Erste Group

Annual Financial Report 2020

ERSTE Group

Table of contents

Annual Report 2020	**1**
Letter from the CEO	2
Report of the supervisory board	4
Report of the audit committee	6
(Consolidated) non-financial report	53
(Consolidated) corporate governance report	85
Audited financial reporting	
Auditors' report (report of the independent auditors)	100
Management report	108
Consolidated financial statements	118
Glossary, Abbreviations	292
Statement of all members of the management board	297
Financial Statements 2020	**299**

Imprint

Erste Group Bank AG
Am Belvedere 1, 1100 Vienna, Austria
E-Mail: investor.relations@erstegroup.com
Internet: https://www.erstegroup.com/en/investoren

Responsible for the content:
Investor Relations & Accounting Teams, Erste Group

Erste Group

Annual Report 2020

ERSTE Group

Extensive presence in Central and Eastern Europe

Key financial and operating data

Income statement (in EUR million)	2016	2017	2018	2019	2020
Net interest income	4,374.5	4,353.2	4,582.0	4,746.8	4,774.8
Net fee and commission income	1,783.0	1,851.6	1,908.4	2,000.1	1,976.8
Net trading result and gains/losses from financial instruments at FVPL	272.3	210.5	193.7	293.8	199.5
Operating income	6,691.2	6,669.0	6,915.6	7,255.9	7,155.1
Operating expenses	-4,028.2	-4,158.2	-4,181.1	-4,283.3	-4,220.5
Operating result	2,663.0	2,510.8	2,734.6	2,972.7	2,934.6
Impairment result from financial instruments	-195.7	-132.0	59.3	-39.2	-1,294.8
Other operating result	-665.0	-457.4	-304.5	-628.2	-278.3
Pre-tax result from continuing operations	1,950.4	2,077.8	2,495.0	2,329.7	1,368.0
Net result attributable to owners of the parent	**1,264.7**	**1,316.2**	**1,793.4**	**1,470.1**	**783.1**
Net interest margin (on average interest-bearing assets)	2.51%	2.40%	2.30%	2.18%	2.08%
Cost/income ratio	60.2%	62.4%	60.5%	59.0%	59.0%
Provisioning ratio (on average gross customer loans)	0.15%	0.09%	-0.03%	0.02%	0.78%
Tax rate	21.2%	19.7%	13.3%	18.0%	25.0%
Return on tangible equity	12.3%	11.5%	15.2%	11.2%	5.1%
Earnings per share (in EUR)	2.93	2.94	4.02	3.23	1.57

Balance sheet (in EUR million)	Dec 16	Dec 17	Dec 18	Dec 19	Dec 20
Cash and cash balances	18,353	21,796	17,549	10,693	35,839
Trading, financial assets	48,320	42,752	43,930	44,295	46,849
Loans and advances to banks	3,469	9,126	19,103	23,055	21,466
Loans and advances to customers	130,654	139,532	149,321	160,270	166,050
Intangible assets	1,390	1,524	1,507	1,368	1,359
Miscellaneous assets	6,775	5,929	5,382	6,012	5,830
Total assets	**208,227**	**220,659**	**236,792**	**245,693**	**277,394**
Financial liabilities held for trading	4,762	3,423	2,508	2,421	2,625
Deposits from banks	14,631	16,349	17,658	13,141	24,771
Deposits from customers	138,013	150,969	162,638	173,846	191,070
Debt securities issued	27,192	25,095	29,738	30,371	30,676
Miscellaneous liabilities	7,027	6,535	5,381	5,437	5,840
Total equity	16,602	18,288	18,869	20,477	22,410
Total liabilities and equity	**208,227**	**220,659**	**236,792**	**245,693**	**277,394**
Loan/deposit ratio	94.7%	92.4%	91.8%	92.2%	86.9%
NPL ratio	4.9%	4.0%	3.2%	2.5%	2.7%
NPL coverage ratio (based on AC loans, ex collateral)	69.1%	68.8%	73.4%	77.1%	88.6%
Texas ratio	34.6%	29.2%	24.5%	19.9%	20.3%
Total own funds (CRR final, in EUR million)	18,893	20,337	20,891	21,961	23,643
CET1 capital ratio (CRR final)	12.8%	12.9%	13.5%	13.7%	14.2%
Total capital ratio (CRR final)	18.2%	18.2%	18.1%	18.5%	19.7%

About the share	2016	2017	2018	2019	2020
Shares outstanding at the end of the period	429,800,000	429,800,000	429,800,000	429,800,000	429,800,000
Weighted average number of outstanding shares	426,668,132	426,679,572	426,696,221	426,565,097	426,324,725
Market capitalisation (in EUR billion)	12.0	15.5	12.5	14.4	10.7
High (in EUR)	29.59	37.99	42.38	37.07	35.6
Low (in EUR)	18.87	27.46	28.10	28.23	15.34
Closing price (in EUR)	27.82	36.105	29.05	33.56	24.94
Price/earnings ratio	9.5	11.8	7.0	9.8	13.7
Dividend per share (in EUR)	1.00	1.20	1.40	0.00	0.50
Payout ratio	34.0%	39.2%	33.6%	0.0%	27.4%
Dividend yield	3.6%	3.3%	4.8%	0.0%	2.0%
Book value per share	27.8	30.0	31.1	32.9	34.0
Price/book ratio	1.0	1.2	0.9	1.0	0.7

Additional information	Dec 16	Dec 17	Dec 18	Dec 19	Dec 20
Employees (full-time equivalents)	47,034	47,702	47,397	47,284	45,690
Branches	2,648	2,565	2,507	2,373	2,193
Customers (in million)	15.9	16.1	16.2	16.6	16.1

CRR: Capital Requirements Regulation
Shares outstanding include Erste Group shares held by savings banks that are members of the Haftungsverbund (cross-guarantee system).
Dividend 2020: The management board proposes to the annual general meeting in May – in line with ECB recommendation – a dividend for 2020 of EUR 0.5 per share. An additional EUR 1 per share has been reserved for a potential later payment.

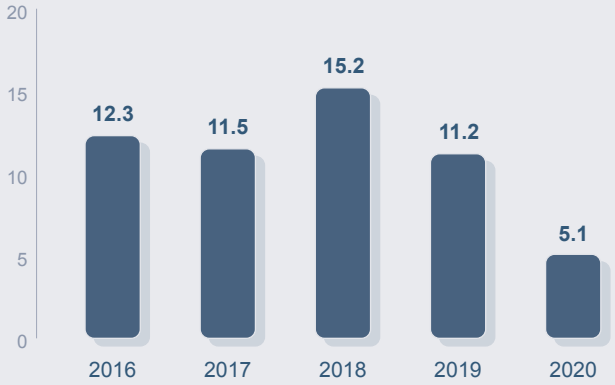
Financial data

Earnings per share

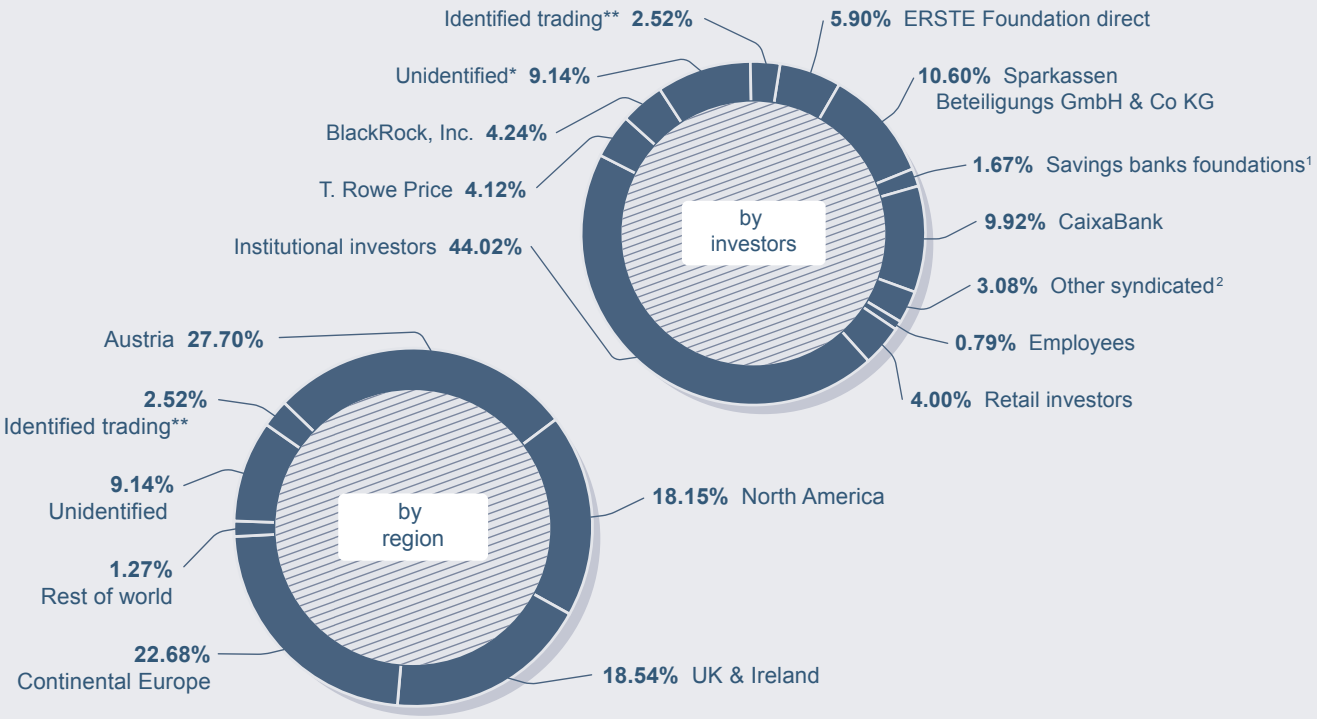
in €

Return on tangible equity, ROTE

in %



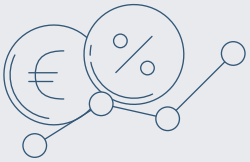
Shareholder structure as of 31 December 2020



[1] Syndicated savings banks foundations, own holdings of savings banks, Erste Employees Foundation
[2] Other parties to the shareholder agreement of ERSTE Foundation, savings banks and CaixaBank
* Unidentified institutional and retail investors
** Incl. market makers, prime brokerage, proprietary trading, collateral and stock lending; position reported through custodian banklists

Cost/income ratio

in %



Net interest margin

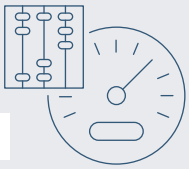
in %

Financial calendar

30 April	Results for the first quarter 2021
9 May	Record date Annual General Meeting
19 May	Annual General Meeting
25 May	Ex-dividend day
26 May	Record date dividend
27 May	Dividend payment
30 July	Half-year financial report 2021
2 November	Results for the first three quarters 2021

Ratings

as of 31 December 2020



Fitch	
Long-term	A
Short-term	F1
Outlook	Negative

Moody´s	
Long-term	A2
Short-term	P-1
Outlook	Stable

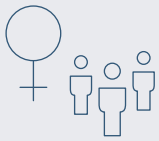
Standard & Poor´s	
Long-term	A
Short-term	A-1
Outlook	Stable

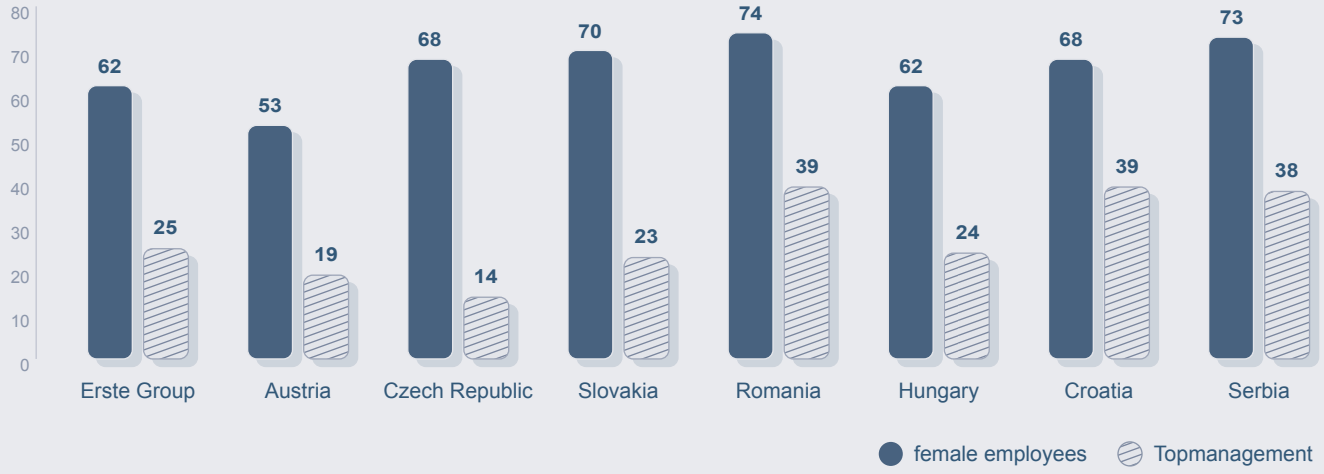
The financial calendar is subject to change.
The latest updated version is available on Erste Group's website (www.erstegroup.com/investorrelations).

Non-financial data

Share of women in 2020

in %





Social Banking until 2020

26,000

clients received education and mentoring

36,000

clients supported

380 mln €

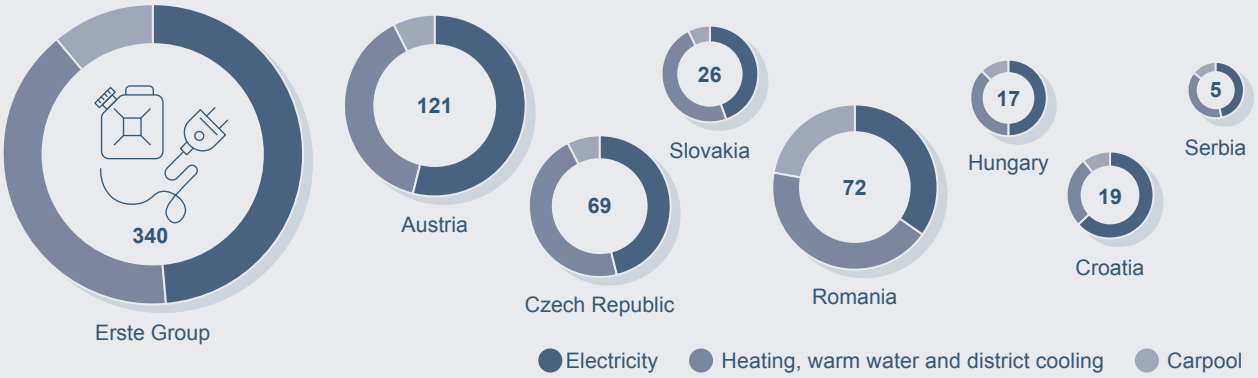
disbursed loans
(at almost 20,000 disbursed loans)

Greenhouse gas emissions in 2020

in tonnes CO_{2e}

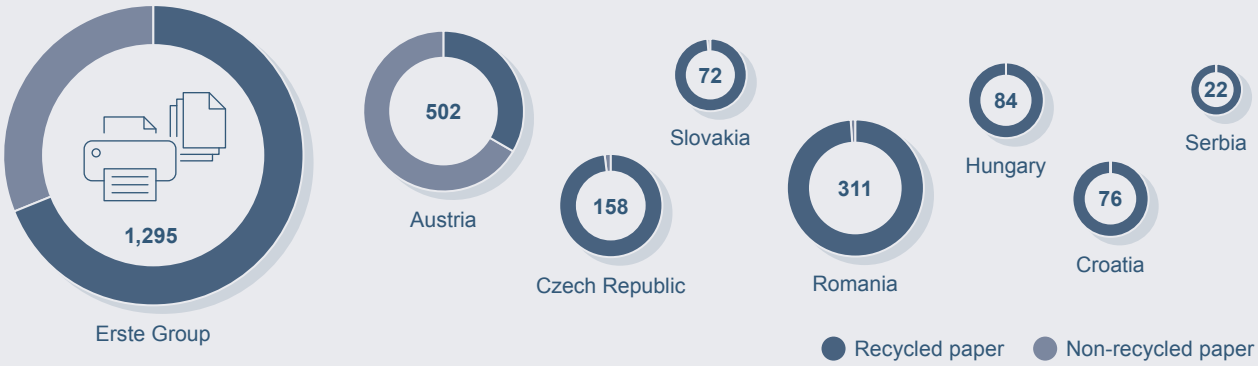
Energy consumption in 2020

in GWh



Copy paper consumption in 2020

in tonnes



Total data (Erste Group) include data of direct and indirect holdings of Erste Group outside its core markets.
CO_{2e}: CO_2-equivalents are the sum of all greenhouse gas emissions, e.g. carbon dioxide, methane and nitrogen oxide
Scope 1: Direct greenhouse gas emissions from burnt natural resources (e.g. heating oil, petrol)
Scope 2: Indirect greenhouse gas emissions from energy production (e.g. electric energy, district heating)

Your Notes

Highlights

Solid result in 2020

- Net result of EUR 783.1 million despite significant risk provisioning due to Covid-19 pandemic and related measures
- Local banks in all core markets remain profitable

Operating result impacted by lockdowns

- Operating revenues down by 1.4%
- Net interest income grows by 0.6% despite further rate cuts in CEE
- Efficiency efforts support improvement in expenses by 1.5%
- Operating result declined by 1.3%
- Cost/income ratio stable at 59.0%

Loan growth continues

- Net loans increase by 3.6%, organic growth supported by state guarantees and moratoria across the region
- NPL ratio only moderately up to 2.7%
- NPL provision coverage at 88.6%
- risk provisioning on updated risk parameters with forward looking information results in 78 basis points (on average gross customer loans)

Favourable capitalisation

- CET1 ratio (CRR final) increases to 14.2%, exceeding regulatory requirements and internal target
- Two successful AT1 issuances

Excellent funding and liquidity position

- Strong retail deposit base in all core countries is key trust indicator and competitive advantage
- Loan-to-deposit ratio at 86.9%
- Successful issuance of various asset classes by Holding and subsidiaries, e.g. first Non-Preferred Senior (NPS) issuance in Slovakia

Editorial deadline: 26 February 2021, unless stated otherwise

Table of contents

	TO OUR SHAREHOLDERS
2	**Letter from the CEO**
4	**Report of the supervisory board**
6	**Report of the audit committee**
7	**Erste Group on the capital markets**
	ERSTE GROUP
10	**Strategy**
17	**Financial and operating performance**
25	**Segments**
25	**Geographical segmentation – operating segments**
26	Austria
27	Erste Bank Oesterreich & Subsidiaries
29	Savings Banks
30	Other Austria
31	Central and Eastern Europe
31	Czech Republic
34	Slovakia
37	Romania
40	Hungary
42	Croatia
45	Serbia
48	Other
49	**Business segments**
49	Retail
50	Corporates
51	Group Markets
51	Asset/Liability Management & Local Corporate Center
51	Savings Banks
52	Group Corporate Center
53	**(Consolidated) non-financial report**
55	Materiality analysis
58	Commitment to society
61	Our customers
67	Suppliers and supply chain
68	Compliance and anti-corruption
70	Employees
75	Environment
80	GRI content index
83	Independent assurance report
85	**(Consolidated) corporate governance report**
	AUDITED FINANCIAL REPORTING
100	Auditor's report
108	**Management report**
118	**Consolidated financial statements**
292	Glossary
297	Statement of all members of the management board
298	**ADDRESSES**

Letter from the CEO

Dear shareholders,

in 2020, a year in which the Covid-19 pandemic was the central theme worldwide and hence also in our core markets, Erste Group posted a net profit of EUR 783.1 million. The fact that our local subsidiaries remained profitable is validation of Erste Group's strategy and a testament to the fundamental strength of the CEE region. Given the challenging environment, the operating result came in better than expected at EUR 2.9 billion. Although asset quality had hardly deteriorated by the end of the year – at 2.7%, the NPL ratio was barely above the lowest level seen in more than two decades – we had already set aside significant risk provisions of EUR 1.3 billion to brace for potential credit losses going forward. Against the backdrop of a sharp economic downturn, we again registered growth in customer loans and deposits across all core markets in 2020. Another point in our favour is Erste Group's solid capitalisation, with a common equity tier 1 ratio of 14.2% at the end of December. In line with current ECB recommendations, the management board will therefore propose to pay a dividend of EUR 0.5 per share at the annual general meeting. In addition, we have set aside EUR 1 per share for a potential additional dividend to be paid once restrictions have been lifted.

Unexpected change in fundamentals

As the coronavirus was spreading world-wide in 2020, the economic environment changed significantly both globally and regionally. The governments of the CEE region had been quick in implementing sweeping measures to contain the outbreak, but the abrupt temporary lockdown of public life resulted in a significant decline in economic activity. To mitigate the at times dramatic adverse consequences, all governments launched and – later in the year – extended and/or modified substantial relief programmes. Central banks provided support by easing their monetary policies. Regulators and supervisory authorities implemented measures allowing banks more flexibility in terms of capital and liquidity. After a recovery in the third quarter, autumn saw a second wave of the virus. Additional political measures were taken and are still in place to differing degrees. These sometimes vary substantially from region to region, but have one thing in common: to minimise the economic and social consequences as far as possible. Maintaining the maximum of possible economic activity is deemed essential. The restrictions are designed to slow down mobility and social life while keeping up industrial production, a key driver of the economies of our core markets. The tourist industry and the service sector have been hit particularly hard by the lockdowns, though. Overall, the measures taken to contain the Covid-19 pandemic in our core markets led to a significant decline in economic output of between 1.1% in Serbia and 8.8% in Croatia. Unemployment rates also rose in CEE but remained relatively low compared with many western European countries. Employment benefited from government support programmes, including in particular the widely used short-time working schemes. On the back of lower revenues and higher expenses fiscal deficits widened across the region. CEE currencies were weak throughout the year, inflation remained relatively moderate. Many central banks of the region lowered their policy rates in the course of the year, most prominently the Czech National Bank, which cut its rates in three steps from 2.25% to 0.25%.

Growth despite headwinds

In this environment, which proved challenging for all of us, we continued to serve our customers without interruptions, supporting them with help and advice, seeking to find individual solutions whenever necessary. This most certainly contributed to net loan growth of 3.6% to EUR 166.1 billion in a year that witnessed such an extraordinary economic slump. Key momentum came from "genuine" demand for loans from retail and corporate clients, while government measures such as loan moratoria and guaranteed loans boosted volume less strongly than initially anticipated. Our clients' trust in Erste Group was also reflected on the deposit side, with customer deposits rising again, by 9.9%, to EUR 191.1 billion. This resulted in a loan-to-deposit ratio of 86.9%.

Other growth aspects were less unexpected: use of Erste Group's digital channels has intensified, and the number of users of our digital platform George as well as digital transactions have been rising steadily. In an interest rate environment that was unfavourable for savers, interest in investment products increased. Our prosperity advice offering has proved very popular. Clients are happy to use our advisory services not only online but, despite the restrictions due to the pandemic, also face-to-face at the branches.

Operating result better than expected

How did this change in the environment impact the performance of Erste Group in detail? In 2020, net interest income – traditionally the most important income component of Erste Group – improved moderately to EUR 4,774.8 million despite significantly lower interest rates in the Czech Republic. Loan growth as well as access to more favourable ECB funding (TLTRO) were positive drivers. The slowdown of the economy due to Covid-19 reduced net fee and commission income to EUR 1,976.8 million, however, even though substantial growth was recorded in the securities business and in asset management. Cost discipline supported the reduction of operating expenses to EUR 4,220.5 million, even though no cuts were made in rolling out and developing George, our popular digital platform. Considering the business environment, the operating result of EUR 2,934.6 million was better than expected, but slightly lower than in the previous year. Regulatory costs (banking and transaction levies, contributions to resolution funds and deposit insurance systems) rose by 11.5% to EUR 343.4 million.

Focus on risk costs

Unsurprisingly, the most important bottom-line driver was the development of risk costs. Although the NPL ratio remained low at 2.7%, we pursued a forward-looking approach and factored in the expected deterioration in asset quality as far as possible at this stage. Accordingly, provisions of EUR 1.3 billion were set aside in 2020. With a provisioning rate of 78 basis points of average gross customer loans, risk costs remained within the forecast range.

Solid capitalisation and dividend proposal

I would particularly like to highlight the strong capitalisation of Erste Group: at the end of December 2020, the common equity tier 1 ratio (final) was again at an excellent level of 14.2%, and thus substantially above our target of 13.5% and far above the regulatory minimum requirement. In addition to sustainable profitability, a strong capital base is important as it is the precondition for the bank's ability to fund growth and pay dividends. In 2020, recommendations issued by the European Central Bank (ECB) prevented the distribution of a dividend.

In line with the ECB's current recommendation, the management board and the supervisory board will propose the distribution of a cash dividend of EUR 0.5 per share for the fiscal year 2020 to the annual general meeting, which will be held on 19 May 2021. In addition, EUR 1 per share has been set aside for potential payout at a later date.

Erste Group's response to Covid-19

We have basically continued what have been doing for 200 years, since the foundation of Erste Bank: steadily maintaining our business operations while adapting them to the current environment. We have been looking after our retail and corporate clients, civil society and the economy in the region in which we operate. We have, of course, taken extensive measures to protect the health of customers and employees. In this context, I wish to specially highlight our Health Centre in Austria, which, for example, has added a dedicated Covid-19 helpline to its already wide range of physical and mental health services for employees. In all of our seven core markets – Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia – we leveraged the organisations and strong market positions of our local banks to implement government support programmes ranging from moratoria to state-guaranteed loans. At the same time, we expanded our portfolio of products and services and, where desired or required, developed customised solutions to meet our clients' financial needs. Usage of our digital channels soared during the lockdown periods even though we kept branch operations going everywhere, as far as possible. Within a very short time span, we transferred employees from headquarter offices to working from home. True to the purpose of Erste Group – creating and spreading prosperity – our efforts were not confined exclusively to our banking business, as the coronavirus and the measures taken to contain it not only triggered a quite abrupt plunge in economic activity but also had psychosocial and societal impacts. Through financial and in-kind donations, we supported a large number of initiatives in the healthcare sector itself as well as indirectly by cooperating with social and cultural institutions that are important to us.

Responsibility and stability

Hesitating was not an option for us as we, as Erste Bank, are committed to our core region for the long term. Our purpose – to create and secure prosperity in our region – requires us to deal responsibly not only with our customers, employees and investors, but also with the environment and civil society. To provide you with easy access to information about Erste Group's numerous sustainability-related initiatives, we have again incorporated the non-financial report into the Annual Report. Going forward, we are planning to brief you in even more detail on the ecological, social and governance topics that are of relevance to us.

As vaccines become more readily available and economies open up again, opportunities for growth are presenting themselves. With our local banks well positioned, the economic recovery will also offer opportunities for increased action on behalf of the environment and decisive advances in digitalisation. The EU is set to invest major portions of its EUR 700 billion Recovery Fund in climate-friendly and digital projects. As a bank, we wish to support this transformation. We view ourselves as supporters of the businesses and economies in our region.

It was in fact with this in mind that changes were made to the management board in 2020. As Chief Platform Officer, Maurizio Poletto will be advancing the ongoing development of our successful digital platform George, while Thomas Schaufler will be focusing on shaping the retail strategy in the CEE markets. The responsibilities of the other members of my team are unchanged: Chief Risk Officer Alexandra Habeler-Drabek is responsible for risk-related matters, Ingo Bleier for Corporate Banking & Markets, Stefan Dörfler serves as Chief Financial Officer and David O'Mahony as Chief Operating Officer.

After a year like 2020, it is very important to me to thank the employees of Erste Group for their personal commitment. Our common dedication and conviction to support our clients even in times of crisis have helped us to strengthen our position in the CEE region.

Bernhard Spalt mp

Report of the supervisory board

Dear shareholders,

In the 2020 financial year, the key theme world-wide was the Covid-19 pandemic, which posed health as well as economic challenges to many people – including in our core markets. We, as Erste Group, believe that we are not just a financial institution. We see ourselves as an enterprise that wants to make a positive contribution to the development of society. We did this in the past financial year by processing government relief packages, implementing debt moratoria, guarantees and bridge financing as well as individual agreements. We wish to continue on this path as we are committed to supporting our customers also in economically challenging times.

The supervisory board was impressed by the professionalism, the swiftness and flexibility with which Erste Group's management board and employees responded to these challenges. With support from our health centre team, a work environment was created that enabled us to continue operations with just some minor restrictions in a fundamentally different environment. The supervisory board was likewise able to continue its work as usual despite the obstacles to in-person meetings. The communication flow among its members and with the management board was not only maintained, but even intensified. All meetings that had been planned or had to be scheduled ad hoc were held virtually or in hybrid format. The topics that needed to be addressed were dealt with in-depth and the required resolutions passed.

In the financial year ended, there were a number of changes in the management board: After more than 25 years with our banking group, Peter Bosek resigned from the management board as of 31 December 2020 to pursue new challenges abroad. The supervisory board thanks him very cordially for his many years of successful service for Erste Group, to whose development he contributed significantly as one of the fathers of our digital platform George. My heartfelt thanks for his work for Erste Group likewise go to Ara Abrahamyan, who also resigned from the management board as of 31 December 2020. On 15 October 2020, the supervisory board extended the management board mandate of Alexandra Habeler-Drabek until 31 December 2023. In October 2020, the supervisory board appointed Thomas Schaufler and Maurizio Poletto as additional management board members for terms from 1 January 2021 to 31 December 2023.

In the 2020 financial year, the composition of the supervisory board changed as follows: the supervisory board mandates of Maximilian Hardegg, Gunter Griss and Wilhelm Rasinger expired on 10 November 2020, the date of the annual general meeting. The mandate of Maximilian Hardegg was extended. Gunter Griss was no longer eligible for re-election due to the age limit for supervisory board members set in the articles of association. We are pleased to welcome two new and highly experienced members to our team: Friedrich Santner and András Simor, who were elected to the supervisory board at the annual general meeting of 10 November 2020.

In December 2020, Wilhelm Rasinger passed away after serious illness shortly after the end of his term. He had been a member of Erste Group Bank AG's supervisory board for more than 15 years and will be remembered for the way he always made valuable contributions to the supervisory board's work through his expertise, far-sightedness and pithy comments.

As regards the composition and independence of the supervisory board, the criteria for its independence, its working procedures, the number and types of committees and their decision-making powers, the meetings of the supervisory board and the main focus of its activities, please refer to the (consolidated) corporate governance report drawn up by the management board and reviewed by the supervisory board. As regards the activities of the audit committee, please also refer to the separate report of the audit committee. In the course of 43 supervisory board and committee meetings, the management board promptly and comprehensively informed the supervisory board. This allowed us to act in accordance with the mandate laid down in the law, the articles of association and the Austrian Code of Corporate Governance, as well as to ascertain the proper conduct of business.

At its meeting of 15 October 2020, the supervisory board considered the management board's proposal to the annual general meeting regarding the appropriation of profit for the 2019 financial year, taking special note of the ECB's recommendation of 27 July 2020 to refrain from the distribution of dividends until January 2021, for the time being. This was followed by another recommendation issued by the ECB on 15 December 2020 to refrain from or limit dividends based on specified criteria until 30 September 2021. Paying a dividend for the 2019 financial year in the amount approved by the annual general meeting on 10 November 2020 would have contravened the ECB's recommendation. The supervisory board's executive committee therefore, at its meeting of 8 February 2021, endorsed the management board's statement that the condition for distributing dividends for the 2019 financial year has not been met and that, therefore, Erste Group will refrain from paying a dividend for the 2019 financial year in February 2021, and that the profit will be carried forward to new account.

The financial statements (consisting of the balance sheet, income statement and notes) and the management report as well as the consolidated financial statements and the group management report for 2020 were audited by Sparkassen-Prüfungsverband, the legally mandated auditor, and by PwC Wirtschaftsprüfung GmbH, the elected supplementary auditor, and received an unqualified audit opinion. Representatives of both auditors attended the financial statements review meetings of the audit committee and the supervisory board and presented their comments on the audits they had conducted. Based upon its own review, the supervisory board endorsed the findings of these audits and agreed to the proposal for appropriation of the profit of the 2020 financial year.

PwC Wirtschaftsprüfung GmbH was also mandated with the voluntary audit of the (consolidated) corporate governance report for 2020. Deloitte Audit Wirtschaftsprüfungs GmbH was contracted to perform an audit of the (consolidated) non-financial report for 2020. The supervisory board has approved the financial statements, and these have thereby been duly endorsed in accordance with section 96 para 4 of the Austrian Stock Corporation Act (Aktiengesetz). The management report, consolidated financial statements, group management report, (consolidated) corporate governance report and the (consolidated) non-financial report have also been reviewed by the supervisory board and accepted on the basis of the audit reports received by the supervisory board.

We thank the management board and all employees of Erste Group for their great dedication and impressive commitment in providing our customers with the best support possible in the Pandemic Year 2020.

For the supervisory board,
Friedrich Rödler mp, Chairman of the supervisory board

Report of the audit committee

Dear shareholders,

The audit committee is one of six committees established by Erste Group Bank AG's supervisory board. Its mandate is derived from the law, the rules of the Austrian Code of Corporate Governance (CCG) and its internal rules. The audit committee currently comprises six shareholder representatives and three members delegated by the employees' council.

The audit committee held seven meetings in 2020 and, in addition, held one informal meeting to prepare for the meeting on the audit of the (consolidated) financial statements. The meetings were attended by those management board members responsible for accounting, controlling and risk management as well as the representatives of Erste Group Bank AG's auditors and, as required, representatives of the auditors of key (foreign) subsidiaries. Responsible division heads were also invited to attend as permanent guests or to attend as guests in discussions on specific agenda items. The chairman of the audit committee, also the financial expert, regularly conducted one-on-one meetings with, amongst others, the auditors (Sparkassen-Prüfungsverband as the legally mandated bank auditor and PwC as additional auditor elected by the annual general meeting), members of the management board, the head of internal audit, the head of group compliance and with other division heads as required. The chairman of the audit committee informed the supervisory board on the committee's activities and the subject matters of its meetings and discussions at the respective subsequent supervisory board meetings.

