances	**-5**	**-9**	**0**	**10**	**0**	**1**	**-4**	**0**	**0**
Debt securities	-1	0	0	1	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	0	0	1	0	0	0	0	0
Loans and receivables	-5	-9	0	9	0	1	-4	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-5	-9	0	9	0	1	-4	0	0
Total	**-7**	**-9**	**0**	**10**	**0**	**1**	**-6**	**0**	**1**
	Dec 15						Sep 16		
Specific allowances	**-8**	**0**	**7**	**0**	**0**	**0**	**-2**	**-9**	**3**
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-8	0	7	0	0	0	-2	-9	3
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-8	0	7	0	0	0	-2	-9	3
Collective allowances	**-5**	**-5**	**0**	**5**	**0**	**1**	**-4**	**0**	**0**
Debt securities	-2	0	0	0	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	0	0	0	0	0	-1	0	0
Loans and receivables	-3	-5	0	5	0	1	-3	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-4	-5	0	5	0	1	-4	0	0
Total	**-13**	**-6**	**7**	**5**	**0**	**1**	**-6**	**-9**	**3**

18. Loans and receivables to customers

Loans and receivables to customers

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 30 September 2017				
Debt securities with customers	79	0	-1	78
General governments	39	0	0	39
Other financial corporations	0	0	0	0
Non-financial corporations	40	0	-1	39
Loans and advances to customers	142,228	-3,567	-734	137,927
General governments	7,268	-2	-15	7,250
Other financial corporations	4,424	-105	-22	4,298
Non-financial corporations	61,591	-2,007	-429	59,155
Households	68,945	-1,454	-267	67,224
Total	**142,308**	**-3,567**	**-735**	**138,005**
As of 31 December 2016				
Debt securities with customers	92	0	-1	91
General governments	58	0	0	58
Other financial corporations	0	0	0	0
Non-financial corporations	34	0	-1	33
Loans and advances to customers	135,175	-3,887	-725	130,564
General governments	7,350	-6	-13	7,332
Other financial corporations	3,643	-94	-23	3,526
Non-financial corporations	58,273	-2,207	-401	55,664
Households	65,909	-1,580	-288	64,042
Total	**135,267**	**-3,887**	**-726**	**130,654**

Allowances for loans and receivables to customers

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	Dec 16						Sep 17		
Specific allowances	**-3,887**	**-1,035**	**430**	**907**	**57**	**-40**	**-3,567**	**-61**	**128**
Debt securities with customers	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0
Loans and advances to customers	-3,887	-1,035	430	907	57	-40	-3,567	-61	128
General governments	-6	0	0	4	0	0	-2	0	0
Other financial corporations	-94	-21	4	12	2	-7	-105	0	0
Non-financial corporations	-2,207	-539	239	494	27	-20	-2,007	-44	54
Households	-1,580	-475	187	397	29	-12	-1,454	-17	74
Collective allowances	**-726**	**-396**	**0**	**398**	**0**	**-11**	**-735**	**0**	**0**
Debt securities with customers	-1	0	0	0	0	0	-1	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-1	0	0	0	0	0	-1	0	0
Loans and advances to customers	-725	-396	0	398	0	-11	-734	0	0
General governments	-13	-6	0	4	0	0	-15	0	0
Other financial corporations	-23	-11	0	12	0	0	-22	0	0
Non-financial corporations	-401	-210	0	190	0	-7	-429	0	0
Households	-288	-169	0	193	0	-3	-267	0	0
Total	**-4,613**	**-1,431**	**430**	**1,305**	**57**	**-51**	**-4,302**	**-61**	**128**

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	Dec 15						Sep 16		
Specific allowances	**-5,276**	**-1,134**	**1,222**	**899**	**80**	**-16**	**-4,226**	**-153**	**306**
Debt securities with customers	-14	0	12	0	0	0	-2	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-14	0	12	0	0	0	-2	0	0
Loans and advances to customers	-5,262	-1,134	1,210	899	80	-16	-4,224	-153	306
General governments	-7	-3	0	3	0	-1	-7	0	0
Other financial corporations	-154	-19	46	18	2	10	-98	0	0
Non-financial corporations	-3,195	-610	951	489	36	-7	-2,336	-121	171
Households	-1,907	-502	213	390	42	-18	-1,783	-32	134
Collective allowances	**-733**	**-371**	**0**	**397**	**0**	**-15**	**-722**	**0**	**0**
Debt securities with customers	-2	-3	0	1	0	0	-4	0	0
General governments	-2	0	0	1	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	-3	0	0	0	0	-4	0	0
Loans and advances to customers	-731	-368	0	396	0	-15	-718	0	0
General governments	-14	-10	0	16	0	-7	-15	0	0
Other financial corporations	-26	-15	0	18	0	2	-21	0	0
Non-financial corporations	-424	-145	0	191	0	-8	-386	0	0
Households	-268	-198	0	171	0	-2	-296	0	0
Total	**-6,009**	**-1,504**	**1,222**	**1,296**	**80**	**-31**	**-4,948**	**-153**	**306**

19. Derivatives – hedge accounting

in EUR million	Dec 16			Sep 17		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**22,378**	**1,980**	**586**	**21,753**	**1,532**	**520**
Interest rate	22,378	1,980	586	21,753	1,532	520
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	**987**	**14**	**3**	**1,941**	**7**	**43**
Interest rate	987	14	3	1,941	7	43
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
Total gross amounts	**23,365**	**1,994**	**589**	**23,694**	**1,538**	**562**
Offset		-570	-116		-532	-153
Total		**1,424**	**473**		**1,006**	**409**

Erste Group undertakes a part of its interest rate derivative transactions via London Clearing House. Therefore, those derivatives are shown net of the respective cash collaterals in the group balance sheet.

20. Other assets

in EUR million	Dec 16	Sep 17
Prepayments and accrued income	177	172
Inventories	253	233
Sundry assets	590	631
Other assets	**1,020**	**1,036**

21. Other trading liabilities

in EUR million	Dec 16	Sep 17
Short positions	366	272
Equity instruments	240	121
Debt securities	126	150
Debt securities issued	59	73
Sundry trading liabilities	152	0
Other trading liabilities	**577**	**344**

22. Financial liabilities – at fair value through profit and loss

Debt securities issued

in EUR million	Dec 16	Sep 17
Subordinated liabilities	556	831
Subordinated issues and deposits	556	831
Hybrid issues	0	0
Other debt securities issued	1,133	928
Bonds	763	537
Certificates of deposit	0	0
Other certificates of deposits/name certificates	69	56
Mortgage covered bonds	302	308
Public sector covered bonds	0	0
Other	0	27
Debt securities issued	**1,689**	**1,759**

23. Financial liabilities measured at amortised costs

Deposits from banks

in EUR million	Dec 16	Sep 17
Overnight deposits	3,557	5,449
Term deposits	9,540	10,856
Repurchase agreements	1,534	2,921
Deposits from banks	**14,631**	**19,226**

Deposits from customers

in EUR million	Dec 16	Sep 17
Overnight deposits	**85,707**	**96,228**
Savings deposits	21,873	23,818
General governments	0	0
Other financial corporations	267	182
Non-financial corporations	1,344	1,596
Households	20,262	22,040
Non-savings deposits	63,834	72,410
General governments	4,637	5,598
Other financial corporations	4,774	6,042
Non-financial corporations	19,288	21,469
Households	35,135	39,302
Term deposits	**52,076**	**51,292**
Deposits with agreed maturity	46,925	45,726
Savings deposits	32,091	30,851
General governments	0	0
Other financial corporations	757	464
Non-financial corporations	1,333	1,370
Households	30,001	29,017
Non-savings deposits	14,834	14,875
General governments	1,740	2,020
Other financial corporations	2,460	2,961
Non-financial corporations	3,214	3,310
Households	7,420	6,584
Deposits redeemable at notice	5,151	5,566
General governments	1	5
Other financial corporations	70	79
Non-financial corporations	69	121
Households	5,011	5,361
Repurchase agreements	**156**	**793**
General governments	52	170
Other financial corporations	0	543
Non-financial corporations	104	80
Households	0	0
Deposits from customers	**137,939**	**148,313**
General governments	**6,429**	**7,792**
Other financial corporations	**8,327**	**10,271**
Non-financial corporations	**25,353**	**27,946**
Households	**97,829**	**102,303**

Debt securities issued

in EUR million	Dec 16	Sep 17
Subordinated liabilities	5,542	5,063
Subordinated issues and deposits	5,542	5,063
Hybrid issues	0	0
Other debt securities issued	19,960	18,839
Bonds	9,762	8,640
Certificates of deposit	441	164
Other certificates of deposits/name certificates	847	792
Mortgage covered bonds	7,351	7,897
Public sector covered bonds	1,456	1,200
Other	103	147
Debt securities issued	**25,503**	**23,902**

24. Provisions

in EUR million	Dec 16	Sep 17
Long-term employee provisions	969	912
Pending legal issues and tax litigation	332	332
Commitments and guarantees given	339	285
Provisions for guarantees - off balance sheet (defaulted customers)	208	140
Provisions for guarantees - off balance sheet (non-defaulted customers)	131	145
Other provisions	62	115
Provisions for onerous contracts	4	5
Other	58	111
Provisions	**1,702**	**1,645**

For the calculation of the defined benefit obligation for pension and severance payment provisions as well as for jubilee provisions, the interest rate used remained unchanged compared to the half year (2.00%).All other valuation parameters remained unchanged.

25. Other liabilities

in EUR million	Dec 16	Sep 17
Deferred income and accrued fee expenses	220	217
Sundry liabilities	2,716	3,093
Other liabilities	**2,936**	**3,310**

26. 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 2017.

