Half-year financial report 2022

ERSTE
Group

Key financial data

Income statement

in EUR million	Q2 21	Q1 22	Q2 22	1-6 21	1-6 22
Net interest income	1,276.5	1,392.1	1,444.9	2,448.7	2,837.0
Net fee and commission income	559.0	615.3	599.5	1,099.0	1,214.9
Net trading result and gains/losses from financial instruments at FVPL	60.3	-16.9	1.2	126.7	-15.7
Operating income	1,962.1	2,036.2	2,110.4	3,790.7	4,146.7
Operating expenses	-999.7	-1,235.2	-1,050.1	-2,103.0	-2,285.4
Operating result	**962.4**	**801.0**	**1,060.3**	**1,687.7**	**1,861.3**
Impairment result from financial instruments	-47.2	-59.1	85.1	-82.9	26.0
Post-provision operating result	**915.2**	**741.9**	**1,145.4**	**1,604.8**	**1,887.3**
Other operating result	-45.6	-132.7	-66.5	-172.4	-199.2
Levies on banking activities	-19.0	-40.2	-70.7	-52.2	-110.9
Pre-tax result from continuing operations	870.1	610.1	1,049.2	1,435.1	1,659.2
Taxes on income	-163.0	-115.6	-199.7	-287.3	-315.2
Net result for the period	**707.0**	**494.5**	**849.5**	**1,147.8**	**1,344.0**
Net result attributable to non-controlling interests	144.2	45.7	161.3	229.8	207.0
Net result attributable to owners of the parent	**562.9**	**448.8**	**688.2**	**918.0**	**1,137.0**
Earnings per share	1.15	1.05	1.49	1.98	2.54
Return on equity	13.0%	11.2%	15.7%	11.3%	13.5%
Net interest margin (on average interest-bearing assets)	2.13%	2.14%	2.15%	2.07%	2.16%
Cost/income ratio	51.0%	60.7%	49.8%	55.5%	55.1%
Provisioning ratio (on average gross customer loans)	0.11%	0.13%	-0.18%	0.10%	-0.03%
Tax rate	18.7%	18.9%	19.0%	20.0%	19.0%

Balance sheet

in EUR million	Jun 21	Mar 22	Jun 22	Dec 21	Jun 22
Cash and cash balances	48,421	46,225	42,818	45,495	42,818
Trading, financial assets	50,849	55,825	56,560	53,211	56,560
Loans and advances to banks	24,541	30,825	28,704	21,001	28,704
Loans and advances to customers	172,114	185,293	191,543	180,268	191,543
Intangible assets	1,342	1,337	1,315	1,362	1,315
Miscellaneous assets	6,168	6,106	6,153	6,090	6,153
Total assets	**303,435**	**325,610**	**327,093**	**307,428**	**327,093**
Financial liabilities held for trading	2,412	2,917	3,005	2,474	3,005
Deposits from banks	34,643	34,781	36,665	31,886	36,665
Deposits from customers	206,256	222,382	225,515	210,523	225,515
Debt securities issued	30,243	33,984	31,226	32,130	31,226
Miscellaneous liabilities	6,510	7,478	6,796	6,902	6,796
Total equity	23,371	24,068	23,886	23,513	23,886
Total liabilities and equity	**303,435**	**325,610**	**327,093**	**307,428**	**327,093**
Loan/deposit ratio	83.4%	83.3%	84.9%	85.6%	84.9%
NPL ratio	2.5%	2.3%	2.2%	2.4%	2.2%
NPL coverage ratio (based on AC loans, ex collateral)	91.4%	91.9%	91.8%	90.9%	91.8%
CET1 ratio (final)	14.2%	13.7%	14.2%	14.5%	14.2%

Ratings	**Jun 21**	**Mar 22**	**Jun 22**
Fitch			
Long-term	A	A	A
Short-term	F1	F1	F1
Outlook	Negative	Stable	Stable
Moody´s			
Long-term	A2	A2	A2
Short-term	P-1	P-1	P-1
Outlook	Stable	Stable	Stable
Standard & Poor´s			
Long-term	A	A+	A+
Short-term	A-1	A-1	A-1
Outlook	Stable	Stable	Stable

Letter from the CEO

Dear shareholders,

I have taken over as chief executive officer of Erste Group as of 1 July. I have assumed this responsibility with great respect for the company's history and achievements and with the heartfelt dedication that I have also experienced among many of our colleagues. Erste Group's strategic positioning remains unchanged and is clearly defined: we believe in the people, in the entrepreneurs and in our region of Central and Eastern Europe. For more than 200 years we have considered it our obligation to build prosperity, regardless of status, nationality, faith, gender or age. As a leading banking group, we keep developing our offerings in line with our mission, from socially and ecologically responsible financial services to financial health and security. With this transformation, we are set to evolve into a financial health company. As in the past, the focus of our activities will always be on our customers! I am convinced of Erste Group's potential, its capacity for innovation and its resilience in the face of challenges of all kinds.

The economic environment has changed since the beginning of the year. In early 2022, the economy showed signs of a solid recovery in our region after the restrictions of the Covid-19 pandemic. Then, the war in Ukraine, the knock-on effects of the sanctions, uncertainty surrounding gas supplies from Russia as well as continued international supply chain disruptions slowed the rebound of the economy. The rise in inflation has an adverse impact on household incomes and investment activity. While growth forecasts for our core markets remain positive, they have been reduced to between two and five percent. While the central banks of the Czech Republic, Hungary and Romania had reacted to accelerating inflation pressure by raising interest rates as early as 2021, the ECB implemented its first rate hike in a decade – by 50 basis points – this July.

How have these developments impacted Erste Group? Despite the emergence of fresh challenges, Erste Group posted a strong operating result and a net profit of EUR 1,137.0 million for the first six months of 2022. Our two most important income components developed very strongly: net interest income improved versus the first half of 2021 by 15.9%. Positive contributions came from rate hikes in the Czech Republic, Hungary and Romania, which because of significantly stronger-than-expected inflation were sharper than anticipated, as well as from continued robust loan growth across all core markets. Overall, loan growth is up 6.3% year to date. Last but not least I should also like to mention the positive development in corporate lending. At the same time, the favourable trend in net fee and commission income – up 10.5% – continued. Especially payment services and asset management were very strong despite a clouded economic outlook and capital market volatility. Operating expenses were up 8.7%. Negative impacts came from a rise in contributions to deposit insurance systems, with Austria being spared additional charges related to Sberbank Europe on account of recoveries from sales proceeds. Talking about political risk: a new windfall tax has led to a significant rise in banking levies in Hungary, with EUR 94.7 million posted for the year 2022 (transaction taxes will also be incurred in the second half of the year).

Asset quality remained solid in the first six months. Erste Group's NPL ratio improved once again, marking a new historic post-IPO low of 2.2% at the end of June 2022. We have responded to the change in the geopolitical situation by reviewing general credit risk provisions. Overall, crisis-induced general risk provisions now amount to about EUR 500 million.

In line with current developments we have also adjusted the outlook on the 2022 financial year: we now expect net interest income to rise in the low-double digit range and net fee and commission income to grow by mid-single digits. Even with inflation running higher, we expect operating expenses to increase less strongly than operating income and risk costs to remain at a low level. This should finally result in a double-digit return on tangible equity (ROTE).

Erste Group's capitalisation remains solid with a common equity tier 1 ratio (final) of 14.2% as of the end of June 2022. For the 2022 financial year Erste Group is planning to pay a dividend of EUR 1.90 per share.

Willi Cernko m.p.

Erste Group on the capital markets

EQUITY MARKET REVIEW

In the reporting period, the key events affecting the financial markets were the Russia-Ukraine war, the significant rise in inflation and the interest rate decisions by the central banks that reacted to this environment to varying degrees and kept tightening their monetary policies. Against this backdrop, financial market participants' expectations of a global economic slowdown and potential recession resulted in high volatility and falling share prices.

The International Monetary Fund (IMF) reduced its global economic growth projections in July to 3.2% for 2022 and 2.9% for 2023. Softening global economic data along with a deterioration of corporate revenues and earnings outlooks intensified the downward trend in the second quarter, with nearly all equity markets declining in a double digit range. In the reporting period, the Dow Jones Industrial Average Index declined by 11.3% to 30,775.43 points, 15.3% lower than at year-end 2021. The broader Standard & Poor's 500 Index lost 16.4% in the quarter ended and at, at 3,785.38 points, was 20.6% lower year-to-date. In Europe, the Euro Stoxx 600 Index closed the reporting period 10.7% lower at 407.20 points, 16.5% down year-to-date. The Dow Jones Euro Stoxx Banks Index, which is composed of the leading European bank shares, ended the second quarter 11.8% lower and ended the first half of 2022 at 80.05 points, down 20.3%. At 2,879.29 points, the Austrian Traded Index (ATX) declined by 13.0% quarter-on-quarter and had lost 25.4% year-to-date.

After the Federal Reserve (Fed) had started its rate-hike cycle already in the first quarter by raising its policy rate from 0.25% to 0.5%, it issued a clear signal in response to high US inflation data in mid-June and increased its policy rate by another 75 basis points, in the largest hike since 1994, to a range of 1.50% to 1.75%. The European Central Bank (ECB) announced its intention to raise its rates by 25 basis points in June in the first rate hike in a decade and indicated that another rate hike by 50 basis points might follow this September. On 21 July, for the first time in 11 years, ECB increased rates by 50 basis points. High inflation expectations combined with lower economic growth forecasts and statements by the US Fed chair regarding a potential recession in the US led to additional uncertainty in the financial markets. Last but not least due to the ongoing geopolitical crisis, the central banks remain confronted with the need to curb inflation while at the same time seeking to stabilise the economy, financial and public debt.

SHARE PERFORMANCE

The downward trend of the Erste Group's share continued in the second quarter. The share sustained significant losses despite solid operating performance in the first quarter, sound asset quality, low risk costs and the reiterated outlook of a double digit return on tangible equity (ROTE). The share price was primarily impacted by the Russia-Ukraine war, the resulting sanctions against Russia and concerns over the region's economic development. Against this backdrop the Erste Group share underperformed the European banking index. In the second quarter the Erste Group share posted its high on 1 April 2022, at EUR 33.76, but declined by 26.9% to a closing price of EUR 24.20 as of 30 June 2022, which also marked its half-year low, down 41.5% versus year-end 2021.

The Erste Group share is listed on the stock exchanges Vienna, Prague and Bucharest. It's main stock exchange is Vienna and trading volume there averaged 949,721 shares per day in the second quarter.

FUNDING AND INVESTOR RELATIONS

Erste Group returned to the covered bond market after a two-year absence with the issuance of a 6.5 and 15 years dual-tranche mortgage transaction (amounting to EUR 750m each) in early January 2022. The notes were executed at MS+3bp and MS+5bp for the longer tranche and opened the covered bond segment for other FIG issuers. Erste Group concluded its funding activities in the first quarter by issuing a EUR 500m 4y senior preferred note at MS+55bps. In the second quarter, a window of opportunity was used in a challenging environment for issuing a EUR 500 million tier-2 bond at MS +255bps. Overall, the planned funding volumes for 2022 are comparable to last year although this year's funding mix includes covered bonds again.

With Covid-19 restrictions largely lifted, banking and investor conferences were held not only as virtual events but, again increasingly, with in-person attendance. This also applied to the road show conducted with investors in Europe after the release of first quarter 2022 results and the US road show in late May held after the annual general meeting. The conferences were hosted by Concorde, Pekao, HSBC, Deutsche Bank, Bank of America Merrill Lynch, Goldman Sachs, Wood, UBS and Danske Bank. In addition, the management and the investor relations team of Erste Group conducted a large number of one-on-one and group meetings as phone and video conferences, in which questions raised by investors and analysts were answered.

Interim management report

In the interim management report, financial results from January-June 2022 are compared with those from January-June 2021 and balance sheet positions as of 30 June 2022 with those as of 31 December 2021.

EARNINGS PERFORMANCE IN BRIEF

Net interest income increased to EUR 2,837.0 million (+15.9%; EUR 2,448.7 million) driven by rate hikes outside the euro zone – mainly in the Czech Republic, Hungary and Romania – as well as significant loan growth across all markets. **Net fee and commission income** rose to EUR 1,214.9 million (+10.5%; EUR 1,099.0 million). Increases were posted across nearly all fee and commission income categories and all core markets, with significant growth seen in particular in payment services and asset management. **Net trading result** declined to EUR -532.5 million (EUR 43.1 million); the line item **gains/losses from financial instruments measured at fair value through profit or loss** rose to EUR 516.8 million (EUR 83.6 million). The development of these two line items was mostly attributable to valuation effects. **Operating income** increased to EUR 4,146.7 million (+9.4%; EUR 3,790.7 million). **General administrative expenses** rose to EUR 2,285.4 million (+8.7%; EUR 2,103.0 million). Personnel expenses were higher at EUR 1,294.7 million (+3.7%; EUR 1,248.9 million). The marked rise in other administrative expenses to EUR 717.7 million (+23.5%; EUR 581.3 million) is mainly due to a substantial rise in payments into deposit insurance schemes to EUR 156.7 million (EUR 109.2 million) – most of the regular contributions expected for 2022 have already been posted upfront – as well as higher IT expenses in Austria. Depreciation and amortisation amounted to EUR 273.0 million (+0.1%; EUR 272.8 million). The **operating result** increased markedly to EUR 1,861.3 million (+10.3%; EUR 1,687.7 million). The **cost/income ratio** improved to 55.1% (55.5%).

Due to net releases, the **impairment result from financial instruments** amounted to EUR 26.0 million or -3 basis points of average gross customer loans (EUR -82.9 million or 10 basis points). Net allocations to provisions for loans as well as for commitments and guarantees were posted in Romania, Slovakia and Serbia. Positive contributions came from income from the recovery of loans already written off in all segments as well as from releases, most notably in Croatia, the Czech Republic, Hungary and Austria. A review of the general provisioning related to Covid-19 developments as well as the geopolitical and economic situation in the second quarter led to a net release of EUR 132 million. Overall, end of June crises-related general provisions amounted to approximately EUR 500 million. The **NPL ratio** based on gross customer loans improved to 2.2% (2.5%), the lowest level recorded since the IPO. The **NPL coverage ratio** (excluding collateral) was up at 91.8% (91.4%).

Other operating result amounted to EUR -199.2 million (EUR -172.4 million). Expenses for the annual contributions to resolution funds for the full year of 2022 included in this line item rose – most strongly in Austria and the Czech Republic – to EUR 139.0 million (EUR 108.2 million). Banking levies – currently payable in two core markets – increased to EUR 110.9 million (EUR 52.2 million). Thereof, EUR 94.6 million were charged in Hungary, including regular banking tax for the full financial year in the amount of EUR 17.7 million (EUR 14.9 million), transaction tax for the first half of 2022 in the amount of EUR 27.0 million (EUR 23.3 million) and a new windfall profit tax of EUR 49.9 million for the full year of 2022 based on the net revenues of the preceding year. In Austria, banking tax equaled EUR 16.3 million (EUR 13.9 million). A positive contribution came from the release of provisions for potential legal risks relating to Romanian consumer protection legislation in the amount of EUR 41.8 million also reflected in other operating income.

Taxes on income were up at EUR 315.2 million (EUR 287.3 million). The minority charge decreased to EUR 207.0 million (EUR 229.8 million) due to lower earnings contributions of the savings banks. The **net result attributable to owners of the parent** rose to EUR 1,137.0 million (EUR 918.0 million) on the back of the strong operating result and the net release of provisions.

Total equity not including AT1 instruments rose to EUR 21.7 billion (EUR 21.3 billion). After regulatory deductions and filtering in accordance with the Capital Requirements Regulation (CRR), **common equity tier 1 capital** (CET1, final) rose to EUR 19.6 billion (EUR 18.8 billion), total **own funds** (final) to EUR 25.6 billion (EUR 24.8 billion). The interim profit for the first two quarters of the year is included in the above figures. Total risk (**risk-weighted assets** including credit, market and operational risk, CRR final) rose to EUR 138.2 billion (EUR 129.6 billion). The **common equity tier 1 ratio** (CET1, final) stood at 14.2% (14.5%), the **total capital ratio** at 18.5% (19.1%).

Total assets increased to EUR 327.1 billion (+6.4%; EUR 307.4 billion). On the asset side, cash and cash balances declined to EUR 42.8 billion (EUR 45.5 billion), loans and advances to banks went up – most notably in the Czech Republic – to EUR 28.7 billion (EUR 21.0 billion). **Loans and advances to customers** increased significantly in almost all core markets to EUR 191.5 billion (+6.3%; EUR 180.3 billion). On the liability side, deposits from banks grew to EUR 36.7 billion (EUR 31.9 billion). **Customer deposits** rose in nearly all core markets – most strongly in Austria and the Czech Republic – to EUR 225.5 billion (+7.1%; EUR 210.5 billion). The **loan-to-deposit ratio** declined to 84.9% (85.6%).

OUTLOOK

All forward-looking statements in this outlook are based on the assumption that the Erste Group core markets will be able to import adequate quantities of gas from Russia at least in 2022. In addition, (geo-)political, regulatory, economic or health risks that are not quantifiable at present may render target achievement more challenging.

For 2022, Erste Group is again pursuing the goal of generating a double-digit return on tangible equity (ROTE). Positive contributions will be coming primarily from the positive economic development in all core markets (Austria, the Czech Republic, Slovakia, Hungary, Romania, Croatia and Serbia) – albeit at a slower pace than in 2021 – as well as from a rise in short-term and long-term interest rates driven by inflation. This should lead to an improved operating result and continued low risk costs.

In 2022, Erste Group's core markets are expected to see real GDP growth of approximately two to five percent. At the same time, year-on-year inflation being further fuelled by the geopolitical conflict surrounding Ukraine will remain a key issue throughout the year. Unemployment rates are nonetheless expected to remain low (approximately 3% to 7%). Current account balances will deteriorate in most countries due to higher costs of energy imports. The fiscal situation will remain stretched amid a variety of fiscal policy challenges. Public debt levels will be significantly below the EU average, though.

Against this backdrop, Erste Group expects high-single digit net loan growth. This development, supported by sharper-than-expected rate hikes in CEE together with the changed interest rate policy of the ECB, should support a low-double digit rise in net interest income. The second important income component – net fee and commission income – is projected to grow in the mid-single digit range following the exceptional performance in 2021. As in 2021, positive momentum should again come from payment services and asset management. Positive contributions are also expected from insurance brokerage. The net trading and fair value result will very likely fall significantly short of last year's result due to rate-driven valuation losses. The remaining income components should by and large remain stable. Overall, operating income should thus improve significantly in 2022. Operating expenses are expected to rise more moderately than operating income, as a result of which the cost/income ratio should fall to below 55% already in 2022, and thus significantly earlier than planned (2024). In addition, Erste Group will again be investing in IT and thus its competitive position in 2022. Here, the focus will be on progressive IT modernisation, back office digitalisation and the continuing expansion of the digital platform George.

Given the still positive economic outlook described above, risk costs should remain low in 2022. While precise forecasts regarding the currently low risk cost levels are hard to make, Erste Group still assumes that in 2022 risk costs will not exceed 20 basis points of average gross customer loans. The NPL ratio should be below 3.0%.

Other operating result is expected to come in lower than last year due to higher banking levies such as contributions to resolution funds and banking taxes. Assuming a low effective group tax rate of around 19% and lower minority charges than in 2021, Erste Group aims to achieve a double-digit return on tangible equity (ROTE) for 2022. Erste Group's CET1 ratio should remain above 14%. For the 2022 financial year, Erste Group is planning to pay a dividend of EUR 1.90 per share.

Risks factors to the forecast include (geo-)political and economic developments (including the impacts of monetary and fiscal policies), regulatory measures as well as global health risks and changes in the competitive environment. Financial forecasts are moreover rendered even more uncertain by government-imposed Covid-19 measures and their effects on economic activity. The development of the Russia-Ukraine conflict does not have any direct impact on Erste Group as it does not maintain any local presence in either of these countries. Exposure to these two markets is immaterial and still no additional risk provisioning is currently required in this context. Indirect consequences such as financial market volatility or the impact of sanctions on some of Erste Group's clients cannot be ruled out, however. Going forward, geopolitical developments may lead to banks based in member states of the European Union becoming distressed and failing. In such a case, the possible tapping of national or European deposit insurance and resolution systems may also have financial impacts on Erste Group member banks. Erste Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. A worse-than-expected development of the economy may also lead to a need for the write-off of goodwill.

PERFORMANCE IN DETAIL

in EUR million	1-6 21	1-6 22	Change
Net interest income	2,448.7	2,837.0	15.9%
Net fee and commission income	1,099.0	1,214.9	10.5%
Net trading result and gains/losses from financial instruments at FVPL	126.7	-15.7	n/a
Operating income	3,790.7	4,146.7	9.4%
Operating expenses	-2,103.0	-2,285.4	8.7%
Operating result	**1,687.7**	**1,861.3**	**10.3%**
Impairment result from financial instruments	-82.9	26.0	n/a
Other operating result	-172.4	-199.2	15.6%
Levies on banking activities	-52.2	-110.9	>100.0%
Pre-tax result from continuing operations	**1,435.1**	**1,659.2**	**15.6%**
Taxes on income	-287.3	-315.2	9.7%
Net result for the period	**1,147.8**	**1,344.0**	**17.1%**
Net result attributable to non-controlling interests	229.8	207.0	-9.9%
Net result attributable to owners of the parent	**918.0**	**1,137.0**	**23.9%**

Net interest income

Net interest income rose significantly to EUR 2,837.0 million (EUR 2,448.7 million) driven by continued loan growth in all markets and, most importantly, higher interest rates in the Czech Republic, Hungary and Romania. In Austria and Slovakia, however, the still comparatively low level of interest rates had an adverse impact on net interest income. In both countries, a one-off effect from the take-up of TLTRO III funds had had a positive impact in the amount of EUR 93.0 million in the comparative period. The net interest margin (calculated as the annualised sum of net interest income, dividend income and net result from equity method investments over average interest-bearing assets) widened markedly to 2.16% (2.07%).

Net fee and commission income

Net fee and commission income increased to EUR 1,214.9 million (EUR 1,099.0 million). Growth was recorded across nearly all fee and commission categories and all core markets. In addition to a significant increase in the contribution from asset management in Austria, net fee and commission income was boosted markedly, mainly from payment services in Austria as well as in the Czech Republic, Slovakia, Romania and Hungary.

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

Net trading result and the line item gains/losses from financial instruments measured at fair value through profit or loss are materially affected by valuation effects. Debt securities issued measured at FV through profit or loss have a significant impact on these line items as related valuation results are shown in the line item gains/losses from financial instruments measured at fair value through profit or loss, while the valuation results of corresponding hedges are shown in net trading result – as are financial assets in the fair value and trading portfolios.

Due to valuation effects resulting from interest rate developments in the derivatives business, net trading result declined to EUR -532.5 million (EUR 43.1 million), despite a strong improvement in foreign exchange trading. Gains/losses from financial instruments measured at fair value through profit or loss trended in the opposite direction and rose to EUR 516.8 million (EUR 83.6 million). With long-term interest rates up, losses from the valuation of the securities portfolio in Austria (in the Savings Banks segment) and the loan portfolio measured at fair value in Hungary were offset by significantly higher gains from the valuation of debt securities in issue.

General administrative expenses

in EUR million	1-6 21	1-6 22	Change
Personnel expenses	1,248.9	1,294.7	3.7%
Other administrative expenses	581.3	717.7	23.5%
Depreciation and amortisation	272.8	273.0	0.1%
General administrative expenses	**2,103.0**	**2,285.4**	**8.7%**

General administrative expenses rose to EUR 2,285.4 million (EUR 2.103.0 million). Driven mostly by collectively agreed salary raises, **personnel expenses** increased in all core markets – most significantly in the Czech Republic and in Hungary – to EUR 1,294.7 million (EUR 1,248.9 million). **Other administrative expenses** were up at EUR 717.7 million (EUR 581.3 million). In addition to markedly higher IT expenses, contributions to deposit insurance systems – except for Serbia already posted for the full year – increased significantly to EUR 156.7 million (EUR 109.2 million). In Hungary, expenses rose to EUR 31.4 million (EUR 6.3 million) mainly due to higher contributions expected for 2022 because of a deposit insurance case (Sberbank Europe). In Austria, contributions increased to EUR 87.2 million

(EUR 76.7 million), in Romania to EUR 9.3 million (EUR 3.4 million). **Depreciation and amortisation** amounted to EUR 273.0 million (EUR 272.8 million).

Headcount as of end of the period

	Dec 21	Jun 22	Change
Austria	**15,606**	**15,661**	**0.3%**
Erste Group, EB Oesterreich and subsidiaries	8,538	8,606	0.8%
Haftungsverbund savings banks	7,068	7,055	-0.2%
Outside Austria	**28,990**	**29,112**	**0.4%**
Česká spořitelna Group	9,711	9,818	1.1%
Banca Comercială Română Group	5,342	5,253	-1.7%
Slovenská sporiteľňa Group	3,644	3,633	-0.3%
Erste Bank Hungary Group	3,238	3,241	0.1%
Erste Bank Croatia Group	3,220	3,307	2.7%
Erste Bank Serbia Group	1,197	1,207	0.8%
Savings banks subsidiaries	1,461	1,468	0.5%
Other subsidiaries and foreign branch offices	1,177	1,185	0.7%
Total	**44,596**	**44,773**	**0.4%**

Operating result

Operating income increased to EUR 4,146.7 million (+9.4%; EUR 3,790.7 million) on the back of a marked rise in the two key income components, net interest income and net fee and commission income. General administrative expenses rose to EUR 2,285.4 million (+8.7%; EUR 2,103.0 million), mainly due to higher other administrative expenses and personnel expenses. The operating result increased to EUR 1,861.3 million (+10.3%; EUR 1,687.7 million). The cost/income ratio improved to 55.1% (55.5%).

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

Losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 28.8 million (gains of EUR 2.7 million). This line item includes primarily losses from the sale of fixed-income securities in the Czech Republic.

Impairment result from financial instruments

The impairment result from financial instruments amounted to EUR 26.0 million (EUR -82.9 million). Net allocations to provisions for loans and advances declined to EUR 20.8 million (EUR 76.9 million). Positive contributions came from the release of provisions for loans in Croatia, the Czech Republic and Hungary as well as from income from the recovery of loans already written off in all segments in the amount of EUR 42.5 million (EUR 34.7 million). Net releases of provisions for commitments and guarantees in the amount of EUR 10.0 million (net allocation of EUR -26.4 million) include substantial releases effected in the Holding. Updated risk parameters with forward looking information considering the development of the Covid-19-pandemic as well as the geopolitical and economic situation resulted in releases of general provisions of EUR 125 million. While Covid-19-overlays were reduced by EUR 155 million, overlays related to potential indirect impacts of the Ukraine war in an amount of EUR 148 million were booked. Consequently, general crises-related provisions were reduced to approximately EUR 500 million.

Other operating result

Other operating result amounted to EUR -199.2 million (EUR -172.4 million). Levies on banking activities rose to EUR 110.9 million (EUR 52.2 million). Thereof, EUR 16.3 million (EUR 13.9 million) were payable in Austria. In Hungary, banking levies increased to a total of EUR 94.6 million (EUR 38.2 million). In addition to regular Hungarian banking tax – already posted upfront for the full year of 2022 – of EUR 17.7 million (EUR 14.9 million) and financial transaction tax of EUR 27.0 million (EUR 23.3 million), a new windfall profit tax of EUR 49.9 million levied for the first time on the preceding year's net revenues has already been posted for the full year of 2022.