In 2020, the Covid-19 pandemic also affected the work of the audit committee. In its meetings, the audit committee dealt in depth with current developments in Erste Group and in the markets in which it operates. Special attention was paid in particular to the new rules and regulations and the potential impacts of their implementation on the 2020 unconsolidated and consolidated financial statements, but also social aspects that were seen in these generally challenging months. Many decisions of the audit committee were taken using modern video conferencing tools; debates could thus be continued in this manner during lockdown periods.

In 2020, the audit committee also considered the following topics: After receipt of the auditors' report on the (Group) financial statements for 2019, the audit committee held the final discussion, reviewed the (Group) financial statements and the (Group) management report, the (consolidated) non-financial report as well as the (consolidated) corporate governance report and recommended to the supervisory board the approval of the annual financial statements, setting out how the annual audit had strengthened the reliability of financial reporting and describing the role played by the audit committee.

The decision on the recommendation of a dividend proposal to the supervisory board was passed in October 2020 after extensive deliberations and in line with the recommendation issued by the European Central Bank.

Furthermore, the additional report of the auditors pursuant to Article 11 of Regulation (EU) 537/2014 was taken note of. Key audit matters were discussed with the auditors in the course of audit planning and are covered in the auditors' report. The findings and status of the annual audit were discussed with representatives of the auditors in an ongoing process. Key audit matters relating to subsidiaries were likewise discussed in depth and commented on with regard to their impact on the consolidated financial statements. The findings of the review of the half-year financial statements were taken note of. The exchange of views between the audit committee and the (Group) auditors in the absence of the management board (Rule 81a Austrian CCG) was conducted in December 2020. The auditors' report on the assessment of the effectiveness of risk management was delivered.

The auditors' observations and recommendations (management letter) and the respective views of the management board were discussed comprehensively. To monitor the auditor's independence, group accounting regularly reported to the audit committee, and non-audit services rendered by the auditors were approved in advance after careful review. In December 2020, it was decided to recommend to the supervisory board to propose at the annual general meeting the renewal of the audit mandate of PwC Wirtschaftsprüfung GmbH as additional (Group) auditor for the 2022 financial year. The annual report of group regulatory compliance was taken note of. The audit committee was presented with reports on the current status of major projects on data management, credit risk models and IT matters of relevance to the audit committee in an ongoing process.

After on-site inspections conducted by supervisory authorities, the audit committee acknowledged the audit report and the report on the contents of the plan to address the supervisory authorities' findings and, where necessary, requested to be briefed on the current status of implementation. Internal audit submitted a report on the result of the (internal) quality assurance programme. The joint supervisory team of the regulatory authorities was informed about the audit committee's work in a meeting with the chairman of the audit committee and the supervisory board.

Further information on the activities of the audit committee and its composition is contained in the (consolidated) corporate governance report prepared by the management board and reviewed by the supervisory board.

For the audit committee,
Friedrich Rödler mp

Erste Group on the capital markets

In the past year, international financial markets were dominated by the Covid-19 induced crisis and measures taken to contain the virus. Geopolitical risks such as uncertainty over the outcome of the US presidential elections and the drawn-out Brexit negotiations between the European Union and the United Kingdom were, by comparison, relegated to the background. As the coronavirus started spreading worldwide, the first quarter saw a global sell-off in stock markets after an initially promising start to the year. Lockdowns imposing restrictions on social and economic activities in almost all countries slowed the outbreak of the coronavirus, but fears of a world-wide economic downturn of an unquantifiable degree sent share prices plummeting. Massive support measures initiated by policy-makers, central banks and regulators in an effort to cushion adverse impacts on the future development of the economy eased tensions in the markets. The flow of alternately positive and negative news, however, mostly in connection with the Covid-19 pandemic, fuelled volatility. The optimistic outlook on economic growth from 2021 onwards along with lower-than-expected declines in 2020 corporate earnings were offset by a continuing rise in Covid-19 infection rates. These resulted in further lockdowns in the fourth quarter, albeit, in a number of countries, less strict ones than at the beginning of the pandemic. Reports about successful clinical studies of vaccines against Covid-19, the start of vaccinations and the ebbing off of political risks after the United Kingdom's exit from the EU single market boosted share prices significantly, but failed to make up for the losses previously sustained in most of the stock markets covered.

EQUITY MARKET REVIEW

Covid-19 was the predominant theme

After a number of stock markets had still been marking new highs up to mid-February of the past year, the first quarter saw sell-offs with prices sliding by more than 20% in most of the stock markets covered. Against the backdrop of rising Covid-19 infection numbers, most governments around the globe imposed restrictions to slow the pandemic, including social distancing orders and business lockdowns. Policy-makers, central banks and regulators took wide-ranging measures – among them multi-billion support programmes for the social and business sectors, rate cuts, loan moratoria and providing additional liquidity by expanding central banks' balance sheets – to cushion the adverse effects of the lockdowns. While this eased strains on the financial markets, supported by better-than-expected corporate results, volatility remained very high. The US indices hit new highs on the back of the technology and health care sectors while European stock market indices were trailing behind, posting similar double-digit gains only in the last quarter of the year on the back of positive news on Covid-19 vaccines, the US elections and the successful conclusion of Brexit negotiations. The Dow Jones Industrial Average Index rose beyond the 30,000 mark and, at 30,606.48 points, was 7.2% higher year on year. The broader Standard & Poor's 500 Index, which reached a historic high in the fourth quarter, advanced 16.3% to 3,756.07 points at the end of the year. The European Euro Stoxx 600 index closed the reporting period at 399.03 points, down 4.0%.

Central bank support

In response to the crisis, the central banks had significantly eased their policies back in the spring and provided additional liquidity to the financial markets by massively expanding their balance sheets. The US central bank (Fed) cut its policy rates by one percentage point to 0.0% - 0.25%, purchased bonds at a monthly rate of USD 120 billion and launched lending programmes to support the economy. The European Central Bank (ECB) expanded its purchasing programme in two steps to EUR 1,850 billion and extended it until March 2022. Regardless of the beginning of Covid-19 vaccinations and the resulting confidence in the improvement of the economic environment, the central banks, in their final meetings in December 2020, announced they would continue to provide generous liquidity and leave policy rates unchanged for an extended period of time.

Return to growth expected in 2021

The restrictive measures taken to contain the pandemic triggered the biggest economic shock in decades. As a result of the economic stimulus measures and monetary policy support, economic activity is expected to decline less sharply than initially feared. From 2021 onwards, global economic output should rise again. The International Monetary Fund (IMF) forecasts for 2020 a contraction of the global economy by 3.5%, followed by a 5.5% growth in 2021. The euro zone countries are expected to grow by 4.2% after a decline by 7.2% in 2020, while the US is expected to expand by 5.1% after a contraction of 3.4%.

Banks are among the hardest hit industries

The significant deterioration of the economic environment due to measures induced by Covid-19 and the impacts expected, such as lower operating income and higher risk costs for banks, prompted the ECB to recommend that euro zone banks suspend dividend payouts for the fiscal year 2019. Instead, banks should preserve their lending capacity by strengthening their capital positions. In view of continuing state support for the economy, most notably state-guaranteed loans and loan moratoria, and the resulting significant postponement of negative impacts on bank balance sheets, the general ban on dividends was lifted in December, but the ECB still recommends to refrain from dividends and share buy-backs until the end of September 2021 or to meet strict limits on profit distribution. In the year ended, the Dow Jones Euro Stoxx Banks Index, which is composed of the leading European bank shares, declined by 23.7% to 73.77 points.

ATX down by double-digits in 2020

As international stock markets plunged in the first quarter of the year ended, the Austrian Traded Index (ATX) lost nearly 27% of its market capitalisation within just one trading week in mid-March. It dropped to its annual low at 1,630.4 points on 18 March. Due to its cyclical composition with a strong weighting of bank and oil shares, which were hit by the slump in

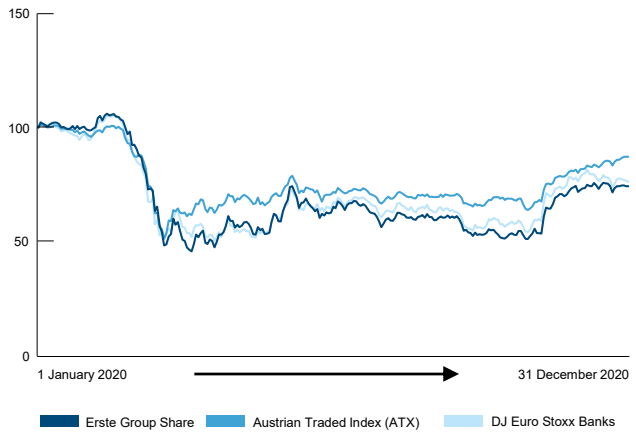
oil prices, the leading Austrian index fluctuated more visibly than other indices. As international stock markets rallied significantly in November and December, the ATX likewise recovered some of the ground lost in the first quarter and closed the year at EUR 2,780.44 points, down by 12.8%.

ERSTE GROUP SHARE

Volatile price performance in lockstep with the European banking index

The start into the year was promising, and the Erste Group share reached its highest closing price at EUR 35.60 on 12 February. As international equity markets and, in particular, bank shares slipped in the first quarter due to the Coved-19 induced crisis, the Erste Group share likewise suffered a setback by more than 50%. The lowest closing price of the Erste Group share in 2020 was at EUR 15.34 on 3 April. The share then recovered half of the losses previously sustained but recorded renewed setbacks in the third quarter. The gains of the two final trading months of the year offset only part of the losses posted previously. The Erste Group share closed the year at a price of EUR 24.94, down 25.7% from year-end 2019. The focus of market participants was on the impacts of the declining economic activity in Central and Eastern Europe amid the pandemic, above all on the development of lending volumes and operating income as well as risk provisions. Covid-19-related factors (including in particular fiscal policy support measures, moratoria on loan repayments, subsidised and guaranteed loans, interest rate cuts, quantitative easing, restrictions on dividend payments, easing of capital requirements) were generally among the key issues of the year.

Performance of the Erste Group share and major indices (indexed)



Performance of the Erste Group share versus indices

	Erste Group share	ATX	DJ Euro Stoxx Banks Index
Since IPO (Dec 1997)	125.0%	113.1%	-
Since SPO (Sep 2000)	112.3%	137.9%	-79.0%
Since SPO (Jul 2002)	43.1%	128.0%	-70.6%
Since SPO (Jan 2006)	-44.6%	-28.6%	-80.5%
Since SPO (Nov 2009)	-14.0%	6.7%	-67.6%
2020	-25.7%	-12.8%	-23.7%

IPO … initial public offering, SPO … secondary public offering.

Number of shares, market capitalisation and trading volume

In the year ended, the number of shares of Erste Group Bank AG remained unchanged at 429,800,000. At year-end 2020, Erste Group's market capitalisation stood at EUR 10.7 billion, 25.7% down on year-end 2019 (EUR 14.4 billion).

In the reporting year, trading volume on the three stock exchanges (Vienna, Prague, Bucharest) on which the Erste Group share is listed averaged 1,231,504 shares per day and accounted for about 66% of the total trading volume in Erste Group shares.

Sustainability indices and ratings

The Erste Group share has been part of VÖNIX, the Vienna Stock Exchange's sustainability index, since its launch in 2008. Since 2011, the Erste Group share has been included in the STOXX Global ESG Leaders Index, which represents the best sustainable companies world-wide on the basis of the STOXX Global 1800. Since 2016, the Erste Group share has been included in the FTSE4Good Index Series, since 2017 in the Euronext Vigeo Index: Eurozone 120. In addition, Erste Group has held prime status in the ISS ESG corporate ratings since 2018. MSCI has rated Erste Group with AA. As the sole Austrian and one of only three companies in the CEE region, Erste Group was again listed in Bloomberg's Gender Equality Index (GEI) in 2020.

DIVIDEND

Erste Group's dividend policy is guided by the bank's profitability, growth outlook and capital requirements. Due to the Covid-19 induced restrictions, the annual general meeting originally scheduled for 13 May was postponed to 10 November 2020 and held virtually. On 10 November 2020, the annual general meeting resolved to pay a dividend of EUR 0.75 per share for the fiscal year 2019, conditional upon no regulatory recommendation to refrain from such payments or no other legal restrictions being in force prohibiting such distributions on 8 February 2021. On 15 December 2020, the ECB asked banks to refrain from or limit dividends until 30 September 2021. As the conditions to pay the dividend were not met, no dividend for the fiscal year 2019 was paid out. The management board proposes to the annual general meeting in May – in line with ECB recommendation – a dividend for 2020 of EUR 0.5 per share. An additional EUR 1 per share has been reserved for a potential later payment.

RATINGS OF ERSTE GROUP BANK AG

Following the changed economic conditions due to the Covid-19 induced crisis rating agencies downgraded their ratings in many cases around the globe. Erste Group's ratings were affirmed, however the outlook was changed. Fitch kept its rating at A/F1 with a negative outlook, Standard & Poor's and Moody's left their ratings unchanged at A/A-1 and A2/P-1, respectively, each with a stable outlook.

FUNDING ACTIVITIES

Regarding capital market activity, 2020 turned out to be one of the most active years in the recent past. Through seven benchmark-sized transactions across various seniorities, EUR 4.5bn were raised in total. Pre-funding activity for 2021 started early with two senior preferred notes in September and November 2020.

Erste Group started with a EUR 750 million 10-year mortgage covered bond at MS+3bp followed by a EUR 500 million (AT1) note (CRD IV-/CRR-compliant Additional Tier 1) with a coupon of 3.375%, representing the second-lowest coupon for a EUR-denominated AT1 at the time of issuance. In May, Erste Group proved its access to capital markets amidst the Covid-19-crisis by placing a EUR 750 million senior preferred note at MS+115bp. September led to further attractive issuance opportunities that were realised with a EUR 500 million Tier 2 instrument at MS+210bp, succeeded by another EUR 500 million 5y senior preferred note issued at MS+52bp. Erste Group was again very active in the fourth quarter by issuing two further benchmarks in November. Its inaugural callable senior preferred note (EUR 750 million at MS+52) – the first of an Austrian issuer – supports the eligibility of outstanding instruments and a diversification of the investor base. Finally, a EUR 750 million AT1 note with a 4.25% coupon was issued mid-November and concluded the funding-year for Erste Group.

INVESTOR RELATIONS

Open and regular communication with investors and analysts

Communication by Erste Group's investor relations team also changed in the past year. Against the backdrop of the Covid-19 induced restrictions, banking and investor conferences were held as virtual rather than in-person events. A large number of conferences organised by the Vienna Stock Exchange, UBS, Goldman Sachs, Deutsche Bank, Citigroup, Morgan Stanley, JP Morgan, Bank of America Merrill Lynch, Autonomous, PKO, mBank and Wood were conducted as phone or video conferences, as were the spring and autumn road shows with investors from the United States and Europe after the releases of first and third quarter 2020 results. The management and the investor relations team met with investors in a total of 218 one-on-one and group meetings, in which Erste Group's strategy was presented against the backdrop of the current environment and questions raised by investors and analysts were answered. The dialogue with bond investors was further intensified with a total of 67 meetings held via phone and video. A large number of meetings with analysts and portfolio managers were held at conferences, virtual road shows and investors' days hosted by UBS, Bank of America Merrill Lynch, Goldman Sachs, HSBC, JP Morgan, ING, Citigroup, Danske Bank and the European Covered Bond Council.

The website http://www.erstegroup.com/ir provides comprehensive information on Erste Group and the Erste Group share. Investors and the broader public can follow the investor relations team on the social media platform Twitter at http://twitter.com/ErsteGroupIR and on Slideshare at http://de.slideshare.net/Erste_Group. These sites provide users with the latest news on Erste Group on the social web. As an additional service for investors and analysts, Erste Group offers an Investor Relations app. This free-of-charge app enables users to access and download Erste Group Bank AG share price information, the latest investor news, multimedia files, financial reports and presentations as well as an interactive financial calendar and contact details for the investor relations team. More details on the Investor Relations app, social media channels, the news/reports subscription and reminder service are available at https://www.erstegroup.com/de/investoren/ir-service.

Analyst recommendations

In 2020, 21 analysts regularly released research reports about Erste Group. The Erste Group Bank AG share was covered by financial analysts at the following national and international firms: Autonomous, Bank of America Merrill Lynch, Citigroup, Commerzbank, Concorde, Deutsche Bank, Exane BNP Paribas, Goldman Sachs, HSBC,JP Morgan, JT Banka, KBW, Kepler Cheuvreux, mBank, Mediobanca, Morgan Stanley, PKO, RBI, SocGen, UBS and Wood.

As of the end of the year, 15 analysts had issued buy recommendations and six had rated the Erste Group share neutral. The average year-end target price stood at EUR 26.70. The latest updates on analysts' estimates for the Erste Group share are posted at https://www.erstegroup.com/en/investors/share/analyst-estimates

Strategy

Erste Group strives to be the leading retail and corporate bank in the eastern part of the European Union, including Austria. To achieve this goal, Erste Group aims to support its retail, corporate and public sector customers in realising their ambitions and ensuring financial health by offering excellent financial advice and solutions, lending responsibly and providing a safe harbour for deposits. Erste Group's business activities will continue to contribute to economic growth and financial stability and thus to prosperity in its region. Erste Group's strategy is based on three pillars:

_ Efficiency
_ Digital transformation
_ Growth

In all of its core markets in the eastern part of the European Union, Erste Group pursues a balanced business model focused on providing the best banking services to each of its customers. In this respect, digital innovations are playing an increasingly important role. Sustainability of the business model is reflected in the bank's ability to fund customer loans by customer deposits, with most customer deposits being stable retail deposits. Sustainability of the bank's strategy is reflected in long-term client trust, which underpins strong market shares in almost all of Erste Group's core markets. However, market leadership is not an end in itself. Market leadership creates value only when it goes hand in hand with positive economies of scale and contributes to the long-term success of the company.

The banking business, however, should not only be run profitably, but should also reflect its corporate responsibility towards all material stakeholders, in particular customers, employees, society and the environment. Therefore, Erste Group pursues the banking business in a socially responsible manner and aims to earn an adequate premium on the cost of capital.

Long-standing tradition in customer banking

Erste Group has been active in the retail business since 1819. This is where the largest part of Erste Group's capital is tied up, where Erste Group generates most of its income and where it funds the overwhelming part of its core activities by drawing on its customers' deposits. The retail business represents Erste Group's strength and is its top priority when developing products such as modern digital banking that enable it to meet customers' expectations more effectively.

Offering attractive, easy-to-understand products and services that meet the individual needs and objectives of bank customers is important in building and maintaining strong long-term customer relationships. Today, Erste Group serves a total of more than 16 million customers in seven core markets.

The bank's core activities also include advisory services and support for its corporate customers with regard to financing, investment, hedging activities and access to international capital markets. Public sector funding includes providing finance for infrastructure projects and acquiring sovereign bonds issued in the region.

To meet the short-term liquidity management needs of the customer business, Erste Group also operates in the interbank market.

Core markets in the eastern part of the European Union

When Erste Group went public as an Austrian savings bank with no meaningful foreign presence in 1997, it defined its target region as consisting of Austria and the part of Central and Eastern Europe that had realistic prospects of joining the European Union. The aim was to benefit from the attractive growth prospects in these countries. Against the backdrop of emerging European integration and limited potential for growth in Austria, Erste Group acquired savings banks and financial institutions in countries adjacent to Austria from the late 1990s onwards. While the financial and economic crisis has slowed the economic catch-up process across the countries of Central and Eastern Europe, the underlying convergence trend continues unabated. This part of Europe offered, and still offers, the best structural, and therefore long-term, growth prospects.

Today, Erste Group has an extensive presence in the following core markets: Austria, the Czech Republic, Slovakia, Romania, Hungary and Croatia – all of which are members of the European Union. Following significant investments in its subsidiaries, Erste Group holds considerable market positions in these countries. In Serbia, which has been assigned European Union candidate status, Erste Group maintains a minor market presence but one that may be expanded through acquisitions or organic growth as the country makes progress towards European Union integration. In addition to its core markets, Erste Group also holds direct and indirect majority and minority banking participations in Slovenia, Montenegro, Bosnia and Herzegovina, North Macedonia and Moldova.

Growing importance of innovation and digitalisation

The pace of digital transformation has accelerated considerably as a result of technological changes, demographic developments and also regulatory interventions in recent years. As a result, customer behaviour and customer expectations towards financial products have also changed significantly. Erste Group is convinced that the digital banking business will continue to gain in importance and will be essential for the economic success in the long term and therefore fosters digital innovation. Intra-group, interdisciplinary teams develop innovative solutions.

Erste Group's digital strategy is based on its own digital ecosystem. It aims at providing customers access to personalised products from Erste Group and also third-party suppliers through application programming interfaces (APIs) in the secure IT environment of a financial platform. APIs enable a wide range of cooperations, whether with fintechs or across industries, and can therefore help open up new markets.

The digital platform George was implemented in Austria in 2015. In the meantime, it is also running in the Czech Republic, Slovakia, Romania, Croatia and Hungary. It will also be rolled out in Serbia. The range of digitally available products and services is being constantly expanded. Customers can activate applications of Erste Group or third parties via plug-ins and use them to manage their finances.
The omni-channel approach of Erste Group integrates the various sales and communication channels. Customers decide on how, when and where they do their banking business. Contact centers serve as interfaces between digital banking and traditional branch business. These contact centers offer advice and sales, thus going far beyond the traditional help desk function.

Focus on sustainability and profitability

Acting responsibly and earning a premium on the cost of capital is a key prerequisite for the long-term survival of any company and the creation of value for customers, investors and employees. Only a bank that operates in a sustainable manner – balancing the social, ecological and economic consequences of its business activities – and profitably can achieve the following: provide products and services to customers that support them in achieving their financial ambitions; deliver the foundation for share price appreciation as well as dividend and coupon payments to investors; create a stable and rewarding work environment for employees and be a reliable contributor of tax revenues to society at large.

The management board adopted a Statement of Purpose to reaffirm and state in more detail the purpose of Erste Group to promote and secure prosperity across the region. Building on this statement of purpose, a Code of Conduct defines binding rules of the day-to-day business for employees and members of both the management and supervisory boards. At the same time, the Code of Conduct underlines that in pursuing its business activities, Erste Group values responsibility, respect and sustainability. The Code of Conduct is an important tool for preserving the reputation of Erste Group and strengthening stakeholder confidence. Sustainability in this context means to operate the core business both in a socially and environmentally responsible manner and economically successfully.

Through a combination of stable revenues, low loan loss provisions, and cost efficiency, profits can be achieved in the long term. This is helped by a strong retail-based funding profile. When growth opportunities are elusive, as they will be from time to time, or the market environment is less favourable as a result of factors including high taxation, increased regulation or low interest rates, there will be a stronger focus on cost cutting. When the operating environment improves, more time will be devoted to capturing growth in a responsible way. Irrespective of the environment, Erste Group should benefit materially from operating in the region of Europe that offers the best structural growth opportunities for some time to come.

Erste Group's strategy

Customer banking in Central and Eastern Europe

Eastern part of the EU		Focus on CEE, limited exposure to other countries		
Retail banking	**Corporate banking**	**Capital markets**	**Public sector**	**Interbank business**
Focus on local currency mortgage and consumer loans funded by local deposits FX loans (in Euro) only where funded by local FX deposits (Croatia and Serbia) Savings products, asset management and pension products Expansion of digital banking offering	SME and local corporate banking Advisory services, with focus on providing access to capital markets and corporate finance Transaction banking services (trade finance, factoring, leasing) Commercial Real Estate business	Focus on customer business, incl. customer-based trading activities In addition to core markets, presences in Poland, Germany, New York and Hongkong with institutional client focus and selected product mix Building debt and equity capital markets in CEE	Financing sovereigns and municipalities with focus on infrastructure development in core markets Any sovereign holdings are held for market-making, liquidity or balance sheet management reasons	Focus on banks that operate in the core markets Any bank exposure is only held for liquidity or balance sheet management reasons or to support client business

THE STRATEGY IN DETAIL

The basis of Erste Group's banking operations is the retail and corporate customer business in the eastern part of the European Union, including Austria. The capital markets and interbank activities as well as the public sector business are defined more broadly to be able to meet the bank's customer needs as effectively as possible.

Retail business

Erste Group's key business is the retail business, covering the entire spectrum from lending, deposit and investment products to current accounts and credit cards. Erste Group's core competence in retail banking has historical roots. In 1819, wealthy Viennese citizens donated funds to establish Erste Group's predecessor, the first savings bank in Central Europe. It was their aim to bring basic banking services such as safe savings accounts and mortgage loans to wide sections of the population. Today, the bank serves a total of more than 16 million customers in its markets and operates about 2,350 branches. Wealthy private clients, trusts and foundations are served by the bank's private banking staff and benefit from services that are tailored to the needs of this target group.

In addition, the bank uses and promotes digital distribution channels such as internet and mobile banking not only to meet the increasing importance of digital banking but to actively shape the digital future. This has already become visible through the activities of fintech companies, which offer financial services online and typically operate without a banking licence. George, Erste Group's digital platform, is already available in Austria, the Czech Republic, Slovakia, Romania and Croatia and has been available in Hungary since early 2021. It will also be rolled out in Serbia.

Retail banking is attractive to Erste Group for a number of reasons: It offers a compelling business case that is built on market leadership, an attractive risk-reward profile and the principle of self-funding. In addition, it benefits from a comprehensive range of products that are simple and easy to understand and provide substantial cross-selling potential. Erste Group takes advantage of these factors in all core markets and makes best use of its resulting position of strength by pursuing an omni-channel strategy. In addition to the expansion of digital sales channels, the branch network remains an important component of the business strategy. Only a retail bank that offers modern digital services and operates an extensive distribution network is able to fund loans in local currency mainly from deposits made in the same currency. In short, Erste Group's retail banking model supports sustainable and deposit-funded growth even in economically more challenging times. Another positive factor is the diversification of the retail business across countries that are at differing stages of economic development, such as Austria, the Czech Republic, Romania, Slovakia, Hungary, Croatia and Serbia.

Corporate business

The second main business line, which also contributes significantly to Erste Group's earnings, is business with small and medium-sized enterprises, regional and multi-national groups and real estate companies. Erste Group's goal is to enhance relationships with its clients beyond pure lending business. Specifically, the bank's goal is for SMEs and large corporate customers to choose Erste Group as their principal bank and also route their payment transfers through the Group's banking entities and, in fact, regard Erste Group as their first point of contact for any kind of banking service.

Catering to their different requirements, Erste Group serves small and medium-sized enterprises locally in branches or separate commercial centres, while multinational groups are serviced by the Group Corporates' units. This approach permits Erste Group to combine industry-specific and product expertise with an understanding of regional needs and the experience of the bank's local customer relationship managers. In view of regulatory interventions, advising and supporting corporate customers in capital market transactions is becoming increasingly important.

Capital markets business

Client-driven capital markets activities are also part of the comprehensive portfolio of products and services that Erste Group offers to its retail and corporate customers. The strategic significance of the bank's centrally governed and locally rooted capital markets operations consists in supporting all other business areas in their dealings with the capital markets and, hence, in providing the bank's customers with professional access to the financial markets. Erste Group, therefore, views its capital markets business as a link between financial markets and its customers. As a key capital markets player in the region, Erste Group also performs important functions such as market-making, capital market research and product structuring.

The capital markets business serves the needs of Erste Group's retail and corporate customers as well as those of government entities and financial institutions. Due to Erste Group's strong network in the eastern part of the European Union, the bank has a thorough understanding of local markets and customer needs. In Erste Group's capital markets business, too, the bank concentrates on core markets of the retail, SME and large corporate business: Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia. For institutional customers, specialised teams have been established in Germany and Poland as well as in London, Hong Kong and New York that offer these customers a tailor-made range of products.

In many countries where Erste Group operates, the local capital markets are not yet as highly developed as in Western Europe or in the United States of America. That means Erste Group's banking subsidiaries are pioneers in some of these markets. Therefore, building more efficient capital markets in the region is another strategic objective of Erste Group's capital markets activities.

Public sector business

Solid deposit business is one of the key pillars of Erste Group's business model. Customer deposits surpass lending volume in many of its geographic markets. Erste Group's banking entities make a significant part of this liquidity available as financing to the region's public sector entities. In this way, the bank facilitates essential public sector investment. Erste Group's public sector customers are primarily municipalities, regional entities and sovereigns that the bank additionally supports and advises in capital market issuance, infrastructure financing and project financing. Furthermore, Erste Group cooperates with supranational institutions.

In terms of sovereign bond investments, Erste Group focuses on Central and Eastern Europe equally.

Adequate transport and energy infrastructure and municipal services are absolute key prerequisites for sustainable economic growth in the long term. Therefore, Erste Group views infrastructure finance and all associated financial services to be of extreme importance. Between 2021 and 2027, the European Union has earmarked EUR 95 billion in funding for the Czech Republic, Slovakia, Croatia, Hungary and Romania through the European Structural and Investment Funds. The share for these five CEE countries is well above their 11% share of the population. Three quarters of the funds for CEE are available for regional development (EFRE, 57% of the funds) and for the Cohesion Fund (19% of the funds). When using EFRE funds, at least 50% of the projects are concentrated on thematic priority areas (research and innovation, digital agenda, support for small and medium-sized enterprises (SMEs) and low-carbon economy). In addition to the classic cohesion policy, a further EUR 36 billion in grants will be available for the region as part of the European Corona Development Plan (Next Generation EU). This temporary economic stimulus package will focus on the areas of digitalisation, climate policy and strengthening resilience.

Interbank business

Interbank business is an integral part of Erste Group's business model that performs the strategic function to ensure that the liquidity needs of the bank's customer business are met. This involves, in particular, short-term borrowing and lending of liquid funds in the interbank market.

REGULATORY CHANGES IN BANKING

In recent years, regulation of the financial sector has been tightened substantially to strengthen the resilience of banks and prevent or at least minimise the adverse impact of any new crises on economies and market participants. The ultimate aim of these reforms has been to largely rule out reliance on state guarantees and taxpayers' money to absorb banks' losses.

A banking union has been established as a regulatory framework consisting of a European banking supervision mechanism, a banking resolution mechanism and common standards for deposit insurance. Implementing the requirements defined by the Basel Committee on Banking Supervision, the European Commission adopted and published the revised risk reduction measure package (RRM-Package) in June 2019 consisting of amended Capital Requirements Regulation (CRR 2), Capital Requirements Directive (CRD 5), Single Resolution Mechanism Regulation (SRMR 2) and Bank Recovery and Resolution Directive (BRRD 2). While CRR 2 became partially applicable in June 2019, the majority of the amended provisions will be applicable as of June 2021. Both directives entered into force 20 days after their publication in the Official Journal of the European Union and had to be transposed by the end of 2020 when SRMR 2 became applicable.

At the beginning of December 2017, the Basel Committee on Banking Supervision presented the final part of the Basel 3 reform package, which is designed to achieve a transparent and comparable calculation of the capital requirements of each institution. The standardised approaches for the individual risk categories have been revised, and the use of internal models for calculating capital requirements will be restricted in the future. An output floor has been introduced to ensure that banks' calculations of risk-weighted assets (RWAs) generated by internal models cannot, in aggregate, fall below a certain percentage threshold of the risk-weighted assets computed by the standardised approaches; the output floor will be gradually raised to 72.5%. In January 2019, the Basel Committee furthermore released the revised version of the new market risk standard (Fundamental Review of the Trading Book, FRTB). Due to the outbreak of the Covid-19 pandemic, the Basel Committee on Banking Supervision decided to postpone the implementation of the final part of the Basel 3 reform package by one year. An EU legislative proposal for the implementation of Basel 3 is now expected in 2021. For the same reasons, the package is scheduled for implementation by 1 January 2023 instead of 1 January 2022 and will be fully applicable after a transition period of up to five years.

As the Covid-19 pandemic has led to a sharp economic downturn, EU regulators and supervisors have taken measures to support the immediate ability of banks to continue lending and absorb losses related to the pandemic. In particular, the European Commission Covid-19 banking package included an Interpretative Communication on the Union's accounting and prudential frameworks as well as targeted quick-fix amendments to EU banking prudential rules (CRR). Member states have also taken decisive action, with support schemes typically involving public guarantee schemes and/or payment deferrals (moratoria) to alleviate liquidity difficulties affecting households and businesses. In this respect, the European Banking Authority (EBA) has published guidelines on legislative and non-legislative moratoria. The European Commission has also adopted a temporary framework to enable member states to use the full flexibility foreseen under state aid rules to support the economy in the context of the Covid-19 outbreak.

In December 2020, the European Commission has published a new version of the Action Plan on Non-performing Loans (NPLs) as a response to the Covid-19 crisis and the expected surge in NPLs on banks' balance sheets. The plan focuses on further developing secondary markets for NPLs as well as establishing a central data hub at EU level. It also puts forward the idea of developing national private or partly publicly funded Asset-Management Companies (AMCs) to buy off bad loans from banks' balance sheets, as well as setting up a cross-border European network of national AMCs. Furthermore, an insolvency law reform is put forward as a priority and how to use state aid in the context of NPLs.

The new resolution framework allows for a multiple-point-of-entry (MPE) or a single-point-of-entry (SPE) resolution strategy. The minimum requirement for own funds and eligible liabilities (MREL) should reflect the resolution strategy that is appropriate to a banking group (in case of MPE with different resolution groups and therefore different points of entries) in accordance with the resolution planning. Under the MPE strategy, more than one group entity may be resolved. Under the SPE strategy, only one group entity, usually the parent undertaking, is the point of entry with the aim to apply resolution actions and tools on this entry level, whereas other group entities, usually operating subsidiaries, are not subject to resolution actions and tools, but upstream their losses and recapitalisation needs (downstream of capital) to the point of entry.