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 activities 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 are customers within the responsibility of the local corporate commercial center network, in general companies with an annual turnover ranging from EUR 1-3 million to EUR 50-75 million, the thresholds vary by country. Local Large Corporate customers are local corporates with a consolidated annual turnover exceeding a defined threshold between EUR 50 million to EUR 75 million, depending on the country, which are not defined as Group Large Corporate customers. Group Large Corporate customers are corporate customers/client groups with substantial operations in core markets of Erste Group with a consolidated annual turnover of generally at least EUR 500 million. Commercial Real Estate (CRE) covers business with real estate investors generating income from the rental of individual properties or portfolios of properties, project developers generating capital gains through sale, asset management services, construction services (applicable only for EGI) and own development for business purpose. Public Sector comprises business activities with three types of customers: public sector, public corporations and the non-profit sector.

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

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

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

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

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

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

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

The geographical area Austria consists of the following three segments:
_ The **Erste Bank Oesterreich & Subsidiaries** (EBOe & Subsidiaries) segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).
_ The **Savings banks** segment is identical to the business segment Savings banks.
_ The **Other Austria** segment comprises Erste Group Bank AG (Holding) with its Corporates and Group Markets business, Erste Group Immorent AG, 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 non-profit service providers (facility management, IT, procurement), the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments). Asset/Liability Management of Erste Group Bank AG as well as the reconciliation to the consolidated accounting result (e.g. intercompany eliminations, dividend eliminations) are also part of the segment Other.

Measurement

The profit and loss statement of the segment report is based on the measures reported to the Erste Group management board for the purpose of allocating resources to the segments and assessing their performance. Management reporting as well as the segment report of Erste Group are based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the consolidated financial statements of accounting.
Capital consumption per segment is regularly reviewed by the management of Erste Group to assess the performance of the segments. The average allocated capital is determined by the credit risk, market risk and operational risk.
According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated capital are disclosed per segment. 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, result from financial assets and liabilities designated at fair value through profit or loss, net result from equity method investments, rental income from investment properties and other operating lease).

Business segments (1)

	Retail		Corporates		Group Markets		ALM&LCC	
in EUR million	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**
Net interest income	1,626.1	1,605.7	747.6	731.9	162.6	146.3	-50.5	-42.7
Net fee and commission income	715.2	739.8	190.9	188.9	145.3	168.2	-43.3	-67.0
Dividend income	2.0	0.8	0.6	0.4	1.3	1.5	8.9	11.8
Net trading result	73.9	83.4	61.6	64.3	57.2	83.3	30.2	-61.7
Result from financial assets and liabilities designated at fair value through profit or loss	-0.7	0.0	-0.8	1.6	9.2	9.9	-38.5	0.4
Net result from equity method investments	5.3	6.6	0.0	0.0	0.0	0.0	3.4	1.6
Rental income from investment properties & other operating leases	16.3	16.2	85.5	95.0	0.0	0.0	23.6	26.3
General administrative expenses	-1,385.6	-1,449.3	-410.7	-419.6	-155.4	-167.5	-79.2	-65.5
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.0	-0.1	3.3	5.6	2.4	0.2	130.8	42.4
Net impairment loss on financial assets	-21.9	7.6	-1.3	-70.5	8.6	-0.1	-7.7	-11.8
Other operating result	-22.1	-48.8	-19.0	4.8	3.7	-7.3	-83.9	-105.0
Levies on banking activities	-32.1	-37.2	-11.2	-11.5	-1.2	-1.2	-32.4	-17.3
Pre-tax result from continuing operations	**1,008.6**	**961.8**	**657.4**	**602.4**	**235.0**	**234.4**	**-106.1**	**-271.3**
Taxes on income	-202.4	-183.3	-127.8	-114.9	-52.2	-47.5	33.5	21.6
Net result for the period	**806.2**	**778.5**	**529.6**	**487.6**	**182.8**	**186.9**	**-72.6**	**-249.7**
Net result attributable to non-controlling interests	32.3	45.0	28.8	19.3	5.8	3.9	2.4	-24.7
Net result attributable to owners of the parent	**774.0**	**733.5**	**500.8**	**468.2**	**177.0**	**183.1**	**-75.0**	**-224.9**
Operating income	2,438.2	2,452.5	1,085.2	1,082.1	375.7	409.1	-66.2	-131.4
Operating expenses	-1,385.6	-1,449.3	-410.7	-419.6	-155.4	-167.5	-79.2	-65.5
Operating result	**1,052.6**	**1,003.1**	**674.5**	**662.5**	**220.2**	**241.6**	**-145.4**	**-196.9**
Risk-weighted assets (credit risk, eop)	17,606	18,683	33,812	36,440	4,185	3,938	4,941	4,784
Average allocated capital	2,350	2,466	3,141	3,181	643	709	2,220	2,230
Cost/income ratio	56.8%	59.1%	37.8%	38.8%	41.4%	40.9%	>100.0%	-49.8%
Return on allocated capital	45.8%	42.2%	22.5%	20.5%	38.0%	35.2%	-4.4%	-15.0%
Total assets (eop)	52,435	57,577	46,272	49,184	29,286	36,950	51,058	55,245
Total liabilities excluding equity (eop)	73,256	78,466	24,287	28,500	22,257	28,866	49,288	51,133
Impairments and risk provisions	**-25.4**	**2.0**	**-29.9**	**-1.7**	**8.4**	**-0.1**	**-48.4**	**-20.1**
Net impairment loss on loans and receivables to credit institutions/customers	-22.0	7.5	-1.0	-70.4	8.6	-0.3	-7.7	-8.7
Net impairment loss on other financial assets	0.1	0.0	-0.4	0.0	0.0	0.2	0.1	-3.1
Allocations/releases of provisions for contingent credit risk liabilities	-0.5	-4.3	-13.8	69.0	-0.2	0.0	2.3	1.6
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-3.0	-1.3	-14.7	-0.3	0.0	0.0	-43.0	-9.9

Business segments (2)

in EUR million	Savings Banks 1-9 16	Savings Banks 1-9 17	Group Corporate Center 1-9 16	Group Corporate Center 1-9 17	Intragroup Elimination 1-9 16	Intragroup Elimination 1-9 17	Total Group 1-9 16	Total Group 1-9 17
Net interest income	712.6	729.9	59.8	56.5	9.4	1.8	3,267.5	3,229.3
Net fee and commission income	311.5	325.7	6.0	6.6	-5.7	-0.4	1,319.8	1,361.9
Dividend income	14.7	13.0	10.9	10.2	-2.1	-0.2	36.2	37.5
Net trading result	-0.7	10.7	-2.8	-39.7	-0.8	-0.9	218.7	139.3
Result from financial assets and liabilities designated at fair value through profit or loss	0.0	0.0	3.7	0.3	0.0	0.0	-27.1	12.1
Net result from equity method investments	0.0	0.0	-2.9	2.0	0.0	0.0	5.9	10.1
Rental income from investment properties & other operating leases	29.6	28.3	12.1	9.3	-28.4	-28.5	138.7	146.6
General administrative expenses	-745.0	-762.4	-678.5	-688.7	491.4	539.4	-2,963.0	-3,013.6
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	11.9	15.3	0.1	7.3	-0.7	0.0	147.7	70.8
Net impairment loss on financial assets	-36.2	13.7	-4.7	-10.4	0.0	0.0	-63.2	-71.5
Other operating result	-34.1	-59.2	366.1	430.2	-463.1	-511.2	-252.4	-296.6
Levies on banking activities	-11.3	-3.3	-63.4	-11.5	0.0	0.0	-151.7	-82.1
Pre-tax result from continuing operations	**264.1**	**315.1**	**-230.3**	**-216.4**	**-0.1**	**0.0**	**1,828.7**	**1,626.1**
Taxes on income	-76.3	-74.1	21.2	32.3	0.0	0.0	-403.9	-365.9
Net result for the period	**187.8**	**241.0**	**-209.0**	**-184.1**	**-0.1**	**0.0**	**1,424.8**	**1,260.2**
Net result attributable to non-controlling interests	157.7	202.9	18.7	26.2	0.0	0.0	245.6	272.6
Net result attributable to owners of the parent	**30.2**	**38.1**	**-227.8**	**-210.3**	**-0.1**	**0.0**	**1,179.2**	**987.6**
Operating income	1,067.6	1,107.7	86.8	45.1	-27.7	-28.2	4,959.7	4,936.9
Operating expenses	-745.0	-762.4	-678.5	-688.7	491.4	539.4	-2,963.0	-3,013.6
Operating result	**322.6**	**345.3**	**-591.7**	**-643.5**	**463.7**	**511.2**	**1,996.6**	**1,923.4**
Risk-weighted assets (credit risk, eop)	21,227	21,522	1,250	1,320	0	0	83,021	86,687
Average allocated capital	2,095	2,105	5,178	6,648	0	0	15,628	17,339
Cost/income ratio	69.8%	68.8%	>100.0%	>100.0%	>100.0%	>100.0%	59.7%	61.0%
Return on allocated capital	12.0%	15.3%	-5.4%	-3.7%			12.2%	9.7%
Total assets (eop)	58,217	59,089	3,737	3,400	-34,194	-39,731	206,811	221,715
Total liabilities excluding equity (eop)	53,869	54,511	1,486	1,967	-34,159	-39,698	190,282	203,746
Impairments and risk provisions	**-25.8**	**4.6**	**-37.3**	**-15.4**	**0.0**	**0.0**	**-158.4**	**-30.7**
Net impairment loss on loans and receivables to credit institutions/customers	-35.0	15.6	-5.0	-0.6	0.0	0.0	-62.1	-56.9
Net impairment loss on other financial assets	-1.3	-1.9	0.3	-9.8	0.0	0.0	-1.1	-14.5
Allocations/releases of provisions for contingent credit risk liabilities	10.5	-9.1	-27.1	-0.3	0.0	0.0	-28.9	57.0
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-0.1	0.0	-5.5	-4.7	0.0	0.0	-66.3	-16.2

