

Interim Report  
**First Quarter 2018**

## Key financial data

### Income statement

in EUR million	Q1 17	Q4 17	Q1 18	1-3 17	1-3 18
Net interest income	1,051.3	1,123.9	1,082.6	1,051.3	1,082.6
Net fee and commission income	457.7	489.7	478.6	457.7	478.6
Net trading result	48.6	83.5	11.3	48.6	11.3
Operating income	1,617.5	1,732.1	1,651.6	1,617.5	1,651.6
Operating expenses	-1,018.3	-1,144.7	-1,065.0	-1,018.3	-1,065.0
<b>Operating result</b>	<b>599.2</b>	<b>587.5</b>	<b>586.6</b>	<b>599.2</b>	<b>586.6</b>
Impairment result from financial instruments	-65.8	-60.5	54.4	-65.8	54.4
<b>Post-provision operating result</b>	<b>533.4</b>	<b>526.9</b>	<b>641.0</b>	<b>533.4</b>	<b>641.0</b>
Other operating result	-127.1	-160.9	-128.0	-127.1	-128.0
Levies on banking activities	-35.8	-23.6	-38.6	-35.8	-38.6
Pre-tax result from continuing operations	434.7	451.7	517.2	434.7	517.2
Taxes on income	-95.6	-44.2	-114.6	-95.6	-114.6
<b>Net result for the period</b>	<b>339.0</b>	<b>407.5</b>	<b>402.6</b>	<b>339.0</b>	<b>402.6</b>
Net result attributable to non-controlling interests	76.8	78.9	70.1	76.8	70.1
<b>Net result attributable to owners of the parent</b>	<b>262.2</b>	<b>328.6</b>	<b>332.6</b>	<b>262.2</b>	<b>332.6</b>
Earnings per share	0.61	0.68	0.78	0.61	0.78
Return on equity	8.7%	9.1%	10.4%	8.7%	10.4%
Net interest margin (on average interest-bearing assets)	2.33%	2.41%	2.27%	2.33%	2.27%
Cost/income ratio	63.0%	66.1%	64.5%	63.0%	64.5%
Provisioning ratio (on average gross customer loans)	0.19%	0.17%	-0.22%	0.19%	-0.22%
Tax rate	22.0%	9.8%	22.2%	22.0%	22.2%

### Balance sheet

in EUR million	Mar 17	Dec 17	Mar 18	Dec 17	Mar 18
Cash and cash balances	24,731	21,796	25,246	21,796	25,246
Trading, financial assets	46,145	42,752	43,607	42,752	43,607
Loans and receivables to credit institutions	10,448	9,126	11,944	9,126	11,944
Loans and receivables to customers	132,992	139,532	142,059	139,532	142,059
Intangible assets	1,378	1,524	1,511	1,524	1,511
Miscellaneous assets	7,105	5,929	5,651	5,929	5,651
<b>Total assets</b>	<b>222,798</b>	<b>220,659</b>	<b>230,018</b>	<b>220,659</b>	<b>230,018</b>
Financial liabilities held for trading	4,314	3,423	2,940	3,423	2,940
Deposits from banks	22,935	16,349	20,988	16,349	20,988
Deposits from customers	144,707	150,969	155,306	150,969	155,306
Debt securities issued	27,127	25,095	26,423	25,095	26,423
Miscellaneous liabilities	6,822	6,535	6,366	6,535	6,366
Total equity	16,894	18,288	17,996	18,288	17,996
<b>Total liabilities and equity</b>	<b>222,798</b>	<b>220,659</b>	<b>230,018</b>	<b>220,659</b>	<b>230,018</b>
Loan/deposit ratio	91.9%	92.4%	91.5%	92.4%	91.5%
NPL ratio	4.9%	4.0%	3.7%	4.0%	3.7%
NPL coverage (exc collateral)	67.6%	68.8%	72.5%	68.8%	72.5%
CET 1 ratio (phased-in)	13.0%	13.4%	12.6%	13.4%	12.6%

### Ratings

	Mar 17	Dec 17	Mar 18*
<b>Fitch</b>			
Long-term	A-	A-	A-
Short-term	F1	F1	F1
Outlook	Stable	Stable	Stable
<b>Moody's</b>			
Long-term	Baa1	A3	A2
Short-term	P-2	P-2	P-1
Outlook	Stable	Positive	Positive
<b>Standard &amp; Poor's</b>			
Long-term	A-	A	A
Short-term	A-2	A-1	A-1
Outlook	Positive	Positive	Positive

\* On 30 April 2018 Moody's upgraded Erste Group Bank AG's long- and short- term issuer credit ratings to A2/A-1, the outlook remains positive.

# Letter from the CEO

## Dear shareholders,

Erste Group had a good start to the year with a net profit of EUR 332.6 million (+26.8%), the best result we have ever posted for a first quarter after adjustment for one-off effects. The operating result did not yet contribute to this performance, but only because the net trading result was below the long-term average and contributions to deposit insurance systems were higher than in the previous year. Net interest and fee and commission income, our core revenues, were up 3.0% and 4.6% respectively, thus providing no reasons to complain. This should not change in the upcoming quarters either, as demand for loans continues to be strong, particularly in the Czech Republic and in Slovakia. The by far largest contribution came, however, from an exceptionally benign risk environment, which resulted in net releases. The NPL ratio consequently improved to 3.7% and the NPL coverage ratio rose to 72.5%. From today's perspective, we are excellently positioned to meet our targets for 2018 – a return on tangible equity (ROTE) of more than 10% and a higher dividend per share.

The strong start to the year was driven by continued robust economic growth in Central and Eastern Europe. In 2018, GDP growth is expected to come in at 2.8% in Austria and Croatia and at even more dynamic rates in our other core markets, ranging from 3.4% in the Czech Republic to 4.7% in Romania. Declining unemployment rates, relatively low rates of inflation and rising real wages keep supporting domestic demand and create a sound business environment for Erste Group's local banks. Our region is nonetheless competitive, as is demonstrated by high export ratios. Due to low tax rates, incentives to invest remain strong and labour markets are flexible. Overall, all the conditions needed for a continuing positive development are in place.

From a long-term vantage point, I still find it unusual that a bank's net result benefits to such a large extent from a benign risk environment. This is only one side of the coin, though, as the continued low level of – and in some cases, even negative – interest rates have created headwinds on the income side. Nevertheless, our net interest income rose by 3.0% year-on-year, driven by steady growth in lending to retail and corporate customers, most notably in the Czech Republic (where it was additionally supported by currency movements) and in Slovakia. The quarter-on-quarter decline in net interest income is attributable to fewer days and a positive non-recurring effect of the previous quarter and hence in line with expectations. The 4.6% rise in net fee and commission income is gratifying. Income from asset management was up despite the shortage of attractive and risk-adjusted investment products for retail customers in a region whose capital markets are still at an early stage of development.

The cost side presents a slightly different picture: general administrative expenses were higher than in the first quarter of the previous year. Contributions to deposit insurance systems increased by approximately EUR 10 million to a total of EUR 74.2 million. This figure already includes almost all such contributions expected for 2018 (with the exception of Croatia and Serbia). This is not surprising in view of the unabated growth of customer deposits by 2.9% year-to-date. Personnel expenses were likewise up. With unemployment rates in most of our core markets low, further upward pressure is to be expected. The costs of IT-related projects – many of them driven by regulatory requirements – remained substantial. As always in the first quarter, other operating result reflected extraordinary charges including, on the one hand, the annual contributions to resolution funds in a total amount of EUR 68.2 million and, on the other, the upfront booking of the Hungarian banking tax for the entire year. Overall, banking and transaction taxes in Austria, Slovakia and Hungary amounted to EUR 25.6 million, up slightly on the previous year. Despite this development, we do not consider it necessary to revise our cost outlook for 2018. We continue with the unchanged assumption that declining project expenses will result in slightly lower costs. We had actually not expected a trend reversal as early as the first months of the financial year. Among other things, investments had to be made to prepare for the implementation of the new financial reporting standard IFRS 9, which was applied for the first time in preparing this report.

Erste Group's liquidity and funding positions remained excellent. Deposit inflows continued unabated despite low interest rates. As had been expected, regulatory capital ratios were slightly down in the first quarter, mostly due to an increase in risk-weighted assets for business and regulatory reasons, while first-quarter retained earnings were not included in the capital base. The effect of the adoption of IFRS 9 on regulatory capital was insignificant, as the impact on IFRS capital was compensated by regulatory filters. Overall, the CET 1 ratio stood at 12.5% as of the end of March, the total capital ratio at 17.5% (both Basel 3 final).

I conclude my report with a very positive piece of news. The rating agency Moody's has raised its ratings for Erste Group Bank AG's short-term and long-term debt to A2/P-1, with a continued positive outlook. Among the principal reasons for this move, Moody's cited an improvement in the bank's risk profile and in profitability, as well as our strong liquidity position.

**Andreas Treichl**

# Erste Group on the capital markets

## EQUITY MARKET REVIEW

The major central banks' monetary policies and accelerating economic activity solidly supported the stock markets last year and increases in stock prices in early 2018. This came against the backdrop of continuing robust economic data, the expected impacts of the US tax reform and the prospect of a further rise in corporate earnings. Later in the quarter, stock markets were impacted by the expectation of further rate hikes by the US central bank (Fed). The European Central Bank (ECB) is expected to continue its ultra-loose monetary policy in 2018. Significant yield rises in the bond markets along with stretched stock market valuations triggered a selling pressure and profit-taking in the markets. Protectionist tendencies in the US including the imposition of import tariffs on a number of product groups as well as retaliatory measures likely to be taken by the countries affected also affected investors' behaviour.

Following its revised forecast and a projected rise in inflation, which should stabilise around 2%, the Fed increased its rates again on 22 March by 0.25 percentage points to a range of 1.5% to 1.75%. While the ECB will confine itself to ending asset purchases after September 2018, market participants believe that the Fed may raise rates at least two more times in 2018.

The relative weakness shown by European stock market indices versus US indices in previous quarters continued in the reporting period. This was attributable to the strength of the euro versus the US dollar as well as lower revenues and earnings growth in Europe compared to the US. While the US indices were down 2.5% (Dow Jones Industrial Index at 24,103.11 points) and 1.2% (Standard & Poor's 500 Index at 2,640.87 points) at the end of the quarter, the broad European Euro Stoxx 600 Index closed the first quarter 4.7% lower at 370.7 points. The Austrian Traded Index (ATX) had been moving sideways since the start of the year and gained 0.2% to 3,428.53 points.

## SHARE PERFORMANCE

The Erste Group share continued its strong performance of the previous year and remained on an upward trend in the first quarter of 2018. Rising 13.0% to EUR 40.80 as of the end of March, the share clearly outperformed both the ATX and the Dow Jones Euro Stoxx Bank Index. The Erste Group's share marked its first-quarter low at EUR 36.10 and its high at EUR 42.38. The performance of the Erste Group share was driven mainly by market participants' positive reaction to the outlook for 2018 released along with the results for the year 2017. While the ATX ended the first quarter almost flat, the European banking index, which is composed of the leading European bank shares, declined by 3.7% to 125.69 points.

In the first quarter of 2018, trading volume on the three stock exchanges (Vienna, Prague, Bucharest) on which the Erste Group share is listed averaged 757.267 shares per day. More than half of the trading activity was executed over the counter (OTC) or through electronic trading systems.

## FUNDING AND INVESTOR RELATIONS

Erste Group was active in early January 2018 with a EUR 1 billion 10y mortgage covered bond that opened the market for Austrian issuers. Despite its size, the transaction achieved the lowest re-offer spread for an Austrian covered bond issuer. Furthermore Erste Group took advantage of still advantageous market conditions in beginning of the second quarter by following-up with an 8y mortgage covered bond, deal size EUR 750m. Coupled with ongoing private placement activities Erste Group is well ahead of its funding plan for the current year.

In the first quarter of 2018, the management together with the investor relations team met with investors in a large number of one-on-one and group meetings, in which questions raised by investors and analysts were answered. The presentation of the 2017 annual result in Vienna was followed by the annual analysts' dinner and a road show day with investor meetings in London. The Erste Group's strategy and performance were presented against the backdrop of the current environment at international banking and investor conferences hosted by Kepler Cheuvreux, UBS, Morgan Stanley and PKO. The dialogue with bond investors was continued.

# Interim management report

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

## EARNINGS PERFORMANCE IN BRIEF

**Net interest income** increased – mainly in the Czech Republic and in Austria – to EUR 1,082.6 million (+3.0%; EUR 1,051.3 million). **Net fee and commission income** rose to EUR 478.6 million (+4.6%; EUR 457.7 million). Strong rises were seen in income from asset management and from lending. While **net trading result** declined significantly to EUR 11.3 million (EUR 48.6 million), the line item gains/losses from financial instruments measured at fair value through profit or loss improved. **Operating income** rose to EUR 1,651.6 million (+2.1%; EUR 1,617.5 million). The increase in **general administrative expenses** to EUR 1,065.0 million (+4.6%; EUR 1,018.3 million) was attributable to a rise in other administrative expenses and in depreciation and amortisation (+3.6% and +1.5%, respectively), as well as higher personnel expenses of EUR 604.5 million (+5.7%; EUR 571.7 million). Other administrative expenses included almost all payments to deposit insurance systems expected in 2018 in the amount of EUR 74.2 million (EUR 64.7 million). Consequently, the **operating result** decreased to EUR 586.7 million (-2.1%; EUR 599.2 million). The **cost/income ratio** rose to 64.5% (63.0%).

The **impairment result from financial instruments** amounted to EUR 54.4 million or adjusted for net allocation of provisions for commitments and guarantees given and financial assets (FVOCI) -22 basis points of average gross customer loans (net allocations of EUR 65.8 million or 19 basis points) due to net releases on the back of improved asset quality. This was attributable to the substantial decline in the balance of the allocation and release of provisions for the lending business, most notably in Austria and in the Czech Republic. The **NPL ratio** improved further to 3.7% (4.0%). The **NPL coverage ratio** increased to 72.5% (68.8%).

**Other operating result** amounted to EUR -128.0 million (EUR -127.1 million). It included expenses for the annual contributions to resolution funds in the amount of EUR 68.2 million (EUR 77.5 million). Banking and transaction taxes were slightly higher at EUR 38.6 million (EUR 35.8 million), including EUR 13.7 million in Hungarian banking taxes posted upfront for the full financial year 2018. Other taxes rose to EUR 9.5 million (EUR 5.6 million).

The minority charge declined to EUR 70.1 million (-8.8%; EUR 76.8 million) due to lower earnings contributions of the savings banks. The **net result attributable to owners of the parent** increased to EUR 332.6 million (+26.8%; EUR 262.2 million).

**Total equity** not including AT1 instruments declined to EUR 17.0 billion (EUR 17.3 billion). Transition to the new financial reporting standard IFRS 9 as of 1 January 2018 resulted in a reduction of total equity by EUR 0.6 billion. After regulatory deductions and filtering in accordance with CRR, **common equity tier 1 capital** (CET1, Basel 3 phased-in) amounted to EUR 14.4 billion (EUR 14.7 billion), total **own funds** (Basel 3 phased in) to EUR 20.1 billion (EUR 20.3 billion). First quarter earnings are not included in the above figures. Total risk (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) rose to EUR 114.0 billion (EUR 110.0 billion). The **common equity tier 1 ratio** (CET 1, Basel 3 phased-in) stood at 12.6% (13.4%), the **total capital ratio** (Basel 3 phased-in) at 17.7% (18.5%).

**Total assets** increased to EUR 230.0 billion (+4.2%; EUR 220.7 billion). On the asset side, cash and cash balances rose to EUR 25.2 billion (EUR 21.8 billion), loans and receivables to credit institutions increased to EUR 11.9 billion (EUR 9.1 billion). **Loans and receivables to customers** rose to EUR 142.1 billion (+1.8%; EUR 139.5 billion). On the liability side, deposits from banks increased to EUR 21.0 billion (EUR 16.3 billion) and **customer deposits** continued to grow – most notably in the Czech Republic and in Austria – to EUR 155.3 billion (+2.9%; EUR 151.0 billion). The **loan-to-deposit ratio** stood at 91.5% (92.4%).

## OUTLOOK 2018

**Operating environment anticipated to be conducive to credit expansion.** Real GDP growth is expected to be between 3% and 5% in Erste Group's CEE core markets, including Austria, in 2018. It 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 aims to achieve a return on tangible equity (ROTE) of more than 10% in 2018 (based on average tangible equity in 2018). The underlying assumptions are slightly growing revenues (assuming 5%+ net loan growth and further interest rate hikes in the Czech Republic and Romania), slightly falling expenses due to lower project-related costs and an increase in risk costs, albeit remaining at historically low levels.

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

## PERFORMANCE IN DETAIL

in EUR million	1-3 17	1-3 18	Change
Net interest income	1,051.3	1,082.6	3.0%
Net fee and commission income	457.7	478.6	4.6%
Net trading result	48.6	11.3	-76.7%
Operating income	1,617.5	1,651.6	2.1%
Operating expenses	-1,018.3	-1,065.0	4.6%
<b>Operating result</b>	<b>599.2</b>	<b>586.6</b>	<b>-2.1%</b>
Impairment result from financial instruments	-65.8	54.4	n/a
Other operating result	-127.1	-128.0	0.7%
Levies on banking activities	-35.8	-38.6	7.7%
<b>Pre-tax result from continuing operations</b>	<b>434.7</b>	<b>517.2</b>	<b>19.0%</b>
Taxes on income	-95.6	-114.6	19.8%
<b>Net result for the period</b>	<b>339.0</b>	<b>402.6</b>	<b>18.8%</b>
Net result attributable to non-controlling interests	76.8	70.1	-8.8%
<b>Net result attributable to owners of the parent</b>	<b>262.2</b>	<b>332.6</b>	<b>26.8%</b>

### Net interest income

Net interest income rose to EUR 1,082.6 million (EUR 1,051.3 million). The marked increase in the Czech Republic was attributable to the improved market interest rate environment and robust growth in lending to customers. With the exception of a moderate rise in Austria, net interest income has been largely stable in all other core markets. As loan volumes rose faster than the net interest income, the net interest margin (net interest income as a percentage of average interest-bearing assets) declined further to 2.27% (2.33%).

### Net fee and commission income

Net fee and commission income increased to EUR 478.6 million (EUR 457.7 million). While income from asset management, primarily in Austria, and income from lending was up, other fee and commission income was largely stable

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

Net trading result declined to EUR 11.3 million (EUR 48.6 million), due mostly to negative contributions from securities and derivatives trading and a significant decline in income from foreign exchange trading. On the other hand, gains/losses from financial instruments measured at fair value through profit or loss included a positive valuation effect of EUR 26.7 million.

### General administrative expenses

in EUR million	1-3 17	1-3 18	Change
Personnel expenses	571.7	604.5	5.7%
Other administrative expenses	332.4	344.5	3.6%
Depreciation and amortisation	114.2	115.9	1.5%
<b>General administrative expenses</b>	<b>1,018.3</b>	<b>1,065.0</b>	<b>4.6%</b>

**General administrative expenses** amounted to EUR 1,065.0 million (EUR 1,018.3 million). **Personnel expenses** increased to EUR 604.5 million (EUR 571.7 million), **other administrative expenses** to EUR 344.5 million (EUR 332.4 million). IT expenditure rose to EUR 103.3 million (EUR 91.6 million), mainly due to increased regulatory requirements and the implementation of new systems in Austria. Consulting expenses declined to EUR 28.2 million (EUR 30.2 million). Contributions to deposit insurance systems –except for Croatia and Serbia already for the full year – increased significantly to EUR 74.2 million (EUR 64.7 million) on the back of continued strong deposit growth. While in Austria expenses rose to EUR 48.4 million (EUR 42.2 million), contributions were up only marginally in all other core markets. **Depreciation and amortisation** increased to EUR 115.9 million (EUR 114.2 million).

## Headcount as of end of the period

	Dec 17	Mar 18	Change
<b>Domestic</b>	<b>16,283</b>	<b>16,198</b>	<b>-0.5%</b>
Erste Group, EB Oesterreich and subsidiaries	9,144	9,061	-0.9%
Haftungsverbund savings banks	7,140	7,138	0.0%
<b>Abroad</b>	<b>31,419</b>	<b>31,234</b>	<b>-0.6%</b>
Česká spořitelna Group	10,171	10,135	-0.3%
Banca Comercială Română Group	7,265	7,208	-0.8%
Slovenská sporiteľňa Group	4,250	4,164	-2.0%
Erste Bank Hungary Group	3,047	3,045	-0.1%
Erste Bank Croatia Group	3,201	3,201	0.0%
Erste Bank Serbia Group	1,069	1,097	2.6%
Savings banks subsidiaries	1,184	1,177	-0.7%
Other subsidiaries and foreign branch offices	1,233	1,207	-2.1%
<b>Total</b>	<b>47,702</b>	<b>47,432</b>	<b>-0.6%</b>

## Operating result

Operating income rose to EUR 1,651.6 million (+2.1%; EUR 1,617.5 million) on the back of improved net interest and net fee and commission income. General administrative expenses were up at EUR 1,065.0 million (+4.6%; EUR 1,018.3 million), driven by an increase in other administrative and personnel expenses as well as higher depreciation and amortisation. The operating result accordingly declined to EUR 586.6 million (-2.1%; EUR 599.2 million). The cost/income ratio stood at 64.5% (63.0%).

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

Gains from the derecognition of financial instruments not measured at fair value through profit or loss (net) amounted to EUR 4.2 million (EUR 28.3 million). As in the comparative period, this item includes mostly gains from the sale of securities in Austria and the Czech Republic.

## Impairment result from financial instruments

Due to net releases, the impairment result from financial instruments amounted to EUR 54.4 million (net allocations of EUR 65.8 million) or adjusted for net allocation of provisions for commitments and guarantees given and financial assets (FVOCI) -22 basis points (19 basis points) of average gross customer loans and thus remained at a historically benign level. This was mostly attributable to the decline in the balance of the allocation and release of provisions for the lending business, which offset the decline in income received from the recovery of loans already written off. From 1 January 2018, this line item also reflects the balance of allocations/releases for commitments and guarantees given in the amount of EUR -25.4 million (previously shown in the line item other operating result).

## Other operating result

Other operating result amounted to EUR -128.0 million (EUR -127.1 million). **Levies on banking activities** rose moderately to EUR 38.6 million (EUR 35.8 million). While levies payable in Austria were almost unchanged at EUR 5.7 million (EUR 5.6 million), banking tax in Slovakia rose to EUR 7.3 million (EUR 6.6 million). Hungarian banking tax – already posted upfront for the full year – amounted to EUR 13.7 million (EUR 13.2 million). Including financial transaction tax of EUR 11.8 million (EUR 10.4 million), bank levies in Hungary totalled EUR 25.6 million (EUR 23.6 million).

Allocation/release of other provisions rose to EUR -5.7 million (EUR -1.3 million). In addition, other operating result also reflects the annual contributions to resolution funds in the amount of EUR 68.2 million (EUR 77.5 million). In Austria, contributions declined to EUR 27.1 million (EUR 34.7 million).

## Net result

The pre-tax result from continuing operations amounted to EUR 517.2 million (EUR 434.7 million). The minority charge declined to EUR 70.1 million (EUR 76.8 million) due to the savings banks' lower earnings contributions. The net result attributable to owners of the parent improved to EUR 332.6 million (EUR 262.2 million).



## FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

### First quarter of 2018 compared to fourth quarter of 2017

in EUR million	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
<b>Income statement</b>					
Net interest income	1,051.3	1,091.7	1,086.3	1,123.9	1,082.6
Net fee and commission income	457.7	453.2	451.0	489.7	478.6
Dividend income	3.7	23.4	10.4	6.2	2.6
Net trading result	48.6	54.3	36.5	83.5	11.3
Gains/losses from financial instruments measured at fair value through profit or loss	3.0	1.5	7.7	-24.4	26.7
Net result from equity method investments	3.2	2.9	4.0	5.7	1.8
Rental income from investment properties & other operating leases	50.1	48.2	48.3	47.6	47.9
Personnel expenses	-571.7	-579.6	-595.9	-641.3	-604.5
Other administrative expenses	-332.4	-291.8	-301.1	-384.4	-344.5
Depreciation and amortisation	-114.2	-113.8	-113.0	-118.9	-115.9
Gains/losses from financial assets and liabilities not at FVPL, net	28.3	14.2	28.3	85.7	0.0
Gains/losses from derecognition of financial assets at AC	0.0	0.0	0.0	0.0	0.1
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.0	0.0	4.1
Net impairment loss on financial assets	-65.8	-38.6	32.9	-60.5	0.0
Impairment result from financial instruments	0.0	0.0	0.0	0.0	54.4
Other operating result	-127.1	-82.7	-86.8	-160.9	-128.0
Levies on banking activities	-35.8	-23.6	-22.7	-23.6	-38.6
<b>Pre-tax result from continuing operations</b>	<b>434.7</b>	<b>583.0</b>	<b>608.5</b>	<b>451.7</b>	<b>517.2</b>
Taxes on income	-95.6	-128.2	-142.0	-44.2	-114.6
<b>Net result for the period</b>	<b>339.0</b>	<b>454.7</b>	<b>466.5</b>	<b>407.5</b>	<b>402.6</b>
Net result attributable to non-controlling interests	76.8	92.3	103.5	78.9	70.1
<b>Net result attributable to owners of the parent</b>	<b>262.2</b>	<b>362.5</b>	<b>363.0</b>	<b>328.6</b>	<b>332.6</b>

**Net interest income** declined to EUR 1,082.6 million (-3.7%; EUR 1,123.9 million). **Net fee and commission income** decreased to EUR 478.6 million (-2.3%; EUR 489.7 million), with declines in brokerage commissions being most notable. **Dividend income** went down to EUR 2.6 million (EUR 6.2 million). **Net trading result** decreased substantially to EUR 11.3 million (EUR 83.5 million) after benefiting, in the previous quarter, from positive valuation results of foreign-currency derivatives.

**General administrative expenses** declined significantly to EUR 1,065.0 million (-7.0%, EUR 1,144.7 million). Personnel expenses were lower at EUR 604.5 million (-5.7%; EUR 641.3 million), with the major declines in Austria, Hungary and Romania. Other administrative expenses decreased to EUR 344.5 million (-10.4%; EUR 384.4 million) despite the upfront posting of almost all projected full-year deposit insurance contributions for 2018 in the amount of EUR 74.2 million (EUR 8.1 million). Declines were seen in all categories of other administrative expenses, but most notably in consulting and marketing expenses. Depreciation and amortisation was lower at EUR 115.9 (-2.5%; EUR 118.9 million). The cost/income ratio went down to 64.5% (66.1%).

**Gains/losses from the derecognition of financial instruments not measured at fair value through profit or loss (net)** declined to EUR 4.2 million (EUR 85.7 million). Positive impacts came from gains from the sale of securities in Austria and the Czech Republic.

**Impairment result from financial instruments** amounted to EUR 54.4 million (net allocations of EUR 60.5 million) due to net releases primarily in Austria, the Czech Republic and Hungary.

**Other operating result** amounted to EUR -128.0 million (EUR -160.9 million). **Levies on banking activities** rose to EUR 38.6 million (EUR 23.6 million). Thereof, EUR 25.6 million (EUR 10.7 million) were charged in Hungary, including the upfront booking of the total banking tax for the year of 2018 in the amount of EUR 13.7 million and a financial transaction tax of EUR 11.8 million, and EUR 7.3 million (EUR 7.1 million) in Slovakia. Banking tax in Austria was almost unchanged at EUR 5.7 million (EUR 5.8 million). **Other operating result** also includes all contributions to resolution funds expected to be due in 2018 in the amount of EUR -68.2 million. In the previous quarter, other operating result also reflected write-downs of EUR 18.6 million on IT projects and EUR 26.7 million on branches in the Czech Republic.

**The pre-tax result** improved to EUR 517.2 million (EUR 451.7 million). Taxes on income rose to EUR 114.6 million (EUR 44.2 million). The **net result attributable to owners of the parent** amounted to EUR 332.6 million (EUR 328.6 million).



## DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 17	Mar 18	Change
<b>Assets</b>			
Cash and cash balances	21,796	25,246	15.8%
Trading, financial assets	42,752	43,607	2.0%
Loans and receivables to credit institutions	9,126	11,944	30.9%
Loans and receivables to customers	139,532	142,059	1.8%
Intangible assets	1,524	1,511	-0.8%
Miscellaneous assets	5,929	5,651	-4.7%
<b>Total assets</b>	<b>220,659</b>	<b>230,018</b>	<b>4.2%</b>
<b>Liabilities and equity</b>			
Financial liabilities held for trading	3,423	2,940	-14.1%
Deposits from banks	16,349	20,988	28.4%
Deposits from customers	150,969	155,306	2.9%
Debt securities issued	25,095	26,423	5.3%
Miscellaneous liabilities	6,535	6,366	-2.6%
Total equity	18,288	17,996	-1.6%
<b>Total liabilities and equity</b>	<b>220,659</b>	<b>230,018</b>	<b>4.2%</b>

The rise in **cash and cash balances** to EUR 25.2 billion (EUR 21.8 billion) was primarily due to larger cash balances held at central banks on the back of continued strong customer deposit inflows and lower reinvestments. **Trading and investment securities** held in various categories of financial assets increased to EUR 43.6 billion (EUR 42.8 billion).

**Loans and receivables to credit institutions (net)**, including demand deposits other than overnight deposits, increased to EUR 11.9 billion (EUR 9.1 billion). **Loans and receivables to customers (net)** rose – mainly in the Czech Republic, but also in Austria and in Slovakia – to EUR 142.1 billion (+1.8 %; EUR 139.5 billion) on the back of retail and corporate loan growth. **Allowances for loans and receivables to customers** remained stable at EUR 4.0 billion (EUR 4.0 billion), mostly due to the continuing solid asset quality. The **NPL ratio** – non-performing loans as a percentage of loans to customers – improved again to 3.7% (4.0%), the **NPL coverage ratio** to 72.6% (68.8%).

**Intangible assets** remained unchanged at EUR 1.5 billion (EUR 1.4 billion). **Miscellaneous assets** declined to EUR 5.7 billion (EUR 5.9 billion).

**Financial liabilities held for trading** decreased to EUR 2.9 billion (EUR 3.4 billion). **Deposits from banks**, primarily in the form of overnight deposits and repurchase transactions, went up to EUR 21.0 billion (EUR 16.3 billion); **deposits from customers** rose to EUR 155.3 billion (EUR 151.0 billion), mainly due to overnight deposits in Austria and in the Czech Republic. The **loan-to-deposit ratio** stood at 91.5% (92.4%). **Debt securities in issue** increased to EUR 26.4 billion (EUR 25.1 billion). **Miscellaneous liabilities** declined moderately to EUR 6.4 billion (EUR 6.5 billion).

**Total assets** increased to EUR 230.0 billion (+4.2%; EUR 220.7 billion). The **total equity** declined to EUR 18.0 billion (-1.6%; EUR 18.3 billion). Following 2 issuances in June 2016 and April 2017, this has included AT1 instruments in the amount of EUR 993 million. The transition to IFRS 9 as of 1 January 2018 resulted in a decline of Erste Group's total equity by EUR 0.6 billion due to the mandatory remeasurement of financial assets and the optional remeasurement of financial liabilities (own issues). After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) the **common equity tier 1 capital** (CET1, Basel 3 phased-in) stood at EUR 14.4 billion (EUR 14.7 billion), **Total own funds** (Basel 3 phased-in) amounted to EUR 20.1 billion (EUR 20.3 billion). The result for the first quarter of the year is not included in the calculation. **Total risk (risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) increased to EUR 114.0 billion (EUR 110.0 billion).

The **total capital ratio** (Basel 3 phased-in), total eligible qualifying capital in relation to total risk pursuant to CRR, was 17.7% (18.5%), well above the legal minimum requirement. The **tier 1 ratio** (Basel 3 phased in) stood at 13.5% (14.0%), the **common equity tier 1 ratio** (Basel 3 phased-in) at 12.6% (13.4%).

## SEGMENT REPORTING

### January-March 2018 compared with January-March 2017

Erste Group's segment reporting is based on a matrix organisation. It provides comprehensive information to assess the business line and geographic performance. The tables and information below provide a brief overview and focus on selected and summarised items. For more details please see Note 35. At [www.erstegroup.com](http://www.erstegroup.com) additional information is available in Excel format.

Operating income consists of net interest income, net fee and commission income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, dividend income, net result from equity method investments and rental income from investment properties & other operating leases. The latter 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 impairment result from financial instruments. Impairments and provisions for commitments and guarantees given were part of other result in 2017 whereas in 2018 this line item is part of impairment result from financial instruments. Other result summarises the positions other operating result and gains/losses from financial instruments not measured at fair value through profit or loss, net. The cost/income ratio is calculated as operating expenses in relation to operating income. The return on allocated capital is defined as the net result after tax/before minorities in relation to the average allocated capital.

## BUSINESS SEGMENTS

### Retail

in EUR million	1-3 17	1-3 18	Change
Net interest income	527.9	546.9	3.6%
Net fee and commission income	249.3	252.5	1.3%
Net trading result and gains/losses from financial instruments at FVPL	26.3	24.1	-8.5%
Operating income	811.7	830.5	2.3%
Operating expenses	-486.4	-503.7	3.5%
Operating result	325.3	326.8	0.5%
Cost/income ratio	59.9%	60.6%	
Impairment result from financial instruments	-3.5	-10.2	>100.0%
Other result	-22.8	-13.5	-41.0%
Net result attributable to owners of the parent	233.3	237.1	1.6%
Return on allocated capital	40.8%	31.6%	

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

The increase in net interest income was triggered by customer loan growth, higher contribution from deposit business in Croatia and Romania as well as lending business in the Czech Republic, supported by CZK exchange rate movement and the higher interest rate environment in the Czech Republic. Net fee and commission income increased primarily due to the wider scope of consolidation at Erste Asset Management as well as increased card and securities fees in Hungary. These developments were partially offset by lower fees from current accounts in the Czech Republic. Net trading result declined due to lower foreign exchange income in the Czech Republic. Operating expenses increased primarily due to higher costs in the Czech Republic driven by the CZK appreciation and in Romania due to costs associated with the move to the new headquarters and higher personnel expenses. Costs in Croatia went up as well on the back of higher IT and personnel expenses. Operating result improved, while cost/income ratio deteriorated slightly. The decline in impairment result from financial instruments was driven primarily by higher portfolio provisioning in Romania and Austria. Other result improved mainly due to temporary lower contributions to resolution funds. Overall, the net result attributable to the owners of the parent increased.