Erste Group received the joint decision signed by the Single Resolution Board (SRB) as Group Resolution Authority, the Croatian Resolution Authority, the Czech Resolution Authority, the Hungarian Resolution Authority and the Romanian Resolution Authority acting within the resolution college upon the MPE approach forming separate resolution groups with Erste Group's core CEE subsidiaries but with SPE approaches on country level (on resolution group level).

In 2020, Erste Group received its MREL target based on BRRD 1 and the SRB MREL 2018 Policy. In the course of 2021, Erste Group will receive a new MREL target, based on BRRD 2 and the SRB MREL Policy. A transitional period is foreseen for the compliance with the final MREL target until 1 January 2024 with two intermediate targets in 2022 and 2023 ensuring a linear MREL build-up.

As of 14 September 2019, the Delegated Regulation (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366, with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication, became effective. Since that date, account servicing payment service providers (within the European Union) have to provide a standardised interface that enables certain third party providers to offer payment services to customers of banks. These have to comply with particularly strict requirements regarding the safe exchange of data between banks and third-party providers. With the EBA Opinion from 16 October 2019, national competent authorities have applied supervisory flexibility as regards the requirement for the application of a strong customer authentication for card-based e-commerce transactions. This initial extension of the implementation period ended on 31 December 2020.

The ESA Review (amendments to the founding regulations of the European Supervisory Authorities – EBA, EIOPA and ESMA) was formally adopted in April 2019 and is applicable since the beginning of 2020. This has strengthened the ESAs' supervisory powers. EBA has been given the mandate of coordinating and overseeing the national supervisory authorities with regard to measures aimed at preventing and combating money laundering and terrorist financing. As regards sustainability matters, ESAs will strongly integrate environmental, social and governance (ESG) criteria into their work (such as guidelines) and further strengthen proportionality.

In 2020, the systemic risk buffers defined by FMA on the basis of the Capital Buffer Regulation and buffers for Other Systemically Important Institutions (O-SIIs) amounted to 2% of RWA for Erste Group. Since 2018, Erste Group Bank AG has been obliged to hold the systemic risk buffer also at single-entity level.

The amendments to the Financial Markets Anti-Money Laundering Act (FM-GwG, Finanzmarkt-Geldwäschegesetz) and the Beneficial Owners Register Act (WiEReG, Wirtschaftliche Eigentümer Registergesetz) were adopted in July 2019, thereby implementing the 5th Money Laundering Directive while at the same time including a compliance package. The new rules entered into force on 10 January 2020, while the provisions of the compliance package took effect on 10 November 2020. The compliance package facilitates the identification of beneficial owners.

On 21 January 2021, the Austrian National Council (Nationalrat) concluded amendments to the Account Register Act (KontRegG, Kontenregistergesetz) and FM-GwG, with which, amongst others, lockers (Schließfächer) are included in the account register (reporting date is 1 January 2021). In addition, an exchange of information between parties subject to money laundering provisions was introduced as well as transaction monitoring based on artificial intelligence. In WiEReG, a regulation has now been included, according to which companies from third countries that acquire land in Austria are subject to the WiEReG reporting obligations. The changes to FM-GwG and WiEReG entered into force on 1 March 2021.

The European Commission presented the proposal for a Capital Markets Recovery Package in July 2020, which includes (i) a short-form prospectus to facilitate new funding in a short time period, (ii) alleviations to the MiFID II framework to encourage investments in the real economy and free up resources for investors and firms and (iii) improvements to securitisation rules to

support SME lending and management of NPLs. Additionally, amendments to the Benchmark Regulation to, among others, facilitate the transition from LIBORs to new risk-free rates are part of the package. Amendments to the Prospectus Regulation, MiFID II and the Benchmark Regulation were published in the Official Journal in February 2021, amendments to the securitisation framework will be published between March and June 2021.

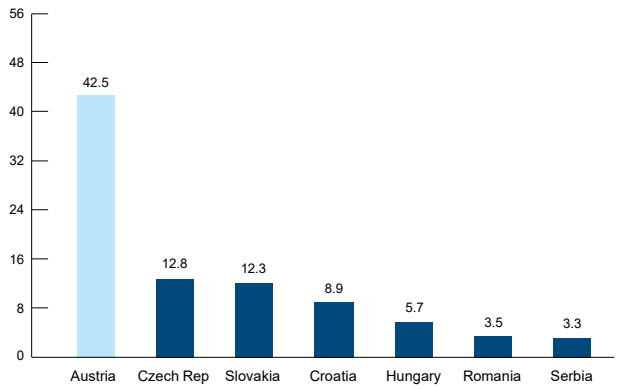
Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector were published in the Official Journal in December 2019. Among others, financial market participants are required – mostly as of March 2021 – to provide comprehensive information on their management of sustainability risks and strategies in addition to existing disclosure obligations. On 22 June 2020, Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation) was published in the Official Journal. This regulation, designed to govern the concept of sustainability in finance, introduces a classification system for determining whether an economic activity qualifies as environmentally sustainable for the purpose of establishing the degree to which an investment is environmentally sustainable. In addition, on 27 November 2020, ECB published its guide on climate-related and environmental risks. The guide outlines how ECB expects banks to safely and prudently manage and disclose such risks under the current prudential framework. It is expected that additional extensive legislative measures will be adopted in the years ahead with the aim of strengthening sustainability in the financial and banking sector.

LONG-TERM GROWTH TRENDS IN CENTRAL AND EASTERN EUROPE

The economic catch-up process across the countries of Central and Eastern Europe and the underlying convergence trend continues. This is on the one hand due to the fact that the region has to make up for almost half a century of communist mismanagement of the economy, and on the other hand, due to the fact that banking activities were largely non-existent during that time. With the exception of deposit-taking, modern banking services were largely unknown in these countries after the fall of communism. On the lending side, this was due to high nominal and real interest rates and also to disposable incomes that did not support household credit growth. In addition, a healthy competitive environment was lacking due to extensive state ownership. All this has changed. Disposable income has risen strongly on the back of growing gross domestic products. Most formerly state-owned banks have been sold to strategic investors that have fostered product innovation and competition. Economic growth, which temporarily declined substantially in some countries in CEE following the economic and financial crisis, recovered again. Despite such economic slowdowns and potential temporary negative impacts on the banking markets in Central and Eastern Europe, these factors will remain the driving force behind future development.

In addition, most countries of Central and Eastern Europe have human resources that are at least equivalent to those of Western European countries but do not need to struggle with the unaffordable costs in the long term of the western welfare states and have labour markets that are considerably more flexible. These advantages are complemented by – on average – highly competitive export industries that benefit from wage costs that are low relative to workforce productivity and from investor-friendly tax and welfare systems. A comparison of per capita private debt levels in Central and Eastern Europe with those of advanced economies reveals that even today an enormous gap exists between these markets. Countries such as the Czech Republic and Slovakia, but also Croatia and Hungary, are many years away from reaching Austrian or Western European levels of loans per capita; also in relative terms, these countries differ substantially regarding debt levels common in the West. The contrast to Serbia or Romania is even more pronounced – private debt levels, and particularly household debt, are substantially lower than in the advanced economies. Even though the developments of very recent years will probably lead to a reassessment of what constitutes acceptable debt levels and to only a gradual rise in lending in Central and Eastern Europe, Erste Group still firmly believes that credit expansion accompanied by economic growth in this region will prove to be a lasting trend rather than a short-term process that has already peaked.

Customer loans/capita in CEE (2020) in EUR thousand



Source: Local central banks, Erste Group

Over the upcoming 15 to 20 years, on average, the countries of the eastern part of the European Union are therefore expected to experience higher growth rates than the countries of Western Europe, even though periods of expansion may alternate with times of economic stagnation or even setbacks on this long-term path of sustainable growth.

BUILDING A STRONG BRAND

Slightly more than 200 years ago, our founding fathers wrote: "No age, gender, social class, or nationality shall be excluded from the benefits that a savings bank offers every depositor." With this founding principle – which was revolutionary at the time – Erste Österreichische Spar-Casse contributed substantially to more democracy in finance in our region.

Erste Group was founded to give everyone access to financial services and has developed into an institution that has an impact on the prosperity and the future of a region. Today, it is one of the largest banking groups and employers in Central and Eastern Europe. The trust that Erste Group and its local banks have been enjoying stems from the fact that they have actually been putting the founding principle into practice.

A brand is a consistent promise. It is more than a logo – it is about the perception of people when they think or hear of an organisation, its products and services. Brands have an important identification and differentiation function, which in turn determines whether a customer chooses one brand over another. Ultimately, companies with strong brands benefit from emotional relationships with their customers. Only a few businesses were founded with the aspiration of achieving more than just making profit. Erste Group is one of these and has been benefitting from a high degree of brand awareness and trustworthiness.

Over the last four years, Erste Group has transformed its brand communication from being category- and product-driven to having a purpose-driven approach. To this end, Erste Group has established a statement of purpose as the main group-wide pillar of its brand communication: "Our region needs people who believe in themselves and a bank that believes in them."

More than 200 years ago, a success story started that continues until the present day. The savings banks were founded on this basis of personal trust and the belief in ideas, plans for the future, and people's capabilities and potential. Whether it is in any individual's own life, in a business start-up or a long-established enterprise, in business or in society at large – trust and confidence in the future, believing in oneself and others, the belief in ideas and entrepreneurship are the key prerequisites for personal growth and social well-being.

Therefore, it is not products and services that mark the beginning of the relationship between Erste Group and its customers, but ideas, goals, needs, dreams and plans. It all starts with people who believe in their ability to attain prosperity and shape the future. The future is created by people who believe in themselves and their ideas – their visions of the future.

"Our region needs people who believe in themselves. And a bank that believes in them" is the key sentence that stands for the approach to which Erste Group has been firmly committed for 200 years. #believeinyourself is more than a lead narrative. It encourages people to pursue their aspirations, to create something, and embodies Erste Group's promise to assist them along the way.

Financial and operating performance

ECONOMIC ENVIRONMENT

In 2020, Covid-19 has triggered the deepest global recession in decades. The pandemic induced crisis, which drastically impacted both advanced and emerging markets, has led to an unprecedented contraction in economic activity as more than 85 percent of the countries around the globe experienced shrinking economies. Policy makers have taken extraordinary measures to protect people and national health systems, the economy, and the financial system. To prevent the virus from spreading uncontrollably, most countries imposed stringent lockdown measures in the first half of the year, and with rising infection rates in autumn and winter, further lockdowns followed in the last quarter. To contain the immediate economic damage governments introduced various measures including state guaranteed loans, payment moratoria for private individuals and corporates or subsidies from hardship funds. Central banks have eased monetary policies across the globe, with a balance sheet expansion in the G10 countries of nearly EUR 6.5 trillion, and with more than 20 emerging market central banks deploying asset purchases for the first time. In addition, a fiscal policy response of EUR 10.5 trillion globally has provided substantial support to households and corporates.

Most economies faced a substantial slump in economic activity. With its real GDP declining by 3.4%, the United States outperformed both Japan and the European Union. Leading European economies like Italy and France recorded a double-digit decline in their GDP. Among emerging and developing regions, China outperformed other major economies. Following a sharp output contraction in the first quarter of 2020, China's economic activity rebounded stronger than in most other countries following the relaxation of the initial lockdowns. Overall, China's GDP increased by 2.3%. All other major emerging markets' economies, such as India, Brazil, Russia and Turkey declined substantially. India's economy particularly suffered and fell into its first recession in 40 years. In addition to the Covid-19 crisis, the Russian economy was negatively impacted by lower oil prices. Central and Eastern European economies were similarly hit by the virus induced crisis. Overall, global real GDP declined by 3.5%.

The economic development in the United States was mainly characterised by the Covid-19 outbreak, increasing tension between the US and China and the presidential elections in November. The economy plummeted in April and May as a result of the coronavirus induced crisis, and the unemployment rate rose temporarily above 14% in April. The economy, however, recovered quickly mainly due to robust domestic demand, improving labour market, a very accommodative monetary policy and a large fiscal stimulus. Consequently, the unemployment rate stood at 6.7% at the end of the year. Core inflation remained below the Federal Reserve's 2% target. In March 2020, the Fed reduced its benchmark interest rate to zero and launched a new round of quantitative easing. The programme entailed USD 700 billion worth of asset purchases of Treasuries and mortgage-backed securities as a response to the slowing economy. Overall, the US economy contracted by 3.4% in 2020.

The euro area was also significantly impacted. At 7.2%, economic decline in the euro zone was deeper than in other advanced regions of the world. Government measures implemented as a response to the Covid-19 pandemic – such as nationwide lockdowns, school closures and border restrictions – significantly disrupted domestic economic activity. Tourism, a sector that was virtually shut down completely for many months during the year, suffered significantly. Italy, France and Spain with their very important tourist industries, performed poorly with their real GDP declining by double-digit figures. The biggest economy of the euro zone, Germany, on the other hand, posted a markedly better performance mainly due to its prudent crisis management and stronger production output. Unemployment rates rose across countries. Most euro area governments launched large programmes of public loan guarantees to preserve access to bank loans for businesses. The European Central Bank (ECB) introduced a new Pandemic Emergency Purchase Programme (PEPP) to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area. The programme amounted to EUR 1.85 trillion and was extended until March 2022. ECB also increased its targeted longer-term refinancing operations (TLTROs) to provide low interest rate loans to credit institutions. Overall, EUR 1.7 trillion were taken up by 388 banks. ECB kept its discount rate at zero.

Against this backdrop, Austria's economy was also hit hard. Reflecting the containment measures and the lockdown in spring, a sharp decline in private consumption led to a fall in GDP. Investments also fell significantly. A solid economic rebound began in the third quarter. The easing of travel restrictions, but most importantly strong domestic summer tourism, led to a partial recovery in the economically important tourism sector, with overnight stays in July and August down 15% from 2019 levels, compared to a decline of 60% to 90% in May and June. The unemployment rate increased visibly in the first half of the year, reaching 6.2% in June. In 2020, it stood on average at 5.3%. Short-time work schemes helped to mitigate the effect of the economic downturn on the labour market. The Covid-19 induced crisis has put an abrupt end to the favourable development of Austria's public finances. A crisis management fund launched in March has been covering financial support, such as to strengthen health care services, fixed cost subsidies or short-time work schemes. Tax deferrals and public guarantees for loans also helped companies to avoid liquidity constraints. The general government deficit stood at 8.9% of GDP. Public debt as a percentage of GDP significantly increased to 84.8%. With the sharp economic downturn and the decrease in energy prices, inflation fell from over 2% in the beginning of the year to 1.2% at year end. Overall, average

inflation stood at 1.4% in 2020. Real GDP declined by 7.2%, with GDP per capita falling to EUR 42,000 at year-end.

Central and Eastern European economies struggled as well. Consumption and investments fell visibly, exports and imports posted a double-digit contraction. The large exposure of CEE economies to manufacturing and exports contributed significantly to the economic decline in the spring lockdown. After an unprecedented decline in economic activity, the CEE region saw a very fast economic rebound. The second wave of lockdowns in autumn impacted the regional economies to a much lesser extent, underlying the resilience of CEE industrial production. This time, production was not halted, and foreign demand held up well. Serbia proved to be the best performer, with its GDP contracting only moderately in 2020. Croatia experienced the deepest GDP decline due to the country's heavy dependency on the tourism sector. Unemployment rates in CEE increased but remained still low compared to many Western European countries. The labour markets benefited from government support programmes and widely used short-time work schemes. As a result of lower revenues and higher expenses, public deficits in the region widened. CEE currencies remained weak during the year, with the Hungarian forint testing all-time lows throughout the year. Despite the FX impact, inflation remained relatively moderate. Many of the region's central banks, cut their key rates in the course of the year. The most pronounced were the interest rate cuts of the Czech National Bank. Hungary, Romania, and Serbia also cut their policy rates. Overall, CEE economies shrank between 8.8% in Croatia and 1.1% in Serbia in 2020.

PERFORMANCE IN 2020

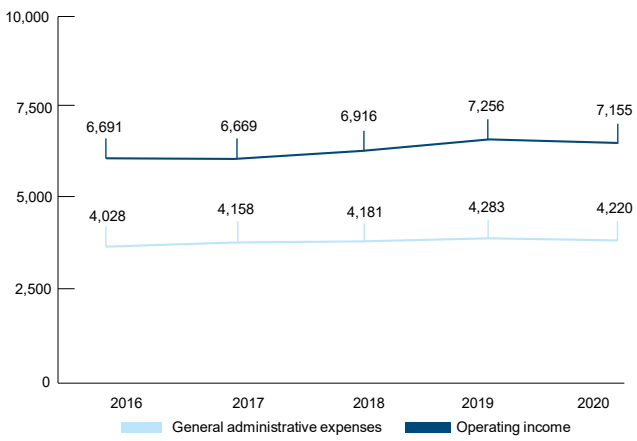
P&L data of 2020 is compared with data of 2019, balance sheet data as of 31 December 2020 is compared to data as of 31 December 2019.

Acquisitions and disposals in Erste Group in 2020 did not have any significant impact and therefore had no effect on the rates of change stated below. Details are provided in the notes to the consolidated financial statements.

Overview

Net interest income increased – mainly in Austria, but also in Romania and Hungary – to EUR 4,774.8 million (+0.6%; EUR 4,746.8 million). **Net fee and commission income** decreased to EUR 1,976.8 million (-1.2%; EUR 2,000.1 million). Higher income from the securities business and asset management did not fully compensate for the declines in other fee and commission income categories – most notably in payment services (thereof EUR 19 million attributable to the impact of the SEPA Payment Services Directive). While **net trading result** declined significantly to EUR 137.6 million (EUR 318.3 million), the line item **gains/losses from financial instruments measured at fair value through profit or loss** improved to EUR 62.0 million (EUR -24.5 million). The development of both line items was driven by valuation effects due to market volatility amid the Covid-19 pandemic. **Operating income** decreased to EUR 7,155.1 million (-1.4%; EUR 7,255.9 million). **General administrative expenses** declined to EUR 4,220.5 million (-1.5%; EUR 4,283.3 million), personnel expenses were slightly lower at EUR 2,520.7 million (-0.6%; EUR 2,537.1 million). Other administrative expenses were reduced to EUR 1,158.9 million (-3.8%; EUR 1,205.1 million). Payments into deposit insurance schemes included in other administrative expenses rose to EUR 132.2 million (EUR 104.8 million). Depreciation and amortisation was unchanged at EUR 540.9 million (EUR 541.0 million). Overall, the **operating result** declined to EUR 2,934.6 million (-1.3%; EUR 2,972.7 million). The **cost/income ratio** was unchanged at 59.0% (59.0%).

Operating income and operating expenses in EUR million



Due to net allocations, the **impairment result from financial instruments** amounted to EUR -1,294.8 million or 78 basis points of average gross customers loans (EUR -39.2 million or 7 basis points). Allocations to provisions for loans as well as for commitments and guarantees given went up in all core markets. The marked rise in allocations to provisions for loans was primarily driven by the deterioration in the macroeconomic outlook due to Covid-19. A positive contribution came from high income from the recovery of loans already written off, primarily in Romania and Hungary.

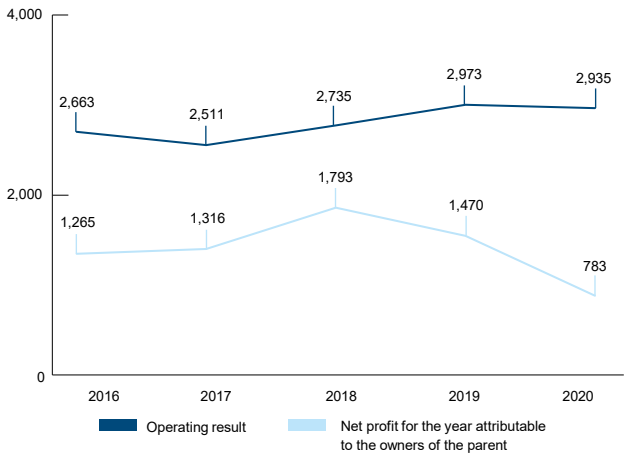
The **NPL ratio** based on gross customer loans deteriorated to 2.7% (2.5%), the **NPL coverage ratio** rose to 88.6% (77.1%).

Other operating result improved to EUR -278.3 million (EUR -628.2 million). The expenses for the annual contributions to resolution funds included in this line item rose – in particular in Austria – to EUR 93.5 million (EUR 75.3 million). The decline in banking and transaction taxes to EUR 117.7 million (EUR 128.0 million) is primarily attributable to the

abolition of banking tax in Romania. In the previous year, other operating result included allocations to a provision in the amount of EUR 153.3 million set aside for losses expected from a supreme court decision concerning the business activities of a Romanian subsidiary as well as the write-off of goodwill in Slovakia in the amount of EUR 165.0 million.

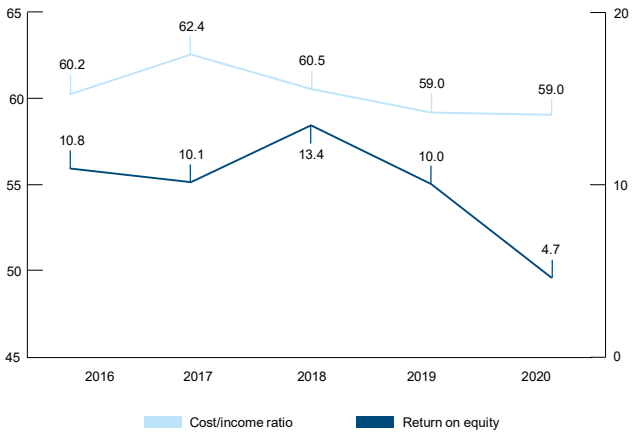
Taxes on income declined to EUR 342.5 million (EUR 418.7 million). The minority charge fell to EUR 242.3 million (EUR 440.9 million) due to significantly lower earnings contribution of the savings banks. The **net result attributable to owners of the parent** declined to EUR 783.1 million (-46.7%; EUR 1,470.1 million).

Operating result and net profit/loss for the year attributable to owners of the parent in EUR million



Cash earnings per share (see glossary for definition) amounted to EUR 1.59 (reported EPS: EUR 1.57) versus EUR 3.25 (reported EPS: 3.23) in the previous year.

Key profitability ratios in %



Cash return on equity (see glossary for definition), i.e. return on equity adjusted for non-cash expenses such as goodwill impairment and straight-line amortisation of customer relationships, stood at 4.7% (reported ROE: 4.7%) versus 10.1% (reported ROE: 10.1%) in the previous year.

Total assets rose to EUR 277.4 billion (EUR 245.7 billion). On the asset side, cash and cash balances increased, primarily in Austria, to EUR 35.8 billion (EUR 10.7 billion), loans and advances to banks decreased to EUR 21.5 billion (EUR 23.1 billion). **Loans and advances to customers** increased to EUR 166.1 billion (+3.6%; EUR 160.3 billion). On the liability side, deposits from banks grew significantly to EUR 24.8 billion (EUR 13.1 billion) on the back of increased ECB refinancing (TLTROs). **Customer deposits** rose again – in all core markets, primarily in Austria and the Czech Republic – to EUR 191.1 billion (+9.9%; EUR 173.8 billion). **The loan-to-deposit ratio** stood at 86.9% (92.2%).

The **common equity tier 1 ratio** (CET 1, CRR final, see glossary for definition) stood at 14.2% (13.7%), the **total capital ratio** (see glossary for definition) at 19.7% (18.5%).

Dividend

In the reporting period, Erste Group Bank AG posted a post-tax loss of EUR 118.4 million under the Austrian accounting regulations, which increased its distributable capital accordingly (2019 post-tax profit: EUR 1,327.1 million). The equity decreased (2019: increased) accordingly.

On 15 December 2020 the European Central Bank (ECB) has issued a recommendation in respect of dividend payouts. The management board of Erste Group will propose a 2020 dividend, in line with the ECB recommendation, of EUR 0.5 per share to the 2021 AGM for payment in May 2021. Furthermore, an additional reserve of EUR 1.0 per share was created, for payment once the ECB recommendation is withdrawn and subject to profitability and capital performance.

On 10 November 2020, the annual general meeting resolved to pay a dividend of EUR 0.75 per share for the fiscal year 2019 (appropriation of net profit), conditional upon no regulatory ECB recommendation to refrain from such payments or no other legal restrictions being in force prohibiting such distributions on 8 February 2021. Based on the ECB recommendations, conditions to pay a dividend of EUR 0.75 per share had not been met as of 8 February 2021, and no dividend was distributed. As a payout is not possible, the dividend is allocated to retained earnings according to the resolution taken at the annual general meeting on 10 November 2020.

Outlook

Erste Group's goal for 2021 is to increase net profit. Among the factors that will support achievement of this goal are a recovery of the economies of all core markets – the Czech Republic, Slovakia, Hungary, Romania, Croatia, Serbia and Austria – and, on this basis, a reduction of risk costs and an improvement in the operating result. A continuation or further escalation of Covid-19 measures by governments as well as potential – and as yet unquantifiable – political, regulatory or economic risks may render meeting this goal more challenging.

In 2021, the positive development of the economy should be reflected in growth rates (real GDP growth) of between 3% and close to 6% in Erste Group's CEE core markets. The development of other economic indicators should vary depending on Covid-19 policy measures imposed by authorities and/or the phasing out of state support. Unemployment rates are expected to rise but, in the Czech Republic and Hungary, should remain among the lowest in the EU. Inflation rates are forecast to decline in the Czech Republic and Slovakia while the other core markets are likely to see a slight acceleration. In most countries, sustained competitiveness should again result in solid and, in Slovakia and Romania, stronger current account balances. The fiscal situation should likewise improve again after the significant budget deficits posted in the year 2020. Public debt is projected to remain largely stable, albeit at a significantly elevated level.

Against this backdrop, Erste Group expects net loan growth in the low to mid-single digit range. This performance should keep net interest income stable despite negative interest rates in the euro zone. The second most important income component – net fee and commission income – is expected to rise in low single digits. As in 2020, positive momentum should again come from fund management, the securities business and insurance brokerage. Given the average result seen in 2020, the net trading and fair value result is expected to come in higher. This, however, will depend substantially on the financial market environment. The remaining income components are forecast to remain, by and large, stable. Overall, operating income should increase again in 2021. Operating expenses are expected to rise slightly in 2021, partly due to re-emerging wage pressure across all Erste Group markets. In addition, Erste Group will continue to invest in IT in 2021 and thus strengthen its competitive position, with a focus on progressive IT modernisation, back-office digitalisation and expansion of the digital platform George. The rollout of George in Hungary and Croatia should be completed in 2021, as a result of which customers will be able to access George in the six largest core markets. Though faced with more challenges in a largely unpredictable environment, Erste Group is striving to make operating income grow faster than costs. This leads Erste Group to project a rise in the operating result in 2021.

Based on the scenario described above, risks costs should decline again in 2021. While precise forecasting is hard in the current Covid-19 environment, Erste Group believes that in 2021 risk costs will not exceed 65 basis points of average gross customer loans. Due to the expected expiry of state support schemes a rise of the NPL ratio to 3 - 4% is expected though.

Other operating result is expected to remain unchanged in the absence of significant one-off effects. Assuming a tax rate of below 25% and a similar level of minority charges as in the previous year, Erste Group aims to achieve an improvement in net profit. Erste Group's CET1 ratio is expected to remain strong. The management board proposes to the annual general meeting in May – in line with ECB recommendation – a dividend for 2020 of EUR 0.5 per share. An additional EUR 1/share has been reserved for a potential later payment.

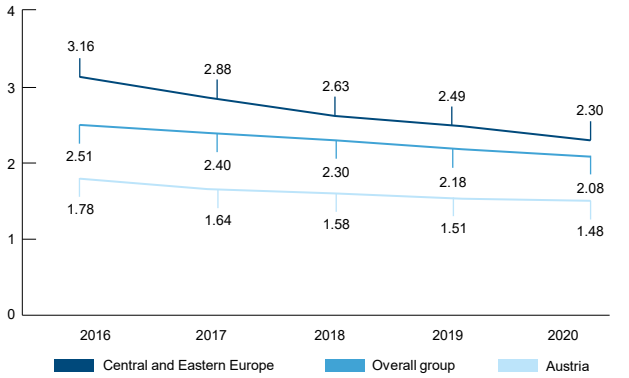
Potential risks to the guidance are besides other than expected (geo)political, economic (monetary and fiscal policies) and regulatory measures and developments also global health risks and changes to the competitive environment. In addition, given the Covid-19 governmental measures and their impact on the economic development, financial forecasts are still subject to an elevated level of uncertainty. Erste Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. Worse than expected economic development may put goodwill at risk.

ANALYSIS OF PERFORMANCE

Net interest income

Net interest income increased to EUR 4,774.8 million (EUR 4,746.8 million). While in Austria (Holding) positive impacts came from more favourable ECB refinancing and lower negative interest on deposits with the ECB, net interest income in the Czech Republic declined significantly due to lower interest rates. Included in net interest income are modification losses in the amount of EUR 49.5 million mainly resulting from moratoria on loan re-payments due to Covid-19.

Net interest margin in %

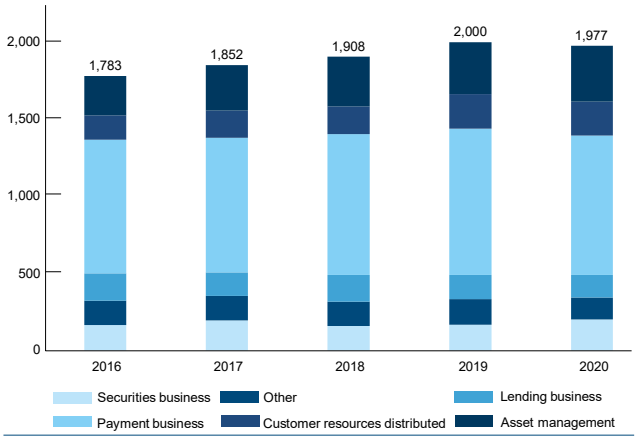


The net interest margin (calculated as the annualised sum of net interest income, dividend income and net result from equity method investments over average interest-bearing assets) stood at 2.08% (2.18%).

Net fee and commission income

Net fee and commission income decreased to EUR 1,976.8 million (EUR 2,000.1 million). Declines were recorded in payment services (thereof EUR 19 million attributable to SEPA, the payment-integration initiative of the European Union) but also in lending business and insurance brokerage commission income. Significant growth was recorded, however – primarily in Austria – in the securities business and in asset management.

Net fee and commission income, structure and trend in EUR million



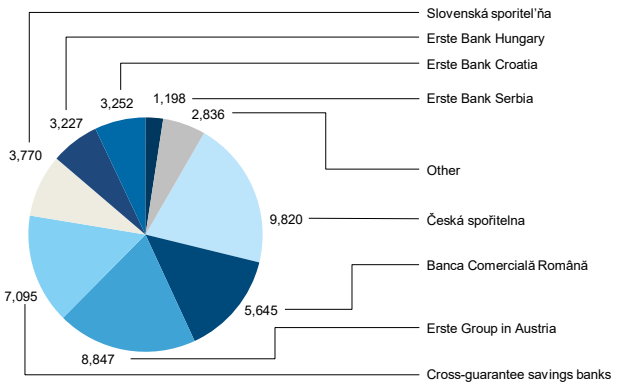
Net trading result & gains/losses from financial instruments measured at fair value through profit or loss

Valuation effects have a substantial impact on both positions – net trading result & gains/losses from financial instruments measured at fair value through profit or loss. Debt securities issued measured at FV through profit or loss are particularly impacted – related valuation results are shown in the line gains/losses from financial instruments measured at fair value through profit or loss, while valuation results of corresponding hedges are shown in net trading result – as are financial assets in the fair value and trading portfolios. Due to valuation effects resulting from interest rate developments, net trading result decreased significantly to EUR 137.6 million (EUR 318.3 million), despite strong income from the foreign exchange business. Conversely, gains/losses from financial instruments measured at fair value through profit or loss improved to EUR 62.0 million (EUR -24.5 million). In addition to gains from the valuation of debt securities in issue due to the development of interest rates, the valuation result of financial assets in the fair value portfolio was, overall, likewise positive. Gains from the valuation of the securities portfolio were significantly higher than the valuation losses in the loan portfolio measured at fair value.

General administrative expenses

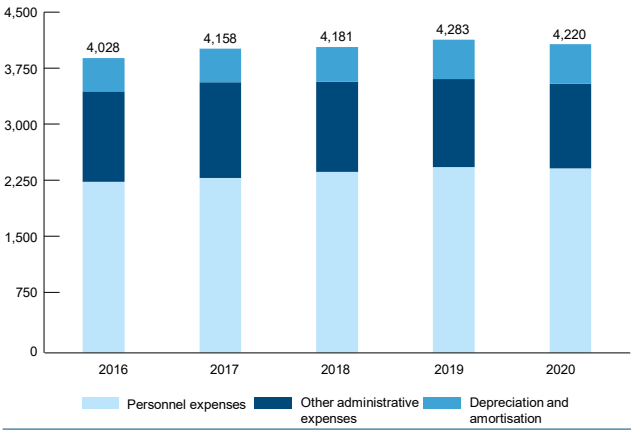
General administrative expenses decreased to EUR 4,220.5 million (EUR 4,283.3 million).

Employees as of 31 December 2020



Personnel expenses declined to EUR 2,520.7 million (EUR 2,537.1 million). While personnel expenses were up in Slovakia as a result of a one-off payment agreed through collective bargaining, they declined in all other core markets, in the Czech Republic and Hungary also due to positive currency effects. **Other administrative expenses** decreased to EUR 1,158.9 million (EUR 1,205.1 million) on the back of a marked reduction of marketing and consulting costs. Contributions to deposit insurance systems rose to EUR 132.2 million (EUR 104.8 million). In Austria, contributions increased substantially to EUR 95.0 million (EUR 58.4 million), driven by a one-off effect as well as continuing strong deposit growth, but declined in Romania to EUR 4.4 million (EUR 12.7 million). IT expenditure was likewise up. **Amortisation and depreciation** amounted to EUR 540.9 million (EUR 541.0 million).