Geographical segmentation - overview

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**
Net interest income	1,481.7	1,488.8	1,675.1	1,669.0	110.7	71.5	3,267.5	3,229.3
Net fee and commission income	704.8	739.3	645.1	644.6	-30.1	-22.0	1,319.8	1,361.9
Dividend income	23.9	23.3	3.5	4.2	8.8	10.0	36.2	37.5
Net trading result	17.1	44.4	180.5	206.4	21.1	-111.4	218.7	139.3
Result from financial assets and liabilities designated at fair value through profit or loss	9.1	9.9	-2.7	-2.8	-33.5	5.0	-27.1	12.1
Net result from equity method investments	1.5	1.8	7.3	6.4	-2.9	2.0	5.9	10.1
Rental income from investment properties & other operating leases	87.3	100.5	45.2	36.6	6.2	9.4	138.7	146.6
General administrative expenses	-1,486.2	-1,531.4	-1,257.8	-1,295.3	-219.0	-186.9	-2,963.0	-3,013.6
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	31.8	24.2	121.8	29.3	-5.8	17.3	147.7	70.8
Net impairment loss on financial assets	-73.0	11.3	20.6	-72.0	-10.8	-10.8	-63.2	-71.5
Other operating result	-9.4	-64.3	-142.5	-136.6	-100.5	-95.6	-252.4	-296.6
Levies on banking activities	-22.2	-5.8	-66.1	-64.8	-63.4	-11.5	-151.7	-82.1
Pre-tax result from continuing operations	**788.4**	**847.8**	**1,296.2**	**1,089.9**	**-255.9**	**-311.6**	**1,828.7**	**1,626.1**
Taxes on income	-200.1	-200.8	-230.2	-218.9	26.4	53.8	-403.9	-365.9
Net result for the period	**588.4**	**647.0**	**1,066.0**	**871.0**	**-229.5**	**-257.7**	**1,424.8**	**1,260.2**
Net result attributable to non-controlling interests	170.8	217.0	56.2	29.4	18.7	26.2	245.6	272.6
Net result attributable to owners of the parent	**417.6**	**430.0**	**1,009.8**	**841.6**	**-248.2**	**-283.9**	**1,179.2**	**987.6**
Operating income	2,325.2	2,408.0	2,554.1	2,564.5	80.3	-35.6	4,959.7	4,936.9
Operating expenses	-1,486.2	-1,531.4	-1,257.8	-1,295.3	-219.0	-186.9	-2,963.0	-3,013.6
Operating result	**839.1**	**876.7**	**1,296.3**	**1,269.2**	**-138.7**	**-222.5**	**1,996.6**	**1,923.4**
Risk-weighted assets (credit risk, eop)	47,371	47,923	33,927	36,764	1,723	2,001	83,021	86,687
Average allocated capital	4,913	4,868	4,522	4,981	6,192	7,490	15,628	17,339
Cost/income ratio	63.9%	63.6%	49.2%	50.5%	>100.0%	>100.0%	59.7%	61.0%
Return on allocated capital	16.0%	17.8%	31.5%	23.4%	-5.0%	-4.6%	12.2%	9.7%
Total assets (eop)	137,820	147,327	85,540	98,840	-16,549	-24,452	206,811	221,715
Total liabilities excluding equity (eop)	113,660	119,075	76,018	88,873	604	-4,202	190,282	203,746
Impairments and risk provisions	**-47.0**	**6.9**	**-69.4**	**-16.8**	**-42.0**	**-20.8**	**-158.4**	**-30.7**
Net impairment loss on loans and receivables to credit institutions/customers	-71.9	12.7	20.9	-68.7	-11.1	-1.0	-62.1	-56.9
Net impairment loss on other financial assets	-1.1	-1.4	-0.3	-3.3	0.3	-9.8	-1.1	-14.5
Allocations/releases of provisions for contingent credit risk liabilities	40.2	-1.8	-43.4	59.6	-25.7	-0.8	-28.9	57.0
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-14.2	-2.5	-46.6	-4.4	-5.5	-9.3	-66.3	-16.2

Geographical area - Austria

	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
in EUR million	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**
Net interest income	475.5	481.4	712.6	729.9	293.6	277.5	1,481.7	1,488.8
Net fee and commission income	249.1	255.2	311.5	325.7	144.2	158.4	704.8	739.3
Dividend income	6.8	8.8	14.7	13.0	2.4	1.5	23.9	23.3
Net trading result	12.2	11.1	-0.7	10.7	5.6	22.6	17.1	44.4
Result from financial assets and liabilities designated at fair value through profit or loss	0.0	0.1	0.0	0.0	9.1	9.8	9.1	9.9
Net result from equity method investments	0.8	0.6	0.0	0.0	0.7	1.2	1.5	1.8
Rental income from investment properties & other operating leases	14.4	27.4	29.6	28.3	43.3	44.8	87.3	100.5
General administrative expenses	-483.3	-496.6	-745.0	-762.4	-257.8	-272.4	-1,486.2	-1,531.4
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	14.1	2.7	11.9	15.3	5.8	6.1	31.8	24.2
Net impairment loss on financial assets	-8.3	20.5	-36.2	13.7	-28.5	-22.9	-73.0	11.3
Other operating result	0.6	-33.1	-34.1	-59.2	24.1	28.0	-9.4	-64.3
Levies on banking activities	-10.8	-2.4	-11.3	-3.3	0.0	0.0	-22.2	-5.8
Pre-tax result from continuing operations	**281.7**	**278.1**	**264.1**	**315.1**	**242.6**	**254.5**	**788.4**	**847.8**
Taxes on income	-72.8	-69.1	-76.3	-74.1	-51.0	-57.6	-200.1	-200.8
Net result for the period	**208.9**	**209.0**	**187.8**	**241.0**	**191.6**	**196.9**	**588.4**	**647.0**
Net result attributable to non-controlling interests	9.1	13.3	157.7	202.9	4.0	0.7	170.8	217.0
Net result attributable to owners of the parent	**199.8**	**195.8**	**30.2**	**38.1**	**187.6**	**196.2**	**417.6**	**430.0**
Operating income	758.7	784.6	1,067.6	1,107.7	498.9	515.7	2,325.2	2,408.0
Operating expenses	-483.3	-496.6	-745.0	-762.4	-257.8	-272.4	-1,486.2	-1,531.4
Operating result	**275.4**	**288.0**	**322.6**	**345.3**	**241.1**	**243.4**	**839.1**	**876.7**
Risk-weighted assets (credit risk, eop)	12,010	11,819	21,227	21,522	14,134	14,581	47,371	47,923
Average allocated capital	1,271	1,261	2,095	2,105	1,548	1,503	4,913	4,868
Cost/income ratio	63.7%	63.3%	69.8%	68.8%	51.7%	52.8%	63.9%	63.6%
Return on allocated capital	22.0%	22.2%	12.0%	15.3%	16.5%	17.5%	16.0%	17.8%
Total assets (eop)	40,618	43,323	58,217	59,089	38,984	44,914	137,820	147,327
Total liabilities excluding equity (eop)	39,027	41,493	53,869	54,511	20,764	23,070	113,660	119,075
Impairments and risk provisions	**-4.1**	**21.3**	**-25.8**	**4.6**	**-17.1**	**-19.0**	**-47.0**	**6.9**
Net impairment loss on loans and receivables to credit institutions/customers	-8.3	20.4	-35.0	15.6	-28.7	-23.3	-71.9	12.7
Net impairment loss on other financial assets	0.0	0.1	-1.3	-1.9	0.2	0.4	-1.1	-1.4
Allocations/releases of provisions for contingent credit risk liabilities	4.7	0.3	10.5	-9.1	25.0	6.9	40.2	-1.8
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-0.5	0.5	-0.1	0.0	-13.6	-2.9	-14.2	-2.5