## Corporates

in EUR million	1-3 17	1-3 18	Change
Net interest income	232.8	252.3	8.4%
Net fee and commission income	60.4	64.5	6.8%
Net trading result and gains/losses from financial instruments at FVPL	23.7	19.3	-18.3%
Operating income	349.3	366.1	4.8%
Operating expenses	-132.7	-139.9	5.4%
Operating result	216.6	226.2	4.4%
Cost/income ratio	38.0%	38.2%	
Impairment result from financial instruments	-41.7	54.1	n/a
Other result	-1.9	-5.1	>100.0%
Net result attributable to owners of the parent	136.4	214.0	56.9%
Return on allocated capital	18.3%	23.0%	

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

Net interest income increased primarily due to the higher contribution of lending business in Erste Bank Oesterreich as well as higher loan volumes and deposit margins in the Czech Republic, supported by CZK appreciation and the higher interest rate environment. A better result in commercial real estate and higher fees from documentary business in the Holding contributed to the increased net fee and commission income. The decrease in the net trading result was mainly attributable to the non-recurrence of exceptionally high hedging activity of customers in the Czech Republic due to the expected change of the Czech central bank's monetary policy in 2017. Overall, operating income improved. Despite higher operating expenses mainly driven by project-related costs, operating result improved. Cost/income ratio remained almost stable. The net release of risk provisions (line item impairment result from financial instruments) resulted from improved quality of loan portfolio, lower default rates, higher recoveries as well as releases of specific provisions. The biggest improvement was posted in Austria and Croatia. Other result deteriorated slightly. Consequently, the net result attributable to the owners of the parent increased.

## Group Markets

in EUR million	1-3 17	1-3 18	Change
Net interest income	49.6	54.3	9.4%
Net fee and commission income	53.5	58.0	8.4%
Net trading result and gains/losses from financial instruments at FVPL	32.6	22.5	-30.8%
Operating income	136.2	134.9	-0.9%
Operating expenses	-51.8	-58.0	11.9%
Operating result	84.3	76.9	-8.8%
Cost/income ratio	38.1%	43.0%	
Impairment result from financial instruments	-0.6	-2.2	>100.0%
Other result	-6.6	-6.4	-2.2%
Net result attributable to owners of the parent	60.0	55.1	-8.1%
Return on allocated capital	35.1%	31.3%	

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

Net interest income increased primarily due to the increased volumes of repo business in the Czech Republic. Net fee and commission income improved on the back of increased sales activities, higher assets under management, custody and arrangement fees related to debt issuance. Improvement was posted in the Czech Republic, Austria and Hungary. Net trading result remained largely stable as stronger performance in Romania, Hungary and the Czech Republic offset weaker valuation and FX trading result in the Holding. Notwithstanding higher net interest and net fee and commission income operating income declined moderately due to lower valuation results of securities in the line item gains/losses from financial instruments measured at fair value through P&L. Operating expenses went up on the back of higher project-related costs. Consequently, operating result declined, cost/income ratio deteriorated. Other result remained stable. Overall, the net result attributable to the owners of the parent decreased.

## Asset/Liability Management & Local Corporate Center

in EUR million	1-3 17	1-3 18	Change
Net interest income	-12.7	-30.1	>100.0%
Net fee and commission income	-20.4	-14.8	-27.7%
Net trading result and gains/losses from financial instruments at FVPL	-21.6	-23.7	9.5%
Operating income	-45.5	-59.5	30.6%
Operating expenses	-33.9	-36.7	8.3%
Operating result	-79.4	-96.1	21.1%
Cost/income ratio	-74.4%	-61.7%	
Impairment result from financial instruments	-17.2	6.7	n/a
Other result	-51.1	-67.4	31.7%
Net result attributable to owners of the parent	-124.8	-133.5	7.0%
Return on allocated capital	-22.9%	-22.3%	

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

Net interest income decreased mainly due lower structural contribution in Erste Bank Oesterreich, Romania, and Croatia. The improvement in net fee and commission income was primarily related to higher fee income in Erste Bank Oesterreich driven by higher fees from securities. The deterioration of net trading result as well as the increase in the line item gains/losses from financial instruments measured at fair value through profit or loss were driven by valuation results in the Holding. The increase in operating expenses was mainly attributable to the higher deposit insurance contribution in Erste Bank Oesterreich. Overall, operating result declined. Other result worsened mainly due to the non-recurrence of the selling gains from bonds in the Czech Republic and the Holding. This effect was partially offset by lower resolution fund contribution in the Holding. The net result attributable to the owners of the parent decreased.

## Savings Banks

in EUR million	1-3 17	1-3 18	Change
Net interest income	238.2	244.7	2.7%
Net fee and commission income	114.6	116.4	1.6%
Net trading result and gains/losses from financial instruments at FVPL	-0.2	-11.6	>100.0%
Operating income	363.7	359.8	-1.1%
Operating expenses	-268.7	-274.3	2.1%
Operating result	95.0	85.5	-10.0%
Cost/income ratio	73.9%	76.2%	
Impairment result from financial instruments	-1.5	3.7	n/a
Other result	-5.8	-10.8	85.4%
Net result attributable to owners of the parent	13.9	12.5	-10.3%
Return on allocated capital	13.0%	8.7%	

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

The increase in net interest income was partly attributable to higher customer loan volumes. Net fee and commission income increased slightly on the back of higher lending and payment fees. The deterioration of gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses went up due to higher deposit insurance contributions of EUR 26.9 million (EUR 23.3 million). Operating result decreased and the cost/income ratio deteriorated. Impairment result from financial instruments improved. Other result declined mainly due to the non-recurrence of selling gains for bonds. Payments into the resolution fund decreased to EUR 6.8 million (EUR 8.6 million). Banking tax amounted to EUR 0.9 million (EUR 1.0 million). Overall, the net result attributable to the owners of the parent decreased.

## Group Corporate Center

in EUR million	1-3 17	1-3 18	Change
Net interest income	15.6	12.7	-18.6%
Net fee and commission income	0.3	4.0	>100.0%
Net trading result and gains/losses from financial instruments at FVPL	-9.6	7.4	n/a
Operating income	10.7	28.8	>100.0%
Operating expenses	-208.5	-228.7	9.7%
Operating result	-197.7	-199.9	1.1%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	-1.3	2.3	n/a
Other result	144.6	146.5	1.3%
Net result attributable to owners of the parent	-56.6	-52.6	-7.0%
Return on allocated capital	-3.3%	-4.2%	

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

Operating income increased mainly due to higher trading results driven by positive valuation effects in the Holding. The increase in operating expenses was primarily driven by higher IT costs. Other result remained largely unchanged. Consequently, the net result attributable to the owners of the parent improved.

## GEOGRAPHICAL SEGMENTS

### Erste Bank Oesterreich & Subsidiaries

in EUR million	1-3 17	1-3 18	Change
Net interest income	155.3	152.2	-2.0%
Net fee and commission income	93.5	101.1	8.1%
Net trading result and gains/losses from financial instruments at FVPL	4.3	7.8	80.9%
Operating income	263.3	270.4	2.7%
Operating expenses	-176.1	-180.4	2.4%
Operating result	87.2	90.0	3.3%
Cost/income ratio	66.9%	66.7%	
Impairment result from financial instruments	11.4	10.7	-6.6%
Other result	-9.1	-10.9	19.7%
Net result attributable to owners of the parent	62.9	63.5	1.0%
Return on allocated capital	22.8%	17.6%	

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

Net interest income decreased as higher loan volumes and margins did not fully compensate a change of disclosure for brokerage fee expenses in building society. Net fee and commission income increased mainly due to the shift of brokerage fee expenses to the line item net interest income. The net trading result improved due to valuation effects of derivatives. Operating expenses increased mainly on the back of higher deposit insurance contributions amounting to EUR 21.5 million (EUR 18.9 million). Personnel, project and marketing costs increased as well. Operating result thus increased, cost/income ratio was nearly stable. Impairment result from financial instruments remained largely unchanged. The deterioration of other result was mainly attributable to lower selling gains from real estate and higher provisions for legal expenses. Banking tax amounted to EUR 0.9 million (EUR 0.8 million), payment into the resolution fund to EUR 6.1 million (EUR 6.4 million). Overall, the net result attributable to the owners of the parent improved slightly.

### Savings Banks

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

## Other Austria

in EUR million	1-3 17	1-3 18	Change
Net interest income	93.0	88.4	-5.0%
Net fee and commission income	50.4	57.9	14.9%
Net trading result and gains/losses from financial instruments at FVPL	13.7	-5.5	n/a
Operating income	171.9	155.7	-9.4%
Operating expenses	-83.7	-88.7	6.0%
Operating result	88.1	67.0	-24.0%
Cost/income ratio	48.7%	57.0%	
Impairment result from financial instruments	-39.7	11.5	n/a
Other result	4.8	-0.6	n/a
Net result attributable to owners of the parent	37.6	60.2	60.4%
Return on allocated capital	10.4%	14.5%	

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

Net interest income declined primarily as a result of lower income from money market and collateral trading products in Group Markets business. Net fee and commission income increased due to higher fees connected with advisory activity and documentary business, increased sales activities in markets area and the wider scope of consolidation at Erste Asset Management. The decrease of net trading result was predominantly attributable to a negative market development affecting interest rate derivatives, FX spot and option trading products. The line item gains/losses from financial instruments measures at fair value through profit or loss deteriorated mostly driven by the valuation result of securities and equity structured products. Operating expenses increased. Operating result thus decreased, cost/income ratio went up. Impairment result from financial instruments improved markedly as a result of provision releases. Other result deteriorated mostly due to changed disclosure of provisions for off-balance sheet items. Other result also included the resolution fund contribution of EUR 1.4 million (EUR 4.8 million). Overall, the net result attributable to the owners of the parent improved significantly.

## Czech Republic

in EUR million	1-3 17	1-3 18	Change
Net interest income	222.9	255.1	14.5%
Net fee and commission income	84.9	84.0	-1.0%
Net trading result and gains/losses from financial instruments at FVPL	29.3	28.9	-1.4%
Operating income	339.9	370.2	8.9%
Operating expenses	-170.7	-182.5	6.9%
Operating result	169.2	187.8	11.0%
Cost/income ratio	50.2%	49.3%	
Impairment result from financial instruments	-6.8	29.2	n/a
Other result	-5.1	-19.0	>100.0%
Net result attributable to owners of the parent	124.8	156.4	25.3%
Return on allocated capital	26.6%	25.3%	

The segment analysis is done on a constant currency basis. The CZK appreciated by 6.0% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) increased primarily due to rising interest rates and higher loan volumes. Net fee and commission income went down on the back of lower income from current accounts which could not be fully compensated by higher fees from asset management and insurance brokerage. The decrease of net trading result was driven by lower FX fees. Higher personnel and project-related costs led to an increase in operating expenses. Deposit insurance contribution amounted to EUR 9.2 million (EUR 8.1 million). Operating result thus increased, the cost/income ratio improved. The significantly improved impairment result from financial instruments was attributable to further improvements in client portfolio quality resulting in releases of risk provisions. The other result deteriorated mainly due to the non-recurrence of securities sales gains. Contribution to the resolution fund amounted to EUR 17.7 million (EUR 16.4 million). Overall, these developments led to an increase in the net result attributable to the owners of the parent.

## Slovakia

in EUR million	1-3 17	1-3 18	Change
Net interest income	107.8	108.9	1.0%
Net fee and commission income	26.5	26.7	0.8%
Net trading result and gains/losses from financial instruments at FVPL	3.5	3.3	-8.0%
Operating income	140.3	140.9	0.4%
Operating expenses	-68.2	-69.8	2.4%
Operating result	72.1	71.1	-1.4%
Cost/income ratio	48.6%	49.6%	
Impairment result from financial instruments	-9.4	-6.7	-28.6%
Other result	-9.2	-10.3	11.9%
Net result attributable to owners of the parent	41.3	42.1	2.1%
Return on allocated capital	26.7%	19.8%	

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) increased slightly due to higher loan volumes as well as increasing margins in corporate business. Net fee and commission income remained stable as the higher income from insurance and cash transactions offset lower income from securities business. Net trading result remained by and large stable in absolute terms. Operating expenses increased on the back of higher personnel costs. Contribution to deposit insurance fund amounted to EUR 0.9 million (EUR 0.8 million). Overall, operating result decreased slightly, the cost/income ratio went up. Impairment result from financial instruments improved primarily due to lower specific provisions in the retail business. The other result deteriorated mainly due to the changed disclosure of provisions for commitments and guarantees as this line item included a net release and was part of other result in 2017 (from 2018 it is disclosed under impairment result from financial instruments). The payment into the resolution fund decreased to EUR 2.8 million (EUR 5.0 million). Banking tax amounted to EUR 7.3 million (EUR 6.6 million). Overall, the net result attributable to the owners of the parent increased slightly.

## Romania

in EUR million	1-3 17	1-3 18	Change
Net interest income	91.1	89.5	-1.7%
Net fee and commission income	36.4	36.8	1.1%
Net trading result and gains/losses from financial instruments at FVPL	17.6	24.0	36.2%
Operating income	148.2	154.0	4.0%
Operating expenses	-78.1	-84.9	8.7%
Operating result	70.1	69.1	-1.3%
Cost/income ratio	52.7%	55.1%	
Impairment result from financial instruments	-0.7	0.0	n/a
Other result	-21.3	-17.3	-18.5%
Net result attributable to owners of the parent	36.8	42.4	15.2%
Return on allocated capital	14.7%	15.7%	

The segment analysis is done on a constant currency basis. The RON depreciated by 3,0% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) decreased moderately mainly due to exchange rate movements. In local currency terms, an increase was posted mainly on the back of a higher contribution from deposits in retail business. Net fee and commission income increased slightly on the back of higher transaction business and maintenance fees in the retail business. The increase in net trading result was attributable to higher customers driven FX transactions, better result from derivatives as well as improved group markets result. Operating expenses increased on the back of the higher costs related to the move to the new headquarters as well as a higher deposit insurance fund contribution amounting to EUR 4.0 million (EUR 2.2 million). Overall, operating result decreased and the cost/income ratio increased. Other result improved on non-recurring provisions for litigations. The resolution fund contribution amounted to EUR 14.0 million (EUR 14.4 million). The net result attributable to the owners of the parent increased.



## Hungary

in EUR million	1-3 17	1-3 18	Change
Net interest income	46.7	47.6	1.9%
Net fee and commission income	37.3	40.4	8.2%
Net trading result and gains/losses from financial instruments at FVPL	7.5	10.3	37.6%
Operating income	92.6	99.3	7.2%
Operating expenses	-56.7	-56.7	0.0%
Operating result	35.9	42.6	18.7%
Cost/income ratio	61.2%	57.1%	
Impairment result from financial instruments	22.4	8.4	-62.6%
Other result	-27.6	-29.1	5.4%
Net result attributable to owners of the parent	27.8	18.6	-33.0%
Return on allocated capital	21.1%	10.2%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 0.6% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased moderately. Net fee and commission income rose due to higher card, payments and securities fees supported by the former Citibank portfolio. Net trading result improved mainly due to the higher contribution of derivatives. Operating expenses remained stable. The contribution to the deposit insurance fund amounted to EUR 8.0 million (EUR 7.8 million). Consequently, operating result and the cost/income ratio improved. A lower net release of risk provisions (reflected in the impairment result from financial instruments) was posted in corporate business. Other result remained nearly stable, banking levies amounted to EUR 25.6 million (EUR 23.6 million). This line item also included the contribution to the resolution fund of EUR 1.9 million (EUR 1.8 million). Overall, the net result attributable to the owners of the parent decreased.

## Croatia

in EUR million	1-3 17	1-3 18	Change
Net interest income	67.8	68.2	0.6%
Net fee and commission income	21.6	21.2	-1.6%
Net trading result and gains/losses from financial instruments at FVPL	7.1	8.8	25.3%
Operating income	102.4	103.4	0.9%
Operating expenses	-49.8	-52.0	4.4%
Operating result	52.6	51.4	-2.3%
Cost/income ratio	48.7%	50.3%	
Impairment result from financial instruments	-37.4	-3.9	-89.6%
Other result	-6.6	-5.3	-19.2%
Net result attributable to owners of the parent	4.8	23.6	>100.0%
Return on allocated capital	5.3%	20.0%	

The segment analysis is done on a constant currency basis. The HRK appreciated by 0.4% against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased marginally as higher contribution from deposits in the retail business was offset by lower corporate lending volumes. Net fee and commission income decreased slightly as higher fees in retail and corporate business almost entirely compensated non-recurring income from debt issuance realised last year. The net trading result increased on the back of higher gains from foreign exchange. Operating expenses went up due to higher personnel costs and included a EUR 2.8 million (EUR 2.7 million) deposit insurance fund contribution. Overall, the operating result declined and the cost/income ratio increased. The significant improvement of impairment result from financial instruments was primarily driven by the non-recurrence of the negative effect of downgrading of a single customer in the corporate business. Other result improved on the lower resolution fund contribution which amounted to EUR 4.7 million (EUR 5.3 million). Consequently, the net result attributable to the owners of the parent improved significantly.

## Serbia

in EUR million	1-3 17	1-3 18	Change
Net interest income	12.4	12.7	2.1%
Net fee and commission income	2.6	2.8	7.2%
Net trading result and gains/losses from financial instruments at FVPL	0.9	1.3	45.7%
Operating income	16.0	16.8	5.0%
Operating expenses	-10.0	-11.5	14.9%
Operating result	6.0	5.3	-11.5%
Cost/income ratio	62.6%	68.5%	
Impairment result from financial instruments	0.4	-1.6	n/a
Other result	0.0	0.1	n/a
Net result attributable to owners of the parent	4.8	3.0	-36.6%
Return on allocated capital	18.6%	9.1%	

Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased moderately on better contribution of the retail business. Net fee and commission income improved slightly due to higher guarantee fees from corporate business. Net trading result went up on the back of gains from government bonds. The increase in operating expenses was driven by higher personnel and project costs. Operating result declined and the cost/income ratio went up. The deterioration of impairment result from financial instruments was primarily due to higher provisioning in corporate business. Overall, the net result attributable to the owners of the parent decreased.

## Other

in EUR million	1-3 17	1-3 18	Change
Net interest income	16.1	15.4	-4.5%
Net fee and commission income	-10.1	-8.7	-13.3%
Net trading result and gains/losses from financial instruments at FVPL	-32.0	-29.1	-9.0%
Operating income	-20.7	-19.0	-8.2%
Operating expenses	-56.2	-64.1	14.0%
Operating result	-76.9	-83.1	8.0%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	-4.4	3.3	n/a
Other result	-18.9	-20.6	8.9%
Net result attributable to owners of the parent	-92.3	-89.8	-2.7%
Return on allocated capital	-4.9%	-6.2%	

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

Operating income improved slightly on higher valuation effects. The increase in operating expenses was primarily driven by higher IT costs. Operating result thus declined. Other result remained by and large unchanged in absolute terms. The net result attributable to the owners of the parent improved.

# Condensed interim consolidated financial statements

Interim report – 1 January to 31 March 2018

## Consolidated statement of income

in EUR thousand	Notes	1-3 17	1-3 18
Net interest income	1	1,051,296	1,082,615
Interest income	1	1,397,772	1,695,777
Interest expenses	1	-346,476	-613,162
Net fee and commission income	2	457,685	478,553
Fee and commission income	2	571,179	602,898
Fee and commission expenses	2	-113,493	-124,344
Dividend income	3	3,730	2,639
Net trading result	4	48,592	11,319
Gains/losses from financial instruments measured at fair value through profit or loss	5	2,974	26,745
Net result from equity method investments		3,197	1,775
Rental income from investment properties & other operating leases	6	50,065	47,938
Personnel expenses	7	-571,687	-604,550
Other administrative expenses	7	-332,388	-344,488
Depreciation and amortisation	7	-114,246	-115,922
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	8	28,301	0
Gains/losses from derecognition of financial assets measured at amortised cost	9	0	119
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	10	0	4,094
Net impairment loss on financial assets	11	-65,776	0
Impairment result from financial instruments	12	0	54,391
Other operating result	13	-127,085	-128,035
Levies on banking activities	13	-35,819	-38,565
<b>Pre-tax result from continuing operations</b>		<b>434,659</b>	<b>517,195</b>
Taxes on income	14	-95,645	-114,565
<b>Net result for the period</b>		<b>339,014</b>	<b>402,630</b>
Net result attributable to non-controlling interests		76,818	70,076
<b>Net result attributable to owners of the parent</b>		<b>262,195</b>	<b>332,554</b>

## Earnings per share

		1-3 17	1-3 18
Net result attributable to owners of the parent	in EUR thousand	262,195	332,554
Dividend on AT1 capital	in EUR thousand	0	0
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	262,195	332,554
Weighted average number of outstanding shares		426,665,391	426,717,322
<b>Earnings per share</b>	<b>in EUR</b>	<b>0.61</b>	<b>0.78</b>
Weighted average diluted number of outstanding shares		426,665,391	426,717,322
<b>Diluted earnings per share</b>	<b>in EUR</b>	<b>0.61</b>	<b>0.78</b>

## Development of the number of shares

	1-3 17	1-3 18
Shares outstanding at the beginning of the period	409,497,646	409,206,906
Acquisition of treasury shares	-2,204,610	-2,087,317
Disposal of treasury shares	2,201,122	2,087,317
Shares outstanding at the end of the period	409,494,158	409,206,906
Treasury shares	20,305,842	20,593,094
<b>Number of shares issued at the end of the period</b>	<b>429,800,000</b>	<b>429,800,000</b>
Weighted average number of outstanding shares	426,665,391	426,717,322
Weighted average diluted number of outstanding shares	426,665,391	426,717,322

## Consolidated statement of comprehensive income

in EUR thousand	1-3 17	1-3 18
<b>Net result for the period</b>	<b>339,014</b>	<b>402,630</b>
<b>Other comprehensive income</b>		
<b>Items that may not be reclassified to profit or loss</b>	<b>-36</b>	<b>-19,479</b>
Remeasurement of net liability of defined pension plans	-61	-1,585
Fair value changes of equity instruments at fair value through other comprehensive income	0	9,337
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in own credit risk	0	-35,884
Deferred taxes relating to items that may not be reclassified	24	8,654
<b>Items that may be reclassified to profit or loss</b>	<b>-73,583</b>	<b>-24,989</b>
Available for sale reserve (including currency translation)	-90,597	0
Gain/loss during the period	-69,435	0
Reclassification adjustments	-21,161	0
Debt instruments at fair value through other comprehensive income	0	-51,075
Gain/loss during the period	0	-44,616
Reclassification adjustments	0	-5,037
Credit loss allowances	0	-1,422
Cash flow hedge reserve	-15,345	-1,922
Gain/loss during the period	-2,593	5,367
Reclassification adjustments	-12,753	-7,289
Currency translation reserve	15,042	16,499
Gain/loss during the period	15,042	16,499
Reclassification adjustments	0	0
Deferred taxes relating to items that may be reclassified	17,317	11,508
Gain/loss during the period	9,509	8,833
Reclassification adjustments	7,808	2,675
<b>Total other comprehensive income</b>	<b>-73,619</b>	<b>-44,468</b>
<b>Total comprehensive income</b>	<b>265,395</b>	<b>358,162</b>
Total comprehensive income attributable to non-controlling interests	37,308	61,023
<b>Total comprehensive income attributable to owners of the parent</b>	<b>228,087</b>	<b>297,139</b>

## Quarterly results

in EUR million	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
<b>Income statement</b>					
Net interest income	1,051.3	1,091.7	1,086.3	1,123.9	1,082.6
Interest income	1,397.8	1,414.5	1,411.9	1,400.3	1,695.8
Interest expenses	-346.5	-322.8	-325.6	-276.4	-613.2
Net fee and commission income	457.7	453.2	451.0	489.7	478.6
Fee and commission income	571.2	578.1	574.3	605.7	602.9
Fee and commission expenses	-113.5	-124.9	-123.4	-116.1	-124.3
Dividend income	3.7	23.4	10.4	6.2	2.6
Net trading result	48.6	54.3	36.5	83.5	11.3
Gains/losses from financial instruments measured at fair value through profit or loss	3.0	1.5	7.7	-24.4	26.7
Net result from equity method investments	3.2	2.9	4.0	5.7	1.8
Rental income from investment properties & other operating leases	50.1	48.2	48.3	47.6	47.9
Personnel expenses	-571.7	-579.6	-595.9	-641.3	-604.5
Other administrative expenses	-332.4	-291.8	-301.1	-384.4	-344.5
Depreciation and amortisation	-114.2	-113.8	-113.0	-118.9	-115.9
Gains/losses from financial assets and liabilities not at FVPL, net	28.3	14.2	28.3	85.7	0.0
Gains/losses from derecognition of financial assets at AC	0.0	0.0	0.0	0.0	0.1
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.0	0.0	4.1
Gains/losses from reclassification from AC to FVPL	0.0	0.0	0.0	0.0	0.0
Gains/losses from reclassification from FVOCI to FVPL	0.0	0.0	0.0	0.0	0.0
Net impairment loss on financial assets	-65.8	-38.6	32.9	-60.5	0.0
Impairment result from financial instruments	0.0	0.0	0.0	0.0	54.4
Other operating result	-127.1	-82.7	-86.8	-160.9	-128.0
Levies on banking activities	-35.8	-23.6	-22.7	-23.6	-38.6
<b>Pre-tax result from continuing operations</b>	<b>434.7</b>	<b>583.0</b>	<b>608.5</b>	<b>451.7</b>	<b>517.2</b>
Taxes on income	-95.6	-128.2	-142.0	-44.2	-114.6
<b>Net result for the period</b>	<b>339.0</b>	<b>454.7</b>	<b>466.5</b>	<b>407.5</b>	<b>402.6</b>
Net result attributable to non-controlling interests	76.8	92.3	103.5	78.9	70.1
<b>Net result attributable to owners of the parent</b>	<b>262.2</b>	<b>362.5</b>	<b>363.0</b>	<b>328.6</b>	<b>332.6</b>
<b>Statement of comprehensive income</b>					
<b>Net result for the period</b>	<b>339.0</b>	<b>454.7</b>	<b>466.5</b>	<b>407.5</b>	<b>402.6</b>
<b>Other comprehensive income</b>					
<b>Items that may not be reclassified to profit or loss</b>	<b>0.0</b>	<b>14.4</b>	<b>0.2</b>	<b>-15.2</b>	<b>-19.5</b>
Remeasurement of net liability of defined pension plans	-0.1	19.8	0.2	-27.3	-1.6
Fair value changes of equity instruments at FVOCI	0.0	0.0	0.0	0.0	9.3
Fair value changes of financial liabilities at FVPL attributable to changes in own credit risk	0.0	0.0	0.0	0.0	-35.9
Deferred taxes relating to items that may not be reclassified	0.0	-5.3	0.0	12.1	8.7
<b>Items that may be reclassified to profit or loss</b>	<b>-73.6</b>	<b>111.2</b>	<b>-7.9</b>	<b>-14.7</b>	<b>-25.0</b>
Available for sale reserve (including currency translation)	-90.6	-29.4	20.5	-85.1	0.0
Gain/loss during the period	-69.4	-23.8	45.3	-13.7	0.0
Reclassification adjustments	-21.2	-5.7	-24.8	-71.3	0.0
Debt instruments at fair value through other comprehensive income	0.0	0.0	0.0	0.0	-51.1
Gain/loss during the period	0.0	0.0	0.0	0.0	-44.6
Reclassification adjustments	0.0	0.0	0.0	0.0	-5.0
Credit loss allowances	0.0	0.0	0.0	0.0	-1.4
Cash flow hedge reserve	-15.3	-21.5	-36.4	-32.1	-1.9
Gain/loss during the period	-2.6	-23.6	-23.9	-23.9	5.4
Reclassification adjustments	-12.8	2.1	-12.5	-8.2	-7.3
Currency translation reserve	15.0	147.6	7.4	67.6	16.5
Gain/loss during the period	15.0	147.6	7.4	67.6	16.5
Reclassification adjustments	0.0	0.0	0.0	0.0	0.0
Deferred taxes relating to items that may be reclassified	17.3	14.6	0.6	34.8	11.5
Gain/loss during the period	9.5	12.4	-7.5	8.8	8.8
Reclassification adjustments	7.8	2.2	8.0	26.0	2.7
<b>Total other comprehensive income</b>	<b>-73.6</b>	<b>125.7</b>	<b>-7.7</b>	<b>-30.0</b>	<b>-44.5</b>
<b>Total comprehensive income</b>	<b>265.4</b>	<b>580.4</b>	<b>458.8</b>	<b>377.5</b>	<b>358.2</b>
Total comprehensive income attributable to non-controlling interests	37.3	75.6	106.7	57.5	61.0
<b>Total comprehensive income attributable to owners of the parent</b>	<b>228.1</b>	<b>504.8</b>	<b>352.1</b>	<b>320.0</b>	<b>297.1</b>

## Consolidated balance sheet

in EUR thousand	Notes	Dec 17	Mar 18
<b>Assets</b>			
Cash and cash balances	15	21,796,299	25,245,777
Financial assets held for trading		6,349,189	6,603,370
Derivatives	16	3,333,142	3,696,009
Other financial assets held for trading	17	3,016,047	2,907,361
Pledged as collateral		242,434	93,923
Financial assets at fair value through profit or loss	18	542,572	0
Non-trading financial assets at fair value through profit or loss	19	0	3,405,244
Pledged as collateral		0	24,015
Equity instruments		0	277,683
Debt securities		0	2,726,769
Loans and advances to banks		0	95
Loans and advances to customers		0	400,697
Financial assets available for sale	20	16,060,153	0
Pledged as collateral		756,537	0
Financial assets at fair value through other comprehensive income	21	0	10,289,124
Pledged as collateral		0	961,198
Equity instruments		0	262,474
Debt securities		0	10,026,649
Financial assets held to maturity	22	19,800,435	0
Pledged as collateral		1,568,387	0
Loans and receivables to credit institutions	23	9,125,673	0
Loans and receivables to customers	24	139,532,277	0
Financial assets at amortised cost	25	0	172,804,771
Pledged as collateral		0	2,521,968
Debt securities		0	23,710,264
Loans and advances to banks		0	11,943,824
Loans and advances to customers		0	137,150,684
Finance lease receivables	26	0	3,561,004
Hedge accounting derivatives	27	884,311	102,692
Property and equipment		2,386,767	2,341,768
Investment properties		1,111,561	1,105,845
Intangible assets		1,523,564	1,510,883
Investments in associates and joint ventures		198,373	197,243
Current tax assets		107,633	122,187
Deferred tax assets		257,933	319,192
Assets held for sale		213,897	227,535
Trade and other receivables	28	0	946,712
Other assets	29	768,795	1,235,027
<b>Total assets</b>		<b>220,659,433</b>	<b>230,018,373</b>

in EUR thousand	Notes	Dec 17	Mar 18
<b>Liabilities and equity</b>			
Financial liabilities held for trading		3,422,793	2,939,808
Derivatives	16	2,933,667	2,384,406
Other financial liabilities held for trading	30	489,126	555,402
Financial liabilities at fair value through profit or loss		1,801,245	14,450,371
Deposits from customers		48,559	58,345
Debt securities issued	31	1,752,686	13,827,176
Other financial liabilities		0	564,850
Financial liabilities at amortised cost		191,711,402	189,426,898
Deposits from banks	32	16,349,382	20,987,655
Deposits from customers	32	150,920,715	155,248,124
Debt securities issued	32	23,342,123	12,595,826
Other financial liabilities		1,099,182	595,293
Finance lease liabilities		0	6
Hedge accounting derivatives	27	360,379	276,597
Fair value changes of hedged items in portfolio hedge of interest rate risk		666,117	0
Provisions	33	1,647,963	1,799,351
Current tax liabilities		101,079	113,791
Deferred tax liabilities		61,454	54,368
Liabilities associated with assets held for sale		2,752	3,560
Other liabilities	34	2,595,932	2,957,934
<b>Total equity</b>		<b>18,288,316</b>	<b>17,995,688</b>
Equity attributable to non-controlling interests		4,416,402	4,352,531
Additional equity instruments		993,275	992,805
Equity attributable to owners of the parent		12,878,639	12,650,353
Subscribed capital		859,600	859,600
Additional paid-in capital		1,476,689	1,476,689
Retained earnings and other reserves		10,542,350	10,314,064
<b>Total liabilities and equity</b>		<b>220,659,433</b>	<b>230,018,373</b>