General administrative expenses, structure and trend, in EUR million



Operating result

Due to the significant decline of the net trading and fair value result, operating income decreased to EUR 7,155.1 million (-1.4%; EUR 7,255.9 million). General administrative expenses were reduced to EUR 4,220.5 million (-1.5%; EUR 4,283.3 million). The operating result declined to EUR 2,934.6 million (-1.3%; EUR 2,972.7 million). The cost/income ratio was unchanged at 59.0% (59.0%).

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

Gains from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 6.5 million (EUR 23.5 million). This line item includes primarily gains/losses from derecognition of loans and the sale of securities.

Impairment result from financial instruments

Due to net allocations, the impairment result from financial instruments amounted to EUR -1,294.8 million (EUR -39.2 million). Net allocations to provisions for commitments and guarantees given amounted to EUR -159.2 million (net releases of EUR 70.0 million). The significant rise in allocations to provisions was primarily driven by updated risk parameters with forward-looking information as well as experts' estimates on the impacts of the Covid-19 pandemic. Positive contributions came from continued high income from the recovery of loans already written off – primarily in Romania and Hungary – in the amount of EUR 140.4 million (EUR 154.0 million).

Other operating result

Other operating result improved to EUR -278.3 million (EUR -628.2 million). Levies on banking activities declined to EUR 117.7 million (EUR 128.0 million). Banking tax payable in Austria increased moderately to EUR 25.5 million (EUR 24.3 million). Levies in Slovakia, where they were charged for the last time in the first half of the year, rose to EUR 33.8 million (EUR 32.5 million). Hungarian banking tax increased to EUR 14.5 million (EUR 12.6 million). Together with the financial transaction tax of EUR 44.0 million (EUR 47.6 million), banking levies in Hungary were slightly down, totalling EUR 58.5 million (EUR 60.2 million).

The negative balance of allocations/releases of other provisions decreased markedly to EUR -18.4 million (EUR -207.0 million). The comparative period was negatively impacted by extraordinary effects – a provision in the amount of EUR 153.3 million had been set aside for losses expected from a supreme court decision concerning the business activities of a Romanian subsidiary. Furthermore, goodwill in Slovakia in the amount of EUR 165.0 million had been written down. Other operating result also reflects the annual contributions to resolution funds in the amount of EUR 93.5 million (EUR 75.3 million). Increases were recorded across all core markets, but above all in Austria, to EUR 43.6 million (EUR 33.4 million).

Profit/loss for the year

The pre-tax result from continuing operations amounted to EUR 1,368.0 million (EUR 2,329.7 million). Taxes on income declined to EUR 342.5 million (EUR 418.7 million). The minority charge decreased to EUR 242.3 million (EUR 440.9 million) due to substantially lower earnings contributions of savings banks. The net result attributable to owners of the parent amounted to EUR 783.1 million (EUR 1,470.1 million).

Tax situation

Pursuant to section 9 of the Austrian Corporate Tax Act (KStG), Erste Group Bank AG and its main domestic subsidiaries constitute a tax group. Due to the high proportion of tax-exempt income – particularly income from participating interests – and tax payments for the permanent establishments abroad, no Austrian corporate income tax was payable for the fiscal year 2020. The current tax loss carried forward increased in 2020.

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes. The reported total income tax expense amounted to EUR 342.5 million (EUR 418.7 million).

Balance sheet development

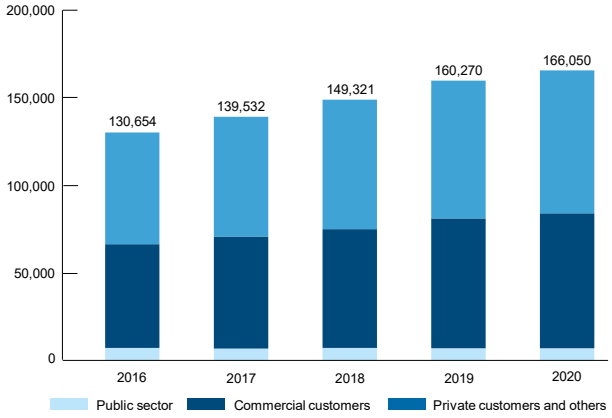
The rise in **cash and cash balances** to EUR 35.8 billion (EUR 10.7 billion) was primarily due to large cash balances held at central banks, not least due to increased TLTRO III funds.

Trading and investment securities held in various categories of financial assets increased to EUR 46.8 billion (EUR 44.3 billion).

Loans and advances to banks (net), including demand deposits other than overnight deposits, declined primarily in Austria to EUR 21.5 billion (EUR 23.1 billion).

Loans and advances to customers (net) rose – most notably in Austria – to EUR 166.1 billion (EUR 160.3 billion) driven by loan growth in the corporate and retail segments. In subsidiaries outside the euro zone, the effect of growth in local currency was offset by the depreciation of the local currencies.

Loans and advances to customers, structure and trend, in EUR million



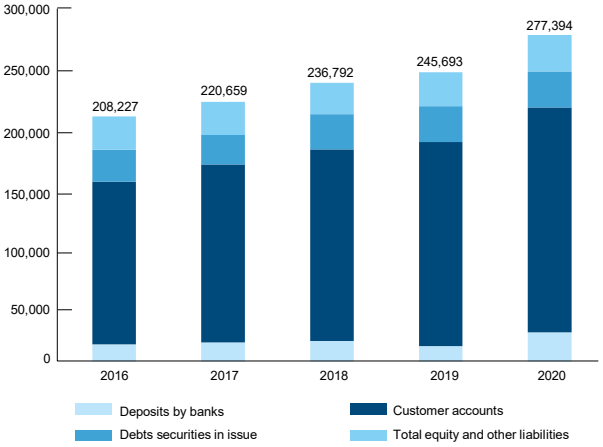
Loan loss allowances for loans to customers rose to EUR 4.0 billion (EUR 3.2 billion). The increase reflected the deterioration in the macroeconomic outlook due to Covid-19.

The **NPL ratio** (non–performing loans as a percentage of gross customer loans) deteriorated to 2.7% (2.5%). The **NPL coverage ratio** (based on gross customer loans) rose to 88.6% (77.1%).

Intangible assets remained unchanged at EUR 1.4 billion (EUR 1.4 billion).

Miscellaneous assets amounted to EUR 5.8 billion (EUR 6.0 billion).

Balance sheet structure/liabilities and total equity in EUR million



Financial liabilities – held for trading increased to EUR 2.6 billion (EUR 2.4 billion).

Deposits from banks, primarily in the form of term deposits, rose to EUR 24.8 billion (EUR 13.1 billion), including EUR 14.1 billion in TLTRO III funds as of the end of December 2020. **Deposits from customers** increased to EUR 191.1 billion (EUR 173.8 billion) due to strong growth in overnight deposits (the leasing liabilities of EUR 0.6 billion were not included in this position). The **loan-to-deposit ratio** stood at 86.9% (92.2%).

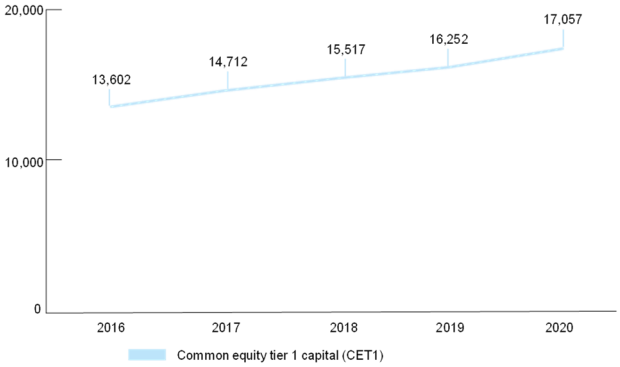
Debt securities in issue increased slightly to EUR 30.7 billion (EUR 30.4 billion).

Miscellaneous liabilities amounted to EUR 5.8 billion (EUR 5.4 billion).

Total assets grew to EUR 277.4 billion (+12.9%; EUR 245.7 billion). **Total equity** increased to EUR 22.4 billion (+9.4%; EUR 20.5 billion) including additional tier 1 (AT1) instruments in the amount of EUR 2,733.0 million from five issuances (June 2016, 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 17.1 billion (EUR 16.3 billion). Total **own funds** (CRR final) went up to EUR 23.6 billion (EUR 22.0 billion) supported by AT 1 issuances. **Total risk (risk-weighted assets** including credit, market and operational risk, CRR final) rose to EUR 120.2 billion (+1.3%; EUR 118.6 billion) benefitting from a positive impact of the application of the SME support factor in an amount of EUR 4.5 billion.

Common equity tier 1 capital (CET 1) according to CRR in EUR million

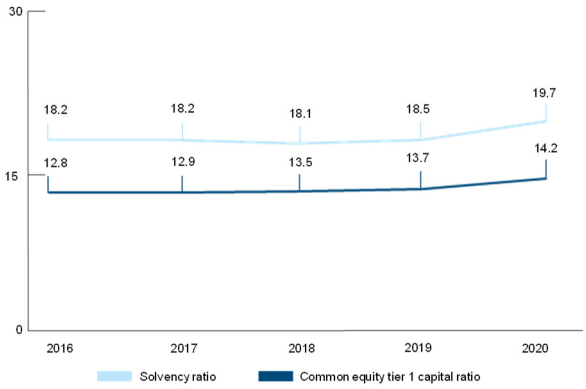


Consolidated regulatory capital is calculated in accordance with CRR, taking into consideration transitional provisions as defined in the Austrian CRR Supplementary Regulation and the Regulation (EU) 2016/445 of the European Central Bank on the exercise of options and discretions available in Union law. These transitional provisions define the percentages applicable

to eligible capital instruments and regulatory deduction items as well as filters. The **total capital ratio**, total eligible qualifying capital in relation to total risk pursuant to CRR (final), was 19.7% (18.5%), well above the legal minimum requirement.

The **tier 1 ratio** (CRR final) stood at 16.5% (15.0%), the **common equity tier 1 ratio** (CRR final) at 14.2% (13.7%).

Solvency ratio and common equity tier 1 capital ratio in %



Segments

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.

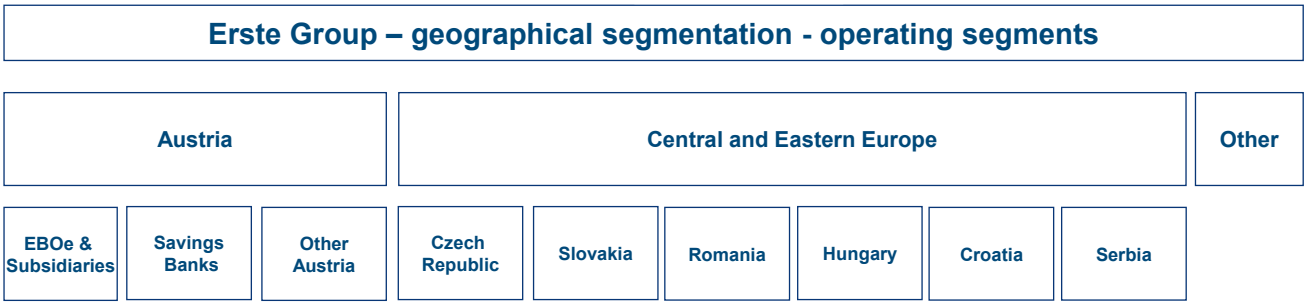
The tables and information below provide a brief overview and focus on selected and summarised items. For more details, please see Note 1. Additional information is available in Excel format at www.erstegroup.com/investorrelations.

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

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 that 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 the following six operating segments covering Erste Group's banking subsidiaries located in the respective CEE countries:

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

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

Austria

Economic review

Austria is a well-diversified, developed and open economy, benefitting from a well-educated workforce. In 2020, the country's strong tourism and service sector were particularly hard hit by the Covid-19 containment measures . Despite a solid summer season, mainly attributable to strong domestic tourism, the tourism sector suffered from lockdowns and travel restrictions. Private consumption of services and durable goods as well as exports and investment fell sharply and contributed to the significant drop in GDP. Although short-time work schemes helped to mitigate the effect of the economic downturn on the labour market, the unemployment rate increased strongly in the first half of 2020, reaching 6.2% in June. On average, it amounted to 5.3%. Overall, real GDP declined by 7.2%, with GDP per capita falling to EUR 42,000.

The Covid-19 induced crisis has put an abrupt end to the favourable development of Austria's public finances. The crisis management fund launched in March 2020 provided financial support to strengthen health care services, and included funding for fixed cost subsidies as well as short-time work schemes. Tax deferrals, reduced advance tax payments and state guarantees for loans also helped companies to avoid liquidity shortages. With declining revenues and rising expenses, the general government deficit stood at 9.8% of GDP. Public debt as a percentage of GDP significantly increased to 84.8%.

With the sharp economic downturn and the decrease in energy prices, inflation fell from over 2% in the beginning of the year to 1.1% in the second quarter before rising again to 1.5% in the third quarter. Inflation in services remained especially high, leading to a core inflation rate of 1.8% and 2.2% in the second and third quarters, respectively. Overall, inflation remained almost unchanged at 1.4% in 2020. As Austria is part of the euro zone, its monetary policy is set by the European Central Bank (ECB), which kept its discount rate at zero in 2020. The ECB introduced its new Pandemic Emergency Purchase Programme (PEPP) to counter serious risks to the monetary policy transmission mechanism and the outlook for the euro area and increased its targeted longer-term refinancing operations (TLTRO) to provide low interest rate loans to credit institutions. In addition, ECB recommended banks to refrain from or limit dividend payments until 30 September 2021.

The three main rating agencies affirmed their credit ratings for Austria. Standard & Poor's credit rating for Austria stood at AA+ with a stable outlook. Moody's credit rating for Austria was at Aa1 also with stable outlook. Fitch's credit rating stood at AA+ while the outlook was revised from positive to stable in May 2020. The outlook change reflected the significant impact of the global coronavirus pandemic on Austria's economy and public finances.

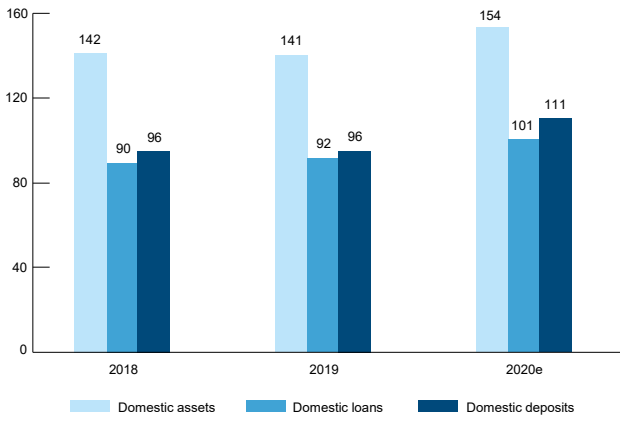
Key economic indicators – Austria	2017	2018	2019	2020e
Population (ave, million)	8.8	8.8	8.9	8.9
GDP (nominal, EUR billion)	369.3	385.4	397.6	374.1
GDP/capita (in EUR thousand)	42.0	43.6	44.8	42.0
Real GDP growth	2.4	2.6	1.4	-7.2
Private consumption growth	1.6	1.1	0.8	-8.8
Exports (share of GDP)	41.1	42.1	42.7	39.9
Imports (share of GDP)	43.1	44.1	44.6	41.9
Unemployment (Eurostat definition)	5.5	4.9	4.5	5.3
Consumer price inflation (ave)	2.2	2.1	1.5	1.4
Short term interest rate (3 months average)	-0.3	-0.3	-0.4	-0.4
EUR FX rate (ave)	1.0	1.0	1.0	1.0
EUR FX rate (eop)	1.0	1.0	1.0	1.0
Current account balance (share of GDP)	1.4	1.3	2.8	2.4
General government balance (share of GDP)	-0.8	0.2	0.7	-9.8

Source: Erste Group

Market review

The developed and highly competitive Austrian banking sector entered the Covid-19 induced crisis with solid financial fundamentals. Capitalisation has strengthened significantly in the last decade, and asset quality has improved substantially. Compared with levels before the global financial crisis that started in 2008, the Austrian banking sector has more than doubled its capital ratio in line with tighter prudential requirements. In 2020, banks managed to keep their capital ratios stable, partly due to regulatory relief measures and regulators' recommendations to refrain from or limit dividend payments. The Systemic Risk (SRB) and the Other Systemically Important Institutions (OSII) buffers were recalibrated to 1% as of December 2020. Starting with 2021, these buffers are cumulative. The Financial Market Stability Board recommended to keep the countercyclical capital buffer at a rate of 0%. Stress test results confirmed that the domestic banking sector's risk-bearing capacity was adequate.

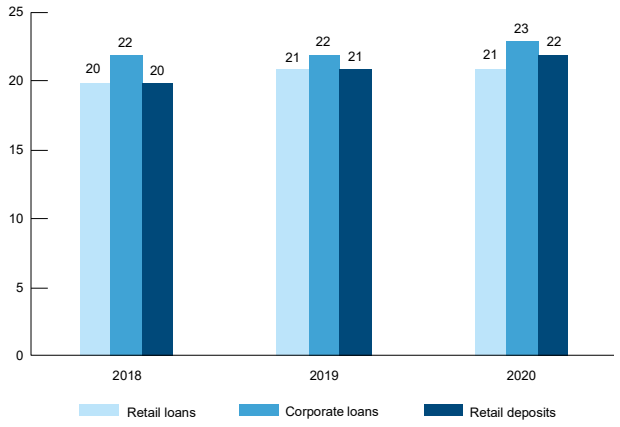
Financial intermediation – Austria (in % of GDP)



Source: Oesterreichische Nationalbank, Erste Group

The banking sectors' profitability was negatively impacted by the pandemic and its implications. On the back of very low interest rates lending activity was healthy with customer loans growing by 3.9% in 2020. The Austrian government adopted a legislative moratorium on credit and interest payments between 1 April 2020 and 31 January 2021, deferring such payments by debtors suffering from income losses in connection with the Covid-19 crisis for a period of ten months and extending loan tenors by the length of the moratorium. Banks were instrumental in paying out state guaranteed loans and, in case of liquidity shortages, bridging loans were made available by the government. Therefore, the impact of the crisis on asset quality was muted in 2020: The ratio of nonperforming loans remained low at year-end. On the savings side, customer deposits grew by 8.6%, driven mainly by the corporate sector. The banking system's loan-to deposit-ratio ratio stood at 91% at the end of the year. Digital financial services and products have continuously been improved and digital penetration increased further. The banking tax remained nearly unchanged in 2020. Overall, the Austrian banking system remained profitable in 2020.

Market shares – Austria (in %)



Source: Oesterreichische Nationalbank, Erste Group

Erste Bank Oesterreich and the savings banks succeeded in further increasing their combined market shares to between 20% and 23% in both retail and corporate business, benefitting from their balanced business model. George, the digital banking platform of Erste Group, proved its reliability during the lockdowns. It has defended its position as the country's most modern and popular banking platform. With 1.9 million users in the country more than a third of the Austrian online banking customers use George. In 2020, George's product range was again widened.

ERSTE BANK OESTERREICH & SUBSIDIARIES

Business review 2020 – three questions to Gerda Holzinger-Burgstaller, CEO of Erste Bank Oesterreich

How did your bank cope with the Covid-19 induced crisis, and how did you support customers and employees?

We put all our efforts into ensuring to stay in touch with our clients via all available channels to help them through these turbulent times. Making sure that we are fully operative and maintain our services was the first and foremost priority. We were permanently challenged to swiftly adapt to changing situations, be that our face-to-face client service in branches or different regulations related to government programmes to keep the economy running, while guiding our clients through these extraordinary times. Looking ahead, we know that significant challenges will remain. The strong economic downturn will, despite substantial state support, take its toll, and companies as well as private individuals will be impacted. It is key that we ensure to keep on servicing our clients, providing solutions to overcome the economic challenges induced by the crisis and to support them on their way back to financial health. We have developed a wide range of initiatives not only to directly support our clients, but

also to take this situation as a starting point to increase robustness, be it by participating in activities aimed at improving capital markets in Austria or supporting financial literacy.

Making all of this happen also deeply challenged our employees in an unprecedented manner to adapt to new ways of working. In March 2020, we successfully managed to move the majority of our staff to remote working within a matter of days, demanding changes in leadership and processes. Ensuring the well-being of our employees will remain a key priority.

How did you manage to successfully differentiate your business activities from those of your competition?
The consistent execution of our brand and innovation driven strategy, leveraging the potentials of new technologies not only to improve processes, but also to increase customer proximity has proven to be of special importance in these critical times and helped us again to convince people to choose us as their banking partner. Building an all remote advisory capability for our private clients, whilst at the same time keeping physical service points and our online offering, is key to ensure that we offer banking services whenever and wherever required by customers. Rolling out George to the micro business segment was a further step in extending the offer of our successful online banking platform.

The implementation of our new corporate coverage model helped us to ensure that we can approach our clients in a more targeted manner and deliver even better service to them, leveraging the full potential of our coverage teams.

Despite the crisis, we have managed to improve our online service portfolio further and launched a number of initiatives aimed at increasing the level of straight-through processes and the usage of digital solution to further increase efficiency and effectiveness. We have initiated the transformation of our banking operations focusing on standardised core services to ensure that we do what we know best: banking.

Looking back at the year, what major achievements are especially noteworthy, and which ESG related topics or developments were most relevant for you?
Taking on our responsibility not only towards our shareholders, but also towards society at large remains a key area in our efforts. We believe that ESG not only means that we support the transition to a decarbonised economy, but also to make sure that we support society as a whole by proper corporate responsibility. All of this not only entails offering green investment products to our clients or financing investments that meet our responsible financing requirements. It goes far beyond that, supporting clients to build financial literacy to ensure their financial health and helping those who are in financially unhealthy situations to recover, for example through the Zweite Sparkasse. This is genuinely rooted in Erste Group's Statement of Purpose, which serves as a guiding principle and drives our decision making.

Business review – Additional question on cooperation with the savings banks

How did cooperation with the savings banks develop, and what were the major achievements in this area?
The savings banks group was also an important financial partner in 2020 for all private and commercial customers in dealing with financial problems in the context of the Covid-19-induced crisis. The savings bank group continued to grow in the financing business, in acquiring new customers and in the securities business.

A new customer interface is available to all account managers in sales, making customer-oriented advice much easier. Further progress was made in harmonisation and standardisation: Following the successful harmonisation of the product range for private and commercial customers across the savings banks group, products that were no longer required were removed from the product portfolio and IT systems. This led to a visible reduction in complexity. The next step is to harmonise the processes in lending business and opening accounts. In the area of advice on housing loans, a new, uniform advice interface has been implemented that can be used together with the customer on one screen.

Financial review

in EUR million	2019	2020	Change
Net interest income	642.1	638.2	-0.6%
Net fee and commission income	398.9	406.6	1.9%
Net trading result and gains/losses from financial instruments at FVPL	29.1	13.8	-52.7%
Operating income	1,117.9	1,126.1	0.7%
Operating expenses	-717.1	-711.4	-0.8%
Operating result	400.8	414.7	3.5%
Cost/income ratio	64.1%	63.2%	
Impairment result from financial instruments	-6.0	-135.8	>100.0%
Other result	-18.9	-9.5	-49.7%
Net result attributable to owners of the parent	263.2	222.0	-15.6%
Return on allocated capital	16.4%	15.6%	

Net interest income decreased slightly due to modification losses related to loan moratoria, lower result from debt securities and moderately lower loan margins, which could only partially be compensated by higher loan volumes. Net fee and commission income rose predominantly on the back of higher securities fees. The decline in net trading result and gains/losses from financial

instruments at FVPL was driven by valuation effects. Operating expenses decreased mainly due to lower marketing and IT expenses, while the deposit insurance contribution went up to EUR 49.9 million (EUR 25.0 million). Consequently, operating result increased, and the cost/income ratio improved. The deterioration of impairment result from financial instruments was driven by higher provisioning requirements in the retail and corporate business, mainly related to updated risk parameters with forward-looking information and stage overlays. Other result improved due to selling gains for real estate, which were partially offset by a shift of expenses from rental income from investment properties and other operating lease to other result. Payments into the resolution fund increased to EUR 10.5 million (EUR 7.8 million). Banking tax remained largely unchanged at EUR 3.7 million (EUR 3.6 million). Overall, the net result attributable to owners of the parent declined.

Credit risk

Credit risk exposure in the Erste Bank Oesterreich & Subsidiaries segment rose to EUR 46.5 billion (+3.3%), while the volume of customer loans increased to EUR 35.6 billion (+2.9%). The share of this segment in Erste Group's total loan portfolio was unchanged at 21.0%. The share of retail customers in total loan volume declined to 39.5% (40.1%), while the share of corporates, including self-employed individuals and small businesses, rose to 55.1% (54.0%). Loans to professionals, other self-employed individuals and small businesses are less significant than they are for other Austrian savings banks. Lending to the public sector declined to EUR 1.9 billion (-5.1%). The share of Swiss franc denominated loans in the total loan portfolio decreased further to 3.2% (3.8%). The quality of the loan portfolio deteriorated on the back of the Covid-19 induced crisis. At 1.6% (1.4%), non-performing loans as a percentage of total loans to customers were still low, though. The development was slightly negative across all customer segments, but most visibly among larger enterprises in the Corporates business segment. The NPL coverage ratio based on loan loss provisions rose to 63.4% (58.0%).

SAVINGS BANKS

Financial review

in EUR million	2019	2020	Change
Net interest income	1,052.1	1,069.4	1.6%
Net fee and commission income	490.6	519.6	5.9%
Net trading result and gains/losses from financial instruments at FVPL	52.0	16.6	-68.1%
Operating income	1,640.2	1,648.6	0.5%
Operating expenses	-1,120.1	-1,106.1	-1.3%
Operating result	520.1	542.5	4.3%
Cost/income ratio	68.3%	67.1%	
Impairment result from financial instruments	0.7	-267.2	n/a
Other result	26.3	-4.1	n/a
Net result attributable to owners of the parent	64.8	41.6	-35.7%
Return on allocated capital	13.0%	7.1%	

The increase in net interest income was primarily driven by the inclusion of a new subsidiary of a savings bank as well as higher customer loan volumes. Net fee and commission income increased on the back of higher securities as well as payment, lending and documentary fees. The worsening of net trading result and gains/losses from financial instruments at FVPL was primarily driven by valuation effects. Operating expenses decreased mainly due to lower IT, marketing and personnel expenses offsetting the increase in the deposit insurance contribution to EUR 45.0 million (EUR 33.4 million). Consequently, operating result as well as the cost/income ratio improved. Impairment result from financial instruments deteriorated significantly on updated risk parameters with forward looking information and stage overlays. Other result worsened on the non-recurrence of the booking of a badwill for a newly acquired subsidiary of a savings bank last year. Contributions to the resolution fund increased to EUR 9.5 million (EUR 7.9 million). Banking tax remained almost unchanged at EUR 4.6 million (EUR 4.3 million). Overall, the net result attributable to the owners of the parent decreased.

Credit risk

Credit risk exposure in the Savings Banks segment increased to EUR 71.2 billion (+6.7%), while loans to customers rose to EUR 50.4 billion (+5.4%). Their share in Erste Group's total loans to customers was up at 29.6% (29.3%). Lending to private households registered slightly above-average growth, raising its share in the Savings Banks' total customer loan portfolio to 39.5% (39.2%). Loans to professionals, other self-employed persons and small businesses stagnated at EUR 6.6 billion. At 13.2% (13.9%) of total loans, the share of this customer segment was again extraordinarily large and, most notably, significantly larger than at Erste Group's subsidiaries in Central and Eastern Europe. This reflects the Savings Banks' predominantly local and regional operations as well as the structure of the Austrian economy, which has a higher percentage of small and medium-sized businesses than many other countries. Swiss franc-denominated foreign-currency loans declined further to EUR 1.5 billion (-16.8%). Due to government support provided amid the outbreak of the Covid-19 pandemic, the share of non-performing loans as a percentage of total loans to customers was unchanged at 2.8%. The NPL coverage ratio based on loan loss provisions rose markedly to 70.2% (63.9%).

OTHER AUSTRIA

Business review 2020 – three questions to Ingo Bleier, Chief Corporates and Markets Officer

How did your teams cope with the Covid-19 induced crisis, and how did you support customers and employees?

Proactive communication via various channels (be it online contact, our call center or calls by relationship managers) enabled us to explore our clients' needs and show our clients alternatives specifically tailored to their individual business requirements. We helped them to choose the most suitable solution to service them not only in accessing the various state support measures with minimal effort. The basis for that was to keep all banking services accessible, uninterrupted and functional as well as an excellent collaboration with risk management.

While real estate was less affected by the public moratoria as most of our clients were able to meet their financial obligations, capital markets business was hit hard in March 2020. Nevertheless, we constantly kept our doors open and provided our customers with liquidity and quick and competitive pricing, which was extremely appreciated.

How did you manage to successfully differentiate your business activities from those of your competition?

The main differentiator in 2020 was our prompt, unbureaucratic and individual client approach. Erste Group clearly proved that we have the expertise to manage a crisis situation by acting in a trustworthy and authentic way. Our underwriting standards and risk policies allowed us to show stability in a very challenging situation, and we were able to quickly take up new business opportunities after the first lockdowns. In the markets area, this is reflected in debt and equity origination mandates of almost EUR 107 billion in volume and in the execution of up to 12,000 orders per day by our clients. In Austria, 50% of our FX deals are traded digitally. Another success factor was the close cooperation between all departments, front-, back- and mid-office, as well as with our asset management company, which was able to rapidly regain volume by acting as a reliable partner and very successful portfolio manager.

Looking back at the year, what major achievements are especially noteworthy, and which ESG related topics or developments were most relevant for you?

We merged the large corporate and the real estate businesses of the Holding and Erste Bank Oesterreich in Austria. In addition, we managed to strengthen relationships to our corporate and institutional clients, and we were able to grow our loan volumes on top of the Covid-19 related liquidity needs.

On the corporate digital side, we improved the offering towards a multifunctional frontend for guarantees and letter of credits and we launched the first fully digital onboarding process for corporates in Austria, which allows opening accounts remotely for new customers to the bank.

We implemented a dedicated, cross-functional ESG team within the large corporates department and, thus, included the increasingly important topics of environment, social affairs and governance in our strategic dialogue with clients. Furthermore, we introduced ESG minimum standards for the underlying selection of our entire retail structured investment product range and continuously trained and certified our sales team to increase the awareness in ESG related matters.

Financial review

in EUR million	2019	2020	Change
Net interest income	406.9	451.0	10.8%
Net fee and commission income	240.7	249.9	3.8%
Net trading result and gains/losses from financial instruments at FVPL	-13.0	-23.9	83.2%
Operating income	689.7	721.8	4.7%
Operating expenses	-378.1	-367.2	-2.9%
Operating result	311.6	354.5	13.8%
Cost/income ratio	54.8%	50.9%	
Impairment result from financial instruments	-7.3	-202.3	>100.0%
Other result	47.4	-14.4	n/a
Net result attributable to owners of the parent	278.3	103.2	-62.9%
Return on allocated capital	13.3%	5.2%	

Net interest income increased primarily due to growth of corporate lending volumes in the Holding. Net fee and commission income increased, backed by increased securities transactions, origination and sales activities in the market business of Holding as well as by increased asset under management volumes and performance of managed funds in Erste Asset Management. Net trading result and gains/losses from financial instruments at FVPL went down due to lower valuation results of interest rate derivatives as well as a decrease in market prices of fair value securities and lower valuation of FV loans portfolio. Overall, operating income improved. Operating expenses decreased, mostly due to lower IT related costs and depreciation. Thus, operating result and the cost/income ratio improved. The impairment result from financial instruments deteriorated significantly due to an increased provisioning level in corporate business, mainly related to updated risk parameters with forward-looking information and stage overlays. Other result deteriorated primarily due to the non-recurrence of last year's selling gains. Other result included also the resolution fund contribution of EUR 9.6

million (EUR 6.6 million). Overall, the net result attributable to owners of the parent deteriorated significantly.

Credit risk

Credit risk exposure in the Other Austria segment, which is almost completely made up of Erste Group Bank AG and Erste Group Immorent GmbH, was lower at EUR 36.4 billion (-3.6%) due to a decline in money and capital market business. Its share in Erste Group's total credit risk exposure fell to 12.7% (13.8%). A large proportion of risk positions in this business segment was accounted for by securities and cash balances held with other banks. Consequently, the share of loans to customers in Erste Group's total loan portfolio was significantly lower than the contribution to credit risk exposure. At year-end it stood at 9.0% (9.3%). In the Corporates business segment, slight growth was registered in the large corporates business as well as in real estate financing while lending to the public sector declined again. The rise of the NPL ratio (non-performing loans as a percentage of the total loan portfolio) to 2.8% (2.2%) was primarily attributable to the large corporates business. Part of the categorisation of loans as non-performing is in fact based on the assumption of repayment being unlikely rather than loans being actually past due or businesses insolvent. Within the category of performing loans, loans to businesses whose solvency is expected to be seriously impaired by the Covid-19 crisis have been shifted from the low-risk to the management attention category. Loan loss provisions increased substantially to 78.1% (66.8%) of non-performing loans.

Central and Eastern Europe

CZECH REPUBLIC

Economic review

The Czech Republic is among the most open economies in the CEE region. The country ranks seventh in the Economic Complexity Index, a holistic measure of the productive capabilities of large economic systems. In 2020, the Czech Republic's economy was hit visibly by the Covid-19 induced crisis. Private consumption, which was the main driver of growth in recent years, dropped by 5.3%, reflecting continued uncertainty and ongoing restrictions. Investments also contracted significantly, by 5.4%, due to supply chain disruptions, high uncertainty and restrictions affecting workforce availability during the first lockdown period.