Geographical area - Central and Eastern Europe

	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**	**1-9 16**	**1-9 17**
Net interest income	686.4	685.6	285.7	272.4	339.6	324.3	129.7	147.8	199.1	200.8	34.6	38.1	1,675.1	1,669.0
Net fee and commission income	255.1	250.2	118.8	113.3	92.6	83.4	103.9	117.2	66.6	72.1	8.2	8.4	645.1	644.6
Dividend income	2.1	2.0	0.6	0.9	0.7	1.0	0.1	0.2	0.2	0.1	0.0	0.0	3.5	4.2
Net trading result	73.8	82.0	56.3	61.4	9.7	11.7	14.6	27.7	23.6	20.7	2.5	2.9	180.5	206.4
Result from financial assets and liabilities designated at fair value through profit or loss	-2.4	0.3	0.1	0.3	-0.3	-0.5	0.0	-2.9	0.0	0.0	0.0	0.0	-2.7	-2.8
Net result from equity method investments	0.0	-0.5	0.3	0.1	4.4	5.5	0.0	0.0	2.5	1.1	0.1	0.2	7.3	6.4
Rental income from investment properties & other operating leases	14.1	8.1	8.5	10.1	0.8	0.2	2.9	3.0	18.6	15.2	0.2	0.1	45.2	36.6
General administrative expenses	-489.4	-506.0	-248.9	-238.6	-205.5	-205.2	-139.7	-161.6	-144.7	-152.4	-29.7	-31.5	-1,257.8	-1,295.3
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	52.6	10.1	24.9	0.0	26.7	0.3	9.0	18.7	8.5	0.2	0.0	0.0	121.8	29.3
Net impairment loss on financial assets	-39.3	17.7	50.8	-13.5	-30.5	-29.7	71.0	45.5	-28.6	-91.9	-2.8	-0.2	20.6	-72.0
Other operating result	-22.1	-17.2	-28.3	-52.2	-11.5	-23.1	-74.5	-33.4	-5.5	-10.4	-0.6	-0.2	-142.5	-136.6
Levies on banking activities	0.0	0.0	0.0	0.0	-18.6	-20.2	-47.4	-44.6	0.0	0.0	0.0	0.0	-66.1	-64.8
Pre-tax result from continuing operations	**530.8**	**532.4**	**268.7**	**154.1**	**226.7**	**167.8**	**117.0**	**162.2**	**140.4**	**55.5**	**12.5**	**17.8**	**1,296.2**	**1,089.9**
Taxes on income	-109.1	-104.2	-27.3	-44.3	-56.0	-39.9	-7.5	-11.2	-29.7	-18.5	-0.7	-0.7	-230.2	-218.9
Net result for the period	**421.7**	**428.2**	**241.4**	**109.8**	**170.7**	**127.9**	**109.6**	**151.0**	**110.7**	**37.0**	**11.8**	**17.1**	**1,066.0**	**871.0**
Net result attributable to non-controlling interests	4.6	4.2	15.5	7.0	0.0	0.0	0.0	0.0	33.8	14.9	2.3	3.3	56.2	29.4
Net result attributable to owners of the parent	**417.2**	**424.0**	**225.9**	**102.8**	**170.7**	**127.9**	**109.6**	**151.0**	**76.9**	**22.1**	**9.5**	**13.8**	**1,009.8**	**841.6**
Operating income	1,029.1	1,027.8	470.2	458.4	447.5	425.5	251.2	293.1	310.6	310.0	45.6	49.7	2,554.1	2,564.5
Operating expenses	-489.4	-506.0	-248.9	-238.6	-205.5	-205.2	-139.7	-161.6	-144.7	-152.4	-29.7	-31.5	-1,257.8	-1,295.3
Operating result	**539.7**	**521.7**	**221.3**	**219.8**	**242.0**	**220.3**	**111.5**	**131.4**	**165.9**	**157.7**	**15.9**	**18.2**	**1,296.3**	**1,269.2**
Risk-weighted assets (credit risk, eop)	15,384	17,058	5,467	5,361	4,503	5,283	3,447	3,607	4,227	4,442	899	1,013	33,927	36,764
Average allocated capital	1,739	2,022	986	1,040	650	659	485	558	548	567	115	135	4,522	4,981
Cost/income ratio	47.6%	49.2%	52.9%	52.1%	45.9%	48.2%	55.6%	55.1%	46.6%	49.1%	65.2%	63.3%	49.2%	50.5%
Return on allocated capital	32.4%	28.3%	32.7%	14.1%	35.1%	26.0%	30.2%	36.2%	27.0%	8.7%	13.7%	16.9%	31.5%	23.4%
Total assets (eop)	40,185	50,843	14,507	14,455	14,683	15,866	6,225	7,343	8,821	9,032	1,119	1,301	85,540	98,840
Total liabilities excluding equity (eop)	35,803	46,266	12,947	12,854	13,149	14,372	5,347	6,273	7,796	7,981	975	1,128	76,018	88,873
Impairments and risk provisions	**-82.9**	**19.1**	**45.7**	**-16.6**	**-28.9**	**-27.1**	**37.4**	**106.2**	**-37.3**	**-97.8**	**-3.4**	**-0.5**	**-69.4**	**-16.8**
Net impairment loss on loans and receivables to credit institutions/customers	-39.6	19.3	50.9	-13.4	-30.4	-29.6	71.0	47.0	-28.1	-91.8	-2.8	-0.2	20.9	-68.7
Net impairment loss on other financial assets	0.2	-1.6	-0.1	-0.1	0.0	-0.1	0.0	-1.5	-0.5	-0.1	0.0	0.0	-0.3	-3.3
Allocations/releases of provisions for contingent credit risk liabilities	-13.2	0.3	5.5	-6.2	1.1	4.6	-33.6	61.1	-2.2	0.1	-1.0	-0.3	-43.4	59.6
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 loss on other non-financial assets	-30.3	1.1	-10.6	3.0	0.5	-2.0	-0.1	-0.4	-6.5	-6.1	0.4	-0.1	-46.6	-4.4

27. Risk management

It is a core function of every bank to take risks in a conscious and selective manner and to manage such risks professionally. Erste Group's proactive risk policy and strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the annual report 2016.

Credit risk

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

Low risk

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

Management attention

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

Substandard

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

Non-performing

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

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

- cash and cash balances - other demand deposits;
- financial assets - held for trading (without equity instruments);
- financial assets - at fair value through profit or loss (without equity instruments);
- financial assets - available for sale (without equity instruments);
- financial assets - held to maturity;
- loans and receivables to credit institutions;
- loans and receivables to customers;
- derivatives - hedge accounting;
- contingent liabilities (primarily financial guarantees and undrawn irrevocable credit commitments).

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

The gross carrying amount of the credit risk exposure increased to EUR 227.3 billion (+5.8%; EUR 214.9 billion).

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

in EUR million	Gross carrying amount	Allowances	Net carrying amount
As of 30 September 2017			
Cash and cash balances - other demand deposits	2,038	0	2,038
Loans and receivables to credit institutions	10,364	6	10,358
Loans and receivables to customers	142,308	4,302	138,005
Financial assets - held to maturity	19,401	3	19,398
Financial assets - held for trading	3,101	0	3,101
Financial assets - at fair value through profit or loss	385	0	385
Financial assets - available for sale	15,446	0	15,446
Positive fair value of derivatives	4,645	0	4,645
Contingent credit risk liabilities	29,651	285	--
Total	**227,340**	**4,597**	**193,377**
As of 31 December 2016			
Cash and cash balances - other demand deposits	1,282	0	1,282
Loans and receivables to credit institutions	3,478	8	3,469
Loans and receivables to customers	135,267	4,613	130,654
Financial assets - held to maturity	19,274	4	19,270
Financial assets - held for trading	3,396	0	3,396
Financial assets - at fair value through profit or loss	336	0	336
Financial assets - available for sale	18,522	0	18,522
Positive fair value of derivatives	5,899	0	5,899
Contingent credit risk liabilities	27,484	338	--
Total	**214,938**	**4,963**	**182,829**

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

On the next pages the credit risk volume is presented by:
_ Basel 3 exposure class and financial instrument,
_ industry and risk category;
_ country of risk and risk category;
_ business segment and risk category;
_ geographical segment and risk category.

Furthermore, a breakdown of loans and receivables to customers is presented according to the following criteria:
_ business segment and risk category;
_ geographical segment and risk category;
_ business segment and coverage of non-performing loans and receivables by allowances;
_ geographical segment and coverage of non-performing loans and receivables by allowances;
_ geographical segment and currency.

Credit risk exposure by Basel 3 exposure class and financial instrument

in EUR million	Cash and cash balances - other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Debt securities: Financial assets - held to maturity	Debt securities: Financial assets - held for trading	Debt securities: Financial assets - at fair value through profit or loss	Debt securities: Financial assets - available-for-sale	Positive fair value of derivatives	Contingent credit risk liabilities	Gross exposure
		At amortised cost			At fair value					
Sep 17										
Sovereigns	7	6,487	7,302	18,384	2,379	74	12,263	300	1,596	48,793
Institutions	2,026	3,684	94	753	577	121	1,341	3,911	485	12,992
Corporates	5	194	62,895	264	145	190	1,834	433	19,882	85,843
Retail	0	0	72,016	0	0	0	8	1	7,688	79,713
Total	**2,038**	**10,364**	**142,308**	**19,401**	**3,101**	**385**	**15,446**	**4,645**	**29,651**	**227,340**
Dec 16										
Sovereigns	6	680	7,347	18,459	2,549	42	14,823	330	1,639	45,876
Institutions	1,270	2,080	149	538	467	139	1,646	5,120	251	11,659
Corporates	6	717	59,010	277	380	155	2,053	448	19,002	82,048
Retail	0	0	68,761	0	0	0	0	1	6,592	75,354
Total	**1,282**	**3,478**	**135,267**	**19,274**	**3,396**	**336**	**18,522**	**5,899**	**27,484**	**214,938**