## Consolidated statement of changes in equity

	Sub- Additional scribed paid-in capital capital	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Fair value reserve	Liability own credit risk reserve	Currency translation reserve	Remeasure- ment of net liability of defined pension plans	Deferred tax	Equity attributable to owners parent	Additional equity instruments	Equity attributable to non- controlling interests	Total equity
<b>As of 1 January 2018</b>	860	1,477	10,918	4	545	0	-503	-364	-57	12,879	993	4,416	18,288
Changes of initial application of IFRS 9	0	0	348	0	-545	-734	0	0	-7	-520	0	-122	-642
<b>Restated as of 1 January 2018</b>	860	1,477	11,266	4	0	418	-503	-364	-64	12,359	993	4,294	17,647
Changes in treasury shares	0	0	-4	0	0	0	0	0	0	-4	0	0	-4
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	-2
Capital increases	0	0	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation and ownership interest	0	0	-2	0	0	0	0	0	0	-2	0	0	-2
Other changes	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total comprehensive income</b>	0	0	333	-7	0	-113	16	13	64	297	0	61	358
Net result for the period	0	0	333	0	0	0	0	0	0	333	0	70	403
Other comprehensive income	0	0	0	-7	0	-113	16	13	64	-35	0	-9	-44
Changes in presentation of deferred tax	0	0	0	0	0	-89	17	0	64	0	0	0	0
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	-1	0	-1	0	0	-1
Change in fair value reserve	0	0	0	0	0	-24	0	0	0	-24	0	-9	-33
Change in cash flow hedge reserve	0	0	0	-1	0	0	0	0	0	-1	0	0	-1
Change in currency translation reserve	0	0	0	0	0	0	16	0	0	16	0	1	16
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in own credit risk	0	0	0	0	0	-25	0	0	0	-25	0	-1	-26
Other changes in OCI	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>As of 31 March 2018</b>	860	1,477	11,592	-4	0	306	-487	-351	0	12,650	993	4,353	17,996
<b>As of 1 January 2017</b>	860	1,478	10,090	107	632	0	-734	-357	-112	11,963	497	4,142	16,602
Changes in treasury shares	0	0	-5	0	0	0	0	0	0	-5	0	0	-5
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	-6
Capital increases	0	0	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation and ownership interest	0	0	2	0	0	0	0	0	0	2	0	35	37
Other changes	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total comprehensive income</b>	0	0	262	-40	-182	0	11	64	112	228	0	37	265
Net result for the period	0	0	262	0	0	0	0	0	0	262	0	77	339
Other comprehensive income	0	0	0	-12	-33	0	11	0	0	-34	0	-40	-74
Changes in presentation of deferred tax	0	0	0	-28	-148	0	0	64	112	0	0	0	0
<b>As of 31 March 2017</b>	860	1,478	10,349	67	450	0	-723	-293	0	12,188	497	4,209	16,894

## Consolidated statement of cash flows

in EUR million	1-3 17	1-3 18
<b>Net result for the period</b>	<b>339</b>	<b>403</b>
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	119	117
Allocation to and release of provisions (including risk provisions)	150	-18
Gains from the measurement and sale of assets	-40	-31
Other adjustments	-2	-41
<b>Changes in assets and liabilities from operating activities after adjustment for non-cash components</b>		
Financial assets held for trading	106	474
Financial assets at fair value through profit or loss	-34	0
Non-trading financial assets at fair value through profit or loss		
Equity instruments	0	-4
Debt securities	0	-146
Loans and advances to banks	0	0
Loans and advances to customers	0	74
Financial assets - available for sale: debt securities	1,935	0
Financial assets at fair value through other comprehensive income: debt instruments		
Debt securities	0	72
Financial assets held to maturity	-639	0
Loans and receivables to credit institutions	-6,979	0
Loans and receivables to customers	-2,484	0
Financial assets at amortised cost		
Debt securities	0	-620
Loans and advances to banks	0	-2,946
Loans and advances to customers	0	-2,618
Finance lease receivables	0	-48
Hedge accounting derivatives	113	24
Other assets from operating activities	-479	-500
Financial liabilities held for trading	-438	-283
Financial liabilities at fair value through profit or loss	141	-349
Financial liabilities at amortised cost		
Deposits from banks	8,304	4,785
Deposits from customers	6,704	4,288
Debt securities issued	-218	269
Other financial liabilities	-176	24
Hedge accounting derivatives	-33	-26
Other liabilities from operating activities	12	556
Finance lease liabilities	0	0
<b>Cash flow from operating activities</b>	<b>6,397</b>	<b>3,456</b>
Proceeds of disposal		
Financial assets available for sale: equity instruments	0	0
Financial assets at fair value through other comprehensive income: equity instruments	0	0
Associated companies	0	0
Property and equipment and intangible assets	574	610
Investment properties	159	98
Acquisition of		
Financial assets available for sale: equity instruments	0	0
Financial assets at fair value through other comprehensive income: equity instruments	0	-8
Associated companies	-3	-1
Property and equipment and intangible assets	-628	-636
Investment properties	-164	-94
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
<b>Cash flow from investing activities</b>	<b>-17</b>	<b>-31</b>
Capital increases	0	0
Capital decrease	0	0
Acquisition of non-controlling interest	2	0
Dividends paid to equity holders of the parent	0	0
Dividends paid to non-controlling interests	-6	-2
Other financing activities	0	0
<b>Cash flow from financing activities</b>	<b>-4</b>	<b>-3</b>

in EUR million	1-3 17	1-3 18
<b>Cash and cash equivalents at the beginning of the period</b>	<b>18,353</b>	<b>21,796</b>
Cash flow from operating activities	6,397	3,456
Cash flow from investing activities	-17	-31
Cash flow from financing activities	-4	-3
Effect of currency translation	1	28
<b>Cash and cash equivalents at the end of period</b>	<b>24,731</b>	<b>25,246</b>
<b>Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)</b>	<b>1,043</b>	<b>837</b>
Payments for taxes on income	-102	-111
Interest received	1,562	1,684
Dividends received	4	3
Interest paid	-422	-739

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

# Condensed notes to the interim consolidated financial statements

## 1 January to 31 March 2018

### BASIS OF PREPARATION

The condensed consolidated interim financial statements (“interim financial statements”) of the group of Erste Group Bank AG (“Erste Group”) for the period from 1 January to 31 March 2018 were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and are presented in accordance with the requirements of IAS 34 “Interim Financial Reporting”. Erste Group’s application of IFRS resulted in no differences between IFRS as issued by the International Accounting Standards Board (“IASB”) and IFRS as endorsed by the EU.

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

### BASIS OF CONSOLIDATION

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

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

As of 31 December 2017	422
<b>Additions</b>	
Entities newly added to the scope of consolidation	2
<b>Disposals</b>	
Companies sold or liquidated	-3
Mergers	-2
As of 31 March 2018	419

### ACCOUNTING AND MEASUREMENT METHODS

The interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and are presented in euro, which is the functional currency of the parent company. The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. However, due to the first application of IFRS 9 (as described below), Erste Group has decided to disclose the full set of accounting policies in these interim financial statements. Also, new notes have been introduced in connection with the application of IFRS 9. Otherwise, the interim financial statements should be read in conjunction with Erste Group’s consolidated financial statements as of 31 December 2017.

#### Application of new standards

##### IFRS 9 Financial Instruments

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

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

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

AC – amortised cost

AFS – available for sale

FV – fair value

FVO – fair value option

FVOCI – fair value through other comprehensive income

FVPL – fair value through profit or loss

HTM – held-to-maturity

L&R – loans and receivables

### i. Classification and measurement of financial instruments

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

in EUR million	Com-ments	Original classification under IAS 39		New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
		Portfolio	Measurement method			
<b>Financial assets</b>						
Cash and cash balances		Loans and receivables	AC	Amortised cost	21,796	21,795
Derivatives	a	Held-for-trading	FVPL	Held-for-trading (FVPL)	3,307	3,307
Other trading assets		Held-for-trading	FVPL	Held-for-trading (FVPL)	3,016	3,016
Derivatives - hedge accounting	b	Hedge accounting	FV	Hedge accounting	128	128
				Held-for-trading (FVPL)	756	756
Loans and receivables to credit institutions	c,d	Loans and receivables	AC	Amortised cost	9,108	9,127
				Designated at FVPL	17	17
Loans and receivables to customers	e	Loans and receivables	AC	Amortised cost	135,562	135,439
		Loans and receivables	Finance Lease	Mandatorily at FVPL	459	480
Financial assets - available for sale (Debt securities)	f	AFS	FVOCI	Finance Lease	3,512	3,513
				Amortised cost	4,119	3,875
Financial assets - available for sale (Equity instruments)	f	AFS	FVOCI	Mandatorily at FVPL	2,004	2,004
				FVPL	264	264
Financial assets - held to maturity		Held-to-maturity	AC	FVOCI	9,418	9,418
				Amortised cost	19,090	19,087
Financial assets - at fair value through profit or loss		FV option	FVPL	Mandatorily at FVPL	27	28
				Designated at FVPL	17	17
Financial assets - held to maturity		Held-to-maturity	AC	FVOCI	667	684
				Amortised cost	3	3
Financial assets - at fair value through profit or loss		FV option	FVPL	Mandatorily at FVPL	138	138
				Designated at FVPL	387	387
<b>Total financial assets</b>					<b>214,065</b>	<b>213,755</b>
<b>Financial liabilities</b>						
Derivatives	g	Held-for-trading	FVPL	Held-for-trading (FVPL)	2,663	2,663
Other trading liabilities		Held-for-trading	FVPL	Held-for-trading (FVPL)	489	489
Derivatives - hedge accounting	b	Hedge accounting	FV	Hedge accounting	302	302
				Held-for-trading (FVPL)	58	58
Financial liabilities measured at amortised cost	h,i	Amortised cost	AC	Amortised cost	180,060	180,060
				Designated at FVPL	12,589	12,999
Financial liabilities - at fair value through profit or loss (Debt securities issued)		FV option	FVPL	Designated at FVPL	1,753	1,753
Financial liabilities - at fair value through profit or loss (Deposits from customers)		FV option	FVPL	Designated at FVPL	49	49
<b>Total financial liabilities</b>					<b>197,963</b>	<b>198,374</b>

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

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

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

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

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

(f) The original carrying amount under IAS 39 is adjusted by EUR 645 million in respect of debt securities and equity securities compared to the 2017 financial statements due to a reclassification between debt and equity instruments related to investments in funds and certain hybrid instruments. More details can be found in the comment (f) to table ii. Reconciliation of carrying amounts of financial assets based on measurement categories.

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

in EUR million	Com-ments	IAS 39 carrying amount 31 Dec 17	Reclassi-fications	Remeas-urement	IFRS 9 carrying amount 31 Dec 17	Retained earnings effects	OCI effects
<b>Amortised cost</b>	<b>a</b>	<b>192,649</b>	<b>0</b>	<b>0</b>	<b>192,649</b>	<b>0</b>	<b>0</b>
Subtractions:							
to IFRS 9 FVO (IAS 39: AC)	b	0	-12,589	0	-12,589	0	0
<b>Total change</b>		<b>0</b>	<b>-12,589</b>	<b>0</b>	<b>-12,589</b>	<b>0</b>	<b>0</b>
<b>Total – amortised cost</b>	<b>c</b>	<b>192,649</b>	<b>-12,589</b>	<b>0</b>	<b>180,060</b>	<b>0</b>	<b>0</b>
<b>Fair value through profit or loss</b>	<b>d</b>	<b>4,953</b>	<b>0</b>	<b>0</b>	<b>4,953</b>	<b>0</b>	<b>0</b>
Additions:							
from IAS 39 AC	b	0	12,589	411	12,999	193	-603
from IAS 39 FVO to IFRS 9 FVO (Reclassification of FV change due to credit risk)		0	0	0	0	145	-145
from hedge accounting derivatives		0	58	0	58	0	0
<b>Total change</b>		<b>0</b>	<b>12,647</b>	<b>411</b>	<b>13,057</b>	<b>338</b>	<b>-748</b>
<b>Total – fair value through profit or loss</b>	<b>e</b>	<b>4,953</b>	<b>12,647</b>	<b>411</b>	<b>18,011</b>	<b>338</b>	<b>-748</b>
<b>Total – financial liabilities</b>		<b>197,602</b>	<b>58</b>	<b>411</b>	<b>198,071</b>	<b>338</b>	<b>-748</b>

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

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

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

- \_ debt securities issued with a reclassification amount of EUR 11,922 million and a remeasurement amount of EUR 406 million;
  - \_ deposits from customers with a reclassification amount of EUR 133 million and a remeasurement amount of EUR 4 million; and
  - \_ other financial liabilities (fund units issued by funds consolidated by Erste Group) with a reclassification amount of EUR 534 million.
- The effect of the fair value changes resulting from credit risk of the financial liabilities that is recognised in OCI amounts to EUR 748 million, thereof EUR 603 million are attributable to newly designated financial liabilities.

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

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

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

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

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

- \_ derivatives: 2,721;
- \_ other trading liabilities: 489;
- \_ financial liabilities designated at fair value through profit or loss:
  - \_ deposits from customers: 186;
  - \_ debt securities issued: 14,081; and
  - \_ other financial liabilities: 534.

#### iv. Reconciliation of impairment allowances

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

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

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

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

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

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

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

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

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

#### v. Deferred tax effects upon transition to IFRS 9

The following table illustrates the effects of IFRS 9 on the carrying amount of deferred tax assets and deferred tax liabilities:

in EUR million	Closing balance 31 Dec 17 (IAS 39)	Opening balance 31 Dec 17 (IFRS 9)	Retained earnings effects	OCI effects
Changes in deferred tax assets	258	299	-215	255
Changes in deferred tax liabilities	-61	-38	225	-202

#### Financial instruments

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IFRS 9 (as well as IAS 39), all financial assets and liabilities – which also include derivative financial instruments – have to be recognised on the balance sheet and measured in accordance with their assigned categories.

#### Measurement methods for financial instruments

Measurement of financial assets and financial liabilities is subject to two primary measurement methods.

#### i. Amortised cost and effective interest rate

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. For financial assets the amount is adjusted for any loss allowance.

The effective interest rate ('EIR') is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before adjusting for any loss allowance) or to the amortised cost of the financial liability. The estimated cash flows consider all the contractual terms of the financial instrument but disregard the expected credit losses. The calculation includes transaction costs, origination fees that are an integral part of the EIR (apart from financial instruments at fair value through profit or loss) and all other premiums and discounts to the par amount.

For purchased or originated credit-impaired financial assets ('POCI', see part 'Impairment of financial instruments under IFRS 9'), credit-adjusted EIR is used. It is the rate that exactly discounts the estimated future cash flows which consider expected credit losses to the amortised cost of a financial asset.

The EIR is used for recognition of interest income and interest expense. Interest income is calculated in the following way:

- \_ EIR applied to the gross carrying amount for financial assets that are not credit-impaired (Stage 1 and Stage 2, see part 'Impairment of financial instruments');
- \_ EIR applied to the amortised cost for financial assets that are credit-impaired (Stage 3, see 'Impairment of financial instruments'); and
- \_ credit-adjusted EIR applied to the amortised cost for POCI financial assets.

Under IAS 39, the EIR is applied to the gross carrying amount of the financial assets and, for financial assets that are individually impaired, to the amortised cost.

Interest expense is calculated by applying the effective interest rate to the amortised cost of a financial liability.

#### ii. Fair value

Fair value is the price that would be received if an asset were sold or paid if a liability were transferred in an orderly transaction between market participants on the measurement date. The definition also applies to fair value measurements of non-financial assets and liabilities. Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in Note 39 Fair value of financial instruments.

## Initial recognition and measurement

### i. Initial recognition

Financial instruments are initially recognised when Erste Group becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at the settlement date, which is the date that an asset is delivered.

### ii. Initial measurement

Financial instruments are measured initially at their fair value including transaction costs (except for financial instruments at fair value through profit or loss, for which transaction costs are recognised directly in profit or loss). In most cases, the fair value at initial recognition equals the transaction price, i.e. the price transferred to originate or acquire a financial asset or the price received to issue or incur a financial liability.

## Classification and subsequent measurement of financial assets under IFRS 9

In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:

- (i) The business model for managing the financial assets – the assessment is focused on whether the financial asset is part of a portfolio in which the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets or they are held in other business models.
- (ii) The cash flow characteristics of the financial assets – the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

### i. Financial assets at amortised cost

Financial assets are measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows, and their contractual cash flows are SPPI.

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line 'Financial assets at amortised cost', 'Trade and other receivables' and 'Cash and cash balances'. Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

Interest income on these assets is calculated by effective interest method and is included under the line 'Net interest income' in the statement of income. Impairment gains or losses are included in the line 'Impairment result from financial instruments'. Gains and losses from derecognition (such as sales) of the assets are reported under the line item 'Gains/losses from derecognition of financial assets measured at amortised cost'.

At Erste Group, financial assets at amortised cost constitute the largest measurement category, which includes the vast majority of loan business to customers (except for certain loans measured at fair value through profit or loss), interbank lending business (including reverse repo transactions), deposits with central banks, amounts in the course of settlement, trade and other receivables. Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield enhancement activities). Their common attribute is that significant and frequent sales of such securities are not expected. For a description of what sales are considered as compliant with the held to collect contractual cash flows business model, see the 'Business model assessment' part in chapter Significant accounting judgements, assumptions and estimates.

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

Debt instrument financial assets are measured at fair value through other comprehensive income (FVOCI) if their contractual cash flows are SPPI-compliant and they are held within a business model whose objective is achieved by both to collect contractual cash flows and sell the assets. On the balance sheet, they are included as 'Debt securities' under the line 'Financial asset at fair value through other comprehensive income'.

Interest income on these assets is calculated using the effective interest method and is included under the line 'Net interest income' in the statement of income. Impairment gains and losses are recognised in profit or loss in the line 'Impairment result from financial instruments'. As a result, the measurement impact recognised in profit or loss is the same as for financial assets measured at amortised cost.

The difference between the fair value at which the assets are carried in the balance sheet and the amortised cost component is recognised as accumulated OCI in equity specifically under 'Fair value reserve' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Debt instruments at fair value through other comprehensive income'. When the financial asset is derecognised, the amount previously accumulated in OCI is reclassified to profit or loss and reported under the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

Erste Group classifies investments in debt securities as measured at FVOCI. They are part of 'held to collect and sell' business models. Similarly to debt instruments, assets measured at amortised cost, they relate to various business objectives such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield-enhancement activities. The common attribute for investments in debt instruments at FVOCI is that an active yield optimisation via sales is integral to achieving the objectives. The sales are carried out in order to optimise the liquidity position or to realise the fair value gains or losses. As a result, the business objectives are achieved through both collecting contractual cash flows and sales of the securities.

For certain investments in equity instruments that are not held for trading, Erste Group makes use of the option to measure them at FVOCI. This election is applied to strategic, significant banking business relationship investments (except for insurance business). The fair value gains or losses for the period are reported as OCI in the line 'Fair value changes of equity instruments' of the statement of comprehensive income. The cumulative gains or losses are included under 'Fair value reserve' in the statement of changes in equity. The amount recognised in OCI is never reclassified to profit or loss. Dividends received on these investments are reported under the line 'Dividend income' of the statement of income. On the balance sheet, financial assets measured at fair value through OCI are included as 'Equity instruments' under the line 'Financial asset at fair value through other comprehensive income'.

### **iii. Financial assets at fair value through profit or loss**

There are various reasons for assigning the fair value through profit or loss (FVPL) measurement category to financial assets:

Financial assets whose contractual cash flows are not considered as SPPI are automatically measured at FVPL. In the business of Erste Group, this concerns certain loans to customers and debt securities. The main reason for the loans failing the SPPI assessment is that they have interest mismatch features that do not pass the quantitative testing required by IFRS 9 (see description in the part 'SPPI assessment' of chapter 'Significant accounting judgements, assumptions and estimates').

Other source of FVPL measurement relates to financial assets that are part of residual business models, i.e. they are neither held to collect contractual cash flows nor held to either collect contractual cash flows or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis. In the business of Erste Group, such business models are typical of assets that are held for trading (i.e. financial assets held by the trading function of the bank), of assets whose value is expected to be primarily realised through sales, such as investments in securitisations or of failed loan syndications when the loan is offered for sale on the market. Further subject to FVPL measurement are financial assets held by funds consolidated by Erste Group since they are managed and their performance is evaluated on a fair value basis.

Erste Group also makes use of the option to designate some financial assets as measured at FVPL at initial recognition. Such a classification is used if it eliminates or significantly reduces an accounting mismatch between the financial asset, which in the absence of such a classification would be measured at amortised cost or at FVOCI, and the related derivative measured at FVPL.

On the balance sheet, debt instrument financial assets measured at FVPL are presented as 'Financial assets held for trading', sub-items 'Other financial assets held for trading' and 'Non-trading financial assets at fair value through profit or loss' (sub-items 'Debt securities', 'Loans and advances to banks' and 'Loans and advances to customers'). Non-trading financial assets consist of two sub-categories disclosed in Note 19 which are 'mandatorily at fair value through profit or loss' and 'designated at fair value through profit or loss'. Financial assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows are not SPPI or they are held as part of residual business models that are other than held for trading.

Investments in equity instruments that are held for trading (i.e. financial assets held by the trading function of the bank) are measured at FVPL. They are included in the balance sheet under the line 'Financial assets held for trading', sub-item 'Other financial assets held for trading'. Investments in equity instruments that are not held for trading are also measured at FVPL (unless they are designated at FVOCI). They are presented in the balance sheet under 'Non-trading financial assets at fair value through profit or loss', sub-item 'Equity instruments', sub-category 'mandatorily at fair value through profit or loss' in Note 19.



In the statement of income, the profit or loss effects of financial assets measured at FVPL are split into interest income or dividend income and fair value gains and losses. The interest income on debt instruments is presented in the line 'Net interest income' and is calculated by applying the EIR to the amortised cost component of the financial assets. The dividend income on equity instruments is presented in the line 'Dividend income'. The fair value gains or losses are calculated net of the interest or dividend income, and they also include transaction costs and origination fees. They are reported in the line 'Net trading result' for financial assets held for trading and in the line 'Gains/losses from financial instruments measured at fair value through profit or loss' in case of non-trading financial assets at FVPL. For investments in funds, which are not consolidated by Erste Group, the interest or dividend component is not separated from the fair value gains or losses.

#### Classification and subsequent measurement of financial liabilities under IFRS 9

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss.

##### **i. Financial liabilities at amortised cost**

For presentation on the balance sheet, the line item 'Financial liabilities measured at amortised cost' is used. The liabilities are further broken down into 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are reported in the line item 'Net interest income' in the statement of income. Gains and losses from derecognition (mainly repurchase) are reported under the line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

##### **ii. Financial liabilities at fair value through profit or loss**

Financial liabilities at FVPL consist of financial liabilities held for trading and financial liabilities designated at FVPL.

Non-derivative financial liabilities held for trading are those which are incurred principally for the purpose of repurchasing them in the near term. In the business of Erste Group non-derivative held-for-trading liabilities are largely comprise short sales. These arise from obligations to return securities, which are purchased under agreements to resell or are borrowed through securities lending transactions and subsequently sold to third parties. On the balance sheet such liabilities are presented under the line 'Financial liabilities held for trading', sub-item 'Other financial liabilities'. The gains or losses on financial liabilities held for trading are reported in the line 'Net trading result' in the statement of income.

Erste Group makes use of the option to designate some financial liabilities as measured at FVPL at initial recognition (referred to as fair value option) if:

- \_ such classification eliminates or significantly reduces an accounting mismatch between the financial liability otherwise measured at amortised cost and the related derivative measured at FVPL; or
- \_ the entire hybrid contract is designated at FVPL due to the existence of a non-closely related embedded derivative.

Financial liabilities designated at FVPL are reported on the balance sheet under the line item 'Financial liabilities designated at fair value through profit or loss' and are further broken down into 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'. Other financial liabilities relate to fund units issued by funds consolidated by Erste Group. Interest incurred is reported in the statement of income under the line item 'Net interest income'. Gains and losses resulting from changes in fair value are recognised net of the interest expense under the line item 'Gains/losses from financial instruments measured at fair value through profit or loss'.

The amount of the fair value change resulting from the credit risk of the financial liability for the period is presented as OCI in the statement of comprehensive income in the line 'Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk'. The cumulative amount is recognised as accumulated OCI, specifically under 'Liability own credit risk reserve' in the statement of changes in equity. The cumulative amount is calculated as the difference between the present value of the liability determined by using the original credit spread and the fair value of the liability. When calculating the present value of the liability by using the original credit spread the rate used for discounting is the sum of the observed interest rate (swap yield curve) and the original credit spread. The original credit spread is determined at initial recognition of the liability and it equals the difference between the total yield of the liability and the observed interest rate (swap yield curve) at that time. For the purpose of calculation of the present value of the liability, the original credit spread remains fixed over the whole life of the liability. The amount of fair value change attributable to changes in credit risk of the liability for the period which is recognised in OCI is the difference between the cumulative amount of the credit risk at the end of the period and at the beginning of the period.

### Classification, subsequent measurement and balance sheet line items of financial instruments under IAS 39

As regards the comparative period information on financial instruments in accordance with IAS 39, Erste Group uses the following categories of financial instruments:

- \_ financial assets or financial liabilities at fair value through profit or loss;
- \_ available-for-sale financial assets;
- \_ held-to-maturity investments;
- \_ loans and receivables; and
- \_ financial liabilities measured at amortised cost.

The line items as presented on the balance sheet do not necessarily correspond with the IAS 39 categories of financial instruments. The correspondence between the balance sheet line items and the categories of financial instruments is described in the table at item (ix).

#### **i. Cash and cash balances in the comparative period**

Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

#### **ii. Derivative financial instruments in the comparative period**

Please refer to the part ‘Derivative financial instruments’ below.

#### **iii. Financial assets and financial liabilities – held for trading in the comparative period**

Financial assets and financial liabilities – held for trading comprise derivatives and other trading assets and liabilities. The treatment of derivatives – held for trading is discussed in the part Derivative financial instruments below.

Other trading assets and liabilities are non-derivative instruments. They include debt securities as well as equity instruments acquired or issued principally for the purpose of selling or repurchasing in the near term. In the balance sheet, they are presented as ‘Other trading assets’ or ‘Other trading liabilities’ under the heading ‘Financial assets/financial liabilities – held for trading’.

Changes in fair value (clean price for debt instruments) resulting from other trading assets and liabilities are reported in the statement of income under the line item ‘Net trading result’. Interest income and expenses are reported in the statement of income under the line item ‘Net interest income’. Dividend income is shown under the line item ‘Dividend income’.

If securities purchased under an agreement to resell or borrowed through securities lending transactions are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within ‘Other trading liabilities’.

#### **iv. Financial assets or financial liabilities designated at fair value through profit or loss in the comparative period**

Financial assets or financial liabilities classified in this category under IAS 39 are those that were designated by management on initial recognition (fair value option).

In 2017 Erste Group used the fair value option in the case of financial assets managed on a fair value basis. In accordance with a documented investment strategy, the performance of the portfolio is evaluated and regularly reported to the management board. The portfolio contains mostly funds and bonds.

Financial assets designated at fair value through profit or loss are recorded on the balance sheet at fair value and presented under the line item ‘Financial assets at fair value through profit or loss’, with changes in fair value recognised in the statement of income under the line item ‘Gains/losses from financial assets and liabilities measured at fair value through profit or loss’. Interest earned on debt instruments is reported under the line item ‘Net interest income’. Dividend income on equity instruments is shown under the line item ‘Dividend income’.

Furthermore, Erste Group uses the fair value option in the case of some hybrid financial liabilities. This is relevant when:

- \_ such classification eliminates or significantly reduces an accounting mismatch between the financial liability otherwise measured at amortised cost and the related derivative measured at fair value; or
- \_ the entire hybrid contract is designated at fair value through profit or loss due to the existence of an embedded derivative.

Financial liabilities designated at fair value through profit or loss are reported on the balance sheet under the line item ‘Financial liabilities designated at fair value through profit or loss’ further broken down into ‘Deposits from customers’ and ‘Debt securities issued’. Changes



in fair value are recognised in the statement of income under the line item 'Gains/losses from financial assets and liabilities measured at fair value through profit or loss'. Interest incurred is reported under the line item 'Net interest income'.

#### **v. Financial assets available for sale in the comparative period**

Available-for-sale financial assets include debt and equity securities as well as other interests in entities with lower than significant influence. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

Available-for-sale financial assets are measured at fair value. On the balance sheet, available-for-sale financial assets are disclosed under the line item 'Financial assets available for sale'.

Unrealised gains and losses are recognised in OCI and reported in the 'Available for sale reserve' until the financial asset is disposed of or impaired. If available-for-sale assets are disposed of or impaired, the cumulative gain or loss previously recognised in OCI is reclassified to profit or loss and reported in the line item 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net' in the case of sale or in the line item 'Net impairment loss on financial assets' in the case of impairment.

Interest income on available-for-sale financial assets is reported under the line item 'Net interest income'. Dividend income is reported under the line item 'Dividend income'.

In 2017, as part of the IFRS 9 implementation, valuation models were developed for investments in unquoted equities that were previously measured at cost less impairment. Erste Group considers that these models deliver reliable, fair value measurement. As a result, these investments were remeasured to fair value throughout 2017.

#### **vi. Financial assets held to maturity in the comparative period**

Under IAS 39, non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity and reported on the balance sheet as 'Financial assets held to maturity' if Erste Group has the intention and ability to hold them until maturity. After initial recognition, held-to-maturity financial assets are measured at amortised cost. Amortised cost is calculated by taking into account any discount, premium and/or transaction costs that are an integral part of the effective interest rate.

Interest earned on financial assets held to maturity is reported in the statement of income under the line item 'Net interest income'. Losses arising from impairment of such financial assets are presented as 'Net impairment loss on financial assets'. Realised gains or losses from selling are recognised in the statement of income under the line item 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net'.

#### **vii. Loans and receivables in the comparative period**

The balance sheet line item 'Loans and receivables to credit institutions' includes financial instruments that are allocated to the IAS 39 financial instrument category loans and receivables with a contractual maturity of more than 24 hours. The balance sheet line item 'Loans and receivables to customers' includes financial instruments that are allocated to the financial instrument category loans and receivables regardless of their contractual maturity. Furthermore, finance lease receivables that are accounted for using IAS 17 are presented under these balance sheet line items.

Under IAS 39, loans and receivables are non-derivative financial assets (including debt securities) with fixed or determinable payments that are not quoted in an active market, other than:

- \_ those that Erste Group intends to sell immediately or in the near term and those that Erste Group upon initial recognition designates as at fair value through profit or loss;
- \_ those that Erste Group, upon initial recognition, designates as available for sale; or
- \_ those for which Erste Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial recognition, loans and receivables are measured at amortised cost. Finance lease receivables are subsequently measured as specified in the chapter 'Leasing'. Interest income earned is included under the line item 'Net interest income' in the statement of income. Impairment losses arising from loans and receivables are recognised in the statement of income under the line item 'Net impairment loss on financial assets'.

### viii. Financial liabilities measured at amortised cost in the comparative period

Financial liabilities are measured at amortised cost unless they are measured at fair value through profit or loss.

For presentation on the balance sheet, the line item 'Financial liabilities measured at amortised cost' is used. The liabilities are further broken down by 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are reported in the line item 'Net interest income' in the statement of income. Gains and losses from derecognition (mainly repurchase) of financial liabilities at amortised cost are reported under the line item 'Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net'.

### ix. Relationships between balance sheet items, measurement methods and categories of financial instruments in the comparative period

Balance sheet position	Measurement principle			Financial instrument category
	Fair value	Amortised cost	Other	
<b>Assets</b>				
Cash and cash balances		x	Nominal value	n/a / Loans and receivables
Financial assets - held for trading				
Derivatives	x			Financial assets at fair value through profit or loss
Other trading assets	x			Financial assets at fair value through profit or loss
Financial assets - at fair value through profit or loss	x			Financial assets at fair value through profit or loss
Financial assets - available for sale	x			Available for sale financial assets
Financial assets - held to maturity		x		Held to maturity investments
Loans and receivables to credit institutions		x		Loans and receivables
thereof Finance lease			IAS 17	n/a
Loans and receivables to customers		x		Loans and receivables
thereof Finance lease			IAS 17	n/a
Derivatives - hedge accounting	x			n/a
<b>Liabilities and equity</b>				
Financial liabilities - held for trading				
Derivatives	x			Financial liabilities - at fair value through profit or loss
Other trading liabilities	x			Financial liabilities - at fair value through profit or loss
Financial liabilities - at fair value through profit or loss	x			Financial liabilities - at fair value through profit or loss
Financial liabilities measured at amortised cost		x		Financial liabilities measured at amortised cost
Derivatives - hedge accounting	x			n/a

Furthermore, two additional classes of financial instruments that are not presented in the table above are part of IFRS 7 disclosures. These are financial guarantees and irrevocable credit commitments.

### Impairment of financial instruments under IFRS 9

Erste Group recognises loss allowances for impairment on its debt instrument financial assets, other than those measured at FVPL, its lease receivables, and its off-balance credit risk exposures arising from financial guarantees and certain loan commitments. The impairment is based on expected credit losses whose measurement reflects:

- \_ an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- \_ the time value of money; and
- \_ reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of the impairment loss is recognised as a loss allowance. For the purpose of the measurement of the amount of expected credit loss and recognition of interest income, Erste Group distinguishes between three stages of impairment.

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.

Financial instruments in Stage 2 are subject to significant increase in credit risk since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset (as for Stage 1).

Financial assets in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, Erste Group generally adopted the approach of aligning it with the regulatory concept of 'default' for lending exposures. The impairment for such financial assets is measured in the amount of lifetime expected credit loss. Interest income is recognised by EIR applied to the amortised cost (i.e.

the net carrying amount) of the financial asset. From a balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss). Stage 3 classification is not relevant for loan commitments and financial guarantees.

More detailed information about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 36 Risk management, the part Credit risk.

The loss allowances decrease the value of the assets, i.e. for financial assets measured at amortised cost, the net carrying amount of the financial asset presented on the balance sheet is the difference between the gross carrying amount and the cumulative loss allowance. However, for financial assets measured at FVOCI, the loss allowance is recognised in accumulated OCI, specifically under 'Fair value reserve' in the statement of changes in equity. Loss allowances for loan commitments and financial guarantees are presented under the balance sheet line item 'Provisions'.

For financial assets that are credit-impaired at initial recognition (purchased or originated credit-impaired – POCI – financial assets) lifetime expected credit losses are initially reflected in the credit-adjusted effective interest rate. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets. No impairment stages are distinguished for the POCI financial assets.