The balance of allocations/releases of other provisions improved to EUR 36.5 million (EUR 15.6 million). This includes the release of a provision for potential legal risks relating to Romanian consumer protection legislation in the amount of EUR 41.8 million. Other operating result also reflects the annual contributions to resolution funds in the amount of EUR 139.0 million (EUR 108.2 million). Increases were recorded above all in Austria, to EUR 73.9 million (EUR 51.5 million), and in the Czech Republic, to EUR 39.0 million (EUR 31.6 million). In Hungary, contributions declined to EUR 3.7 million (EUR 5.6 million).

Net result

The pre-tax result from continuing operations amounted to EUR 1,659.2 million (EUR 1,435.1 million). Taxes on income rose to EUR 315.2 million (EUR 287.3 million). The minority charge decreased to EUR 207.0 million (EUR 229.8 million) due to lower earnings contributions of the savings banks. The net result attributable to owners of the parent improved to EUR 1,137.0 million (EUR 918.0 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Financial results from the second quarter of 2022 are compared with those from the first quarter of 2022.

in EUR million	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22
Income statement					
Net interest income	1,276.5	1,220.8	1,306.2	1,392.1	1,444.9
Net fee and commission income	559.0	591.4	613.3	615.3	599.5
Dividend income	15.6	7.7	5.0	2.4	17.7
Net trading result	33.6	24.3	-8.8	-256.6	-275.9
Gains/losses from financial instruments measured at fair value through profit or loss	26.7	49.9	39.7	239.7	277.1
Net result from equity method investments	4.7	3.8	5.4	3.0	5.1
Rental income from investment properties & other operating leases	45.9	46.5	46.2	40.2	42.1
Personnel expenses	-626.5	-632.4	-696.8	-630.7	-663.9
Other administrative expenses	-235.5	-265.3	-333.8	-468.1	-249.6
Depreciation and amortisation	-137.8	-140.3	-134.9	-136.4	-136.6
Gains/losses from derecognition of financial assets at AC	0.8	-1.4	-9.5	-0.9	-29.9
Other gains/losses from derecognition of financial instruments not at FVPL	-0.3	-18.2	-6.4	1.9	0.1
Impairment result from financial instruments	-47.2	31.3	-107.2	-59.1	85.1
Other operating result	-45.6	-70.9	-67.2	-132.7	-66.5
Levies on banking activities	-19.0	-19.4	-1.9	-40.2	-70.7
Pre-tax result from continuing operations	**870.1**	**847.0**	**651.2**	**610.1**	**1,049.2**
Taxes on income	-163.0	-146.3	-91.6	-115.6	-199.7
Net result for the period	**707.0**	**700.7**	**559.6**	**494.5**	**849.5**
Net result attributable to non-controlling interests	144.2	167.3	87.6	45.7	161.3
Net result attributable to owners of the parent	**562.9**	**533.4**	**472.0**	**448.8**	**688.2**

Net interest income rose to EUR 1,444.9 million (+3.8%; EUR 1,392.1 million). Driven by continued loan growth and additional rate hikes outside the euro zone, net interest income rose across all markets, most notably in Austria. In Hungary, modification losses resulting from government policies relating to interest on mortgage loans had a negative impact on net interest income. **Net fee and commission income** decreased to EUR 599.5 million (-2.6%; EUR 615.3 million). Declines were recorded most notably in the securities business in the Czech Republic, Austria and Hungary. Dividend income rose to EUR 17.7 million (EUR 2.4 million). Valuation effects in derivatives and securities trading resulting from interest rate developments caused a deterioration in **net trading result** to EUR -275.9 million (EUR -256.6 million) despite an increase in foreign exchange trading. Gains/losses from financial instruments measured at fair value through profit or loss showed an opposite trend and rose to EUR 277.1 million (EUR 239.7 million), primarily due to valuation gains of debt securities in issue on the back of interest rate developments. Losses from the valuation of the securities portfolio in Austria (Savings Banks segment) and the loan portfolio measured at fair value in Hungary also had an adverse impact on this line item.

General administrative expenses declined to EUR 1,050.1 million (-15.0%; EUR 1,235.2 million). Personnel expenses were higher at EUR 663.9 million (+5.3%; EUR 630.7 million). Other administrative expenses declined to EUR 249.6 million (-46.7%; EUR 468.1 million) as nearly all contributions to deposit insurance systems had already been posted upfront for the full year in the first quarter. EUR 46.5 million in additional contributions posted in Austria in the first quarter in view of the Sberbank Europe AG deposit insurance case were derecognised in the reporting quarter as no charges will be incurred in this context. Depreciation and amortisation amounted to EUR 136.6 million (+0.1%; EUR 136.4 million). The **cost/income ratio** improved significantly to 49.8% (60.7%).

Losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 29.8 million (gains of EUR 0.9 million). This line item includes primarily losses from the sale of fixed-income securities in the Czech Republic.

The **impairment result from financial instruments** amounted to EUR 85.1 million (EUR -59.1 million). Substantial releases of provisions for loans were posted in the Czech Republic, Croatia, and Austria, allocations were recorded in Romania, Slovakia and Serbia. Updated risk parameters with reviewed forward looking information resulted in releases of EUR 125 million of general crises-related provisions.

Other operating result improved to EUR -66.5 million (EUR -132.7 million). Levies on banking activities amounted to EUR 70.7 million (EUR 40.2 million). Thereof, EUR 62.5 million (EUR 32.1 million) were charged in Hungary: in addition to the transaction tax, a new windfall profit tax of EUR 49.9 million (for the full year of 2022) was payable for the first time on the basis of the preceding year's net revenues. Regular banking tax for 2022 had already been fully posted upfront in the previous quarter. In Austria, banking tax was unchanged at EUR 8.1 million (EUR 8.1 million). Other operating income reflected an additional EUR 15.9 million in contributions to resolution funds for 2022. A positive contribution came from the release of provisions for potential legal risks relating to Romanian consumer protection legislation in the amount of EUR 41.8 million, which was also reported in other operating income.

The **pre-tax result** rose to EUR 1,049.2 million (EUR 610.1 million). Taxes on income amounted to EUR 199.7 million (EUR 115.6 million). The minority charge increased to EUR 161.3 million (EUR 45.7 million) on the back of significantly higher earnings contributions of the savings banks, primarily due to the fact that contributions to the deposit insurance system and the resolution fund had been reported in the previous quarter. The **net result attributable to owners of the parent** improved to EUR 688.2 million (EUR 448.8 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 21	Jun 22	Change
Assets			
Cash and cash balances	45,495	42,818	-5.9%
Trading, financial assets	53,211	56,560	6.3%
Loans and advances to banks	21,001	28,704	36.7%
Loans and advances to customers	180,268	191,543	6.3%
Intangible assets	1,362	1,315	-3.5%
Miscellaneous assets	6,090	6,153	1.0%
Total assets	**307,428**	**327,093**	**6.4%**
Liabilities and equity			
Financial liabilities held for trading	2,474	3,005	21.5%
Deposits from banks	31,886	36,665	15.0%
Deposits from customers	210,523	225,515	7.1%
Debt securities issued	32,130	31,226	-2.8%
Miscellaneous liabilities	6,902	6,796	-1.5%
Total equity	23,513	23,886	1.6%
Total liabilities and equity	**307,428**	**327,093**	**6.4%**

Cash and cash balances amounted to EUR 42.8 billion (EUR 45.6 billion). **Trading and investment securities** held in various categories of financial assets increased to EUR 56.6 billion (EUR 53.2 billion).

Loans and advances to credit institutions (net), including demand deposits other than overnight deposits, increased primarily in the Czech Republic to EUR 28.7 billion (EUR 21.0 billion). **Loans and advances to customers (net)** rose – most notably in Austria and the Czech Republic – to EUR 191.5 billion (EUR 180.3 billion) driven by retail and corporate loan growth.

Loan loss allowances for loans to customers were almost unchanged at EUR 3.9 billion (EUR 3.9 billion). The **NPL ratio** – non–performing loans as a percentage of gross customer loans – improved to 2.2% (2.4%), the NPL coverage ratio (based on gross customer loans) rose to 91.8% (90.9%).

Intangible assets stood at EUR 1.3 billion (EUR 1.4 billion). **Miscellaneous assets** were nearly unchanged at EUR 6.2 billion (EUR 6.1 billion).

Financial liabilities – held for trading increased to EUR 3.0 billion (EUR 2.5 billion). **Deposits from banks,** primarily in the form of term deposits including EUR 20.9 billion (EUR 20.9 billion) carrying amount of TLTRO III funds, rose to EUR 36.7 billion (EUR 31.9 billion); **deposits from customers** increased to EUR 225.5 billion (EUR 210.5 billion) due to strong growth in overnight deposits, term deposits and repurchase transactions (leasing liabilities of EUR 0.7 billion are not included in this position). The **loan-to-deposit ratio** stood at 84.9% (85.6%). **Debt securities in issue** declined to EUR 31.2 billion (EUR 32.1 billion). **Miscellaneous liabilities** amounted to EUR 6.8 billion (EUR 6.9 billion).

Total assets rose to EUR 327.1 billion (EUR 307.4 billion). **Total equity** increased to EUR 23.9 billion (EUR 23.5 billion). This includes AT1 instruments in the amount of EUR 2.2 billion from four issuances (April 2017, March 2019, January 2020 and November 2020). After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR), **common equity tier 1 capital** (CET1, CRR final) rose to EUR 19.6 billion (EUR 18.8 billion) as did total **own funds** (CRR final) to EUR 25.6 billion (EUR 24.8 billion). The interim profit for the first two quarters of the year is included in the above figures. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR final) – increased to EUR 138.2 billion (EUR 129.6 billion).

The **total capital ratio**, total eligible qualifying capital in relation to total risk (CRR final), was well above the legal minimum requirement at 18.5% (19.1%). The **tier 1 ratio** stood at 15.8% (16.2%), the **common equity tier 1 ratio** at 14.2% (14.5%) (both ratios CRR final).

SEGMENT REPORTING

January-June 2022 compared with January-June 2021

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

Operating income consists of net interest income, net fee and commission income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, dividend income, net result from equity method investments and rental income from investment properties & other operating leases. The latter three listed items are not shown in the tables below. Net trading result and gains/losses from financial instruments measured at fair value through profit or loss are summarized under one position. Operating expenses correspond to the position general administrative expenses. Operating result is the net amount of operating income and operating expenses. Risk provisions for loans and receivables are included in the position impairment result from financial instruments. Other result summarizes 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.

GEOGRAPHICAL SEGMENTS (OPERATING SEGMENTS)

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-6 21	1-6 22	Change
Net interest income	322.6	329.8	2.2%
Net fee and commission income	221.7	243.5	9.9%
Net trading result and gains/losses from financial instruments at FVPL	7.1	3.1	-57.2%
Operating income	587.9	605.6	3.0%
Operating expenses	-350.9	-354.7	1.1%
Operating result	237.0	250.9	5.8%
Cost/income ratio	59.7%	58.6%	
Impairment result from financial instruments	-14.7	0.5	n/a
Other result	-23.5	-16.6	-29.4%
Net result attributable to owners of the parent	139.1	155.3	11.7%
Return on allocated capital	16.6%	14.8%	

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

Net interest income increased due to higher loan volumes and higher market interest rates, as well as lower refinancing costs, partially offset by the non-recurrence of a one-off booking related to TLTRO III refinancing with ECB (EUR 20.1 million). Net fee and commission income rose on the back of higher income from payment and securities fees. The decline in net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses increased mainly due to the higher personnel and IT expenses. Deposit insurance contribution amounted to EUR 34.0 million (EUR 32.3 million). Consequently, operating result went up and the cost/income ratio improved. Impairment result from financial instruments improved as updated risk parameters with forward looking information resulted in releases. Other result improved mainly due to higher real estate selling gains, partially offset by higher payments into the resolution fund of EUR 17.1 million (EUR 12.3 million). Banking tax amounted to EUR 2.7 million (EUR 2.1 million). Overall, the net result attributable to owners of the parent increased.

Savings Banks

in EUR million	1-6 21	1-6 22	Change
Net interest income	537.0	554.0	3.2%
Net fee and commission income	281.7	308.4	9.5%
Net trading result and gains/losses from financial instruments at FVPL	20.2	-55.4	n/a
Operating income	860.3	830.5	-3.5%
Operating expenses	-548.4	-573.1	4.5%
Operating result	311.9	257.4	-17.5%
Cost/income ratio	63.7%	69.0%	
Impairment result from financial instruments	15.1	2.1	-85.8%
Other result	-10.9	-25.5	>100.0%
Net result attributable to owners of the parent	46.4	32.2	-30.6%
Return on allocated capital	13.6%	7.7%	

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.

Net interest income increased due to higher loan volumes and higher interest rates, as well as improved profitability of deposits, partially offset by the non-recurrence of a one-off booking related to TLTRO III refinancing with ECB (EUR 13.6 million). Net fee and commission income increased on the back of higher payment and securities fees. The deterioration of net trading result and gains/losses from financial instruments at FVPL was primarily driven by valuation effects. Operating expenses increased mainly due to higher payments into the deposit insurance fund of EUR 53.1 million (EUR 44.3 million), higher IT and marketing expenses. Consequently, operating result as well as the cost/income ratio worsened. Impairment result from financial instruments deteriorated due to recoveries in the comparative period of the last year. Other result declined mainly due to higher provisioning for commitments and higher contribution to the resolution fund of EUR 14.9 million (EUR 11.2 million). Banking tax remained unchanged at EUR 2.5 million. Overall, the net result attributable to the owners of the parent decreased.

Other Austria

in EUR million	1-6 21	1-6 22	Change
Net interest income	195.4	294.8	50.8%
Net fee and commission income	152.6	152.2	-0.3%
Net trading result and gains/losses from financial instruments at FVPL	32.2	-8.6	n/a
Operating income	401.9	462.7	15.1%
Operating expenses	-169.3	-178.0	5.1%
Operating result	232.6	284.7	22.4%
Cost/income ratio	42.1%	38.5%	
Impairment result from financial instruments	0.8	24.3	>100.0%
Other result	18.4	-10.7	n/a
Net result attributable to owners of the parent	191.3	228.8	19.6%
Return on allocated capital	16.2%	18.2%	

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

Net interest income improved significantly on the back of interest rate hikes in several non-eurozone core markets, resulting in a significantly higher contribution of money market and interest related derivatives in Group Markets business of the Holding. In addition, the substantial increase in corporate loan volumes contributed positively. Net fee and commission income remained nearly unchanged as a higher contribution of assets under management from institutional clients in Austria was offset by lower fee income in Erste Group Immorent and lower fees from origination activities. Net trading result and gains/losses from financial instruments at FVPL deteriorated on valuation effects. Although operating expenses increased, operating result improved notably. The cost/income ratio improved. The impairment result from financial instruments improved due to lower provisions in the Erste Group Immorent portfolio and a positive effect of updated risk parameters with forward looking information resulting in releases. Other result deteriorated on the back of lower selling gains and increased provisions for non-financial guarantees. Other result included the resolution fund contribution of EUR 3.5 million (EUR 3.7 million). Overall, the net result attributable to owners of the parent improved.

Czech Republic

in EUR million	1-6 21	1-6 22	Change
Net interest income	535.1	713.6	33.4%
Net fee and commission income	175.5	196.5	12.0%
Net trading result and gains/losses from financial instruments at FVPL	37.6	75.4	>100.0%
Operating income	758.1	994.0	31.1%
Operating expenses	-385.8	-427.7	10.8%
Operating result	372.3	566.3	52.1%
Cost/income ratio	50.9%	43.0%	
Impairment result from financial instruments	-32.9	27.4	n/a
Other result	-36.7	-72.0	96.1%
Net result attributable to owners of the parent	233.3	419.0	79.6%
Return on allocated capital	15.9%	22.8%	

The segment analysis is done on a constant currency basis. The CZK appreciated by 4.7% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) increased due to significantly higher interest rates combined with higher business volumes. The increase in net fee and commission income was mainly driven by higher payments and securities fees supported by increased lending and insurance brokerage fees. Higher income from foreign currency transactions as well as from bonds, money market instruments and interest rate derivatives resulted in a notably improved net trading result and gains/losses from financial instruments at FVPL. Operating expenses increased due to higher personnel, office space as well as IT costs. Contributions into the deposit insurance fund amounted to EUR 13.4 million (EUR 10.7 million). Overall, the operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved notably on the back of updated risk parameters with forward looking information resulting in releases and fewer defaults. Other result deteriorated mainly on selling losses from bonds and higher contributions to the resolution fund of EUR 39.0 million (EUR 31.6 million). Altogether, these developments led to a significant increase in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-6 21	1-6 22	Change
Net interest income	221.4	216.8	-2.0%
Net fee and commission income	79.5	93.8	18.0%
Net trading result and gains/losses from financial instruments at FVPL	3.9	9.0	>100.0%
Operating income	308.9	323.2	4.6%
Operating expenses	-147.9	-155.1	4.9%
Operating result	161.0	168.1	4.4%
Cost/income ratio	47.9%	48.0%	
Impairment result from financial instruments	-26.0	-24.9	-4.2%
Other result	-8.4	-7.6	-10.0%
Net result attributable to owners of the parent	96.4	104.7	8.5%
Return on allocated capital	15.9%	14.6%	

Net interest income in the Slovakia segment (comprising Slovenská sporitel'ňa Group) decreased due to the non-recurrence of a one-off booking related to TLTRO III refinancing with ECB (EUR 12.9 million), lower consumer loan volumes and lower margins for housing loans, partially compensated by higher retail housing and corporate loan volumes as well as improved corporate loan margins. Net fee and commission income increased on the back of higher income from payment, securities and insurance brokerage fees. Net trading result and gains/losses from financial instruments at FVPL went up due to valuation effects. Operating expenses increased due to higher IT and office space costs. Contributions into the deposit insurance fund amounted to EUR 9.9 million (EUR 9.4 million). Consequently, operating result increased and the cost/income ratio remained nearly stable. Impairment result from financial instruments remained largely unchanged. Despite a higher payment into the resolution fund of EUR 5.9 million (EUR 4.7 million), other result remained largely stable. Overall, the net result attributable to the owners of the parent increased.

Romania

in EUR million	1-6 21	1-6 22	Change
Net interest income	215.2	245.8	14.2%
Net fee and commission income	78.3	91.3	16.6%
Net trading result and gains/losses from financial instruments at FVPL	35.5	61.2	72.2%
Operating income	341.3	409.0	19.8%
Operating expenses	-163.6	-182.3	11.4%
Operating result	177.7	226.7	27.6%
Cost/income ratio	47.9%	44.6%	
Impairment result from financial instruments	-15.8	-42.3	>100.0%
Other result	-18.7	37.2	n/a
Net result attributable to owners of the parent	116.7	185.6	59.0%
Return on allocated capital	13.7%	21.4%	

The segment analysis is done on a constant currency basis. The RON depreciated by 0.9% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) was positively impacted by interest rate hikes combined with higher business volumes. Net fee and commission income improved mainly due to higher payment fees in retail and corporate business. Securities and insurance brokerage fees went up as well. The increase of net trading result and gains/losses from financial instruments at FVPL was attributable to an improved contribution from FX business as well as higher income from bonds, money market instruments and interest rate derivatives. Operating expenses went up mainly due to a higher deposit insurance contribution of EUR 9.3 million (EUR 3.4 million) as well as higher personnel expenses, business operations and office space costs. Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated on higher provisioning requirements in retail business. Other result improved mainly due to partial release of provisions for legal expenses and releases of provisions for non-financial guarantees. The contribution into the resolution fund amounted to EUR 11.8 million (EUR 11.3 million). Overall, the net result attributable to the owners of the parent increased.

Hungary

in EUR million	1-6 21	1-6 22	Change
Net interest income	120.7	183.0	51.5%
Net fee and commission income	99.1	106.7	7.6%
Net trading result and gains/losses from financial instruments at FVPL	21.9	-37.6	n/a
Operating income	245.9	255.9	4.1%
Operating expenses	-112.0	-144.1	28.7%
Operating result	133.9	111.8	-16.5%
Cost/income ratio	45.5%	56.3%	
Impairment result from financial instruments	-3.2	4.1	n/a
Other result	-34.7	-100.9	>100.0%
Net result attributable to owners of the parent	84.7	6.6	-92.2%
Return on allocated capital	14.8%	1.1%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 4.6% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased on the back of significantly higher interest rates supported by higher loan volumes and money market placements, despite the negative impact from modification losses related to the mortgage interest cap prolongation. Net fee and commission income rose on higher payment and securities fees. Net trading result and gains/losses from financial instruments at FVPL deteriorated due to valuation effects. Operating expenses went up on the back of higher personnel and IT costs as well as a substantially higher contribution into the deposit insurance fund of EUR 31.4 million (EUR 6.3 million). This increase was predominantly driven by the Sberbank Europe AG deposit insurance case. Consequently, operating result worsened and the cost/income ratio deteriorated. The improvement of the impairment result from financial instruments was triggered by rating upgrades. The worsening of the other result was predominantly driven by higher regulatory charges: the banking tax rose to EUR 67.6 million (EUR 14.9 million) and included the regular banking tax and a windfall profit tax of EUR 49.9 million (both for the full year 2022). The transaction tax went up to EUR 27.0 million (EUR 23.3 million). The contribution to the resolution fund decreased to EUR 3.7 million (EUR 5.6 million). Consequently, the net result attributable to the owners of the parent worsened.

Croatia

in EUR million	1-6 21	1-6 22	Change
Net interest income	135.0	134.9	0.0%
Net fee and commission income	46.2	52.5	13.6%
Net trading result and gains/losses from financial instruments at FVPL	13.4	19.7	47.4%
Operating income	199.8	211.8	6.0%
Operating expenses	-106.0	-113.3	6.8%
Operating result	93.8	98.5	5.0%
Cost/income ratio	53.1%	53.5%	
Impairment result from financial instruments	-5.1	45.6	n/a
Other result	10.6	-1.6	n/a
Net result attributable to owners of the parent	56.1	79.4	41.4%
Return on allocated capital	15.8%	20.1%	

The segment analysis is done on a constant currency basis. The HRK remained largely stable against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) remained stable as the effect of the lower interest rate environment was offset by loan growth, higher income from securities and lower refinancing costs. Net fee and commission income went up due to higher payment and securities fees. Net trading result and gains/losses from financial instruments at FVPL improved driven by a higher result from foreign currency transactions. Operating expenses went up due to higher personnel and IT costs. Contribution into the deposit insurance fund rose to EUR 3.2 million (EUR 0.7 million). While the operating result improved, the cost/income ratio worsened slightly. The significant improvement of the impairment result from financial instruments was a consequence of releases due to rating upgrades. Other result worsened mainly due to the non-recurrence of releases of provisions for legal expenses and the higher resolution fund contribution of EUR 4.6 million (EUR 3.4 million). Overall, the net result attributable to the owners of the parent increased.

Serbia

in EUR million	1-6 21	1-6 22	Change
Net interest income	35.2	38.9	10.5%
Net fee and commission income	9.1	11.3	23.9%
Net trading result and gains/losses from financial instruments at FVPL	2.8	2.9	5.1%
Operating income	47.1	53.2	12.9%
Operating expenses	-28.6	-33.2	15.9%
Operating result	18.5	20.1	8.4%
Cost/income ratio	60.7%	62.3%	
Impairment result from financial instruments	-3.4	-3.9	14.2%
Other result	-2.4	-3.0	25.6%
Net result attributable to owners of the parent	9.7	9.7	0.1%
Return on allocated capital	9.4%	8.8%	

The segment analysis is done on a constant currency basis. The Serbian Dinar (RSD) remained stable against the EUR in the reporting period. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased mainly due to higher loan volumes. Net fee and commission income went up due to higher payment fees. The moderate increase of net trading result and gains/losses from financial instruments at FVPL was attributable to a higher result from foreign currency transactions. Operating expenses rose mainly due to higher legal, consultancy, IT and personnel costs. The deposit insurance contribution rose to EUR 2.4 million (EUR 2.0 million). Although the operating result increased, the cost/income ratio deteriorated. Impairment result from financial instruments worsened on deteriorated ratings in retail business. Other result worsened on higher provisions for legal expenses. Overall, the net result attributable to owners of the parent remained stable.

Other

in EUR million	1-6 21	1-6 22	Change
Net interest income	131.1	125.3	-4.4%
Net fee and commission income	-44.7	-41.4	-7.3%
Net trading result and gains/losses from financial instruments at FVPL	-47.9	-85.3	78.0%
Operating income	39.4	0.8	-97.9%
Operating expenses	-90.4	-124.0	37.1%
Operating result	-51.0	-123.2	>100.0%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	2.1	-7.0	n/a
Other result	-63.3	-27.5	-56.5%
Net result attributable to owners of the parent	-55.8	-84.3	51.2%
Return on allocated capital	-1.7%	-3.5%	

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

Operating income deteriorated primarily due to lower valuation result, operating expenses went up on higher IT costs. Consequently, operating result deteriorated. Other result improved on the back of positive valuation effects. The tax charge developed positively. Overall, the net result attributable to owners of the parent deteriorated.

BUSINESS SEGMENTS

Retail

in EUR million	1-6 21	1-6 22	Change
Net interest income	1,026.9	1,218.6	18.7%
Net fee and commission income	576.2	629.3	9.2%
Net trading result and gains/losses from financial instruments at FVPL	55.2	38.7	-29.9%
Operating income	1,674.6	1,892.5	13.0%
Operating expenses	-1,027.6	-1,104.3	7.5%
Operating result	647.0	788.2	21.8%
Cost/income ratio	61.4%	58.3%	
Impairment result from financial instruments	-31.8	-50.7	59.5%
Other result	-27.5	-24.7	-10.0%
Net result attributable to owners of the parent	465.3	554.2	19.1%
Return on allocated capital	27.1%	30.8%	

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 due to the impact of higher market rates in the Czech Republic, Hungary and Romania as well as growth of loan volumes predominantly in the Czech Republic, Slovakia and Austria driven by housing loans. Deposit volumes grew mainly in the Czech Republic driven by term deposits as well as in Austria and Croatia driven by current accounts. Net fee and commission income increased on the back of higher payment and securities fees across the markets as well as improved insurance brokerage fees in the Czech Republic, Slovakia, Romania, Serbia and Croatia. Net trading result and gains/losses from financial instruments FVPL decreased due to negative valuation effects in Hungary, partially mitigated by higher result from foreign currency transactions in the Czech Republic, Romania, Hungary, Croatia and Austria. Operating expenses increased mainly due to higher personnel and IT expenses as well as higher contributions into the deposit insurance funds mainly in Hungary (predominantly driven by the Sberbank Europe deposit insurance case). Overall, operating result increased and the cost/income ratio improved. The impairment result from financial instruments worsened on the update of risk parameters in Romania partially offset by lower risk provisioning in the Czech Republic. Other result improved on the partial release of legal provisions in Romania, partially offset by the new windfall profit tax booked in Hungary. Overall, the net result attributable to the owners of the parent increased significantly.