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

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 30 September 2017					
Agriculture and forestry	2,120	517	35	216	2,889
Mining	733	25	3	63	824
Manufacturing	12,997	1,454	157	810	15,418
Energy and water supply	3,569	300	30	104	4,003
Construction	8,331	1,236	162	605	10,334
Development of building projects	4,057	461	17	173	4,708
Trade	8,662	1,451	155	796	11,065
Transport and communication	5,975	563	41	136	6,715
Hotels and restaurants	2,827	814	101	365	4,107
Financial and insurance services	26,064	1,169	44	140	27,417
Holding companies	2,394	101	32	103	2,630
Real estate and housing	22,587	2,880	239	785	26,491
Services	9,417	1,720	189	356	11,682
Public administration	37,319	377	2	5	37,703
Education, health and art	2,463	454	22	223	3,162
Households	56,764	5,571	528	1,976	64,838
Other	360	1	318	13	693
Total	**200,188**	**18,530**	**2,027**	**6,595**	**227,340**
As of 31 December 2016					
Agriculture and forestry	1,966	495	28	149	2,638
Mining	704	60	4	112	880
Manufacturing	12,422	1,389	190	895	14,895
Energy and water supply	3,352	351	29	111	3,843
Construction	7,994	1,251	100	657	10,002
Development of building projects	3,875	437	20	220	4,553
Trade	8,524	1,568	160	693	10,945
Transport and communication	5,957	455	36	164	6,612
Hotels and restaurants	2,787	852	150	405	4,193
Financial and insurance services	20,503	881	61	146	21,592
Holding companies	2,453	126	41	114	2,734
Real estate and housing	20,563	2,770	238	966	24,537
Services	8,397	1,069	140	354	9,960
Public administration	39,403	500	7	24	39,935
Education, health and art	2,433	431	28	244	3,136
Households	52,632	5,658	574	2,174	61,037
Other	393	1	330	10	734
Total	**188,031**	**17,733**	**2,072**	**7,102**	**214,938**

Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 30 September 2017					
Core markets	**173,777**	**16,481**	**1,898**	**5,954**	**198,109**
Austria	86,152	8,648	1,235	2,194	98,229
Czech Republic	41,582	2,848	205	757	45,392
Romania	12,173	1,992	135	947	15,247
Slovakia	17,131	1,077	80	609	18,897
Hungary	8,006	873	113	281	9,272
Croatia	7,242	936	125	1,046	9,349
Serbia	1,490	107	5	121	1,723
Other EU	**19,750**	**1,404**	**71**	**464**	**21,689**
Other industrialised countries	**3,641**	**75**	**4**	**52**	**3,771**
Emerging markets	**3,020**	**571**	**55**	**125**	**3,771**
Southeastern Europe/CIS	1,449	381	50	104	1,984
Asia	903	102	2	0	1,007
Latin America	43	26	1	16	86
Middle East/Africa	625	62	2	5	694
Total	**200,188**	**18,530**	**2,027**	**6,595**	**227,340**
As of 31 December 2016					
Core markets	**160,052**	**15,679**	**1,914**	**6,409**	**184,055**
Austria	84,766	8,035	1,233	2,400	96,435
Czech Republic	32,414	2,441	177	910	35,942
Romania	12,059	1,891	82	1,058	15,090
Slovakia	16,282	1,184	128	629	18,222
Hungary	6,592	683	140	453	7,868
Croatia	7,075	1,035	142	821	9,073
Serbia	865	410	12	138	1,425
Other EU	**20,744**	**1,299**	**91**	**455**	**22,590**
Other industrialised countries	**4,176**	**167**	**5**	**58**	**4,406**
Emerging markets	**3,059**	**588**	**61**	**180**	**3,888**
Southeastern Europe/CIS	1,400	376	54	156	1,986
Asia	1,099	124	4	0	1,228
Latin America	61	33	2	18	114
Middle East/Africa	499	54	1	6	560
Total	**188,031**	**17,733**	**2,072**	**7,102**	**214,938**

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	Gross exposure
As of 30 September 2017					
Retail	50,244	5,736	526	1,809	58,315
Corporates	55,061	4,670	440	2,760	62,931
Group Markets	16,043	1,430	3	3	17,479
Asset/Liability Management and Local Corporate Center	28,010	137	191	30	28,368
Savings Banks	47,771	6,452	791	1,991	57,005
Group Corporate Center	3,059	105	77	2	3,242
Total	**200,188**	**18,530**	**2,027**	**6,595**	**227,340**
As of 31 December 2016					
Retail	46,061	5,428	512	1,971	53,972
Corporates	53,019	4,906	438	3,048	61,411
Group Markets	14,839	664	36	4	15,542
Asset/Liability Management and Local Corporate Center	27,234	260	173	16	27,682
Savings Banks	46,827	6,384	849	2,062	56,122
Group Corporate Center	51	91	65	1	208
Total	**188,031**	**17,733**	**2,072**	**7,102**	**214,938**

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 30 September 2017					
Austria	110,522	10,894	1,295	3,422	126,133
EBOe & Subsidiaries	35,241	2,723	449	681	39,093
Savings Banks	47,771	6,452	791	1,991	57,005
Other Austria	27,511	1,719	56	750	30,035
Central and Eastern Europe	84,255	7,532	655	3,115	95,558
Czech Republic	42,408	2,821	183	577	45,989
Romania	11,213	2,010	133	913	14,269
Slovakia	15,194	1,034	84	516	16,829
Hungary	6,700	651	107	235	7,694
Croatia	7,547	917	143	836	9,443
Serbia	1,193	98	5	38	1,335
Other	5,410	105	77	58	5,649
Total	**200,188**	**18,530**	**2,027**	**6,595**	**227,340**
As of 31 December 2016					
Austria	109,040	10,272	1,362	3,616	124,291
EBOe & Subsidiaries	35,090	2,713	394	827	39,025
Savings Banks	46,827	6,384	849	2,062	56,122
Other Austria	27,124	1,174	119	727	29,144
Central and Eastern Europe	71,867	7,364	645	3,453	83,329
Czech Republic	33,144	2,509	146	747	36,546
Romania	11,071	1,937	81	1,010	14,097
Slovakia	14,032	1,035	132	525	15,723
Hungary	5,660	544	111	396	6,711
Croatia	7,167	978	164	717	9,025
Serbia	794	362	12	59	1,227
Other	7,124	96	65	33	7,318
Total	**188,031**	**17,733**	**2,072**	**7,102**	**214,938**

Loans and receivables to customers

The tables on the following pages present the structure of the customer loan book, excluding loans to financial institutions and commitments, broken-down by different categories.

Loans and receivables to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 30 September 2017					
Retail	44,115	5,114	503	1,780	51,512
Corporates	40,184	3,862	321	2,531	46,898
Group Markets	1,665	336	0	0	2,001
Asset/Liability Management and Local Corporate Center	107	22	54	20	203
Savings Banks	33,748	5,416	652	1,856	41,672
Group Corporate Center	16	1	2	2	21
Total	**119,835**	**14,751**	**1,533**	**6,189**	**142,308**
As of 31 December 2016					
Retail	41,013	5,034	487	1,946	48,480
Corporates	37,692	3,956	334	2,738	44,721
Group Markets	975	285	5	0	1,265
Asset/Liability Management and Local Corporate Center	97	23	38	13	171
Savings Banks	32,504	5,417	710	1,980	40,611
Group Corporate Center	15	1	2	1	19
Total	**112,297**	**14,715**	**1,577**	**6,678**	**135,267**

Loans and receivables to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 30 September 2017					
Austria	73,451	8,348	966	3,202	85,966
Erste Bank Oesterreich & Subsidiaries	28,134	2,307	294	635	31,369
Savings Banks	33,748	5,416	652	1,856	41,672
Other Austria	11,569	625	20	711	12,925
Central and Eastern Europe	46,197	6,402	565	2,929	56,093
Czech Republic	22,560	2,401	148	531	25,641
Romania	5,326	1,706	97	839	7,969
Slovakia	10,201	959	77	467	11,704
Hungary	2,721	435	105	229	3,490
Croatia	4,621	815	132	826	6,395
Serbia	766	86	5	38	895
Other	187	1	2	58	248
Total	**119,835**	**14,751**	**1,533**	**6,189**	**142,308**
As of 31 December 2016					
Austria	71,069	8,668	1,003	3,447	84,186
Erste Bank Oesterreich & Subsidiaries	27,705	2,316	244	781	31,046
Savings Banks	32,504	5,417	710	1,980	40,611
Other Austria	10,859	936	48	686	12,529
Central and Eastern Europe	41,159	6,047	572	3,198	50,975
Czech Republic	19,067	2,046	130	695	21,939
Romania	5,297	1,594	71	928	7,890
Slovakia	9,028	948	102	475	10,552
Hungary	2,552	476	111	339	3,478
Croatia	4,563	870	147	704	6,285
Serbia	653	111	12	56	832
Other	70	1	2	33	105
Total	**112,297**	**14,715**	**1,577**	**6,678**	**135,267**

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

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
As of 30 September 2017					
Retail	1,780	51,512	1,368	3.5%	76.8%
Corporates	2,531	46,898	1,830	5.4%	72.3%
Group Markets	0	2,001	4	0.0%	11118.5%
Asset/Liability Management and Local Corporate Center	20	203	32	10.0%	156.2%
Savings Banks	1,856	41,672	1,068	4.5%	57.5%
Group Corporate Center	2	21	0	8.4%	13.7%
Total	**6,189**	**142,308**	**4,302**	**4.3%**	**69.5%**
As of 31 December 2016					
Retail	1,946	48,480	1,462	4.0%	75.2%
Corporates	2,738	44,721	1,979	6.1%	72.3%
Group Markets	0	1,265	3	0.0%	4949.4%
Asset/Liability Management and Local Corporate Center	13	171	18	7.3%	142.5%
Savings Banks	1,980	40,611	1,150	4.9%	58.1%
Group Corporate Center	1	19	0	7.3%	21.6%
Total	**6,678**	**135,267**	**4,613**	**4.9%**	**69.1%**