In the statement of income, impairment losses and their reversals (gains) on all kinds of financial instruments are presented in the line item 'Impairment result from financial instruments'.

#### **Impairment of financial assets and credit risk losses of contingent liabilities under IAS 39**

Under IAS 39 Erste Group assessed at each balance sheet date whether there was any objective evidence that a financial asset or group of financial assets was impaired. A financial asset or group of financial assets was deemed to be impaired if, and only if, there was objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or the group of financial assets that could be reliably estimated. Erste Group uses the CRR definition of default as a primary indicator of loss events.

In order to maximise collection opportunities and minimise the number of defaults, Erste Group renegotiates loans to customers in financial difficulties (referred to as forbearance cases). Both retail and corporate loans can be subject to forbearance. Under the Erste Group's forbearance policy, loan forbearance can be granted if the debtor is currently in default or if there is a high risk of default, there is evidence that the debtor made all efforts to pay according to the original contractual terms and it is expected that the debtor is able to meet the revised terms. Revised terms could be extended maturity, instalment reduction, changing the timing of the interest payments, interest reduction or forgiveness, revolving exposure change to instalments.

Loans subject to forbearance are generally not derecognised and are considered for impairment based on renegotiated conditions. However, in certain cases (like for FX loan conversions) when the renegotiation is qualitatively assessed as a substantial extinguishment of the rights to collect the cash flows due to material changes in the timing and amount of the cash flows, the loan is derecognised and the renegotiated loan is recognised as a new loan initially measured at fair value.

For assessment at portfolio level, Erste Group used the incurred but not reported losses concept under IAS 39. This concept identified the time period between the moment of the loss event causing future problems and actual detection of the problems by the bank at the moment of default.

Credit risk losses resulting from contingent liabilities were recognised if it was probable that an outflow of resources to settle a credit risk bearing contingent liability would occur and that this outflow would result in a loss.

#### **Write-offs**

Erste Group writes off a financial asset or a part of it when it has no reasonable expectations of recovering the respective cash flows. When performing the write-off, the gross carrying amount of the asset is reduced simultaneously with the related loss allowance balance.

Erste Group has specified criteria for writing off the unrecoverable balances in its loan business. Write-off can result from forbearance measures whereby the bank contractually waives part of the existing balance in order to help the customers overcome financial difficulties and thus improve the prospects of recovering the remaining loan balance (normally this relates to going concern scenarios for corporate customers). In gone concern scenarios with corporate customers, write-offs of the unrecoverable exposure parts are triggered by enforcement activities such as filing or termination of legal proceedings (bankruptcy, liquidation, court case). Other write-off triggers may result from decisions about no enforcement due to worthlessness of the claim/collateral or generally from assessment that the receivable is economically lost. For retail customers, the non-recoverability and the timing and amounts of write-off crystallise during the collection process when it becomes evident that the amount due cannot be collected, e.g. due to ongoing bankruptcy proceedings. Residual uncollectable balances are written off after the collection process.

## Derecognition of financial instruments including treatment of contractual modifications

### i. Derecognition of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- \_ the contractual rights to receive cash flows from the asset have expired; or
- \_ Erste Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
- \_ and either:
  - \_ it has transferred substantially all risks and rewards connected with ownership of the asset, or
  - \_ has neither transferred nor retained substantially all risks and rewards connected with ownership of the asset but has transferred control of the asset.

The difference between the carrying amount of the derecognised asset and the consideration received is presented in the statement of income in the line 'Gains/losses from derecognition of financial assets measured at amortised cost' or, for financial assets at FVOCI, in the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'. For financial assets measured at FVPL the derecognition gains or losses are recognised together with the measurement result in the lines 'Net trading result' or 'Gains/losses from financial instruments measured at fair value through profit or loss'.

In the comparative period, line items 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net', 'Result from financial assets and liabilities designated at fair value through profit or loss' and 'Net trading result' are used depending on the measurement category of the derecognised financial assets.

### ii. Derecognition criteria with respect to contractual modifications of financial assets

In the normal course of running its lending business and in agreement with the respective debtors, Erste Group may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty. For the purpose of capturing the economic substance and financial effect of such contractual modifications, Erste Group has developed a set of criteria to assess whether or not the modified terms are substantially different from the original terms. While having been partly applied in the IAS 39 environment, these criteria have been further adapted to concepts brought by IFRS 9, e.g. modification of contractual cash flows.

Substantial modifications lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument. They include following events:

- \_ change of the contractual counterparty (unless this is a formal change such as changes in legal name);
- \_ change in the currency of the contract (unless the change results from exercising an embedded option in the original contract with pre-agreed conditions of the change, or if the new currency is pegged to the original currency);
- \_ introduction of a non-SPPI contractual feature (unless it is intended to improve recoveries from debtors by granting concessions supporting them to recover from financial difficulties); and
- \_ removal of a non-SPPI contractual feature.

Some derecognition criteria distinguish whether contractual modifications are applied to debtors facing financial difficulties. Application of certain modifications to debtors in financial difficulties is not considered as substantial since they are aimed at improving the prospects of the bank to recover the claims by tailoring the repayment schedules to specific financial conditions of those debtors. On the other hand, such contractual modifications applied to performing debtors may be considered as substantial enough to warrant the derecognition, as further detailed below.

From this perspective, the following criteria lead to derecognition unless they are considered as forbearance measures, they are applied to customers in default or they trigger default:

- \_ repayment schedule changed in a way that the weighted remaining maturity of the assets is modified by more than 100% and not less than two years compared to the original asset;
- \_ change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months); or
- \_ commercial renegotiations initiated by a debtor seeking better terms as an alternative to re-financing while a prepayment/early termination option and a sufficiently competitive refinancing market exist. Furthermore, the costs that the debtor would incur in case of prepayment/early termination would have to be assessed as sufficiently low for not deterring it. This derecognition trigger rarely applies to loan assets in Stage 2 and never in Stage 3.

If contractual modifications that qualify as forbearance measures are applied to customers in default or trigger default are so significant that they are qualitatively assessed as an extinguishment of original contractual rights, they result in derecognition. Examples of such modifications are:

- \_ a new agreement with materially different terms signed up as part of distressed restructuring following a standstill agreement suspending the rights of the original assets;
- \_ consolidation of multiple original loans into one with substantially different terms; or
- \_ transformation of a revolving loan into non-revolving.

Contractual modifications leading to derecognition of the related original assets result in the initial recognition of new financial assets. If the debtor is in default or the significant modification leads to the default, then the new asset will be treated as POCI. The difference between the carrying amount of the derecognised asset and initial fair value of the new POCI asset is presented in the statement of income in the line 'Impairment result from financial instruments'.

If the debtor is not in default or the significant modification does not lead to default, the new asset recognised after derecognition of the original asset will be in Stage 1. For loans measured at amortised cost, the unamortized balance of the origination fees/transaction costs considered in the effective interest rate is presented in the line 'Net interest income' at the derecognition date. The release of the credit loss allowance attached to the original asset at the date of that significant modification as well as the credit loss allowance recognised for the new asset are presented in the line 'Impairment result from financial instruments'. The remaining difference is presented in the line 'Gains/losses from derecognition of financial assets measured at amortised cost'.

For financial assets measured at FVPL, irrespective of whether they are in default, the derecognition gains and losses are included in the same line items of the statement of income as their measurement result, i.e. in 'Gains/losses from financial instruments measured at fair value through profit or loss'.

For debt instrument assets not measured at FVPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss. The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original effective interest rate. In the statement of income, the modification gain or loss is presented in the line 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment result from financial instruments'. However, to the extent that the contractual modification involves the bank giving up its rights of collecting cash flows in respect of an outstanding amount of the asset, such as waiving (part of) principal or accrued interest amount, it is treated as a write-off.

### **iii. Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. This normally occurs when the liability is repaid or repurchased. In the statement of income, the difference between the carrying amount of the derecognised financial liability and the consideration paid is presented in the line 'Other gains/losses from financial instruments not measured at fair value through profit or loss' (in the comparative period, 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net'), 'Gains/losses from financial instruments measured at fair value through profit or loss' and 'Net trading result' depending on the measurement category of the derecognised financial liability.

### Derivative financial instruments

Derivative financial instruments are used by Erste Group to manage exposures to interest rates, foreign currencies and other market price risks. Derivatives used by Erste Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps.

For presentation purposes, derivatives are split into

- \_ Derivatives – held for trading; and
- \_ Derivatives – hedge accounting

Derivative financial instruments are carried at fair value (dirty price) on the balance sheet. Derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Derivatives – held for trading are those that are not designated as hedging instruments for hedge accounting. They are presented in the line item ‘Derivatives’ under the heading ‘Financial assets/Financial liabilities held for trading’. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, are presented in this line item.

Derivatives – hedge accounting are those that are designated as hedging instruments in hedge accounting relationships fulfilling the conditions of IAS 39 (please refer to the Hedge Accounting part). On the balance sheet, they are presented in the line item ‘Hedge accounting derivatives’ on the asset or liability side.

Changes in the fair value (clean price) of derivatives – held for trading are reported in the statement of income in the line item ‘Net trading result’. Interest income/expense related both to held-for-trading and hedging derivatives is presented in the statement of income under the line item ‘Net interest income’. Interest income/expense recognition is based on EIR-like accruals in respect of the notional amount including up-front fees, if any.

Changes in the fair value (clean price) of derivatives designated as hedging instruments in fair value hedges are recognised in the statement of income in the line item ‘Net trading result’.

The effective part of changes in the fair value (clean price) of derivatives in cash flow hedges is reported as other comprehensive income in the line item ‘Cash flow hedge reserve’ of the statement of comprehensive income. The accumulated other comprehensive income is presented under ‘Cash flow hedge reserve’ in the statement of changes in equity. The ineffective part of changes in the fair value (clean price) of derivatives in cash flow hedges is reported in the statement of income under the line item ‘Net trading result’.

Interest income/expense related to derivatives in both fair value and cash flow hedges is reported in the statement of income in the line item ‘Net interest income’. Interest income/expense recognition is based on EIR-like accruals in respect of the notional amount including up-front fees, if any.

### Embedded derivatives

Erste Group issues certain financial liabilities which contain structured features. Structured features mean that a derivative is embedded in non-derivative host instruments. Embedded derivatives are separated from the host instruments if

- \_ the economic characteristics of the derivatives are not closely related to the economic characteristics and risks of the host debt instruments;
- \_ the embedded derivative meets the definition of a derivative; and
- \_ the hybrid instrument is not a financial asset or liability held for trading or designated at fair value through profit or loss.

Embedded derivatives that are separated are accounted for as stand-alone derivatives and presented on the balance sheet under the line item ‘Derivatives’ in financial assets held for trading and financial liabilities held for trading.

At Erste Group, derivatives that are not closely related and are separated are predominantly embedded in issued host debt instruments recognised as liabilities. The most typical cases are issues of bonds and deposits such as CMS bonds without appropriate cap, contractual features linking payments to non-interest variables such as FX rates, equity and commodity prices and indices, or third-party credit risk. From 2018, instead of separating the embedded derivatives, Erste Group largely uses the possibility to designate the entire financial liability as measured at FVPL.



### Repurchase and reverse repurchase agreements

Transactions involving sales of securities under an agreement to repurchase them at a specified future date are also known as ‘repos’ or ‘sale and repurchase agreements’. Securities sold in such transactions are not derecognised from the balance sheet, as Erste Group retains substantially all risks and rewards of ownership, because the securities are repurchased at a fixed price when the repo transaction ends. Furthermore, Erste Group is the beneficiary of all coupons and other income payments received on the transferred assets over the period of the repo transactions. These payments are remitted to Erste Group or are reflected in the repurchase price.

The cash received upon sale of securities is recognised on the balance sheet with a corresponding obligation to return under the line item ‘Financial liabilities measured at amortised cost’, sub-items ‘Deposits from banks’ or ‘Deposits from customers’ reflecting the transaction’s economic substance as a loan to Erste Group. The difference between the sale and repurchase prices is treated as interest expense and recorded in the statement of income under the line item ‘Net interest income’ and is accrued over the life of the agreement. Financial assets transferred out by Erste Group under repurchase agreements remain on the Group’s balance sheet and are presented separately under the original balance sheet items in the ‘thereof pledged as collateral’ lines. The measurement of the transferred financial assets does not change.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised on the balance sheet. Such transactions are also known as ‘reverse repos’. The consideration paid is recorded on the balance sheet under the line item ‘Financial assets at amortised cost’, sub-items ‘Loans and advances to banks’ and ‘Loans and advances to customers’ reflecting the transaction’s economic substance as a loan by Erste Group. For the comparative period the balance sheet lines ‘Loans and receivables to credit institutions’ or ‘Loans and receivables to customers’ are used in this place. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement and recorded in the statement of income under the line item ‘Net interest income’.

### Securities lending and borrowing

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the lending. The transfer of the securities to counterparties via securities lending does not result in derecognition. Substantially all the risks and rewards of ownership are retained by Erste Group as a lender because the securities are received at the end of the securities lending transaction. Furthermore, Erste Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the securities lending. Securities lent are presented separately under the original balance sheet items in the ‘thereof pledged as collateral’ lines. Fee income from securities lending transactions is presented in the statement of income under the line ‘Net fee and commission income’.

Securities borrowed are not recognised on the balance sheet unless they are then sold to third parties. The obligation to return the securities is recorded on the balance sheet as a short sale within ‘Financial liabilities held for trading’, sub-item ‘Other financial liabilities’. Fee expense incurred on securities borrowing transactions is presented in the statement of income in the line ‘Net fee and commission income’.

### Hedge accounting

Erste Group makes use of derivative instruments to hedge exposures to interest rate risk and foreign currency risk. In order for the derivatives and the exposures to qualify for hedge accounting, at inception of a hedge relationship, the bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk offset the fair value changes of the hedging instrument in a range of 80% to 125%. This is assessed both prospectively, i.e. whether the results are expected to be in the range, and retrospectively, i.e. whether the actual results are in the range. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Exact conditions for particular types of hedges and for testing the hedge effectiveness by Erste Group are specified internally in the hedge accounting guidance. As permitted by the transitional provisions of IFRS 9, Erste Group has elected to continue to apply the hedge accounting requirements of IAS 39.

#### i. Fair value hedges

For qualifying and designated fair value hedges, the change in the fair value (clean price) of a hedging instrument is recognised in the statement of income under the line item ‘Net trading result’. Interest income and expenses on hedging derivatives are reported under the line item ‘Net interest income’. The change in the fair value of the hedged item attributable to the hedged risk is also recognised in the statement of income under the line item ‘Net trading result’ and adjusts the carrying amount of the hedged item.

In the comparative period, Erste Group also used portfolio fair value hedges of interest rate risk as regulated by IAS 39.AG114-AG132. Only the interest rate risk from issued bonds was hedged (i.e. no assets were included as hedged items). The change in the fair value of the hedged items attributable to the hedged interest risk is presented on the balance sheet under the line item 'Changes in fair value of portfolio hedged items'. Erste Group does not make use of the relaxation of hedge accounting requirements provided for portfolio fair value hedges by the EU carve-out.

If the hedging instrument expires, is sold, is terminated or is exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the fair value adjustment of the hedged item is amortised to the statement of income under the line item 'Net interest income' until maturity of the financial instrument.

## **ii. Cash flow hedges**

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised as OCI in the line 'Cash flow hedge reserve' of the statement of comprehensive income. The accumulated other comprehensive income is presented under 'Cash flow hedge reserve' in the statement of changes in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised in the statement of income under the line item 'Net trading result'. For determination of the effective and ineffective portions, the derivative is considered at its clean price, i.e. excluding the interest component. When the hedged cash flow affects the statement of income, the gain or loss on the hedging instrument is reclassified from other comprehensive income on the corresponding income or expense line item in the statement of income (mainly 'Net interest income'). As far as accounting for hedged items in cash flow hedges is concerned, there is no change compared to the situation when no hedging is applied.

When a hedging instrument expires, is sold, is terminated, is exercised, or when a hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income remains in 'Cash flow hedge reserve' until the transaction occurs.

## **Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Erste Group undertakes interest rate derivative transactions via London Clearing House and credit derivative transactions via ICE Clear Europe Ltd by fulfilling all offsetting requirements according IAS 32. Offsetting is carried out between asset and liability derivative positions, while the net position is further offset with variation margin amounts.

## **Financial guarantees**

In the ordinary course of business, Erste Group provides financial guarantees, consisting of various types of letters of credit and guarantees. A financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

If Erste Group is in the position of being a guarantee holder, the financial guarantee is not recorded on the balance sheet but is taken into consideration as collateral when determining the impairment of the guaranteed asset.

Erste Group as a guarantor recognises financial guarantees as soon as it becomes a contracting party (i.e. when the guarantee offer is accepted). Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. This amount is subsequently amortised to fee income. If no premium is received at contract inception (i.e. the initial transaction price is zero), this is the price that would be paid to transfer the liability in an orderly transaction between market participants. As a result, the fair value of such a financial guarantee and thus the initial measurement is nil. Subsequent to initial recognition, provisions are recognised based on the expected credit loss impairment model if the amount is higher than the unamortised balance of the initial premium. They are presented on the balance sheet under the line 'Provisions'. In the comparative period, the financial guarantee contracts were reviewed for the possibility that provision recognition under IAS 37 was required. The premium received is recognised in the statement of income under the line item 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

## **Leasing**

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. A finance lease at Erste Group is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. All other lease agreements at Erste Group are classified as operating leases. This mainly includes the leasing of commercial real estate, automobiles and small trucks.



### **i. Erste Group as a lessor**

In the case of a finance lease, the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of income under the line item 'Net interest income'.

In the case of operating leases, the leased asset is reported by the lessor in 'Property and equipment' or in 'Investment properties' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the statement of income under the line item 'Rental income from investment properties & other operating leases'.

The vast majority of lease agreements in which Erste Group operates as a lessor are finance leases.

### **ii. Erste Group as a lessee**

As a lessee, Erste Group has not entered into any leases meeting the conditions of finance leases. Operating lease payments are recognised as an expense in the statement of income on the line item 'Other administrative expenses' on a straight-line basis over the lease term.

## **Foreign currency translation**

The consolidated financial statements are presented in euro, which is the functional currency of Erste Group Bank AG. The functional currency is the currency of the primary business environment in which an entity operates. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

For foreign currency translation, exchange rates quoted by the central banks in each country are used. For Group entities with the euro as functional currency, these are the European Central Bank reference rates.

### **i. Transactions and balances in foreign currency**

Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as of the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as of the balance sheet date. All resulting exchange differences that arise are recognised in the statement of income under the line item 'Net trading result'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items that are measured at fair value (such as equity investments) in a foreign currency are translated using the exchange rates at the date when the fair value was measured, thus the exchange differences are part of the fair value gains or losses.

### **ii. Translation of the statements of Group companies**

Assets and liabilities of foreign operations (foreign subsidiaries and branches) are translated into Erste Group's presentation currency, the euro, at the rate of exchange as of the balance sheet date (closing rate). Their consolidated statement of income and consolidated statement of comprehensive income are translated at the average exchange rate of the respective reporting period calculated on the basis of daily rates. Goodwill, intangible assets recognised on acquisition of foreign subsidiaries (i.e. customer relationships and brand) and fair value adjustments to the carrying amounts of assets and liabilities on the acquisition are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate. Exchange differences arising on translation are recognised in OCI in the line 'Currency translation' of the statement of comprehensive income. The accumulated OCI is presented in equity, specifically under 'Currency translation' in the statement of changes in equity. On disposal of a foreign subsidiary, the cumulative amount of translation differences recognised in other comprehensive income is recognised in the statement of income under the line item 'Other operating result'.

## **Business combinations and goodwill**

### **i. Business combinations**

Business combinations are accounted for using the acquisition method. Goodwill represents the future economic benefits resulting from the business combination arising from assets that are not individually identified and separately recognised. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests, and the fair value of the previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired as well as the liabilities assumed. At the acquisition date, the identifiable assets acquired and the liabilities assumed are generally recognised at their fair values.

If, after reassessment of all components described above, the calculation results in a negative amount, it is recognised as a bargain purchase gain and reported in the statement of income under the line item 'Other operating result' in the year of acquisition.

Non-controlling interests that are present ownership interests in the acquiree are measured at the proportionate share of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Acquisition costs incurred are expensed and included under the statement of income line item 'Other operating result'.

## **ii. Goodwill and goodwill impairment testing**

Goodwill arising on acquisition of a business is carried at cost as established as of the date of acquisition of the business less accumulated subsequent impairment losses, if any. Goodwill is tested for impairment annually in November, or whenever there is an indication of possible impairment during the year, with any impairment determined recognised in profit or loss. The impairment test is carried out for each cash-generating unit (CGU) to which goodwill has been allocated. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is tested for impairment by comparing the recoverable amount of each CGU to which goodwill has been allocated with its carrying amount. The carrying amount of a CGU is based on the amount of net asset value allocated to the CGU taking into account any goodwill and intangible assets recognised at the time of business combination if they are allocated to the CGU.

The recoverable amount is the higher of a CGU's fair value less costs of disposal and its value in use. When available, the fair value less costs of disposal is determined based on recent transactions, market quotations or appraisals. The value in use is determined using a discounted cash flow model (DCF model), which incorporates the specifics of the banking business and its regulatory environment. In determining value in use, the present value of future earnings distributable to shareholders is calculated.

The estimation of future earnings distributable to shareholders is based on financial plans for the CGUs as agreed by the management while taking into account the fulfilment of the respective regulatory capital requirements. The planning period is five years. Any forecasted earnings beyond the planning period are derived on the basis of the last year of the planning period and a long-term growth rate. The present value of such perpetual earnings growing at a stable rate (referred to as terminal value) takes into consideration macroeconomic parameters and economically sustainable cash flows for each CGU.

The cash flows are determined by subtracting the annual capital requirement generated by a change in the amount of risk-weighted assets from the net profit. The capital requirement was defined through the target tier 1 ratio in light of the expected future minimum regulatory capital requirements.

The value in use is determined by discounting the cash flows at a rate that takes into account present market rates and the specific risks of the CGU. The discount rates have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium component is considered in calculation of the discount rate. The values used to establish the discount rates are determined using external sources of information.

When the recoverable amount of a CGU is less than its carrying amount, the difference is recognised as an impairment loss in the statement of income under the line item 'Other operating result'. The impairment loss is allocated first to write down the CGU's goodwill. Any remaining impairment loss reduces the carrying amount of the CGU's other assets, though not to an amount lower than their fair value less costs of disposal. No impairment loss is recognised if the recoverable amount of the CGU is higher than or equal to its carrying amount. Impairment losses relating to goodwill cannot be reversed in future periods.

The goodwill included in the acquisition cost of investments in associates and joint ventures is not tested separately by performing the recurring impairment assessments applicable to goodwill. Instead, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of fair value in use and fair value less costs of disposal) with its carrying amount (after application of the equity method) whenever relevant objective evidence of impairment is identified. Such evidence includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environments in which associates and joint ventures operate, indicating that the cost of the investment may not be recovered.

## **Property and equipment**

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment. Borrowing costs for qualifying assets are capitalised into the costs of property and equipment.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is recognised in the statement of income on the line item 'Depreciation and amortisation' and impairment under the line item 'Other operating result'.

The estimated useful lives are as follows:

	in years
Buildings	30-50
Re-buildings on own and foreign real estates	15-50
Office furniture and equipment	4-10
Passenger cars	4-8
Computer hardware	4-6

Land is not depreciated.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of income under the line item 'Other operating result'.

### Investment properties

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation. In the case of partial own use, the property is investment property only if the owner-occupied portion is insignificant. Investments in land and buildings under construction when the future use is expected to be the same as for investment property are treated as investment property.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment. Investment property is presented on the balance sheet in the line item 'Investment properties'.

Rental income is recognised in the statement of income in the line item 'Rental income from investment properties and other operating leases'. Depreciation is presented in the statement of income in the line item 'Depreciation and amortisation' using the straight-line method over an estimated useful life. The useful lives of investment properties are in the range of 15-100 years. Any impairment losses, as well as their reversals, are recognised under the line item 'Other operating result'.

### Intangible assets

In addition to goodwill, Erste Group's intangible assets include computer software and customer relationships, the brand and other intangible assets. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank.

Costs of internally generated software are capitalised if Erste Group can demonstrate the technical feasibility and intention of completing the software, the ability to use it, how it will generate probable economic benefits, the availability of resources and the ability to measure the expenditures reliably. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition. In the case of Erste Group, these are brands and customer relationships, and they are capitalised on acquisition if they can be measured with sufficient reliability.

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation period and method are reviewed at least at each financial year-end and adjusted if necessary. The amortisation expense on intangible assets with finite lives is recognised in the statement of income under the line item 'Depreciation and amortisation'.

The estimated useful lives are as follows:

	in years
Computer software	4-8
Customer relationships	10-20

Brands are not amortised as they are assumed to have an indefinite useful life. An intangible asset has an indefinite useful life if there are no legal, contractual, regulatory or other factors limiting that useful life. Brands are tested for impairment annually within the cash-generating unit to which they belong, and impairment is recognised if appropriate. Furthermore, each period, brands are reviewed as to whether current circumstances continue to support the conclusion as to indefinite life. In the event of impairment, impairment losses are recognised in the statement of income under the line item 'Other operating result'.

### **Impairment of non-financial assets (property and equipment, investment properties, intangible assets)**

The bank assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Testing for impairment is done at individual asset level if the asset generates cash inflows that are largely independent of those from other assets. The typical case is investment property. Otherwise, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For specific rules related to impairment of goodwill and impairment allocation rules for CGUs, please see the chapter 'Business combinations and goodwill', part (ii) Goodwill and goodwill impairment testing.

If any indication of impairment exists or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or the CGU's fair value less costs of disposal and its value in use. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In measuring value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

At each reporting date, an assessment is made as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the bank estimates the asset's or the CGU's recoverable amount. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairments and their reversals are recognised in the statement of income under the line item 'Other operating result'.

### **Non-current assets and disposal groups held for sale**

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of classification as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. a subsidiary), they are referred to as disposal group held for sale.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line item 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet under the line item 'Liabilities associated with assets held for sale'.

Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Should the impairment loss in a disposal group exceed the carrying amount of the assets that are within the scope of IFRS 5 measurement requirements, there is no specific guidance on how to treat such a difference. Erste Group recognises this difference as a provision under the balance sheet line item 'Provisions'.

### **Defined employee benefit plans**

Defined employee benefit plans operated by Erste Group are for pensions, severance and jubilee benefits. From IAS 19 categorisation perspective, pension and severance benefits qualify as post-employment defined benefits plans whereas jubilee benefits are other long-term employee benefits.

In Austria, the defined benefit pension plans relate only to retired employees. The pension obligations for current employees were transferred to external pension funds in previous years. Remaining with Erste Group is a defined-benefit obligation for entitlements of former employees who were already retired as of 31 December 1998 before the pension reform took effect and for those former employees who retired only in 1999 but remained entitled to a direct pension from Erste Group under individual agreements. Also included are entitlements to resulting survivor pensions.

Severance benefit obligations exist in relation to Austrian employees who entered the Group's employment before 1 January 2003. The severance benefit is one-time remuneration to which employees are entitled when their employment relationship ends. The entitlement to this severance payment arises after three years of employment.

Defined-benefit plans include jubilee benefits. Jubilee payments (payments for long service and/or loyal service) are remuneration tied to the length of an employee's service to the employer. The entitlement to jubilee benefits is established by the applicable collective agreement, which defines both the conditions and amount of the entitlement.

In addition, there are defined employee benefit plans for foreign subsidiaries and branches, mainly in Romania, Croatia, Serbia and Slovakia.

Obligations ensuing from defined employee benefit plans are determined using the projected unit credit method. Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those salaries, pensions and vested rights to future pension payments known as of the balance sheet date but also anticipated future rates of increase in salaries and pensions.

The liability recognised under a defined-benefit plan represents the present value of the defined benefit obligation less the fair value of the plan assets available for the direct settlement of obligations. For all plans, the present value of the obligation exceeds the fair value of the plan assets. The resulting defined benefit liability is reported on the balance sheet under the line item 'Provisions'. At Erste Group, the plan assets consist of qualifying insurance policies purchased to back severance and jubilee benefit provisions. Plan assets for pension provision are held by a long-term employee benefit fund.

Remeasurements consist of actuarial gains and losses on the defined benefit obligations and the return on plan assets. Remeasurements of pension and severance defined-benefit plans are recognised in other comprehensive income. Remeasurements of jubilee defined-benefit plans are recognised in the statement of income under the line item 'Personnel expenses'.

### **Erste Group board members bonus program**

Every year Erste Group grants to its board members a bonus program. It relates to the services rendered by the board members in this year (i.e. 'service year'). The actual payments are conditional on Erste Group performance in the service year and the following five years. In this respect, they are split into a first tranche and five deferred tranches. Fifty percent of the bonuses are paid out in cash and meet the definition of long-term employee benefits in IAS 19. The remaining fifty percent depend on changes in the average share price of Erste Group Bank, AG and thus meet the conditions of cash-settled share-based payment in IFRS 2.

For both parts of the program, the full bonus is recognised as an expense against a liability in the estimated amount in the service year. The liability from the cash-settled share-based payment part is recognised in the balance sheet under 'Other liabilities'. The liability from the employee benefit part is recognised in the balance sheet under 'Provisions'. The expenses including any subsequent adjustments to the liability reflecting the decisions about the actual amount of the bonuses, fulfilment of performance conditions and share price changes are presented in the statement of income under 'Personnel expenses'.

### **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. On the balance sheet, provisions are reported under the line item 'Provisions'. They include credit risk loss provisions for contingent liabilities (particularly financial guarantees and loan commitments) as well as provisions for litigation and restructuring. Expenses or income related to provisions are reported in the statement of income under the line item 'Other operating result'.

### **Levies**

Erste Group recognises a liability or a provision for the levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

### **Income taxes**

#### **i. Current tax**

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted by the balance sheet date.

#### **ii. Deferred tax**

Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as of the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilised. Deferred taxes are not recognised on temporary differences arising from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are

reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the temporary difference is reversed or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at balance sheet date and are expected to apply when the temporary differences are reversed. For subsidiaries, the local tax environments apply.

Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to offset exists and the deferred taxes relate to the same taxation authority.

### **Treasury shares and contracts on treasury shares**

Equity instruments of Erste Group that it or any of its subsidiaries acquire (referred to as treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of Erste Group's own equity instruments, including transaction costs, is recognised directly in equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of its own equity instruments.

### **Fiduciary assets**

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of Erste Group.

### **Dividends on own equity instruments**

Dividends on own equity instruments are recognised as a liability and deducted from equity when their payment is confirmed by the Annual General Meeting.

### **Items of the statement of income**

The description and recognition criteria of the line items reported in the statement of income are as follows:

#### **i. Net interest income**

Interest income and interest expense are recorded using the EIR method as discussed in chapter 'Financial instruments', 'Measurement methods for financial instruments', part (i) Amortised cost and effective interest rate.

Interest income includes interest income on loans and advances to credit institutions and customers, on cash balances, and on bonds and other interest-bearing securities in all measurement categories of financial assets. Interest expenses include interest paid on deposits from customers, deposits from banks, debt securities issued and other financial liabilities in all measurement categories of financial liabilities. Net interest income also includes interest on derivative financial instruments.

In addition, modification gains and losses recognised on financial assets in Stage 1 are presented as net interest income. Further, the unamortised balance of the origination fees/transaction costs upon derecognition of assets in Stage 1 and 2 considered in the effective interest rate is presented in the line 'Net interest income' at the derecognition date. Also, negative interest from financial liabilities and financial assets is presented in 'Net interest income'.

Apart from financial instruments, net interest income also includes net interest cost on severance payment, pension and jubilee obligations.

#### **ii. Net fee and commission income**

Erste Group earns fee and commission income from a diverse range of services that it provides to its customers.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include lending fees, guarantee fees, commission income from asset management, custody and other management and advisory fees as well as fees from insurance brokerage, building society brokerage and foreign exchange transactions.

Fee income earned from providing transaction services, such as arranging the acquisition of shares or other securities or the purchase or sale of businesses, is recognised upon completion of the underlying transaction.

### **iii. Dividend income**

Dividend income is recognised when the right to receive the payment is established. This line item includes dividends from all shares and other equity investments, i.e. from those that are held for trading, non-trading equity instruments at FVPL and at FVOCI.

### **iv. Net trading result**

Results arising from trading activities include all gains and losses from changes in the fair value (clean price) of financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedging instruments. The net trading result also includes any ineffective portions recorded in fair value and cash flow hedge transactions as well as foreign exchange gains and losses on all monetary assets and liabilities.

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

Changes in fair value (clean price) of non-trading financial assets at fair value through profit or loss, including gains and losses on their derecognition, are presented under this line item. This concerns both non-trading financial assets designated and those mandatorily measured at FVPL. Gains and losses (clean price) of financial liabilities designated at FVPL, including gains and losses on their derecognition, are also presented under this line item. In the comparative period this line item includes only changes in fair value (clean price) of financial assets and liabilities designated at FVPL.

### **vi. Net result from equity method investments**

The line item contains result from associates and joint ventures recorded by applying the equity method (measured as the investor's share of profit or loss in the associates and joint ventures).

However, impairment losses, reversal of impairment losses and realised gains and losses on investments in associates or joint ventures accounted for using the equity method are reported under the line item 'Other operating result'.

### **vii. Rental income from investment properties and other operating leases**

Rental income from investment properties and other operating leases is recognised on a straight-line basis over the lease term.

### **viii. Personnel expenses**

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies. They also include service costs for severance payments, pension and jubilee obligations and remeasurements of jubilee obligations. Furthermore, restructuring provisions expenses may be part of personnel expenses.