Corporates

in EUR million	1-6 21	1-6 22	Change
Net interest income	572.6	712.5	24.4%
Net fee and commission income	152.3	175.0	14.9%
Net trading result and gains/losses from financial instruments at FVPL	43.8	82.8	88.8%
Operating income	824.2	1,027.0	24.6%
Operating expenses	-260.3	-282.9	8.7%
Operating result	563.9	744.0	31.9%
Cost/income ratio	31.6%	27.6%	
Impairment result from financial instruments	-67.9	85.3	n/a
Other result	9.8	-33.3	n/a
Net result attributable to owners of the parent	383.1	594.4	55.2%
Return on allocated capital	15.7%	22.9%	

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

Net interest income improved primarily due to higher market rates in the Czech Republic, Hungary and Romania as well as higher loan volumes. Net fee and commission income increased because of higher payment, documentary and lending fees. Net trading result and gains/losses from financial instruments at FVPL improved due to increased foreign currency transactions mainly in the Czech Republic as well as positive valuation effects mainly in the Holding. Operating expenses increased mainly on higher personnel and office space costs. Overall, operating result went up and the cost/income ratio improved. The impairment result from financial instruments improved on the back of risk parameter updates as well as rating upgrades. Other result deteriorated due to higher regulatory charges, the non-recurrence of releases of provisions for legal expenses and higher provisions for non-financial guarantees. The net result attributable to the owners of the parent increased.

Group Markets

in EUR million	1-6 21	1-6 22	Change
Net interest income	87.4	206.1	>100.0%
Net fee and commission income	146.2	151.6	3.7%
Net trading result and gains/losses from financial instruments at FVPL	65.3	53.9	-17.5%
Operating income	299.3	413.7	38.2%
Operating expenses	-114.7	-121.6	6.0%
Operating result	184.6	292.1	58.2%
Cost/income ratio	38.3%	29.4%	
Impairment result from financial instruments	-4.0	-4.4	9.9%
Other result	-16.0	-19.5	22.0%
Net result attributable to owners of the parent	126.7	211.4	66.9%
Return on allocated capital	24.7%	37.8%	

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

Net interest income increased significantly on the back of higher market interest rates, favorable market positioning in interest rate derivatives and higher volumes of money market placements. Net fee and commission income increased mostly due to the higher contribution of the securities business. Net trading result and gains/losses from financial instruments at FVPL declined as a result of valuation effects. Overall, operating income increased notably. Operating expenses went up on higher personnel and IT costs. Consequently, operating result increased significantly, and the cost/income ratio improved. Other result deteriorated on the back of higher banking taxes in Hungary. Consequently, the net result attributable to the owners of the parent improved significantly.

Asset/Liability Management & Local Corporate Center

in EUR million	1-6 21	1-6 22	Change
Net interest income	145.1	12.7	-91.2%
Net fee and commission income	-41.0	-37.3	-9.1%
Net trading result and gains/losses from financial instruments at FVPL	-13.2	-35.1	>100.0%
Operating income	114.0	-38.1	n/a
Operating expenses	-72.3	-88.9	23.0%
Operating result	41.7	-126.9	n/a
Cost/income ratio	63.4%	>100%	
Impairment result from financial instruments	3.0	-2.9	n/a
Other result	-70.8	-114.2	61.2%
Net result attributable to owners of the parent	-47.6	-209.4	>100.0%
Return on allocated capital	-2.3%	-7.5%	

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

Net interest income declined primarily due to a non-recurrence of a one-off booking related to TLTRO III refinancing with ECB (EUR 79.3 million), higher volumes and transfer prices for current accounts in Czech Republic, Hungary and Romania leading correspondingly to a positive impact in the retail and corporate segment and a negative effect in ALM & LCC. This effect was only partially compensated by the impact of higher market interest rates on transfer prices on the asset side, placements of excess liquidity at central banks with higher rates and more favourable investment yields. Net fee and commission income remained largely unchanged. The deterioration of net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses increased mainly due to higher deposit insurance contributions in Hungary, Romania and Czech Republic as well as higher costs in Erste Bank Österreich. Overall, operating result worsened. Other result deteriorated due to higher regulatory charges (resolution funds contributions and banking taxes) in Erste Bank Österreich, Hungary and the Holding, higher selling losses from bonds in Czech Republic and lower real estate selling gains in Romania. Consequently, the net result attributable to the owners of the parent deteriorated.

Savings Banks

The business segment Savings Banks is identical to the geographical (operating) segment Savings Banks.

Group Corporate Center

in EUR million	1-6 21	1-6 22	Change
Net interest income	44.9	60.9	35.7%
Net fee and commission income	0.4	1.8	>100.0%
Net trading result and gains/losses from financial instruments at FVPL	-19.3	-38.0	97.2%
Operating income	25.8	25.5	-1.0%
Operating expenses	-472.9	-467.8	-1.1%
Operating result	-447.1	-442.2	-1.1%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	2.7	-3.6	n/a
Other result	331.4	337.9	2.0%
Net result attributable to owners of the parent	-56.0	-45.8	-18.2%
Return on allocated capital	-2.1%	-2.8%	

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

Operating income remained unchanged. As operating expenses decreased slightly, operating result went up. Other result improved due to positive valuation effects. The tax charge developed positively. Overall, the net result attributable to owners of the parent improved.

Condensed interim consolidated financial statements

Interim report – 1 January to 30 June 2022

Consolidated statement of income

in EUR thousand	Notes	1-6 21	1-6 22
Net interest income	1	2,448,659	2,837,017
Interest income	1	2,434,098	3,508,106
Other similar income	1	777,838	1,013,494
Interest expenses	1	-213,373	-653,855
Other similar expenses	1	-549,904	-1,030,728
Net fee and commission income	2	1,099,039	1,214,857
Fee and commission income	2	1,294,146	1,432,758
Fee and commission expenses	2	-195,107	-217,901
Dividend income	3	20,460	20,114
Net trading result	4	43,122	-532,512
Gains/losses from financial instruments measured at fair value through profit or loss	5	83,594	516,798
Net result from equity method investments		6,175	8,103
Rental income from investment properties & other operating leases	6	89,646	82,302
Personnel expenses	7	-1,248,872	-1,294,661
Other administrative expenses	7	-581,297	-717,701
Depreciation and amortisation	7	-272,832	-272,990
Gains/losses from derecognition of financial assets measured at amortised cost	8	3,280	-30,841
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	9	-587	1,995
Impairment result from financial instruments	10	-82,878	25,972
Other operating result	11	-172,367	-199,223
Levies on banking activities	11	-52,165	-110,883
Pre-tax result from continuing operations		**1,435,141**	**1,659,231**
Taxes on income	12	-287,325	-315,225
Net result for the period		**1,147,816**	**1,344,006**
Net result attributable to non-controlling interests		229,826	206,985
Net result attributable to owners of the parent		**917,990**	**1,137,021**

Earnings per share

		1-6 21	1-6 22
Net result attributable to owners of the parent	in EUR thousand	917,990	1,137,021
Dividend on AT1 capital	in EUR thousand	-72,210	-53,438
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	845,780	1,083,583
Weighted average number of outstanding shares		426,246,662	426,249,400
Earnings per share	**in EUR**	**1.98**	**2.54**
Weighted average diluted number of outstanding shares		426,246,662	426,249,400
Diluted earnings per share	**in EUR**	**1.98**	**2.54**

Development of the number of shares

	1-6 21	1-6 22
Shares outstanding at the beginning of the period	405,470,710	405,434,710
Acquisition of treasury shares	-2,926,882	-3,225,403
Disposal of treasury shares	2,906,882	1,868,302
Shares outstanding at the end of the period	405,450,710	404,077,609
Treasury shares	24,349,290	25,722,391
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,246,662	426,249,400
Weighted average diluted number of outstanding shares	426,246,662	426,249,400

Consolidated statement of comprehensive income

in EUR thousand	1-6 21	1-6 22
Net result for the period	**1,147,816**	**1,344,006**
Other comprehensive income		
Items that may not be reclassified to profit or loss	**60,515**	**339,242**
Remeasurement of defined benefit plans	51,113	162,255
Fair value reserve of equity instruments	-4,795	-12,041
Own credit risk reserve	26,125	268,763
Deferred taxes relating to items that may not be reclassified	-11,928	-79,735
Items that may be reclassified to profit or loss	**76,210**	**-502,679**
Fair value reserve of debt instruments	-67,676	-479,502
Gain/loss during the period	-66,431	-475,301
Reclassification adjustments	-418	-1,376
Credit loss allowances	-827	-2,825
Cash flow hedge reserve	-88,441	-79,376
Gain/loss during the period	-85,629	-53,132
Reclassification adjustments	-2,812	-26,245
Currency reserve	199,824	-54,017
Gain/loss during the period	199,824	-54,017
Deferred taxes relating to items that may be reclassified	32,511	110,357
Gain/loss during the period	31,802	105,371
Reclassification adjustments	709	4,986
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	-8	-139
Total other comprehensive income	**136,726**	**-163,437**
Total comprehensive income	**1,284,541**	**1,180,569**
Total comprehensive income attributable to non-controlling interests	237,347	192,631
Total comprehensive income attributable to owners of the parent	**1,047,194**	**987,938**

Quarterly results

in EUR million	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22
Income statement					
Net interest income	1,276.5	1,220.8	1,306.2	1,392.1	1,444.9
Interest income	1,226.1	1,274.8	1,400.0	1,623.2	1,884.9
Other similar income	438.8	336.0	362.6	460.9	552.6
Interest expenses	-109.0	-124.1	-146.3	-240.2	-413.7
Other similar expenses	-279.3	-265.9	-310.1	-451.9	-578.9
Net fee and commission income	559.0	591.4	613.3	615.3	599.5
Fee and commission income	655.9	699.1	728.8	724.0	708.8
Fee and commission expenses	-96.9	-107.8	-115.6	-108.6	-109.3
Dividend income	15.6	7.7	5.0	2.4	17.7
Net trading result	33.6	24.3	-8.8	-256.6	-275.9
Gains/losses from financial instruments measured at fair value through profit or loss	26.7	49.9	39.7	239.7	277.1
Net result from equity method investments	4.7	3.8	5.4	3.0	5.1
Rental income from investment properties & other operating leases	45.9	46.5	46.2	40.2	42.1
Personnel expenses	-626.5	-632.4	-696.8	-630.7	-663.9
Other administrative expenses	-235.5	-265.3	-333.8	-468.1	-249.6
Depreciation and amortisation	-137.8	-140.3	-134.9	-136.4	-136.6
Gains/losses from derecognition of financial assets at AC	0.8	-1.4	-9.5	-0.9	-29.9
Other gains/losses from derecognition of financial instruments not at FVPL	-0.3	-18.2	-6.4	1.9	0.1
Impairment result from financial instruments	-47.2	31.3	-107.2	-59.1	85.1
Other operating result	-45.6	-70.9	-67.2	-132.7	-66.5
Levies on banking activities	-19.0	-19.4	-1.9	-40.2	-70.7
Pre-tax result from continuing operations	**870.1**	**847.0**	**651.2**	**610.1**	**1,049.2**
Taxes on income	-163.0	-146.3	-91.6	-115.6	-199.7
Net result for the period	**707.0**	**700.7**	**559.6**	**494.5**	**849.5**
Net result attributable to non-controlling interests	144.2	167.3	87.6	45.7	161.3
Net result attributable to owners of the parent	**562.9**	**533.4**	**472.0**	**448.8**	**688.2**
Statement of comprehensive income					
Net result for the period	**707.0**	**700.7**	**559.6**	**494.5**	**849.5**
Other comprehensive income					
Items that may not be reclassified to profit or loss	**19.3**	**23.1**	**32.5**	**162.3**	**176.9**
Remeasurement of defined benefit plans	0.0	0.5	-23.0	70.5	91.7
Fair value reserve of equity instruments	-2.0	7.0	18.2	-5.6	-6.4
Own credit risk reserve	18.6	19.5	36.6	139.5	129.3
Deferred taxes relating to items that may not be reclassified	2.6	-3.9	0.6	-42.0	-37.7
Items that may be reclassified to profit or loss	**179.7**	**-138.0**	**-60.4**	**-86.1**	**-416.6**
Fair value reserve of debt instruments	-5.4	-36.9	-83.7	-209.9	-269.7
Gain/loss during the period	-4.5	-37.9	-86.9	-208.6	-266.7
Reclassification adjustments	-0.3	-0.6	5.9	-1.7	0.3
Credit loss allowances	-0.6	1.6	-2.7	0.5	-3.3
Cash flow hedge reserve	-22.0	-86.0	-124.0	-33.6	-45.7
Gain/loss during the period	-21.8	-85.8	-123.9	-52.2	-0.9
Reclassification adjustments	-0.3	-0.2	-0.1	18.6	-44.8
Currency reserve	201.7	-38.7	109.8	106.6	-160.6
Gain/loss during the period	201.7	-38.7	109.8	106.6	-160.6
Deferred taxes relating to items that may be reclassified	5.4	23.5	37.5	50.9	59.5
Gain/loss during the period	5.4	23.4	38.9	54.4	51.0
Reclassification adjustments	0.1	0.1	-1.4	-3.5	8.5
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.0	0.0	0.0	0.0	-0.1
Total	**199.0**	**-114.9**	**-27.9**	**76.2**	**-239.7**
Total comprehensive income	**906.0**	**585.8**	**531.7**	**570.7**	**609.8**
Total comprehensive income attributable to non-controlling interests	143.9	165.7	72.8	34.3	158.3
Total comprehensive income attributable to owners of the parent	**762.2**	**420.0**	**458.9**	**536.4**	**451.5**

Consolidated balance sheet

in EUR thousand	Notes	Dec 21	Jun 22
Assets			
Cash and cash balances	13	45,495,440	42,818,367
Financial assets held for trading		6,472,965	6,110,263
Derivatives	14	2,263,372	1,933,707
Other financial assets held for trading	15	4,209,593	4,176,556
Pledged as collateral		372,719	45,279
Non-trading financial assets at fair value through profit and loss	16	3,124,389	2,915,962
Pledged as collateral		0	0
Equity instruments		331,871	348,560
Debt securities		1,974,670	1,777,537
Loans and advances to banks		9,879	0
Loans and advances to customers		807,969	789,865
Financial assets at fair value through other comprehensive income	17	8,881,173	9,104,275
Pledged as collateral		130,235	164,443
Equity instruments		132,371	120,242
Debt securities		8,748,802	8,984,033
Financial assets at amortised cost	18	229,641,245	251,855,118
Pledged as collateral		1,232,365	2,443,548
Debt securities		35,550,769	39,219,000
Loans and advances to banks		20,991,402	28,704,488
Loans and advances to customers		173,099,074	183,931,631
Finance lease receivables	19	4,208,530	4,274,494
Hedge accounting derivatives	20	78,604	59,125
Fair value changes of hedged items in portfolio hedge of interest rate risk		-3,925	-26,442
Property and equipment		2,645,175	2,578,268
Investment properties		1,344,174	1,349,759
Intangible assets		1,362,299	1,314,883
Investments in associates and joint ventures		210,857	219,143
Current tax assets		135,118	118,304
Deferred tax assets		562,081	543,952
Assets held for sale		73,030	62,535
Trade and other receivables	21	2,152,453	2,547,080
Other assets	22	1,044,577	1,248,278
Total assets		**307,428,186**	**327,093,365**
Liabilities and equity			
Financial liabilities held for trading		2,473,696	3,005,253
Derivatives	14	1,623,819	1,988,624
Other financial liabilities held for trading	23	849,877	1,016,629
Financial liabilities at fair value through profit or loss		10,464,062	9,832,392
Deposits from customers		494,749	1,159,029
Debt securities issued	24	9,778,385	8,477,885
Other financial liabilities		190,927	195,478
Financial liabilities at amortised cost		265,415,463	284,729,802
Deposits from banks	25	31,885,634	36,665,485
Deposits from customers	25	210,028,718	224,356,119
Debt securities issued	25	22,351,729	22,747,705
Other financial liabilities		1,149,382	960,493
Lease liabilities		588,071	653,461
Hedge accounting derivatives	20	309,405	358,010
Fair value changes of hedged items in portfolio hedge of interest rate risk		0	0
Provisions	26	1,985,871	1,741,262
Current tax liabilities		143,593	91,753
Deferred tax liabilities		18,742	23,063
Liabilities associated with assets held for sale		0	0
Other liabilities	27	2,515,870	2,772,056
Total equity		**23,513,414**	**23,886,313**
Equity attributable to non-controlling interests		5,516,031	5,609,656
Additional equity instruments		2,236,194	2,235,993
Equity attributable to owners of the parent		15,761,190	16,040,664
Subscribed capital		859,600	859,600
Additional paid-in capital		1,477,720	1,477,720
Retained earnings and other reserves		13,423,870	13,703,344
Total liabilities and equity		**307,428,186**	**327,093,365**

Consolidated statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Fair value reserve	Own credit risk reserve	Currency reserve	Remeasure-ment of defined benefit plans	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 2022	**860**	**1,478**	**14,933**	**-206**	**115**	**-207**	**-672**	**-538**	**15,761**	**2,236**	**5,516**	**23,513**
Changes in treasury shares	0	0	-31	0	0	0	0	0	-31	0	0	-31
Dividends paid	0	0	-700	0	0	0	0	0	-700	0	-88	-788
Capital increase/decrease	0	0	0	0	0	0	0	0	0	0	-2	-2
Changes in scope of consolidation and ownership interest	0	0	7	0	0	0	0	0	7	0	-10	-4
Reclassification from other comprehensive income to retained earnings	0	0	-3	0	0	3	0	0	0	0	1	1
Share-based payments	0	0	16	0	0	0	0	0	16	0	0	16
Other changes	0	0	-1	0	0	0	0	0	-1	0	0	0
Total comprehensive income	0	0	1,137	-64	-324	205	-54	89	988	0	193	1,181
Net result for the period	0	0	1,137	0	0	0	0	0	1,137	0	207	1,344
Other comprehensive income	0	0	0	-64	-324	205	-54	89	-149	0	-14	-163
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	89	89	0	51	140
Change in fair value reserve	0	0	0	0	-324	0	0	0	-324	0	-68	-392
Change in cash flow hedge reserve	0	0	0	-64	0	0	0	0	-64	0	0	-64
Change in currency reserve	0	0	0	0	0	0	-54	0	-54	0	0	-54
Change in own credit risk reserve	0	0	0	0	0	205	0	0	205	0	2	207
As of 30 June 2022	**860**	**1,478**	**15,358**	**-270**	**-209**	**1**	**-727**	**-449**	**16,041**	**2,236**	**5,610**	**23,886**
As of 1 January 2021	**860**	**1,478**	**13,773**	**36**	**239**	**-290**	**-941**	**-549**	**14,604**	**2,733**	**5,073**	**22,410**
Changes in treasury shares	0	0	-4	0	0	0	0	0	-4	0	0	-4
Dividends paid	0	0	-275	0	0	0	0	0	-275	0	-28	-303
Capital increase/decrease	0	0	0	0	0	0	0	0	0	0	1	1
Changes in scope of consolidation and ownership interest	0	0	-5	0	0	0	0	0	-5	0	-11	-16
Reclassification from other comprehensive income to retained earnings	0	0	7	0	-9	2	0	0	0	0	0	0
Share-based payments	0	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	-12	0	0	0	0	0	-12	0	10	-2
Total comprehensive income	0	0	918	-71	-43	21	196	27	1,047	0	237	1,285
Net result for the period	0	0	918	0	0	0	0	0	918	0	230	1,148
Other comprehensive income	0	0	0	-71	-43	21	196	27	129	0	8	137
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	27	27	0	18	45
Change in fair value reserve	0	0	0	0	-43	0	0	0	-43	0	-12	-56
Change in cash flow hedge reserve	0	0	0	-71	0	0	0	0	-71	0	0	-71
Change in currency reserve	0	0	0	0	0	0	196	0	196	0	4	200
Change in own credit risk reserve	0	0	0	0	0	21	0	0	21	0	-2	19
As of 30 June 2021	**860**	**1,478**	**14,402**	**-36**	**187**	**-267**	**-745**	**-522**	**15,355**	**2,733**	**5,282**	**23,371**

Consolidated statement of cash flows

in EUR million	1-6 21	1-6 22
Net result for the period	**1,148**	**1,344**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation and net impairment of non-financial assets	285	273
Net allocation to credit loss allowances and other provisions	90	-27
Gains/losses from measurement and derecognition of financial assets and financial liabilities	134	-26
Other adjustments	191	24
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets held for trading	256	305
Non-trading financial assets at fair value through profit and loss		
Equity instruments	38	-17
Debt securities	50	80
Loans and advances to banks	-19	10
Loans and advances to customers	-141	-15
Financial assets at fair value through other comprehensive income: debt securities	-725	-555
Financial assets at amortised cost		
Debt securities	-3,691	-3,697
Loans and advances to banks	-3,062	-7,719
Loans and advances to customers	-5,449	-10,866
Finance lease receivables	-55	-55
Hedge accounting derivatives	3	-45
Other assets from operating activities	-819	-551
Financial liabilities held for trading	-451	103
Financial liabilities at fair value through profit or loss	-1,527	255
Financial liabilities at amortised cost		
Deposits from banks	9,872	4,780
Deposits from customers	15,304	14,327
Debt securities issued	1,087	396
Other financial liabilities	303	-189
Hedge accounting derivatives	-19	49
Other liabilities from operating activities	324	47
Cash flow from operating activities	**13,128**	**-1,768**
Proceeds of disposal		
Financial assets at fair value through other comprehensive income: equity instruments	0	10
Investments in associates and joint ventures	4	2
Property and equipment and intangible assets	30	37
Investment properties	11	7
Acquisition of		
Financial assets at fair value through other comprehensive income: equity instruments	0	-1
Investments in associates and joint ventures	0	0
Property and equipment and intangible assets	-287	-148
Investment properties	-25	-7
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
Cash flow from investing activities	**-267**	**-99**
Capital increases	1	-2
Capital decrease	0	0
Acquisition of non-controlling interest	-16	-4
Dividends paid to equity holders of the parent	-275	-700
Dividends paid to non-controlling interests	-28	-88
Cash flow from financing activities	**-318**	**-794**
Cash and cash equivalents at the beginning of the period	**35,839**	**45,495**
Cash flow from operating activities	13,128	-1,768
Cash flow from investing activities	-267	-99
Cash flow from financing activities	-318	-794
Effect of currency translation	40	-16
Cash and cash equivalents at the end of period	**48,421**	**42,818**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)	**2,054**	**2,479**
Payments for taxes on income	-209	-223
Interest received	3,483	4,669
Dividends received	20	20
Interest paid	-1,241	-1,987

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

Condensed notes to the interim consolidated financial statements 1 January to 30 June 2022

BASIS OF PREPARATION

The condensed consolidated interim financial statements (”interim financial statements”) of the group of Erste Group Bank AG (“Erste Group”) for the period from 1 January to 30 June 2022 were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and are presented in accordance with the requirements of IAS 34 “Interim Financial Reporting”.

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

BASIS OF CONSOLIDATION

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

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

As of 31 December 2021	**335**
Additions	
Entities newly added to the scope of consolidation	2
Disposals	
Companies sold or liquidated	-14
Mergers	0
As of 30 June 2022	**323**

ACCOUNTING AND MEASUREMENT METHODS

The interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and are presented in euro, which is the functional currency of the parent company. The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Therefore, the interim financial statements should be read in conjunction with Erste Group’s consolidated financial statements as of 31 December 2021.

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the group’s last annual financial statements for the year ended 31 December 2021, with the exception of the calculation of the current income taxes for the interim reporting period for which the estimated effective tax rate for the group is applied.

1. Net interest income

in EUR million	1-6 21	1-6 22
Financial assets at AC	2,349.2	3,407.2
Financial assets at FVOCI	84.9	100.9
Interest income	2,434.1	3,508.1
Non-trading financial assets at FVPL	28.0	31.0
Financial assets HfT	506.8	832.5
Derivatives - hedge accounting, interest rate risk	-2.9	-53.6
Other assets	57.2	58.3
Negative interest from financial liabilities	188.8	145.3
Other similar income	777.8	1,013.5
Interest and other similar income	**3,211.9**	**4,521.6**
Financial liabilities at AC	-213.4	-653.9
Interest expenses	-213.4	-653.9
Financial liabilities at FVPL	-144.2	-121.9
Financial liabilities HfT	-365.9	-865.6
Derivatives - hedge accounting, interest rate risk	60.0	59.5
Other liabilities	-10.1	-12.1
Negative Interest from financial assets	-89.7	-90.6
Other similar expenses	-549.9	-1,030.7
Interest and other similar expenses	**-763.3**	**-1,684.6**
Net interest income	**2,448.7**	**2,837.0**

In the reporting period an amount of EUR 44.6 million (EUR 40.4 million) relating to impaired financial assets is included in various line items of net interest income. In addition, the line item "Financial assets at AC" includes modification gains or losses of financial instruments which are allocated to the Stage 1 of EUR 4.9 million (EUR -2.2 million).