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

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
As of 30 September 2017					
Austria	3,202	85,966	1,850	3.7%	57.8%
Erste Bank Oesterreich & Subsidiaries	635	31,369	379	2.0%	59.7%
Savings Banks	1,856	41,672	1,068	4.5%	57.5%
Other Austria	711	12,925	403	5.5%	56.7%
Central and Eastern Europe	2,929	56,093	2,406	5.2%	82.1%
Czech Republic	531	25,641	468	2.1%	88.1%
Romania	839	7,969	788	10.5%	94.0%
Slovakia	467	11,704	366	4.0%	78.2%
Hungary	229	3,490	179	6.5%	78.3%
Croatia	826	6,395	564	12.9%	68.3%
Serbia	38	895	41	4.2%	110.1%
Other	58	248	46	23.2%	79.4%
Total	**6,189**	**142,308**	**4,302**	**4.3%**	**69.5%**
As of 31 December 2016					
Austria	3,447	84,186	2,051	4.1%	59.5%
Erste Bank Oesterreich & Subsidiaries	781	31,046	463	2.5%	59.3%
Savings Banks	1,980	40,611	1,150	4.9%	58.1%
Other Austria	686	12,529	438	5.5%	63.9%
Central and Eastern Europe	3,198	50,975	2,530	6.3%	79.1%
Czech Republic	695	21,939	575	3.2%	82.8%
Romania	928	7,890	792	11.8%	85.3%
Slovakia	475	10,552	343	4.5%	72.1%
Hungary	339	3,478	254	9.7%	75.0%
Croatia	704	6,285	510	11.2%	72.4%
Serbia	56	832	56	6.8%	99.1%
Other	33	105	32	31.3%	96.7%
Total	**6,678**	**135,267**	**4,613**	**4.9%**	**69.1%**

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

Loans and receivables to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Gross customer loans
As of 30 September 2017						
Austria	77,887	0	4,209	2,187	1,683	85,966
Erste Bank Oesterreich & Subsidiaries	29,530	0	1,690	28	120	31,369
Savings Banks	38,259	0	2,391	101	922	41,672
Other Austria	10,098	0	128	2,058	641	12,925
Central and Eastern Europe	25,019	30,281	112	570	112	56,093
Czech Republic	3,981	21,215	1	354	90	25,641
Romania	3,661	4,157	0	150	0	7,969
Slovakia	11,661	0	0	28	14	11,704
Hungary	652	2,804	30	4	0	3,490
Croatia	4,385	1,904	69	29	7	6,395
Serbia	678	201	12	4	0	895
Other	213	27	0	8	0	248
Total	**103,119**	**30,308**	**4,321**	**2,765**	**1,795**	**142,308**
As of 31 December 2016						
Austria	75,200	0	5,205	2,261	1,521	84,186
Erste Bank Oesterreich & Subsidiaries	28,729	0	2,089	86	142	31,046
Savings Banks	36,662	0	2,988	80	881	40,611
Other Austria	9,810	0	128	2,095	497	12,529
Central and Eastern Europe	22,823	27,487	149	421	96	50,975
Czech Republic	2,846	18,930	1	96	65	21,939
Romania	3,807	3,875	0	208	0	7,890
Slovakia	10,487	0	0	42	23	10,552
Hungary	638	2,765	52	24	0	3,478
Croatia	4,405	1,744	82	45	8	6,285
Serbia	641	172	14	5	0	832
Other	51	46	0	8	0	105
Total	**98,075**	**27,533**	**5,353**	**2,690**	**1,617**	**135,267**

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 16	Sep 17
Interest	3.0	3.6
Currency	0.9	0.4
Shares	1.4	0.6
Commodity	0.3	0.2
Volatility	0.3	0.5
Total	**3.4**	**3.5**

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

Liquidity risk

Due to the comfortable liquidity position and the usage of the TLTRO II programme (Targeted Longer-Term Refinancing Operations II) of the European Central Bank, Erste Group Bank AG has budgeted record low long term issuance for 2017 in the amount of EUR 1.45 billion. In the first nine months of the year Erste Group issued nearly EUR 2 billion (net of EUR 109 million buybacks), including two benchmark transactions (a EUR 750 million mortgage covered bond and a EUR 500 million AT1 issue). At 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 2017, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.3% (Basel 3 final), comfortably above the 3.0% minimum requirement expected to apply from 2018. Tier 1 capital amounted to EUR 14.9 billion at the reference date, while total leverage exposure stood at EUR 238.2 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.

28. Related party transactions

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung) controls a total of 29.26% 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 2.5 million (EUR 3.0 million) and no accounts receivable. In addition, standard derivative transactions for hedging purposes were in place between Erste Group and Privatstiftung, namely interest rate swaps with caps in the notional amount of EUR 0 million (EUR 103.0 million). Furthermore, Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 9.3 million (EUR 10.2 million). Erste Group held debt securities issued by Privatstiftung in the amount of EUR 0 million (EUR 0.3 million). The interest income of Erste Group in the reporting period amounted to EUR 0.3 million (cumulated in 2016: EUR 6.3 million) while the interest expenses amounted to EUR 0.4 million (cumulated in 2016: EUR 3.9 million), resulting from the above mentioned accounts payable and receivable as well as derivative transactions and debt securities.

29. Contingent liabilities - legal proceedings

There have not been any material changes since year-end 2016 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.

30. 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 case of a negative interest rate environment Erste Group uses models which are able to deal sufficiently with the presented market conditions. Consequently, such negative interest rates do not restrict the valuation models.

Securities. For plain vanilla (fixed and floating) debt securities the fair value is calculated by discounting the future cash-flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instruments. If no close proxy is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. Techniques for equity securities may also include models based on earnings multiples. 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. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined in consistency with similar instruments held as assets. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances.

OTC-derivative financial instruments. Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps and commodity swaps) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes- and Hull-White-type as well as hazard rate models. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo-techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. Erste Group values derivatives at mid-market levels. To reflect the potential bid-ask-spread of the relevant positions an adjustment based on market liquidity is performed. The adjustment parameters depend on product type, currency, maturity and notional size. Parameters are reviewed on a regular basis or in case of significant market moves. Netting is not applied when determining the bid-ask-spread adjustments.

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

According to the described methodology the accumulated CVA-adjustments amounts to EUR 13.9 million (EUR 26.0 million) and the total DVA-adjustment amounts to EUR 4.1 million (EUR 8.2 million).

Validation and control

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

Fair value hierarchy

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

Level 1 of the fair value hierarchy

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

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

Level 2 of the fair value hierarchy

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

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

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters 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

These include shares and funds not quoted, illiquid bonds as well as illiquid asset backed securities (ABS) and collateralized debt obligations (CDO) as well as loans, participations, own issues and deposits.

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

The table below shows the classification of financial instruments carried at fair value with respect to levels of the fair value hierarchy.

	Dec 16				Sep 17			
in EUR million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets - held for trading	2,335	5,477	138	7,950	2,141	4,631	77	6,850
Derivatives	3	4,376	96	4,475	13	3,599	27	3,639
Other trading assets	2,332	1,102	42	3,476	2,128	1,033	50	3,211
Financial assets - at fair value through profit or loss	385	66	28	480	479	51	19	549
Financial assets - available for sale	16,774	2,208	867	19,850	13,672	2,158	878	16,708
Derivatives - hedge accounting	0	1,424	0	1,424	2	1,004	0	1,006
Assets held for sale	0	0	0	0	0	0	0	0
Total assets	**19,494**	**9,176**	**1,034**	**29,704**	**16,295**	**7,844**	**974**	**25,112**
Liabilities								
Financial liabilities - held for trading	378	4,382	1	4,762	283	3,268	0	3,551
Derivatives	13	4,171	1	4,185	11	3,195	0	3,206
Other trading liabilities	366	211	0	577	272	73	0	344
Financial liabilities - at fair value through profit or loss	0	1,673	90	1,763	0	1,810	0	1,810
Deposits from customers	0	74	0	74	0	51	0	51
Debt securities issued	0	1,599	90	1,689	0	1,759	0	1,759
Other financial liabilities	0	0	0	0	0	0	0	0
Derivatives - hedge accounting	0	472	0	473	3	407	0	409
Total liabilities	**378**	**6,528**	**91**	**6,997**	**285**	**5,484**	**0**	**5,770**

According to the chosen method for the allocation of positions to levels all the Levels and Level changes are reflected 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

The following table shows the changes in volumes of Level 1 and Level 2 of financial instruments carried at fair value in the balance sheet.

	Dec 16		Sep 17	
in EUR million	Level 1	Level 2	Level 1	Level 2
Securities				
Net transfer from Level 1	0	247	0	-212
Net transfer from Level 2	-247	0	212	0
Net transfer from Level 3	-23	-208	-2	-1
Purchases/sales/expiries	-1,017	333	-3,422	79
Changes in derivatives	1	-1,549	12	-1,197
Total year-to-date change	**-1,286**	**-1,177**	**-3,200**	**-1,332**

Level 1 movements. The total amount of Level 1 financial assets decreased by EUR 3,200 million. The change in volume of Level 1 securities (decreased by EUR 3,212 million) was determined on the one hand by matured or sold assets in the amount of EUR 4,655 million and on the other hand by new investments in the amount of EUR 2,128 million. The decrease in volume for securities that were allocated to Level 1 at both reporting dates amounted to EUR 952 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 297 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by other corporates (EUR 130 million), but also to securities issued by governments (EUR 95 million) and financial institutions (EUR 72 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 84 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by governments (EUR 60 million), financial institutions (EUR 19 million) and securities issued by other corporates (EUR 5 million). Level 1 instruments in the amount of EUR 4 million were reclassified to Level 3, on the other hand EUR 2 million were moved from Level 3 to Level 1. The remaining increase in the amount of EUR 57 million was due to partial sales and fair value changes of reclassified instruments.