### **ix. Other administrative expenses**

Other administrative expenses include primarily information technology expenses, expenses for office space, office operating expenses, advertising and marketing, and expenditures for legal and other consultants. Furthermore, the line item contains deposit insurance contributions expenses. Restructuring provisions expenses may also be presented in other administrative expenses.

### **x. Depreciation and amortisation**

This line item comprises depreciation of property and equipment, depreciation of investment property and amortisation of intangible assets.

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

This line item includes selling and other derecognition gains or losses on financial assets measured at amortised cost. However, if such gains/losses relate to derecognition of financial assets in Stage 3, they are included in the line item 'Impairment result from financial instruments'.

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

This line item includes selling and other derecognition gains or losses on financial assets at FVOCI, financial liabilities measured at amortised cost and other financial instruments not measured at FVPL, such as finance lease receivables or financial guarantees. However, if such gains/losses relate to financial assets in Stage 3 they are included in the line item 'Impairment result from financial instruments'.

### **xiii. Impairment result from financial instruments**

Net impairment losses on financial instruments comprise impairment losses and reversals of impairment on all kinds of financial instruments, to which the IFRS 9 expected credit loss impairment model applies. The impairment result also includes recoveries on written-off financial assets. Modification gains and losses recognised on financial assets in Stage 2 and Stage 3 are also presented as the impairment result. Moreover, gains/losses from derecognition of financial assets in Stage 3 are included as part of the impairment result.



#### **xiv. Other operating result**

Other operating result reflects all other income and expenses not directly attributable to Erste Group's ordinary activities. Furthermore, levies on banking activities are considered as part of the other operating result.

Other operating result includes impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment and intangible assets. Also included here are any impairment losses on goodwill.

In addition, other operating result encompasses the following: expenses for other taxes; income from the release of and expenses for allocations to provisions; impairment losses (and their reversal if any) as well as selling gains and losses on equity investments accounted for using the equity method; and gains or losses from derecognition of subsidiaries. In the comparative period, other operating result also included income from the release of and expenses for allocations to provisions for credit risk.

There are two additional line items in the statement of income that are relevant only for the comparative period:

#### **xv. Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net in the comparative period**

This line item includes selling and other derecognition gains or losses on available-for-sale and held-to-maturity financial assets, loans and receivables and financial liabilities measured at amortised cost. However, if such gains/losses relate to individually impaired financial assets they are included as part of the net impairment loss.

#### **xvi. Net impairment loss on financial assets in the comparative period**

Net impairment losses on financial assets comprise impairment losses and reversals of impairment on loans and receivables, held-to-maturity and available-for-sale financial assets. Net impairment losses relate to allowances recognised both at individual and portfolio (incurred but not reported) level. Direct write-offs are considered as part of impairment losses. This line item also includes recoveries on written-off loans removed from the balance sheet.

## **SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES**

The consolidated financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are as follows:

### **SPPI assessment**

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of significant judgements. These judgements are crucial in the IFRS 9 classification and measurement process as they determine whether the asset must be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI. When taking into consideration specific features of loans in the business of Erste Group, significant areas of judgement are prepayment fees, project financing loans and benchmark test for loans with interest mismatches features.

The assessment whether the prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments is based on comparing the level of the fees with the economic costs incurred by the bank upon the early termination. For these purposes, Erste Group uses a quantitative test where the costs relate to the lost interest margin and the lost interest differential due to a decrease in the interest rates upon early termination or prepayment. The evaluation is normally performed on a portfolio level. The adequacy of the fees can also be defended on a qualitative basis such as common market practice regarding level prepayment fees and their acceptance by authorities.

For project financing loans Erste Group assesses whether they represent basic loan agreements rather than investments in the financed projects. In this respect, credit rating, level of collateralisation, existing sponsor guarantees and the extent of equity funding of the financed projects are considered.

The most critical area of SPPI judgements in the business of Erste Group comprises loans with interest mismatch features. Interest mismatches relate to floating rate financial assets (loans and some debt securities, also referred to as 'deals') where: - the reference rate's (such as Euribor) tenor is different to the rate reset frequency (such as 3-year rate reset every year or interest rate 'basket' consisting of



short and long-term interest rates reset every 3 month, also referred to as ‘tenor mismatch’), - the interest rate is fixed prior to the start of the interest period (such as 3-month Euribor fixed 2 months before the interest period starts), or - time lags arise from average rates over previous periods or - combinations of these features. For this purpose, Erste Group has developed what is called a ‘benchmark test’ to assess whether the interest mismatch feature could result in contractual (undiscounted) cash flows that are significantly different from benchmark deal. Apart from the interest mismatch features, the terms of this benchmark deal correspond to the asset in the test (i.e. if the floating rate reset frequency is 3 months then the floating rate would be the 3-month Euribor and/or no time lag exists in the floating rate fixation).

For assets with interest mismatches resulting only from prior and average rates (i.e. no mismatches resulting from a tenor different from the reset frequency), SPPI compliance is considered to be met based on a qualitative assessment if the time lag between the fixation of the rate and the start of the interest period does not exceed one month.

The quantitative benchmark test is performed at the deal’s initial recognition and uses 250 forward-looking simulations of future market interest rates over the life of the deal. Ratios between the simulated cash flows from the actual deal and the benchmark deal are calculated for each quarter (the ‘periodic cash flow ratio’), and cumulatively over the life of the deal (the ‘cumulative cash flow ratio’). The 5% of outcomes with the highest deviations are considered as extreme and are disregarded. The significance threshold for the periodic cash flow ratio is set to 10%. If simulated cash flows of the tested deal in a specific quarter are less than 1% of the total cash flows over the life of the deal (‘de minimis threshold’), they are disregarded. For the cumulative cash flow ratio, the quantitative significance threshold is set to 5%. If any of the two significance thresholds is breached, the benchmark test is not passed, and the financial asset must be measured at fair value through profit or loss.

Generally, the quantitative benchmark test results are more sensitive to the level of the periodic quantitative significance threshold compared to the cumulative one. Decreasing the periodic cash flow ratio threshold to 5% could lead to a significant increase in the volume of loans measured at fair value through profit or loss. Erste Group does not consider that lowering the threshold would properly capture those interest mismatch features that should lead to FVPL measurement since, based on a quantitative study performed for this purpose, it could lead to fair value measurement even for loans that are generally deemed as basic lending agreements.

Upon transition to IFRS 9 for loans and debt securities assets with an overall carrying amount of around EUR 19 billion, the benchmark test was performed with respect to the interest conditions at their initial recognition. The carrying amount of loans with interest mismatch features which failed in the test and must be measured at FVPL is below EUR 150 million. For new business, no significant volumes with interest mismatch features failing the benchmark test are expected due to mitigating activities taken during the IFRS 9 implementation project aimed at the reduction of the volume of loans that are at risk of being measured at FVPL.

### **Business model assessment**

For each SPPI-compliant financial asset at initial recognition, Erste Group must assess whether it is part of a business model where the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets, or they are held in other business models. As a consequence, the critical aspect in distinguishing the business models is frequency and significance of sales of assets in the respective business model. Since asset allocation to business models is based on the initial assessment, it may happen that in subsequent periods cash flows are realised differently than originally expected, and a different measurement method may seem to be appropriate. In accordance with IFRS 9, such subsequent changes do not generally lead to reclassifications or prior period error corrections in respect of existing financial assets. The new information on how cash flows are realised may, however, indicate that the business model, and thus the measurement method changes for newly acquired or newly originated financial assets.

At Erste Group, sales due to increases in credit risk, sales close to assets’ maturity, infrequent sales triggered by a non-recurring event (such as changes in regulatory or tax environment, major internal reorganisation or a business combination, severe liquidity crisis, etc.) are considered as not contradicting the held to collect contractual cash flows business model. Other kinds of sales carried out in the ‘held to collect’ business model are assessed retrospectively, and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, Erste Group performs a prospective test. If the outcome was that the carrying amount of assets expected to be sold over the expected life of the current business model portfolio, for reasons other than the cases above, exceeds 10% of the carrying amount of the portfolio, any new acquisitions or originations of assets would be classified in a different business model.

### **Impairment of financial instruments**

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, Erste Group has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of com-

plexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level. Measurement of expected credit losses involves complex models relying on historical statistics of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of various scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of prepayment possibilities and in respect of behavioural life of revolving credit facilities.

Under the IAS 39 incurred loss impairment model used for the comparative period, Erste Group reviewed its financial assets not measured at fair value through profit or loss at each balance sheet date to assess whether an impairment loss should be recorded in the statement of income. In particular, this involved determining whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and estimating the amount and timing of future cash flows when determining an impairment loss.

Detailed disclosures about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 36 Risk management, part Credit risk. The development of loan loss provisions is described in Note 21 Financial assets at fair value through other comprehensive income, Note 25 Financial assets at amortised cost, and Note 26 Finance lease receivables. The development of loan loss provisions in the comparative period is included in Note 23 Loans and receivables to credit institutions and Note 24 Loans and receivables to customers.

## Control

IFRS 10 'Consolidated Financial Statements' defines the investor's control over an investee in terms of the investor having all of the following:

- \_ power to direct the relevant activities of the investee, i.e. activities that significantly affect the investee's returns;
- \_ exposure, or rights, to variable returns from its involvement with the investee; and
- \_ the ability to use its power over the investee to affect the amount of the investor's returns.

Hence, assessing the existence of control under this definition may require considerable accounting judgements, assumptions and estimates, notably in non-standard situations such as:

- \_ power stemming both from voting rights and from contractual arrangements (or mostly from the latter);
- \_ exposure stemming both from on-balance investments and from off-balance commitments or guarantees (or mostly from the latter); or
- \_ variable returns stemming both from readily identifiable income streams (e.g. dividends, interest, fees) and from cost savings, economies of scale and/or operational synergies (or mostly from the latter).

In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for the assessment of the following cases:

### **i. The savings bank members of the Austrian cross-guarantee system (Haftungsverbund)**

Erste Group Bank AG is a member of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. As of the balance sheet date, all of Austria's savings banks, in addition to Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG, formed part of this cross-guarantee system. The provisions of the agreement governing the Haftungsverbund are implemented by the steering company Haftungsverbund GmbH. Erste Group Bank AG always holds directly and indirectly at least 51% of the voting rights of the steering company through Erste Bank der oesterreichischen Sparkassen AG and through savings banks in which the Group holds the majority of voting rights.

For all savings banks in which Erste Group holds less than 50% of the voting rights, an assessment of whether control is achieved through the provisions of the Haftungsverbund agreement has been performed.

Based on the contractual agreement, Haftungsverbund GmbH as the steering company is vested with the following substantive rights related to the savings banks:

- \_ participation in the appointment of board members;
- \_ approval of budgets including capital decisions;
- \_ provision of binding guidelines in the areas of risk and liquidity management as well as internal audit; and
- \_ determination of thresholds for capital requirement including the payment of dividends.

Furthermore, taking into account the magnitude of Erste Group's involvement with the member banks – whether in the form of synergies, investments, commitments, guarantees, or access to common resources – the Group has significant exposure to each of the member banks'

variable returns. As Haftungsverbund GmbH is able to affect the variable returns through its power, it has been assessed that Haftungsverbund GmbH has control over the savings banks.

As Erste Group Bank AG controls the steering company, it exercises control over the members of the cross-guarantee system.

## **ii. Investment funds under own management**

The Group has assessed whether the investment funds it manages through its asset management subsidiaries are controlled and hence shall be consolidated. This assessment has been made on the basis that power over such investment funds is generally conferred based on the contractual arrangements appointing an Erste Group subsidiary as fund manager without any substantive removal rights by fund's investors. Furthermore, Erste Group made the conclusive judgement that its exposure to such own-managed funds' variable returns is basically considered as significant if, additionally to the exposure through management fees, the Group is also exposed in the form of at least 20% investment in the fund. Furthermore, in its capacity as fund manager, Erste Group is also able to affect the returns of the funds through its power. Following this assessment, investment funds under own management in which the Group – directly or through its subsidiaries – has significant unit holdings are deemed to be controlled and included in the scope of consolidation.

## **iii. Pension funds under own management**

The Group has assessed whether the contractual arrangements appointing an Erste Group subsidiary as pension fund manager (with no substantive removal rights by the fund's participants) are generally expected to confer power over such funds, followed by an assessment of the Group's exposure/rights to the pension fund's variable returns. The relevant legal requirements regulating the activities of such pension funds in their respective jurisdictions were also considered, notably in assessing the significance of the rights to variable returns from management fees, as well as of the exposure to losses from any guarantees that the fund manager may be legally bound to. As a result of this review, the Czech pension fund 'Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s.' (the 'Transformed pension fund') is not consolidated. There are no further cases of application in Erste Group.

## **Significant influence**

IAS 28 'Investments in Associates and Joint Ventures' defines significant influence as the power to participate in the financial and operating policy decisions of the investee without having control or joint control of those policies. Furthermore, IAS 28 indicates that if an entity holds, directly or indirectly 20% or more of the voting power of the investee, it is presumed that the entity has significant influence unless it can be clearly demonstrated that this is not the case.

In the case of Erste Group, all equity method investments are direct or indirect investments in associates and joint ventures over which the Group exercises significant influence or joint control stemming from voting power greater than 20% up to 50%.

## **Interests in structured entities**

IFRS 12 'Interests in Other Entities' defines structured entities as entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only, and the relevant activities are directed by means of contractual arrangements. IFRS 12 defines the interests as contractual and non-contractual involvements exposing an entity to the variability of returns from the performance of the other entity.

Hence, assessing which entities are structured entities, and which involvements in such entities are interests, may require considerable accounting judgements and assumptions.

In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for assessing involvements with securitisation vehicles and investment funds. In respect to securitisation vehicles, Erste Group assessed that on-balance or off-balance exposures to entities involved in securitisation activities meet the definition of interests in structured entities.

For investment funds, Erste Group reached the conclusion that direct Group exposure would typically indicate an interest in these structured entities, irrespective of whether such exposure comes from on-balance financial assets, off-balance commitments given or management fees varying in relation to the assets under management (for own-managed funds in general). In alignment with the accounting judgement described under the paragraph 'Investment funds under own management' above, own-managed funds where the Group cumulatively holds less than 20% of the related fund units in issue are not consolidated due to lack of control and thus are subject to specific disclosures for unconsolidated structured entities. All on-balance or off-balance exposures to investment funds – mostly in the form of units held in such funds – were considered as being interests in structured entities.

### **Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Using of unobservable inputs is particularly relevant for models used for valuations of loans and unquoted equity investments. Disclosures on valuation models, the fair value hierarchy and fair values of financial instruments can be found in Note 39 Fair value of financial instruments. Based on an analysis carried out by Erste Group it was decided that for the valuation of OTC derivatives no Funding Value Adjustment (FVA) would be considered.

### **Impairment of non-financial assets**

Erste Group reviews its non-financial assets at each balance sheet date to assess whether there is an indication of impairment loss that should be recorded in the statement of income. Furthermore, cash-generating units to which goodwill is allocated are tested for impairment on a yearly basis. Judgement and estimates are required to determine the value in use and fair value less costs of disposal by estimating the timing and amount of future expected cash flows and the discount rates. Assumptions and estimates used in the calculation of impairment of non-financial asset are described in the parts 'Business combinations and goodwill' and 'Impairment of non-financial assets (property and equipment, investment property, intangible assets)' in the Accounting Policies.

### **Deferred tax assets**

Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

### **Defined benefit obligation plans**

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

### **Provisions**

Recognition of provisions requires judgement with respect to whether Erste Group has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Provisions are disclosed in Note 33 Provisions, and further details on provisions for contingent credit liabilities in Note 36 Risk Management, part credit risk. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 38 Contingent liabilities – legal proceedings.

## 1. Net interest income

in EUR million	1-3 17	1-3 18
<b>Interest income</b>		
Financial assets at amortised cost	1,131.0	1,166.0
Financial assets held to maturity	137.7	0.0
Loans and receivables	993.3	0.0
Financial assets at amortised cost	0.0	1,166.0
Financial assets at fair value through other comprehensive income	91.9	55.9
Financial assets available for sale	91.9	0.0
Financial assets at fair value through other comprehensive income	0.0	55.9
Non-trading financial assets at fair value through profit or loss	0.0	17.9
Financial assets held for trading	158.4	480.4
Financial assets at fair value through profit or loss	3.5	0.0
Derivatives - hedge accounting, interest rate risk	-5.9	-62.7
Other assets	9.9	24.4
<b>Total interest income</b>	<b>1,388.8</b>	<b>1,682.0</b>
<b>Interest expenses</b>		
Financial liabilities at amortised cost	-305.1	-222.5
Financial liabilities at fair value through profit or loss	-13.4	-105.7
Financial liabilities held for trading	-101.2	-314.8
Derivatives - hedge accounting, interest rate risk	91.4	66.4
Other liabilities	-5.6	-13.2
<b>Total interest expense</b>	<b>-333.9</b>	<b>-589.8</b>
Negative interest from financial liabilities	9.0	13.8
Negative Interest from financial assets	-12.5	-23.4
<b>Net interest income</b>	<b>1,051.3</b>	<b>1,082.6</b>

For the first quarter of 2018, an amount of EUR 20.0 million relating to impaired financial assets is included in various line items of net interest income. Net interest income includes modification gains or losses of financial instruments which are allocated to the Stage 1.

## 2. Net fee and commission income

in EUR million	1-3 17	1-3 18
Securities	53.6	51.0
Own issues	6.0	6.8
Transfer orders	46.0	42.4
Other	1.6	1.7
Clearing and settlement	2.0	1.1
Asset management	68.7	78.0
Custody	19.8	15.4
Fiduciary transactions	0.8	0.1
Payment services	212.1	212.8
Card business	44.1	46.9
Other	168.0	165.9
Customer resources distributed but not managed	45.1	43.9
Collective investment	3.3	1.4
Insurance products	29.8	32.6
Building society brokerage	5.5	4.0
Foreign exchange transactions	5.9	6.3
Other	0.5	-0.4
Structured finance	0.0	-0.1
Servicing fees from securitization activities	0.0	0.0
Lending business	33.7	40.6
Guarantees given, guarantees received	13.7	14.6
Loan commitments given, loan commitments received	5.2	4.3
Other lending business	14.8	21.6
Other	22.1	35.6
<b>Net fee and commission income</b>	<b>457.7</b>	<b>478.6</b>

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

The fees and commission above include income of EUR 90.2 million relating to financial assets and financial liabilities not measured at fair value through profit or loss. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

### 3. Dividend income

in EUR million	1-3 17	1-3 18
Financial assets held for trading	0.3	0.1
Financial assets at fair value through profit or loss	0.8	0.0
Non-trading financial assets at fair value through profit or loss	0.0	2.2
Financial assets available for sale	2.6	0.0
Financial assets at fair value through other comprehensive income	0.0	0.3
<b>Dividend income</b>	<b>3.7</b>	<b>2.6</b>

### 4. Net trading result

in EUR million	1-3 17	1-3 18
Securities and derivatives trading	-14.6	-41.1
Foreign exchange transactions	65.5	52.9
Result from hedge accounting	-2.3	-0.4
<b>Net trading result</b>	<b>48.6</b>	<b>11.3</b>

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

in EUR million	1-3 17	1-3 18
Result from measurement/sale of financial assets designated at fair value through profit or loss	4.8	-6.4
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	-1.8	33.9
<b>Result from financial assets and liabilities designated at fair value through profit or loss</b>	<b>3.0</b>	<b>27.5</b>
Result from measurement/repurchase of financial assets mandatorily at fair value through profit or loss	0.0	-0.8
<b>Gains/losses from financial instruments measured at fair value through profit or loss</b>	<b>3.0</b>	<b>26.7</b>

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

in EUR million	1-3 17	1-3 18
Investment properties	21.2	21.6
Other operating leases	28.9	26.3
<b>Rental income from investment properties &amp; other operating leases</b>	<b>50.1</b>	<b>47.9</b>

## 7. General administrative expenses

in EUR million	1-3 17	1-3 18
<b>Personnel expenses</b>	<b>-571.7</b>	<b>-604.5</b>
Wages and salaries	-427.3	-455.5
Compulsory social security	-114.0	-112.4
Long-term employee provisions	-7.6	-7.5
Other personnel expenses	-22.8	-29.2
<b>Other administrative expenses</b>	<b>-332.4</b>	<b>-344.5</b>
Deposit insurance contribution	-64.7	-74.2
IT expenses	-91.6	-103.3
Expenses for office space	-60.2	-62.2
Office operating expenses	-27.5	-20.8
Advertising/marketing	-33.3	-36.8
Legal and consulting costs	-30.2	-28.2
Sundry administrative expenses	-24.9	-18.9
<b>Depreciation and amortisation</b>	<b>-114.2</b>	<b>-115.9</b>
Software and other intangible assets	-41.8	-44.0
Owner occupied real estate	-19.7	-18.4
Investment properties	-5.7	-6.5
Customer relationships	-2.0	-2.2
Office furniture and equipment and sundry property and equipment	-45.0	-44.8
<b>General administrative expenses</b>	<b>-1,018.3</b>	<b>-1,065.0</b>

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

in EUR million	1-3 17	1-3 18
From sale of financial assets available for sale	25.6	0.0
From sale of financial assets held to maturity	2.4	0.0
From sale of loans and receivables	0.7	0.0
From repurchase of liabilities measured at amortised cost	-0.4	0.0
<b>Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net</b>	<b>28.3</b>	<b>0.0</b>

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

in EUR million	1-3 17	1-3 18
Gains from sale of financial assets at amortised cost	0.0	0.3
Losses from sale of financial assets at amortised cost	0.0	-0.2
<b>Gains/losses from derecognition of financial assets measured at amortised cost</b>	<b>0.0</b>	<b>0.1</b>

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

in EUR million	1-3 17	1-3 18
From sale of financial assets at fair value through other comprehensive income	0.0	5.0
From sale of financial lease receivables	0.0	0.0
From repurchase of liabilities measured at amortised cost	0.0	-0.9
<b>Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss</b>	<b>0.0</b>	<b>4.1</b>

## 11. Net impairment loss on financial assets

in EUR million	1-3 17	1-3 18
Financial assets available for sale	-4.1	0.0
Loans and receivables	-61.7	0.0
Allocation to risk provisions	-592.0	0.0
Release of risk provisions	461.5	0.0
Direct write-offs	-17.7	0.0
Recoveries recorded directly to the income statement	86.5	0.0
Financial assets held to maturity	0.0	0.0
<b>Net impairment loss on financial assets</b>	<b>-65.8</b>	<b>0.0</b>

## 12. Impairment result from financial instruments

in EUR million	1-3 17	1-3 18
Financial assets at fair value through other comprehensive income	0.0	1.3
Financial assets at amortised cost	0.0	76.9
Net allocation to risk provisions	0.0	67.0
Direct write-offs	0.0	-18.4
Recoveries recorded directly to the income statement	0.0	32.1
Modification gains or losses	0.0	-3.9
Finance lease	0.0	1.6
Net allocation of provisions for commitments and guarantees given	0.0	-25.4
<b>Impairment result from financial instruments</b>	<b>0.0</b>	<b>54.4</b>

## 13. Other operating result

in EUR million	1-3 17	1-3 18
<b>Other operating expenses</b>	<b>-257.2</b>	<b>-127.9</b>
Allocation to other provisions	-83.1	-11.6
Allocation to provisions for commitments and guarantees given	-55.2	0.0
Levies on banking activities	-35.8	-38.6
Banking tax	-25.4	-26.7
Financial transaction tax	-10.4	-11.8
Other taxes	-5.6	-9.5
Recovery and resolution fund contributions	-77.5	-68.2
<b>Other operating income</b>	<b>130.0</b>	<b>-0.2</b>
Release of other provisions	13.2	5.9
Release of provisions for commitments and guarantees given	123.7	0.0
Result from properties/movables/other intangible assets other than goodwill	10.2	4.4
Result from other operating expenses/income	-17.0	-10.5
<b>Other operating result</b>	<b>-127.1</b>	<b>-128.0</b>

## 14. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 114.6 million (EUR 95.6 million), thereof EUR 16.0 million (EUR 23.7 million) net deferred tax expense.

## 15. Cash and cash balances

in EUR million	Dec 17	Mar 18
Cash on hand	4,303	4,470
Cash balances at central banks	16,466	19,497
Other demand deposits at credit institutions	1,028	1,280
<b>Cash and cash balances</b>	<b>21,796</b>	<b>25,246</b>



## 16. Derivatives held for trading

in EUR million	Dec 17			Mar 18		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
<b>Derivatives held in the trading book</b>	<b>177,692</b>	<b>3,433</b>	<b>3,063</b>	<b>190,245</b>	<b>3,284</b>	<b>3,145</b>
Interest rate	115,445	2,929	2,611	115,060	2,808	2,722
Equity	494	5	2	467	4	2
Foreign exchange	61,294	496	443	74,335	447	417
Credit	403	2	7	234	3	4
Commodity	56	0	0	0	0	0
Other	0	0	0	149	21	1
<b>Derivatives held in the banking book</b>	<b>30,555</b>	<b>795</b>	<b>958</b>	<b>26,586</b>	<b>1,328</b>	<b>275</b>
Interest rate	15,069	526	731	15,863	1,131	177
Equity	2,990	127	59	3,651	124	23
Foreign exchange	11,580	102	153	6,509	65	73
Credit	436	15	14	397	7	1
Commodity	2	0	0	0	0	0
Other	479	25	1	166	0	1
<b>Total gross amounts</b>	<b>208,247</b>	<b>4,228</b>	<b>4,021</b>	<b>216,831</b>	<b>4,612</b>	<b>3,420</b>
Offset		-895	-1,087		-916	-1,036
<b>Total</b>		<b>3,333</b>	<b>2,934</b>		<b>3,696</b>	<b>2,384</b>

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

## 17. Other financial assets held for trading

in EUR million	Dec 17	Mar 18
Equity instruments	129	74
Debt securities	2,887	2,833
General governments	2,167	2,111
Credit institutions	507	482
Other financial corporations	41	59
Non-financial corporations	172	181
<b>Other financial assets held for trading</b>	<b>3,016</b>	<b>2,907</b>

## 18. Financial assets at fair value through profit or loss

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

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

in EUR million	Mar 18	
	Designated	Mandatorily
Equity instruments	0	278
Debt securities	579	2,148
General governments	181	630
Credit institutions	339	330
Other financial corporations	59	1,043
Non-financial corporations	0	145
Loans and advances to banks	0	0
Loans and advances to customers	0	401
General governments	0	22
Other financial corporations	0	36
Non-financial corporations	0	125
Households	0	217
Financial assets designated and mandatorily at fair value through profit or loss	579	2,827
<b>Non-trading financial assets at fair value through profit or loss</b>		<b>3,405</b>

## 20. Financial assets available for sale

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

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

in EUR million	Gross carrying amount	Credit loss allowances				POCI	Accumulated other fair value changes	Net carrying amount
		Stage 1	Stage 2	Stage 3				
<b>Mar 18</b>								
Equity instruments	262	0	0	0	0	0	0	262
Debt securities	9,719	-8	-4	0	0	307	10,027	
Central banks	3	0	0	0	0	0	3	
General governments	7,383	-3	0	0	0	186	7,570	
Credit institutions	920	-2	0	0	0	64	984	
Other financial corporations	273	0	-3	0	0	17	289	
Non-financial corporations	1,140	-2	-1	0	0	40	1,180	
<b>Total</b>	<b>9,982</b>	<b>-8</b>	<b>-4</b>	<b>0</b>	<b>0</b>	<b>307</b>	<b>10,289</b>	

## Allowances for financial assets at fair value through other comprehensive income

in EUR million	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of
	Jan 18								Mar 18
<b>Stage 1</b>	-12	-1	1	3	0	0	0	1	-8
Central banks	0	0	0	0	0	0	0	0	0
General governments	-3	0	0	0	0	0	0	0	-3
Credit institutions	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-4	0	1	2	0	0	0	0	0
Non-financial corporations	-3	0	0	0	0	0	0	1	-2
<b>Stage 2</b>	-1	0	0	-3	0	0	0	0	-4
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	-3	0	0	0	0	-3
Non-financial corporations	-1	0	0	0	0	0	0	0	-1
<b>Stage 3</b>	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	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
<b>POCI</b>	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	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
<b>Total</b>	-13	-1	1	0	0	0	0	1	-12

## 22. Financial assets held to maturity

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

## 23. Loans and receivables to credit institutions

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

## Allowances for loans and receivables to credit institutions

in EUR million	As of		Use	Releases	Interest income from impaired loans	Exchange-rate and other changes	As of		Recoveries of amounts previously written off
	Dec 16	Allocations					Mar 17	Amounts written off	
<b>Specific allowances</b>	-2	-1	0	1	0	0	-2	0	0
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	-1	0	1	0	0	-2	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	-1	0	1	0	0	-2	0	0
<b>Collective allowances</b>	-5	-4	0	3	0	1	-6	0	0
Debt securities	-1	0	0	0	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	0	0	0	0	0	-1	0	0
Loans and receivables	-5	-4	0	3	0	1	-5	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-5	-4	0	3	0	1	-6	0	0
<b>Total</b>	<b>-7</b>	<b>-5</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>-8</b>	<b>0</b>	<b>0</b>

## 24. Loans and receivables to customers

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

## Allowances for loans and receivables to customers

in EUR million	As of		Use	Releases	Interest income from impaired loans	Exchange-rate and other changes	As of		Recoveries of amounts previously written off
	Dec 16	Allocations					Mar 17	Amounts written off	
<b>Specific allowances</b>	-3,887	-440	212	301	16	-8	-3,806	-18	86
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	-440	212	301	16	-8	-3,806	-18	86
General governments	-6	0	0	2	0	0	-4	0	0
Other financial corporations	-94	-6	1	5	1	0	-94	0	0
Non-financial corporations	-2,207	-213	72	156	8	0	-2,184	-13	51
Households	-1,580	-221	140	137	7	-8	-1,524	-5	36
<b>Collective allowances</b>	-726	-148	0	157	0	-3	-720	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	-148	0	157	0	-3	-719	0	0
General governments	-13	-1	0	1	0	0	-13	0	0
Other financial corporations	-23	-8	0	6	0	-5	-31	0	0
Non-financial corporations	-401	-76	0	72	0	0	-405	0	0
Households	-288	-63	0	78	0	2	-270	0	0
<b>Total</b>	<b>-4,613</b>	<b>-587</b>	<b>212</b>	<b>458</b>	<b>16</b>	<b>-12</b>	<b>-4,526</b>	<b>-18</b>	<b>86</b>

## 25. Financial assets at amortised cost

in EUR million	Gross carrying amount	Credit loss allowances				Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
<b>Mar 18</b>						
<b>Debt securities</b>	<b>23,717</b>	<b>-5</b>	<b>-2</b>	<b>0</b>	<b>0</b>	<b>23,710</b>
Central banks	13	0	0	0	0	13
General governments	20,901	-3	0	0	0	20,897
Credit institutions	1,901	-1	0	0	0	1,900
Other financial corporations	133	0	0	0	0	133
Non-financial corporations	769	-1	-1	0	0	766
<b>Loans and advances to banks</b>	<b>11,950</b>	<b>-3</b>	<b>-1</b>	<b>-2</b>	<b>0</b>	<b>11,944</b>
Central banks	7,549	0	0	0	0	7,548
Credit institutions	4,401	-3	-1	-2	0	4,395
<b>Loans and advances to customers</b>	<b>140,834</b>	<b>-347</b>	<b>-481</b>	<b>-2,654</b>	<b>-202</b>	<b>137,151</b>
General governments	6,518	-16	-25	-1	0	6,475
Other financial corporations	4,640	-12	-11	-55	-4	4,559
Non-financial corporations	59,159	-188	-200	-1,307	-108	57,356
Households	70,517	-131	-245	-1,291	-89	68,760
<b>Total</b>	<b>176,501</b>	<b>-355</b>	<b>-484</b>	<b>-2,656</b>	<b>-202</b>	<b>172,805</b>

## Allowances for financial assets at amortised cost – debt securities

in EUR million	As of	Increases due to origination and	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of
<b>Stage 1</b>	<b>-6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	-3	0	0	0	0	0	0	0	-3
Credit institutions	-1	0	0	0	0	0	0	0	-1
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-1	0	0	0	0	0	0	0	-1
<b>Stage 2</b>	<b>-3</b>	<b>-2</b>	<b>0</b>	<b>4</b>	<b>-2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>-2</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-3	-2	0	3	-2	0	0	2	-1
<b>Stage 3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	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
<b>POCI</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	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
<b>Total</b>	<b>-9</b>	<b>-2</b>	<b>0</b>	<b>4</b>	<b>-2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>-7</b>

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

in EUR million	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of
	Jan 18								Mar 18
<b>Stage 1</b>	-5	-3	4	0	0	0	0	0	-3
Central banks	-1	0	1	0	0	0	0	0	0
Credit institutions	-5	-3	3	0	0	0	0	0	-3
<b>Stage 2</b>	0	0	0	0	0	0	0	0	-1
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	-1
<b>Stage 3</b>	-2	0	0	0	0	0	0	0	-2
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	0	0	0	0	0	0	0	-2
<b>POCI</b>	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
<b>Total</b>	-8	-3	4	0	0	0	0	0	-6

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

in EUR million	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of
	Jan 18								Mar 18
<b>Stage 1</b>	-345	-44	21	-64	84	2	1	1	-347
General governments	-16	0	0	-3	3	0	0	0	-16
Other financial corporations	-17	-6	2	5	4	0	0	0	-12
Non-financial corporations	-181	-25	16	-31	31	1	0	1	-188
Households	-131	-13	3	-35	45	1	1	-1	-131
<b>Stage 2</b>	-496	-12	16	90	-80	5	0	-5	-481
General governments	-26	0	0	4	-3	0	0	0	-25
Other financial corporations	-3	-2	3	-3	-5	0	0	-1	-11
Non-financial corporations	-217	-6	7	43	-28	4	0	-3	-200
Households	-249	-4	5	46	-44	2	0	-1	-245
<b>Stage 3</b>	-2,825	-26	95	43	-30	10	81	-2	-2,654
General governments	-1	0	0	0	0	0	0	0	-1
Other financial corporations	-89	-3	0	29	0	0	9	0	-55
Non-financial corporations	-1,449	-17	72	41	-13	10	49	0	-1,307
Households	-1,286	-6	23	-28	-17	0	23	-2	-1,291
<b>POCI</b>	-210	-4	7	2	0	-1	2	3	-202
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	-7	0	4	0	0	-1	0	0	-4
Non-financial corporations	-108	-3	2	-3	0	0	1	3	-108
Households	-94	-1	1	4	0	0	0	0	-89
<b>Total</b>	-3,876	-87	138	70	-26	16	84	-4	-3,683