The majority of exports are related to the automotive and engineering industries. Trade was impacted strongly due to the structure of Czechia's exports. Although net exports did not contribute positively to economic growth, industrial production still benefitted from the relatively good performance of the automotive industry. Reflecting the economic performance, the unemployment rate increased to 2.6%, still very low compared to most of the European Union countries. Overall, real GDP fell by 5.6% and GDP per capita declined to EUR 19,400.

The general government balance ended 2020 with a deficit of 5.8%. On the revenue side, the most visible impact resulted from a decline in corporate income tax followed by a drop in indirect tax revenue due to lower domestic consumption. Government support programmes added up to over 4% of GDP. At 43.7%, public debt as a percentage of GDP increased in 2020 but still remained one of the lowest in the European Union.

Inflation in the Czech Republic was more pronounced in 2020 than in other CEE countries. Overall, average consumer price inflation amounted to 3.2%. The Czech koruna was volatile against the euro, hitting a multiple year low in the first quarter of 2020 before appreciating later in the year. In 2020, the Czech National Bank cut its key rate in three steps by 200 basis points to 0.25%.

Rating agencies did not change their ratings and outlook for the Czech Republic in 2020. Moody's left its long-term credit rating at Aa3 with a stable outlook. Standard and Poor's and Fitch kept their ratings at AA- with a stable outlook.

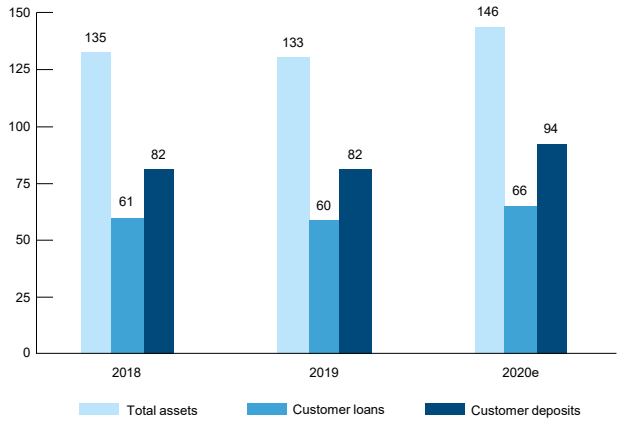
Key economic indicators – Czech Republic	2017	2018	2019	2020e
Population (ave, million)	10.6	10.6	10.7	10.7
GDP (nominal, EUR billion)	194.3	211.1	224.1	207.5
GDP/capita (in EUR thousand)	18.4	19.9	21.0	19.4
Real GDP growth	5.4	3.2	2.3	-5.6
Private consumption growth	4.0	3.3	2.9	-5.3
Exports (share of GDP)	68.6	66.8	64.2	64.2
Imports (share of GDP)	65.5	65.0	61.7	60.8
Unemployment (Eurostat definition)	2.9	2.3	2.0	2.6
Consumer price inflation (ave)	2.4	2.2	2.8	3.2
Short term interest rate (3 months average)	0.4	1.3	2.1	0.9
EUR FX rate (ave)	26.3	25.6	25.7	26.5
EUR FX rate (eop)	25.5	25.7	25.4	26.2
Current account balance (share of GDP)	1.5	0.4	-0.3	2.2
General government balance (share of GDP)	1.5	0.9	0.3	-5.8

Source: Erste Group

Market review

Based on its solid fundamentals, the Czech banking sector proved to be resilient to the Covid-19 induced crisis. Customer loans grew by 4.2%, an impressive performance considering the unfavourable circumstances. As a response to the crisis, the Czech National Bank decided to relax limits on loan-to-value, debt-to-income and debt-service-to-income ratios. In addition, the central bank reduced the counter-cyclical capital buffer from 1.75% to 0.50%. Retail loans outgrew corporate loans mainly driven by mortgage lending. Customer deposits increased by 8.9%, mostly on the back of retail deposits. The Czech banking market remained one of the most liquid in Central and Eastern Europe. At year-end, the loan-to-deposit ratio across the banking sector stood at 69.7%. The solid fundamentals were confirmed by the banking sector's total capital ratio of above 20%.

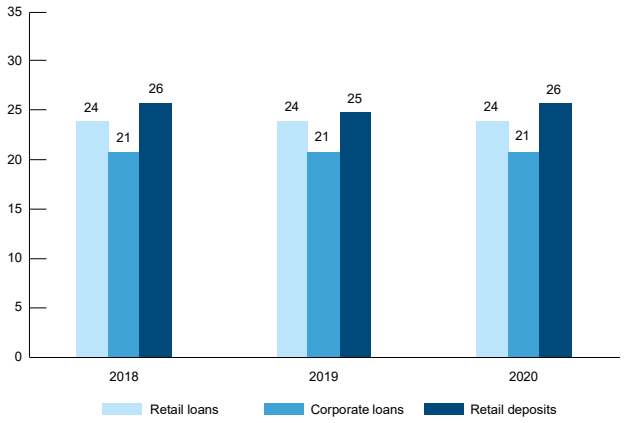
Financial intermediation – Czech Republic (in % of GDP)



Source: Czech National Bank, Erste Group

Despite the very low interest rate environment, the Czech banking market continued to perform well in terms of profitability. Revenues, especially net interest income, were significantly impacted by the 200 basis points interest rate cut in 2020. The lower rate environment was partially compensated by better than expected loan growth. Cost management remained strict. The restrictions imposed to address the pandemic intensified the acceptance of online services and contributed to a further reduction of branches. Risk provisions increased significantly and had a substantial impact on profits. As the share of non-performing loans remained close to historically low levels, the coverage ratio increased significantly. Loan repayment moratoria, one of the shortest in CEE, were in place between April and October with a lower than expected participation rate. Overall, the banking system ended the year with a return on equity of 8%. Consolidation of the banking sector continued, with some smaller acquisitions during 2020.

Market shares – Czech Republic (in %)



Source: Czech National Bank, Erste Group

Česká spořitelna maintained its very strong market positions across all product categories. Its retail lending market shares ranged from 23% to 28%, while its market shares in the corporate lending business remained above 20%. With a market share of 28% the bank also retained the top position in consumer lending, including the credit card business. Česká spořitelna built on its market leadership position in asset management products, pushing its market share to 28%. Overall, its market share in terms of total assets stood at 19.2%. The three largest banks have a combined market share of approximately 60% in customer loans and deposits.

Business review 2020 – three questions to Tomáš Salomon, CEO of Česká spořitelna

How did your bank cope with the COVID-19 induced crisis, and how did you support customers and employees?

Česká spořitelna was the first Czech bank to offer its clients a postponement on their loan instalments by three to six months after the Covid-19 pandemic started in spring 2020. Our employees cared for our clients over the telephone and online, thereby limiting the adverse impact of restricted opening hours or in some cases, the closure of branches. We capitalised on our market leadership in many areas, for example, in that we are the only bank on the market to use voice biometrics, thanks to which people can be identified and submit payment orders by telephone.

Throughout the year, our bank supported retail clients, entrepreneurs and corporate clients. For example, we started to offer micro and small entrepreneurs payment terminals for fast and contactless acceptance of payments free of charge for eight months. In addition, we participated in Covid programmes aiming at supporting small and medium-sized companies by operating loans on concessional terms. To large corporations, Česká spořitelna offers operating loans with a guarantee by EGAP, the Export Guarantee and Insurance Corporation.

To alleviate the challenging situations of vulnerable clients we did not hesitate to temporarily cancel some fees.

Our bank also offered its facilities to the government. In co-operation with the Ministry of Health and public health stations, Česká spořitelna has formed a specialised tracking team at its client centre, comprised of experienced operators. The team has joined the efforts against the spreading of the Coronavirus, helping public health authorities to track infected persons. Most recently, Česká spořitelna launched a special phone line for seniors over 80, to help them to register for the Covid-19 vaccination.

It goes without saying that Česká spořitelna also paid special attention to its employees. The bank enabled its employees to work from home to the greatest possible extent.

How did you manage to successfully differentiate your business activities from those of your competition?
Česká spořitelna further boosted its market leadership in many fields. After 12 years, Česká spořitelna ranked top in the mortgage market in terms of new sales (plus CZK 66 billion, approximately EUR 2.6 billion, in 2020). Our mortgage portfolio reached CZK 300 billion (approximately EUR 11.4 billion).

We strengthened our leading position in asset and wealth management. In autumn 2020, the volume of assets under management of retail investors reached CZK 200 billion (ca. EUR 7.6 billion). Our share on the mutual funds market grew to 27.6%.

The efforts targeted at further improving our digital solutions were equally successful. The number of mobile George users grew to almost 1 million. Thanks to our initiatives, our overall net promoter score increased by 7 points to 28.

Looking back at the year, what major achievements are especially noteworthy, and which ESG related topics or developments were most relevant for you?
Our bank once again confirmed its position as responsible corporate citizen of the Czech Republic that significantly contributes to the country's growth and prosperity. Apart from the above mentioned efforts targeted to help the government to deal with the Covid-19 induced crisis, we kept on striving to enhance E-government, a modern and efficient administration. Together with ČSOB and Komerční banka, we made it possible for our clients to start using their bank ID for registering to e-government services as of 1 January 2021. Later on, the use of the bank ID as a universal identification tool will be further extended to commercial services providers.

We also initiated the launch of the National Development Fund that is intended to help to finance significant infrastructural projects in the Czech Republic.

We were among the initiators of the ESG platform of the Czech Banking Association. The ambition is to formulate ESG standards for banks and financial institutions operating on the Czech market.

Thanks to our innovation efforts, we won the Bank of the Year trophy awarded by the British magazine The Banker in the Czech Republic.

Financial review

in EUR million	2019	2020	Change
Net interest income	1,141.1	1,049.0	-8.1%
Net fee and commission income	334.7	311.6	-6.9%
Net trading result and gains/losses from financial instruments at FVPL	109.7	94.7	-13.7%
Operating income	1,600.5	1,466.6	-8.4%
Operating expenses	-753.9	-722.4	-4.2%
Operating result	846.6	744.2	-12.1%
Cost/income ratio	47.1%	49.3%	
Impairment result from financial instruments	6.2	-299.8	n/a
Other result	-27.6	-25.6	-7.1%
Net result attributable to owners of the parent	666.5	334.7	-49.8%
Return on allocated capital	26.6%	12.9%	

The segment analysis is done on a constant currency basis. The CZK depreciated by 3.1% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) de-creased primarily due to significantly lower interest rates as well as a loan repayment moratorium leading to modification losses. Net fee and commission income decreased due to lower maintenance fees for current accounts in the retail segment as well as lower payment fees on the back of the euro cross border payments regulation SEPA and the Covid-19 impact. These developments were partially offset by an increase in securities fees. The lower result from net trading and from gains/losses from financial instruments at FVPL was attributable to negative valuation effects. Personnel costs decreased, and together with lower travel, training and marketing costs, led to a decline in operating expenses, while IT costs and depreciation increased. The deposit insurance contribution amounted to EUR 10.1 million (EUR 10.4 million). Overall, operating result declined, the cost/income ratio worsened. Impairment result from financial instruments deteriorated as a consequence of updates of risk parameters with forward looking information and stage overlays. The other result improved slightly. Contributions to the resolution fund amounted to EUR 29.1 million (EUR 26.6 million).

Altogether, these developments led to a decrease in the net result attributable to the owners of the parent.

Credit risk

Credit risk exposure in the Czech Republic segment rose to EUR 62.0 billion (+3.5%). Compared with previous years, loans to customers grew more slowly and amounted to EUR 29.6 billion (+1.4%), which was largely due to the depreciation of the Czech koruna against the euro. While the retail business posted marginal growth, loans to corporate customers were slightly down. Customer loan volume as a percentage of Erste Group's total loans to customers fell to 17.4% (17.9%). In terms of business volume, the Czech Republic is still by far the second most important market for Erste Group after Austria. Despite a slight downward trend, the quality of customer loans was again better than in Erste Group's other core markets in Central and Eastern Europe. Non-performing loans as a percentage of total loans to customers rose to 2.2% (1.8%). In addition to overdue payments and insolvencies, a major part of defaults in both the Retail and the Corporates business segments was attributable to a critical review of future debt servicing ability against the backdrop of the Covid-19 induced crisis. Loan loss provisions increased significantly to 115.1% (96.3%) of non-performing loans.

SLOVAKIA

Economic review

Slovakia is an open economy characterised by strong automotive, electronics and services sectors. The Covid-19 induced crisis pushed the country's economy into a broad-based recession in 2020. Investment, private consumption and net exports contracted significantly. In the second quarter of 2020, Slovakia saw a historic decline in GDP, followed by a very strong recovery in the third quarter predominantly on the back of a strong export performance. The latter benefited from the traditionally strong car industry. Services related to tourism, accommodation, restaurants and culture were severely hit, while the industry sector performed relatively well. The country's labour market, despite being negatively affected, showed signs of resilience. The unemployment rate rose moderately to 6.8% as government measures protected jobs and mitigated negative impacts. Overall, real GDP fell by 5.2%, and GDP per capita declined to EUR 16,600.

Public finances deteriorated significantly against the backdrop of declining revenues and sizeable fiscal support measures cushioning the economic impact of the pandemic. Revenues were negatively impacted by weak tax revenues and social contributions. The main measures encompassed employment support, sickness and nursing benefits as well as rent subsidies. Consequently, the fiscal deficit deteriorated to 8.0%. The country's public debt as a percentage of GDP increased to 60%.

Inflation slowed down in 2020. Average consumer price inflation eased to 1.9%, mainly driven by lower energy prices. Wage growth was less pronounced than previously expected. As Slovakia is part of the euro zone, its monetary policy is set by the European Central Bank which kept its discount rate at zero in 2020. In the context of the pandemic, the European Central Bank introduced the Pandemic Emergency Purchase Programme and long-term refinancing operations (TLTRO) as important components of its monetary policy.

Moody's kept its long-term credit rating of A2 with a stable outlook for Slovakia. Standard & Poor's also left its rating unchanged at A+ but changed its outlook from stable to negative in July 2020. Fitch downgraded Slovakia's long-term credit rating from A+ to A in May and changed its outlook in another step from stable to negative in November.

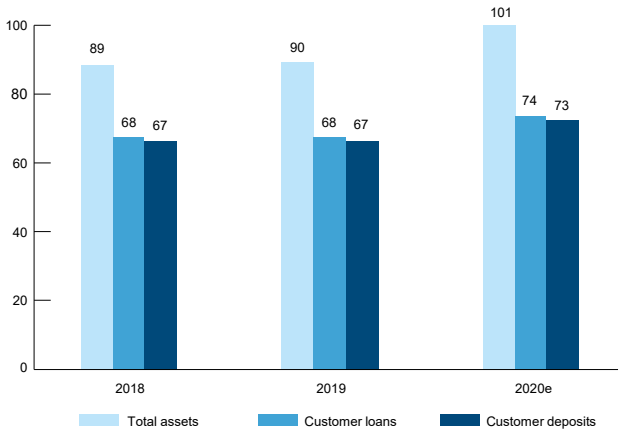
Key economic indicators – Slovakia	2017	2018	2019	2020e
Population (ave, million)	5.4	5.5	5.5	5.5
GDP (nominal, EUR billion)	84.5	89.5	93.9	90.8
GDP/capita (in EUR thousand)	15.5	16.4	17.2	16.6
Real GDP growth	3.0	3.8	2.3	-5.2
Private consumption growth	4.5	4.2	2.2	-0.7
Exports (share of GDP)	83.4	84.0	80.6	72.5
Imports (share of GDP)	82.7	84.2	81.6	73.0
Unemployment (Eurostat definition)	8.1	6.5	5.8	6.8
Consumer price inflation (ave)	1.3	2.5	2.7	1.9
Short term interest rate (3 months average)	-0.3	-0.3	-0.4	0.0
Current account balance (share of GDP)	-1.9	-2.2	-2.7	-2.7
General government balance (share of GDP)	-0.9	-1.0	-1.4	-8.0

Source: Erste Group

Market review

Market loan and deposit growth continued at a solid pace in 2020. Customer loans increased by 5.1%, driven by housing loans, which grew by 9.2%. Consumer loans, on the other hand, declined by 8.2% mainly due to the impact from the Covid-19 induced measures and stricter debt-service-to-income (DSTI) limits from the beginning of 2020. Corporate loans grew by 1.7%, with state guarantees and payment deferrals providing liquidity. At 6.3%, customer deposits rose faster than customer loans, resulting in a system loan-to-deposit ratio of 101.4%. Asset management continued its positive development, with an annual growth rate of 6.0%. Consolidation in the Slovak banking market continued, with KBC acquiring OTP's Slovak subsidiary in February 2020.

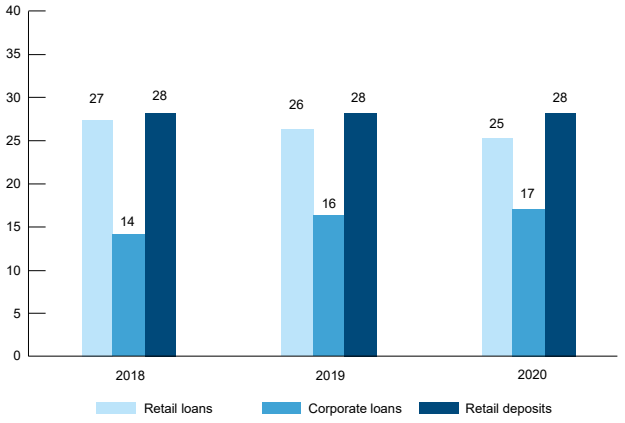
Financial intermediation – Slovakia (in % of GDP)



Source: National Bank of Slovakia, Erste Group

The Slovak banking sector remained profitable in 2020. The very low interest rate environment continued to weigh on net interest income. Fee and commission income benefitted from asset management and insurance brokerage business. Banks started to increase fees for cash transactions. Expenses remained under control, financial institutions reduced their number of branches and employees. Risk provisions increased significantly and became a main factor in reducing the banking sector's profitability. The NPL ratio decreased further to 2.5%, with the rate of defaulted clients in moratoria staying at lower than expected levels. Banking tax, based on total liabilities, excluding equity and subordinated debt, was discontinued after the second quarter of 2020. The banking sector remained well capitalised. Overall, the sector's return on equity stood at 5.4%.

Market shares – Slovakia (in %)



Source: National Bank of Slovakia, Erste Group

Slovenská sporiteľňa remained the country's largest bank. It continues to control approximately one fifth of the country's banking market in terms of total assets and led the market in retail loans and deposits. In 2020, the bank continued to benefit from its very strong asset management business, holding a 26.4% market share. Slovenská sporiteľňa continued to have significantly higher market shares in the retail sector than in the corporate sector. In the retail loan business, the bank's market share amounted to 25.4%, while for corporate lending it stood at 17.3%. At 11.9%, its market share in corporate deposits was also significantly lower than in retail deposits at 28.4%.

Business review 2020 – three questions to Peter Krutil, CEO of Slovenská sporiteľňa

How did your bank cope with the Covid-19 induced crisis, and how did you support customers and employees?

We responded swiftly, and extraordinary measures were taken to save the most precious thing there is – human life. We provided protection equipment in the branch network and the headquarters. Most of the employees worked from home. Together with Slovenská sporiteľňa Foundation, we set up a fund of over EUR 1 million to help fight the pandemic. Half of this amount was earmarked for a specialised testing device that increased the national testing capacity significantly. Starting in the last quarter of 2020, colleagues from the client centre have been helping as operators for state-organised Covid-19 help lines.

To preserve financial health we granted free accounts and fee discounts for six months to vulnerable clients. We participated actively in the state loan moratoria, providing clients with the option to apply for the deferral digitally through George from the first day the moratoria were allowed. The automated process shortened the waiting period significantly. Our help for corporate clients included, among others, an individual approach in case of any difficulties on top of the state moratoria and the First Aid Package with a free-of-charge current account and point of sale terminal for one year. We implemented a variety of useful digital solutions to minimise the need for a visit to a branch or a corporate centre.

How did you manage to successfully differentiate your business activities from those of your competition?

In addition to our exceptional response to the pandemic, confirming our role as a responsible and innovative leader, we focused on business. We rolled out the new Financial Plan enabling clients to see all their assets on a tablet screen, while the branch advisor can easily model optimal allocations to many possible products, e.g. savings account, investments in mutual funds, life and pension insurance. These can be easily set up during the client's visit. Thanks to the Financial Plan the demand for mutual fund investments increased, our market share in this area rose by almost 2 percentage points. Clients also appreciated the various types of insurance products offered.

Over the last years, with more than 650,000 active George users and with the successful corporate banking application Business24, Slovenská sporiteľňa became the digital leader in Slovakia. We introduced new features to support our omnichannel

approach, enabling clients to interact with us in any way they feel comfortable with, seamlessly switching between the preferred channels. Yet, we remain the bank with the broadest physical distribution network in Slovakia, while we continuously improve our digital solutions.

Looking back at the year, what major achievements are especially noteworthy, and which ESG related topics or developments were most relevant for you?

The new situation made a new way of working necessary. However, we were on the right path already, with activities focused on an agile approach and on digitalisation. Since April 2020, labs and self-steering teams have been a fully integrated part of the organisational structure. The crisis did not force us to change the path, it just pushed us to follow it faster. We managed to deliver new digital solutions quickly, and the whole bank was able to switch to online working without any significant difficulties.

Although the financial results of 2020 were affected by the Covid-19 induced recession, they were significantly better compared to the initial forecasts made in the first weeks of the pandemic. Operating profit was only slightly lower than a year ago and the net profit was dragged down solely due to prudent provisioning. The continued growth in the corporate segment was a real success as we proved that Slovenská sporiteľňa has become the bank of choice not only for retail, but also for corporate customers. Our balance sheet management contributed to the positive results. We made right investment decisions amid tumbling financial markets and utilised the advantageous TLTRO III funding. In retail banking, the most successful areas were asset management and bancassurance.

We have devoted significant attention to optimising the bank's processes for reducing consumption of energy and paper. We strive for the possibility to issue green bonds already in 2021. Our bank, together with Slovenská sporiteľňa Foundation, supports many initiatives helping Slovakia to become a modern and responsible country. Art and culture, financial education, environmental and social responsibility are the main areas of our sponsoring activities.

Financial review

in EUR million	2019	2020	Change
Net interest income	433.6	438.4	1.1%
Net fee and commission income	145.2	147.1	1.4%
Net trading result and gains/losses from financial instruments at FVPL	18.8	11.8	-37.3%
Operating income	605.7	601.2	-0.7%
Operating expenses	-288.7	-287.1	-0.6%
Operating result	317.0	314.1	-0.9%
Cost/income ratio	47.7%	47.8%	
Impairment result from financial instruments	-42.7	-107.9	>100.0%
Other result	-39.1	-49.3	26.1%
Net result attributable to owners of the parent	187.7	115.8	-38.3%
Return on allocated capital	17.6%	10.5%	

Net interest income in the Slovakia segment (comprising Slovenská sporitel'ňa Group) increased mainly due to the changed disclosure of prepayment fees resulting in a shift from the line item net fee and commission income. As a consequence, net fee and commission income increased only slightly despite higher fees for securities and insurance brokerage. Net trading result and gains/losses from financial instruments at FVPL declined due to valuation effects. Operating expenses decreased on the back of lower depreciation, which offset higher personnel and IT expenses. Deposit insurance contribution amounted to EUR 1.1 million (EUR 1.0 million). Overall, operating result decreased moderately, and the cost/income ratio remained largely stable. Impairment result from financial instruments deteriorated primarily due to higher provisions in retail and corporate business, mainly caused by updated risk parameters and stage overlays as well as new defaults in corporate business. Other result deteriorated mainly due to the impairment of a participation. Banking tax was charged for the last time in the first half of the year and increased slightly to EUR 33.8 million (EUR 32.5 million). Payment into the resolution fund rose to EUR 4.0 million (EUR 3.1 million). Overall, the net result attributable to the owners of the parent decreased.

Credit risk

Credit risk exposure in the Slovakia segment amounted to EUR 21.0 billion (+5.8%), while loans to customers rose to EUR 15.3 billion (+5.9%). On the back of slightly above-average growth rates, their share in Erste Group's total loan portfolio rose to 9.0% (8.8%). As in the previous year, growth was mainly driven by strong demand for loans in the Corporates business segment, especially by large corporates. Despite the increasing proportion of loans to corporate customers, the share of loans to private households was again significantly larger in the Slovakia segment than in other core markets and accounted for 67.2% (68.8%) of total loans to customers. This customer mix with a substantial proportion of retail mortgage loans also explains the large share of secured business of 58.7% (60.0%) in the entire loan portfolio, which exceeds that of other Central and Eastern European core markets. In contrast to the general trend in Erste Group, the quality of the loan portfolio improved significantly. The NPL ratio declined to 2.4% (3.0%). The positive trend was particularly notable in the Retail business segment. Loan loss provisions exceeded non-performing loans. The NPL coverage ratio rose to 107.4% (80.8%).

ROMANIA

Economic review

Romania's economy is characterised by manufacturing, services and agriculture sectors. In 2020, the country's economy contracted by 3.9% as Covid-19 related lockdowns affected both domestic and external demand. The relative outperformance compared to many other CEE countries was mainly due to less severe mobility restrictions. On the supply side, construction, supported by government investments, and the information technology as well as communication sectors made positive contributions. Industry, trade, and agriculture, on the other hand, weighed on economic performance. Agriculture is still highly important to the Romanian labour market, as more than 20% of the country's workforce is employed in this sector, significantly more than the EU average of about 4%. On the demand side, gross fixed capital formation had a positive contribution to GDP, while household consumption and net exports had negative contributions to growth. The labour market proved to be resilient. Due to state job-support programmes, the unemployment rate increased only to 4.9%. Overall, the country's real GDP fell by 3.9%, and GDP per capita declined to EUR 11,300.

The political environment remained volatile in 2020. Ahead of the scheduled general elections in December 2020, the government was reluctant to implement fiscal consolidation measures during the year. After years of pro-cyclical fiscal policies with generous government handouts, Romanian public finances entered the current crisis in a weak budget position. Partially due to Covid-19 related measures, the budget deficit widened to 9.8% of GDP. Expenditure on public pensions rose considerably, driven by the full-year effect of a 15% pension increase from September 2019 and a further increase of 14% from September 2020. Moreover, the child allowance increased by 20% in September. Additional spending due to Covid-19 related measures, including employment support schemes and health-related spending, also increased expenses while tax revenues were negatively affected by the economic contraction. At 5.0%, the current account deficit was one of the highest in the European Union, exposing the country to potential external shocks. Public debt to GDP increased further to 47%.

Consumer price inflation dropped to an average of 2.7% in 2020 from 3.8% in the previous year. Core inflation, remained relatively high at 3.3%, still inside the central bank target range of between 1.5% and 3.5%. The Romanian leu depreciated less than 2% against the euro in 2020, outperforming most of the other CEE currencies. In response to the Covid-19 crisis, the National Bank of Romania cut its policy rate by 100 basis points to 1.50% in several steps. The National Bank also provided liquidity to the banking system mostly via bilateral repo operations as the bond-buying programme was discontinued as of August 2020.

Romania's long-term credit ratings were reaffirmed at BBB- by Standard & Poor's and Fitch, Moody's also kept its Baa3 rating during 2020. As of April 2020, all three major rating agencies had a negative outlook for Romania.

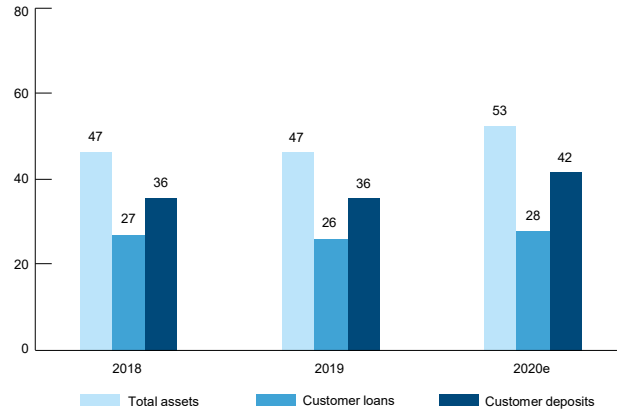
Key economic indicators – Romania	2017	2018	2019	2020e
Population (ave, million)	19.6	19.5	19.4	19.3
GDP (nominal, EUR billion)	187.8	204.5	223.3	217.9
GDP/capita (in EUR thousand)	9.6	10.5	11.5	11.3
Real GDP growth	7.1	4.5	4.1	-3.9
Private consumption growth	10.1	7.2	6.0	-4.7
Exports (share of GDP)	33.4	33.1	30.9	28.5
Imports (share of GDP)	40.3	40.5	38.6	37.0
Unemployment (Eurostat definition)	4.9	4.2	3.9	4.9
Consumer price inflation (ave)	1.3	4.6	3.8	2.7
Short term interest rate (3 months average)	1.2	2.8	3.1	2.4
EUR FX rate (ave)	4.6	4.7	4.7	4.8
EUR FX rate (eop)	4.4	4.4	4.4	4.4
Current account balance (share of GDP)	-2.8	-4.4	-4.7	-5
General government balance (share of GDP)	-2.6	-2.9	-4.3	-9.8

Source: Erste Group

Market review

The Romanian banking market continued to grow in 2020. Customer loans increased by 5.9%, while customer deposits were up by 15.2%. On the lending side, growth was mainly driven by housing loans (+ 9.9%). The Central Bank eased limits on debt-to-income and loan-to-value ratios as a response to the Covid-19 crisis. Corporate loans grew by 7.0% supported by government guarantees. The 15.2% increase in customer deposits reflected the customer behaviour in times of uncertainty. Overall, the banking system's loan-to-deposit ratio declined further to 66.9%. The Romanian banking sector remained strongly capitalised with an aggregated capital adequacy ratio of 23.2%.

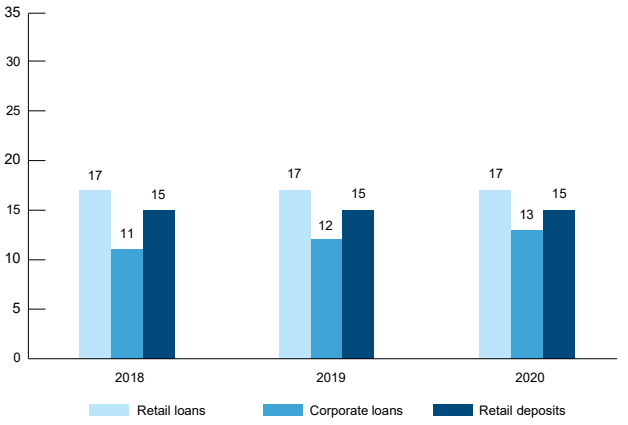
Financial intermediation – Romania (in % of GDP)



Source: National Bank of Romania, Erste Group

Consolidation of the Romanian banking sector was halted due to the uncertainties related to the pandemic. The banking sector remained profitable despite the low interest rate environment and the significant amount of forward-looking risk provisions. Asset quality did not deteriorate. Moratoria for retail and corporate clients were in place between April and December. Cost control remained strict. The banking levy was cancelled. Overall, the Romanian banking sector achieved a return on equity of 8.9% in 2020.

Market shares – Romania (in %)



Source: National Bank of Romania, Erste Group

Banca Comercială Română regained its leading market position in terms of customer loans in 2020, and it remained the second largest bank of the country based on its total asset market share and customer deposits The bank kept its market leader position in asset management and in mortgage lending. The bank's customer loan market share increased to 15.1%. Its retail loan market share amounted to 17.1%, while in the corporate sector it increased to 12.9%. Banca Comercială Română's customer deposit market share remained broadly stable at 14.3%. In terms of total assets, Banca Comercială Română had a market share of 14.2% in 2020.

Business review 2020 – three questions to Sergiu Manea, CEO of Banca Comercială Română

How did your bank cope with the Covid-19 induced crisis, and how did you support customers and employees?

We managed to adapt rapidly to the new reality. Being well aware of our customers' concerns – uncertainty, health, business and job losses – we primarily aimed to remain accessible for our customers and help save as many jobs as possible. The strategy implemented in the past years, which included fast digitalisation and caution in risk assessment, fully proved its validity.

Most of the banking operations can now be done 100% online. Thanks to the fast digitalisation process, our colleagues focused more on one-on-one consulting, accelerating our financial and entrepreneurial education initiatives.

We introduced simplified flows to swiftly and remotely address both retail and corporate clients' needs for payment deferrals, also offering short-term prolongations of revolving facilities and emergency working capital financing to support businesses. Through such measures, we supported and assisted companies that employ more than 300,000 people. Over 4,800 companies were supported through new loans, including the SME Invest programme. We deferred instalments for about 41,000 loans for individuals and 500 loans for companies.

We also took measures to protect our employees and ensure a safe working environment in both headquarters and the branch network. While our colleagues in headquarters have been working mainly from home, branch network staff has worked in shifts to stay close to our customers. We implemented strict rules regarding for working in the office. To ensure further protection and proper traceability branch visits have only been allowed on prior appointment since October.

We also had an active role in supporting the impacted communities. EUR 1.7 million were donated for the national health care system, education and NGOs by our bank.

How did you manage to successfully differentiate your business activities from those of your competition?

We adopted a new way of working based on agile principles. We embraced new technologies and developed new skills and capabilities. George, our banking platform, is one of the most evolved digital banking ecosystems in the market.

We reached 1.8 million users for internet and mobile banking, over 1 million are active George users. As a result, the number of digital transactions more than doubled. In addition, all new savings accounts were opened via George, and 1/3 of the new cash loans were granted end-to-end digitally.