2. Net fee and commission income

	1-6 21		1-6 22	
in EUR million	Income	Expenses	Income	Expenses
Securities	156.4	-27.2	150.7	-28.3
Issues	22.3	-0.3	22.1	-0.3
Transfer orders	122.1	-21.3	119.7	-21.9
Other	12.0	-5.6	8.8	-6.1
Clearing and settlement	0.8	-1.6	0.9	-2.1
Asset management	238.8	-25.2	261.7	-24.7
Custody	57.0	-6.7	63.0	-8.2
Fiduciary transactions	0.7	0.0	0.6	0.0
Payment services	562.9	-98.5	647.8	-115.4
Card business	154.9	-64.7	189.1	-77.5
Other	408.0	-33.8	458.7	-37.9
Customer resources distributed but not managed	122.6	-3.4	133.2	-3.5
Collective investment	9.1	-0.8	9.4	-1.0
Insurance products	98.6	-0.5	105.3	-0.4
Building society brokerage	1.1	-0.4	0.3	-0.2
Foreign exchange transactions	13.0	-0.9	17.3	-1.0
Other	0.8	-0.7	0.9	-0.9
Structured finance	0.1	0.0	0.3	0.0
Servicing fees from securitization activities	0.0	-1.2	0.0	-0.5
Lending business	102.1	-21.6	109.1	-20.3
Guarantees given, guarantees received	40.4	-1.4	44.2	-1.7
Loan commitments given, loan commitments received	19.4	-0.5	20.8	-0.5
Other lending business	42.2	-19.6	44.1	-18.2
Other	52.9	-9.8	65.4	-14.9
Total fee and commission income and expenses	**1,294.1**	**-195.1**	**1,432.8**	**-217.9**
Net fee and commission income	**1,099.0**		**1,214.9**	

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

3. Dividend income

in EUR million	1-6 21	1-6 22
Financial assets HfT	0.7	2.0
Non-trading financial assets at FVPL	15.4	9.8
Financial assets at FVOCI	4.3	8.3
Dividend income	**20.4**	**20.1**

4. Net trading result

in EUR million	1-6 21	1-6 22
Securities and derivatives trading	-64.0	-646.8
Foreign exchange transactions	113.8	124.5
Result from hedge accounting	-6.6	-10.2
Net trading result	**43.1**	**-532.5**

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

in EUR million	1-6 21	1-6 22
Result from measurement/sale of financial assets designated at FVPL	-4.2	-14.7
Result from measurement/repurchase of financial liabilities designated at FVPL	94.7	681.4
Result from financial assets and liabilities designated at FVPL	**90.5**	**666.7**
Result from measurement/sale of financial assets mandatorily at FVPL	-6.9	-149.9
Gains/losses from financial instruments measured at fair value through profit or loss	**83.6**	**516.8**

6. Rental income from investment properties & other operating leases

in EUR million	1-6 21	1-6 22
Investment properties	50.5	53.6
Other operating leases	39.2	28.7
Rental income from investment properties & other operating leases	**89.6**	**82.3**

7. General administrative expenses

in EUR million	1-6 21	1-6 22
Personnel expenses	**-1,248.9**	**-1,294.7**
Wages and salaries	-959.1	-994.7
Compulsory social security	-239.7	-245.2
Long-term employee provisions	-9.5	5.8
Other personnel expenses	-40.5	-60.5
Other administrative expenses	**-581.3**	**-717.7**
Deposit insurance contribution	-109.2	-156.7
IT expenses	-202.6	-243.6
Expenses for office space	-78.3	-86.9
Office operating expenses	-58.8	-71.9
Advertising/marketing	-64.2	-74.2
Legal and consulting costs	-48.1	-51.1
Sundry administrative expenses	-20.1	-33.3
Depreciation and amortisation	**-272.8**	**-273.0**
Software and other intangible assets	-96.6	-96.3
Owner occupied real estate	-75.3	-78.8
Investment properties	-14.0	-15.4
Customer relationships	-3.8	-3.7
Office furniture and equipment and sundry property and equipment	-83.2	-78.9
General administrative expenses	**-2,103.0**	**-2,285.4**

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

in EUR million	1-6 21	1-6 22
Gains from derecognition of financial assets at AC	8.8	0.4
Losses from derecognition of financial assets at AC	-5.5	-31.2
Gains/losses from derecognition of financial assets measured at amortised cost	**3.3**	**-30.8**

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

in EUR million	1-6 21	1-6 22
Sale of financial assets at FVOCI	0.4	1.5
Sale of financial lease receivables	0.0	0.0
Derecognition of financial liabilities at AC	-1.0	0.5
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**-0.6**	**2.0**

10. Impairment result from financial instruments

in EUR million	1-6 21	1-6 22
Financial assets at FVOCI	0.6	3.0
Financial assets at AC	-43.1	0.2
Net allocation to credit loss allowances	-61.9	-31.5
Direct write-offs	-7.7	-4.5
Recoveries recorded directly to the income statement	33.6	40.4
Modification gains or losses	-7.1	-4.2
Lease receivables	-14.0	12.8
Net allocation to credit loss allowances	-14.9	10.7
Direct write-offs	-0.2	0.0
Recoveries recorded directly to the income statement	1.1	2.1
Modification gains or losses	0.0	0.0
Net allocation of provisions for commitments and guarantees given	-26.4	10.0
Impairment result from financial instruments	**-82.9**	**26.0**

11. Other operating result

in EUR million	1-6 21	1-6 22
Other operating expenses	**-257.0**	**-337.5**
Allocation to other provisions	-90.7	-80.7
Levies on banking activities	-52.2	-110.9
Banking tax	-28.8	-83.9
Financial transaction tax	-23.3	-27.0
Other taxes	-5.9	-7.0
Recovery and resolution fund contributions	-108.2	-139.0
Other operating income	**106.3**	**117.1**
Release of other provisions	106.3	117.1
Result from properties/movables/other intangible assets other than goodwill	0.5	8.6
Result from other operating expenses/income	-22.2	12.6
Other operating result	**-172.4**	**-199.2**

12. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 315.2 million (EUR 287.3 million), thereof EUR 51.4 million (EUR 65.7 million) deferred tax expense.

13. Cash and cash balances

in EUR million	Dec 21	Jun 22
Cash on hand	9,781	10,232
Cash balances at central banks	34,682	31,056
Other demand deposits at credit institutions	1,033	1,530
Cash and cash balances	**45,495**	**42,818**

14. Derivatives held for trading

in EUR million	Dec 21			Jun 22		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**197,734**	**3,477**	**3,623**	**211,584**	**5,495**	**5,359**
Interest rate	136,122	2,801	2,876	152,825	4,686	4,654
Equity	491	7	6	772	26	23
Foreign exchange	60,305	638	717	56,968	769	680
Credit	598	14	24	827	3	1
Commodity	16	0	0	13	0	0
Other	201	17	0	179	11	0
Derivatives held in the banking book	**21,210**	**919**	**310**	**23,298**	**552**	**720**
Interest rate	15,442	776	231	17,568	426	528
Equity	1,236	74	34	1,278	48	114
Foreign exchange	4,168	66	44	4,164	77	76
Credit	223	3	1	163	1	2
Other	141	0	0	125	0	0
Total gross amounts	**218,943**	**4,396**	**3,933**	**234,882**	**6,047**	**6,079**
Offset		-2,132	-2,309		-4,113	-4,091
Total		**2,263**	**1,624**		**1,934**	**1,989**

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

15. Other financial assets held for trading

in EUR million	Dec 21	Jun 22
Equity instruments	84	76
Debt securities	4,125	4,101
Central banks	0	818
General governments	3,207	2,037
Credit institutions	699	1,046
Other financial corporations	127	125
Non-financial corporations	92	74
Other financial assets held for trading	**4,210**	**4,177**

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

in EUR million	Dec 21		Jun 22	
	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	332	0	349
Debt securities	476	1,499	396	1,382
General governments	36	161	35	115
Credit institutions	435	111	356	121
Other financial corporations	5	1,054	5	997
Non-financial corporations	0	173	0	148
Loans and advances to banks	0	10	0	0
Credit institutions	0	10	0	0
Loans and advances to customers	0	808	1	789
General governments	0	1	0	1
Other financial corporations	0	21	0	23
Non-financial corporations	0	48	1	46
Households	0	737	0	720
Financial assets designated and mandatorily at FVPL	476	2,648	397	2,519
Non-trading financial assets at fair value through profit and loss	**3,124**		**2,916**	

17. Financial assets at fair value through other comprehensive income

Equity Instruments

The carrying amount of Erste Group's equity instruments FVOCI as of 30 June 2022 amounted to EUR 120.2 million (EUR 132.4 million), the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 76.6 million (EUR 88.5 million).

Debt Instruments

Debt securities

	Gross carrying amount				Credit loss allowances						
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Amortised cost	Accumulated OCI changes	Fair value
Jun 22											
Central banks	14	0	0	14	-1	0	0	-1	13	1	14
General governments	6,922	176	0	7,098	-3	-6	0	-9	7,089	-281	6,807
Credit institutions	1,028	2	0	1,030	-2	0	0	-2	1,027	-28	999
Other financial corporations	219	60	0	278	0	-1	0	-1	277	-11	266
Non-financial corporations	593	354	0	947	-1	-7	0	-7	940	-43	898
Total	**8,776**	**591**	**0**	**9,367**	**-7**	**-13**	**0**	**-20**	**9,347**	**-363**	**8,984**
Dec 21											
Central banks	6	0	0	6	0	0	0	0	6	0	6
General governments	6,493	92	0	6,585	-3	-4	0	-7	6,578	60	6,638
Credit institutions	867	0	0	867	-2	0	0	-2	865	25	890
Other financial corporations	164	92	0	256	0	-2	0	-3	253	7	260
Non-financial corporations	536	405	0	941	-1	-10	0	-11	930	24	955
Total	**8,066**	**589**	**0**	**8,655**	**-7**	**-16**	**0**	**-23**	**8,632**	**117**	**8,749**

As defined in IFRS 9, the gross carrying amount of debt instruments at FVOCI equals the amortised cost before deducting any credit loss allowances. As of 30 June 2022, there were no purchased or originated credit-impaired (POCI) debt securities at FVOCI.

Development of credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 22						**Jun 22**
Stage 1	-7	-2	1	3	-1	0	-7
Stage 2	-16	0	0	-4	7	0	-13
Stage 3	0	0	0	0	0	0	0
Total	**-23**	**-2**	**1**	**-1**	**5**	**0**	**-20**
	Jan 21						**Jun 21**
Stage 1	-9	-2	1	1	-1	0	-9
Stage 2	-16	0	0	-3	4	0	-15
Stage 3	0	0	0	0	0	0	0
Total	**-25**	**-2**	**1**	**-2**	**4**	**0**	**-24**

18. Financial assets at amortised cost

Debt securities

in EUR million	Gross carrying amount Stage 1	Gross carrying amount Stage 2	Gross carrying amount Stage 3	Gross carrying amount Total	Credit loss allowances Stage 1	Credit loss allowances Stage 2	Credit loss allowances Stage 3	Credit loss allowances Total	Fair value
Jun 22									
Central banks	14	0	0	14	0	0	0	0	14
General governments	32,123	57	0	32,180	-8	-1	0	-9	32,170
Credit institutions	6,061	1	0	6,062	-3	0	0	-3	6,059
Other financial corporations	206	3	0	209	0	-1	0	-1	208
Non-financial corporations	740	31	0	771	-1	-2	0	-3	768
Total	**39,143**	**91**	**0**	**39,235**	**-12**	**-4**	**0**	**-16**	**39,219**
Dec 21									
Central banks	13	0	0	13	0	0	0	0	13
General governments	29,887	3	0	29,890	-8	0	0	-8	29,882
Credit institutions	4,707	0	0	4,707	-3	0	0	-3	4,705
Other financial corporations	175	1	0	176	0	0	0	0	176
Non-financial corporations	725	54	0	778	-1	-3	0	-4	774
Total	**35,508**	**57**	**0**	**35,565**	**-12**	**-3**	**0**	**-15**	**35,551**

There were no purchased or originated credit-impaired (POCI) debt securities at amortised cost as of 30 June 2022.

Development of credit loss allowances for debt securities

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 22						**Jun 22**
Stage 1	-12	-4	2	1	1	0	-12
Stage 2	-3	0	0	-3	2	0	-4
Stage 3	0	0	0	0	0	0	0
Total	**-15**	**-4**	**2**	**-1**	**2**	**0**	**-16**
	Jan 21						**Jun 21**
Stage 1	-11	-3	3	1	-2	0	-11
Stage 2	-3	0	0	-2	1	0	-5
Stage 3	-2	0	0	0	0	0	-1
Total	**-15**	**-3**	**3**	**-1**	**-2**	**0**	**-17**

Loans and advances to banks

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Jun 22									
Central banks	21,936	0	0	21,936	-1	0	0	-1	21,935
Credit institutions	6,716	61	0	6,776	-6	-1	0	-7	6,769
Total	**28,651**	**61**	**0**	**28,712**	**-7**	**-1**	**0**	**-8**	**28,704**
Dec 21									
Central banks	16,429	0	0	16,429	-1	0	0	-1	16,428
Credit institutions	4,509	60	0	4,569	-5	-1	0	-5	4,563
Total	**20,938**	**60**	**0**	**20,998**	**-6**	**-1**	**0**	**-6**	**20,991**

There were no purchased or originated credit-impaired (POCI) AC loans and advances to banks as of 30 June 2022.

Development of credit loss allowances for loans and advances to banks

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 22						**Jun 22**
Stage 1	-6	-8	5	0	2	0	-7
Stage 2	-1	0	0	0	0	0	-1
Stage 3	0	0	0	0	0	0	0
Total	**-6**	**-8**	**6**	**0**	**2**	**0**	**-8**
	Jan 21						**Jun 21**
Stage 1	-3	-9	10	0	-1	0	-3
Stage 2	0	0	2	-2	-2	0	-2
Stage 3	0	0	0	0	0	0	0
Total	**-3**	**-9**	**12**	**-1**	**-3**	**0**	**-5**

Loans and advances to customers

in EUR million	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total	Credit loss allowances Stage 1	Stage 2	Stage 3	POCI	Total	Fair value
Jun 22											
General governments	6,518	867	11	2	7,398	-4	-23	-1	0	-28	7,370
Other financial corporations	4,453	472	65	11	5,000	-8	-18	-21	0	-46	4,954
Non-financial corporations	66,892	13,984	2,010	221	83,107	-173	-647	-1,068	-70	-1,958	81,149
Households	80,216	10,034	1,772	106	92,128	-161	-534	-950	-24	-1,669	90,459
Total	**158,079**	**25,357**	**3,858**	**339**	**187,633**	**-346**	**-1,221**	**-2,040**	**-94**	**-3,701**	**183,932**
Dec 21											
General governments	6,356	730	2	3	7,091	-4	-20	-2	0	-27	7,065
Other financial corporations	3,671	482	45	11	4,209	-10	-14	-16	0	-40	4,169
Non-financial corporations	57,224	17,486	2,039	201	76,950	-211	-666	-1,069	-61	-2,007	74,944
Households	75,926	10,700	1,851	112	88,589	-158	-504	-979	-26	-1,667	86,922
Total	**143,177**	**29,398**	**3,937**	**327**	**176,839**	**-383**	**-1,203**	**-2,066**	**-88**	**-3,740**	**173,099**

Development of credit loss allowances for loans and advances to customers

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 22								**Jun 22**
Stage 1	**-383**	**-174**	**41**	**314**	**-148**	**0**	**0**	**4**	**-346**
General governments	-4	-1	0	1	0	0	0	0	-4
Other financial corporations	-10	-8	2	6	2	0	0	0	-8
Non-financial corporations	-211	-107	26	163	-51	0	0	6	-173
Households	-158	-59	13	144	-98	0	0	-2	-161
Stage 2	**-1,203**	**-64**	**87**	**-446**	**403**	**0**	**0**	**1**	**-1,221**
General governments	-20	-3	1	-3	2	0	0	0	-23
Other financial corporations	-14	-1	1	-9	5	0	0	-1	-18
Non-financial corporations	-666	-45	54	-236	248	1	0	-3	-647
Households	-504	-15	31	-198	147	0	0	4	-534
Stage 3	**-2,066**	**-15**	**121**	**-70**	**-143**	**4**	**132**	**-4**	**-2,040**
General governments	-2	0	0	0	0	0	1	0	-1
Other financial corporations	-16	0	0	0	-3	0	1	-2	-21
Non-financial corporations	-1,069	-7	68	-40	-87	4	67	-4	-1,068
Households	-979	-8	53	-30	-53	0	64	2	-950
POCI	**-88**	**0**	**5**	**0**	**-14**	**0**	**1**	**1**	**-94**
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	-61	0	4	0	-14	0	1	0	-70
Households	-26	0	2	0	0	0	0	1	-24
Total	**-3,740**	**-254**	**256**	**-202**	**99**	**4**	**134**	**1**	**-3,701**
	Jan 21								**Jun 21**
Stage 1	**-335**	**-136**	**37**	**223**	**-149**	**0**	**0**	**-3**	**-362**
General governments	-4	-1	0	1	-2	0	0	0	-6
Other financial corporations	-8	-5	1	7	-5	0	0	0	-10
Non-financial corporations	-186	-84	25	78	-37	0	0	-1	-205
Households	-136	-47	11	138	-105	0	0	-3	-141
Stage 2	**-1,171**	**-59**	**84**	**-336**	**296**	**0**	**1**	**-4**	**-1,190**
General governments	-4	-1	0	-3	0	0	0	-7	-15
Other financial corporations	-38	0	2	-9	26	0	0	1	-18
Non-financial corporations	-657	-46	52	-134	85	0	0	-4	-704
Households	-472	-12	31	-191	185	0	1	6	-453
Stage 3	**-2,201**	**-24**	**136**	**-28**	**-124**	**1**	**138**	**-12**	**-2,113**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-6	0	0	0	-17	0	1	0	-23
Non-financial corporations	-1,172	-12	62	-8	-11	1	62	-5	-1,083
Households	-1,021	-12	74	-20	-96	0	76	-7	-1,006
POCI	**-125**	**0**	**9**	**0**	**-4**	**0**	**1**	**-1**	**-120**
General governments	-1	0	0	0	0	0	0	0	-1
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-92	0	7	0	-3	0	0	0	-88
Households	-33	0	2	0	0	0	1	-1	-30
Total	**-3,831**	**-219**	**267**	**-141**	**19**	**1**	**140**	**-20**	**-3,785**

19. Finance lease receivables

in EUR million	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total	Credit loss allowances Stage 1	Stage 2	Stage 3	POCI	Total	Fair value
Jun 22											
General governments	258	17	0	0	275	0	-2	0	0	-2	273
Credit institutions	1	0	0	0	1	0	0	0	0	0	1
Other financial corporations	73	1	0	0	74	0	0	0	0	0	73
Non-financial corporations	2,557	482	114	0	3,152	-13	-25	-47	0	-85	3,067
Households	810	47	14	0	872	-4	-2	-5	0	-11	861
Total	**3,699**	**546**	**128**	**0**	**4,373**	**-18**	**-28**	**-53**	**0**	**-98**	**4,274**
Dec 21											
General governments	278	7	0	0	285	0	-2	0	0	-2	283
Credit institutions	3	0	0	0	3	0	0	0	0	0	3
Other financial corporations	83	1	0	0	84	0	0	0	0	0	84
Non-financial corporations	2,568	381	139	0	3,088	-13	-23	-61	0	-97	2,991
Households	797	50	12	0	859	-3	-2	-6	0	-11	848
Total	**3,729**	**439**	**151**	**0**	**4,319**	**-17**	**-27**	**-67**	**0**	**-111**	**4,209**

Development of credit loss allowances for finance lease receivables

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 22								**Jun 22**
Stage 1	-17	-4	1	3	0	0	0	0	-18
Stage 2	-27	0	1	-4	2	0	0	0	-28
Stage 3	-67	0	3	-2	10	0	3	0	-53
POCI	0	0	0	0	0	0	0	0	0
Total	**-111**	**-4**	**5**	**-3**	**12**	**0**	**3**	**0**	**-98**
	Jan 21								**Jun 21**
Stage 1	-17	-3	0	3	2	0	0	0	-15
Stage 2	-12	0	0	-9	-27	0	0	-1	-47
Stage 3	-78	0	2	-2	14	0	2	-13	-76
POCI	0	0	0	0	0	0	0	0	0
Total	**-108**	**-3**	**3**	**-7**	**-11**	**0**	**2**	**-14**	**-139**

20. Hedge accounting derivatives

in EUR million	Dec 21 Notional value	Dec 21 Positive fair value	Dec 21 Negative fair value	Jun 22 Notional value	Jun 22 Positive fair value	Jun 22 Negative fair value
Fair value hedges	**15,988**	**319**	**344**	**18,425**	**332**	**1,425**
Interest rate	15,988	319	344	18,425	332	1,425
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Cash flow hedges	**4,003**	**6**	**183**	**4,165**	**9**	**203**
Interest rate	3,057	0	149	2,924	2	183
Equity	0	0	0	0	0	0
Foreign exchange	946	6	35	1,241	7	20
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total gross amounts	**19,991**	**325**	**527**	**22,589**	**341**	**1,628**
Offset	0	-246	-218		-282	-1,270
Total		**79**	**309**		**59**	**358**

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

21. Trade and other receivables

in EUR million	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total	Credit loss allowances Stage 1	Stage 2	Stage 3	POCI	Total	Fair value
Jun 22											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	47	27	0	0	74	0	0	0	0	0	74
Credit institutions	41	2	0	0	43	0	0	0	0	0	43
Other financial corporations	32	5	0	0	37	0	0	0	0	0	37
Non-financial corporations	1,122	1,140	55	0	2,317	-6	-6	-45	0	-57	2,260
Households	119	19	15	0	153	-2	-5	-13	0	-20	133
Total	**1,362**	**1,193**	**70**	**0**	**2,626**	**-9**	**-11**	**-58**	**0**	**-79**	**2,547**
Dec 21											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	75	33	0	0	107	0	0	0	0	-1	107
Credit institutions	21	2	2	0	25	0	-1	-1	0	-2	23
Other financial corporations	28	3	0	0	31	0	0	0	0	0	31
Non-financial corporations	937	950	61	0	1,949	-9	-3	-50	0	-62	1,887
Households	90	19	18	0	126	-2	-5	-15	0	-22	104
Total	**1,151**	**1,007**	**81**	**0**	**2,239**	**-12**	**-9**	**-66**	**0**	**-87**	**2,152**

Development of credit loss allowances for trade and other receivables

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 22								**Jun 22**
Stage 1	-12	-9	5	1	6	0	0	0	-9
Stage 2	-9	0	1	-2	-2	0	1	0	-11
Stage 3	-66	0	8	-1	-3	0	4	0	-58
POCI	0	0	0	0	0	0	0	0	0
Total	**-87**	**-9**	**13**	**-2**	**1**	**0**	**5**	**0**	**-79**
	Jan 21								**Jun 21**
Stage 1	-6	-4	3	1	-1	0	0	0	-7
Stage 2	-10	0	1	-1	0	0	0	0	-10
Stage 3	-47	0	3	0	-27	0	2	0	-70
POCI	0	0	0	0	0	0	0	0	0
Total	**-64**	**-4**	**6**	**0**	**-28**	**0**	**2**	**0**	**-87**

22. Other assets

in EUR million	Dec 21	Jun 22
Prepayments	112	163
Inventories	149	103
Sundry assets	784	983
Other assets	**1,045**	**1,248**

23. Other financial liabilities held for trading

in EUR million	Dec 21	Jun 22
Short positions	785	961
Equity instruments	84	142
Debt securities	702	819
Debt securities issued	64	55
Other financial liabilities held for trading	**850**	**1,017**

24. Financial liabilities at fair value through profit and loss

Debt securities issued

in EUR million	Dec 21	Jun 22
Subordinated debt securities issued	3,419	2,879
Other debt securities issued	6,360	5,598
Bonds	4,098	3,712
Other certificates of deposits/name certificates	824	715
Mortgage covered bonds	1,272	1,037
Public sector covered bonds	165	135
Debt securities issued	**9,778**	**8,478**

25. Financial liabilities at amortised costs

Deposits from banks

in EUR million	Dec 21	Jun 22
Overnight deposits	1,765	4,073
Term deposits	29,163	30,521
Repurchase agreements	958	2,071
Deposits from banks	**31,886**	**36,665**

Deposits from customers

in EUR million	Dec 21	Jun 22
Overnight deposits	**167,738**	**173,302**
Savings deposits	43,669	45,490
Other financial corporations	173	197
Non-financial corporations	1,985	2,203
Households	41,511	43,089
Non-savings deposits	124,069	127,812
General governments	6,963	8,079
Other financial corporations	7,530	8,486
Non-financial corporations	37,916	37,951
Households	71,660	73,297
Term deposits	**41,662**	**46,938**
Deposits with agreed maturity	34,986	40,481
Savings deposits	21,974	21,498
Other financial corporations	742	1,067
Non-financial corporations	1,409	1,854
Households	19,824	18,577
Non-savings deposits	13,012	18,983
General governments	2,970	3,715
Other financial corporations	1,843	5,338
Non-financial corporations	3,265	4,256
Households	4,934	5,675
Deposits redeemable at notice	6,676	6,457
General governments	9	19
Other financial corporations	120	117
Non-financial corporations	294	285
Households	6,253	6,036
Repurchase agreements	**628**	**4,116**
General governments	1	2,421
Other financial corporations	627	1,065
Non-financial corporations	0	630
Deposits from customers	**210,029**	**224,356**
General governments	**9,942**	**14,233**
Other financial corporations	**11,037**	**16,270**
Non-financial corporations	**44,868**	**47,179**
Households	**144,182**	**146,674**

The carrying amount of the TLTRO III liabilities as of 30 June 2022 was EUR 20.9 billion (EUR 20.9 billion).

Debt securities issued

in EUR million	Dec 21	Jun 22
Subordinated debt securities issued	1,943	2,279
Senior non-preferred bonds	1,474	1,616
Other debt securities issued	18,935	18,853
Bonds	8,146	7,185
Certificates of deposit	1,264	1,953
Other certificates of deposits/name certificates	148	139
Mortgage covered bonds	9,377	9,576
Public sector covered bonds	0	0
Other	0	0
Debt securities issued	**22,352**	**22,748**

26. Provisions

in EUR million	Dec 21	Jun 22
Long-term employee provisions	951	784
Pending legal issues and tax litigation	332	288
Loan commitments and financial guarantees given	464	424
CLA for loan commitments and financial guarantees in Stage 1	113	92
CLA for loan commitments and financial guarantees in Stage 2	228	218
CLA for loan commitments and financial guarantees in Stage 3	111	105
CLA for loan commitments and financial guarantees - POCI	12	9
Other provisions	239	246
Provisions for onerous contracts	3	2
Other	237	243
Provisions	**1,986**	**1,741**

Effects from the change in material valuation parameters

For the calculation of the defined benefit obligation for pension and severance payment provisions as well as for jubilee provisions, the interest rate used has been increased to 3.15% p.a. as of 30 June 2022 (31 December 2021: 1.05% p.a.) to reflect the actual interest rate levels. Furthermore, the collective agreement trend amounted to 2.70% p.a. (31 December 2021: 2.40% p.a.) as well as the ASVG trend at 2.20% p.a. (31 December 2021: 2.00% p.a.). According to IAS 19 the resulting measurement adjustment for pension and severance payment provisions amounting to EUR 162.3 million (before tax) has been recognised in other comprehensive income those for jubilee provisions, an amount of EUR 18.5 million has been considered in the income statement.

27. Other liabilities

in EUR million	Dec 21	Jun 22
Deferred income	106	129
Sundry liabilities	2,410	2,643
Other liabilities	**2,516**	**2,772**

28. Segment reporting

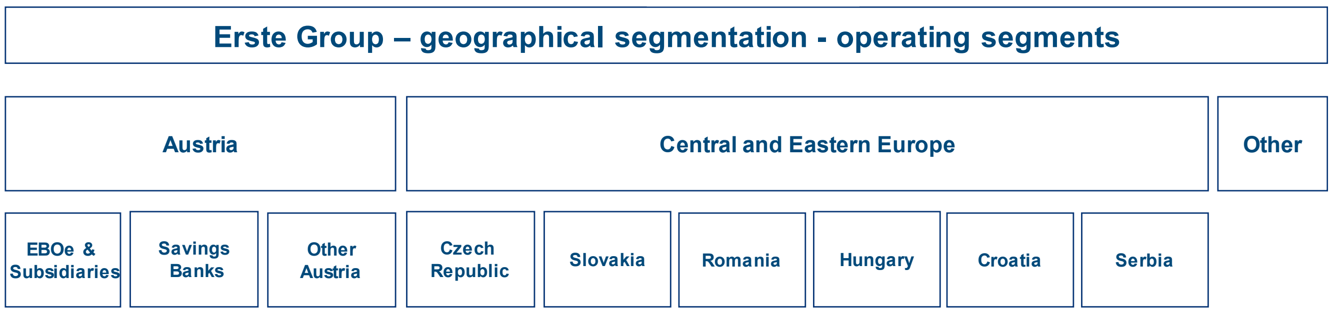
Erste Group’s segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments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

Erste Group uses a matrix organisational structure with geographical segmentation and business segments. Since the chief operating decision maker performs the steering primarily based on geographical segments, those are defined as operating segments according to IFRS 8. In order to provide more comprehensive information, the performance of the business segments is reported additionally.