Level 2 movements. The total value of Level 2 financial assets decreased by EUR 1,332 million. The Level 2 fair value change of securities and other receivables (down by EUR 135 million) can be explained for the most part by matured or sold positions in the amount of EUR 881 million and new investments in the amount of EUR 975 million. The increase in volume for securities that have been allocated to Level 2 at both reporting dates amounted to EUR 276 million. Due to reduced market depth a total volume of EUR 84 million was reclassified from Level 1 to Level 2. This applies mainly to securities issued by governments (EUR 60 million) and financial institutions (EUR 19 million) as well as securities issued by other corporates (EUR 5 million). Securities in the amount of EUR 297 million were reclassified from Level 2 to Level 1. Due to the use of significant non-observable valuation parameters a total volume of EUR 163 million was reclassified from Llevel 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 162 million was reclassified from Level 3 to Level 2. The remaining decrease in the amount of EUR 24 million was due to partial sales and fair value changes of reclassified instruments. The holding of loans and advances which are measured at fair value decreased by EUR 268 million. The decrease on the asset side derivatives in Level 2 by EUR 1,197 million are caused by changes in market values and by netting effects.

On the liability side, as far as securities are concerned, there were no significant movements between the levels. Changes in the amounts were caused either by purchases, sales or changes in market value. The changes of derivatives were mainly caused by changes in the market value and netting effects.

Movements in Level 3 of financial instruments carried at fair value

The following table shows the development of fair value of financial instruments in Level 3 category.

in EUR million	As of	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales	Settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	As of
	Dec 16											**Sep 17**
Assets												
Financial assets - held for trading	138	-17	0	31	-6	-2	0	0	36	-104	2	77
Derivatives	96	-18	0	0	-1	-2	0	0	2	-52	2	27
Other trading assets	42	0	0	31	-5	-1	0	0	34	-52	0	50
Financial assets - at fair value through profit or loss	28	0	0	0	0	0	0	0	0	-11	0	19
Financial assets - available-for-sale	867	27	-8	60	-14	-34	0	0	187	-210	2	878
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**1,034**	**11**	**-8**	**90**	**-20**	**-36**	**0**	**0**	**223**	**-324**	**3**	**974**
	Dec 15											**Sep 16**
Assets												
Financial assets - held for trading	150	0	0	36	-12	-2	0	0	62	-34	0	201
Derivatives	143	1	0	3	0	-2	0	0	34	-34	0	144
Other trading assets	7	-1	0	33	-12	0	0	0	29	0	0	57
Financial assets - at fair value through profit or loss	50	-1	0	4	-3	0	0	0	0	0	0	49
Financial assets - available-for-sale	627	5	34	221	-217	-132	0	0	221	-56	2	705
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**827**	**4**	**34**	**261**	**-232**	**-134**	**0**	**0**	**283**	**-91**	**2**	**955**

The profit or loss of Level 3 financial instruments classified as 'Financial assets – held for trading', 'Financial assets – at fair value through profit or loss' and 'Derivatives – hedge accounting' is disclosed in the income statement line item 'Net trading and fair value result'. Profit or loss from derecognition of 'Financial assets – available for sale' is shown in the income statement line item 'Gains/Losses from financial assets and liabilities not measured at fair value through profit or loss, net'. Impairments of 'Financial assets – available for sale' is disclosed in the line item 'Net impairment loss on financial assets'. Gains or losses in other comprehensive income of Level 3 financial instruments disclosed in the balance sheet line item 'Financial assets – available for sale' are reported directly in equity under 'Available for sale reserve'.

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 163 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by financial institutions (EUR 124 million), securities from corporates (EUR 38 million) and securities issued by sovereigns (EUR 1 million) . On the other hand securities in the amount of EUR 162 million were reclassified from Level 3 to Level 2. Thereof, EUR 73 million are securities issued by sovereigns, EUR 65 million are securities issued by financial institutions, and EUR 23 million by other coporates. Out of Level 1 EUR 4 million were reclassified to Level 3, on the other hand securities in the amount of EUR 2 million were reclassified from Level 3 to Level 1. The additional change in Level 3 positions was on the one hand caused by a decrease in derivative exposure of EUR 69 million and on the other hand by a increased caused by the purchase, sale and market value change of securities in the amount of EUR 6 million. As of 30 September 2017, no significant liabilities measured at fair value are reported in Level 3.

Gains or losses on Level 3 instruments held at the reporting period's end and which are included in profit or loss are as follow.

	Gain/loss in profit or loss	
in EUR million	**1-9 16**	**1-9 17**
Assets		
Financial assets - held for trading	23.8	-18.1
Derivatives	23.3	-17.7
Other trading assets	0.5	-0.5
Financial assets - at fair value through profit or loss	-0.9	0.5
Financial assets - available for sale	0.0	0.0
Derivatives - hedge accounting	0.0	0.0
Total	**22.9**	**-17.7**

The volume of Level 3 financial assets can be allocated to the following two 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.

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

The range of unobservable valuation parameters used in Level 3 measurements is shown in the following table.

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
As of 30 September 2017					
Positive fair value of derivatives	Forwards, swaps, options	27.0	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.94% – 100% (11.6%)
				LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	0.0	Discounted cash flow	Credit spread	0.0% – 0.0% (0.0%)
Financial assets - available for sale	Fixed and variable coupon bonds	131.6	Discounted cash flow	Credit spread	0.8% – 7.5% (1.8%)
As of 31 December 2016					
Positive fair value of derivatives	Forwards, swaps, options	95.8	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.78% – 100% (8.0%)
				LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	3.4	Discounted cash flow	Credit spread	0.1% – 1.5% (0.4%)
Financial assets - available for sale	Fixed and variable coupon bonds	149.4	Discounted cash flow	Credit spread	0.1% – 5.3% (1.8%)

The following table shows the sensitivity analysis using reasonably possible alternatives per product type.

	Dec 16		Sep 17	
	Fair value changes		Fair value changes	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	5.4	-5.3	1.9	-2.2
Income statement	5.4	-5.3	1.9	-2.2
Other comprehensive income	0.0	0.0	0.0	0.0
Debt securities	29.5	-39.4	40.3	-53.8
Income statement	1.7	-2.3	1.4	-1.8
Other comprehensive income	27.9	-37.1	38.9	-51.9
Equity instruments	9.8	-19.5	8.1	-16.2
Income statement	0.4	-0.8	0.4	-0.8
Other comprehensive income	9.4	-18.7	7.7	-15.4
Total	**44.7**	**-64.2**	**50.3**	**-72.1**
Income statement	**7.5**	**-8.3**	**3.7**	**-4.8**
Other comprehensive income	**37.2**	**-55.9**	**46.6**	**-67.3**

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 market values. Positive correlation effects between PDs and LGDs were not taken into account in the sensitivity analysis.

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 CVA on derivatives PDs rating upgrade/downgrade by one notch, as well as the change of LGD by -5% and +10%.

Financial instruments not carried at fair value with fair value disclosed in the notes

The following table shows fair values and the fair value hierarchy of financial instruments for which fair value is disclosed in the notes.

	Dec 16		Sep 17	
in EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash balances	18,353	18,353	22,104	22,104
Financial assets - held to maturity	19,270	20,918	19,398	20,774
Loans and receivables to credit institutions	3,469	3,489	10,358	10,417
Loans and receivables to customers	130,654	132,855	138,005	139,898
Liabilities				
Financial liabilities measured at amortised cost	178,909	180,618	192,089	194,929
Deposits from banks	14,631	14,622	19,226	19,511
Deposits from customers	137,939	138,165	148,313	149,071
Debt securities issued	25,503	27,010	23,902	25,690
Other financial liabilities	836	820	649	656
Financial guarantees and commitments				
Financial guarantees	n/a	-92	n/a	-82
Irrevocable commitments	n/a	-124	n/a	-65

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

The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves). 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 applied discount rate is based on the interest rates at which instruments with comparable characteristics could have been issued at the balance sheet date. Moreover optionality is taken into account when calculating the fair value. The fair value of 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.

The fair value of off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) is estimated with the help of regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated market value and the notional amount of the hypothetical loan equivalents represents the fair value of these contingent liabilities. In case of the total market value being higher than the notional amount of the hypothetical loan equivalents the fair value of these contingent liabilities is presented with a negative sign.

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

	1-9 16	1-9 17
Domestic	**15,750**	**16,113**
Erste Group, EB Oesterreich and subsidiaries	8,516	8,907
Haftungsverbund savings banks	7,234	7,206
Abroad	**31,001**	**31,208**
Česká spořitelna Group	10,384	10,259
Banca Comercială Română Group	7,126	7,068
Slovenská sporiteľňa Group	4,236	4,247
Erste Bank Hungary Group	2,912	3,035
Erste Bank Croatia Group	2,932	3,126
Erste Bank Serbia Group	992	1,018
Savings banks subsidiaries	1,188	1,217
Other subsidiaries and foreign branch offices	1,232	1,239
Total	**46,751**	**47,322**

32. Own funds and capital requirements

Regulatory scope of consolidation and institutional protection scheme

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

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

Regulatory requirements

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

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 regulatory buffers as of 30 September 2017 amount to

- 6.4% for CET1 (4.5% CET1, +1.25% capital conservation buffer, +0.5% buffer for systemic vulnerability and for systemic concentration risk and +0.145% countercyclical capital buffer),
- 7.9% for tier 1 capital (sum of CET1 and AT1) and
- 9.9% for total own funds.

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

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

Sections 23, 23a, 23b and 23c ABA as well as the capital buffers regulation entered into force on 1 January 2016. The capital buffers regulation was amended on 23 May 2016 to include requirements for O-SII buffers. As of the reporting date 30 September 2017, 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 as follows:

_ for the period from 1 January 2016 until 31 December 2016: 0.625%;
_ for the period from 1 January 2017 until 31 December 2017: 1.25%;
_ for the period from 1 January 2018 until 31 December 2018: 1.875%.