We initiated seven digital labs with dedicated internal teams to develop new digital solutions, an agile working mindset and to better understand customers' needs by analysing their data. Products and services that were usually launched in months or years, have been implemented in a few weeks. As a result, customers' perception towards Banca Comercială Română has significantly improved. On the corporate side, we launched dedicated manuals for entrepreneurs to access state grants (SME Invest, non-reimbursable grants).

Looking back at the year, what major achievements are especially noteworthy, and which ESG related topics or developments were most relevant for you?

We achieved a mid-single digit increase in operating performance and a good bottom line result despite significant forward-looking risk provisioning. As we managed to keep costs stable, our bank was one of the most efficient ones in the country.

We continued to be a leader in local currency lending to private individuals. Banca Comercială Română accounts for about 20% of the mortgage lending in Romania. We also gained market share in consumer and corporate lending. We transformed George by adding new local features, thus achieving substantial customer experience improvements. Nine out of ten users prefer the mobile version, and George received the best app score among all local banks. About 50,000 people were reached last year through mobile offices and online workshops in the context of our newly launched financial advisory programme. Our bank is now recognised as a leader in financial education in Romania. Our Money School programme has been running for four years. More than 430,000 people were trained in offline and online workshops.

In addition, we launched Business School, a financial education online platform for entrepreneurs offering free access to online courses in February 2020. So far, about 10,000 people have enrolled and attended dedicated online sessions.

Last but not least, our bank's InnovX business accelerator programme successfully supported tech start-ups and entrepreneurs.

Financial review

in EUR million	2019	2020	Change
Net interest income	428.0	435.7	1.8%
Net fee and commission income	164.5	146.8	-10.8%
Net trading result and gains/losses from financial instruments at FVPL	74.2	73.7	-0.6%
Operating income	688.0	678.6	-1.4%
Operating expenses	-359.0	-344.9	-3.9%
Operating result	329.0	333.7	1.4%
Cost/income ratio	52.2%	50.8%	
Impairment result from financial instruments	13.0	-107.7	n/a
Other result	-200.8	-60.2	-70.0%
Net result attributable to owners of the parent	85.0	122.4	44.1%
Return on allocated capital	5.9%	8.7%	

The segment analysis is done on a constant currency basis. The RON depreciated by 1.9% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) improved on the back of increasing customer loan volumes in retail and corporate business. Net fee and commission income declined due to lower payment fees – affected among others by euro cross border payments regulation SEPA – and lending fees partially mitigated by higher documentary and securities fees. Net trading result and gains/losses from financial instruments at FVPL decreased marginally. Operating expenses decreased mainly due to a lower deposit insurance contribution of EUR 4.4 million (EUR 12.7 million) as well as lower depreciation, legal and consultancy expenses. Overall, operating result increased, and the cost/income ratio improved. Impairment result from financial instruments deteriorated, driven by updated risk parameters and stage overlays. The non-recurrence of a provision in the amount of EUR 153.3 million as a result of a Romanian High Court decision in relation to business activities of the local building society subsidiary led to an improvement of the other result. The resolution fund contribution amounted to EUR 7.7 million (EUR 6.6 million). The net result attributable to the owners of the parent increased considerably.

Credit risk

Credit risk exposure in the Romania segment increased to EUR 18.0 billion (+9.9%). A key contribution to growth came from loans to customers, which rose by EUR 544 million to EUR 9.3 billion. On the back of slightly above-average growth, their share in Erste Group's total loan portfolio rose to 5.5% (5.4%). An expansion of lending volume was seen mostly in the Retail business segment. In the Corporate business segment, growth was registered mostly in loans to small and medium-sized businesses. The share of foreign currency loans decreased further to 34.2% (37.6%) and was almost completely denominated in euro. Non-performing loans rose to 419 million (+16.5%), driven largely by defaults expected to occur amid the Covid-19 crisis rather than actually overdue payments and insolvencies. A breakdown by customer segment shows that asset quality deteriorated primarily in the Corporates segment. As a result of this development, non-performing loans as a percentage of total loans to customers rose to 4.5% (4.1%). Loan loss provisions increased to 122.5% (116.3%) of non-performing loans.

HUNGARY

Economic review

Hungary is an open economy, ranking ninth in the Economic Complexity Index, a holistic measure of the productive capabilities of large economic systems. The Covid-19 crisis interrupted a period of strong economic growth. Although the policy measures to mitigate the first wave of infections were less stringent than the EU average, the country's economy was significantly impacted due to its large exposure to highly cyclical industries, such as the automotive industry and tourism. The recession in the second quarter proved deeper than expected with services, industry, and construction declining by double digit figures. In the second half of the year, economic activity rebounded as the lockdown measures were eased and international supply chains were restored. Economic activity also benefitted from the government's support measures such as the short-time work programme, the extended SME funding scheme, tax incentives, administrative simplifications, and favourable lending conditions for consumer loans. The unemployment rate increased from the third lowest level in the EU to 4.2% in 2020, still low compared to many other European countries. Overall, real GDP fell by 5.1%, GDP per capita decreased to EUR 13,700.

In line with the EU-trend general government deficit rose to 8.7% of GDP in 2020. Revenues, in particular indirect tax receipts and social security contributions, were severely impacted both by the contraction of the tax base and some tax cuts, notably temporary reductions granted to the most affected sectors and a general 2%-point cut of employers' social contributions as of July 2020. On the expenditure side, measures to contain the economic impact of the pandemic, such as a short-time work scheme and other measures aimed at protecting employment, temporary support to specific sectors and a one-off bonus for health workers, resulted in massive spending. The public debt to GDP deteriorated to 79.3% in 2020.

Inflation reached the upper level of the National Bank's target range of 2% and 4% during the summer. It slowed significantly in the second half of the year. Overall, average consumer prices rose by 3.3% in 2020. The Hungarian central bank reduced its policy rate to 0.6% to support economic activity. The forint exchange rate remained volatile, the Hungarian forint reached an all-time low against the euro in the second half of the year.

Rating agencies reacted to the economic developments. Standard & Poor's left the country's long-term credit rating at BBB but revised the outlook from positive to stable in April 2020. Fitch affirmed its long-term credit ratings of BBB with a stable outlook. Moody's kept its long-term credit ratings of Baa3 unchanged but improved the country's outlook from stable to positive in September 2020.

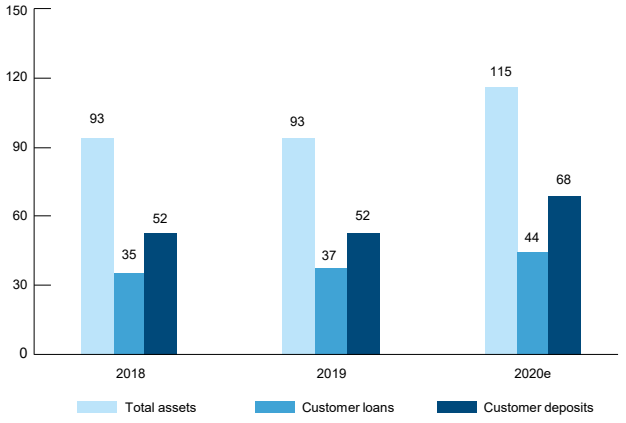
Key economic indicators – Hungary	2017	2018	2019	2020e
Population (ave, million)	9.8	9.8	9.8	9.7
GDP (nominal, EUR billion)	126.9	135.9	146.0	133.5
GDP/capita (in EUR thousand)	13.0	13.9	15.0	13.7
Real GDP growth	4.3	5.4	4.6	-5.1
Private consumption growth	4.4	4.5	4.2	-2.2
Exports (share of GDP)	67.2	65.2	63.7	65.9
Imports (share of GDP)	65.9	66.5	65.8	66.1
Unemployment (Eurostat definition)	4.2	3.7	3.4	4.2
Consumer price inflation (ave)	2.4	2.8	3.4	3.3
Short term interest rate (3 months average)	0.1	0.1	0.2	0.7
EUR FX rate (ave)	309.2	318.9	325.4	351.2
EUR FX rate (eop)	310.1	321.5	330.5	365.1
Current account balance (share of GDP)	2.0	0.3	-0.2	0.4
General government balance (share of GDP)	-2.5	-2.1	-2.0	-8.7

Source: Erste Group

Market review

Despite the deteriorated macroeconomic environment, Hungary's banking market performed relatively well in 2020. At 13.4%, loan growth was among the strongest in CEE. Retail loans rose by 14.0%, mainly driven by the increase of consumer lending, largely attributable to the very popular baby-loan programme and to the interest rate cap of the central bank of the key rate plus 5%-points for any unsecured loans. Mortgage lending growth stood at 10.0% The National Bank extended its Funding for Growth scheme for small and medium-sized enterprises in April 2020. To mitigate the impact of the coronavirus pandemic on the national economy, the Hungarian government introduced an opt-out loan moratorium as of March 2020. The initial expiration date of the moratorium was extended from December 2020 to June 2021. In addition, the Hungarian Development Bank introduced guarantee, loan and capital programmes as a response to the pandemic. Corporate loan growth amounted to 12.8%. Overall, the banking system's loan-to-deposit ratio stood at 64% at year-end.

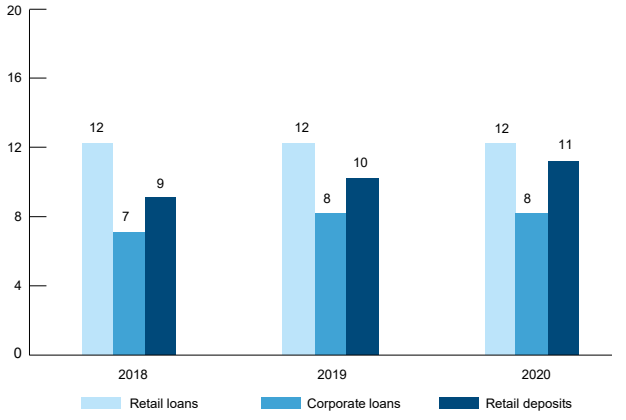
Financial intermediation – Hungary (in % of GDP)



Source: National Bank of Hungary, Erste Group

Hungary's banking market remained profitable in 2020. Although the very low interest rate environment weighed further on revenues, this was partially compensated by the relatively strong loan growth. Administrative expenses remained under control, the increase of personnel expenses was limited. Risk costs increased significantly with forward looking provisioning on expected credit losses. In addition, banks booked front-loaded modification losses in relation to the moratorium. In addition to the annual banking levy, an extra banking tax contribution to the Pandemic Defence Fund was introduced and paid in three instalments in 2020. This extra tax will be deductible from the regular banking tax in equal instalments over the next five years. Overall, the banking sector's return on equity was 6.5%. The Hungarian banking sector continued to be well capitalised, with a capital adequacy ratio of around 18.7%.

Market shares – Hungary (in %)



Source: National Bank of Hungary, Erste Group

Consolidation of the Hungarian banking market continued with the merger of MKB Bank, Takarék Bank and Budapest Bank. Based on its asset size, the new entity, called the Magyar Bankholding Zrt., has become the second largest bank after OTP.

Erste Bank Hungary remained one of the major market players in the country and increased its market shares in most product categories. Erste Bank Hungary's market share in customer loans increased slightly to 9.8%, with the retail business remaining more important than the corporate business. The customer deposit market share remained unchanged at 8.3%. In terms of total assets, Erste Bank Hungary's market share went up to 6.7%.

Business review 2020 – three questions to Radován Jelasity, CEO of Erste Bank Hungary,

How did your bank cope with the Covid-19 induced crisis, and how did you support customers and employees?

We have undertaken substantial efforts to ensure accessibility and to improve customer satisfaction. All our branches remained open during the pandemic, and we reshuffled our resources to cover the increased incoming calls in the call center. As a result of our proactive customer approach the opt-out ratio of the retail moratorium amounted to 60%, well above the market average of 35%.

In corporate business we focused on offering all new products introduced by the National Bank, the Hungarian Development Bank and the Hungarian Export-Import Bank to mitigate the negative effects of the coronavirus-induced crisis and to help our customers to improve their financial situation. When the moratorium was announced we individually provided our corporate customers with all the necessary information which resulted in a 72% opt-out ratio. The market average stood at 30%.

We successfully switched to remote working quickly: 90% of our headquarters staff have been working from home since the beginning of the pandemic. We encouraged colleagues to take some of the necessary infrastructure home from the bank. To avoid the use of public transportation, we offered a shuttle bus service for employees who had to maintain the key infrastructure of the bank at branches or the headquarters.

In addition, Erste Bank Hungary donated more than 30,000 pulse oximeters, thermometers and the like in the amount of HUF 50 million (ca. EUR 140,000) to 39 healthcare centers.

How did you manage to successfully differentiate your business activities from those of your competition?

We speeded up our digitalisation efforts, reaching an impressive share of 54% digitally active clients. We doubled the number of active mobile customers, and 20% of new personal loans were already end-to-end digital. Our tablet based advisory tool was installed in the branches, and we completed the development of George. It was launched in the beginning of 2021 and provides us a competitive advantage in the Hungarian banking market.

Managing the payment moratorium was our largest Prosperity Advisor action so far. We reached 220,000 customers proactively

with data-driven personalised advice, and we will continue to work on new solutions for our clients.

Looking back at the year, what major achievements are especially noteworthy, and which ESG related topics or developments were most relevant for you?
New retail lending improved on the back of new housing loans and the excellent performance in the baby-loans programme. Our retail loan volume exceeded HUF 1,000 billion (ca. EUR 2.7 billion) and assets under management surpassed HUF 2,200 billion (ca. EUR 6.0 billion).

We are proud of the additional 9 percentage-point increase of the Employee Engagement Index, which reached 78% at the end of 2020. We also successfully raised the Customer Satisfaction Index (CXI) in each of our segments, ranking top in the micro and SME segments and second in the private individuals segment.

Our efforts were rewarded by numerous awards. Erste Bank Hungary not only won the Golden Prize in the best retail savings product of the year category for the Erste Future Investment Programme, but also the Bronze Prize in the best bank of the year category as well as the Bronze Prize in the best private banking service of the year category by Mastercard. Our private banking segment won further awards, such as The Private Bank of the Year by Blochamps Capital.

Financial review

in EUR million	2019	2020	Change
Net interest income	213.5	217.9	2.1%
Net fee and commission income	188.3	181.1	-3.8%
Net trading result and gains/losses from financial instruments at FVPL	36.9	24.7	-33.1%
Operating income	445.8	431.4	-3.2%
Operating expenses	-216.9	-213.3	-1.6%
Operating result	229.0	218.1	-4.7%
Cost/income ratio	48.6%	49.4%	
Impairment result from financial instruments	18.2	-78.0	n/a
Other result	-61.2	-65.5	6.9%
Net result attributable to owners of the parent	173.2	56.1	-67.6%
Return on allocated capital	17.7%	5.8%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 8.0% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased (also in EUR) driven by higher customer loan and deposit volumes despite the negative effect of loan moratoria leading to modification losses. Net fee and commission income rose in local currency terms predominantly due to higher securities fees. Net trading result and gains/losses from financial instruments at FVPL decreased on a lower valuation result as well as lower result from foreign currency transactions. Operating expenses went up in local currency terms on the back of higher IT expenses and depreciation. Deposit insurance contribution amounted to EUR 5.8 million (EUR 6.0 million). Overall, the operating result and the cost/income ratio deteriorated. Significantly higher risk costs (reflected in the impairment result from financial instruments) were caused by updated risk parameters and stage overlays. Other result deteriorated on lower securities selling gains. This line item also included the banking tax of EUR 14.5 million (EUR 12.6 million), the transaction tax of EUR 44.0 million (EUR 47.6 million) and the contribution to the resolution fund of EUR 3.5 million (EUR 2.8 million). Overall, the net result attributable to the owners of the parent decreased.

Credit risk

Credit risk exposure in the Hungary segment rose to EUR 10.5 billion (+11.7%). This solid growth was mainly attributable to increased investments in the Group Markets business segment. Loans to customers were up slightly at EUR 4.9 billion (+2.4%). The share of the Hungary segment in Erste Group's total loans to customers declined marginally to 2.9% (3.0%). While loans to private households increased to 2.7 billion (+6.6%), loans to corporates declined to EUR 2.2 billion (-2.5%). The share of loans denominated in Hungarian forint was nearly unchanged at 73.7% (73.3%). The quality of the loan portfolio showed a negative trend due to the outbreak of the Covid-19 pandemic. In many cases, particularly in the Corporates segment, loans categorised as non-performing had not yet actually defaulted but were expected to default with high probability. Non-performing loans as a percentage of total loans to customers increased to 3.0% (2.6%). The NPL coverage ratio based on loan loss provisions rose to 111.4% (93.8%).

CROATIA

Economic review

Due to the country's high exposure to the tourism industry, the Croatian economy was among the hardest hit in CEE in 2020 due to the Covid-19 induced crisis. Croatia's well-developed tourism industry, accounting for approximately one fifth of the country's economy, was severely impacted by travel restrictions and recorded one of its worst years in recent history. Domestic demand fell as well as households deferred or cancelled spending. Investments, on the other hand, benefitted from projects financed by EU funds. Following severe earthquakes, the European Union offered financial and other support for a quick recovery in 2021.

Reflecting the economic performance, the unemployment rate increased to 7.7%. Overall, real GDP declined by 8.8%, and GDP per capita fell to EUR 12,000.

Public finances deteriorated in 2020. As a result of the economic contraction and measures aimed at preserving employment and businesses the general government deficit rose to 8.0%. The most significant among these measures, collectively adding up to approximately 3% of GDP, relate to subsidies for employee wages. Tax revenues, especially VAT related income, contracted strongly as household and tourist consumption decreased. The drop in personal income tax revenues was less pronounced, as government measures have protected employment and wages. Wage subsidies and the public wage bill led to growing expenditure, while previously agreed collective agreements were also implemented. The public debt as a percentage of GDP increased to 87.5%.

Average consumer prices did not change significantly in 2020. Core inflation excluding food and energy remained close to 1%. The Croatian kuna remained broadly stable against the euro at around 7.4 to 7.6 throughout the year. Given the country's very high use of the euro, the Croatian National Bank's objective to preserve nominal exchange rate stability remained unchanged, and it kept its accommodative monetary stance throughout the year.

Moody's upgraded Croatia's long-term credit rating to Ba1 with a stable outlook in July. Fitch affirmed its rating at BBB- but revised its outlook from positive to stable in April. Standard & Poor's left its long-term credit rating unchanged at BBB- with a stable outlook.

Key economic indicators – Croatia	2017	2018	2019	2020e
Population (ave, million)	4.1	4.1	4.1	4.1
GDP (nominal, EUR billion)	49.3	52.0	54.2	48.8
GDP/capita (in EUR thousand)	11.9	12.7	13.3	12.0
Real GDP growth	3.4	2.8	2.9	-8.8
Private consumption growth	3.2	3.3	3.6	-7.0
Exports (share of GDP)	23.8	23.5	23.8	24.3
Imports (share of GDP)	40.9	42.1	43.1	40.7
Unemployment (Eurostat definition)	11.3	8.4	6.6	7.7
Consumer price inflation (ave)	1.2	1.5	0.8	0.1
Short term interest rate (3 months average)	0.5	0.5	0.5	0.0
EUR FX rate (ave)	7.5	7.4	7.4	7.5
EUR FX rate (eop)	7.5	7.4	7.4	7.6
Current account balance (share of GDP)	3.5	1.8	2.7	-1.8
General government balance (share of GDP)	0.8	0.2	0.4	-8.0

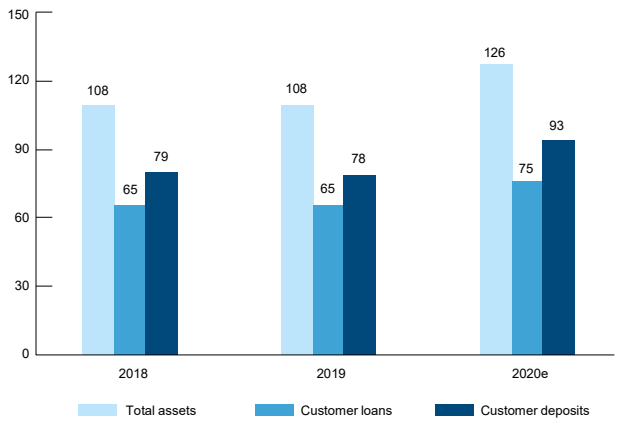
Source: Erste Group

Market review

By entering the Exchange Rate Mechanism II in July 2020, Croatia has committed itself to join the Banking Union. On 1 October 2020, the European Central Bank became the direct supervisor for significant financial institutions in Croatia.

Similar to other sectors, Croatia's banking sector was significantly impacted by the pandemic and the associated government measures. In response to Covid-19, banks offered households and corporates the possibility of a 6-month opt-in moratorium, with 12 months for the hardest-hit tourism industry. To support the corporate sector, liquidity financing and guarantee schemes were made available through the Croatian Bank for Reconstruction and Development and the Croatian Agency for SMEs, Innovation and Investments. The Croatian National Bank reduced its minimum reserve requirement.

Financial intermediation – Croatia (in % of GDP)

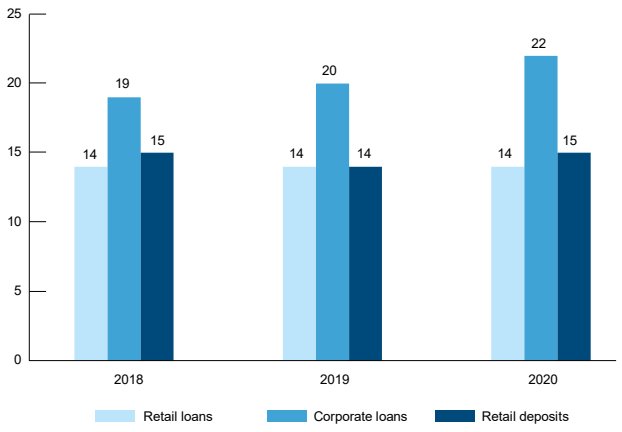


Source: National Bank of Croatia, Erste Group

At 5.9%, customer loan growth remained solid, with corporate loans increasing more than retail loans. Retail loans benefitted from the growth in housing loans, which were backed by the government's subsidised loans scheme. The corporate sector volume growth was mainly due to the public sector. Customer deposits increased by 8.4%, mainly driven by corporate deposits. The banking system's loan-to-deposit ratio declined to 80.8% at the end of the year.

Profitability of the Croatian banking system declined significantly in 2020, reflecting higher forward-looking risk provisions and limited revenue growth. Non-performing loans as a percentage of total customer loans remained flat at around 5.4%, while the coverage ratio on NPLs declined slightly to 64%. The capital adequacy ratio of the banking system remained robust at 24.9%. Overall, the country's banking sector achieved a mid-single digit return on equity.

Market shares – Croatia (in %)



Source: National Bank of Croatia, Erste Group

Erste Bank Croatia benefited from its strong brand throughout the crisis. The bank improved its market shares in both the lending and savings businesses. George, the digital banking platform of Erste Group, was introduced in Croatia in the last quarter of 2020. The bank's customer loans and customer deposits market shares stood at 17.3% and 15.7%, respectively. The bank's loan-to-deposit ratio amounted to 88.7%. In terms of total assets, Erste Bank Croatia affirmed its top three market position with a market share of 15.7%.

Business review 2020 – three questions to Christoph Schöfböck, CEO of Erste Bank Croatia,

How did your bank cope with the Covid-19 induced crisis, and how did you support customers and employees?

As a systemically relevant institution, we have taken a proactive and socially responsible approach from the very beginning of the crisis, investing maximum efforts to ensure that our stakeholders, clients, individuals and companies, are affected as little as possible. There were three key phases: temporarily suspending the activation of forced collection measures, enabling deferred repayment for up to six months (or up to 12 months for clients from industries most affected by the crisis, such as tourism) and granting loans aiming to preserve the liquidity of business entities in cooperation with institutions such as the Croatian Agency for SMEs, Innovations and Investments (HAMAG) and the Croatian Bank for Reconstruction and Development (HBOR) while ensuring adequate guarantee schemes and favourable financing conditions.

The transparent, clear and timely communication with the general public, clients, business partners and employees through all available channels has marked our communication strategy. We quickly adapted to the new circumstances, ensured business continuity and implemented the recommendations given by the authorities, as well as the availability of all services to clients, with a special emphasis on vulnerable groups.

How did you manage to successfully differentiate your business activities from those of your competition?

Due to the impact of the Covid situation on the economy and a significant rise in risk costs, our financial result in 2020 was understandably reduced. However, it is important to stress that our business operations have remained completely stable. Despite challenging times, we maintained the continuity of regular lending activities and a steadily growing deposit base. We have put a strong emphasis on the further development of our digital solutions. We have implemented George, Erste Group's modern pan-European digital platform. In addition to better user experience in mobile and internet banking, it also fosters innovation through which new functionalities will be continuously introduced in the future. Thus, we have managed to fulfil one of our strategic goals – to always be a frontrunner in digital innovations on the Croatian market. We have further improved our very successful and highly recognisable KEKS Pay app, which has been complemented with numerous new functionalities as well. At this moment, the app has 175,000 users, of which more than 75% are not clients of our bank.

Looking back at the year, what major achievements are especially noteworthy, and which ESG related topics or developments were most relevant for you?

As a responsible business entity, we have continued to successfully monitor and manage our loan portfolio in line with all regulatory rules, our business policies and highest standards in the segment of credit risk management and adopting a balanced approach focusing on our clients' needs. We have continued to meet all financial needs of retail and corporate customers through our regular lending activities. We have remained a consistent partner to our clients, offering them adequate financial and advisory support.

Our commitment to support society at large is also reflected by various sponsoring activities. Through initiatives to healthcare institutions, Erste Bank Croatia donated in total HRK 2.5 million (ca. EUR 330,000).

Fitch Ratings affirmed our credit rating at BBB+ with a stable outlook. This investment grade ranking is the best rating of any bank on the Croatian market and two notches above the credit rating currently held by the Republic of Croatia.

Last but not least, we also received our seventh Zlatna Kuna award, which is presented by the Croatian Chamber of Economy to the most successful bank on the Croatian market. We perceive the award as a significant recognition, not just of the quality of our business, but also of our active role in the development of Croatia's economy and fostering the prosperity of the entire community. That is why we will in future continue to be an active participant in seeking and finding adequate solutions, which will ensure the fastest possible recovery of the Croatian economy.

Financial review

in EUR million	2019	2020	Change
Net interest income	275.1	270.8	-1.6%
Net fee and commission income	108.2	92.0	-15.0%
Net trading result and gains/losses from financial instruments at FVPL	32.7	26.2	-20.1%
Operating income	430.3	401.5	-6.7%
Operating expenses	-223.1	-214.6	-3.8%
Operating result	207.2	187.0	-9.7%
Cost/income ratio	51.9%	53.4%	
Impairment result from financial instruments	-5.8	-104.2	>100.0%
Other result	-38.2	-16.7	-56.2%
Net result attributable to owners of the parent	90.3	43.9	-51.4%
Return on allocated capital	16.8%	7.2%	

The segment analysis is done on a constant currency basis. The HRK depreciated by 1.6% against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) decreased, driven by the negative impact from modification losses related to loan moratoria. Net fee and commission income decreased on the back of lower payment fees in retail and corporate business driven by the SEPA regulation on cross border payments and the Covid-19 impact. Net trading result and gains/losses from financial instruments at FVPL declined due to a lower result from foreign exchange transactions and valuation effects. Operating expenses decreased mainly due to lower personnel, travel, training and marketing expenses, while the deposit insurance contribution went up EUR 12.3 million (EUR 11.6 million). Overall, operating result decreased, the cost/income ratio went up. The deterioration of impairment result from financial instruments was predominantly driven by updated risk parameters and stage overlays. Other result improved mainly due to significantly lower provisions for legal expenses. This line item included a resolution fund contribution in the amount of EUR 5.7 million (EUR 2.9 million). Overall, the net result attributable to the owners of the parent decreased.

Credit risk

In the Croatia segment, credit risk exposure rose to EUR 11.4 billion (+7.6%), while loans to customers grew at a similar pace to EUR 7.5 billion (+7.3%). Customer loan volume as a percentage of Erste Group's total loans to customers was slightly up at 4.4% (4.3%). The composition of the loan portfolio by business segment shifted further from Retail to Corporates. The share of local currency loans rose to 38.1% (36.3%) of total loans to customers. Most loans were still denominated in euro. The volume of Swiss franc-denominated loans has practically become irrelevant in the course of recent years. The share of foreign currency loans is still high due to the widespread use of the euro in Croatia. Euro loans are usually matched by corresponding income or deposits in euro. Against the general trend, loan quality improved again. The NPL ratio decreased to 6.7% (7.0%). The NPL coverage ratio based on loan loss provisions rose to 89.7% (79.7%).

SERBIA

Economic review

The Serbian economy was one of the best performers in CEE in 2020. Real GDP contracted only moderately due to the significant policy support to mitigate the Covid-19 crisis impact and very stringent containment measures, resulting in their relatively short duration. The Serbian government introduced a fiscal package of approximately 13% of GDP that significantly limited the adverse impact of the pandemic on the country's private sector. Nevertheless, private consumption and investments were a drag on GDP. Public spending supported growth while the net export contribution was neutral to the economic performance. The country's unemployment rate declined further to 8.8% at the end of the year. Overall, real GDP declined by 1.1%, and GDP per capita amounted to EUR 6,700.

The general government deficit equalled 8.1% of GDP in 2020, mostly as a result of a large package of discretionary fiscal support measures including deferred tax payments, wage subsidies, one-off payments and liquidity-enhancing loan guarantees. Public debt as a percentage of GDP deteriorated to 57.6%.

Inflation remained well under control, with average consumer prices increasing by only 1.6%. As opposed to most of the other CEE currencies, the Serbian dinar remained broadly stable against the euro throughout the year. The National Bank of Serbia cut the key rate in four steps from 2.25% to 1.00% in 2020.

Rating agencies did not change their ratings for Serbia in 2020. Fitch kept the country's long-term credit rating at BB+ with a

stable outlook, Moody's left its credit rating unchanged at Ba3 with a positive outlook, and Standard & Poor's also kept its credit rating at BB+. Standard & Poor's, however, revised the country's outlook to stable from positive.

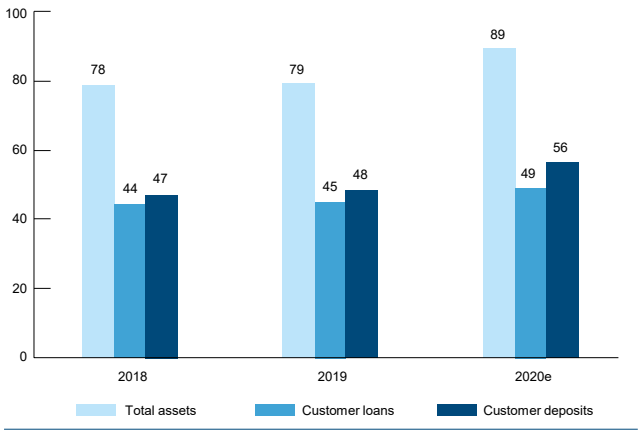
Key economic indicators – Serbia	2017	2018	2019	2020e
Population (ave, million)	7.0	7.0	6.9	6.9
GDP (nominal, EUR billion)	39.2	42.9	46.1	46.2
GDP/capita (in EUR thousand)	5.6	6.2	6.6	6.7
Real GDP growth	2.1	4.5	4.2	-1.1
Private consumption growth	2.2	3.1	3.5	-2.0
Exports (share of GDP)	38.4	38.0	38.0	36.7
Imports (share of GDP)	49.5	51.1	51.8	49.6
Unemployment (Eurostat definition)	13.5	12.7	10.4	8.8
Consumer price inflation (ave)	3.2	2.0	1.9	1.6
Short term interest rate (3 months average)	3.4	3.0	2.5	1.2
EUR FX rate (ave)	121.3	118.3	117.9	117.6
EUR FX rate (eop)	118.2	118.3	117.6	117.6
Current account balance (share of GDP)	-5.2	-4.8	-6.8	-5.6
General government balance (share of GDP)	1.1	0.6	-0.2	-8.1

Source: Erste Group

Market review

Considering the pandemic and its economic and social consequences, Serbia's banking market performed relatively well in 2020. The banking system's lending activity remained strong with retail loans growing by double digit figures. Corporate loans also grew impressively. At 13.9%, consumer loans outgrew housing loans which increased by 12.5%. The currency structure of customer loans changed further in favour of loans denominated in Serbian dinar due to supportive lending programmes that were introduced in 2020. On the savings side, corporate deposits grew by 25.2%, while total retail deposits increased 12.4%. Overall, the banking system's loan to deposit ratio stood at 88.7% in 2020.

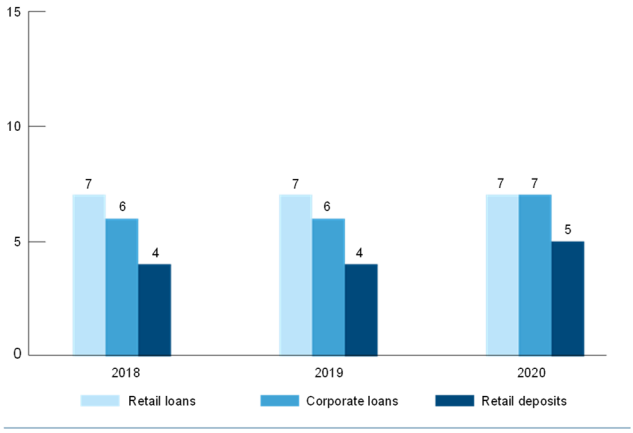
Financial intermediation – Serbia (in % of GDP)



Source: National Bank of Serbia, Erste Group

The consolidation of Serbia's banking market continued, with the number of banks declining further to 24 by the end of the year. Nova Ljubljanska Banka d.d., the Slovenian parent bank of NLB Group obtained all required regulatory approvals in relation to the acquisition of Komercijalna Banka a.d. The transaction was concluded in late December 2020 and created the third largest bank of the country, with a total asset market share of approximately 12%. The country's banking system remained profitable despite significantly higher risk provisions. Rising revenues and cost control supported the banking sectors' profitability. The NPL ratio remained relatively low at 3.7%, while the coverage ratio declined slightly to 58.5%. The banking system experienced a significantly increased usage of digital channels. Digitalisation was boosted by the banks' continuous effort to migrate customers to digital channels. Capital adequacy remained strong at 22.4% in 2020.