Geographical segmentation (operating segments)

For the purpose of segment reporting geographical segments are defined as operating segments, for which the information is presented on the basis of the booking entity's location (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 core 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 operating 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 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.
_ 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 operating segments covering Erste Group’s banking subsidiaries located in the respective CEE countries:

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

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

Asset/Liability Management of Erste Group Bank AG as well as the reconciliation to the consolidated accounting result (e.g. intragroup eliminations, dividend eliminations) are also part of the segment Other. Intragroup eliminations are equal to the intragroup eliminations shown in the business segmentation view (see table 'Business segments (2)').

Business segmentation

Apart from geographical segments, which are Erste Group's operating segments, business segments are reported as well.

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

Corporates. The Corporates segment comprises business done with corporate customers of different turnover size (small and medium-sized enterprises and Large Corporate customers) as well as commercial real estate and public sector business.

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

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

Savings Banks. The Savings Banks segment is identical to the operating segment Savings banks.

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

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

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

Measurement

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

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

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

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

Operating segments: Geographical segmentation – overview

in EUR million	Austria		Central and Eastern Europe		Other		Total Group	
	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22
Net interest income	1,055.0	1,178.6	1,262.6	1,533.1	131.1	125.3	2,448.7	2,837.0
Net fee and commission income	655.9	704.1	487.8	552.2	-44.7	-41.4	1,099.0	1,214.9
Dividend income	6.8	9.9	7.6	3.8	6.1	6.5	20.5	20.1
Net trading result	22.9	-73.0	115.4	164.0	-95.2	-623.6	43.1	-532.5
Gains/losses from financial instruments at FVPL	36.7	12.0	-0.3	-33.4	47.3	538.2	83.6	516.8
Net result from equity method investments	0.0	-0.2	3.0	4.4	3.2	3.9	6.2	8.1
Rental income from investment properties & other operating leases	72.8	67.4	25.0	23.0	-8.2	-8.1	89.6	82.3
General administrative expenses	-1,068.7	-1,105.9	-943.9	-1,055.5	-90.4	-124.0	-2,103.0	-2,285.4
Gains/losses from derecognition of financial assets at AC	1.2	-0.6	2.1	-29.6	0.0	-0.7	3.3	-30.8
Other gains/losses from derecognition of financial instruments not at FVPL	-0.9	0.1	0.0	1.2	0.3	0.7	-0.6	2.0
Impairment result from financial instruments	1.3	26.9	-86.3	6.0	2.1	-7.0	-82.9	26.0
Other operating result	-16.4	-52.3	-92.4	-119.4	-63.6	-27.5	-172.4	-199.2
Levies on banking activities	-4.7	-5.3	-38.2	-94.6	-9.3	-11.0	-52.2	-110.9
Pre-tax result from continuing operations	**766.7**	**767.1**	**780.6**	**1,049.8**	**-112.2**	**-157.7**	**1,435.1**	**1,659.2**
Taxes on income	-187.9	-184.8	-155.3	-205.0	55.9	74.6	-287.3	-315.2
Net result for the period	**578.8**	**582.2**	**625.3**	**844.8**	**-56.3**	**-83.0**	**1,147.8**	**1,344.0**
Net result attributable to non-controlling interests	202.0	165.9	28.3	39.9	-0.5	1.3	229.8	207.0
Net result attributable to owners of the parent	**376.7**	**416.4**	**597.0**	**805.0**	**-55.8**	**-84.3**	**918.0**	**1,137.0**
Operating income	1,850.1	1,898.8	1,901.1	2,247.1	39.4	0.8	3,790.7	4,146.7
Operating expenses	-1,068.7	-1,105.9	-943.9	-1,055.5	-90.4	-124.0	-2,103.0	-2,285.4
Operating result	**781.5**	**792.9**	**957.2**	**1,191.6**	**-51.0**	**-123.2**	**1,687.7**	**1,861.3**
Risk-weighted assets (credit risk, eop)	58,004	62,074	44,725	50,422	2,999	2,789	105,729	115,285
Average allocated capital	7,711	9,521	8,363	9,546	6,762	4,740	22,836	23,807
Cost/income ratio	57.8%	58.2%	49.6%	47.0%	>100%	>100%	55.5%	55.1%
Return on allocated capital	15.1%	12.3%	15.1%	17.8%	-1.7%	-3.5%	10.1%	11.4%
Total assets (eop)	196,933	206,275	131,769	146,097	-25,267	-25,278	303,435	327,093
Total liabilities excluding equity (eop)	160,753	169,305	118,849	134,283	462	-381	280,064	303,207
Impairments	**0.2**	**26.9**	**-95.9**	**5.7**	**1.5**	**-7.0**	**-94.2**	**25.7**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-15.3	-4.1	-56.5	27.4	15.3	-7.4	-56.5	15.9
Net impairment loss on commitments and guarantees given	16.6	31.0	-29.8	-21.4	-13.2	0.4	-26.4	10.0
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	-1.1	0.0	-9.6	-0.3	-0.6	0.0	-11.3	-0.3

Operating segments: Geographical area – Austria

in EUR million	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22
Net interest income	322.6	329.8	537.0	554.0	195.4	294.8	1,055.0	1,178.6
Net fee and commission income	221.7	243.5	281.7	308.4	152.6	152.2	655.9	704.1
Dividend income	4.6	5.1	1.5	2.9	0.7	1.9	6.8	9.9
Net trading result	-10.9	-37.7	-5.3	-50.5	39.1	15.2	22.9	-73.0
Gains/losses from financial instruments at FVPL	18.0	40.8	25.5	-4.9	-6.9	-23.8	36.7	12.0
Net result from equity method investments	0.7	0.3	0.0	0.0	-0.7	-0.5	0.0	-0.2
Rental income from investment properties & other operating leases	31.2	23.8	20.0	20.7	21.7	22.9	72.8	67.4
General administrative expenses	-350.9	-354.7	-548.4	-573.1	-169.3	-178.0	-1,068.7	-1,105.9
Gains/losses from derecognition of financial assets at AC	0.0	-0.7	1.2	0.2	0.0	0.0	1.2	-0.6
Other gains/losses from derecognition of financial instruments not at FVPL	-0.2	0.0	-0.5	-0.1	-0.1	0.2	-0.9	0.1
Impairment result from financial instruments	-14.7	0.5	15.1	2.1	0.8	24.3	1.3	26.9
Other operating result	-23.2	-15.8	-11.6	-25.6	18.5	-10.9	-16.4	-52.3
Levies on banking activities	-2.1	-2.7	-2.5	-2.5	0.0	-0.1	-4.7	-5.3
Pre-tax result from continuing operations	**198.9**	**234.7**	**316.1**	**234.0**	**251.8**	**298.3**	**766.7**	**767.1**
Taxes on income	-48.5	-58.2	-79.9	-60.6	-59.6	-66.0	-187.9	-184.8
Net result for the period	**150.4**	**176.5**	**236.2**	**173.4**	**192.2**	**232.3**	**578.8**	**582.2**
Net result attributable to non-controlling interests	11.3	21.2	189.8	141.2	0.9	3.5	202.0	165.9
Net result attributable to owners of the parent	**139.1**	**155.3**	**46.4**	**32.2**	**191.3**	**228.8**	**376.7**	**416.4**
Operating income	587.9	605.6	860.3	830.5	401.9	462.7	1,850.1	1,898.8
Operating expenses	-350.9	-354.7	-548.4	-573.1	-169.3	-178.0	-1,068.7	-1,105.9
Operating result	**237.0**	**250.9**	**311.9**	**257.4**	**232.6**	**284.7**	**781.5**	**792.9**
Risk-weighted assets (credit risk, eop)	14,793	16,006	26,993	28,225	16,219	17,843	58,004	62,074
Average allocated capital	1,824	2,404	3,498	4,544	2,389	2,572	7,711	9,521
Cost/income ratio	59.7%	58.6%	63.7%	69.0%	42.1%	38.5%	57.8%	58.2%
Return on allocated capital	16.6%	14.8%	13.6%	7.7%	16.2%	18.2%	15.1%	12.3%
Total assets (eop)	57,697	60,869	75,590	80,121	63,646	65,285	196,933	206,275
Total liabilities excluding equity (eop)	55,455	58,389	70,129	74,271	35,169	36,646	160,753	169,305
Impairments	**-14.6**	**0.5**	**15.1**	**2.1**	**-0.3**	**24.3**	**0.2**	**26.9**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-17.3	-2.3	18.8	6.3	-16.8	-8.1	-15.3	-4.1
Net impairment loss on commitments and guarantees given	2.7	2.8	-3.7	-4.2	17.6	32.4	16.6	31.0
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	0.0	0.0	0.0	-1.1	0.0	-1.1	0.0

Operating segments: Geographical area – Central and Eastern Europe

in EUR million	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22
Net interest income	535.1	713.6	221.4	216.8	215.2	245.8	120.7	183.0	135.0	134.9	35.2	38.9	1,262.6	1,533.1
Net fee and commission income	175.5	196.5	79.5	93.8	78.3	91.3	99.1	106.7	46.2	52.5	9.1	11.3	487.8	552.2
Dividend income	6.4	2.6	0.5	0.5	0.6	0.5	0.0	0.1	0.1	0.0	0.0	0.0	7.6	3.8
Net trading result	43.4	72.1	3.9	8.4	35.0	60.6	16.6	-0.4	13.7	20.5	2.8	2.9	115.4	164.0
Gains/losses from financial instruments at FVPL	-5.8	3.3	0.1	0.7	0.5	0.6	5.3	-37.2	-0.4	-0.8	0.0	0.0	-0.3	-33.4
Net result from equity method investments	-1.2	0.9	3.5	2.8	0.1	0.0	0.0	0.0	0.6	0.6	0.0	0.1	3.0	4.4
Rental income from investment properties & other operating leases	4.7	4.9	0.1	0.2	11.6	10.3	4.1	3.6	4.5	4.0	0.0	0.0	25.0	23.0
General administrative expenses	-385.8	-427.7	-147.9	-155.1	-163.6	-182.3	-112.0	-144.1	-106.0	-113.3	-28.6	-33.2	-943.9	-1,055.5
Gains/losses from derecognition of financial assets at AC	0.0	-29.4	0.0	0.0	0.0	0.0	2.0	-0.1	0.0	0.0	0.0	-0.1	2.1	-29.6
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	-0.3	-0.2	0.0	0.0	0.3	1.4	0.0	0.1	0.0	0.0	0.0	1.2
Impairment result from financial instruments	-32.9	27.4	-26.0	-24.9	-15.8	-42.3	-3.2	4.1	-5.1	45.6	-3.4	-3.9	-86.3	6.0
Other operating result	-36.7	-42.6	-8.1	-7.3	-18.7	37.3	-37.0	-102.2	10.5	-1.6	-2.4	-2.9	-92.4	-119.4
Levies on banking activities	0.0	0.0	0.0	0.0	0.0	0.0	-38.2	-94.6	0.0	0.0	0.0	0.0	-38.2	-94.6
Pre-tax result from continuing operations	**302.6**	**521.8**	**126.6**	**135.7**	**143.3**	**221.6**	**96.1**	**15.0**	**99.3**	**142.5**	**12.7**	**13.2**	**780.6**	**1,049.8**
Taxes on income	-69.3	-102.8	-30.2	-31.0	-26.6	-35.9	-11.3	-8.4	-17.3	-25.9	-0.5	-1.0	-155.3	-205.0
Net result for the period	**233.3**	**419.0**	**96.4**	**104.7**	**116.7**	**185.8**	**84.7**	**6.6**	**82.0**	**116.6**	**12.2**	**12.1**	**625.3**	**844.8**
Net result attributable to non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	25.8	37.2	2.5	2.4	28.3	39.9
Net result attributable to owners of the parent	**233.3**	**419.0**	**96.4**	**104.7**	**116.7**	**185.6**	**84.7**	**6.6**	**56.1**	**79.4**	**9.7**	**9.7**	**597.0**	**805.0**
Operating income	758.1	994.0	308.9	323.2	341.3	409.0	245.9	255.9	199.8	211.8	47.1	53.2	1,901.1	2,247.1
Operating expenses	-385.8	-427.7	-147.9	-155.1	-163.6	-182.3	-112.0	-144.1	-106.0	-113.3	-28.6	-33.2	-943.9	-1,055.5
Operating result	**372.3**	**566.3**	**161.0**	**168.1**	**177.7**	**226.7**	**133.9**	**111.8**	**93.8**	**98.5**	**18.5**	**20.1**	**957.2**	**1,191.6**
Risk-weighted assets (credit risk, eop)	18,714	20,862	7,286	8,809	6,937	8,197	4,252	4,317	5,990	6,448	1,548	1,788	44,725	50,422
Average allocated capital	2,960	3,714	1,224	1,444	1,717	1,747	1,153	1,194	1,048	1,168	261	279	8,363	9,546
Cost/income ratio	50.9%	43.0%	47.9%	48.0%	47.9%	44.6%	45.5%	56.3%	53.1%	53.5%	60.7%	62.3%	49.6%	47.0%
Return on allocated capital	15.9%	22.8%	15.9%	14.6%	13.7%	21.4%	14.8%	1.1%	15.8%	20.1%	9.4%	8.8%	15.1%	17.8%
Total assets (eop)	65,784	74,532	22,909	24,046	16,878	18,858	11,674	12,266	11,878	13,474	2,645	2,922	131,769	146,097
Total liabilities excluding equity (eop)	59,769	69,435	21,071	21,996	14,857	16,950	10,385	11,262	10,441	12,049	2,326	2,592	118,849	134,283
Impairments	**-32.9**	**27.4**	**-25.9**	**-24.7**	**-24.6**	**-43.0**	**-3.2**	**4.0**	**-5.9**	**45.8**	**-3.4**	**-3.9**	**-95.9**	**5.7**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-18.8	33.0	-23.4	-24.5	-8.5	-32.8	-3.2	4.9	0.8	50.4	-3.4	-3.5	-56.5	27.4
Net impairment loss on commitments and guarantees given	-14.1	-5.6	-2.5	-0.4	-7.3	-9.5	0.0	-0.8	-5.9	-4.8	-0.1	-0.4	-29.8	-21.4
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.1	0.0	0.1	0.2	-8.8	-0.6	0.0	-0.1	-0.9	0.3	0.0	0.0	-9.6	-0.3

Business segments (1)

in EUR million	Retail		Corporates		Group Markets		ALM&LCC	
	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22
Net interest income	1,026.9	1,218.6	572.6	712.5	87.4	206.1	145.1	12.7
Net fee and commission income	576.2	629.3	152.3	175.0	146.2	151.6	-41.0	-37.3
Dividend income	0.4	0.0	0.5	0.0	0.2	1.9	11.8	8.9
Net trading result	52.4	79.1	46.8	81.8	68.4	82.6	-83.3	-634.2
Gains/losses from financial instruments at FVPL	2.8	-40.4	-2.9	1.0	-3.1	-28.7	70.1	599.2
Net result from equity method investments	4.0	3.3	0.0	1.0	0.0	0.0	-1.0	-0.1
Rental income from investment properties & other operating leases	11.8	2.6	55.0	55.7	0.2	0.2	12.3	12.9
General administrative expenses	-1,027.6	-1,104.3	-260.3	-282.9	-114.7	-121.6	-72.3	-88.9
Gains/losses from derecognition of financial assets at AC	0.0	-1.5	0.1	0.0	0.0	0.0	2.0	-29.3
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.0	1.9	-0.1	-0.1	-0.3	-0.1
Impairment result from financial instruments	-31.8	-50.7	-67.9	85.3	-4.0	-4.4	3.0	-2.9
Other operating result	-27.5	-23.2	9.7	-35.3	-15.9	-19.4	-72.6	-84.8
Levies on banking activities	-19.7	-54.4	-10.8	-23.6	-2.5	-6.2	-7.4	-13.2
Pre-tax result from continuing operations	**587.8**	**712.9**	**505.8**	**796.0**	**164.6**	**268.2**	**-26.1**	**-244.0**
Taxes on income	-106.0	-140.5	-100.7	-160.2	-35.4	-54.7	-21.9	37.5
Net result for the period	**481.7**	**572.3**	**405.1**	**635.8**	**129.3**	**213.5**	**-48.0**	**-206.5**
Net result attributable to non-controlling interests	16.4	18.1	22.0	41.4	2.6	2.1	-0.5	3.0
Net result attributable to owners of the parent	**465.3**	**554.2**	**383.1**	**594.4**	**126.7**	**211.4**	**-47.6**	**-209.4**
Operating income	1,674.6	1,892.5	824.2	1,027.0	299.3	413.7	114.0	-38.1
Operating expenses	-1,027.6	-1,104.3	-260.3	-282.9	-114.7	-121.6	-72.3	-88.9
Operating result	**647.0**	**788.2**	**563.9**	**744.0**	**184.6**	**292.1**	**41.7**	**-126.9**
Risk-weighted assets (credit risk, eop)	20,536	22,183	45,435	51,535	3,787	3,689	6,261	7,290
Average allocated capital	3,584	3,753	5,220	5,602	1,054	1,140	4,179	5,569
Cost/income ratio	61.4%	58.3%	31.6%	27.6%	38.3%	29.4%	63.4%	>100%
Return on allocated capital	27.1%	30.8%	15.7%	22.9%	24.7%	37.8%	-2.3%	-7.5%
Total assets (eop)	68,066	73,543	61,275	70,815	51,383	50,869	84,530	92,988
Total liabilities excluding equity (eop)	107,286	112,883	35,597	43,651	47,269	50,349	58,341	64,361
Impairments	**-32.1**	**-50.7**	**-76.7**	**85.4**	**-4.0**	**-4.4**	**1.4**	**-3.1**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-34.3	-38.3	-60.0	57.8	1.6	-2.9	1.6	-3.0
Net impairment loss on commitments and guarantees given	2.5	-12.4	-7.9	27.5	-5.6	-1.5	1.4	0.1
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	-0.4	-0.1	-8.8	0.0	0.0	0.0	-1.6	-0.3

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22	1-6 21	1-6 22
Net interest income	537.0	554.0	44.9	60.9	34.8	72.2	2,448.7	2,837.0
Net fee and commission income	281.7	308.4	0.4	1.8	-16.7	-13.8	1,099.0	1,214.9
Dividend income	1.5	2.9	6.1	6.5	0.0	0.0	20.5	20.1
Net trading result	-5.3	-50.5	-10.4	-28.7	-25.4	-62.6	43.1	-532.5
Gains/losses from financial instruments at FVPL	25.5	-4.9	-8.8	-9.3	0.0	0.0	83.6	516.8
Net result from equity method investments	0.0	0.0	3.2	3.9	0.0	0.0	6.2	8.1
Rental income from investment properties & other operating leases	20.0	20.7	-9.5	-9.5	-0.2	-0.2	89.6	82.3
General administrative expenses	-548.4	-573.1	-472.9	-467.8	393.1	353.2	-2,103.0	-2,285.4
Gains/losses from derecognition of financial assets at AC	1.2	0.2	0.4	0.0	-0.4	-0.2	3.3	-30.8
Other gains/losses from derecognition of financial instruments not at FVPL	-0.5	-0.1	0.0	0.2	0.3	0.2	-0.6	2.0
Impairment result from financial instruments	15.1	2.1	2.7	-3.6	0.0	0.0	-82.9	26.0
Other operating result	-11.6	-25.6	331.0	337.7	-385.5	-348.7	-172.4	-199.2
Levies on banking activities	-2.5	-2.5	-9.3	-11.0	0.0	0.0	-52.2	-110.9
Pre-tax result from continuing operations	**316.1**	**234.0**	**-113.1**	**-107.9**	**0.0**	**0.0**	**1,435.1**	**1,659.2**
Taxes on income	-79.9	-60.6	56.6	63.4	0.0	0.0	-287.3	-315.2
Net result for the period	**236.2**	**173.4**	**-56.5**	**-44.5**	**0.0**	**0.0**	**1,147.8**	**1,344.0**
Net result attributable to non-controlling interests	189.8	141.2	-0.5	1.3	0.0	0.0	229.8	207.0
Net result attributable to owners of the parent	**46.4**	**32.2**	**-56.0**	**-45.8**	**0.0**	**0.0**	**918.0**	**1,137.0**
Operating income	860.3	830.5	25.8	25.5	-7.5	-4.4	3,790.7	4,146.7
Operating expenses	-548.4	-573.1	-472.9	-467.8	393.1	353.2	-2,103.0	-2,285.4
Operating result	**311.9**	**257.4**	**-447.1**	**-442.2**	**385.6**	**348.8**	**1,687.7**	**1,861.3**
Risk-weighted assets (credit risk, eop)	26,993	28,225	2,717	2,362	0	0	105,729	115,285
Average allocated capital	3,498	4,544	5,301	3,198	0	0	22,836	23,807
Cost/income ratio	63.7%	69.0%	>100%	>100%	>100%	>100%	55.5%	55.1%
Return on allocated capital	13.6%	7.7%	-2.1%	-2.8%			10.1%	11.4%
Total assets (eop)	75,590	80,121	3,233	3,533	-40,643	-44,775	303,435	327,093
Total liabilities excluding equity (eop)	70,129	74,271	2,132	2,534	-40,688	-44,842	280,064	303,207
Impairments	**15.1**	**2.1**	**2.1**	**-3.6**	**0.0**	**0.0**	**-94.2**	**25.7**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	18.8	6.3	15.8	-4.0	0.0	0.0	-56.5	15.9
Net impairment loss on commitments and guarantees given	-3.7	-4.2	-13.2	0.4	0.0	0.0	-26.4	10.0
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	0.0	-0.6	0.0	0.0	0.0	-11.3	-0.3

29. Risk management

A core function of a bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the annual report 2021.

Credit risk

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

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

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

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

Non-performing. One or more of the default criteria under Article 178 of the CRR are met: among others, full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. Erste Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well.

Credit risk exposure

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

The credit risk exposure equates the gross carrying amount (or nominal value in the case of off-balance sheet positions) excluding:
- credit loss allowances for financial assets;
- credit loss allowances for loan commitments and financial guarantees;
- provisions for other commitments;
- any collateral held (including risk transfer to guarantors);
- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

The credit risk exposure increased in the reporting period to EUR 345.4 billion (+10.5%; EUR 312.4 billion).

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

in EUR million	Credit risk exposure	Allowances	Adjustments	Carrying amount
Jun 22				
Cash and cash balances - demand deposits to credit institutions	1,534	-4	0	1,530
Instruments HfT	6,034	0	0	6,034
Non-trading debt instruments at FVPL	2,567	0	0	2,567
Debt securities	1,778	0	0	1,778
Loans and advances to banks	0	0	0	0
Loans and advances to customers	790	0	0	790
Debt instruments at FVOCI	9,367	-20	-363	8,984
Debt securities	9,367	-20	-363	8,984
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	255,580	-3,725	0	251,855
Debt securities	39,235	-16	0	39,219
Loans and advances to banks	28,712	-8	0	28,704
Loans and advances to customers	187,633	-3,701	0	183,932
Trade and other receivables	2,626	-79	0	2,547
Finance lease receivables	4,373	-98	0	4,274
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	59	0	0	59
Off balance-sheet exposures	63,229	-506	0	0
Total	**345,370**	**-4,432**	**-363**	**277,852**
Dec 21				
Cash and cash balances - demand deposits to credit institutions	1,033	-1	0	1,033
Instruments HfT	6,389	0	0	6,389
Non-trading debt instruments at FVPL	2,793	0	0	2,793
Debt securities	1,975	0	0	1,975
Loans and advances to banks	10	0	0	10
Loans and advances to customers	808	0	0	808
Debt instruments at FVOCI	8,655	-23	94	8,749
Debt securities	8,655	-23	94	8,749
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	233,402	-3,761	0	229,641
Debt securities	35,565	-15	0	35,551
Loans and advances to banks	20,998	-6	0	20,991
Loans and advances to customers	176,839	-3,740	0	173,099
Trade and other receivables	2,239	-87	0	2,152
Finance lease receivables	4,319	-111	0	4,209
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	79	0	0	79
Off balance-sheet exposures	53,529	-544	0	0
Total	**312,439**	**-4,527**	**94**	**255,044**

Credit loss allowances comprise impairments for financial assets measured at amortised cost (including finance lease and trade and other receivables) and at fair value through other comprehensive income (FVOCI), as well as credit loss allowances and provisions for off-balance sheet exposures. Adjustments refer to the fair value changes of the carrying amount for debt instruments at FVOCI, to align with the accounting view, starting with the current reporting period the value presented in adjustments does not include allowances.

Within the credit risk exposure increase of EUR 32.9 billion, approximately EUR 5 billion refer to the methodological change in consideration of all off balance-sheet exposures, including all revocable loan commitments, as credit risk relevant.

Credit risk exposure by counterparty sector and financial instrument

					At amortised cost							
in EUR million	Cash and cash balances - demand deposits to credit institutions	Instruments HfT	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	Debt securities	Loans and advances to banks	Loans and advances to customers	Finance lease receivables	Positive fair value of derivatives	Trade and other receivables	Off balance-sheet exposures	Total
Jun 22												
Central banks	0	877	0	14	33	21,936	0	0	0	1	201	23,061
General governments	0	2,072	151	7,098	32,160	0	7,398	275	0	74	3,089	52,317
Credit institutions	1,534	2,439	477	1,030	6,062	6,776	0	0	56	43	1,269	19,686
Other financial corporations	0	361	1,025	278	209	0	5,000	74	3	37	3,667	10,654
Non-financial corporations	0	275	195	947	771	0	83,107	3,152	0	2,317	40,016	130,780
Households	0	12	720	0	0	0	92,128	872	0	153	14,987	108,871
Total	**1,534**	**6,034**	**2,567**	**9,367**	**39,235**	**28,712**	**187,633**	**4,373**	**59**	**2,626**	**63,229**	**345,370**
Dec 21												
Central banks	0	39	0	6	37	16,429	0	0	0	1	0	16,511
General governments	0	3,287	198	6,585	29,867	0	7,091	285	0	107	2,661	50,081
Credit institutions	1,033	2,500	561	867	4,707	4,569	0	3	78	25	942	15,286
Other financial corporations	0	207	1,076	256	176	0	4,209	84	1	31	2,800	8,841
Non-financial corporations	0	350	221	941	778	0	76,950	3,088	0	1,949	33,278	117,556
Households	0	6	737	0	0	0	88,589	859	0	126	13,848	104,165
Total	**1,033**	**6,389**	**2,793**	**8,655**	**35,565**	**20,998**	**176,839**	**4,319**	**79**	**2,239**	**53,529**	**312,439**

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 22					
Natural Resources & Commodities	10,285	2,286	493	343	13,407
Energy	10,551	904	340	78	11,874
Construction and building materials	12,383	2,326	499	320	15,528
Automotive	6,023	811	153	287	7,275
Cyclical Consumer Products	6,499	1,324	267	281	8,371
Non-Cyclical Consumer Products	7,733	1,234	262	231	9,460
Machinery	4,529	893	217	149	5,788
Transportation	4,793	1,572	262	124	6,751
TMT and Paper & Packaging	5,967	707	116	88	6,878
Healthcare & Services	8,377	1,729	209	153	10,468
Hotels, Gaming & Leisure Industry	6,019	2,508	443	452	9,421
Real Estate	31,876	7,299	1,592	457	41,223
Public Sector	73,084	633	120	10	73,847
Financial Institutions	25,419	1,336	268	30	27,054
Private Households	88,334	5,513	2,104	1,501	97,451
Other	552	12	7	3	574
Total	**302,424**	**31,087**	**7,352**	**4,507**	**345,370**
Dec 21					
Natural Resources & Commodities	9,129	2,056	435	333	11,953
Energy	7,700	988	111	89	8,888
Construction and building materials	10,481	1,889	373	364	13,106
Automotive	5,043	650	149	295	6,136
Cyclical Consumer Products	5,389	1,156	264	304	7,113
Non-Cyclical Consumer Products	7,161	1,068	286	186	8,701
Machinery	4,174	772	135	131	5,212
Transportation	4,104	1,538	245	184	6,071
TMT and Paper & Packaging	4,779	710	82	90	5,661
Healthcare & Services	7,895	1,572	248	169	9,884
Hotels, Gaming & Leisure Industry	5,919	2,464	520	472	9,375
Real Estate	31,940	6,172	906	425	39,443
Public Sector	64,103	735	194	0	65,032
Financial Institutions	20,652	1,156	141	31	21,980
Private Households	84,829	4,808	2,046	1,552	93,234
Other	534	47	64	3	648
Total	**273,833**	**27,781**	**6,199**	**4,626**	**312,439**
Dec 21					
Agriculture and forestry	2,317	944	221	134	3,616
Mining	644	75	10	21	750
Manufacturing	17,211	2,763	644	687	21,306
Energy and water supply	4,525	850	96	48	5,519
Construction	10,455	2,780	316	306	13,856
Trade	12,550	2,628	479	456	16,112
Transport and communication	6,880	1,473	299	182	8,834
Hotels and restaurants	3,341	1,673	404	332	5,750
Financial and insurance services	39,654	1,406	168	87	41,316
Real estate and housing	29,170	5,277	880	347	35,674
Services	13,962	1,904	362	418	16,646
Public administration	47,115	621	173	1	47,909
Education, health and art	3,108	629	105	61	3,903
Households	82,492	4,725	1,974	1,546	90,736
Other	410	34	67	0	511
Total	**273,833**	**27,781**	**6,199**	**4,626**	**312,439**

From the first quarter of 2022, Erste Group presents the portfolio industry distribution based on the internal segmentation, instead of previously reported regulatory (FINREP) segmentation, as it more accurately represents the view used for internal steering of the portfolio. For the purpose of comparison we show above both regulatory and internal industry segmentation for year-end 2021. The most significant differences between regulatory and internal industry segmentation refer to segmentation of Services, Financial Institutions and Private Households. Regulatory industry segment Services is internally assigned according to the main activity of the counterparty to Healthcare & services, Hotels & leisure or Cyclical consumer products. In the Financial and insurance services segment, central banking operations are considered under Public sector segment, while collective of private individuals that are flat owners is considered under Private households and not Real Estate (as in regulatory segmentation).

Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 22					
Core markets	**261,981**	**27,920**	**6,540**	**3,919**	**300,360**
Austria	118,930	12,624	1,612	1,855	135,021
Czech Republic	74,065	5,723	1,184	695	81,667
Romania	18,941	2,376	421	416	22,154
Slovakia	24,212	1,905	2,174	332	28,623
Hungary	14,267	1,244	524	178	16,213
Croatia	8,174	3,601	500	410	12,685
Serbia	3,393	447	124	33	3,998
Other EU	**25,760**	**1,481**	**411**	**365**	**28,017**
Other industrialised countries	**9,189**	**287**	**33**	**58**	**9,566**
Emerging markets	**5,494**	**1,399**	**369**	**164**	**7,426**
Southeastern Europe/CIS	2,928	1,004	253	138	4,324
Asia	2,075	90	21	16	2,201
Latin America	187	9	4	9	208
Middle East/Africa	305	296	91	1	693
Total	**302,424**	**31,087**	**7,352**	**4,507**	**345,370**
Dec 21					
Core markets	**238,499**	**24,809**	**5,538**	**4,049**	**272,894**
Austria	112,060	11,775	1,674	1,866	127,375
Czech Republic	62,361	4,528	1,131	736	68,756
Romania	18,097	1,846	334	428	20,705
Slovakia	22,793	1,721	1,085	308	25,906
Hungary	12,972	1,272	617	204	15,065
Croatia	7,180	3,268	600	466	11,514
Serbia	3,035	400	97	41	3,574
Other EU	**22,884**	**1,444**	**305**	**329**	**24,962**
Other industrialised countries	**6,973**	**394**	**42**	**68**	**7,477**
Emerging markets	**5,477**	**1,134**	**314**	**180**	**7,105**
Southeastern Europe/CIS	3,021	806	186	139	4,152
Asia	1,999	97	30	29	2,155
Latin America	158	15	5	11	189
Middle East/Africa	299	215	93	2	609
Total	**273,833**	**27,781**	**6,199**	**4,626**	**312,439**

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.

The segment reporting of Erste Group is based on a matrix organisational structure with geographical segments (IFRS 8 operating segments) and business segments. The geographical segmentation follows the core markets in which Erste Group operates and the locations of the banking and other financial institutions participations.

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 22					
Austria	**156,448**	**15,479**	**2,135**	**2,439**	**176,500**
EBOe & Subsidiaries	45,770	4,274	517	587	51,148
Savings Banks	67,041	9,444	1,251	1,390	79,126
Other Austria	43,637	1,762	367	461	46,227
Central and Eastern Europe	**135,750**	**15,575**	**5,199**	**2,051**	**158,575**
Czech Republic	74,871	5,902	1,475	732	82,980
Romania	17,095	2,298	412	431	20,236
Slovakia	21,083	1,892	2,108	322	25,405
Hungary	11,396	1,107	493	174	13,170
Croatia	8,451	3,954	590	360	13,355
Serbia	2,853	422	122	33	3,429
Other	**10,226**	**34**	**17**	**17**	**10,294**
Total	**302,424**	**31,087**	**7,352**	**4,507**	**345,370**
Dec 21					
Austria	**145,492**	**14,367**	**2,142**	**2,426**	**164,428**
EBOe & Subsidiaries	44,404	3,646	558	602	49,210
Savings Banks	63,498	9,009	1,215	1,387	75,109
Other Austria	37,589	1,712	370	438	40,109
Central and Eastern Europe	**120,294**	**13,369**	**4,056**	**2,183**	**139,901**
Czech Republic	64,315	4,884	1,230	767	71,197
Romania	16,352	1,729	334	458	18,872
Slovakia	19,538	1,607	1,097	297	22,539
Hungary	10,287	1,139	612	200	12,238
Croatia	7,402	3,627	687	421	12,139
Serbia	2,399	382	96	40	2,917
Other	**8,048**	**45**	**0**	**17**	**8,110**
Total	**273,833**	**27,781**	**6,199**	**4,626**	**312,439**

Credit risk exposure by geographical segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Jun 22						
Austria	**144,366**	**19,761**	**2,355**	**66**	**9,952**	**176,500**
EBOe & Subsidiaries	44,419	5,623	573	12	520	51,148
Savings Banks	65,322	10,318	1,348	54	2,083	79,126
Other Austria	34,625	3,819	433	0	7,349	46,227
Central and Eastern Europe	**135,114**	**12,462**	**1,865**	**318**	**8,817**	**158,575**
Czech Republic	72,534	5,146	661	54	4,585	82,980
Romania	15,960	2,536	392	53	1,296	20,236
Slovakia	22,266	2,085	309	127	618	25,405
Hungary	10,926	944	144	52	1,103	13,170
Croatia	10,945	1,577	330	29	474	13,355
Serbia	2,482	174	30	2	741	3,429
Other	**10,042**	**139**	**17**	**0**	**96**	**10,294**
Total	**289,522**	**32,362**	**4,237**	**384**	**18,865**	**345,370**
Dec 21						
Austria	**127,109**	**24,314**	**2,360**	**55**	**10,590**	**164,428**
EBOe & Subsidiaries	40,962	7,070	597	6	574	49,210
Savings Banks	59,909	11,496	1,355	48	2,300	75,109
Other Austria	26,238	5,748	408	0	7,715	40,109
Central and Eastern Europe	**120,208**	**12,699**	**1,975**	**318**	**4,700**	**139,901**
Czech Republic	63,519	5,610	697	52	1,318	71,197
Romania	14,675	2,337	396	57	1,407	18,872
Slovakia	19,402	2,130	291	113	602	22,539
Hungary	10,069	928	159	66	1,016	12,238
Croatia	10,156	1,535	395	28	24	12,139
Serbia	2,387	159	37	2	332	2,917
Other	**7,966**	**16**	**17**	**0**	**111**	**8,110**
Total	**255,284**	**37,029**	**4,352**	**373**	**15,400**	**312,439**

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 22					
Retail	69,114	6,521	2,476	1,423	79,534
Corporates	86,221	14,292	3,381	1,647	105,540
Group Markets	19,074	561	152	0	19,788
ALM & LCC	60,857	252	74	29	61,213
Savings Banks	67,041	9,444	1,251	1,390	79,126
GCC	117	18	17	17	170
Total	**302,424**	**31,087**	**7,352**	**4,507**	**345,370**
Dec 21					
Retail	67,049	5,674	2,458	1,507	76,689
Corporates	75,274	12,318	2,359	1,693	91,644
Group Markets	18,398	392	23	2	18,815
ALM & LCC	49,356	359	144	19	49,878
Savings Banks	63,498	9,009	1,215	1,387	75,109
GCC	258	29	0	17	304
Total	**273,833**	**27,781**	**6,199**	**4,626**	**312,439**

Credit risk exposure by business segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Jun 22						
Retail	68,700	8,479	1,378	97	880	79,534
Corporates	82,304	13,130	1,465	232	8,409	105,540
Group Markets	12,571	180	0	0	7,036	19,788
ALM & LCC	60,549	253	29	0	383	61,213
Savings Banks	65,322	10,318	1,348	54	2,083	79,126
GCC	76	2	17	0	75	170
Total	**289,522**	**32,362**	**4,237**	**384**	**18,865**	**345,370**
Dec 21						
Retail	65,736	8,584	1,458	105	806	76,689
Corporates	68,263	16,615	1,501	220	5,045	91,644
Group Markets	11,738	206	2	0	6,868	18,815
ALM & LCC	49,443	126	19	0	290	49,878
Savings Banks	59,909	11,496	1,355	48	2,300	75,109
GCC	195	2	17	0	90	304
Total	**255,284**	**37,029**	**4,352**	**373**	**15,400**	**312,439**

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

The defaulted part of POCI amounted to 173 million (EUR 167 million), the non-defaulted part to EUR 211 million (EUR 206 million).

Expected credit loss measurement

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

Classification into stages and definition of credit-impaired financial instruments

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

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

Stage 2 includes not credit-impaired financial instruments with a significant increase in credit risk since initial recognition and not subject to the 'low credit risk exemption' allowed by IFRS 9, and not credit-impaired financial instruments if a PD curve valid at initial recognition was missing at the time of the implementation of IFRS 9 according to IFRS 9.7.2.20. Also, Stage 2 includes trade receivables without significant financing component to which the 'simplified approach' is applied mandatorily based on IFRS 9 requirements. In Stage 2, the credit loss allowances are calculated as lifetime ECL. In the case of drawings by non-defaulted customers on previously committed credit lines, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2, depending on the development of credit risk between the commitment date and the drawing date.

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

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

Significant increase in credit risk determination

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

Erste Group methodology allows introduction of the cure periods for migrations back to Stage 1 from Stage 2 in addition to those already established in general credit risk practices (forbearance, watch lists, default). They are rarely applied, only in specific countries for specific criteria without significant effect on the overall expected credit loss or Stage 2.

Quantitative criteria. Quantitative SICR indicators include adverse changes in lifetime probability of default with significance being assessed by comparison to the thresholds. The bank has established thresholds for significant increases in credit risk based on both a percentage (relative) and absolute change in PD compared to initial recognition. SICR occurs for a particular financial instrument, when both the relative and the absolute thresholds are breached.

The relative measure is calculated as a ratio between current annualised LT PD and annualised LT PD value on initial recognition, considering remaining maturity of the instrument. Cumulative LT PD comparison can be used for simplification according to Erste Group methodology; however, such approach is rarely used. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level for each consolidated entity, as necessary, and are subject to initial and on-going validation.

Relative thresholds for SICR assessment by geographical segment

	Threshold interval (x times)	
	Min	Max
Jun 22		
Austria	**1.13**	**2.37**
EBOe & Subs.	1.13	2.37
Savings Banks	1.13	2.37
Other Austria	1.13	2.37
CEE	**1.03**	**4.08**
Czech Republic	1.13	3.59
Slovakia	1.13	4.08
Romania	1.13	3.37
Hungary	1.13	3.21
Croatia	1.13	3.13
Serbia	1.03	3.47
Total	**1.03**	**4.08**
Dec 21		
Austria	**1.13**	**2.37**
EBOe & Subs.	1.13	2.37
Savings Banks	1.13	2.37
Other Austria	1.13	2.37
CEE	**1.03**	**4.08**
Czech Republic	1.13	3.59
Slovakia	1.13	4.08
Romania	1.13	3.37
Hungary	1.13	3.21
Croatia	1.13	3.13
Serbia	1.03	3.47
Total	**1.03**	**4.08**

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

There are certain portfolios where SICR quantitative criteria are assessed based on the ratings rather than PDs. Predefined rating notches' downgrade leads to SICR recognition. These rules are applied primarily to leasing and factoring business receivables.

Erste Group has not significantly recalibrated relative thresholds since IFRS9 implementation. They are kept stable as one of the most significant estimates in ECL measurement. Validation finding or significant change of PD models would lead to thresholds' recalibration. There were re-estimations only for individual entities and portfolios.

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

Qualitative criteria. Qualitative SICR indicators include forbearance-type flags (identification of regulatory forbearance), work-out transfer flags (when the account starts being monitored by the work-out department), information from the early-warning system (if it is not sufficiently considered in the rating) and fraud indicators. The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and in a timely manner. The related group-wide and entity-level credit risk controlling policies and procedures (adapted as necessary in the light of transition to IFRS 9) ensure the necessary governance framework. These indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future.

Besides the qualitative indicators defined on a client level, the assessment of a significant increase in credit risk is performed on a portfolio level if the increase in credit risk on individual instruments or at a client level is available only with a certain time lag or is observable exclusively on a portfolio level.

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

Erste Group has introduced additional portfolio level SICR assessment criteria due to the Covid-19 pandemic (implemented in 2020) and the war in Ukraine (implemented in 2022) and related economic impacts. For more details refer to "Collective assessment" in the next chapter.

Considering the war in Ukraine, Erste Group started with a portfolio screening in local entities to identify customers affected by the secondary effects of the geopolitical risk (Erste Group has only very limited exposure towards the affected region). In combination with an early warning classification, 'Watch' and 'Intensified', these customers are transferred into Stage 2 and lifetime ECL are calculated. As of 30 June 2022, the corresponding groupwide exposure to these customers amounted to EUR 188 million, with EUR 12 million of allocated credit loss allowances (a significant part is overlapping with stage overlays defined in the Collective assessment chapter).

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

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

Measuring ECL – explanation of inputs and measurement

Credit loss allowances are calculated individually or collectively.

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

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

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

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

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

Life-time parameters

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

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

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

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

Incorporation of forward-looking information

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

Thus, the unbiased probability weighted ECL considering FLI is derived using the weights representing the probability of occurrence of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. The main indicator of the estimated economic development is the GDP. In addition, economic effects of the war in Ukraine led to increases of the inflation and/or the interest rates. Erste Group adjusted macro-shift models to reflect expected effects of those into credit risk parameters. In the table below we are disclosing expected development of inflation or interest rates in our region. Disclosures are based on the relevancy in the macro-shift model.

Erste Group reviewed the FLI in the second quarter of 2022 according to the disclosed forecasts for baseline, downside and upside scenarios. Erste Group decided to keep 40% probability of occurrence assigned to baseline forecast due to the unstable development of the geopolitical situation – war in Ukraine.

In December 2021, the specific situation of the Covid-19 pandemic was addressed in FLI via the lagging of the macroeconomic variables in credit risk parameters, i.e. variables of 2020 and 2021 were included as additional predictors for future values of credit risk parameters. Considering the improvement of the situation (it is expected that new variants, including omicron, are more contagious, but with lower hospitalisation rate), Erste Group decided to update FLI based on the forecasts for years 2022-2024, i.e., no lagging is applied; however macro-variables' historical development was adjusted for the Covid period (2020-2021) in order to reflect compensatory effect of the state support measures.

The bank is disclosing sensitivity of the staging and ECL on macro scenarios in the Collective assessment section below.

Baseline, upside and downside scenarios of GDP growth

	Scenario	Probability weights 2022-2024	GDP growth in % -	2022	2023	2024
Jun 22						
Austria	Upside	1%	-	5.2	4.3	3.3
	Baseline	40%	-	3.5	2.6	1.6
	Downside	59%	-	-1.0	-2.0	-0.7
Czech Republic	Upside	1%	-	4.1	4.9	6.3
	Baseline	40%	-	1.6	2.4	3.9
	Downside	59%	-	-2.6	-2.5	0.5
Slovakia	Upside	1%	-	4.1	6.1	5.1
	Baseline	40%	-	2.0	4.0	3.0
	Downside	59%	-	-2.0	-1.7	0.6
Romania	Upside	1%	-	5.6	8.5	8.1
	Baseline	40%	-	2.8	5.7	5.3
	Downside	59%	-	-1.2	-0.2	2.1
Hungary	Upside	1%	-	6.2	5.7	5.4
	Baseline	40%	-	4.3	3.8	3.5
	Downside	59%	-	-0.9	-1.7	0.7
Croatia	Upside	1%	-	5.8	6.7	6.7
	Baseline	40%	-	2.7	3.5	3.2
	Downside	59%	-	-1.6	-1.0	-0.5
Serbia	Upside	1%	-	4.5	5.4	6.0
	Baseline	40%	-	2.5	3.4	4.0
	Downside	59%	-	-0.6	-1.0	2.3

Dec 21		2021-2023	2020	2021	2022	2023
Austria	Upside	1%	-6.2	5.9	6.1	3.8
	Baseline	40%	-6.2	4.4	4.6	2.3
	Downside	59%	-6.2	-1.7	2.0	0.1
Czech Republic	Upside	11%	-5.8	4.1	5.7	6.4
	Baseline	40%	-5.8	2.4	4.0	4.7
	Downside	49%	-5.8	-2.3	0.5	1.8
Slovakia	Upside	17%	-4.8	4.9	6.1	5.6
	Baseline	40%	-4.8	3.0	4.2	3.7
	Downside	43%	-4.8	-2.5	-0.0	0.8
Romania	Upside	14%	-3.7	9.0	6.6	7.6
	Baseline	40%	-3.7	6.4	4.0	5.0
	Downside	46%	-3.7	-1.7	-0.5	2.0
Hungary	Upside	6%	-5.0	7.8	5.8	5.6
	Baseline	40%	-5.0	6.7	4.7	4.5
	Downside	54%	-5.0	0.1	1.3	2.3
Croatia	Upside	1%	-8.0	12.4	10.8	9.9
	Baseline	40%	-8.0	8.7	4.8	4.5
	Downside	59%	-8.0	-1.0	-1.2	1.0
Serbia	Upside	9%	-1.0	8.6	6.1	6.1
	Baseline	40%	-1.0	7.0	4.5	4.5
	Downside	51%	-1.0	0.4	1.1	2.5

Baseline, upside and downside scenarios of the inflation or interest rates development

	Scenario	Macro variable	Probability weights 2022-2024	Inflation / Interest rate in % 2022	2023	2024
Jun 22						
Austria	Upside	Inflation	1%	3.7	1.9	1.2
	Baseline	Inflation	40%	5.7	2.6	1.8
	Downside	Inflation	59%	6.4	3.3	2.5
Czech Republic	Upside	Inflation	1%	19.5	2.5	2.0
	Baseline	Inflation	40%	22.7	2.5	2.0
	Downside	Inflation	59%	25.7	0.0	0.0
Slovakia	Upside	Inflation	1%	6.9	3.4	1.3
	Baseline	Inflation	40%	8.1	4.6	2.5
	Downside	Inflation	59%	9.4	5.9	3.8
Romania	Upside	Inflation	1%	11.0	6.9	3.6
	Baseline	Inflation	40%	12.4	8.3	5.0
	Downside	Inflation	59%	13.9	9.8	6.5
Hungary	Upside	Interest Rate BUBOR_3M	1%	5.9	4.9	2.7
	Baseline	Interest Rate BUBOR_3M	40%	7.4	6.4	4.2
	Downside	Interest Rate BUBOR_3M	59%	8.8	7.8	5.7
Croatia	Upside	Inflation	1%	7.0	2.8	0.7
	Baseline	Inflation	40%	7.5	3.5	2.5
	Downside	Inflation	59%	8.0	4.2	4.3
Serbia	Upside	Interest Rate BELIBOR_3M	1%	0.0	0.3	0.8
	Baseline	Interest Rate BELIBOR_3M	40%	2.1	2.3	2.8
	Downside	Interest Rate BELIBOR_3M	59%	4.0	4.3	4.8

Erste Group recognizes additional challenges caused by the ESG (environmental, social and governance) risks. The bank is in the process of analyses how these risks can be incorporated into ECL measurement. In the Risk Materiality Assessment, climate and environment-related risks are overall assessed as medium and therefore classified as material, but they are expected to generate more impact on credit risk in the medium to long run. Therefore, in the short-term Erste Group did not include additional overlays for ESG risks into ECL calculation as of 30 June 2022.

Collective assessment

As of June 2022, in addition to standard SICR assessment, Erste Group applied stage overlays rules, i.e. transfer into Stage 2 based on pre-defined portfolio characteristics, due to the uncertainty caused by Covid-19 pandemic and the war in Ukraine. This approach was aligned with all affected entities and business lines and approved by the respective governance bodies of Erste Group.

Covid-19

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

Since March 2020, risk management and business divisions run a joint initiative aiming to reflect on changed economic environment, providing a harmonised guidance and focused industry approach within Erste Group. E.g. in the course of the Covid-19 crisis, industries and sub-industries were categorised into critical, high, medium or low risk according to the expected impacts from Covid-19 based on a combination of research material, feedback collected from client meetings and single name analyses, both centrally as well as in the entities.

The categorizations are regularly reviewed on a 12-month rolling forecast basis to take current developments into account. The last review was done in May 2022 and led to an improved categorization for travel and hotels. However, Erste Group still keeps its cautious view on the several, mostly affected industries (mainly City/Business hotels depending on international travelers). This categorization, together with information about state support measures applied, was the basis of stage overlays rules due to Covid-19. However, in the meantime, significant majority of the (governmental) support measures expired without resulting in a severe negative effect on the portfolio quality. Therefore, Erste Group ceased the application of the state support measures in the additional SICR consideration. The majority of the Covid overlays for the private-individuals' portfolio was released.

War in Ukraine

The Ukraine-Russia war, intensified challenges for both risk and business divisions: a rally in energy prices on the one hand and disruptions in supply chains on the other hand. The first ones had implications on various industries, mainly those with energy intensive production processes, but also impacting segments with high fuel cost shares. Issues with supply chains are managed by affected clients with diverse measures aiming to safeguard the business activity and liquidity (amongst others: active working capital management, targeted stocking-up, output adaptation, renegotiations with off takers etc.), in some cases also by ensuring backup/liquidity financing. Developments as mentioned above are reflected in the regular updates of the industry strategies.

In June 2022, Erste Group implemented rules for stage overlays due to the war in Ukraine (UA war overlays) as a combination of industries with correlation to economic downturn (cyclical industries) and one-year IFRS PD. These rules were defined on top of existing criteria mentioned in the section 'Significant increase in credit risk determination – Qualitative criteria' (Stage 2 identification based on the early warning signal and negative information about geopolitical risk in March 2022). The table below shows volumes for the cyclical industries category.

Credit risk exposure and credit loss allowances by industry and IFRS 9 treatment - cyclical industries

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
Jun 22								
Natural Resources & Commodities	10,771	1,520	309	11	12,611	796	13,407	326
of which cyclical	3,763	866	165	3	4,797	226	5,023	165
Energy	9,721	882	68	8	10,678	1,195	11,874	141
Construction and building materials	10,442	1,807	279	25	12,554	2,975	15,528	331
of which cyclical	8,816	1,486	214	21	10,538	2,129	12,667	262
Automotive	5,348	1,161	274	11	6,795	481	7,275	211
of which cyclical	5,262	1,031	258	11	6,562	239	6,801	188
Cyclical Consumer Products	6,017	1,484	262	19	7,782	589	8,371	214
Non-Cyclical Consumer Products	7,987	765	216	19	8,986	474	9,460	185
Machinery	3,832	847	132	11	4,822	966	5,788	157
of which cyclical	3,785	774	125	10	4,694	787	5,480	146
Transportation	5,035	1,068	116	7	6,226	525	6,751	132
of which cyclical	672	409	44	5	1,131	32	1,163	32
TMT and paper & packaging	5,773	693	87	1	6,554	324	6,878	85
of which cyclical	670	273	55	0	998	8	1,006	37
Healthcare & Services	8,426	1,569	149	3	10,146	322	10,468	154
of which cyclical	3,104	559	49	2	3,713	74	3,787	59
Hotels & Leisure	5,504	3,356	418	42	9,320	102	9,421	361
of which cyclical	5,504	3,356	418	42	9,320	102	9,421	361
Real Estate	33,954	6,431	432	114	40,932	292	41,223	478
of which cyclical	29,901	6,104	413	114	36,533	174	36,707	448
Public Sector	68,726	1,514	10	2	70,252	3,595	73,847	68
Financial Institutions	21,141	406	27	14	21,588	5,466	27,054	54
Private Households	86,311	8,847	1,458	96	96,711	740	97,451	1,527
Other	534	11	3	0	548	26	574	7
Total	**289,522**	**32,362**	**4,237**	**384**	**326,504**	**18,865**	**345,370**	**4,432**
of which cyclical (including Cyclical Consumer Products)	**67,493**	**16,343**	**2,003**	**228**	**86,067**	**4,359**	**90,426**	**1,911**

Effect on Expected Credit Loss

The analysis tables below present the effects of the portfolio overlays and FLI on both exposure migration to Stage 2 and the resulting increase of ECL. Additional sensitivities to the baseline, upside and downside scenarios are simulated. Effects on geographical segments are disclosed.

ECL allocated due to Covid-19 overlays decreased from EUR 184 million at year-end 2021 to EUR 29 million in June 2022 due to review of the heat-map (categorization to critical, high, medium, and low risk industries), the retraction of the information about moratoria from the overlays rules and partly due to overlapping with Ukraine war overlays. At the same time, the exposure in Stage 2 due to Covid-19 overlays decreased from EUR 10,726 million in December 2021 to EUR 1,344 million in June 2022.

Exposure in Stage 2 due to the application of the rules for Ukraine war overlays stood at EUR 4,955 million in June 2022, with additional ECL allocated in the amount of EUR 148 million.

As described above, FLI were re-assessed based on the latest macro-scenarios in the second quarter of 2022. Effects of the inflation and/or increased interest rates partially compensated for the Covid-19 crisis year lagging. Therefore, Stage 2 exposure due to FLI dropped to EUR 3,619 million as of June 2022 (EUR 5,203 million in December 2021). The decrease of the Stage 2 exposure affected the level of ECL allocated in Stage 2 due to FLI: EUR 440 million as of June 2022 versus EUR 550 million as of December 2021.