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

_ The institution specific requirement for the countercyclical buffer in accordance with section 23a para 1 ABA results from the weighted average of the rates of the countercyclical capital buffer that apply in the jurisdictions where significant credit risk positions are situated in accordance with section 5 of the credit institution, multiplied by the total amount of risk in accordance with Art. 92 (3), of the Regulation (EU) no. 575/2013
_ For the calculation of the weighted average according to para 1 capital buffer requirement, the countercyclical buffer quota for the national area as defined by the respective authority is multiplied with the result out of the comparison of the capital requirement related to significant credit risk positions within the national area and the total capital requirement as defined within Part 3, Title II and IV of Regulation (EU) no. 575/2013.
_ Starting from 1 January 2016 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 2016 until 31 December 2016: maximum of 0.625%;
_ for the period from 1 January 2017 until 31 December 2017: maximum of 1.25%;
_ for the period from 1 January 2018 until 31 December 2018: maximum of 1.875%.

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

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

In accordance with section 10 capital buffers regulation the buffer rates for systemic vulnerability and for systemic concentration risk respectively are phased in according to the schedule below
_ from 1 January to 31 December 2016 with 0.25%,
_ from 1 January to 31 December 2017 with 0.5%,
_ from 1 January to 31 December 2018 with 1%.

As a result of the 2016 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a common equity tier 1 (CET 1) ratio of 6.25% as of 30 September 2017. This minimum CET 1 ratio of 6.25% includes Pillar 1 minimum requirements (4.5%) and Pillar 2 requirements (P2R, 1.75% valid as of 1 January 2017). In addition, Erste Group is subject to combined buffer requirement consisting of the phasing in capital conservation buffer (1.25%), the institution specific countercyclical capital buffer (0.145%) and the systemic risk buffer (0.5%) requirements. Thus, the overall transitional CET1 capital requirement amounts to 8.15%. In addition, ECB expects Erste Group to meet a Pillar 2 Guidance (P2G) of 1.66%, fully in CET1 capital. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

Overview of capital requirements and capital buffers

	Dec 16	Sep 17
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)	0.88%	1.90%
Capital conservation buffer	0.63%	1.25%
Institution-specific countercyclical capital buffer	0.00%	0.15%
Systemic risk buffer (SRB)	0.25%	0.50%
O-SII capital buffer	0.25%	0.50%
Pillar2		
Pillar 2 requirement (P2R)	4.38%	1.75%
Total CET 1 requirement for Pillar 1 and Pillar 2	**9.75%**	**8.15%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**n.a**	**9.65%**
Total Own Funds requirement for Pillar 1 and Pillar 2	**n.a**	**11.65%**

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

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

The Pillar 2 requirement of 4.38% for 2016 % (without the Pillar 1 requirement of 4.5% and the capital conservation buffer requirement of 0.625%) is calculated based on the CET 1 requirement of 9.5% defined by ECB.

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

in EUR million	Article pursuant to CRR	Dec 16 Phased-in	Dec 16 Final	Sep 17 Phased-in	Sep 17 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	2,337	2,337
Retained earnings	26 (1) (c), 26 (2)	9,518	9,518	9,555	9,555
Interim profit	26 (2)	0	0	341	341
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-276	-276	-225	-225
Minority interest recognised in CET1	4 (1) (120) 84	3,581	3,581	3,780	3,780
Transitional adjustments due to additional minority interests	479, 480	72	0	40	0
Common equity tier 1 capital (CET1) before regulatory adjustments		**15,232**	**15,160**	**15,828**	**15,788**
Own CET1 instruments	36 (1) (f), 42	-35	-35	-112	-112
Prudential filter: cash flow hedge reserve	33 (1) (a)	-88	-88	-31	-31
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	-57	-57	91	91
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-8	-8	-4	-4
Value adjustments due to the requirements for prudent valuation	34, 105	-90	-90	-90	-90
Regulatory adjustments relating to unrealised gains (20%)	468	-346	0	-166	0
Regulatory adjustments relating to unrealised losses (20%)	467	43	0	20	0
Securitisations with a risk weight of 1,250%	36 (1) (k)	-29	-29	-29	-29
Goodwill	4 (1) (113), 36 (1) (b), 37	-709	-709	-712	-712
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	-646	-646	-751	-751
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-74	-74	-56	-56
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-168	-168	-160	-160
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	659	0	354	0
Goodwill (20%)		284	0	142	0
Other intangible assets (20%)		258	0	150	0
IRB shortfall of provisions to expected losses (20%)		67	0	32	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 (70%)		33	0	1	0
Deferred tax assets allocated on or after January 2014 that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (20%)		13	0	11	0
Own CET1 instruments (20%)	36 (1) (f)	3	0	17	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	-82	0	0	0
Common equity tier 1 capital (CET1)	50	**13,602**	**13,256**	**14,183**	**13,935**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	497	497	993	993
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	2	2	2	2
Additional tier 1 capital (AT1) before regulatory adjustments		**499**	**499**	**995**	**995**
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	-579	0	-326	0
Goodwill (20%)		-284	0	-142	0
Other intangible assets (20%)		-258	0	-150	0
IRB shortfall of provisions to expected losses (10%)		-34	0	-16	0
Own CET1 instruments (20%)	36 (1) (f)	-3	0	-17	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	82	0	0	0
Additional tier 1 capital (AT1)	61	**0**	**497**	**668**	**994**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	25	**13,602**	**13,753**	**14,851**	**14,929**

Minority interest recognised in CET1 includes interim result from saving banks in an amount of EUR 95 million.

The table is continued on the next page.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 16 Phased-in	Dec 16 Final	Sep 17 Phased-in	Sep 17 Final
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	25	**13,602**	**13,753**	**14,851**	**14,929**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	4,580	4,580	4,474	4,474
Instruments issued by subsidiaries recognised in T2	87, 88	217	217	214	214
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	128	0	62	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)	402	402	374	374
Tier 2 capital (T2) before regulatory adjustments		**5,326**	**5,199**	**5,124**	**5,062**
Own T2 instruments	63 (b) (i), 66 (a), 67	-58	-58	-50	-50
Standardised approach general credit risk adjustments	62 (c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	-34	0	-16	0
IRB shortfall of provisions to expected losses (10%)		-34	0	-16	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	-1	-1	-1	-1
Tier 2 capital (T2)	71	**5,234**	**5,140**	**5,058**	**5,011**
Total own funds	4 (1) (118) and 72	**18,836**	**18,893**	**19,909**	**19,940**
Capital requirement	92 (3), 95, 96, 98	**8,145**	**8,291**	**8,861**	**8,994**
CET1 capital ratio	92 (2) (a)	**13.4%**	**12.8%**	**12.8%**	**12.4%**
Tier 1 capital ratio	92 (2) (b)	**13.4%**	**13.3%**	**13.4%**	**13.3%**
Total capital ratio	92 (2) (c)	**18.5%**	**18.2%**	**18.0%**	**17.7%**

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. Positions, which are not relevant for Erste Group are not disclosed. Basel 3 final figures (fully loaded) are calculated based on the current requirements according to 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.

Internal models adopted to compute credit RWA in Pillar 1 and respective validations have been assessed by the competent authorities during the last months. These models are planned to be made subject to a revision in the near future with the specific view of addressing identified findings and incorporating regulatory changes. In the context of these assessments Erste Group has been informed by the European Central Bank in September 2017 about a decision in view of deficiencies in credit risk models to impose from end of September 2017 onwards a RWA-Add-On on consolidated level of EUR 1.7 billion.

With a CET1 ratio as of 30 September 2017 of 12.8% on consolidated level, Erste Group Bank AG is robustly capitalised.

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

in EUR million	Article pursuant to CRR	Dec 16		Sep 17	
		Total risk (calculation base, phased-in)	Capital requirement (phased-in)	Total risk (calculation base, phased-in)	Capital requirement (phased-in)
Total risk exposure amount	92 (3), 95, 96, 98	101,809	8,145	110,767	8,861
Risk-weighted assets (credit risk)	92 (3) (a) (f)	81,915	6,553	86,009	6,881
Standardised approach		14,998	1,200	15,049	1,204
IRB approach		66,918	5,353	70,960	5,677
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)	3,612	289	2,718	217
Operational risk	92 (3) (e) 92 (4) (b)	15,140	1,211	18,943	1,515
Exposure for CVA	92 (3) (d)	1,141	91	678	54
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	0	0	2,419	194

in EUR million	Article pursuant to CRR	Dec 16		Sep 17	
		Total risk (calculation base, final)	Capital requirement (final)	Total risk (calculation base, final)	Capital requirement (final)
Total risk exposure amount	92 (3), 95, 96, 98	103,639	8,291	112,420	8,994
Risk-weighted assets (credit risk)	92 (3) (a) (f)	83,746	6,700	87,662	7,013
Standardised approach		14,998	1,200	15,049	1,204
IRB approach		68,748	5,500	72,613	5,809
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)	3,612	289	2,718	217
Operational risk	92 (3) (e) 92 (4) (b)	15,140	1,211	18,943	1,515
Exposure for CVA	92 (3) (d)	1,141	91	678	54
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	0	0	2,419	194

33. Events after the reporting date

There are no significant events after the balance sheet date.

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 2018	Full-year preliminary results 2017
30 March 2018	Annual financial report 2017
4 May 2018	Results for the first quarter of 2018
24 May 2018	Annual general meeting
31 July 2018	Half year financial report 2018
2 November 2018	Results for the first three quarters of 2018

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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