Market shares – Serbia (in %)



Source: National Bank of Serbia, Erste Group

Erste Bank Serbia further strengthened its market position in 2020. It is the sixth largest bank in the country in terms of total assets. Erste Bank Serbia continued to gain market share in both retail and corporate business. Its customer loan market share increased to 7.1%, with the retail and corporate lending market shares amounting to 7.4% and 6.8%, respectively. The bank's customer deposit market share increased to 6.0% at the end of the year.

Business review 2020 – three questions to Slavko Carić, CEO of Erste Bank Serbia

How your bank cope with the Covid-19 induced crisis, and how did you support customers and employees?

With the first confirmed coronavirus cases in Serbia we implemented crisis management teams to handle the situation, prepare preventive measures and to establish continuous communication with employees, clients and partners. Quickly our bank was well prepared for approximately 70% remote working regime in the headquarters and working in shifts in the retail network.

Even during the most severe waves that hit Serbia, we succeeded in keeping the business fully up and running, while taking measures to secure the health of our customers and employees. Their safety always comes first. So, one of our priorities was to further improve our e-banking services and to raise the capacity of our contact center to provide the support needed.

We quickly introduced all measures of the Central Bank with special emphasis on the moratoria. To further enable our customers to ease their monthly obligations, we offered the opportunity to consolidate their loan liabilities with a longer tenor of up to nine years. For the micro segment, we participated in the respective state programmes.

Our relationship managers strictly followed the recommendations, moving as much as possible to the digital sphere. Face-to-face meetings were reduced to the absolute minimum. At the beginning, this was a little bit strange to everyone but soon all parties realised that this is the right way to go.

How did you manage to successfully differentiate your business activities from those of your competition?

Our corporate department has always been driven by the idea that we are selling solutions to our clients, not products. Following this approach is reflected in customer proximity, and we believe that this differentiates us from the competition.

Our environmentally conscious lending is a positive differentiator. We are the largest bank in this segment with a significant part of the portfolio invested in wind, solar, hydro and biogas. We are planning not only to keep our leading position, but to build on it as much as possible. In addition, we are working on the implementation of an environmental social management system .

Having further improvement in customer satisfaction in mind, we specifically focused on upgrading our processes and capacity of our contact center. In the unsecured lending business we put special emphasis on less risky segments. In secured lending, we were recognised as the bank of choice due to our competent staff and excellent service. We acquired new customers in the private individual segment thanks to the high results in the customer satisfaction index, among the best on the market.

Our marketing campaign in July, addressing the mass affluent segment, resulted in a significant increase of FX deposits. Our loan/deposit ratio is now below 100%.

Looking back at the year, what major achievements are especially noteworthy, and which ESG related topics or developments were most relevant for you?

We achieved extraordinary growth of more than 50% in corporate deposits due to customer acquisitions of several big retailers and the effects of our SME deposits campaign from the end of 2019 and beginning of 2020. In addition, we acted as agent bank in one of the first corporate bond issuances for privately owned companies in Serbia (Energoprojekt).

We were also successful in our retail business: more than EUR 230 million of new loans were disbursed, pushing our market share further up. We achieved the best customer satisfaction index results, and more than 40,000 new private individuals decided to become clients of our bank.

In light of the crisis, we decided to support domestic companies. We created a TV and online advertising support campaign that lasted a month and a half, aiming to inform the general public about these companies and their products. Owing to the campaign, their visibility has increased, sales have improved, and they have expanded and preserved their business in spite of the crises. Last but not least, we should not forget financial literacy which is significantly growing in importance. Erste Bank Serbia therefore launched a comprehensive, free-of-charge financial education programme called #ErsteZnali. Our programme has been recognised by domestic and international relevant institutions. That is something that we are especially proud of and that inspires us to develop it even more in the future.

Financial review

in EUR million	2019	2020	Change
Net interest income	58.4	63.6	8.9%
Net fee and commission income	14.7	16.1	9.4%
Net trading result and gains/losses from financial instruments at FVPL	5.3	3.9	-25.9%
Operating income	78.5	83.8	6.6%
Operating expenses	-58.7	-60.3	2.9%
Operating result	19.9	23.4	17.8%
Cost/income ratio	74.7%	72.0%	
Impairment result from financial instruments	-0.8	-13.5	>100.0%
Other result	-0.4	-4.8	>100.0%
Net result attributable to owners of the parent	14.0	4.2	-69.9%
Return on allocated capital	7.4%	2.4%	

The segment analysis is done on a constant currency basis. The Serbian dinar (RSD) appreciated by 0.2% against the EUR in the reporting period. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased due to higher loan and deposit volumes in retail and corporate business. Net fee and commission income went up due to higher payment fees. Net trading result and gains/losses from financial instruments at FVPL decreased driven by a lower result from foreign currency transactions and valuation effects. Operating expenses increased due to higher personnel costs and depreciation partially offset by lower IT costs and a lower deposit insurance contribution of EUR 3.5 million (EUR 4.7 million). Operating result thus increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated due to higher provisions in corporate and retail business driven by updated risk parameters and stage overlays. Other result deteriorated due to provisions for legal expenses. Overall, the net result attributable to owners of the parent decreased.

Credit risk

As in previous years, credit risk exposure in the Serbia segment increased again substantially and stood at EUR 2.6 billion (+16.4%). The customer loan portfolio also registered strong growth. Loans to customers increased to more than EUR 1.7 billion (+17.7%), with strong momentum in both the Retail and the Corporates segments. The share of foreign-currency loans, denominated almost exclusively in euro, in the total loan portfolio was 75.3% (77.7%). This very large share of foreign-currency loans is mainly attributable to the wide-spread use of the euro in Serbia due to the weakness of the local currency. Euro loans are usually matched by corresponding income or deposits in euro. Non-performing loans were up marginally at 1.5% (1.4%) of total loans to customers. Loan loss provisions increased to 168.2% (140.3%) of non-performing loans.

OTHER

Financial review

in EUR million	2019	2020	Change
Net interest income	96.0	140.9	46.7%
Net fee and commission income	-85.6	-94.1	9.9%
Net trading result and gains/losses from financial instruments at FVPL	-51.9	-41.9	-19.3%
Operating income	-40.7	-4.4	-89.1%
Operating expenses	-167.8	-193.1	15.1%
Operating result	-208.4	-197.5	-5.2%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	-14.8	21.7	n/a
Other result	-291.3	-21.7	-92.5%
Net result attributable to owners of the parent	-352.8	-260.9	-26.1%
Return on allocated capital	-6.1%	-3.4%	

Operating income increased on higher net interest income in the Holding due to positive impacts of more favourable ECB refinancing and lower negative interest on deposits with ECB. Operating expenses went up on higher IT costs. Overall, operating result improved. Other result improved notably on the non-recurrence of last years' good will impairment of Slovenská sporitel'ňa in the amount of EUR 165.0 million and higher valuation results. Overall, the net result attributable to owners of the parent improved.

Business segments

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 various 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 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.

RETAIL

Financial review

in EUR million	2019	2020	Change
Net interest income	2,290.1	2,083.7	-9.0%
Net fee and commission income	1,094.5	1,047.9	-4.3%
Net trading result and gains/losses from financial instruments at FVPL	112.5	89.4	-20.6%
Operating income	3,529.7	3,248.8	-8.0%
Operating expenses	-2,096.2	-2,067.7	-1.4%
Operating result	1,433.5	1,181.2	-17.6%
Cost/income ratio	59.4%	63.6%	
Impairment result from financial instruments	-74.6	-392.2	>100.0%
Other result	-226.4	-68.9	-69.6%
Net result attributable to owners of the parent	866.4	583.9	-32.6%
Return on allocated capital	26.4%	18.4%	

The decrease in net interest income was primarily driven by a change of transfer prices that led to a negative impact in the retail segment and a corresponding positive effect in ALM & Local Corporate Center. Lending business in the Czech Republic declined primarily on the depreciation of the Czech koruna against the euro and the negative impact of loan repayment moratoria leading to modification losses. These negative effects were partially mitigated by the growth of customer loan volumes in almost all core markets. Net fee and commission income decreased mainly due to lower fees from payments in all core markets as well as lower fees from lending business, mostly on changed disclosure of the fees charged for early loan repayment. Higher fees from securities business in Austria, the Czech Republic, Hungary and Romania and improved fees from insurance brokerage in the Czech Republic and Slovakia could not fully mitigate these developments. Net trading result and gains/losses from financial instruments FVPL decreased due to lower foreign currency transactions in the Czech Republic and negative valuation effects in Hungary. Operating expenses decreased in several core markets, mainly in the Czech Republic, helped by FX translation effects and lower variable remuneration. Consequently, operating result declined, and the cost/income ratio worsened. The deterioration of impairment result from financial instruments was primarily driven by updated risk parameters with forward-looking information and stage overlays. The non-recurrence of a provision in the amount of EUR 153.3 million in Romania as a result of a Romanian High Court decision in relation to business activities of the local building society subsidiary led to an improvement of the other result. Overall, the net result attributable to the owners of the parent decreased.

Credit risk

Credit risk exposure in the Retail business segment rose to EUR 69.8 billion (+1.8%). The customer loan portfolio increased to EUR 61.0 billion (+2.7%). The share of the retail business in Erste Group's total customer loans was down marginally at 35.9% (36.4%). The collateralisation ratio, which reflects the ratio of collateral to loan volume, stood at 65.9% (64.9%). The quality of the retail customer loan portfolio was stable. Non-performing loans increased by EUR 41 million to nearly EUR 1.5 billion but, as a percentage of total retail customer loans, were unchanged at2.4%. In terms of the NPL ratio (non-performing loans as a percentage of total loans), loan quality was thus again very high in the Retail segment and above the average loan quality within Erste Group. The share of low-risk loans as a percentage of total retail customer loans was high at 86.0% (84.7%). As the volume of non-performing loans is expected to go up in the future, particularly due to the Covid-19 crisis, loan loss provisions were strongly increased to 98.2% (82.8%) of the total non-performing loan portfolio.

CORPORATES

Financial review

in EUR million	2019	2020	Change
Net interest income	1,098.7	1,109.4	1.0%
Net fee and commission income	301.1	282.3	-6.2%
Net trading result and gains/losses from financial instruments at FVPL	101.0	64.1	-36.5%
Operating income	1,603.1	1,561.3	-2.6%
Operating expenses	-575.3	-535.7	-6.9%
Operating result	1,027.8	1,025.6	-0.2%
Cost/income ratio	35.9%	34.3%	
Impairment result from financial instruments	32.9	-656.0	n/a
Other result	-2.3	-65.5	>100.0%
Net result attributable to owners of the parent	814.9	193.7	-76.2%
Return on allocated capital	18.7%	5.1%	

Net interest income increased primarily due to higher loan volumes in Austria and positive contributions from lending business in Slovakia, Hungary and Croatia. Net fee and commission income went down as a result of lower payment and lending fees mainly in Romania, the Czech Republic and Croatia. Net trading result and gains/losses from financial instruments at FVPL decreased due to negative valuation effects mainly in the Holding, the Czech Republic and Slovakia. Overall, operating income declined. Operating expenses decreased in the majority of core markets. Operating result thus remained almost unchanged and cost/income ratio improved. The significant increase of risk provisions (line item impairment result from financial instruments) across all core markets resulted from the updated risk parameters with forward-looking information and stage overlays. Other result worsened primarily due to the non-recurrence of selling gains. The net result attributable to the owners of the parent decreased significantly.

Credit risk

Credit risk exposure in the Corporates segment rose to EUR 83.0 billion (+6.5%). Loans to customers increased to EUR 57.6 billion (+5.0%). As a percentage of Erste Group's total loans to customers they stood at 33.9% (33.6%). The big difference between credit risk exposure and the customer loan portfolio in the Corporates segment is primarily due to a large volume of guarantees and unused loan commitments. The outbreak of the Covid-19 crisis and its serious economic consequences led to deterioration in asset quality; the NPL ratio rose to 2.8% (2.3%). A significant proportion of growth in non-performing loans resulted from a review of borrowers' expected future solvency. Where repayment

appears unlikely, customers are categorised as defaulted even if they were not insolvent nor payments past due for more than 90 days. In view of an expected rise in loan losses, loan loss provisions were also increased substantially and amounted to 94.8% (85.7%) of non-performing loans in the Corporates segment.

GROUP MARKETS

Financial review

in EUR million	2019	2020	Change
Net interest income	257.2	252.2	-2.0%
Net fee and commission income	228.3	240.9	5.5%
Net trading result and gains/losses from financial instruments at FVPL	48.4	38.5	-20.4%
Operating income	536.9	529.7	-1.4%
Operating expenses	-240.2	-232.0	-3.4%
Operating result	296.7	297.7	0.3%
Cost/income ratio	44.7%	43.8%	
Impairment result from financial instruments	5.1	-0.8	n/a
Other result	-18.4	-25.7	39.5%
Net result attributable to owners of the parent	224.6	211.0	-6.1%
Return on allocated capital	24.1%	24.4%	

Net interest income went down mainly due to lower result from repurchase operations as well as decreased contribution of the business with institutional clients in the Czech Republic. Net fee and commission income increased mostly due to higher securities fees driven by increased securities transactions, origination and business with institutional clients in Austria. Net trading result and gains/losses from financial instruments at FVPL decreased due to valuation results of interest rate derivatives as well as a significant decrease in market prices of fair value securities. Overall, operating income decreased. Operating expenses went down, leading to a moderate increase in operating result. Cost/income ratio improved. Impairment result from financial instruments deteriorated due to risk provisioning in several CEE core markets. Other result deteriorated mainly on the back of higher resolution fund contribution and non-recurrence of selling gains in Austria. Overall, the net result attributable to the owners of the parent declined.

ASSET/LIABILITY MANAGEMENT & LOCAL CORPORATE CENTER

Financial review

in EUR million	2019	2020	Change
Net interest income	-104.3	86.2	n/a
Net fee and commission income	-84.5	-79.3	-6.2%
Net trading result and gains/losses from financial instruments at FVPL	38.6	13.2	-65.8%
Operating income	-107.1	58.0	n/a
Operating expenses	-110.9	-107.4	-3.1%
Operating result	-218.0	-49.4	-77.3%
Cost/income ratio	>100%	>100%	
Impairment result from financial instruments	13.0	-3.0	n/a
Other result	-90.0	-111.8	24.2%
Net result attributable to owners of the parent	-237.3	-112.7	-52.5%
Return on allocated capital	-8.2%	-3.6%	

Net interest income improved primarily due to a change of transfer prices that led to a negative impact in the retail and corporate segment and a corresponding positive effect in ALM & LCC as well as a higher contribution from balance sheet management in the Czech Republic. Net fee and commission income improved mainly due to a better result in the Czech Republic. Net trading result and gains/losses from financial instruments at FVPL deteriorated due to valuation results in the Holding. Operating expenses declined mainly on methodological changes resulting in cost allocations to the other business segments in Erste Bank Oesterreich and Slovakia. Overall, operating result improved. Other result worsened mainly due to higher allocations of payment into resolution funds and lower real estate selling gains. The net result attributable to the owners of the parent improved.

SAVINGS BANKS

The business segment Savings Banks is identical to the operating segment Savings Banks (see page 29).

GROUP CORPORATE CENTER

Financial Review

in EUR million	2019	2020	Change
Net interest income	70.6	89.1	26.2%
Net fee and commission income	-1.3	6.6	n/a
Net trading result and gains/losses from financial instruments at FVPL	12.2	37.1	>100.0%
Operating income	70.9	124.8	76.0%
Operating expenses	-1,023.9	-1,013.0	-1.1%
Operating result	-953.0	-888.2	-6.8%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	-16.4	24.4	n/a
Other result	572.6	829.5	44.9%
Net result attributable to owners of the parent	-263.3	-134.4	-49.0%
Return on allocated capital	-5.6%	-2.1%	

The increase in operating income was driven by higher net interest income on decreased funding costs as well as improved net trading result and gains/losses from financial instruments at FVPL. Operating expenses decreased on lower marketing and project related costs. Overall, operating result improved. Other result improved notably on the non-recurrence of last years' good-will impairment of Slovenská sporitel'ňa in the amount of EUR 165.0 million and higher valuation results. Overall, the net result attributable to owners of the parent improved.

(Consolidated) non-financial report

2020 was not only characterised by the Covid-19 induced crisis but also by several initiatives to address environmental topics mostly to curb global warming. On 15 January 2020, the World Economic Forum listed in its Global Risk Report climate change and related environmental risks as the five most likely risks events. While infectious diseases did not make Top 10 in terms of likelihood they ranked tenth in terms of impact. At that time hardly anyone could have imagined how soon such a risk in the form of a new coronavirus would spread worldwide and that in order to protect healthcare systems significant social restrictions and economic lockdowns were to be implemented on a global scale. The Covid-19 induced crisis resulted in significant adverse economic impacts, but it also demonstrated how much can be achieved if policymakers focus on common goals.

Through all the difficulties of 2020, the European Commission adopted several environmentally relevant declarations, including the European Industry Strategy aiming to help Europe's industry in the transition towards climate neutrality and digital leadership, the New Consumer Agenda that plans, among other things, issues such as consumer rights to enable consumers to play their part in the green transition by providing them with information on product sustainability, promoting repair and banning fake green claims. As part of the European Green Deal the Commission proposed in September 2020 to raise the net greenhouse gas emission reduction target to at least 55% compared to 1990. In addition, plans to earmark substantial funds to support the vision of a European Union becoming climate-neutral by 2050 were announced, and it was decided that 30% of the combined EU Budget MFF 2021-2027 and the EU Next Generation funds are to be allocated to climate-related expenditure. Erste Group believes that the aspirations of the European Commission will have a profound transformative impact on European economies and societies in the years to come and that this transformation is necessary and the right thing to do. Such a transition should be executed in a socially fair manner, and equally high attention needs to be paid to environmental, social and governance objectives.

For Erste Group, considering the impact of its entrepreneurial activities on society or the environment is nothing new. On the contrary, looking beyond financial performance is very much in line with the principles to which Erste österreichische Spar-Casse committed itself when it was founded more than 200 years ago. The Management Board adopted a Statement of Purpose to reaffirm and state in more detail the purpose of Erste Group to promote and secure prosperity across the region. It defines the following tasks and principles:

_ Disseminating and securing prosperity
_ Accessibility, independence and innovation
_ Profitability
_ Financial literacy
_ It is about people
_ Serving civil society
_ Transparency, stability, simplicity

Two key questions must be answered every time a business decision is taken: "Is it profitable?" and "Is it legal?" For Erste Group, this has never been enough. Answering the "third question" that arises from the Statement of Purpose is an expression of its corporate social responsibility: "Is it the right thing to do?" Erste Group pays particular attention to this third question. Therefore, this is the question every employee has to answer whenever they take a business decision. This awareness and the mindset behind it are firmly embedded at Erste Group.

Building on this Statement of Purpose, a Code of Conduct defines binding rules of the daily business for employees and members of both the Management Board and Supervisory Board. At the same time, the Code of Conduct underlines that in pursuing its business activities, Erste Group values responsibility, respect and sustainability. The Code of Conduct is an important tool to preserve the reputation of Erste Group and to strengthen stakeholder confidence.

Implementation of the reporting obligation as a combined non-financial report

To meet the statutory requirement of disclosing non-financial information, Erste Group has decided to include the (consolidated) non-financial report in its annual report, thus fulfilling its obligations under sections 243b and 267a of the Austrian Commercial Code (UGB). Erste Group has drawn up this non-financial report in conformity with the Global Reporting Initiative (GRI standard: core option). Non-financial reporting is not subject to the audit of the consolidated financial statements. This non-financial report was subject to an independent audit by Deloitte Audit Wirtschaftsprüfungs GmbH in accordance with the GRI standards: Option core and sections 234b and 267a of the Austrian Commercial Code (UGB) to achieve limited assurance. This audit report is available at the end of this non-financial report.

The reporting obligation under UGB covers as a minimum environmental, social and employee matters, respect for human rights and measures against corruption and bribery.

The non-financial report must be prepared for the same scope of consolidation that is covered by financial reporting. The calculation of non-financial data, such as energy consumption per employee (full-time equivalent; FTE), is based on all material Erste Group entities that have at least one employee. For the 2020 non-financial report, human resources data was captured at single-entity level.

Environmental data of all premises used for banking operations was captured for all entities in the scope of consolidation except one entity with less than 1% of group-wide FTEs. In 2020, the data of all Austrian savings banks in the Haftungsverbund (cross-guarantee system) was included.

Sustainability at Erste Group

The founding concept of Erste österreichische Spar-Casse, the predecessor of Erste Group, was simple and revolutionary: "No age, no gender, no social class or nationality" shall be excluded from the benefits that the Spar-Casse offers every depositor." This excerpt from the founding charter of 1819 expresses the underlying idea that has been valid ever since. Erste Group is built on the inclusive and non-discriminatory belief in people, their ideas and plans for their future as well as their capabilities and their potential for personal growth and a promise for a prosperous society.

Resolving the conflicting targets of profitability and the ecological and social impact of its business is therefore a key element for the management of Erste Group. Acting responsibly and earning a premium on the cost of capital is a key prerequisite for the long-term survival of any company and the creation of value for customers, investors and employees. Only a bank that operates in a sustainable manner – balancing the social, ecological and economic consequences of its business activities – and profitably, can achieve the following: provide products and services to customers that support them in achieving their financial ambitions; deliver the foundation for share price appreciation as well as dividend and coupon payments to investors; create a stable and rewarding work environment for employees and be a reliable contributor of tax revenues to society at large. Sustainability in this context means to operate the core business both in a socially and environmentally responsible manner and economically successfully.

Today, Erste Group has an extensive presence in the following core markets: Austria, the Czech Republic, Slovakia, Romania, Hungary and Croatia – all of which are members of the European Union. Following significant investments in its subsidiaries, Erste Group holds considerable market positions in these countries. In Serbia, which has been assigned European Union candidate status, Erste Group maintains a minor market presence but one that may be expanded through acquisitions or organic growth as the country makes progress towards European Union integration. In addition to its core markets, Erste Group also holds direct and indirect majority and minority banking participations in Slovenia, Montenegro, Bosnia and Herzegovina, North Macedonia and Moldova.

Erste Group's business is firmly embedded in the real economy, servicing private individuals, corporate customers ranging from SMEs to large corporations, the public sector and NGOs. The bank offers its services through an extensive branch network and digital channels. In addition, Erste Group takes care of persons that do not or no longer have access to traditional banking services and offers them their first, or in some cases second, opportunity to bank. As one of the leading banks in Austria and the eastern part of the European Union, Erste Group is also an important employer, taxpayer and customer of local suppliers.

The Group Sustainability Office reports directly to the Chief Executive Officer and is responsible for developing and implementing group-wide policies regarding environmental topics, corporate volunteering and corporate social responsibility as well as implementing the group-wide Code of Conduct, CSR ratings and drawing up the non-financial report.

Sustainability objectives

Against the backdrop of the increasing importance of overarching societal challenges to cope with social imbalances and climate change, Erste Group has reinforced its commitment and formulated a transparent set of the sustainability objectives and their relation to the 17 UN Sustainable Development Goals (SDGs). These sustainability objectives are an elementary and clear value set to be consistently activated in Erste Group's business strategies, products and services and, consequently, also in its sustainability risk management principles and in the supplier management principles.

Erste Group's environmental objectives

_ Clean energy & energy security (SDG 7, 13)
_ Resource & energy efficient buildings (SDG 13)
_ Smart mobility and transportation (SDG 9, 13)
_ Resource depletion & waste management (SDG 6, 12)
_ Pollution prevention, preservation of water and maritime resources (SDG 14)
_ Protective land use, forestry (SDG 15)
_ Protection of biodiversity (SDG 14, 15)
_ Animal welfare (SDG 14, 15)

Erste Group's social objectives

_ Human rights (SDG 1)
_ Healthcare, education and job safety (SDG 3, 4)
_ Diversity and equal opportunity (SDG 5, 10)
_ Employee attraction, relations and retention, employee rights (SDG 8)
_ Customer engagement & financial literacy (SDG 1, 4)
_ Product integrity safety and liability (SDG 12)
_ Advertising & marketing ethics (SDG 12)

Erste Group's governance objectives

_ Management and ownership structure (SDG 16)
_ Corporate governance procedures (SDG 16)
_ Executive and employee compensation (SDG 16)
_ Supply chain standards (SDG 12)
_ Anti-competitive practices (SDG 16)
_ Bribery, corruption & ethics (SDG 16)
_ Political lobbying & donations (SDG 16)
_ Tax & Financial transparency (SDG 16)

Materiality analysis

The starting point of non-financial reporting is a materiality analysis conforming to GRI Standards (GRI 101) to identify those non-financial material topics that have social and ecological impacts of relevance to both Erste Group and its stakeholders. The first materiality analysis according to GRI was performed in 2016. As a result of internal discussions, the following stakeholders were identified as being relevant to Erste Group: employees, customers, governance bodies (supervisory board, management board), investors, society, environment and suppliers. Then, in agreement with in-house experts and in consultation with an external consultant, material non-financial topics of particular relevance to Erste Group were identified.

These topics were defined specifically on the basis of the following principles:

_ Materiality for the bank's business operations
_ Involvement/inclusion of stakeholder groups
_ Inclusion of sustainability in the business strategy

In 2017, the validity of material topics was re-evaluated in a group-wide survey. To review the topics of material relevance, a survey was conducted in autumn 2017 among management board and supervisory board members and employees as proxies of other relevant stakeholders. In 2019, another group-wide survey was conducted. On this occasion, the stakeholders taking part in this process were given the opportunity to name additional topics. Overall, 1,173 employees and members of the management and supervisory boards as well as 1,676 customers from Erste Group's seven core countries took part. No further surveys were conducted among representatives of other stakeholders. The aim of the survey was to identify activities that are of particular relevance for Erste Group's long-term economic performance and for society at large.

The target groups surveyed confirmed the validity of the material aspects proposed. The 2019 results were assumed to be equally valid for 2020. These topics therefore represent the material aspects for the non-financial report, no additional topics were included. The following table presents the result of the survey (ranked by relevance):

Material topics	For employees	For customers
Anti-corruption measures	1	3
Data security	2	1
Customer satisfaction	3	2
Ethical conduct of employees in banking operations	4	4
Employee health & work-life balance	5	5
Diversity and equal opportunity	6	6
Ecological impact of banking operations	7	7
Responsible financing	8	8
Financial literacy	9	9
Responsible investment	10	10
Social commitment	11	11
Social banking	12	12

To make the context of the material matters more visible, they have been categorised by higher-level topic areas. Further information on how Erste Group reflects these topics in its strategy and business activities is provided in the sections discussing commitment to society, our customers, suppliers and supply chain, compliance and anti-corruption measures, employees and environment of the non-financial report.

Material topics for Erste Group

Social responsibility

Ethically correct conduct of business by employees in their daily work (relates to all SDGs to which Erste Group makes notable contributions). The values and attitudes demonstrated by employees in their work determine how Erste Group is perceived in public. This way, appreciation and reputation may be earned, but in the case of misconduct, may also be lost again. Erste Group encourages a culture of fair and mutually respectful interaction. Respecting human rights and zero tolerance for child labour and discrimination are fundamental principles of Erste Group.

Financial literacy (SDG 1, 4, 8). For Erste Group, financial literacy is a key factor in creating equal opportunities, economic prosperity and social inclusion. In most cases, a lack of financial literacy means fewer opportunities in many spheres of life.

Social commitment (SDs 4, 5, 10). Erste Group aims to be not only commercially successful but also to act in a socially responsible manner. It pursues a multitude of activities that contribute to the cultural and social development of society and also encourages its employees' individual social involvement.

Governance and anti-corruption measures

Anti-corruption measures (SDG 16). Corruption and bribery may be a problem in many parts of the economy. Erste Group employees are required to attend a customised training programme enabling them to recognise and prevent fraud and corruption. Conflicts of interest between customers, Erste Group and its employees are governed by clear rules such as provisions on employee transactions, the gift policy and research disclaimers.

Employees

Diversity and equal opportunity (SDG 5, 10). For Erste Group, diversity and equal opportunity are key elements of its human resources strategy. It therefore seeks to offer a work environment that is free of discrimination and that values the work of each and every person regardless of gender, age, disability, marital status, sexual orientation, skin colour, religious or political affiliation, ethnic background, nationality or any other aspect unrelated to their employment.

Employee health and work-life balance (SDG 3, 5). Erste Group is convinced that employees perform better and are more motivated when their work and private lives are well balanced and the company contributes to their good health. The focus of

Erste Group is on fostering an awareness of the importance of a healthy lifestyle and promoting preventive health care as a complementary service to the public healthcare system.

Our customers

Customer satisfaction (SDG 8). High levels of customer satisfaction and the resulting customer loyalty safeguard the bank's long-term success. It is therefore vital to continually adapt products and services to customers' expectations and needs and to ensure high service quality.

Responsible investment and finance (SDG 8, 1, 13). Public interest in the indirect impacts of bank products on the environment and society has been growing significantly. When taking business decisions, social and/or ecological criteria are increasingly taken into account in addition to the traditional financial risk aspects. Erste Group is steadily expanding its range of responsible investment and finance products.

Social banking (SDG 1, 8). For a variety of reasons, even today many people do not have access to financial services from commercial banks. In accordance with its founding principles, Erste Group's social banking programmes help people to help themselves and contribute to a positive economic development of the excluded parts of society.

Data security (not assigned to a specific SDG). The security of customer data is a key prerequisite for long-term success in the banking industry and of fundamental importance to Erste Group. Erste Group therefore applies the highest standards in its IT infrastructure and provides ongoing training to its employees to offer maximum protection against the misuse or loss of customer data. The danger of cyber-attacks requires ongoing investment to maintain and improve data security.

Environment

Ecological impact of banking operations (SDG 13). Protecting the environment and the climate are currently among the most significant global challenges. Erste Group aims to minimise its ecological footprint, specifically its consumption of energy and paper, and to use natural resources responsibly.

Suppliers and supply chain

Responsible criteria in the supply chain (SDGs 10/13). Against the backdrop of interrelated economic activities, companies must consider not only the ecological and social impacts of their own operations, but also those of their entire supply chain. Through its supply-chain management, Erste Group is making every effort to avoid an undesirable indirect impact on the environment and human rights.

Erste Group's view of climate risk

"A decade left" is a clear message of the Global Risk Report 2020 and it is linked to the risk assessment of the Global Risk Perception Survey of the World Economic Forum. Extreme weather, natural disasters and failure in climate action were assigned as most prominent threats in the past years. Correlating to these perceptions, a season of the most destructive and longest wildfires and a record number of severe hurricanes resulted in an estimated bill on global natural disaster damages of EUR 175 billion for 2020, making it the fifth costliest year since 1970 for the insurance industry. Yet, although the need for a combined effort to address global warming is less and less questioned, the world of multilateral policies and the reliance on old economic and production structures are still preventing meaningful actions.

The European Commission took a leading position in these global efforts. The European Green Deal presents an ambitious transformation with a well-framed agenda of fundamental changes in industrial as well as individual behaviour. The aim is clear, to prevent a further increase in global warming, environmental degradation and to protect biodiversity. More than 30% of the combined EU budget of EUR 1.8 trillion shall be allocated to climate aligned activities in the coming years. These funds, combined with private investments, shall provide the basis for the annual funding in the amount of EUR 260 billion for the transformation.

The mobilisation of sustainable finance in this scale is both a substantial opportunity and challenge. Erste Group, as a leading financial institution in CEE, plays an essential role to prepare regional financing solutions for transforming energy and power generation towards low-carbon grids combined with efficient energy storage, the renovation of largely energy inefficient building stocks, the reinvention of mobility and transportation on the basis of hydrogen-powered and electric vehicle solutions, the directional shift of the food chain towards a largely organic and local production format, the conceptual change in product design and industrial production in the spirit of resource efficiency and circular economy, and finally investments into care and restoration of our natural environment.

Opportunities and risks arising from material topics

Consideration of the identified material topics opens up opportunities for improving customer relationships, attracting new customers, improving the ecological footprint as well as maintaining and increasing attractiveness as an employer. Ignoring non-financial matters may adversely affect Erste Group's stakeholders. In addition, Erste Group may become exposed to a variety of risks, some of which are interconnected.

Reputation risk exists in all of these matters. In addition, further specific risks may arise. Commitment to society encompasses a broad range of activities, from financial inclusion of low-income or disadvantaged persons to supporting social initiatives, financial literacy as well as art and culture. Reducing the level of involvement in these areas may, for instance, result in financial gaps at co-operation partners and, consequently, the suspension of initiatives or activities. This may harm reputation and, as a consequence, may have a negative impact on customer retention,

lead to a loss of customers and make it more difficult to attract new customers.

In this context, consumer protection activities have to be mentioned as well. Offering adequately designed products and services may reduce the adverse impact of such initiatives. Among employees and the public, a loss of reputation as well as inadequate attention to social matters (such as diversity and equal opportunity) may result in a company being less attractive as a preferred employer. This may lead to a decline in employee motivation, extended sick leave and increased employee turnover, and make it harder to recruit suitable staff in the labour market.

In addition, a lack of diversity in management bodies or teams may lead to groupthink or critical blind spots in decision-making processes. Ignoring the risk of corruption may lead not only to a loss of reputation, but may also cause financial harm.

Failure to deal with environmental matters may result in a deterioration of the ecological footprint, a loss of reputation and higher costs due to lower resource efficiency. In the lending business, the value of collateral may decline.