Scenario simulation presents sensitivity analyses taking into consideration only changes due to the different values of PDs, if baseline, upside or downside FLI scenarios had 100% weight. Sensitivities of these scenarios are calculated in comparison to current production - weighted scenarios FLI shifted - PDs (weights and scenarios are disclosed in the “Incorporation of forward-looking information” section above). Both staging and resulting ECL were simulated with the scenario PDs.

The incorporation of 100% baseline scenario instead of the currently applied probability weighted scenario, would lead to a decrease of Stage 2 exposure by EUR 2,177 million (2021: EUR 4,239 million), resulting in an ECL drop by EUR 226 million (2021: EUR 334 million).

The downside scenario would lead to additional EUR 2,841 million of exposure migration to Stage 2 in comparison with probability weighted FLI (2021: EUR 4,612 million), resulting in ECL increase of EUR 192 million (2021: EUR 315 million).

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

Forward looking information (FLI) and stage overlays

Impact on credit risk exposure by geographical segments

	Current status - parameters (FLI shifted)						Simulations - difference to FLI shifts effect		
				Stage 2 affected by					
in EUR million	Stage 1	Stage 2	Total	Stage overlays due to Covid-19	Stage overlays due to UA war	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
Jun 22									
Austria	**144,366**	**19,761**	**164,128**	**+678**	**+3,011**	**+2,275**	**-2,242**	**-1,386**	**+1,801**
EBOe & Subs.	44,419	5,623	50,042	+290	+477	+704	-661	-426	+391
Savings Banks	65,322	10,318	75,640	+232	+2,531	+925	-941	-590	+1,161
Other Austria	34,625	3,819	38,445	+156	+3	+645	-640	-369	+249
CEE	**135,114**	**12,462**	**147,575**	**+666**	**+1,944**	**+1,344**	**-1,570**	**-791**	**+1,040**
Czech Republic	72,534	5,146	77,680	+50	+930	+321	-361	-103	+211
Slovakia	22,266	2,085	24,351	+179	+155	+19	-348	-247	+339
Romania	15,960	2,536	18,495	+130	+327	+864	-760	-370	+316
Hungary	10,926	944	11,870	+194	+130	+119	-74	-53	+135
Croatia	10,945	1,577	12,522	+113	+390	+9	-8	-6	+4
Serbia	2,482	174	2,656	+0	+11	+12	-18	-12	+36
Other	**10,042**	**139**	**10,181**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Total	**289,522**	**32,362**	**321,883**	**+1,344**	**+4,955**	**+3,619**	**-3,812**	**-2,177**	**+2,841**
Dec 21									
Austria	**127,109**	**24,314**	**151,423**	**+8,179**	**+0**	**+3,291**	**-4,734**	**-3,486**	**+3,382**
EBOe & Subs.	40,962	7,070	48,032	+2,405	+0	+654	-1,076	-712	+826
Savings Banks	59,909	11,496	71,405	+4,197	+0	+1,333	-2,086	-1,467	+1,694
Other Austria	26,238	5,748	31,986	+1,577	+0	+1,304	-1,572	-1,306	+862
CEE	**120,208**	**12,699**	**132,908**	**+2,548**	**+0**	**+1,912**	**-1,226**	**-753**	**+1,230**
Czech Republic	63,519	5,610	69,129	+716	+0	+872	-416	-323	+354
Slovakia	19,402	2,130	21,532	+823	+0	+57	-277	-151	+414
Romania	14,675	2,337	17,012	+241	+0	+851	-442	-214	+364
Hungary	10,069	928	10,997	+245	+0	+76	-30	-16	+19
Croatia	10,156	1,535	11,691	+439	+0	+29	-41	-33	+63
Serbia	2,387	159	2,546	+82	+0	+26	-20	-16	+16
Other	**7,966**	**16**	**7,982**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Total	**255,284**	**37,029**	**292,313**	**+10,726**	**+0**	**+5,203**	**-5,960**	**-4,239**	**+4,612**

Impact on credit loss allowances by geographical segments

in EUR million	Current status - parameters (FLI shifted)						Simulations - difference to FLI shifts effect		
				out of which the effect of					
	Stage 1	Stage 2	Total	Stage overlays due to Covid-19	Stage overlays due to UA war	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
Jun 22									
Austria	**-185**	**-648**	**-833**	**-8.5**	**-73.2**	**-167.3**	**+158.1**	**+97.2**	**-87.7**
EBOe & Subs.	-44	-158	-202	-4.7	-12.7	-42.5	+39.8	+24.9	-20.4
Savings Banks	-106	-381	-487	-3.2	-60.5	-91.4	+87.2	+54.4	-51.6
Other Austria	-35	-110	-145	-0.6	-0.0	-33.4	+31.2	+17.8	-15.7
CEE	**-307**	**-845**	**-1,153**	**-20.7**	**-74.4**	**-272.5**	**+240.6**	**+129.3**	**-103.9**
Czech Republic	-101	-292	-393	-0.6	-30.9	-67.2	+55.2	+20.2	-18.3
Slovakia	-45	-129	-174	-5.2	-6.8	-5.6	+40.6	+29.1	-18.0
Romania	-81	-249	-330	-6.9	-14.0	-142.1	+110.2	+57.2	-46.2
Hungary	-23	-54	-77	-2.9	-4.4	-42.0	+25.1	+17.0	-16.8
Croatia	-44	-104	-148	-5.1	-18.0	-12.0	+4.9	+2.7	-2.0
Serbia	-13	-17	-30	+0.0	-0.3	-3.5	+4.6	+3.1	-2.5
Other	**-3**	**-3**	**-6**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**-495**	**-1,496**	**-1,991**	**-29.2**	**-147.7**	**-439.9**	**+398.8**	**+226.5**	**-191.6**
Dec 21									
Austria	**-221**	**-663**	**-883**	**-97.1**	**+0.0**	**-233.4**	**+361.2**	**+234.1**	**-189.0**
EBOe & Subs.	-48	-157	-204	-29.7	+0.0	-45.2	+76.3	+48.1	-39.0
Savings Banks	-135	-349	-484	-57.9	+0.0	-112.2	+177.6	+114.0	-95.6
Other Austria	-38	-157	-195	-9.6	+0.0	-75.9	+107.3	+71.9	-54.4
CEE	**-327**	**-823**	**-1,151**	**-86.4**	**+0.0**	**-316.7**	**+158.4**	**+99.4**	**-126.3**
Czech Republic	-118	-288	-406	-18.0	+0.0	-108.4	+22.3	+15.9	-19.3
Slovakia	-49	-119	-168	-16.2	+0.0	-20.3	+35.5	+21.5	-30.3
Romania	-69	-220	-289	-11.1	+0.0	-127.5	+55.7	+26.9	-47.7
Hungary	-24	-65	-88	-5.7	+0.0	-30.1	+9.3	+4.9	-4.6
Croatia	-55	-118	-173	-31.8	+0.0	-24.2	+31.3	+27.7	-21.7
Serbia	-13	-13	-26	-3.7	+0.0	-6.1	+4.3	+2.5	-2.7
Other	**-2**	**0**	**-2**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**-550**	**-1,486**	**-2,036**	**-183.5**	**+0.0**	**-550.1**	**+519.6**	**+333.5**	**-315.3**

Loans and advances to customers

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

Loans and advances to customers comprise:

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

Loans and advances to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 22					
Austria	**98,167**	**12,198**	**1,770**	**2,303**	**114,438**
EBOe & Subsidiaries	34,415	3,503	455	556	38,929
Savings Banks	46,280	7,599	1,077	1,307	56,262
Other Austria	17,473	1,096	238	439	19,247
Central and Eastern Europe	**62,535**	**11,629**	**4,287**	**1,941**	**80,391**
Czech Republic	30,212	4,335	1,237	682	36,466
Romania	8,814	1,638	356	393	11,201
Slovakia	13,848	1,526	1,674	311	17,359
Hungary	3,719	845	434	169	5,167
Croatia	4,443	2,925	480	353	8,202
Serbia	1,499	359	106	32	1,996
Other	**553**	**22**	**0**	**17**	**592**
Total	**161,256**	**23,848**	**6,057**	**4,261**	**195,422**
Dec 21					
Austria	**92,988**	**11,371**	**1,826**	**2,286**	**108,472**
Erste Bank Oesterreich & Subsidiaries	33,266	3,074	501	568	37,409
Savings Banks	44,147	7,290	1,070	1,309	53,816
Other Austria	15,575	1,008	255	409	17,246
Central and Eastern Europe	**59,613**	**10,456**	**3,487**	**2,065**	**75,621**
Czech Republic	28,806	3,854	1,078	722	34,459
Romania	8,340	1,172	292	400	10,204
Slovakia	13,647	1,353	941	295	16,236
Hungary	3,572	917	529	194	5,211
Croatia	3,830	2,816	553	415	7,614
Serbia	1,418	345	94	39	1,897
Other	**43**	**23**	**0**	**17**	**84**
Total	**152,645**	**21,851**	**5,313**	**4,368**	**184,178**

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 22					
Retail	59,572	5,675	2,288	1,404	68,939
Corporates	53,975	10,515	2,626	1,507	68,624
Group Markets	637	26	18	0	680
ALM & LCC	756	25	49	25	854
Savings Banks	46,280	7,599	1,077	1,307	56,262
GCC	36	9	0	17	63
Total	**161,256**	**23,848**	**6,057**	**4,261**	**195,422**
Dec 21					
Retail	57,845	5,036	2,285	1,489	66,655
Corporates	49,866	9,466	1,859	1,549	62,740
Group Markets	698	8	3	0	709
ALM & LCC	60	41	96	4	201
Savings Banks	44,147	7,290	1,070	1,309	53,816
GCC	28	10	0	17	55
Total	**152,645**	**21,851**	**5,313**	**4,368**	**184,178**

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

Total gross customer loans, total non-performing loans, and total collateral include both AC and FVPL portfolios.

The NPL ratio of loans and advances to customers is calculated by dividing the gross carrying amount of non-performing loans and advances to customers by the total gross carrying amount of loans and advances to customers. Consequently, it differs from the NPE ratio in section 'Credit risk exposure'. Collaterals for non-performing loans mainly consist of real estates.

The NPL coverage ratio is calculated by dividing total loss allowances by the gross carrying amount of the non-performing loans and advances to customers. Collateral is not considered.

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

	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio (exc collateral)	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Jun 22												
Austria	**2,303**	**2,274**	**114,438**	**114,367**	**-1,570**	**1,217**	**1,216**	**2.0%**	**2.0%**	**69.1%**	**52.8%**	**53.5%**
EBOe & Subs	556	556	38,929	38,914	-350	344	344	1.4%	1.4%	62.9%	61.8%	61.8%
Savings Banks	1,307	1,306	56,262	56,254	-934	723	722	2.3%	2.3%	71.5%	55.3%	55.3%
Other Austria	439	411	19,247	19,199	-287	151	151	2.3%	2.1%	69.8%	34.3%	36.7%
CEE	**1,941**	**1,937**	**80,391**	**79,674**	**-2,293**	**747**	**743**	**2.4%**	**2.4%**	**118.4%**	**38.5%**	**38.4%**
Czech Republic	682	682	36,466	36,466	-782	202	202	1.9%	1.9%	114.7%	29.6%	29.6%
Romania	393	393	11,201	11,201	-588	129	129	3.5%	3.5%	149.5%	32.8%	32.8%
Slovakia	311	311	17,359	17,359	-355	154	154	1.8%	1.8%	114.4%	49.6%	49.6%
Hungary	169	165	5,167	4,451	-162	85	82	3.3%	3.7%	98.5%	50.7%	49.6%
Croatia	353	353	8,202	8,202	-356	169	169	4.3%	4.3%	100.9%	47.8%	47.8%
Serbia	32	32	1,996	1,996	-49	7	7	1.6%	1.6%	151.0%	22.1%	22.1%
Other	**17**	**14**	**592**	**590**	**-15**	**9**	**6**	**2.9%**	**2.4%**	**101.9%**	**50.9%**	**41.2%**
Total	**4,261**	**4,225**	**195,422**	**194,632**	**-3,879**	**1,972**	**1,965**	**2.2%**	**2.2%**	**91.8%**	**46.3%**	**46.5%**
Dec 21												
Austria	**2,286**	**2,256**	**108,472**	**108,400**	**-1,568**	**1,233**	**1,232**	**2.1%**	**2.1%**	**69.5%**	**53.9%**	**54.6%**
EBOe & Subs	568	568	37,409	37,400	-353	344	344	1.5%	1.5%	62.0%	60.5%	60.5%
Savings Banks	1,309	1,309	53,816	53,809	-918	726	726	2.4%	2.4%	70.2%	55.5%	55.5%
Other Austria	409	379	17,246	17,191	-297	163	162	2.4%	2.2%	78.2%	39.8%	42.7%
CEE	**2,065**	**2,059**	**75,621**	**74,888**	**-2,352**	**802**	**796**	**2.7%**	**2.7%**	**114.2%**	**38.8%**	**38.7%**
Czech Republic	722	722	34,459	34,459	-804	213	213	2.1%	2.1%	111.3%	29.5%	29.5%
Romania	400	400	10,204	10,204	-553	137	137	3.9%	3.9%	138.2%	34.4%	34.4%
Slovakia	295	295	16,236	16,236	-342	152	152	1.8%	1.8%	115.9%	51.4%	51.4%
Hungary	194	188	5,211	4,477	-179	107	102	3.7%	4.2%	95.4%	55.4%	54.1%
Croatia	415	415	7,614	7,614	-426	184	184	5.5%	5.5%	102.5%	44.2%	44.2%
Serbia	39	39	1,897	1,897	-49	9	9	2.1%	2.1%	124.4%	23.4%	23.4%
Other	**17**	**14**	**84**	**81**	**-17**	**8**	**6**	**20.4%**	**17.6%**	**116.1%**	**48.4%**	**38.6%**
Total	**4,368**	**4,330**	**184,178**	**183,369**	**-3,936**	**2,043**	**2,034**	**2.4%**	**2.4%**	**90.9%**	**46.8%**	**47.0%**

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

	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio (exc collateral)	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Jun 22												
Retail	1,404	1,400	68,939	68,222	-1,499	576	572	2.0%	2.1%	107.1%	41.0%	40.9%
Corporates	1,507	1,479	68,624	68,561	-1,412	659	659	2.2%	2.2%	95.5%	43.7%	44.6%
Group Markets	0	0	680	680	-1	0	0	0.0%	0.0%	6783.6%	0.0%	0.0%
ALM & LCC	25	25	854	854	-17	6	6	2.9%	2.9%	69.6%	23.4%	23.4%
Savings Banks	1,307	1,306	56,262	56,254	-934	723	722	2.3%	2.3%	71.5%	55.3%	55.3%
GCC	17	14	63	60	-15	9	6	27.5%	23.8%	101.8%	50.9%	41.2%
Total	**4,261**	**4,225**	**195,422**	**194,632**	**-3,879**	**1,972**	**1,965**	**2.2%**	**2.2%**	**91.8%**	**46.3%**	**46.5%**
Dec 21												
Retail	1,489	1,483	66,655	65,921	-1,505	612	606	2.2%	2.2%	101.5%	41.1%	40.9%
Corporates	1,549	1,520	62,740	62,675	-1,488	697	696	2.5%	2.4%	97.9%	45.0%	45.8%
Group Markets	0	0	709	709	-2	0	0	0.0%	0.0%	3477.8%	0.0%	0.0%
ALM & LCC	4	4	201	201	-6	0	0	2.2%	2.2%	129.1%	0.1%	0.1%
Savings Banks	1,309	1,309	53,816	53,809	-918	726	726	2.4%	2.4%	70.2%	55.5%	55.5%
GCC	17	14	55	53	-17	8	6	30.8%	26.9%	116.1%	48.4%	38.6%
Total	**4,368**	**4,330**	**184,178**	**183,369**	**-3,936**	**2,043**	**2,034**	**2.4%**	**2.4%**	**90.9%**	**46.8%**	**47.0%**

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

	Loans to customers				Allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Jun 22											
Austria	**95,064**	**17,005**	**2,233**	**65**	**-126**	**-507**	**-938**	**0**	**3.0%**	**42.0%**	**0.4%**
EBOe & Subs	33,577	4,778	547	12	-32	-123	-195	0	2.6%	35.7%	0.0%
Savings Banks	46,066	8,860	1,274	53	-79	-309	-545	0	3.5%	42.8%	0.5%
Other AT	15,421	3,367	411	0	-15	-75	-197	0	2.2%	48.0%	0.0%
CEE	**67,517**	**10,077**	**1,806**	**275**	**-246**	**-753**	**-1,200**	**-94**	**7.5%**	**66.4%**	**34.3%**
Czech Republic	31,764	4,013	636	53	-84	-263	-414	-21	6.6%	65.2%	39.1%
Romania	8,688	2,088	374	51	-63	-218	-294	-12	10.4%	78.8%	24.3%
Slovakia	15,249	1,722	300	87	-39	-118	-169	-29	6.9%	56.3%	32.8%
Hungary	3,412	847	140	52	-16	-49	-83	-14	5.8%	59.3%	26.5%
Croatia	6,611	1,236	325	29	-32	-88	-218	-18	7.1%	67.0%	61.8%
Serbia	1,794	170	30	2	-11	-17	-21	0	10.1%	67.6%	23.7%
Other	**559**	**14**	**17**	**0**	**-1**	**0**	**-13**	**0**	**0.3%**	**78.4%**	**0.0%**
Total	**163,140**	**27,096**	**4,056**	**340**	**-373**	**-1,260**	**-2,151**	**-95**	**4.7%**	**53.0%**	**27.8%**
Dec 21											
Austria	**85,834**	**20,286**	**2,227**	**54**	**-152**	**-488**	**-927**	**-1**	**2.4%**	**41.6%**	**1.5%**
EBOe & Subs	30,887	5,942	565	6	-33	-118	-201	0	2.0%	35.6%	0.0%
Savings Banks	42,784	9,696	1,282	47	-99	-273	-546	-1	2.8%	42.6%	1.7%
Other AT	12,163	4,648	379	0	-21	-96	-180	0	2.1%	47.3%	0.0%
CEE	**62,150**	**10,541**	**1,923**	**274**	**-259**	**-750**	**-1,256**	**-87**	**7.1%**	**65.3%**	**31.8%**
Czech Republic	29,306	4,428	674	52	-98	-264	-422	-20	6.0%	62.6%	38.2%
Romania	7,865	1,907	377	55	-54	-198	-288	-13	10.4%	76.4%	24.4%
Slovakia	13,924	1,951	290	72	-43	-111	-166	-22	5.7%	57.3%	30.6%
Hungary	3,413	844	155	66	-16	-61	-85	-17	7.2%	54.9%	25.9%
Croatia	5,940	1,257	389	28	-37	-104	-270	-15	8.3%	69.4%	52.6%
Serbia	1,702	155	37	2	-11	-13	-24	0	8.4%	64.7%	21.4%
Other	**49**	**15**	**17**	**0**	**-1**	**0**	**-16**	**0**	**0.3%**	**91.9%**	**0.0%**
Total	**148,033**	**30,842**	**4,167**	**327**	**-412**	**-1,238**	**-2,198**	**-88**	**4.0%**	**52.8%**	**26.9%**

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

The defaulted part of POCI loans amounted to EUR 171 million (EUR 165 million), the non-defaulted part to EUR 170 million (EUR 162 million).

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

in EUR million	Loans to customers Stage 1	Stage 2	Stage 3	POCI	Allowances Stage 1	Stage 2	Stage 3	POCI	Coverage ratio Stage 2	Stage 3	POCI
Jun 22											
Retail	59,208	7,560	1,360	94	-151	-526	-797	-25	7.0%	58.6%	27.0%
Corporates	56,371	10,619	1,380	192	-140	-424	-780	-69	4.0%	56.5%	35.8%
Group Markets	638	42	0	0	-1	-1	0	0	1.3%	65.1%	69.9%
ALM & LCC	815	14	25	0	-1	-1	-15	0	6.5%	60.9%	1.2%
Savings Banks	46,066	8,860	1,274	53	-79	-309	-545	0	3.5%	42.8%	0.5%
GCC	42	1	17	0	-1	0	-13	0	4.0%	78.4%	0.0%
Total	**163,140**	**27,096**	**4,056**	**340**	**-373**	**-1,260**	**-2,151**	**-95**	**4.7%**	**53.0%**	**27.8%**
Dec 21											
Retail	56,634	7,746	1,440	101	-160	-488	-830	-28	6.3%	57.6%	27.6%
Corporates	47,819	13,255	1,423	178	-151	-475	-802	-59	3.6%	56.4%	33.2%
Group Markets	580	129	0	0	-1	-1	0	0	0.9%	18.5%	0.0%
ALM & LCC	183	14	4	0	-1	-1	-4	0	5.5%	99.5%	0.0%
Savings Banks	42,784	9,696	1,282	47	-99	-273	-546	-1	2.8%	42.6%	1.7%
GCC	34	2	17	0	-1	0	-16	0	2.3%	91.9%	0.0%
Total	**148,033**	**30,842**	**4,167**	**327**	**-412**	**-1,238**	**-2,198**	**-88**	**4.0%**	**52.8%**	**26.9%**

Loans and advances to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Jun 22						
Austria	**106,891**	**0**	**2,177**	**3,043**	**2,327**	**114,438**
Erste Bank Oesterreich & Subsidiaries	37,888	0	946	55	40	38,929
Savings Banks	53,799	0	1,189	95	1,179	56,262
Other Austria	15,203	0	43	2,893	1,107	19,247
Central and Eastern Europe	**33,935**	**46,127**	**18**	**242**	**70**	**80,391**
Czech Republic	5,458	30,880	0	84	43	36,466
Romania	3,164	7,908	0	129	0	11,201
Slovakia	17,324	0	0	9	26	17,359
Hungary	1,412	3,751	1	3	0	5,167
Croatia	5,118	3,054	16	14	0	8,202
Serbia	1,459	534	0	3	0	1,996
Other	**518**	**51**	**4**	**18**	**0**	**592**
Total	**141,344**	**46,178**	**2,199**	**3,303**	**2,397**	**195,422**
Dec 21						
Austria	**101,287**	**0**	**2,300**	**2,913**	**1,972**	**108,472**
Erste Bank Oesterreich & Subsidiaries	36,283	0	999	69	58	37,409
Savings Banks	51,407	0	1,257	38	1,114	53,816
Other Austria	13,597	0	43	2,806	800	17,246
Central and Eastern Europe	**30,885**	**44,491**	**18**	**153**	**75**	**75,621**
Czech Republic	4,377	29,978	0	58	47	34,459
Romania	3,011	7,123	0	71	0	10,204
Slovakia	16,204	0	0	4	27	16,236
Hungary	1,245	3,960	1	5	0	5,211
Croatia	4,665	2,922	16	11	0	7,614
Serbia	1,384	509	0	3	0	1,897
Other	**33**	**42**	**4**	**5**	**0**	**84**
Total	**132,205**	**44,533**	**2,322**	**3,071**	**2,048**	**184,178**

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 21	Jun 22
Interest	3.8	2.3
Currency	1.1	2.2
Shares	2.2	1.7
Commodity	0.2	0.3
Volatility	1.0	1.0
Total	**5.2**	**4.2**

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

Taking into account the favourable liquidity position and the usage of the TLTRO III programme (Targeted Longer-Term Refinancing Operation) of the European Central Bank, Erste Group Bank AG has budgeted long term issuance for 2022 in the amount of EUR 4.0 billion. In the first six months of the year, Erste Group issued about EUR 3.2 billion (net of EUR 25 million buybacks), including a senior preferred and a Tier 2 EUR benchmark transaction. The liquidity situation remained stable also in the CEE entities and did not show any significant negative impacts due to the Covid-19 situation or to the war in Ukraine. On group level, Erste Group's total TLTRO participation amounted to EUR 21.2 billion.

Leverage ratio

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

As of 30 June 2022, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.3%, comfortably above the 3.0% minimum requirement defined in Article 92 Capital Requirements Regulation (CRR). Tier 1 capital amounted to EUR 21.8 billion at the reference date, while total leverage exposure stood at EUR 345.8 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 and on the Regulation (EU) 2019/876 (CRR2) of the European Parliament and of the Council of 20 May 2019.

30. Related party transactions

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung) controls a total of 22.92% interest in Erste Group Bank AG. Privatstiftung is the largest single investor in Erste Group Bank AG. At the end of the reporting period, Erste Group had, in relation to Privatstiftung, accounts payable of EUR 5.6 million (EUR 29.2 million) and no accounts receivable. At the end of the reporting period, Privatstiftung held bonds issued by Erste Group Bank AG of EUR 0.2 million (EUR 0.2 million). In the reporting period interest expenses amounted to EUR 0.0 million (EUR 0.1 million), resulting from the above mentioned accounts payable.

31. Contingent liabilities – legal proceedings

There have not been any material changes since year-end 2021 in the assessment of the influence of the outcome of the litigation cases in which Erste Group Bank AG and some of its subsidiaries are involved with respect of the financial and/or earnings situation of Erste Group.

32. Fair value of financial instruments

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 listed derivatives as well as liquid OTC bonds.

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 subsequently.

For all financial instruments the fair value is measured on recurring basis.

Financial instruments carried at fair value

Description of valuation models and parameters

Erste Group uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently. In case financial instruments have been converted to the new alternative reference rates the new interest rates are considered for the calculation of fair values.

Loans. Not SPPI (solely payments of principal and interest) compliant loans are to be valued at fair value. The methodology to compute fair value of these loans corresponds to the basic present value technique . The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer's probability of default and loss given default. These adjusted cash flows are then discounted by a yield curve which consists of a risk free rate and a funding spread for senior unsecured issues. For a limited number of profit-participating loans, the expected cash flows are discounted using a risk-adjusted discount rate. This risk-adjusted rate is determined applying the Capital Assets Pricing Model (CAPM) on the basis of comparable listed entities.

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

Equity instruments. Non-trading equity instruments which have quoted market prices in an active market are valued by using the quoted market price. For other investments in non-trading equity instruments the fair value is determined by standard valuation models using also unobservable input parameters. These models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple method.

The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognized in an investee's statement of financial position as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting fair values of the recognized and unrecognized assets and liabilities should therefore represent the fair value of the investee's equity.

The dividend discount model assumes that the price of equity instruments issued by an entity equals the present value of all its expected future dividends in perpetuity. Similar to the dividend discount model, the simplified income approach estimates the fair value based on the future income. However, it can be used also when only one year planned income is available. The simplified income approach and the dividend discount model discount future income and dividends using the cost of equity. The cost of equity is dependent on the risk-free rate, the market risk premium, the 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 comparable company multiple methods. These are valuation techniques that use prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee's equity or enterprise value can be inferred.

Liabilities. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined based on quoted prices in active markets, if 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. Significant input factors for the spread adjustment of Erste Group's own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investments banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. In case of issued securities with structured features, optionality is taken into account as well when calculating the fair value.

OTC-derivative financial instruments. Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps and commodity swaps) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes and Hull-White type as well as hazard rate models. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo simulation. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. For determining the fair value of derivatives collateralised in EURO a discounting interest rate reflecting the interest rate of the corresponding cash collateral is used. As a result of the IBOR reform it has been decided that the so far used EONIA (Euro Over Night Index Average) will be replaced by €STR (Euro Short-Term Rate. In Erste Group the fair value for all derivates where the respective collaterals €STER is used as interest rate, €STER is used as discount rate.