## 26. Finance lease receivables

in EUR million	Gross carrying amount	Credit loss allowances				POCI	Net carrying amount
		Stage 1	Stage 2	Stage 3			
<b>Mar 18</b>							
Central banks	0	0	0	0	0	0	0
General governments	377	-3	0	0	0	0	373
Credit institutions	1	0	0	0	0	0	1
Other financial corporations	39	0	0	0	0	0	39
Non-financial corporations	2,631	-13	-3	-133	-1		2,480
Households	678	-3	-1	-6	0		668
<b>Total</b>	<b>3,726</b>	<b>-20</b>	<b>-5</b>	<b>-139</b>	<b>-1</b>		<b>3,561</b>

## Allowances for finance lease receivables

in EUR million	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of
	Jan 18								Mar 18
<b>Stage 1</b>	<b>-18</b>	<b>-1</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-20</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	-2	0	0	-1	0	0	0	0	-3
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-13	-1	0	0	0	0	0	0	-13
Households	-3	0	0	0	0	0	0	0	-3
<b>Stage 2</b>	<b>-4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-3	0	0	0	0	0	0	0	-3
Households	-1	0	0	0	0	0	0	0	-1
<b>Stage 3</b>	<b>-149</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>-139</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-144	0	0	10	0	0	0	0	-133
Households	-5	0	0	0	0	0	0	0	-6
<b>POCI</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	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	0	0	-1
Households	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>-172</b>	<b>-1</b>	<b>0</b>	<b>8</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-165</b>

## 27. Hedge accounting derivatives

in EUR million	Dec 17			Mar 18		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
<b>Fair value hedges</b>	<b>19,715</b>	<b>1,373</b>	<b>414</b>	<b>9,381</b>	<b>314</b>	<b>324</b>
Interest rate	19,715	1,373	414	9,381	314	324
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
<b>Cash flow hedges</b>	<b>2,288</b>	<b>10</b>	<b>67</b>	<b>2,634</b>	<b>4</b>	<b>61</b>
Interest rate	2,288	10	67	2,634	4	61
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
<b>Total gross amounts</b>	<b>22,003</b>	<b>1,383</b>	<b>480</b>	<b>12,015</b>	<b>318</b>	<b>385</b>
Offset		-498	-120	0	-216	-108
<b>Total</b>		<b>884</b>	<b>360</b>		<b>103</b>	<b>277</b>

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



## 28. Trade and other receivables

in EUR million	Gross carrying amount	Credit loss allowances				Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
<b>Mar 18</b>						
Central banks	0	0	0	0	0	0
General governments	35	0	0	0	0	35
Credit institutions	16	0	0	0	0	15
Other financial corporations	15	0	0	0	0	15
Non-financial corporations	883	-2	-1	-83	-1	797
Households	114	-3	-3	-23	0	85
<b>Total</b>	<b>1,062</b>	<b>-5</b>	<b>-4</b>	<b>-105</b>	<b>-1</b>	<b>947</b>

## Allowances for trade and other receivables

in EUR million	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of
									Jan 18
<b>Stage 1</b>	<b>-5</b>	<b>-1</b>	<b>0</b>	<b>1</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	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	0	0	-2
Households	-3	0	0	1	-1	0	0	0	-3
<b>Stage 2</b>	<b>-5</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-2	0	0	1	0	0	0	0	-1
Households	-3	0	0	1	-1	0	0	0	-3
<b>Stage 3</b>	<b>-105</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-105</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-82	0	0	-1	0	0	0	0	-83
Households	-23	0	0	0	0	0	0	0	-23
<b>POCI</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
Central banks	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Credit institutions	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	-1
Households	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>-116</b>	<b>-1</b>	<b>1</b>	<b>2</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-115</b>

## 29. Other assets

in EUR million	Dec 17	Mar 18
Prepayments	149	178
Inventories	187	173
Sundry assets	433	883
<b>Other assets</b>	<b>769</b>	<b>1,235</b>

### 30. Other financial liabilities held for trading

in EUR million	Dec 17	Mar 18
Short positions	430	496
Equity instruments	188	162
Debt securities	242	334
Debt securities issued	59	60
<b>Other trading financial liabilities</b>	<b>489</b>	<b>555</b>

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

#### Debt securities issued

in EUR million	Dec 17	Mar 18
Subordinated debt securities issued	880	4,980
Other debt securities issued	873	8,847
Bonds	502	5,680
Other certificates of deposits/name certificates	55	752
Mortgage covered bonds	316	1,988
Public sector covered bonds	0	427
<b>Debt securities issued</b>	<b>1,753</b>	<b>13,827</b>

### 32. Financial liabilities at amortised costs

#### Deposits from banks

in EUR million	Dec 17	Mar 18
Overnight deposits	3,460	3,687
Term deposits	11,893	13,345
Repurchase agreements	996	3,956
<b>Deposits from banks</b>	<b>16,349</b>	<b>20,988</b>

## Deposits from customers

in EUR million	Dec 17	Mar 18
<b>Overnight deposits</b>	<b>99,278</b>	<b>101,507</b>
Savings deposits	24,494	25,512
Other financial corporations	134	124
Non-financial corporations	1,531	1,746
Households	22,829	23,642
Non-savings deposits	74,785	75,995
General governments	5,502	6,400
Other financial corporations	5,409	4,601
Non-financial corporations	22,716	22,303
Households	41,158	42,689
<b>Term deposits</b>	<b>50,576</b>	<b>52,708</b>
Deposits with agreed maturity	44,966	46,932
Savings deposits	30,472	30,295
Other financial corporations	409	730
Non-financial corporations	1,447	2,111
Households	28,616	27,454
Non-savings deposits	14,494	16,636
General governments	2,123	2,496
Other financial corporations	2,631	3,548
Non-financial corporations	3,424	4,360
Households	6,316	6,232
Deposits redeemable at notice	5,610	5,777
General governments	8	12
Other financial corporations	79	81
Non-financial corporations	97	105
Households	5,426	5,578
<b>Repurchase agreements</b>	<b>1,066</b>	<b>1,033</b>
Other financial corporations	1,030	1,016
Non-financial corporations	36	17
<b>Deposits from customers</b>	<b>150,921</b>	<b>155,248</b>
<b>General governments</b>	<b>7,633</b>	<b>8,909</b>
<b>Other financial corporations</b>	<b>9,693</b>	<b>10,101</b>
<b>Non-financial corporations</b>	<b>29,250</b>	<b>30,642</b>
<b>Households</b>	<b>104,345</b>	<b>105,596</b>

## Debt securities issued

in EUR million	Dec 17	Mar 18
Subordinated debt securities issued	4,937	954
Other debt securities issued	18,405	11,642
Bonds	8,474	3,397
Certificates of deposit	164	119
Other certificates of deposits/name certificates	830	157
Mortgage covered bonds	7,610	7,062
Public sector covered bonds	1,187	781
Other	141	126
<b>Debt securities issued</b>	<b>23,342</b>	<b>12,596</b>

## 33. Provisions

in EUR million	Dec 17	Mar 18
Long-term employee provisions	914	904
Pending legal issues and tax litigation	351	338
Commitments and guarantees given	323	347
Provisions for guarantees - off balance sheet (defaulted customers)	181	0
Provisions for guarantees - off balance sheet (non-defaulted customers)	141	0
Provisions for commitments and financial guarantees in Stage 1	0	75
Provisions for commitments and financial guarantees in Stage 2	0	74
Provisions for commitments and financial guarantees - Defaulted	0	199
Other provisions	60	211
Provisions for onerous contracts	4	4
Other	57	207
<b>Provisions</b>	<b>1,648</b>	<b>1,799</b>

### Effects from the change in material valuation parameters

The interest rate used by the Austrian subsidiaries for the calculation of the defined benefit obligation for pension and severance payment provisions as well as for jubilee provisions remained unchanged compared to the previous year (1.82%). All other calculation parameters also remained unchanged.

## 34. Other liabilities

in EUR million	Dec 17	Mar 18
Deferred income	173	158
Sundry liabilities	2,423	2,800
<b>Other liabilities</b>	<b>2,596</b>	<b>2,958</b>

## 35. Segment reporting

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

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

### Business segmentation

The segment reporting comprises six business segments reflecting Erste Group's management structure and its internal management reporting in 2018.



### Retail

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

### Corporates

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

### Group Markets

The Group Markets (GM) segment comprises trading and markets services as well as customer business with financial institutions. It includes all activities related to the trading books of Erste Group, including the execution of trade, market making and short-term li-

quidity management. In addition, it comprises business connected with servicing financial institutions as clients including custody, depository services, commercial business (loans, cash management, trade & export finance).

### Asset/Liability Management & Local Corporate Center

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

### Savings Banks

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

### Group Corporate Center

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

### Intragroup Elimination

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

### Geographical segmentation

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

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



The geographical area Austria consists of the following three segments:

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

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

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

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

### Measurement

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

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

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

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

### Comparability of 2018 and 2017 figures

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

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

## Business segments (1)

in EUR million	Retail			Corporates			Group Markets			ALM&LCC		
	1-3 17	1-3 18	1-3 17	1-3 17	1-3 18	1-3 17	1-3 17	1-3 18	1-3 17	1-3 18	1-3 17	1-3 18
	Net interest income	527.9	546.9	232.8	252.3	49.6	54.3	-12.7	-30.1			
Net fee and commission income	249.3	252.5	60.4	64.5	53.5	58.0	-20.4	-14.8				
Dividend income	0.2	-0.1	0.1	0.4	0.5	0.1	1.0	1.1				
Net trading result	26.3	25.6	23.4	20.8	28.0	27.2	-19.8	-65.5				
Gains/losses from financial instruments at FVPL	0.0	-1.5	0.3	-1.5	4.6	-4.6	-1.9	41.8				
Net result from equity method investments	2.5	1.3	0.0	0.0	0.0	0.0	0.2	-0.2				
Rental income from investment properties & other operating leases	5.4	5.8	32.3	29.6	0.0	0.0	8.1	8.2				
General administrative expenses	-486.4	-503.7	-132.7	-139.9	-51.8	-58.0	-33.9	-36.7				
Gains/losses from financial assets and liabilities not at FVPL, net	0.0	0.1	0.0	0.0	0.0	0.0	22.6	0.0				
Gains/losses from derecognition of financial assets at AC		-0.2		0.0		0.0		0.2				
Other gains/losses from derecognition of financial instruments not at FVPL		1.2		0.0		0.0		3.8				
Gains/losses from reclassification from AC to FVPL		0.0		0.0		0.0		0.0				
Gains/losses from reclassification from FVOCI to FVPL		0.0		0.0		0.0		0.0				
Net impairment loss on financial assets	-3.5		-41.7		-0.6		-17.2					
Impairment result from financial instruments	0.0	-10.2	0.0	54.1	0.0	-2.2	0.0	6.7				
Other operating result	-22.8	-14.4	-1.9	-5.1	-6.6	-6.5	-73.8	-71.3				
Levies on banking activities	-11.6	-14.5	-3.6	-5.1	-0.4	-1.0	-15.4	-13.1				
<b>Pre-tax result from continuing operations</b>	<b>299.0</b>	<b>303.1</b>	<b>173.0</b>	<b>275.2</b>	<b>77.2</b>	<b>68.3</b>	<b>-147.8</b>	<b>-156.8</b>				
Taxes on income	-54.2	-31.4	-31.4	-48.9	-16.4	-12.2	20.9	21.6				
<b>Net result for the period</b>	<b>244.7</b>	<b>249.0</b>	<b>141.6</b>	<b>226.2</b>	<b>60.7</b>	<b>56.1</b>	<b>-126.9</b>	<b>-135.2</b>				
Net result attributable to non-controlling interests	11.4	11.8	5.2	12.2	0.8	1.0	-2.1	-1.7				
<b>Net result attributable to owners of the parent</b>	<b>233.3</b>	<b>237.1</b>	<b>136.4</b>	<b>214.0</b>	<b>60.0</b>	<b>55.1</b>	<b>-124.8</b>	<b>-133.5</b>				
Operating income	811.7	830.5	349.3	366.1	136.2	134.9	-45.5	-59.5				
Operating expenses	-486.4	-503.7	-132.7	-139.9	-51.8	-58.0	-33.9	-36.7				
<b>Operating result</b>	<b>325.3</b>	<b>326.8</b>	<b>216.6</b>	<b>226.2</b>	<b>84.3</b>	<b>76.9</b>	<b>-79.4</b>	<b>-96.1</b>				
Risk-weighted assets (credit risk, eop)	17,588	19,494	34,250	37,786	4,620	3,845	4,471	5,196				
Average allocated capital	2,433	3,191	3,143	3,989	701	726	2,250	2,456				
Cost/income ratio	59.9%	60.6%	38.0%	38.2%	38.1%	43.0%	-74.4%	-61.7%				
Return on allocated capital	40.8%	31.6%	18.3%	23.0%	35.1%	31.3%	-22.9%	-22.3%				
Total assets (eop)	55,163	59,906	47,166	50,116	41,077	41,973	56,102	52,031				
Total liabilities excluding equity (eop)	75,883	81,072	26,620	29,642	34,501	35,908	51,897	45,848				
<b>Impairments and risk provisions</b>	<b>-8.9</b>	<b>-10.3</b>	<b>28.9</b>	<b>54.1</b>	<b>-0.3</b>	<b>-2.2</b>	<b>-17.1</b>	<b>6.8</b>				
Net impairment loss on loans and receivables to credit institutions/customers	-3.5	-41.6	-0.1	65.9	0.0	-0.2	-17.4	0.1				
Net impairment loss on other financial assets	0.0	-7.2						5.0				
Net impairment loss on financial instruments AC		0.0		0.5		0.0		0.3				
Net impairment loss on financial instruments FVOCI		-0.4		2.0		0.0		0.0				
Net impairment loss on financial instruments Leasing		-4.4		-14.3		-2.0		-0.3				
Impairments and provisions for commitments and guarantees given	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Impairment of goodwill	-1.1	-0.1	-2.0	0.0	0.0	0.0	0.0	0.0				
Net impairment on investments in subsidiaries, joint ventures and associates												
Net impairment loss on other non-financial assets								0.4				



## Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-3 17	1-3 18	1-3 17	1-3 18	1-3 17	1-3 18	1-3 17	1-3 18
Net interest income	238.2	244.7	15.6	12.7	0.0	1.9	1,051.3	1,082.6
Net fee and commission income	114.6	116.4	0.3	4.0	-0.1	-2.1	457.7	478.6
Dividend income	1.4	0.1	0.6	1.0	-0.1	0.0	3.7	2.6
Net trading result	-0.2	0.7	-9.6	2.4	0.4	0.0	48.6	11.3
Gains/losses from financial instruments at FVPL	0.0	-12.4	0.0	5.0	0.0	0.0	3.0	26.7
Net result from equity method investments	0.0	0.0	0.5	0.7	0.0	0.0	3.2	1.8
Rental income from investment properties & other operating leases	9.7	10.2	3.3	3.0	-8.8	-8.9	50.1	47.9
General administrative expenses	-268.7	-274.3	-208.5	-228.7	163.7	176.4	-1,018.3	-1,065.0
Gains/losses from financial assets and liabilities not at FVPL, net	5.5	0.0	0.1	0.1	0.0	0.0	28.3	0.1
Gains/losses from derecognition of financial assets at AC		0.0		0.0		0.0		0.1
Other gains/losses from derecognition of financial instruments not at FVPL		-0.8		0.0		0.0		4.1
Gains/losses from reclassification from AC to FVPL		0.0		0.0		0.0		0.0
Gains/losses from reclassification from FVOCI to FVPL		0.0		0.0		0.0		0.0
Net impairment loss on financial assets	-1.5		-1.3		0.0			-65.8
Impairment result from financial instruments	0.0	3.7	0.0	2.3	0.0	0.0	0.0	54.4
Other operating result	-11.4	-10.0	144.5	146.5	-155.2	-167.2	-127.1	-128.0
Levies on banking activities	-1.0	-0.9	-3.8	-4.0	0.0	0.0	-35.8	-38.6
<b>Pre-tax result from continuing operations</b>	<b>87.7</b>	<b>78.4</b>	<b>-54.4</b>	<b>-51.0</b>	<b>0.0</b>	<b>0.0</b>	<b>434.7</b>	<b>517.2</b>
Taxes on income	-19.3	-20.9	4.8	0.0	0.0	0.0	-95.6	-114.6
<b>Net result for the period</b>	<b>68.4</b>	<b>57.5</b>	<b>-49.6</b>	<b>-51.0</b>	<b>0.0</b>	<b>0.0</b>	<b>339.0</b>	<b>402.6</b>
Net result attributable to non-controlling interests	54.5	45.0	7.0	1.6	0.0	0.0	76.8	70.1
<b>Net result attributable to owners of the parent</b>	<b>13.9</b>	<b>12.5</b>	<b>-56.6</b>	<b>-52.6</b>	<b>0.0</b>	<b>0.0</b>	<b>262.2</b>	<b>332.6</b>
Operating income	363.7	359.8	10.7	28.8	-8.5	-9.1	1,617.5	1,651.6
Operating expenses	-268.7	-274.3	-208.5	-228.7	163.7	176.4	-1,018.3	-1,065.0
<b>Operating result</b>	<b>95.0</b>	<b>85.5</b>	<b>-197.7</b>	<b>-199.9</b>	<b>155.2</b>	<b>167.2</b>	<b>599.2</b>	<b>586.6</b>
Risk-weighted assets (credit risk, eop)	20,905	22,362	1,336	1,663	0	0	83,169	90,346
Average allocated capital	2,137	2,669	6,150	4,929	0	0	16,813	17,960
Cost/income ratio	73.9%	76.2%	>100%	>100%	>100%	>100%	63.0%	64.5%
Return on allocated capital	13.0%	8.7%	-3.3%	-4.2%			8.2%	9.1%
Total assets (eop)	58,462	61,380	3,697	2,994	-38,868	-38,382	222,798	230,018
Total liabilities excluding equity (eop)	54,076	56,323	1,759	1,638	-38,831	-38,408	205,904	212,023
<b>Impairments and risk provisions</b>	<b>-2.8</b>	<b>3.7</b>	<b>2.8</b>	<b>2.3</b>	<b>0.0</b>	<b>0.0</b>	<b>2.5</b>	<b>54.3</b>
Net impairment loss on loans and receivables to credit institutions/customers	-1.6		2.9		0.0		-61.7	
Net impairment loss on other financial assets	0.0		-4.1		0.0		-4.1	
Net impairment loss on financial instruments AC		9.2		3.3		1.0		76.9
Net impairment loss on financial instruments FVOCI		1.0		-0.5		0.0		1.3
Net impairment loss on financial instruments FVPL		-0.1		0.0		0.0		1.6
Impairments and provisions for commitments and guarantees given	0.4	-6.4	-0.1	-0.5	0.0	-1.0	68.6	-25.4
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates		0.0		0.0		0.0		0.0
Net impairment loss on other non-financial assets	-1.8	0.0	4.1	0.0	0.0	0.0	-0.3	-0.1

## Geographical segmentation – overview

in EUR million	Austria		Central and Eastern Europe		Other		Total Group	
	1-3 17	1-3 18	1-3 17	1-3 18	1-3 17	1-3 18	1-3 17	1-3 18
Net interest income	486.5	485.2	548.7	582.0	16.1	15.4	1,051.3	1,082.6
Net fee and commission income	258.5	275.4	209.2	211.9	-10.1	-8.7	457.7	478.6
Dividend income	2.5	0.7	0.6	1.0	0.6	1.0	3.7	2.6
Net trading result	13.1	9.0	67.1	81.2	-31.6	-78.8	48.6	11.3
Gains/losses from financial instruments at FVPL	4.6	-18.3	-1.2	-4.6	-0.4	49.7	3.0	26.7
Net result from equity method investments	0.7	-0.4	2.0	1.4	0.5	0.7	3.2	1.8
Rental income from investment properties & other operating leases	32.8	34.3	13.0	11.8	4.3	1.9	50.1	47.9
General administrative expenses	-528.5	-543.4	-433.6	-457.4	-56.2	-64.1	-1,018.3	-1,065.0
Gains/losses from financial assets and liabilities not at FVPL, net	8.4		10.2		9.8		28.3	
Gains/losses from derecognition of financial assets at AC		0.1		-0.2		0.3		0.1
Other gains/losses from derecognition of financial instruments not at FVPL		0.7		2.3		1.0		4.1
Gains/losses from reclassification from AC to FVPL		0.0		0.0		0.0		0.0
Gains/losses from reclassification from FVOCI to FVPL		0.0		0.0		0.0		0.0
Net impairment loss on financial assets	-29.8		-31.6		-4.4		-65.8	
Impairment result from financial instruments	0.0	25.9	0.0	25.3	0.0	3.3	0.0	54.4
Other operating result	-18.4	-23.1	-80.0	-83.1	-28.7	-21.9	-127.1	-128.0
Levies on banking activities	-1.8	-1.7	-30.2	-32.8	-3.8	-4.0	-35.8	-38.6
<b>Pre-tax result from continuing operations</b>	<b>230.5</b>	<b>246.1</b>	<b>304.4</b>	<b>371.6</b>	<b>-100.2</b>	<b>-100.5</b>	<b>434.7</b>	<b>517.2</b>
Taxes on income	-53.7	-57.9	-56.8	-68.9	14.9	12.3	-95.6	-114.6
<b>Net result for the period</b>	<b>176.7</b>	<b>188.2</b>	<b>247.6</b>	<b>302.7</b>	<b>-85.3</b>	<b>-88.2</b>	<b>339.0</b>	<b>402.6</b>
Net result attributable to non-controlling interests	62.3	51.9	7.5	16.6	7.0	1.6	76.8	70.1
<b>Net result attributable to owners of the parent</b>	<b>114.4</b>	<b>136.3</b>	<b>240.1</b>	<b>286.1</b>	<b>-92.3</b>	<b>-89.8</b>	<b>262.2</b>	<b>332.6</b>
Operating income	798.8	785.9	839.4	884.6	-20.7	-19.0	1,617.5	1,651.6
Operating expenses	-528.5	-543.4	-433.6	-457.4	-56.2	-64.1	-1,018.3	-1,065.0
<b>Operating result</b>	<b>270.3</b>	<b>242.5</b>	<b>405.8</b>	<b>427.2</b>	<b>-76.9</b>	<b>-83.1</b>	<b>599.2</b>	<b>586.6</b>
Risk-weighted assets (credit risk, eop)	46,389	48,259	34,819	39,780	1,962	2,306	83,169	90,346
Average allocated capital	4,888	5,994	4,856	6,185	7,069	5,781	16,813	17,960
Cost/income ratio	66.2%	69.1%	51.7%	51.7%	>100%	>100%	63.0%	64.5%
Return on allocated capital	14.7%	12.7%	20.7%	19.8%	-4.9%	-6.2%	8.2%	9.1%
Total assets (eop)	148,517	155,014	96,256	101,226	-21,975	-26,221	222,798	230,018
Total liabilities excluding equity (eop)	122,913	125,177	86,363	90,901	-3,372	-4,055	205,904	212,023
<b>Impairments and risk provisions</b>	<b>-27.5</b>	<b>25.9</b>	<b>36.0</b>	<b>25.1</b>	<b>-6.0</b>	<b>3.3</b>	<b>2.5</b>	<b>54.3</b>
Net impairment loss on loans and receivables to credit institutions/customers	-29.8		-31.7		-0.3		-61.7	
Net impairment loss on other financial assets	0.0		0.0		-4.1		-4.1	
Net impairment loss on financial instruments AC		38.7		32.9		5.2		76.9
Net impairment loss on financial instruments FVOCI		1.4		0.3		-0.3		1.3
Net impairment loss on financial instruments FVOCI		2.0		-0.2		-0.1		1.6
Impairments and provisions for commitments and guarantees given	3.5	-16.2	66.8	-7.7	-1.7	-1.5	68.6	-25.4
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates		0.0		0.0		0.0		0.0
Net impairment loss on other non-financial assets	-1.3	0.0	0.9	-0.2	0.1	0.0	-0.3	-0.1

## Geographical area – Austria

in EUR million	EBoe & Subsidiaries						Savings Banks			Other Austria			Austria			
	1-3 17		1-3 18		1-3 17		1-3 18		1-3 17		1-3 18		1-3 17		1-3 18	
Net interest income	155.3	152.2	238.2	244.7	93.0	88.4	486.5	485.2								
Net fee and commission income	93.5	101.1	114.6	116.4	50.4	57.9	258.5	275.4								
Dividend income	0.7	0.1	1.4	0.1	0.5	0.5	2.5	0.7								
Net trading result	4.2	9.7	-0.2	0.7	9.2	-1.5	13.1	9.0								
Gains/losses from financial instruments at FVPL	0.1	-1.9	0.0	-12.4	4.5	-4.0	4.6	-18.3								
Net result from equity method investments	0.3	-0.3	0.0	0.0	0.4	0.0	0.7	-0.4								
Rental income from investment properties & other operating leases	9.2	9.7	9.7	10.2	13.9	14.4	32.8	34.3								
General administrative expenses	-176.1	-180.4	-268.7	-274.3	-83.7	-88.7	-528.5	-543.4								
Gains/losses from financial assets and liabilities not at FVPL, net	2.3		5.5		0.5		8.4									
Gains/losses from derecognition of financial assets at AC		0.0		0.0		0.0		0.1								
Other gains/losses from derecognition of financial instruments not at FVPL		1.6		-0.8		0.0		0.7								
Gains/losses from reclassification from AC to FVPL		0.0		0.0		0.0		0.0								
Gains/losses from reclassification from FVOCI to FVPL		0.0		0.0		0.0		0.0								
Net impairment loss on financial assets	11.4		-1.5			-39.7		-29.8								
Impairment result from financial instruments	0.0	10.7	0.0	3.7	0.0	11.5	0.0	25.9								
Other operating result	-11.4	-12.4	-11.4	-10.0	4.4	-0.7	-18.4	-23.1								
Levies on banking activities	-0.8	-0.9	-1.0	-0.9	0.0	-1.8	0.0	-1.7								
<b>Pre-tax result from continuing operations</b>	<b>89.5</b>	<b>89.9</b>	<b>87.7</b>	<b>78.4</b>	<b>53.3</b>	<b>77.8</b>	<b>230.5</b>	<b>246.1</b>								
Taxes on income	-20.0	-21.1	-19.3	-20.9	-14.5	-15.9	-53.7	-57.9								
<b>Net result for the period</b>	<b>69.5</b>	<b>68.7</b>	<b>68.4</b>	<b>57.5</b>	<b>38.8</b>	<b>61.9</b>	<b>176.7</b>	<b>188.2</b>								
Net result attributable to non-controlling interests	6.6	5.2	54.5	45.0	1.2	1.7	62.3	51.9								
<b>Net result attributable to owners of the parent</b>	<b>62.9</b>	<b>63.5</b>	<b>13.9</b>	<b>12.5</b>	<b>37.6</b>	<b>60.2</b>	<b>114.4</b>	<b>136.3</b>								
Operating income	263.3	270.4	363.7	359.8	171.9	155.7	798.8	785.9								
Operating expenses	-176.1	-180.4	-268.7	-274.3	-83.7	-88.7	-528.5	-543.4								
<b>Operating result</b>	<b>87.2</b>	<b>90.0</b>	<b>95.0</b>	<b>85.5</b>	<b>88.1</b>	<b>67.0</b>	<b>270.3</b>	<b>242.5</b>								
Risk-weighted assets (credit risk, eop)	11,160	11,652	20,905	22,362	14,324	14,245	46,389	48,259								
Average allocated capital	1,238	1,589	2,137	2,669	1,514	1,736	4,888	5,994								
Cost/income ratio	66.9%	66.7%	73.9%	76.2%	48.7%	57.0%	66.2%	69.1%								
Return on allocated capital	22.8%	17.6%	13.0%	8.7%	10.4%	14.5%	14.7%	12.7%								
Total assets (eop)	42,390	43,804	58,462	61,380	47,665	49,830	148,517	155,014								
Total liabilities excluding equity (eop)	40,571	41,868	54,076	56,323	28,266	26,985	122,913	125,177								
<b>Impairments and risk provisions</b>	<b>10.4</b>	<b>10.7</b>	<b>-2.8</b>	<b>3.7</b>	<b>-35.1</b>	<b>11.5</b>	<b>-27.5</b>	<b>25.9</b>								
Net impairment loss on loans and receivables to credit institutions/customers	11.5		-1.6		-39.7		-29.8									
Net impairment loss on other financial assets	0.0		0.0		0.0		0.0									
Net impairment loss on financial instruments AC		17.8		9.2		11.7		38.7								
Net impairment loss on financial instruments FVOCI		-0.1		1.0		0.5		1.4								
Net impairment loss on financial instruments Leasing		-0.4		-0.1		2.4		2.0								
Impairments and provisions for commitments and guarantees given	-1.7	-6.7	0.4	-6.4	4.7	-3.1	3.5	-16.2								
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0								
Net impairment on investments in subsidiaries, joint ventures and associates		0.0		0.0		0.0		0.0								
Net impairment loss on other non-financial assets	0.6	0.0	-1.8	0.0	-0.1	0.0	-1.3	0.0								

## Geographical area – Central and Eastern Europe

	Czech Republic			Slovakia			Romania			Hungary			Croatia			Serbia			Central and Eastern Europe		
	1-3 17	1-3 18	1-3 18	1-3 17	1-3 18	1-3 18	1-3 17	1-3 18	1-3 18	1-3 17	1-3 18	1-3 18	1-3 17	1-3 18	1-3 18	1-3 17	1-3 18	1-3 17	1-3 18	1-3 18	
	in EUR million																				
Net interest income	222.9	255.1	107.8	108.9	91.1	89.5	46.7	47.6	67.8	68.2	12.4	12.7	548.7	582.0							
Net fee and commission income	84.9	84.0	26.5	26.7	36.4	36.8	37.3	40.4	21.6	21.2	2.6	2.8	209.2	211.9							
Dividend income	0.2	0.2	0.6	0.6	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.6	1.0							
Net trading result	29.7	28.6	3.8	3.4	17.3	24.5	8.4	14.7	7.1	8.8	0.9	1.3	67.1	81.2							
Gains/losses from financial instruments at FVPL	-0.4	0.3	-0.2	-0.1	0.3	-0.5	-0.9	-4.4	0.0	0.1	0.0	0.0	-1.2	-4.6							
Net result from equity method investments	-0.4	-0.1	2.1	1.3	-0.2	0.0	0.0	0.0	0.3	0.3	0.0	0.0	2.0	1.4							
Rental income from investment properties & other operating leases	3.0	2.2	0.1	0.1	3.2	3.8	1.0	1.0	5.6	4.7	0.1	0.0	13.0	11.8							
General administrative expenses	-170.7	-182.5	-68.2	-69.8	-78.1	-84.9	-56.7	-56.7	-49.8	-52.0	-10.0	-11.5	-433.6	-457.4							
Gains/losses from financial assets and liabilities not at FVPL, net	8.5	-0.2	0.3	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	10.2	-0.2							
Gains/losses from derecognition of financial assets at AC																					
Other gains/losses from derecognition of financial instruments not at FVPL		1.0												2.3							
Gains/losses from reclassification from AC to FVPL		0.0												0.0							
Gains/losses from reclassification from FVOCI to FVPL		0.0												0.0							
Net impairment loss on financial assets	-6.8	-9.4	-9.4	-9.4	-0.7	-0.7	22.4	22.4	-37.4	-37.4	0.4	0.4	-31.6	-31.6							
Impairment result from financial instruments	0.0	29.2	0.0	-6.7	0.0	0.0	0.0	8.4	0.0	-3.9	0.0	-1.6	0.0	25.3							
Other operating result	-13.7	-19.8	-9.5	-10.3	-21.3	-17.4	-28.9	-30.2	-6.6	-5.4	0.0	0.0	-80.0	-83.1							
Levies on banking activities	0.0	0.0	-6.6	-7.3	0.0	0.0	-23.6	-25.6	0.0	0.0	0.0	0.0	-30.2	-32.8							
Pre-tax result from continuing operations	157.3	197.9	53.5	54.0	48.0	51.8	30.7	21.9	8.6	42.1	6.4	3.8	304.4	371.6							
Taxes on income	-31.2	-39.9	-12.2	-11.9	-8.8	-6.5	-2.9	-3.3	-1.3	-7.3	-0.4	0.0	-56.8	-68.9							
Net result for the period	126.1	158.1	41.3	42.2	39.2	45.3	27.8	18.6	7.3	34.8	5.9	3.8	247.6	302.7							
Net result attributable to non-controlling interests	1.3	1.7	0.0	0.0	2.4	2.9	0.0	0.0	2.5	11.2	1.2	0.7	7.5	16.6							
Net result attributable to owners of the parent	124.8	156.4	41.3	42.1	36.8	42.4	27.8	18.6	4.8	23.6	4.8	3.0	240.1	286.1							
Operating income	339.9	370.2	140.3	140.9	148.2	154.0	92.6	99.3	102.4	103.4	16.0	16.8	839.4	884.6							
Operating expenses	-170.7	-182.5	-68.2	-69.8	-78.1	-84.9	-56.7	-56.7	-49.8	-52.0	-10.0	-11.5	-433.6	-457.4							
Operating result	169.2	187.8	72.1	71.1	70.1	69.1	35.9	42.6	52.6	51.4	6.0	5.3	405.8	427.2							
Risk-weighted assets (credit risk, eop)	15,472	18,185	4,845	5,970	5,393	5,544	3,870	3,773	4,270	5,172	968	1,136	34,819	39,780							
Average allocated capital	1,924	2,537	626	864	1,081	1,173	534	737	563	706	129	167	4,856	6,185							
Cost/income ratio	50.2%	49.3%	48.6%	49.6%	52.7%	55.1%	61.2%	57.1%	48.7%	50.3%	62.6%	68.5%	51.7%	51.7%							
Return on allocated capital	26.6%	25.3%	26.7%	19.8%	14.7%	15.7%	21.1%	10.2%	5.3%	20.0%	18.6%	9.1%	20.7%	19.8%							
Total assets (eop)	48,496	51,260	15,307	16,661	14,831	15,358	7,607	7,622	8,800	8,899	1,216	1,426	96,256	101,226							
Total liabilities excluding equity (eop)	43,888	46,392	13,714	15,296	13,290	13,713	6,666	6,504	7,745	7,751	1,061	1,245	86,363	90,901							
Impairments and risk provisions	-5.7	29.7	-7.0	-6.7	2.7	0.0	84.1	8.4	-38.6	-4.7	0.5	-1.6	36.0	25.1							
Net impairment loss on loans and receivables to credit institutions/customers	-7.0	-9.4	-9.4	-9.4	-0.7	-0.7	22.4	22.4	-37.3	-37.3	0.4	0.4	-31.7	-31.7							
Net impairment loss on other financial assets	0.2		0.0		0.0		0.0		-0.1	-0.1	0.0	0.0	0.0	0.0							
Net impairment loss on financial instruments AC		27.8		-5.5		6.8		8.5		-2.7		-1.9		32.9							
Net impairment loss on financial instruments FVOCI		0.0		0.0		0.0		0.0		0.0		0.3		0.3							
Net impairment loss on financial instruments Leasing		-0.2		0.0		0.3		-0.3		0.0		0.0		-0.2							
Impairments and provisions for commitments and guarantees given		0.5	1.5	2.5	-1.2	2.5	62.0	0.2	-0.8	-1.2	0.1	0.0	66.8	-7.7							
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0							
Net impairment on investments in subsidiaries, joint ventures and associates		0.0		0.0		0.0		0.0		0.0		0.0		0.0							
Net impairment loss on other non-financial assets	0.6	0.5	0.0	0.0	0.9	0.0	-0.3	0.0	-0.4	-0.8	0.0	0.0	0.9	-0.2							

## 36. Risk management

It is a core function of every bank to take risks in a conscious and selective manner and to manage such risks professionally. Erste Group's proactive risk policy and strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the annual report 2017.

### Credit risk

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

#### Low risk

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

#### Management attention

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

#### Substandard

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

#### Non-performing

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

### Credit risk exposure

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

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

The gross carrying amount of the credit risk exposure increased to EUR 238,2 billion (+5.3%; EUR 226,2 billion).

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

in EUR million	Credit risk exposure	Credit risk provisions and adjustments	Carrying amount (balance sheet)
<b>As of 31 March 2018</b>			
Cash and cash balances - other demand deposits to credit institutions	1,283	4	1,280
Financial assets held for trading	6,529	0	6,529
Non-trading financial assets at FVPL	3,128	0	3,128
Debt securities	2,727	0	2,727
Loans and advances to banks	0	0	0
Loans and advances to customers	401	0	401
Financial assets at FVOCI	10,038	12	10,027
Debt securities	10,038	12	10,027
Loans and advances to banks	0	0	0
Loans and advances to customers	0	0	0
Financial assets at AC	176,501	3,697	172,805
Debt securities	23,717	7	23,710
Loans and advances to banks	11,950	6	11,944
Loans and advances to customers	140,834	3,683	137,151
Assets held for sale - financial instruments	0	0	0
Finance lease receivables	3,726	165	3,561
Positive fair value of hedge accounting derivatives	103	0	103
Trade and other receivables	1,062	115	947
Off balance-sheet exposures	35,839	347	-
<b>Total</b>	<b>238,210</b>	<b>4,338</b>	<b>198,380</b>

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

in EUR million	Gross carrying amount	Credit risk provisions	Net carrying amount
<b>As of 31 December 2017</b>			
Cash and cash balances - other demand deposits to credit institutions	1,028	0	1,028
Loans and receivables to credit institutions	9,133	7	9,126
Loans and receivables to customers	143,509	3,990	139,519
Financial assets held to maturity	19,804	3	19,800
Financial assets held for trading	2,887	0	2,887
Financial assets at fair value through profit or loss	403	0	403
Financial assets available for sale	14,896	0	14,896
Positive fair value of derivatives	4,243	0	4,243
Contingent credit risk liabilities	30,337	310	--
<b>Total</b>	<b>226,239</b>	<b>4,310</b>	<b>191,902</b>

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

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

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

## Credit risk exposure by Basel 3 exposure class and financial instrument

in EUR million	Cash and cash balances - other demand deposits to credit institutions	Financial assets held for trading	Non-trading financial assets		At amortised cost			Assets held for sale - financial instruments	Finance lease receivables	Positive fair value of derivatives	Trade and other receivables	Off balance-sheet exposures	Total
			assets at FVPL	assets at FVOCI	Debt securities	Loans and advances to banks	Loans and advances to customers						
<b>Mar 18</b>													
Sovereigns	7	2,278	847	8,285	21,757	7,567	6,075	0	379	0	34	1,647	48,876
Institutions	1,276	3,799	755	521	1,385	4,224	527	0	1	76	18	599	13,181
Corporates	0	451	1,307	1,233	575	159	61,404	0	2,172	27	897	22,155	90,380
Retail	0	1	219	0	0	0	72,828	0	1,174	0	113	11,437	85,772
<b>Total</b>	<b>1,283</b>	<b>6,529</b>	<b>3,128</b>	<b>10,038</b>	<b>23,717</b>	<b>11,950</b>	<b>140,834</b>	<b>0</b>	<b>3,726</b>	<b>103</b>	<b>1,062</b>	<b>35,839</b>	<b>238,210</b>

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

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

## Credit risk exposure by counterparty sector and financial instrument

in EUR million	Cash and cash balances - other demand deposits to credit institutions	Financial assets held for trading	Non-trading financial assets		At amortised cost			Assets held for sale - financial instruments	Finance lease receivables	Positive fair value of derivatives	Trade and other receivables	Off balance-sheet exposures	Total
			assets at FVPL	assets at FVOCI	Debt securities	Loans and advances to banks	Loans and advances to customers						
<b>Mar 18</b>													
Central banks	0	15	0	5	23	7,549	0	0	0	0	0	0	7,593
General governments	0	2,147	834	7,571	20,891	0	6,518	0	377	76	35	1,973	40,420
Credit institutions	1,283	3,866	714	986	1,901	4,401	0	0	1	0	16	608	13,777
Other financial corporations	0	105	1,093	293	133	0	4,640	0	39	0	15	1,414	7,733
Non-financial corporations	0	395	269	1,184	769	0	59,159	0	2,631	27	883	21,514	86,831
Households	0	1	217	0	0	0	70,517	0	678	0	114	10,329	81,856
<b>Total</b>	<b>1,283</b>	<b>6,529</b>	<b>3,128</b>	<b>10,038</b>	<b>23,717</b>	<b>11,950</b>	<b>140,834</b>	<b>0</b>	<b>3,726</b>	<b>103</b>	<b>1,062</b>	<b>35,839</b>	<b>238,210</b>



## Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
<b>Mar 18</b>					
Agriculture and forestry	2,186	494	39	165	2,884
Mining	623	18	12	54	707
Manufacturing	14,372	1,279	206	574	16,432
Energy and water supply	3,821	356	47	96	4,321
Construction	8,501	1,212	257	518	10,489
Trade	9,279	1,412	163	723	11,577
Transport and communication	6,086	535	109	121	6,850
Hotels and restaurants	3,146	899	97	322	4,464
Financial and insurance services	27,882	1,170	82	143	29,276
Real estate and housing	23,248	2,644	138	620	26,650
Services	10,874	1,260	129	378	12,642
Public administration	37,437	488	2	8	37,935
Education, health and art	2,621	464	20	231	3,337
Households	61,525	6,063	535	1,911	70,034
Other	386	86	141	0	613
<b>Total</b>	<b>211,986</b>	<b>18,381</b>	<b>1,979</b>	<b>5,865</b>	<b>238,211</b>

<b>Dec 17</b>					
Agriculture and forestry	2,207	487	41	202	2,937
Mining	690	30	6	61	787
Manufacturing	13,541	1,363	228	597	15,729
Energy and water supply	3,684	392	34	118	4,227
Construction	8,514	1,126	261	564	10,466
Trade	8,956	1,420	183	798	11,358
Transport and communication	6,140	551	79	131	6,901
Hotels and restaurants	2,945	873	91	360	4,269
Financial and insurance services	23,333	887	83	165	24,468
Real estate and housing	23,150	2,532	230	698	26,610
Services	9,864	1,156	126	479	11,626
Public administration	36,833	217	1	9	37,060
Education, health and art	2,514	477	23	219	3,232
Households	58,056	5,387	539	1,872	65,854
Other	359	5	284	0	648
<b>Total</b>	<b>200,788</b>	<b>16,904</b>	<b>2,207</b>	<b>6,273</b>	<b>226,172</b>

## Credit risk exposure by industry and IFRS 9 stage

in EUR million	Stage 1 - 12-month expected credit loss	Stage 2 - Lifetime expected credit loss	Stage 3 (default) - Lifetime expected credit loss	POCI	Simplified Approach	Not subject to IFRS 9	Total
<b>Mar 18</b>							
Agriculture and forestry	2,408	309	132	26	0	8	2,882
Mining	608	32	30	25	0	12	707
Manufacturing	14,587	1,159	523	67	0	95	16,430
Energy and water supply	3,834	317	92	5	0	73	4,321
Construction	9,175	767	494	33	0	20	10,489
Trade	9,859	968	660	58	0	32	11,577
Transport and communication	6,048	383	115	6	0	299	6,850
Hotels and restaurants	3,700	418	305	26	0	15	4,464
Financial and insurance services	22,555	803	106	34	0	5,779	29,276
Real estate and housing	24,503	1,346	479	152	0	173	26,653
Services	11,065	986	362	6	0	222	12,641
Public administration	34,655	473	3	4	0	2,799	37,935
Education, health and art	2,733	360	226	1	0	17	3,337
Households	62,882	5,051	1,721	186	0	194	70,034
Other	506	84	0	0	0	23	613
<b>Total</b>	<b>209,117</b>	<b>13,457</b>	<b>5,248</b>	<b>628</b>	<b>0</b>	<b>9,760</b>	<b>238,210</b>

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

The defaulted part of POCI amounted to EUR 483 million, the non-defaulted part to EUR 145 million.

## Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
<b>As of 31 March 2018</b>					
<b>Core markets</b>	<b>185,273</b>	<b>16,307</b>	<b>1,769</b>	<b>5,337</b>	<b>208,686</b>
Austria	92,906	8,126	1,119	2,135	104,286
Czech Republic	44,786	3,419	228	792	49,225
Romania	13,045	1,556	133	663	15,397
Slovakia	17,444	1,210	64	595	19,314
Hungary	7,967	918	83	243	9,211
Croatia	7,436	981	133	874	9,424
Serbia	1,688	98	8	35	1,829
<b>Other EU</b>	<b>19,670</b>	<b>1,274</b>	<b>162</b>	<b>348</b>	<b>21,454</b>
<b>Other industrialised countries</b>	<b>3,907</b>	<b>135</b>	<b>13</b>	<b>57</b>	<b>4,111</b>
<b>Emerging markets</b>	<b>3,136</b>	<b>665</b>	<b>36</b>	<b>123</b>	<b>3,960</b>
Southeastern Europe/CIS	1,550	406	26	104	2,086
Asia	984	158	7	0	1,149
Latin America	47	25	1	14	87
Middle East/Africa	555	76	1	5	637
<b>Total</b>	<b>211,986</b>	<b>18,381</b>	<b>1,979</b>	<b>5,865</b>	<b>238,211</b>

<b>As of 31 December 2017</b>					
<b>Core markets</b>	<b>175,189</b>	<b>14,952</b>	<b>1,990</b>	<b>5,698</b>	<b>197,828</b>
Austria	87,413	7,659	1,268	2,291	98,631
Czech Republic	41,016	2,725	258	785	44,784
Romania	12,477	1,744	139	753	15,114
Slovakia	17,095	1,161	67	595	18,918
Hungary	8,291	607	106	260	9,264
Croatia	7,281	920	144	930	9,275
Serbia	1,615	135	7	84	1,843
<b>Other EU</b>	<b>18,842</b>	<b>1,205</b>	<b>176</b>	<b>404</b>	<b>20,627</b>
<b>Other industrialised countries</b>	<b>3,809</b>	<b>137</b>	<b>9</b>	<b>51</b>	<b>4,007</b>
<b>Emerging markets</b>	<b>2,949</b>	<b>610</b>	<b>32</b>	<b>119</b>	<b>3,710</b>
Southeastern Europe/CIS	1,492	418	26	99	2,035
Asia	856	104	3	0	963
Latin America	50	26	1	15	92
Middle East/Africa	551	62	2	5	620
<b>Total</b>	<b>200,788</b>	<b>16,904</b>	<b>2,207</b>	<b>6,273</b>	<b>226,172</b>

## Credit risk exposure by region and IFRS 9 stage

in EUR million	Stage 1 - 12-month expected credit loss	Stage 2 - Lifetime expected credit loss	Stage 3 (default) - Lifetime expected credit loss	POCI	Simplified Approach	Not subject to IFRS 9	Total
<b>As of 31 March 2018</b>							
<b>Core markets</b>	<b>187,625</b>	<b>11,767</b>	<b>4,823</b>	<b>547</b>	<b>0</b>	<b>3,922</b>	<b>208,685</b>
Austria	93,145	7,379	2,079	21	0	1,660	104,284
Czech Republic	46,039	2,038	769	8	0	371	49,225
Romania	13,191	1,126	530	171	0	379	15,397
Slovakia	18,084	495	459	153	0	123	19,314
Hungary	7,821	177	144	137	0	932	9,211
Croatia	7,806	456	813	53	0	296	9,424
Serbia	1,538	96	29	5	0	160	1,829
<b>Other EU</b>	<b>15,041</b>	<b>1,298</b>	<b>276</b>	<b>58</b>	<b>0</b>	<b>4,780</b>	<b>21,454</b>
<b>Other industrialised countries</b>	<b>3,473</b>	<b>153</b>	<b>41</b>	<b>16</b>	<b>0</b>	<b>429</b>	<b>4,111</b>
<b>Emerging markets</b>	<b>2,977</b>	<b>239</b>	<b>108</b>	<b>7</b>	<b>0</b>	<b>629</b>	<b>3,960</b>
Southeastern Europe/CIS	1,781	146	97	7	0	55	2,086
Asia	640	8	0	0	0	501	1,149
Latin America	39	20	6	0	0	22	87
Middle East/Africa	516	65	5	0	0	51	637
<b>Total</b>	<b>209,117</b>	<b>13,457</b>	<b>5,248</b>	<b>628</b>	<b>0</b>	<b>9,760</b>	<b>238,210</b>

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

### Credit risk exposure by reporting segment and risk category

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

### Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
<b>As of 31 March 2018</b>					
Retail	54,422	6,570	544	1,738	63,275
Corporates	58,373	4,480	505	2,231	65,588
Group Markets	17,799	481	7	4	18,291
Asset/Liability Management and Local Corporate Center	29,216	206	66	22	29,509
Savings Banks	51,553	6,530	781	1,869	60,733
Group Corporate Center	622	113	77	2	815
<b>Total</b>	<b>211,986</b>	<b>18,381</b>	<b>1,979</b>	<b>5,865</b>	<b>238,211</b>
<b>As of 31 December 2017</b>					
Retail	51,988	5,475	522	1,723	59,708
Corporates	56,366	4,529	579	2,641	64,114
Group Markets	15,515	372	31	3	15,921
Asset/Liability Management and Local Corporate Center	28,183	96	185	15	28,479
Savings Banks	48,683	6,321	801	1,891	57,696
Group Corporate Center	54	109	90	1	254
<b>Total</b>	<b>200,788</b>	<b>16,904</b>	<b>2,207</b>	<b>6,273</b>	<b>226,172</b>

### Credit risk exposure by business segment and IFRS 9 stage

in EUR million	Stage 1 - 12-month expected credit loss	Stage 2 - Lifetime expected credit loss	Stage 3 (default) - Lifetime expected credit loss	POCI	Simplified Approach	Not subject to IFRS 9	Total
<b>As of 31 March 2018</b>							
Retail	57,066	4,124	1,545	188	0	352	63,275
Corporates	59,150	3,851	1,889	392	0	306	65,588
Group Markets	11,149	573	4	0	0	6,566	18,291
Asset/Liability Management and Local Corporate Center	29,165	107	21	0	0	216	29,509
Savings Banks	52,004	4,725	1,786	47	0	2,169	60,731
Group Corporate Center	584	77	2	0	0	152	815
<b>Total</b>	<b>209,117</b>	<b>13,457</b>	<b>5,248</b>	<b>628</b>	<b>0</b>	<b>9,760</b>	<b>238,210</b>

## Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
<b>As of 31 March 2018</b>					
<b>Austria</b>	<b>117,534</b>	<b>10,306</b>	<b>1,195</b>	<b>3,115</b>	<b>132,150</b>
EBOe & Subsidiaries	38,338	2,759	341	655	42,093
Savings Banks	51,553	6,530	781	1,869	60,733
Other Austria	27,643	1,017	72	592	29,324
<b>Central and Eastern Europe</b>	<b>89,277</b>	<b>7,927</b>	<b>704</b>	<b>2,726</b>	<b>100,635</b>
Czech Republic	45,352	3,490	226	576	49,645
Romania	11,957	1,449	177	650	14,234
Slovakia	16,174	1,135	61	509	17,879
Hungary	6,784	768	82	208	7,842
Croatia	7,614	988	149	760	9,511
Serbia	1,396	97	8	23	1,524
Other	5,175	147	80	23	5,426
<b>Total</b>	<b>211,986</b>	<b>18,381</b>	<b>1,979</b>	<b>5,865</b>	<b>238,211</b>
<b>As of 31 December 2017</b>					
<b>Austria</b>	<b>111,426</b>	<b>9,675</b>	<b>1,352</b>	<b>3,397</b>	<b>125,849</b>
EBOe & Subsidiaries	35,681	2,523	444	681	39,329
Savings Banks	48,683	6,321	801	1,891	57,696
Other Austria	27,062	830	106	825	28,823
<b>Central and Eastern Europe</b>	<b>84,561</b>	<b>7,120</b>	<b>766</b>	<b>2,851</b>	<b>95,298</b>
Czech Republic	41,616	2,741	254	575	45,186
Romania	11,411	1,753	182	729	14,076
Slovakia	15,641	1,110	63	507	17,320
Hungary	7,094	461	105	215	7,875
Croatia	7,433	961	154	792	9,341
Serbia	1,365	94	7	33	1,500
Other	4,801	109	90	25	5,025
<b>Total</b>	<b>200,788</b>	<b>16,904</b>	<b>2,207</b>	<b>6,273</b>	<b>226,172</b>

## Credit risk exposure by geographical segment and IFRS 9 stage

in EUR million	Stage 1 - 12-month expected credit loss	Stage 2 - Lifetime expected credit loss	Stage 3 (default) - Lifetime expected credit loss	POCI	Simplified Approach	Not subject to IFRS 9	Total
<b>As of 31 March 2018</b>							
<b>Austria</b>	<b>112,002</b>	<b>8,623</b>	<b>2,973</b>	<b>82</b>	<b>0</b>	<b>8,469</b>	<b>132,148</b>
EBOe & Subsidiaries	38,345	2,916	645	2	0	185	42,093
Savings Banks	52,004	4,725	1,786	47	0	2,169	60,731
Other Austria	21,653	981	542	33	0	6,115	29,324
<b>Central and Eastern Europe</b>	<b>92,038</b>	<b>4,693</b>	<b>2,254</b>	<b>546</b>	<b>0</b>	<b>1,104</b>	<b>100,635</b>
Czech Republic	46,359	2,435	556	8	0	287	49,645
Romania	12,384	1,147	518	171	0	14	14,234
Slovakia	16,867	419	357	172	0	66	17,879
Hungary	6,886	114	108	138	0	596	7,842
Croatia	8,228	484	698	53	0	47	9,511
Serbia	1,315	94	17	5	0	93	1,524
Other	5,077	142	20	0	0	187	5,426
<b>Total</b>	<b>209,117</b>	<b>13,457</b>	<b>5,248</b>	<b>628</b>	<b>0</b>	<b>9,760</b>	<b>238,210</b>

## Loans to customers

The tables on the following pages present the structure of the customer loan book, excluding loans to central banks and credit institutions broken-down by different categories. Loans to customers comprise

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

On the next pages loans to customers are presented by:

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

## Loans to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
<b>As of 31 March 2018</b>					
Retail	45,748	5,606	522	1,710	53,586
Corporates	41,527	3,623	368	1,969	47,487
Group Markets	1,825	265	0	0	2,091
Asset/Liability Management and Local Corporate Center	36	52	50	21	159
Savings Banks	35,051	5,190	644	1,763	42,648
Group Corporate Center	24	9	2	2	37
<b>Total</b>	<b>124,211</b>	<b>14,745</b>	<b>1,586</b>	<b>5,464</b>	<b>146,007</b>
<b>As of 31 December 2017</b>					
Retail	45,516	5,025	501	1,691	52,734
Corporates	40,790	3,729	417	2,312	47,249
Group Markets	933	231	5	0	1,169
Asset/Liability Management and Local Corporate Center	111	30	51	14	206
Savings Banks	34,551	5,159	654	1,758	42,122
Group Corporate Center	20	4	5	1	30
<b>Total</b>	<b>121,921</b>	<b>14,179</b>	<b>1,633</b>	<b>5,776</b>	<b>143,509</b>

## Loans to customers at AC by business segment and IFRS 9 stage

in EUR million	Stage 1 - 12-month expected credit loss	Stage 2 - Lifetime expected credit loss	Stage 3 (default) - Lifetime expected credit loss	POCI	Simplified Approach	Total
<b>As of 31 March 2018</b>						
Retail	48,083	3,629	1,524	184	0	53,420
Corporates	42,339	3,044	1,676	335	0	47,393
Group Markets	1,595	496	0	0	0	2,091
Asset/Liability Management and Local Corporate Center	125	13	20	0	0	159
Savings Banks	36,766	4,013	1,684	47	0	42,510
Group Corporate Center	27	2	2	0	0	32
<b>Total</b>	<b>128,935</b>	<b>11,197</b>	<b>4,906</b>	<b>567</b>	<b>0</b>	<b>145,605</b>

Stage 1 and Stage 2 comprise not impaired loans while Stage 3 includes impaired loans. POCI (purchased or originated credit impaired) consists of loans already impaired when purchased or originated. In the simplified approach, changes of the credit risk are not tracked and the amount of the credit risk provision is calculated across the lifetime.

The defaulted part of POCI loans amounted to EUR 434 million, the non-defaulted part to EUR 133 million.

## Loans to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
<b>As of 31 March 2018</b>					
<b>Austria</b>	<b>75,509</b>	<b>8,033</b>	<b>1,018</b>	<b>2,922</b>	<b>87,482</b>
Erste Bank Oesterreich & Subsidiaries	28,642	2,217	310	620	31,787
Savings Banks	35,051	5,190	644	1,763	42,648
Other Austria	11,816	627	64	540	13,047
<b>Central and Eastern Europe</b>	<b>48,557</b>	<b>6,669</b>	<b>563</b>	<b>2,519</b>	<b>58,308</b>
Czech Republic	23,287	2,932	173	524	26,916
Romania	5,782	1,324	113	559	7,778
Slovakia	10,907	1,040	60	460	12,467
Hungary	3,034	449	77	202	3,762
Croatia	4,647	837	134	751	6,369
Serbia	899	88	7	22	1,016
<b>Other</b>	<b>145</b>	<b>43</b>	<b>5</b>	<b>23</b>	<b>216</b>
<b>Total</b>	<b>124,211</b>	<b>14,745</b>	<b>1,586</b>	<b>5,464</b>	<b>146,007</b>
<b>As of 31 December 2017</b>					
<b>Austria</b>	<b>74,809</b>	<b>7,960</b>	<b>1,019</b>	<b>3,112</b>	<b>86,900</b>
Erste Bank Oesterreich & Subsidiaries	28,681	2,181	294	631	31,787
Savings Banks	34,551	5,159	654	1,758	42,122
Other Austria	11,578	620	71	723	12,991
<b>Central and Eastern Europe</b>	<b>46,934</b>	<b>6,214</b>	<b>609</b>	<b>2,639</b>	<b>56,396</b>
Czech Republic	22,481	2,298	183	525	25,487
Romania	5,452	1,559	116	632	7,759
Slovakia	10,514	1,014	62	458	12,048
Hungary	3,038	416	103	209	3,766
Croatia	4,601	849	138	783	6,371
Serbia	848	79	6	32	965
<b>Other</b>	<b>179</b>	<b>4</b>	<b>5</b>	<b>25</b>	<b>212</b>
<b>Total</b>	<b>121,921</b>	<b>14,179</b>	<b>1,633</b>	<b>5,776</b>	<b>143,509</b>

## Loans to customers at AC by geographical segment and IFRS 9 stage

in EUR million	Stage 1 - 12-month expected credit loss	Stage 2 - Lifetime expected credit loss	Stage 3 (default) - Lifetime expected credit loss	POCI	Simplified Approach	Total
<b>As of 31 March 2018</b>						
<b>Austria</b>	<b>77,157</b>	<b>7,213</b>	<b>2,784</b>	<b>82</b>	<b>0</b>	<b>87,236</b>
EBOe & Subsidiaries	28,685	2,448	610	2	0	31,745
Savings Banks	36,766	4,013	1,684	47	0	42,510
Other Austria	11,706	751	490	33	0	12,980
<b>Central and Eastern Europe</b>	<b>51,648</b>	<b>3,918</b>	<b>2,102</b>	<b>485</b>	<b>0</b>	<b>58,153</b>
Czech Republic	24,363	2,038	505	7	0	26,913
Romania	6,202	970	434	168	0	7,774
Slovakia	11,606	392	354	115	0	12,467
Hungary	3,266	108	103	137	0	3,614
Croatia	5,296	330	690	53	0	6,369
Serbia	915	80	17	5	0	1,017
<b>Other</b>	<b>130</b>	<b>66</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>216</b>
<b>Total</b>	<b>128,935</b>	<b>11,197</b>	<b>4,906</b>	<b>567</b>	<b>0</b>	<b>145,605</b>

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

in EUR million	Non-performing loans		Gross customer loans		Credit loss allowances		Collateral for NPL		NPL ratio		NPL coverage (exc collateral)		NPL collateralisation ratio	
	Total	AC	Total	AC	AC	AC	Total	AC	Total	AC	AC	AC	Total	AC
<b>Mar 18</b>														
Retail	1,710	1,707	53,586	53,420	1,423		681	680	3.2%	3.2%	83.4%	39.9%	39.8%	
Corporates	1,969	1,948	47,487	47,393	1,418		739	731	4.1%	4.1%	72.8%	37.5%	37.5%	
Group Markets	0	0	2,091	2,091	8		0	0	0.0%	0.0%	>500%	0.0%	0.0%	
ALM & LCC	21	21	159	159	26		0	0	13.2%	13.2%	125.3%	2.0%	2.0%	
Savings Banks	1,763	1,751	42,648	42,510	1,087		848	841	4.1%	4.1%	62.1%	48.1%	48.0%	
GCC	2	2	37	32	2		2	0	5.4%	6.6%	72.5%	99.8%	0.0%	
<b>Total</b>	<b>5,464</b>	<b>5,429</b>	<b>146,006</b>	<b>145,605</b>	<b>3,963</b>		<b>2,271</b>	<b>2,253</b>	<b>3.7%</b>	<b>3.7%</b>	<b>73.0%</b>	<b>41.6%</b>	<b>41.5%</b>	

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

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
<b>As of 31 December 2017</b>					
Retail	1,691	52,734	1,319	3.2%	78.0%
Corporates	2,312	47,249	1,605	4.9%	69.4%
Group Markets	0	1,169	2	0.0%	>100.0%
Asset/Liability Management and Local Corporate Center	14	206	25	6.6%	>100.0%
Savings Banks	1,758	42,122	1,026	4.2%	58.3%
Group Corporate Center	1	30	0	2.3%	16.5%
<b>Total</b>	<b>5,776</b>	<b>143,509</b>	<b>3,977</b>	<b>4.0%</b>	<b>68.8%</b>

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

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

in EUR million	Loans to customers				Credit loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1 - 12-month expected credit loss	Stage 2 - Lifetime expected credit loss	Stage 3 (default) - Lifetime expected credit loss	POCI	Stage 1 - 12-month expected credit loss	Stage 2 - Lifetime expected credit loss	Stage 3 (default) - Lifetime expected credit loss	POCI			
<b>Mar 18</b>											
Retail	48,083	3,629	1,524	184	127	197	1,011	89	5.4%	66.3%	48.1%
Corporates	42,339	3,044	1,676	335	152	157	1,011	98	5.1%	60.3%	29.2%
Group Markets	1,595	496	0	0	6	2	0	0	0.4%	83.7%	15.4%
ALM & LCC	125	13	20	0	1	9	16	0	69.8%	79.4%	0.0%
Savings Banks	36,766	4,013	1,684	47	85	125	859	17	3.1%	51.0%	36.2%
GCC	27	2	2	0	0	0	1	0	1.0%	59.4%	0.0%
<b>Total</b>	<b>128,935</b>	<b>11,197</b>	<b>4,906</b>	<b>567</b>	<b>371</b>	<b>490</b>	<b>2,898</b>	<b>204</b>	<b>4.4%</b>	<b>59.1%</b>	<b>35.9%</b>

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

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



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

Qualitative SICR indicators include forbearance-type flags, work-out transfer flag, information from early-warning-system (if it is not sufficiently considered in rating) and fraud indicators. The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and timely. The related group-wide and entity-level credit risk controlling policies and procedures (adapted as necessary in the light of transition to IFRS 9) ensure the necessary governance framework. Besides the qualitative indicators defined on client level, the assessment of significant increase in credit risk is performed on portfolio level if the increase in credit risk on individual instrument or client level is only available with a certain time lag or is observable exclusively on portfolio level.