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

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

According to the described methodology the accumulated CVA-adjustments amounted to EUR 16.4 million (2021: EUR 14.5 million) and the total DVA-adjustment amounted to EUR 27.5 million (2021: EUR 4.4 million).

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.

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. The evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

Level 1 measurements include exchange traded derivatives (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.

Level 2 measurements include OTC derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO), own issues and deposits.

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor on the basis of valuation models that rely entirely on observable market data. In these cases individual valuation parameters which are not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as Level 3 of the fair value hierarchy. 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.

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

- 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, participationsand 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.
- Fund units issued by investment funds fully consolidated by Erste Group as well as own issues, if price updates are not provided on a regular basis
- Collateralized mortgage obligation (CMO)

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

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

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

in EUR million	Dec 21 Level 1	Dec 21 Level 2	Dec 21 Level 3	Dec 21 Total	Jun 22 Level 1	Jun 22 Level 2	Jun 22 Level 3	Jun 22 Total
Assets								
Financial assets HfT	1,984	4,443	46	6,473	2,433	3,624	53	6,110
Derivatives	5	2,231	27	2,263	16	1,879	39	1,934
Other financial assets held for trading	1,979	2,212	18	4,210	2,417	1,745	14	4,177
Non-trading financial assets - FVPL	1,670	281	1,173	3,124	1,469	286	1,161	2,916
Equity instruments	40	9	283	332	64	5	279	349
Debt securities	1,630	272	72	1,975	1,404	281	92	1,778
Loans and advances	0	0	818	818	0	0	790	790
Financial assets FVOCI	7,604	807	470	8,881	7,505	1,140	459	9,104
Hedge accounting derivatives	0	79	0	79	0	59	0	59
Total assets	**11,258**	**5,610**	**1,689**	**18,557**	**11,406**	**5,110**	**1,673**	**18,190**
Liabilities								
Financial liabilities HfT	774	1,690	9	2,474	951	2,039	16	3,005
Derivatives	5	1,609	9	1,624	12	1,961	15	1,989
Other financial liabilities held for trading	769	81	0	850	938	78	0	1,017
Financial liabilities - FVPL	325	9,894	245	10,464	323	9,314	195	9,832
Deposits from customers	0	495	0	495	0	1,159	0	1,159
Debt securities issued	325	9,399	54	9,778	323	8,155	0	8,478
Other financial liabilities	0	0	191	191	0	0	195	195
Hedge accounting derivatives	0	307	2	309	0	356	2	358
Total liabilities	**1,100**	**11,891**	**256**	**13,247**	**1,273**	**11,709**	**213**	**13,196**

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

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. Further details regarding input parameters used and the results of the sensitivity analysis are disclosed in the sub-chapter Unobservable inputs and sensitivity analysis for Level 3 measurements below.

Changes in volumes of Level 1 and Level 2

Relassification between Level 1 and Level 2 based on balance sheet positions and instruments

in EUR million	Dec 21 Level 1 to Level 2	Dec 21 Level 2 to Level 1	Jun 22 Level 1 to Level 2	Jun 22 Level 2 to Level 1
Financial assets HfT	**131**	**15**	**9**	**13**
Bonds	131	15	9	12
Funds	0	0	0	0
Shares	0	0	0	1
Non-trading financial assets at FVPL	**22**	**2**	**10**	**11**
Bonds	21	2	10	8
Funds	1	0	0	2
Shares	0	0	0	1
Financial assets at FVOCI	**105**	**91**	**274**	**37**
Bonds	105	91	274	37
Total	**258**	**108**	**293**	**61**

Transfers into and out of Level 1 and Level 2 are caused by changes in market activities and consequently due to the quality and observability of valuation parameters.

Movements in Level 3

Development of fair value of financial instruments in Level 3

in EUR million		Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales	Settle-ments	Additions to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency translation	
	Jan 22											**Jun 22**
Assets												
Financial assets HfT	46	-18	0	3	0	0	0	0	41	-18	0	53
Derivatives	27	-15	0	2	0	0	0	0	41	-17	0	39
Other financial assets held for trading	18	-3	0	1	0	0	0	0	0	-2	0	14
Non-trading financial assets at FVPL	1,173	-39	0	117	-23	-38	0	0	25	0	-54	1,161
Equity instruments	283	-5	0	13	-13	0	0	0	0	2	0	279
Debt securities	72	-1	0	4	-1	-1	0	0	20	-1	0	92
Loans and advances	818	-33	0	101	-10	-37	0	0	5	0	-53	790
Financial assets FVOCI	470	1	-30	13	-1	-9	0	0	57	-42	0	459
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**1,689**	**-56**	**-30**	**133**	**-25**	**-47**	**0**	**0**	**124**	**-60**	**-54**	**1,673**
Liabilities												
Financial liabilities HfT	9	5	0	2	0	0	0	0	0	0	0	16
Derivatives	9	5	0	1	0	0	0	0	0	0	0	15
Financial liabilities at FVPL	245	-20	0	54	-29	-1	0	0	0	-54	0	195
Debt securities issued	54	0	0	0	0	0	0	0	0	-54	0	0
Other financial liabilities	191	-20	0	54	-29	-1	0	0	0	0	0	195
Hedge accounting derivatives	2	-1	0	0	0	0	0	0	0	0	0	2
Total liabilities	**256**	**-16**	**0**	**56**	**-29**	**-1**	**0**	**0**	**0**	**-54**	**0**	**213**
	Jan 21											**Jun 21**
Assets												
Financial assets HfT	85	25	0	44	-1	0	0	0	0	-24	0	129
Derivatives	75	25	0	0	0	0	0	0	0	-24	0	77
Other financial assets held for trading	10	0	0	44	-1	0	0	0	0	0	0	52
Non-trading financial assets at FVPL	1,046	-13	0	160	-15	-14	0	0	3	-8	25	1,184
Equity instruments	282	-15	0	7	-14	0	0	0	1	-6	1	256
Debt securities	77	3	0	2	-2	-1	0	0	2	-1	1	81
Loans and advances	687	0	0	151	0	-13	0	0	0	-1	23	846
Financial assets at FVOCI	376	0	-6	39	-20	-10	0	0	73	0	4	456
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**1,508**	**12**	**-6**	**243**	**-37**	**-24**	**0**	**0**	**77**	**-32**	**29**	**1,769**
Liabilities												
Financial liabilities HfT	2	1	0	0	0	0	0	0	0	0	0	3
Derivatives	2	1	0	0	0	0	0	0	0	0	0	3
Financial liabilities at FVPL	336	1	0	22	-26	-1	0	0	11	-149	0	194
Debt securities issued	155	0	0	0	0	0	0	0	11	-149	0	18
Other financial liabilities	180	0	0	22	-26	-1	0	0	0	0	0	176
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	1
Total liabilities	**338**	**2**	**0**	**22**	**-26**	**-1**	**0**	**0**	**11**	**-149**	**0**	**198**

Transfers into and out of Level 3 mainly result from changes in valuation models with observable or non-observable parameters.

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

in EUR million	1-6 21	1-6 22
Assets		
Financial assets HfT	25.0	-17.9
Derivatives	25.4	-14.8
Other financial assets held for trading	-0.4	-3.0
Non-trading financial assets at FVPL	-13.0	-40.7
Equity instruments	-15.5	-8.0
Debt securities	3.0	0.7
Loans and advances	-0.4	-33.4
Financial assets at FVOCI	-1.4	0.0
Debt securities	-1.4	0.0
Hedge accounting derivatives	0.0	0.0
Total	**10.6**	**-58.5**
Liabilities		
Financial liabilities HfT	-0.5	-4.8
Derivatives	-0.5	-4.8
Other financial liabilities held for trading	0.0	0.0
Financial liabilities at FVPL	-0.6	19.6
Deposits	0.0	0.0
Debt securities issued	-0.2	0.0
Other financial liabilities	-0.4	19.6
Hedge accounting derivatives	-0.5	0.6
Total	**-1.6**	**15.4**

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Jun 22					
Positive fair value of derivatives	Forwards, swaps, options	47.3	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.67%-57.22% (2.81%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	9.9	Discounted cash flow	Credit Spread	0.81%-2.93% (0.70%)
	Loans	789.9	Discounted cash flow	PD	0.05%-6.06% (2.65%)
				LGD	0%-27.97% (3.50%)
Financial assets at FVOCI	Fixed and variable coupon bonds	283.5	Discounted cash flow	Credit Spread	0.17%-6.50% (1.51%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	226.8	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.07-1.10, Recreation 1.07-1.08, Real Estate (General/Diversified) 0.86-0.87, Real Estate (Development) 0.81, Financial Svcs. (Non-bank & Insurance) 0.91-1.05, Transportation 0.93-0.94, Health Resort & Gesundheitszentrum GmbH 0.76
				Country risk premium	Austria 0.34%, Croatia 2.13%, Czech Republic 0.51%, Romania 1.87%, Slovakia 0.72% Hungary 1.62%, North Macedonia 3.06% Resulting cost of equity based on above inputs: 7.23% -13.23%
		151.1	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		33.0	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
Dec 21					
Positive fair value of derivatives	Forwards, swaps, options	59.6	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.17%-100% (5.34%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	16.6	Discounted cash flow	Credit Spread	0.45%-2.93% (0.51%)
	Loans	817.8	Discounted cash flow	PD	0.09%-7.27% (3.10%)
				LGD	0%-46.22% (13.62%)
Financial assets at FVOCI	Fixed and variable coupon bonds	443.7	Discounted cash flow	Credit Spread	0.01%-6.52% (0.90%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	249.3	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.04-1.10, Recreation 0.96, Real Estate (General/Diversified) 0.78 Real Estate (Operations & Services) 0.63 Financial Svcs. (Non-bank & Insurance) 0.91-1.06, Banks (Regional) 0.57, Health Resort & Gesundheitszentrum GmbH 0.66
				Country risk premium	Croatia 2.21%, Austria 0.33%-0.35% Czech Republic 0.53%, Romania 1.95%, Russia 1.82%, Slovakia 0.75%, Hungary 1.95%, North Macedonia 2.97% Resulting cost of equity based on above inputs: 5.48%-13.03%
		147.9	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		33.0	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.

In addition to the information above, equity instruments with a fair value in amount of EUR 26.4 million (2021: EUR 23.3 million) are assessed on the basis of expert opinions.

Furthermore, for equity instruments other than participations classified as Level 3, the amount of EUR 40.8 million (2021: EUR 39.5 million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Sensitivity analysis – Fair value changes per product type using reasonably possible alternatives

	Dec 21		Jun 22	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	3.1	-5.3	3.4	-5.5
Income statement	3.1	-5.3	3.4	-5.5
Debt securities	21.6	-28.8	14.7	-19.6
Income statement	3.3	-4.4	2.1	-2.8
Other comprehensive income	18.3	-24.4	12.6	-16.8
Equity instruments	106.6	-70.4	91.3	-61.9
Income statement	58.0	-43.8	49.4	-38.4
Other comprehensive income	48.6	-26.6	41.9	-23.5
Loans	17.9	-45.7	17.5	-44.0
Income statement	17.9	-45.7	17.5	-44.0
Total	**149.2**	**-150.2**	**126.9**	**-131.0**
Income statement	**82.3**	**-99.2**	**72.4**	**-90.7**
Other comprehensive income	**66.9**	**-51.0**	**54.5**	**-40.3**

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

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

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

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

in EUR million	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Jun 22					
Assets					
Cash and cash balances	42,818	42,818	0	0	0
Financial assets at AC	251,855	242,927	29,182	5,604	208,141
Loans and advances to banks	28,704	29,005	0	0	29,005
Loans and advances to customers	183,932	178,858	0	0	178,858
Debt securities	39,219	35,064	29,182	5,604	278
Finance lease receivables	4,274	4,251	0	0	4,251
Assets held for sale	0	0	0	0	0
Trade and other receivables	2,547	2,535	0	0	2,535
Liabilities					
Financial liabilities at AC	284,730	282,181	12,156	9,144	260,881
Deposits from banks	36,665	36,541	0	0	36,541
Deposits from customers	224,356	222,802	0	0	222,802
Debt securities issued	22,748	21,883	12,156	9,144	584
Other financial liabilities	960	955	0	0	955
Financial guarantees and commitments					
Financial guarantees	n/a	38	0	0	38
Irrevocable commitments	n/a	623	0	0	623
Dec 21					
Assets					
Cash and cash balances	45,495	45,495	0	0	0
Financial assets at AC	229,641	231,575	30,887	3,922	196,766
Loans and advances to banks	20,991	21,193	0	0	21,193
Loans and advances to customers	173,099	175,356	0	0	175,356
Debt securities	35,551	35,026	30,887	3,922	217
Finance lease receivables	4,209	4,214	0	0	4,214
Assets held for sale	0	0	0	0	0
Trade and other receivables	2,152	2,158	0	0	2,158
Liabilities					
Financial liabilities at AC	265,415	265,141	10,447	11,262	243,432
Deposits from banks	31,886	31,807	0	0	31,807
Deposits from customers	210,029	209,704	0	0	209,704
Debt securities issued	22,352	22,481	10,447	11,262	772
Other financial liabilities	1,149	1,149	0	0	1,149
Financial guarantees and commitments					
Financial guarantees	n/a	4			4
Irrevocable commitments	n/a	998			998

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

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PDs and LGDs used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted. The fair values of debt securities at amortised cost are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

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

The fair value of issued securities and subordinated liabilities measured at amortized cost is determined based on quoted prices in active markets, if 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. Significant input factors for the spread adjustment of Erste Group's own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investments banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. Moreover optionality is taken into account when calculating the fair value.

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

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

	1-6 21	1-6 22
Austria	**15,883**	**15,656**
Erste Group, EB Oesterreich and subsidiaries	8,849	8,566
Haftungsverbund savings banks	7,034	7,090
Outside Austria	**29,510**	**29,117**
Česká spořitelna Group	9,786	9,770
Banca Comercială Română Group	5,556	5,280
Slovenská sporiteľňa Group	3,745	3,637
Erste Bank Hungary Group	3,224	3,252
Erste Bank Croatia Group	3,290	3,256
Erste Bank Serbia Group	1,205	1,207
Savings banks subsidiaries	1,488	1,464
Other subsidiaries and foreign branch offices	1,216	1,251
Total	**45,393**	**44,773**

34. Own funds and capital requirements

Regulatory Requirements

Since 1 January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to the Capital Requirements Regulation (CRR, Regulation (EU) No. 575/2013) and the Capital Requirements Directive (CRD IV, Directive (EU) 2013/36/EU) [1]. Both the CRD IV and CRD V[2] were transposed into national law in the Austrian Banking Act (ABA).

All requirements as defined in the CRR, the ABA and in technical standards issued by the European Banking Authority (EBA) are applied by Erste Group for regulatory purposes and for the disclosure of regulatory information.

Accounting Principles

The financial and regulatory figures published by Erste Group are based on IFRS.

Regulatory scope of consolidation and institutional protection scheme

The consolidated regulatory own funds and the consolidated regulatory capital requirements are calculated based on the scope of consolidation stipulated in the CRR. Based on Art. 4 para 1 (3), (16) to (27) CRR in line with Art. 18 and 19 CRR and para 30 ABA, the scope consists of credit institutions, financial institutions and ancillary service undertakings. Moreover, Art. 18 (7) CRR applies: Where an institution has a subsidiary which is an undertaking other than an institution, a financial institution or an ancillary services undertaking or holds a participation in such an undertaking, it shall apply to that subsidiary or participation the equity method. That method shall not, however, constitute inclusion of the undertakings concerned in supervision on a consolidated basis. The definition pursuant to CRR differs from the scope of consolidation according to IFRS, which also includes insurance companies and other entities, that are subject to full consolidation.

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 Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG as well as Bausparkasse der österreichischen Sparkassen AG and all Austrian savings banks form this cross-guarantee system. Based on the cross-guarantee contract these entities are included as subsidiaries in Erste Group´s regulatory scope of consolidation. Furthermore, Erste Group Bank AG together with the Haftungsverbund entities form an institutional protection scheme (IPS) according to Art. 113 para 7 CRR. Disclosure requirements for the institutional protection scheme according to Art. 113 para 7 e CRR are met by the publication of the consolidated financial statements, which cover all entities included in the institutional protection scheme.

Consolidated 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 amount.

The regulatory minimum capital ratios including the capital buffers as of 30 June 2022 amount to

- 9.18% for CET1(4.5% CET1, +2.5% capital conservation buffer, +1.0% systemic risk buffer, +1.0% O-SII buffer and +0.18% countercyclical capital buffer),
- 10.68% for tier 1 capital (sum of CET1 and AT1) and
- 12.68% for total own funds.

Capital buffer requirements are set out in sections 22 (capital conservation buffer), 23a (countercyclical buffer), 23d (Other Systemic Important Institution (O-SII) buffer) and 23e (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 23e para 3 ABA. All capital buffers have to be met entirely with CET1 capital and relate, except the countercyclical buffer, to total risk.

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

As a result of the 2021 SREP process performed by the European Central Bank (ECB), Erste Group applies a Pillar 2 requirement (P2R) of 1.75% as of 30 June 2022, considering the requirement under article 70b (7) ABA which allocates the P2R to CET1, AT1 and T2 in line

[1] Both CRD IV and CRR have been amended since the entry into force in 2014 inter alia with directive (EU) 2019/878 (CRD V) as well as regulations (EU) 2019/876 (CRR 2) and (EU) 2020/873 (CRR Quick Fix).
[2] CRDV has been transposed by an amendment of the BWG (BGBl I 2021/98; BWG-Novelle) which entered into force on 31 May 2021.

with the Pillar1 requirements. Therefore, the minimum CET1 ratio of 5.48% encompasses the Pillar 1 minimum requirement of 4.5% and the Pillar 2 requirement of 0.98% (56.25% of 1.75%) as of 30 June 2022.

The regulatory minimum capital ratios including the capital buffers and SREP requirements as of 30 June 2022 amount to

_ a CET1 requirement of 10.16%,
(Pillar 1 requirement of 4.5%, combined capital buffers of 4.68% and 56.25% of 1.75% Pillar 2 requirement)
_ a T1 requirement of 11.99%
(CET1 requirement plus Pillar 1 AT1 requirement of 1.5% and 18.75% of 1.75% Pillar 2 requirement) and
_ a total own funds requirement of 14.43%
(Tier 1 requirement plus Pillar 1 T2 requirement of 2.0% and 25% of 1.75% Pillar 2 requirement).

Following the SREP 2021, Erste Group is expected to meet a Pillar 2 Guidance (P2G) of 1.0% valid as of 1 January 2022 onwards. The ECB press release of 12 March 2020[3] and 1 July, 2021[4] also indicated that the Pillar 2 Guidance temporarily need not be fully complied with by credit institutions during the current Covid-19 crisis. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

Overview of capital requirements and capital buffers

	Dec 21	Jun 22
Pillar 1		
Minimum CET1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirements	8.00%	8.00%
Combined buffer requirement (CBR)	**4.68%**	**4.68%**
Capital conservation buffer	2.50%	2.50%
Institution-specific countercyclical capital buffer	0.18%	0.18%
Systemic risk buffer (SRB)	1.00%	1.00%
O-SII capital buffer	1.00%	1.00%
Minimum CET 1 requirement (incl. CBR)	9.18%	9.18%
Minimum Tier 1 requirement (incl. CBR)	10.68%	10.68%
Minimum Own Funds requirement (incl. CBR)	12.68%	12.68%
Pillar2		
Minimum CET1 requirement	0.98%	0.98%
Minimum T1 requirement	1.31%	1.31%
Minimum Own Funds requirement	1.75%	1.75%
Pillar 2 requirement (P2R)	1.75%	1.75%
Total CET1 requirement for Pillar 1 and Pillar 2	**10.16%**	**10.16%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**11.99%**	**11.99%**
Total Own Funds requirement for Pillar 1 and Pillar 2	**14.43%**	**14.43%**

The combined buffer requirement consist of the capital conservation buffer, the countercyclical capital buffer, the systemic risk buffer and the O-SII capital buffer.

As announced by the European Central Bank (ECB) in its press releases on 12 March 2020 and 1 July 2021, Erste Group is not obliged to fully comply with the capital conservation buffer of 2.5% during the current Covid-19 crisis. In the 'Frequently Asked Questions - FAQs'[5] published on 20 March 2020, however, the ECB states that the incomplete fulfillment of the combined buffer requirement leads to restrictions on distributions and banks are only allowed to make distributions within the limits of the maximum distributable amount (MDA).

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

3 https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200312~43351ac3ac.en.html
4 https://www.bankingsupervision.europa.eu/press/speeches/date/2021/html/ssm.sp210701~3f0230c51f.en.html
5 ECB Banking Supervision: FAQs on ECB supervisory measures in reaction to the coronavirus (europa.eu)

Capital structure

in EUR million	Dec 21 Phased-in	Dec 21 Final	Jun 22 Phased-in	Jun 22 Final
Common equity tier 1 capital (CET1)				
Capital instruments eligible as CET1	2,337	2,337	2,337	2,337
Retained earnings	14,156	14,156	14,214	14,214
Interim profit	0	0	731	731
Accumulated other comprehensive income	-1,706	-1,706	-1,863	-1,863
Minority interest recognised in CET1	5,219	5,219	5,393	5,393
Common equity tier 1 capital (CET1) before regulatory adjustments	**20,006**	**20,006**	**20,812**	**20,812**
Own CET1 instruments	-263	-263	-88	-88
Prudential filter: cash flow hedge reserve	206	206	270	270
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	207	207	-3	-3
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-4	-4	-27	-27
Value adjustments due to the requirements for prudent valuation	-86	-86	-104	-104
Securitisations with a risk weight of 1,250%	-33	-33	-34	-34
Goodwill	-550	-550	-550	-550
Other intangible assets	-392	-392	-390	-390
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	-178	-178	-169	-169
CET1 capital elements or deductions – other	-109	-109	-112	-112
Common equity tier 1 capital (CET1)	**18,804**	**18,804**	**19,604**	**19,604**
Additional tier 1 capital (AT1)				
Capital instruments eligible as AT1	2,236	2,236	2,236	2,236
Instruments issued by subsidiaries that are given recognition in AT1	7	7	7	7
Additional tier 1 capital (AT1) before regulatory adjustments	**2,243**	**2,243**	**2,243**	**2,243**
Own AT1 instruments	-1	-1	-1	-1
Additional tier 1 capital (AT1)	**2,241**	**2,241**	**2,242**	**2,242**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**21,045**	**21,045**	**21,846**	**21,846**
Tier 2 capital (T2)				
Capital instruments and subordinated loans eligible as T2	3,065	3,065	3,071	3,071
Instruments issued by subsidiaries recognised in T2	173	173	192	192
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	50	0	18	0
IRB excess of provisions over expected losses eligible	522	522	553	553
Tier 2 capital (T2) before regulatory adjustments	**3,811**	**3,760**	**3,834**	**3,816**
Own T2 instruments	-47	-47	-52	-52
Tier 2 capital (T2)	**3,763**	**3,713**	**3,782**	**3,764**
Total own funds	**24,808**	**24,758**	**25,628**	**25,610**
Capital requirement	**10,196**	**10,372**	**10,852**	**11,053**
CET1 capital ratio	**14.8%**	**14.5%**	**14.5%**	**14.2%**
Tier 1 capital ratio	**16.5%**	**16.2%**	**16.1%**	**15.8%**
Total capital ratio	**19.5%**	**19.1%**	**18.9%**	**18.5%**

The position CET1 elements or deduction – Others include the development of unaudited risk provisions during the year (EU No 183/2014) and the insufficient coverage for non-performing exposures (NPE Backstop) covering the requirements from both Art. 36 para 1 (m) CRR in connection with Art. 47(c) CRR and the Addendum to the ECB Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposures.

The capital structure table above is based on the Commission Implementing Regulation (EU) 2021/637 with regard to disclosure of own funds requirements. Positions, which are not relevant for Erste Group are not disclosed. Figures shown under full implementation of Basel 3 considered the current CRR.

Following the finalisation of the horizontal analysis of the ECB, a new decision complementing the initial TRIM (Targeted Review of Internal Models) Market risk decision from October 2018 was issued in February 2021. This follow-up decision required the implementation of multiplicator factors, which led to an immaterial increase of the RWAs for market risk. With the confirmation from ECB that the underlying deficiencies have been successfully addressed by Erste Group, the add-on of approx. EUR 0.2 billion has been released in the first quarter of 2022. Based on the application submitted in September 2021 an approval was granted by the ECB on 7 December 2021 regarding the exclusion of Structural Foreign Exchange (FX) positions from the calculation of the net open currency positions (Art. 352 (2) CRR). The implementation was done in the first quarter of 2022 leading to a net effect of EUR 3 billion. End of June/ beginning of July 2022, the ECB has informed EGB of its intention to approve the applications for material model changes related to the Specialised Lending (Ceska Sporitelna, a.s.) and Corporate portfolios (group-wide), submitted in the years 2019 and 2020 respectively. Currently only the draft decisions are available, which define certain RWA add-ons; the final regulatory decisions are expected in the third quarter of 2022.

Risk structure

in EUR million	Dec 21 Total risk (phased-in)	Dec 21 Capital requirement (phased-in)	Jun 22 Total risk (phased-in)	Jun 22 Capital requirement (phased-in)
Total risk exposure amount	127,448	10,196	135,654	10,852
Risk-weighted assets (credit risk)	105,869	8,470	112,387	8,991
Standardised approach	18,869	1,510	20,248	1,620
IRB approach	86,994	6,959	92,135	7,371
Contribution to the default fund of a CCP	7	0	4	0
Settlement risk	0	0	88	7
Trading book, foreign FX risk and commodity risk	3,671	294	5,509	441
Operational risk	14,786	1,183	14,516	1,161
Exposure for CVA	390	31	394	31
Other exposure amounts (including Basel 1 floor)	2,730	218	2,759	221

in EUR million	Dec 21 Total risk (final)	Dec 21 Capital requirement (final)	Jun 22 Total risk (final)	Jun 22 Capital requirement (final)
Total risk exposure amount	129,647	10,372	138,158	11,053
Risk-weighted assets (credit risk)	108,068	8,645	114,891	9,191
Standardised approach	19,809	1,585	21,215	1,697
IRB approach	88,252	7,060	93,672	7,494
Contribution to the default fund of a CCP	7	0	4	0
Settlement risk	0	0	88	7
Trading book, foreign FX risk and commodity risk	3,671	294	5,509	441
Operational risk	14,786	1,183	14,516	1,161
Exposure for CVA	390	31	394	31
Other exposure amounts (including Basel 1 floor)	2,730	218	2,759	221

35. Events after the reporting date

There are no significant events after the balance sheet date.

Abbreviations

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

Statement of all Legal Representatives

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

Management board	
Willibald Cernko mp, Chairman	Alexandra Habeler-Drabek mp, Member
Ingo Bleier mp, Member	David O'Mahony mp, Member
Stefan Dörfler mp, Member	Maurizio Poletto mp, Member

Vienna, 1 August 2022

Note regarding forward-looking statements

Financial Calendar

4 November 2022	Results for the first three quarters of 2022

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

www.erstegroup.com/investorrelations

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Ticker Symbols

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