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

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

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

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

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

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

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

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

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

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

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

in EUR million	Non-performing loans		Gross customer loans		Credit loss allowances		Collateral for NPL		NPL ratio		NPL coverage (exc collateral)		NPL collateralisation ratio	
	Total	AC	Total	AC	AC	AC	Total	AC	Total	AC	AC	AC	Total	AC
<b>Mar 18</b>														
<b>Austria</b>	<b>2,922</b>	<b>2,892</b>	<b>87,482</b>	<b>87,236</b>	<b>1,758</b>		<b>1,416</b>	<b>1,402</b>	<b>3.3%</b>	<b>3.3%</b>	<b>60.8%</b>		<b>48.5%</b>	<b>48.5%</b>
EBOe & Subs	620	618	31,787	31,745	388		309	308	1.9%	1.9%	62.8%		49.8%	49.8%
Savings Banks	1,763	1,751	42,648	42,510	1,087		848	841	4.1%	4.1%	62.1%		48.1%	48.0%
Other Austria	540	523	13,047	12,980	283		260	252	4.1%	4.0%	54.1%		48.1%	48.2%
<b>CEE</b>	<b>2,519</b>	<b>2,514</b>	<b>58,308</b>	<b>58,153</b>	<b>2,190</b>		<b>853</b>	<b>851</b>	<b>4.3%</b>	<b>4.3%</b>	<b>87.1%</b>		<b>33.9%</b>	<b>33.9%</b>
Czech Republic	524	524	26,916	26,913	535		111	111	1.9%	1.9%	102.0%		21.2%	21.2%
Romania	559	556	7,778	7,774	538		174	174	7.2%	7.1%	96.9%		31.2%	31.4%
Slovakia	460	460	12,467	12,467	370		201	201	3.7%	3.7%	80.5%		43.6%	43.6%
Hungary	202	201	3,762	3,614	161		118	116	5.4%	5.5%	80.2%		58.1%	57.8%
Croatia	751	751	6,369	6,369	553		242	242	11.8%	11.8%	73.7%		32.2%	32.2%
Serbia	22	22	1,017	1,017	32		8	8	2.2%	2.2%	145.8%		34.4%	34.4%
Other	23	23	216	216	16		2	0	10.8%	10.8%	69.6%		8.7%	0.0%
<b>Total</b>	<b>5,464</b>	<b>5,429</b>	<b>146,006</b>	<b>145,605</b>	<b>3,963</b>		<b>2,271</b>	<b>2,253</b>	<b>3.7%</b>	<b>3.7%</b>	<b>73.0%</b>		<b>41.6%</b>	<b>41.5%</b>

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

in EUR million	Non-performing loans	Total	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
<b>As of 31 December 2017</b>					
<b>Austria</b>	<b>3,112</b>	<b>86,900</b>	<b>1,749</b>	<b>3.6%</b>	<b>56.2%</b>
Erste Bank Oesterreich & Subsidiaries	631	31,787	360	2.0%	57.1%
Savings Banks	1,758	42,122	1,026	4.2%	58.3%
Other Austria	723	12,991	363	5.6%	50.2%
<b>Central and Eastern Europe</b>	<b>2,639</b>	<b>56,396</b>	<b>2,214</b>	<b>4.7%</b>	<b>83.9%</b>
Czech Republic	525	25,487	486	2.1%	92.5%
Romania	632	7,759	586	8.1%	92.7%
Slovakia	458	12,048	365	3.8%	79.7%
Hungary	209	3,766	186	5.5%	89.3%
Croatia	783	6,371	556	12.3%	70.9%
Serbia	32	965	36	3.3%	112.0%
<b>Other</b>	<b>25</b>	<b>212</b>	<b>14</b>	<b>11.7%</b>	<b>56.6%</b>
<b>Total</b>	<b>5,776</b>	<b>143,509</b>	<b>3,977</b>	<b>4.0%</b>	<b>68.8%</b>

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

in EUR million	Loans to customers			POCI	Credit loss allowances			POCI	Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1 - 12-month expected credit loss	Stage 2 - Lifetime expected credit loss	Stage 3 (default) - Lifetime expected credit loss		Stage 1 - 12-month expected credit loss	Stage 2 - Lifetime expected credit loss	Stage 3 (default) - Lifetime expected credit loss				
<b>Mar 18</b>											
<b>Austria</b>	<b>77,157</b>	<b>7,213</b>	<b>2,784</b>	<b>82</b>	<b>155</b>	<b>195</b>	<b>1,386</b>	<b>22</b>	<b>2.7%</b>	<b>49.8%</b>	<b>26.4%</b>
EBOe & Subs	28,685	2,448	610	2	33	50	304	0	2.0%	49.8%	25.2%
Savings Banks	36,766	4,013	1,684	47	85	125	859	17	3.1%	51.0%	36.2%
Other Austria	11,706	751	490	33	36	19	223	4	2.5%	45.5%	12.5%
<b>CEE</b>	<b>51,648</b>	<b>3,918</b>	<b>2,102</b>	<b>485</b>	<b>215</b>	<b>294</b>	<b>1,499</b>	<b>182</b>	<b>7.5%</b>	<b>71.3%</b>	<b>37.5%</b>
Czech Republic	24,363	2,038	505	7	74	102	355	4	5.0%	70.3%	49.8%
Romania	6,202	970	434	168	31	105	340	63	10.8%	78.3%	37.3%
Slovakia	11,606	392	354	115	38	36	239	58	9.1%	67.5%	50.4%
Hungary	3,266	108	103	137	14	19	76	51	18.1%	73.5%	37.4%
Croatia	5,296	330	690	53	49	21	478	5	6.2%	69.3%	10.2%
Serbia	915	80	17	5	9	11	11	1	13.5%	66.8%	25.0%
Other	130	66	20	0	1	2	13	0	2.9%	64.5%	0.0%
<b>Total</b>	<b>128,935</b>	<b>11,197</b>	<b>4,906</b>	<b>567</b>	<b>371</b>	<b>490</b>	<b>2,898</b>	<b>204</b>	<b>4.4%</b>	<b>59.1%</b>	<b>35.9%</b>

## Loans to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
<b>As of 31 March 2018</b>						
<b>Austria</b>	<b>79,610</b>	<b>0</b>	<b>3,718</b>	<b>2,131</b>	<b>2,023</b>	<b>87,482</b>
Erste Bank Oesterreich & Subsidiaries	30,099	0	1,534	47	108	31,787
Savings Banks	39,437	0	2,138	97	976	42,648
Other Austria	10,075	0	46	1,987	940	13,047
<b>Central and Eastern Europe</b>	<b>25,769</b>	<b>31,902</b>	<b>58</b>	<b>460</b>	<b>119</b>	<b>58,308</b>
Czech Republic	4,129	22,428	1	266	91	26,916
Romania	3,348	4,299	0	131	0	7,778
Slovakia	12,417	0	0	27	23	12,467
Hungary	850	2,902	9	2	0	3,762
Croatia	4,246	2,051	37	31	5	6,369
Serbia	779	222	11	4	0	1,016
Other	173	39	0	5	0	216
<b>Total</b>	<b>105,552</b>	<b>31,941</b>	<b>3,776</b>	<b>2,596</b>	<b>2,143</b>	<b>146,007</b>

### As of 31 December 2017

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

## Market risk

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

in EUR million	Dec 17	Mar 18
Interest	4.5	0.0
Currency	0.7	0.0
Shares	1.0	0.0
Commodity	0.7	0.0
Volatility	0.4	0.0
<b>Total</b>	<b>5.0</b>	<b>0.0</b>

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

### **Liquidity risk**

Due to the comfortable liquidity position and the usage of the TLTRO II programme (Targeted Longer-Term Refinancing Operations II) of the European Central Bank, Erste Group Bank AG has budgeted long term issuance for 2018 in the amount of EUR 3.1 billion. In the first three months of the year Erste Group issued over EUR 1.1 billion (net of EUR 18 million buybacks), including a benchmark transaction (a EUR 1 billion mortgage covered bond). On group level, Erste Group's total TLTRO II participation amounts to EUR 3.5 billion.

### **Leverage ratio**

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

As of 31 March 2018, 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 proposed by the Basel Committee. Tier 1 capital amounted to EUR 15.4 billion at the reference date, while total leverage exposure stood at EUR 244.4 billion.

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

## **37. Related party transactions**

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung) controls a total of 29.43% 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 0.8 million (EUR 8.8 million) and no accounts receivable. At the end of the reporting period, Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 10.2 million (EUR 10.2 million). Interest income of Erste Group in the reporting period amounted to EUR 0 (cumulated in 2017: EUR 0.3 million), interest expenses to EUR 0.1 (cumulated in 2017: EUR 0.5 million), resulting from the above mentioned accounts payable and receivable.

## **38. Contingent liabilities – legal proceedings**

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

## **39. Fair value of financial instruments**

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

### **Financial instruments carried at fair value**

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

### **Description of valuation models and parameters**

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

**Loans.** IFRS 9 regulation significantly changed accounting classification of assets. Not SPPI (solely payments of principal and interest) compliant loans are to be valued at fair value. The methodology to compute fair value of these assets corresponds to the basic present value technique where expected cash flows of assets are discounted by the full rate including risk premium required for non-market risk

based part of the interest rate to be compliant with fair value definition. The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer's probability of default and loss given default. These adjusted cash flows are then discounted by effective discount rate incorporating other risk/cost components. The complex interest rate assets are valued by Monte Carlo simulation approach to include convexity correction and time value of embedded options.

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

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

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

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

Credit value adjustments (CVA) for counterparty risk and debit value adjustments (DVA) for own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and Erste Group's credit quality. Erste Group has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. For products where an option replication is not feasible the exposure is computed with Monte-Carlo simulation techniques. One of the two modeling approaches is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus additional considerations. The probability of default by counterparties that are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles present in the central European market. Market based valuation concepts are incorporated for this. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. Erste Group's probability of default has been derived from the buy-back levels of Erste Group's issuances. Netting has only been considered for

a few counterparties where the impact was material. In these cases, netting has been applied for both CVA and DVA. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

According to the described methodology the accumulated CVA-adjustments amounted to EUR 9.9 million (EUR 10.8 million) and the total DVA-adjustment amounted to EUR 3.8 million (EUR 3.9 million).

#### Validation and control

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

#### Fair value hierarchy

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

##### Level 1 of the fair value hierarchy

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

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

##### Level 2 of the fair value hierarchy

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

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

##### Level 3 of the fair value hierarchy

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

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

in EUR million	Dec 17				Mar 18			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Financial assets held for trading	2,043	4,241	65	6,349	1,994	4,545	64	6,603
Derivatives	9	3,302	22	3,333	4	3,668	23	3,696
Other financial assets held for trading	2,034	939	43	3,016	1,989	877	41	2,907
Financial assets - FVPL	496	26	21	543	0	0	0	0
Non-trading financial assets - FVPL	0	0	0	0	2,175	464	766	3,405
Equity instruments	0	0	0	0	25	2	250	278
Debt securities	0	0	0	0	2,151	461	115	2,727
Loans and advances	0	0	0	0	0	0	401	401
Financial assets available for sale	13,591	1,702	767	16,060	0	0	0	0
Financial assets - FVOCI	0	0	0	0	8,797	991	501	10,289
Hedge accounting derivatives	0	884	0	884	0	103	0	103
<b>Total assets</b>	<b>16,130</b>	<b>6,853</b>	<b>853</b>	<b>23,836</b>	<b>12,967</b>	<b>6,103</b>	<b>1,331</b>	<b>20,400</b>
<b>Liabilities</b>								
Financial liabilities held for trading	439	2,981	3	3,423	497	2,436	7	2,940
Derivatives	9	2,922	3	2,934	2	2,375	7	2,384
Other financial liabilities held for trading	430	59	0	489	495	60	0	555
Financial liabilities - FVPL	0	1,801	0	1,801	0	13,449	1,002	14,450
Deposits from customers	0	49	0	49	0	58	0	58
Debt securities issued	0	1,753	0	1,753	0	13,390	437	13,827
Other financial liabilities	0	0	0	0	0	0	565	565
Hedge accounting derivatives	0	360	0	360	0	277	0	277
<b>Total liabilities</b>	<b>439</b>	<b>5,142</b>	<b>3</b>	<b>5,584</b>	<b>497</b>	<b>16,161</b>	<b>1,009</b>	<b>17,667</b>

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

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

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

### Changes in volumes of Level 1 and Level 2

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

in EUR million	Dec 17		Mar 18	
	Level 1	Level 2	Level 1	Level 2
<b>Securities</b>				
Net transfer from Level 1	0	-203	0	-42
Net transfer from Level 2	203	0	42	0
Net transfer from Level 3	-6	126	2	-29
Purchases/sales/expiries	-3,567	-633	-3,203	-263
Changes in derivatives	6	-1,588	-4	-442
<b>Total year-to-date change</b>	<b>-3,364</b>	<b>-2,298</b>	<b>-3,163</b>	<b>-776</b>

**Level 1 movements.** Level 1 financial assets decreased by EUR 3,163 million. The change in volume of Level 1 securities (decrease by EUR 3,159 million) was determined on the one hand by matured or sold assets in the amount of EUR 955 million and on the other hand by new investments in the amount of EUR 573 million. The volume decline for securities that were allocated to Level 1 at both reporting dates amounted to EUR 2,817 million (due to purchases and partial sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 164 million could be reclassified from Level 2 to Level 1. This applied to securities issued by financial institutions (EUR 98 million), to securities issued by governments (EUR 48 million) and other corporates (EUR 17 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 121 million have been moved from Level 1 to Level 2. This applies to securities issued by governments (EUR 57 million) as well as securities issued by financial institutions (EUR 40 million) and other corporates (EUR 25 million). Level 3 instruments in the amount of EUR 2 million were reclassified to Level 1. The remaining reduction in the amount of EUR 4 million was due to partial sales and fair value changes of reclassified instruments. The volume of derivatives decreased by EUR 4 million.



**Level 2 movements.** The total amount of Level 2 financial assets decreased by EUR 776 million compared to year end 2017. The change in volume of Level 2 securities (decrease by EUR 335 million) was determined on the one hand by matured or sold assets in the amount of EUR 303 million and on the other hand by new investments in the amount of EUR 487 million. The decrease in volume for securities that were allocated to Level 2 at both reporting dates amounted to EUR 399 million (due to partial purchases and sales and fair value changes caused by market movements). Due to lower market activity and change to modelled fair value, securities in total of EUR 121 million have been moved from Level 1 to Level 2. Due to improved market liquidity, assets in the amount of EUR 164 million could be reclassified from Level 2 to Level 1. The usage of significant unobservable input parameters led to the reclassification of securities from Level 2 to Level 3 in the amount of EUR 82 million. On the other hand, securities in the amount of EUR 53 million could be reclassified from Level 3 to Level 2. The residual decrease in Level 2 securities, in the amount of EUR 48 million, was caused by partial sales and fair value changes of reclassified instruments. Positive market value of derivatives assigned to Level 2 decreased by EUR 442 million.

Following the reclassification of own issues from an amortized cost treatment to a valuation at fair value, the total Level 2 financial liabilities increased by EUR 11 million. Whereas the fair value of derivatives decreased by EUR 634 million, the fair value of securities increased by EUR 12 million. The fair value of client deposits remained fairly stable with an increase of EUR 10 million.

#### Movements in Level 3 of financial instruments carried at fair value

#### 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	Settle- ments	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency trans- lation	As of
	Jan 18											Mar 18
<b>Assets</b>												
Financial assets held for trading	68	0	0	1	-9	0	0	0	14	-9	0	64
Derivatives	25	0	0	1	0	0	0	0	0	-2	0	23
Other financial assets held for trading	43	0	0	0	-9	0	0	0	14	-7	0	41
Non-trading financial assets - FVPL	859	6	0	34	-100	-19	0	-1	53	-65	-1	766
Equity instruments	230	2	0	0	0	0	0	0	21	-3	0	250
Debt securities	150	2	0	3	-3	0	0	-1	21	-58	0	115
Loans and advances	479	2	0	31	-97	-19	0	0	10	-4	-1	401
Financial assets - FVOCI	446	0	1	8	0	-11	0	0	70	-13	0	501
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total assets</b>	<b>1,373</b>	<b>6</b>	<b>1</b>	<b>43</b>	<b>-109</b>	<b>-30</b>	<b>0</b>	<b>-1</b>	<b>136</b>	<b>-87</b>	<b>-1</b>	<b>1,331</b>
<b>Liabilities</b>												
Financial liabilities - held for trading	5	1	0	0	0	0	0	0	3	-1	0	7
Derivatives	5	1	0	0	0	0	0	0	3	-1	0	7
Other trading financial liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities - at fair value through profit or loss	1,128	39	0	0	0	-23	0	-141	0	0	0	1,002
Deposits from customers	137	0	0	0	0	0	0	-137	0	0	0	0
Debt securities issued	456	4	0	0	0	-23	0	0	0	0	0	437
Other financial liabilities	534	35	0	0	0	0	0	-4	0	0	0	565
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total liabilities</b>	<b>1,132</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-23</b>	<b>0</b>	<b>-141</b>	<b>3</b>	<b>-1</b>	<b>0</b>	<b>1,009</b>



in EUR million	As of Dec 16	Gain/loss in profit or loss	Gain/loss in other compre- hensive income	Purchases	Sales	Settle- ments	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency trans- lation	As of
												Mar 17
<b>Assets</b>												
Financial assets - held for trading	138	-13	0	10	-8	0	0	0	15	-47	0	96
Derivatives	96	-15	0	0	0	0	0	0	0	-20	0	61
Other financial assets held for trading	42	2	0	10	-7	0	0	0	15	-27	0	35
Financial assets - at fair value through profit or loss	28	0	0	0	0	0	0	0	0	0	0	29
Financial assets - available-for-sale	867	18	4	46	-1	-49	0	-2	76	-84	0	876
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total assets</b>	<b>1,034</b>	<b>6</b>	<b>4</b>	<b>56</b>	<b>-9</b>	<b>-49</b>	<b>0</b>	<b>-2</b>	<b>91</b>	<b>-130</b>	<b>0</b>	<b>1,001</b>
<b>Liabilities</b>												
Financial liabilities - held for trading	-1	-1	0	0	0	0	0	0	0	0	0	-1
Derivatives	-1	-1	0	0	0	0	0	0	0	0	0	-1
Other trading financial liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities - at fair value through profit or loss	-90	0	0	0	0	0	0	0	-8	90	0	-8
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	-90	0	0	0	0	0	0	0	-8	90	0	-8
Other financial liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total liabilities</b>	<b>-91</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7</b>	<b>90</b>	<b>0</b>	<b>-9</b>

The gains or losses of Level 3 financial instruments classified as 'Financial assets – held for trading', 'Financial assets – at fair value through profit or loss' (for the period ended 31 March 2017), 'Non-trading financial assets at fair value through profit or loss' (for the period ended 31 March 2018) and 'Hedge accounting derivatives' is disclosed in the income statement line item 'Net trading result'. Gains or losses from derecognition of 'Financial assets – available for sale' is shown in the income statement line item 'Gains/Losses from financial assets and liabilities not measured at fair value through profit or loss, net' for the period ended 31 March 2017. Gains or losses from derecognition of 'Financial assets at fair value through other comprehensive income' is shown in the income statement line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss' for the period ended 31 March 2018. Impairments of 'Financial assets – available for sale' are disclosed in the line item 'Net impairment loss on financial assets' for the period ended 31 March 2017. Impairment of 'Financial assets at fair value through other comprehensive income' is disclosed in the line item 'Impairment result from financial instruments' for the period ended 31 March 2018. Gains or losses in other comprehensive income of Level 3 financial instruments disclosed in the balance sheet line item 'Financial assets – available for sale' are reported directly in equity under 'Available for sale reserve' for the period ended 31 March 2017. Level 3 gains or losses in other comprehensive income disclosed in the balance sheet line item 'Financial assets at fair value through other comprehensive income' are reported directly in equity under 'Change in fair value reserve' for the period ended 31 March 2018.

**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 82 million were reclassified from Level 2 to Level 3. On the other hand securities in the amount of EUR 53 million were reclassified from Level 3 to Level 2 mainly due to the change of inputs for pricing models. The net movement from Level 3 to Level 1 amounted to EUR 2 million. The main driver for the increase in Level 3 instruments of EUR 401 million can be allocated to loans and advances which are measured at fair value under IFRS 9.

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

in EUR million	1-3 17	1-3 18
<b>Assets</b>		
Financial assets held for trading	-6.0	1.1
Derivatives	-6.0	1.1
Other financial assets held for trading	0.0	0.0
Financial assets at fair value through profit or loss	0.0	0.0
Non-trading financial assets at fair value through profit or loss	0.0	-3.8
Equity instruments	0.0	0.0
Debt securities	0.0	0.4
Loans and advances	0.0	-4.2
Financial assets available for sale	0.1	0.0
Financial assets at fair value through other comprehensive income	0.0	0.6
Hedge accounting derivatives	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>-2.1</b>

For financial liabilities measured at fair value in the Level 3 category a valuation of EUR -0.6 million was posted via income statement for the period ended 31 March 2018 (EUR -0.7 million).

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

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

## Unobservable inputs and sensitivity analysis for Level 3 measurements

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

### Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
<b>As of 31 March 2018</b>					
Positive fair value of derivatives	Forwards, swaps, options	23.2	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD LGD	0.37% - 100% (9.81%) 60%
Financial assets at FVPL	Fixed and variable coupon bonds	2.2	Discounted cash flow	Credit Spread	3.35% - 3.7% (3.44%)
	Loans	400.8	Discounted cash flow	PD LGD	0% - 39.72% (1.16%) 0% - 85.69% (25.52%)
Financial assets at FVOCI	Fixed and variable coupon bonds	130.4	Discounted cash flow	Credit Spread	0.80% - 5.74% (1.79%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	142.5	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industry Life Insurance: 1.99-2.02 Industry Real Estate (General/Diversified): 0.8 Financial Services (Non-bank & Insurance): 0.95 Restaurant: 0.95
				Country risk premium	Croatia: 3.47% Austria: 0.46% Czech Republic: 0.81% Romania: 2.32% Spain: 2.01% Resulting cost of equity based on above inputs: 7.24% - 18.87%
		144.3	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		33.1	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
<b>Dec 17</b>					
Positive fair value of derivatives	Forwards, swaps, options	23.2	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD LGD	0.76% - 100% (10.5%) 60%
Financial assets - available for sale	Fixed and variable coupon bonds	154.2	Discounted cash flow	Credit Spread	0.8% - 8.0% (2.3%)
	Non-trading equity instruments (participations)	142.5	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industry Life Insurance: 1.99-2.02 Industry Real Estate (General/Diversified): 0.8 Financial Services (Non-bank & Insurance): 0.95 Restaurant: 0.95
				Country risk premium	Croatia: 3.47% Austria: 0.46% Czech Republic: 0.81% Romania: 2.32% Spain: 2.01% Resulting cost of equity based on above inputs: 7.24% - 18.87%
		144.3	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
33.1	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.		

For equity instruments other than participations classified as Level 3, the amount of EUR 73 million (2017: EUR 70.8 million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

### Sensitivity analysis using reasonably possible alternatives per product type

in EUR million	Dec 17		Mar 18	
	Fair value changes		Fair value changes	
	Positive	Negative	Positive	Negative
Derivatives	1.9	-1.9	1.6	-2.1
Income statement	1.9	-1.9	1.6	-2.1
Other comprehensive income	0.0	0.0	0.0	0.0
Debt securities	26.2	-34.9	24.3	-32.4
Income statement	1.9	-2.6	11.7	-15.6
Other comprehensive income	24.2	-32.3	12.6	-16.8
Equity instruments	73.8	-72.5	66.0	-52.1
Income statement	38.3	-23.9	29.2	-24.4
Other comprehensive income	35.4	-48.6	36.9	-27.6
Loans	0.0	0.0	7.6	-13.4
Income statement	0.0	0.0	7.6	-13.4
Other comprehensive income	0.0	0.0	0.0	0.0
<b>Total</b>	<b>101.9</b>	<b>-109.3</b>	<b>99.6</b>	<b>-100.0</b>
<b>Income statement</b>	<b>42.1</b>	<b>-28.4</b>	<b>50.1</b>	<b>-55.5</b>
<b>Other comprehensive income</b>	<b>59.6</b>	<b>-80.9</b>	<b>49.5</b>	<b>-44.5</b>

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

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

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

- \_ for debt securities range of credit spreads between +100 basis points and -75 basis points,
- \_ for equity related instruments the price range between -10% and +5%,
- \_ for unquoted equity instruments measured by the adjusted net asset value the price range between -10% and +10% (considered in the sensitivity analyses since 2017)
- \_ for unquoted equity instruments measured by dividend discount model/simplified income approach the cost of equity range between -2% and +2% (considered in the sensitivity analyses since 2017)
- \_ for CVA on derivatives PDs rating upgrade/downgrade by one notch, as well as the change of LGD by -5% and +10%.
- \_ for loans, the PDs rating upgrade/downgrade by 1%, the change of LGD by -5% and +10% and a range of credit spreads between +100 basis points and -75 basis points

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

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

in EUR million	Dec 17		Mar 18	
	Carrying amount (balance sheet)	Fair value	Carrying amount (balance sheet)	Fair value
<b>Assets</b>				
Cash and cash balances	21,796	21,796	25,246	25,246
Financial assets held to maturity	19,800	20,969	0	0
Loans and receivables to credit institutions	9,126	9,145	0	0
Loans and receivables to customers	139,532	141,431	0	0
Financial assets at amortised cost	0	0	172,805	175,181
Loans and advances to banks	0	0	11,944	11,933
Loans and advances to customers	0	0	137,151	138,668
Debt securities	0	0	23,710	24,579
Finance lease receivables	0	0	3,561	3,556
Trade and other receivables	0	0	947	941
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>				
Financial liabilities at amortised cost	191,711	193,570	189,427	189,680
Deposits from banks	16,349	16,421	20,988	21,007
Deposits from customers	150,921	151,168	155,248	155,257
Debt securities issued	23,342	24,876	12,596	12,820
Other financial liabilities	1,099	1,105	595	596
<b>Financial guarantees and commitments</b>				
Financial guarantees	n/a	-50	n/a	55
Irrevocable commitments	n/a	43	n/a	40

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

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

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

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

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

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

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

	1-3 17	1-3 18
<b>Domestic</b>	<b>15,978</b>	<b>16,209</b>
Erste Group, EB Oesterreich and subsidiaries	8,798	9,075
Haftungsverbund savings banks	7,180	7,134
<b>Abroad</b>	<b>31,167</b>	<b>31,173</b>
Česká spořitelna Group	10,222	10,131
Banca Comercială Română Group	7,065	7,212
Slovenská sporiteľňa Group	4,241	4,147
Erste Bank Hungary Group	3,135	3,047
Erste Bank Croatia Group	3,065	3,164
Erste Bank Serbia Group	1,011	1,082
Savings banks subsidiaries	1,243	1,183
Other subsidiaries and foreign branch offices	1,185	1,207
<b>Total</b>	<b>47,145</b>	<b>47,382</b>

#### 41. Own funds and capital requirements

##### Regulatory scope of consolidation and institutional protection scheme

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

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

##### Regulatory requirements

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

##### Own funds

Own funds according to CRR consist of common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 (T2). In order to determine the capital ratios, each respective capital component – after application of all regulatory deductions and filters – is considered in relation to the total risk. The regulatory minimum capital ratios including the regulatory buffers as of 31 March 2018 amount to

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

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

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

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

As of the reporting date 31 March 2018, Erste Group has to fulfil the following capital buffer requirements:

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

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

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

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

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

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

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

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

As a result of the 2017 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a transitional common equity tier 1 (CET 1) ratio of 6.25% as of 31 March 2018. This minimum CET 1 ratio of 6.25% includes Pillar 1 minimum requirement (4.5%) and Pillar 2 requirement (P2R, 1.75% valid as of 1 January 2018). In addition, Erste Group is subject to combined buffer requirement consisting of phasing in capital conservation buffer (1.875%), the institution specific countercyclical capital buffer (0.16%) and the systemic risk buffer (1.0%) requirements. Thus, the overall transitional CET1 capital requirement amounts to 9.28%. In addition, ECB expects Erste Group to meet a Pillar 2 Guidance (P2G) of 1.05% valid as of 1 January 2018, fully in CET1 capital. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

## Overview of capital requirements and capital buffers

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

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

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



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

in EUR million	Article pursuant to CRR	Dec 17		Mar 18	
		Phased-in	Final	Phased-in	Final
<b>Common equity tier 1 capital (CET1)</b>					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	2,336	2,336	2,336	2,336
Retained earnings	26 (1) (c), 26 (2)	10,266	10,266	10,597	10,597
Interim profit	26 (2)	0	0	0	0
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-233	-233	-1,375	-1,375
Minority interest recognised in CET1	4 (1) (120) 84	3,909	3,909	3,997	3,997
Transitional adjustments due to additional minority interests	479, 480	37	0	0	0
<b>Common equity tier 1 capital (CET1) before regulatory adjustments</b>		<b>16,315</b>	<b>16,278</b>	<b>15,555</b>	<b>15,555</b>
Own CET1 instruments	36 (1) (f), 42	-105	-105	-112	-112
Prudential filter: cash flow hedge reserve	33 (1) (a)	-5	-5	3	3
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	146	146	755	755
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-4	-4	-4	-4
Value adjustments due to the requirements for prudent valuation	34, 105	-83	-83	-83	-83
Regulatory adjustments relating to unrealised gains (0%)	468	-154	0	0	0
Regulatory adjustments relating to unrealised losses (0%)	467	16	0	0	0
Securitisations with a risk weight of 1,250%	36 (1) (k)	-29	-29	-28	-28
Goodwill	4 (1) (113), 36 (1) (b), 37	-712	-712	-712	-712
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	-801	-801	-789	-789
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-49	-49	-70	-70
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-187	-187	-118	-118
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	365	0	1	0
Goodwill (0%)		142	0	0	0
Other intangible assets (0%)		160	0	0	0
IRB shortfall of provisions to expected losses (0%)		37	0	0	0
Deferred tax assets allocated up to December 2013, that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (20%)		1	0	1	0
Deferred tax assets allocated on or after January 2014 that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (0%)		9	0	0	0
Own CET1 instruments (0%)	36 (1) (f)	14	0	0	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0	0	0	0
<b>Common equity tier 1 capital (CET1)</b>	50	<b>14,712</b>	<b>14,448</b>	<b>14,396</b>	<b>14,395</b>
<b>Additional tier 1 capital (AT1)</b>					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	993	993	993	993
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	0	0	0	0
<b>Additional tier 1 capital (AT1) before regulatory adjustments</b>		<b>993</b>	<b>993</b>	<b>993</b>	<b>993</b>
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	-336	0	0	0
Goodwill (0%)		-142	0	0	0
Other intangible assets (0%)		-160	0	0	0
IRB shortfall of provisions to expected losses (0%)		-19	0	0	0
Own CET1 instruments (0%)	36 (1) (f)	-14	0	0	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0	0	0	0
<b>Additional tier 1 capital (AT1)</b>	61	<b>656</b>	<b>992</b>	<b>991</b>	<b>991</b>
<b>Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)</b>	25	<b>15,368</b>	<b>15,440</b>	<b>15,387</b>	<b>15,386</b>

The table is continued on the next page.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 17		Mar 18	
		Phased-in	Final	Phased-in	Final
<b>Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)</b>	25	<b>15,368</b>	<b>15,440</b>	<b>15,387</b>	<b>15,386</b>
<b>Tier 2 capital (T2)</b>					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	4,385	4,385	4,247	4,247
Instruments issued by subsidiaries recognised in T2	87, 88	219	219	228	228
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	61	0	0	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	0	0	0	0
IRB excess of provisions over expected losses eligible	62 (d)	344	344	330	330
<b>Tier 2 capital (T2) before regulatory adjustments</b>		<b>5,010</b>	<b>4,948</b>	<b>4,805</b>	<b>4,805</b>
Own T2 instruments	63 (b) (i), 66 (a), 67	-50	-50	-50	-50
Standardised approach general credit risk adjustments	62 (c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	-19	0	0	0
IRB shortfall of provisions to expected losses (0%)		-19	0	0	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	-1	-1	-1	-1
<b>Tier 2 capital (T2)</b>	71	<b>4,940</b>	<b>4,898</b>	<b>4,755</b>	<b>4,755</b>
<b>Total own funds</b>	4 (1) (118) and 72	<b>20,309</b>	<b>20,337</b>	<b>20,142</b>	<b>20,141</b>
<b>Capital requirement</b>	92 (3), 95, 96, 98	<b>8,802</b>	<b>8,926</b>	<b>9,122</b>	<b>9,183</b>
<b>CET1 capital ratio</b>	92 (2) (a)	<b>13.4%</b>	<b>12.9%</b>	<b>12.6%</b>	<b>12.5%</b>
<b>Tier 1 capital ratio</b>	92 (2) (b)	<b>14.0%</b>	<b>13.8%</b>	<b>13.5%</b>	<b>13.4%</b>
<b>Total capital ratio</b>	92 (2) (c)	<b>18.5%</b>	<b>18.2%</b>	<b>17.7%</b>	<b>17.5%</b>

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.

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 of 12.6% on consolidated level as of 31 March 2018, Erste Group Bank AG is robustly capitalised.

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

in EUR million	Article pursuant to CRR	Dec 17		Mar 18	
		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	110,028	8,802	114,020	9,122
Risk-weighted assets (credit risk)	92 (3) (a) (f)	86,162	6,893	89,606	7,169
Standardised approach		15,640	1,251	15,325	1,226
IRB approach		70,522	5,642	74,282	5,943
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	1	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	2,914	233	3,367	269
Operational risk	92 (3) (e) 92 (4) (b)	17,911	1,433	17,889	1,431
Exposure for CVA	92 (3) (d)	622	50	739	59
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	2,419	194	2,419	194

in EUR million	Article pursuant to CRR	Dec 17		Mar 18	
		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	111,571	8,926	114,792	9,183
Risk-weighted assets (credit risk)	92 (3) (a) (f)	87,705	7,016	90,378	7,230
Standardised approach		15,640	1,251	16,097	1,288
IRB approach		72,065	5,765	74,282	5,943
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	1	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	2,914	233	3,367	269
Operational risk	92 (3) (e) 92 (4) (b)	17,911	1,433	17,889	1,431
Exposure for CVA	92 (3) (d)	622	50	739	59
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	2,419	194	2,419	194

## Overview of RWA according to EBA Guideline

in EUR million	Article pursuant to CRR	Dec 17		Mar 18	
		Total risk (calculation base, phased-in)	Capital requirement (phased-in)	Total risk (calculation base, phased-in)	Capital requirement (phased-in)
Credit risk (excluding counterparty credit risk)		84,662	6,773	87,898	7,032
Standardised approach	438(c)(d)	15,526	1,242	15,210	1,217
Foundation IRB (FIRB) approach	438(c)(d)	50,562	4,045	53,122	4,250
Advanced IRB (AIRB) approach	438(c)(d)	17,093	1,367	17,093	1,367
Equity IRB under the simple risk-weighted approach or the internal model approach (IMA)	438(d)	1,481	118	2,472	198
Counterparty credit risk (CCR)	107, 438(c)(d)	2,022	162	2,354	188
Mark to market	438(c)(d)	1,096	88	1,073	86
Original exposure	438(c)(d)	29	2	28	2
Standardised approach		0	0	0	0
Internal model method (IMM)		0	0	0	0
Comprehensive method		274	22	513	41
Risk exposure amount for contributions to the default fund of a central counter party - CCP	438(c)(d)	0	0	0	0
Credit value adjustment (CVA)	438(c)(d)	622	50	739	59
Settlement risk	438(e)	1	0	0	0
Securitisation exposures in the banking book (after the cap)	449(o)(i)	101	8	94	8
Internal ratings based (IRB) approach		0	0	0	0
IRB supervisory formula approach (SFA)		101	8	94	8
Internal assessment approach (IAA)		0	0	0	0
Standardised approach		0	0	0	0
Market risk	438(e)	2,914	233	3,367	269
Standardised approach		1,022	82	1,010	81
Internal model approach (IMA)		1,891	151	2,356	189
Large exposures	438(e)	0	0	0	0
Operational risk	438(f)	17,911	1,433	17,889	1,431
Basic indicator approach		3,219	257	3,241	259
Standardised approach		0	0	0	0
Advanced measurement approach		14,692	1,175	14,597	1,168
Amounts below the thresholds for deduction (subject to 250% risk weight)	437(2), 48, 60	1,264	101	1,368	109
Floor adjustment	500	0	0	0	0
Other exposure amounts		2,419	194	2,419	194
<b>Total</b>		<b>110,028</b>	<b>8,802</b>	<b>114,020</b>	<b>9,122</b>

## 42. Events after the reporting date

There are no significant events after the balance sheet date.

## Your Notes

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

#### Note regarding forward-looking statements

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

## Shareholder Events

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](http://www.erstegroup.com/investorrelations)

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## TICKER SYMBOLS

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