Failure to respect human rights may adversely affect the working or living conditions of people in a producer's or supplier's country of origin, just as neglecting environmental matters may adversely affect the ecological footprint. In this context, Erste Group is faced with supply risk, reputation risk and the risk of losing customers.

The following materiality table provides an overview of the stakeholder groups, the material topics of the materiality analysis assigned to them, references to GRI standards and references to the sections of the non-financial report in which these topics are explained.

Materiality table

Stakeholders	Topics of the materiality analysis	Material topics pursuant to GRI Standard	Section in the non-financial report
Customers	Customer satisfaction Responsible investment and finance Social banking Data security	Customer privacy (GRI 418-1) Anti-competitive behaviour (GRI 206-1) Initiatives to improve access to financial services for disadvantaged people (FS 14 of GRI 4)	Our customers
Anti-corruption measures		Anti-corruption (GRI 205-3)	Compliance and anti-corruption measures
Employees	Diversity and equal opportunity Employee health & work-life balance Respect for human rights	Employment (GRI 401-1, 401-3) Training and education (GRI 404-1, 403-6, 403-8) Diversity and equal opportunity (GRI 401-3, 405-1) Non-discrimination (GRI 406-1)	Employees (outside the non-financial report: Corporate governance report)
Governance bodies (members of the management board and supervisory board)	Diversity and equal opportunity	Employment (GRI 401-1, 401-3) Diversity and equal opportunity (GRI 401-3, 405-1) Non-discrimination (GRI 406-1)	Employees (outside the non-financial report: Corporate governance report)
Investors		Economic performance	(outside the non-financial report: Consolidated financial statements)
Society	Financial literacy Social commitment Social banking	Initiatives to improve access to financial services for disadvantaged people (FS 14 of GRI 4) Anti-corruption (GRI 205-3) Socio-economic compliance (GRI 419-1) Economic performance (GRI 201-1)	Commitment to society Our customers (outside the non-financial report: Consolidated financial statements)
Environment	Sustainability criteria in the supply chain & ecological impacts of banking operations	Materials (GRI 301-1, 301-2) Energy (GRI 302-1, 302-4) Emissions (GRI 305-1, 305-2)	Environment Suppliers and supply chain
Suppliers	Sustainability criteria in the supply chain & ecological impacts of banking operations Respect for human rights	Supplier environmental assessment (GRI 308-1) Supplier social assessment (GRI 414-1, 403-7)	Suppliers and supply chain

Commitment to society

Erste Group's commitment to society has never been limited to business activities. This is also reflected in Erste Group's Code of Conduct: We consider financial literacy, community involvement and corporate volunteering as areas where we can generate significant impact on society and contribute to the UN Sustainable Development Goals (SDG). Consequently, by providing funding or in some cases manpower and expertise Erste Group supports institutions, initiatives and projects in the areas of social affairs, art, sports, culture, education and the environment.

At Erste Group Bank AG, the Community Affairs and Sponsoring department is independent of Marketing and forms part of the CEO's division. As needs and interests in the areas of social affairs, sports, culture and education vary greatly across Erste Group's markets, depending on local circumstances, specific project sponsorships and initiatives are determined and managed locally. Social and sponsoring activities are combined group-wide under the umbrella of the *Extra*VALUE programme. Regional focus, cross-thematic initiatives and cooperation within related fields characterise the programme. The guiding principle is supporting personal development and helping people to meet their social and cultural needs. Erste Group's *Extra*VALUE programme is a visible sign of the bank's commitment to its responsibility towards society and the individual.

Erste Group believes that this commitment creates far-reaching opportunities for individuals and society at large and, indirectly, also for the bank while not harbouring any significant risks. As a financial institution Erste Group sets a particular focus on financial literacy initiatives to enable people to build up knowledge to make competent financial decisions in all areas of life, thus improving the financial situation of individuals and indirectly society. Assuming societal and social responsibility is in line with Erste Group's strategy and brand. Opportunities include the transfer of a positive image to the brand, emotional branding and getting employees to identify with the brand. Potential risks may arise from the choice of partners (e.g. reputation risk, conflicts of interest, inadequate transparency or inadequate awareness of compliance requirements on the part of a partner) or in contracting (e.g. inadequate specification of services).

Due to the multitude of social and educational initiatives, sponsoring of art and culture, and corporate volunteering, only a few selected projects are highlighted in this non-financial report. More detailed information on various Erste Group initiatives is available at https://www.erstegroup.com/en/about-us/responsibility and on the websites of Erste Group's banking subsidiaries in the respective local language and in some cases in English.

Erste Group's support during the Covid-19 induced crisis

Flexibility and strong determination were needed in 2020 to launch initiatives in areas such as sponsoring, financial literacy and corporate volunteering in the face of Covid-19 induced restrictions and lockdowns. Cooperation partners in the fields of culture, sports and the third sector (the non-profit sector comprising associations, foundations and other types of non-profit organisations) were forced to cancel numerous events. Erste Group continued its long-standing partnerships, adapting or completely re-designing agreements and activation strategies.

Erste Group has been actively pursuing initiatives to support communities and non-profit organisations in all core markets. These included donations to various health care institutions such as the Austrian Red Cross or Croatian and Romanian hospitals, call centers helping with contact tracing in the Czech Republic, educational webinars in Slovakia, or a special loan programme and donations to health care workers in Hungary. References to some of those activities are provided in the following pages.

SOCIAL AND EDUCATIONAL ACTIVITIES

Erste Group's long tradition of cooperating with established local and international organisations reflects its commitment to the promotion of social welfare and education. The focus of social activities is on providing practical and swift assistance to people in difficult life situations and on support for initiatives creating new opportunities for disadvantaged people. In all its core markets, Erste Group also supports various educational initiatives.

Erste Bank Oesterreich has supported annual domestic aid campaigns, the youngCaritas initiative for children and Kulturbuddy (a platform coordinating volunteers) for many years as a partner of Caritas. Erste Bank Oesterreich has also been sponsoring Hilfswerk Österreich, one of the largest non-profit providers of healthcare, social and family services in Austria, for many years. In addition, the bank cooperates with a variety of smaller Austrian NGOs. Banca Comercială Română supported the Emergency Fund for hospitals, the fundraising campaign launched by Save the Children to support Romanian doctors with equipment and protection materials in their efforts against the coronavirus epidemic. The bank also provided funds to the health system in Romania to buy equipment and protection materials for hospitals. Likewise, Erste Bank Hungary supported local hospitals. Activities in Hungary also included cooperations with several social organisations, e.g. to provide housing for homeless people or enable crowdfunding campaigns. Erste Bank Croatia focused on projects aiming at strengthening and developing society, such as SOS Children's Villages. In a year in which the country was not only negatively impacted by the Covid-19 pandemic but also strong earthquakes in Zagreb, Erste Bank Croatia donated funds for the Zagreb children's hospital as well as for the university hospital for infectious diseases in Zagreb. The bank also supported various fund raising activities such as Fond 5.5. for earthquake victims. Česká spořitelna enables the Dokážeme víc (We Can Do More) grant

programme which encourages citizens, including its own employees, to be active. The bank is also a partner of Festival svobody (Freedom festival) – a platform associating citizen initiatives endorsing the legacy of Czech's state holiday on 17 November.

FINANCIAL LITERACY

Financial literacy is essential for creating equal opportunities, economic well-being and social inclusion. In almost all spheres of life, financial illiteracy limits what people can achieve. In line with its mission to foster prosperity, Erste Group is involved in a wide variety of financial education activities, helping people of all ages to acquire the skills and abilities they need to make informed and appropriate financial decisions. In accordance with a recommendation of the Organisation for Economic Cooperation and Development (OECD) that financial education should start as early as possible, Erste Group places particular emphasis on financial education projects for children and young people. Erste Group empowers young people to participate in economic life actively and with self-confidence and to understand how the financial system works.

The Innovation Hub (Erste HUB) is responsible for the financial literacy strategy and the Financial Life Park (FLiP). Since the beginning of 2020, this unit has been reporting to the Chief Platform Officer's division (previously to the Group Retail division).

Erste Group's FLiP at Erste Campus is one of the largest financial education facilities in Europe. Since it opened in October 2016, more than 50,000 visitors have taken part in more than 2,700 (free-of-charge) tours conducted at FLiP. As a result of Covid-19-induced restrictions, FLiP was open for only 15 weeks in 2020, resulting in about 20,000 fewer visitors (about minus 80%) and 900 tours. Since 2019, a mobile FLiP version – FLiP2Go – has been on tour across all federal states of Austria with support from Erste Bank Oesterreich and regional savings banks. Here again, educational content is provided at interactive stations and designed for two target groups: an easy-to-understand format for 10-to-14-year-old children and a more complex one for those aged 15 or older. Visits to both FLiP at Erste Campus and FLiP2Go are free of charge. From April 2019 to March 2020, FLiP2Go attracted more than 11,000 visitors. Because of the Covid-19 pandemic, the bus was not allowed to operate from the beginning of March to the end of the year.

During lockdown, demand for FLiP's digital offerings was substantial, though, with visitor numbers more than doubling. FLiP Challenges offer the option of a digital experience of FliP content. With Financial Life Challenge, teachers can assess the financial literacy of their pupils and obtain an automated evaluation of class performance. Investment Challenge helps users to build knowledge about the capital market and the important role it plays. While enjoying the game, users learn about the impacts that the current interest rate and inflation environment has on savings and why investing in the capital markets is a sensible alternative. In September 2020, a third Challenge was released, the FLiP Entrepreneurship Challenge, in which only the first part is played in the web browser. Then, the innovation method Design Thinking is presented by means of an app that guides users through the entire process (www.flipchallenge.at).

Several successful financial education formats were continued in 2020, among them Geld im Griff (Money under Control): Working with the association The Connection, FLiP develops teaching resources for German language courses specifically for young migrants with the aim of building the financial, consumer and language skills they need for coping with daily challenges in their leisure time, at the workplace and in dealing with authorities. The books are designed for all organisations and, in particular, for NGOs that offer German language courses for migrants. Two parts of a five-volume series have already been released as a teaching and learning resource with a print run of 3,000 copies and made available for download (in German only, https://www.financiallifepark.at/de/fuerlehrer/unterrichtsmaterialen/geld-im-griff).

In all of Erste Group's core markets, the subsidiary banks are committed to promoting financial literacy and pursue this mission by means of a wide variety of initiatives and projects.

Already in 2018, the Slovenská sporiteľňa foundation launched a three-year programme called Financial literacy for schools up to 2020 in cooperation with the Slovak Ministry of Education. Its aim is to bring financial education to primary and secondary schools to strengthen the financial literacy of Slovak children and young people by investing in teacher training and in teaching resources and methods. The offer made to Slovak school classes to book FLiP for three days per month is very popular. Overall, more than 3,100 Slovak pupils have already visited FLiP, guided by employees of Slovenská sporiteľňa. In 2020, these visits were possible only in the months of January and February due to various Covid-19 restrictions.

Erste Bank Serbia continued its workshops in kindergartens and schools. The children taking part learn what banks do and how banks, the economy and businesses work together. The internet platform #Erste-Znali offers a wide range of financial literacy resources – from text to videos and a quiz. This initiative received multiple awards in 2020.

Banca Comercială Română continued its financial literacy programme even during the pandemic. About 33,000 people were taught online, of which some 20,000 took part in the online version of FLiP. In addition to setting up a new digital teaching platform called Money School, a children's book was published to advance financial literacy.

Working with the non-profit consultancy SIMPACT, Erste Bank Hungary (Social Banking) organised training events for NGOs on cash flow planning to help them to better overcome the crisis.

The bank also organised financial literacy workshops for disadvantaged people and persons with disabilities in cooperation with other NGOs (Salva, Káva, Köz-Pont, Romaversitas, Nemadomfel).

ART AND CULTURE

Another important activity is sponsorship of art and culture. As part of its ExtraVALUE sponsoring programme, Erste Bank Oesterreich is the principal sponsor of Jeunesse, whose focus is on the promotion of young artists by giving them opportunities to perform professionally on stage as well as on the development of new concepts for teaching music appreciation. Erste Group also supports the Gustav Mahler Youth Orchestra, Jazz at the Konzerthaus, Secession, the ZOOM Children's Museum, Wiener Festwochen, the International Children's Film Festival and the Hunger auf Kunst und Kultur (Hunger for Art and Culture) campaign. Erste Bank Oesterreich also has a long-standing partnership with Viennale, Austria's largest international film festival. Every year, the bank awards the *Extra*VALUE Film Prize and the *Extra*VALUE Design Prize for social design as part of the Vienna Design Week as well as the Erste Bank *Extra*VALUE Art Prize in collaboration with the art association das weisse haus. Working with Klangforum Wien and the Wien Modern festival, Erste Bank has also been sponsoring the Erste Composition Prize for many years.

Slovenská sporiteľňa went on supporting the museum of modern arts Danubiana. Erste Bank Croatia supported RIJEKA 2020 European Capital of Culture project. During the Croatian EU presidency, Rijeka, as the largest Croatian port, became the centre of a significant and extensive culture and arts programme and the host city for the best and most interesting artists from the global, Croatian and European cultural scenes. For the 16th time in a row, Erste Bank Croatia organised Erste Fragmenti, a competition for emerging Croatian artists and art students. The bank buys artwork, organises an exhibition and awards an art scholarship. In 2020, it was the only contest like this in the country as similar projects were cancelled in this challenging time. Erste Bank Serbia's cultural sponsorship focused on the Guitar Art Festival and the Belgrade Dance Festival. The bank also supported the 54th Belgrade International Theatre Festival.

Banca Comercială Română supported the Bucharest Art Pavilion – Art Safari, the largest event dedicated to Romanian art. Designed as a temporary museum, this event unfolds annually and brings to the public heritage art, contemporary art, performances, workshops for children and guided tours. This year the exhibition took place in former headquarters of the bank. Česká spořitelna continued its support for cultural institutions and events in 2020, however, the whole year looked completely different due to Covid-19. One example were four benefit concerts of the Czech Philharmonic Orchestra, of which it is a partner. Proceeds went to hospitals fighting Covid-19 as well as to others in need. The bank is the general partner of the largest multi-genre festival Colours of Ostrava and partner of Meltingpot, a discussion forum that is part of the festival. Furthermore, it is a long-term partner of the Smetanova Litomyšl classical music festival. The bank has always supported visual art – primarily design – and has operated its own gallery.

Although several festivals such as the Bánkitó civil festival and the Művészetek Völgye Fesztivál (Valley of Arts) – the biggest underground arts festival in Hungary – were cancelled, Erste Bank Hungary as main sponsor provided funds to avoid their bankruptcy and to ensure 2021 planning.

CORPORATE VOLUNTEERING

Erste Group funds, supports and encourages employees to actively contribute to non-profit initiatives and engage in volunteering. Employees and managers of Erste Group prove their commitment by donating their time and expertise and making contributions in kind to partner organisations.

This is done on the basis of our code of conduct: With Erste Group's volunteering programmes, employees can make a contribution to the development of society. We support this by building relationships between Erste Group and social welfare organisations and give employees time off for volunteering.

The Time Bank, the electronic volunteering platform of Erste Bank and the savings banks, was founded in 2010. The Time Bank matches employees who want to donate their free time and skills with more than 60 partner organisations. In 2020, on average, more than 1,200 employees of Erste Group in Austria were registered on this platform. Partner organisations are selected with particular care. Agreements are entered into exclusively with legal entities, not with private individuals. Cooperation agreements are reviewed by the legal department. In addition, the "Know your partner" compliance questionnaire forms part of the cooperation agreement.

All of Erste Group's local banks (except in Austria) give their employees an extra one or two days off each year for volunteering at social welfare institutions. Erste Group thus makes an important contribution to the development of a non-profit sector in the Central and East European region. Another focus of volunteering in all core markets is on financial literacy.

As well as volunteering, donations in kind also remain important. Despite wide-spread prosperity, people on the fringes of society lack items we take for granted such as toys, clothes and sports equipment for children. The Time Bank therefore provides long-term support to its partner organisations by organising regular collection and swap activities. This way, the Time Bank integrates social and societal commitment and supports the sensible and sustainable management of resources and thus the United Nations' Sustainable Development Goals.

In 2020, three additional campaigns were carried out to collect donations in kind: in addition to collecting men's clothing for people affected by poverty, the Time Bank launched an eyeglasses collection campaign. The prescription glasses and sunglasses donated were passed on to the Archdiocese Vienna's charity for the blind; the glasses were measured and handed out to people in need. In addition, the Time Bank set up a permanent drop-off point for private mobile phones. The proceeds went to the emergency relief fund run by Licht ins Dunkel (Light into the dark) and the emergency help service of Caritas.

Activities to collect donations in kind were also organised in CEE countries. Erste Bank Croatia and Erste Bank Hungary donated used furniture (chairs, tables, cupboards) and IT equipment to public institutions such as schools and kindergartens as well as to disadvantaged families.

SPONSORING SPORTS

In addition to numerous activities promoting amateur and professional sport, Erste Group supports professional athletes, teams or events focusing on running, tennis, soccer and handball, water polo and e-sports.

With more than 220 running events each year, Erste Bank Sparkasse Running is Austria's biggest running initiative and sponsors events from small runs in rural areas to the Vienna City Marathon – Austria's biggest sports event with more than 40,000 participants. The Vienna City Marathon had to be cancelled in 2020. Other major running events – such as the erste bank vienna night run – were held in a different format, with virtual running races organised for the first time under the umbrella of Erste Bank Sparkasse Running. In 2020, Erste Bank Oesterreich also sponsored the Erste Bank Open in Vienna, an ATP World Tour 500 tournament and the most important tennis event in Austria.

As one of the leading brands with a focus on Central and Eastern Europe, Erste Group has also recognised the growing popularity of e-sports and was the main sponsor of the finals of the League of Legends European Championship (LEC). Attracting more than 100 million players per months, the Riot Game League of Legends, a team-based strategy game, is the leading game in the e-sports sector. This sponsorship is a joint project of the local banks in all of Erste Group's core markets.

In addition to group-wide projects, local banks run local sport initiatives. In 2020, Erste Bank Croatia established Erste First League, a new platform to engage and support children in sport. The platform now gathers Erste handball league for children between the age of 7 and 12, and Erste Blue league, an athletic competition for school children across Croatia. In addition, the bank supports the water polo club Primorje Erste Bank based in Rijeka, the football club Rijeka and the basketball club Cibona Zagreb. In June 2020, it backed a fundraising tennis tournament in Osijek featuring the best current Croatian players as well as famous tennis veterans. Money raised through the event was donated to Croatian scientists working on coronavirus research. Erste Bank Hungary prolonged its involvement in ice hockey sponsorship by sponsoring the Ice Hockey League until 2021/22.

Česká spořitelna introduced a sports umbrella programme called Sports with Spořk which consists of 11 separate projects and partnerships focused on health and immunity protection. Currently, nearly one million citizens of the Czech Republic benefit from this programme. The partnerships with Bike for Life (the largest cycling tour) and the Czech Athletics Federation have been part of the sponsoring portfolio for more than 20 years. Other partnerships with Sokol (the oldest Czech sports club) started in November 2019 with a new focus on teaching children and students at over 1,500 kindergartens and schools to enjoy sports via the projects With Sokol into Life, PE online and Coaches in schools. The latest additions were Šlappeto (a mobile cycling application for families) and Healthy player which is designed to make e-sports players combine their gaming with physical activity to support their wellbeing. The central project of this programme is Sports with Spořk in cities in which Česká spořitelna organises sports competitions amongst cities in cooperation with local municipal authorities.

Slovenská sporiteľňa was again the official partner of Slovakia's national soccer team and also continued its partnership with the Slovak Olympic Committee. In November 2017, Banca Comercială Română and the Romanian Olympic Committee signed a three-year partnership to support sport and the development of education through sport in Romania. This sponsorship represents a strategic initiative that stands as a benchmark for sport involvement in Romania, anchoring Banca Comercială Română in national aspirations and creating extraordinary content to support Erste Group's claim #believeinyourself.

Our customers

FOCUS ON CUSTOMER RELATIONS

Erste Group puts customers and their needs at the centre of its business activities. In conformity with its founding principle, Erste Group aims to offer its customers advice, products and services that help them to achieve and maintain prosperity. Only a bank that understands the motives of its customers' financial needs can offer the right solutions at the right time. Special attention is devoted to approaching customers proactively, handling customers' requests quickly and with professional care and offering exactly those solutions that meet customers' needs at an appropriate level of risk. This is a key factor in building and maintaining long-term customer relations. Erste Group ensures high-quality advisory services by continuously training its employees, focusing on the relationship with the customer.

Prosperity advice – the Erste Group's approach

Erste Group's retail business reflects its customer-centred approach that aims to support its customers in building and maintaining prosperity. Only a bank that understands its customers' needs and motives is able to develop appropriate solutions for them. Customer behaviour is changing, with online and mobile channels increasing in importance. This development has been further accelerated by the Covid-19 induced crisis. Erste Group therefore offers advice not only face-to-face, but also via chat, audio and video communication and is steadily expanding these services.

The advisory concept is supported by a sales incentive scheme that emphasises quality criteria such as the quality of customer relationships and the active use of digital channels rather than product-driven targets.

Products and processes

Product development is likewise driven by customers' needs and the ways customers carry out their banking activities. Products and services are designed for flexibility, life-cycle changes, simplicity, security, transparency and ease of use. Erste Group focuses on simplifying its current product portfolios and develops new products and services to meet customers' needs in the best possible manner.

OMNI-CHANNEL APPROACH

Erste Group allows its customers to choose between new and traditional sales and communication channels.

It is especially basic financial needs such as money transfers and the acquisition of products of low complexity that customers increasingly wish to handle through digital channels. Erste Group therefore invests in building sales and servicing capabilities to offer end-to-end digital banking. At the same time, for more complex needs, most customers prefer a seamless switch between different channels, with personal contact and advisory services in branches remaining essential touch-points.

Branches

Direct contact with customers through branches remains a substantial asset, especially for more complex customer needs. Confidence and trust in highly qualified advisors form the basis for successful business relations. Branch interiors and infrastructure also have to meet the changed expectations of customers and must enable them to handle their banking business in the branches quickly and easily.

The roll-out of this new branch concept was continued. In total, Erste Group has refurbished or newly opened more than 230 branches in its seven core markets: Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia.

Digital banking

Not only internet-savvy but also traditional customers expect an ever-widening range of digital banking services. Digital banking is more than being able to transfer cash by computer or a mobile device. It also includes competent advice and simpler handling of all banking transactions as well as tools providing a quick overview of all transactions done.

Under the George digital banking brand, Erste Group offers a unique digital experience spanning multiple markets and comprising a wide range of services. George enables customers to access products and services of the Bank and third parties in a secure IT environment and use the platform for managing their finances. Following the successful roll-out in Austria, Slovakia, the Czech Republic, Romania and Croatia, George already serves more than six million users. George has been available in Hungary since February 2021. The implementation in Serbia will follow next.

Contact Center

Customers expect easy service interactions when they need assistance with digital banking. Their first point of contact is Erste Group's contact center, which is available around the clock. Qualified employees not only answer questions regarding products and services and assist users of self-service terminals, but also help customers navigate the digital product acquisition processes. In addition, they handle customer complaints or respond to emergencies such as requests to block credit cards and debit cards.

The contact center has become an integral touch-point facilitating a seamless omni-channel journey. It not only takes an increasingly active part in advisory and sales processes, but, where regulations permit, also supports end-to-end digital banking services such as unsecured loans, insurance, credit cards and online banking.

Customers may also contact Erste Group's contact center by email or via chats, with voice recognition systems and chat-bots completing the services on offer.

ACCESSIBILITY

Erste Group defines accessibility as designing the real-word and digital environments as well as information and product offerings in such a way that they can also be used by people with disabilities without any additional support. Programmes to this effect are being implemented in all countries.

In addition to barrier-free access for the blind and visually impaired (e.g. cash dispensers equipped to provide audio instructions), Erste Group also offers a variety of functions on its digital platform, the George Go app: zoom, contrast adjustment, very large fonts and speech output. The barrier-free functions were developed in cooperation with blind persons and persons with a variety of visual impairments.

2020 was an exceptional challenge due to the restrictions imposed in response to the Covid-19 induced crisis. As part of the essential infrastructure, Erste Group branches remained open during the lockdown periods. In consultation with the bank's crisis management team, measures were taken to protect people while maintaining the possibility of face-to-face contact – including the free-of-charge provision of face masks, hand sanitiser dispensers and Plexiglas screens in areas with busy customer traffic.

In addition, the capacities of the contact center were substantially expanded. The comprehensive banking offering via George also ensured that the customers of Erste Group could conduct their banking transactions through various channels during the Covid-19 induced crisis and lockdowns. In general, measures were taken to ensure a safe working environment. Wherever possible and practicable, employees were asked to work from home.

DATA SECURITY

The security of customer data is a key prerequisite for long-term success in the banking industry. This requires adequate protection of personal data as it is the personal details that are a significant factor in providing financial advice. Maintaining and improving data security is therefore of vital importance to Erste Group. Erste Group applies the highest standards in its IT infrastructure, provides ongoing training to its employees and has common guidelines in place throughout the Group to offer maximum protection against the misuse of personal data.

By sharing and specifying best practices in an ongoing process covering all markets, the Group Data Protection Office ensures that a consistently high level of data protection is implemented across Erste Group. The development of the Union of Data Protection Officers network and the continuous enhancement of data protection compliance may be regarded as the biggest success stories over the past two years. It is the aim to not only maintain the high level of security achieved, but to also implement additional technical and organisational measures in response to mounting challenges to preserve customers' trust as the process of digitalisation continues.

Trust is also earned through transparency: in the event that a loss, change or unauthorised disclosure or access to personal data occurs despite these precautions and if such a breach of data security places the rights and freedoms of the natural persons affected at risk, a notification must be submitted to the competent data protection authority. In 2020, 20 such notifications were sent to the authorities (thereof one for the Holding). If a breach involves a high risk, the persons affected have to be notified as well. In 2020, three such notifications were issued (thereof none for the Holding).

CUSTOMER SATISFACTION

The quality of customer relations depends ultimately on the customers' experiences in their day-to-day dealings with the bank. To maintain its market-leading position, Erste Group is committed to fully aligning employees, partners, processes, policies and technologies around customers. The bank approaches this challenge in a holistic way and uses a system of interdependent, self-reinforcing elements defined in the Group's Customer Experience "CX" Framework, ranging from customer experience strategies to process design and corporate governance.

As they had done in recent years, Erste Group's banking subsidiaries again launched various initiatives against the backdrop of their local environments to provide the best customer experiences possible in a consistent manner. The success of these activities is measured by the CXI (Customer Experience Index). The CXI is determined by the Group Customer Experience department, which is part of the Brand Strategy & Communications division, which reports to the Chief Executive Officer. The CXI replaces the Net Promoter Score (NPS) as it measures not only the customers' willingness to recommend the bank, but also satisfaction, readiness to switch to another bank, customer loyalty and customer effort and thus provides a more comprehensive picture.

The CXI is considered, for example, in calculating the internal bonus assessments of Erste Group's and local banks' management board members and also helps to determine the market positions as well as the strengths and weaknesses of local banks relative to the market leaders (top three competitors) in each country.

Despite the coronavirus crisis, customer satisfaction of the entire Erste Group developed positively in 2020 and is now at the highest level since the measurement began in 2015. Individual subsidiary banks either show growth in both the retail and the SME segment, or can at least keep the high level. In the retail business, Česká spořitelna, Erste Bank Hungary and Banca Comercială Română stand out for their positive development. In the SME business, Česká spořitelna achieved a significant improvement, both in absolute terms and in relation to the top three banks in the country.

RESPONSIBLE FINANCE AND INVESTMENT

In January 2020, the European Sustainable Investment Plan was presented as the investment pillar of the European Green Deal. To achieve the goals set out by the European Commission, a minimum of EUR 1 trillion in sustainable investments will be mobilised over the next decade to support a just and green transition. In parallel, the legal and regulatory framework was expanded. In July 2020, the Taxonomy Regulation establishing a common language of climate aligned and environmentally friendly activities entered into force. Early on, the European Commission made it clear that the financial sector is expected to play a key role in reaching the objectives of the Green Deal. The efforts of the European banking authorities complemented to the finance initia-

tives. The European Central Bank published a guidance on climate-related and environmental risk management and the European Banking Authority issued an action plan on sustainable finance and a discussion paper on the integration of ESG risks into the regulatory and supervisory framework.

True to its role as a leading financial institution in CEE, Erste Group is fully committed to take a major share in the transition process towards a sustainable and low carbon economy. Since its foundation, Erste Group has promoted social values and an inclusive banking concept. As early as in 2001, it started to offer ethically and environmentally responsible investment products. Against the backdrop of the rising importance of sustainable finance, the bank has extended its service offering, such as ESG structured investment products or specific corporate advisory and financing solutions.

In line with its Statement of Purpose, Erste Group has defined exclusion criteria to ensure the ecologically and socially responsible conduct of business in its Responsible Financing Policy. Restrictions apply to the critical part of energy and defence sectors. The financing of nuclear and of coal power plants, coal mining and fracking are excluded. Erste Group joined the institutions aligned with the Paris Agreement and is committed to progressively reduce its coal financing down to achieve a net zero exposure by 2030. Naturally, it is a complex commitment balancing social and energy security with the urgency of climate action. The Responsible Financing Policy is available on Erste Group's website (https://www.erstegroup.com/en/about-us/sustainability).

Erste Group's approach in developing sustainable finance reflects its cross-functional view towards sustainability. The Group Sustainability Office is responsible for aligning the key principles and priorities in all involved areas. In 2020, Erste Group's corporate division established an ESG advisory team to develop and promote corporate ESG values and banking solutions and to direct the flow of funds towards a sustainable and low-carbon economy across the CEE region. The debt capital markets and treasury departments aim at providing adequate sustainable funding and refinancing instruments and risk management formed complementary teams fitting to the ESG business initiatives and ensuring a sound implementation of the increasing regulatory requirements.

Erste Group's key investment and lending decisions have to pass several layers of screening to ensure compliance with the internal Responsible Financing Policy and the Code of Conduct. In project finance, Erste Group applies the international standards of the International Finance Corporation and the European Bank for Reconstruction and Development.

Corporate sustainable financing

Erste Group believes that sustainable finance benefits from public and entrepreneurial awareness, commitment and specific knowledge. For historical reasons, some CEE markets are still somewhat lagging behind in terms of pronounced public awareness and consequently prevailing support toward sustainable objectives. Erste Group's corporate ESG advisory team is dedicated to the mission of building the entrepreneurial understanding of enviro-social equity, long-term risk perspectives and advocating sustainable finance and sustainable debt capital markets. Erste Group's main goal in the region is to support its clients to start and progress in their transition process while ensuring private funding or co-funding means.

Erste Group sees major opportunities in the CEE region arising from the energy sector transformation towards low-carbon grids. In general, life-cycle costs of renewable energy have become comparable with market level, making them increasingly affordable. However, in some countries, the transition will also require modernisation of the transmission infrastructure and further legislative changes though. In 2020, Erste Group participated in or arranged transactions of EUR 1,183 million for renewable energy projects regarding wind-power, photovoltaic, small hydro power and biomass/ biogas across Erste Group's markets in CEE.

Erste Group's Sustainable Finance Corporates team supports a dedicated dialogue with Corporate clients. This typically starts with an industry- and client-specific assessment of ESG issues and leads to the identification of sustainable finance instruments that match the clients' sustainability and funding strategy. To date, Erste Group has participated in sustainable financings with environmentally or socially beneficial impacts through green or sustainability linked loans, SSDs (Schuldscheindarlehen) and bonds granted or placed with a total volume in excess of EUR 1,500 million.

Green bonds

Green bonds are a relatively new and fast-growing asset class. They were created to fund projects that have positive environmental and/or climate benefits. The rising demand for this asset class mirrors the increased public awareness about climate change.

Erste Group is about to finalise its internal framework for green or social bond issuances and plans to issue inaugural green or social bonds in 2021. Cross-functional teams comprising debt capital markets, asset/liability management and the Group Sustainability Office ensure that the requirements of all material stakeholders are met. The eligibility criteria are closely linked to the EU taxonomy, and Erste Group's guiding principles are in line with the ICMA (International Capital Markets Association) green and social bond recommendations and the recommendation of the EU technical expert group on the European green bond standard.

Erste Group believes that there will be a discount for green instruments (green premium) both on the primary and secondary markets and that there will be an increasing shift of private funds into the low-carbon economy transformation.

Asset management

Erste Asset Management (Erste AM) is the asset manager of Erste Group. All Erste AM entities are PRI Signatories (Principles of Responsible Investment) and are committed to the principles of responsible investment. For years, Erste AM has been offering investors an extensive range of sustainable funds enabling them to consider ecological, social and ethical aspects in their investment decisions. Actively managed mutual funds and asset management portfolios are not allowed to invest in companies involved in banned weapons such as land mines, nuclear weapons or cluster bombs and are likewise banned from investing in companies earning more than 30% of total revenues from coal mining, coal trading or the production of coal-based fuels. Furthermore, mutual funds are not allowed to engage in food speculation. The applicable guidelines, including further restrictions are available on the website of Erste AM under sustainability (http://www.erste-am.com). By the end of February 2020, Erste AM took the next step by managing a large number of funds on the basis of integrated ESG criteria.

The Ethics Advisory Board, a body of five external experts, supplements the expertise of the experts at Erste AM in the field of ethical assessment. Erste AM is an active member of the following institutions: Eurosif, FNG (forum for sustainable investments) and CRIC (association for the promotion of ethics and sustainability in investments).

Erste AM is a leading provider of sustainable investment funds in Austria and the CEE region. At year-end 2020, Erste AM managed assets worth approximately EUR 68.2 billion. The assets of sustainably managed investment funds, categorised as ESG Impact, ESG Responsible and ESG Integration, including sustainable real estate assets, amounted to EUR 15.6 billion, held in a total of 78 investment funds that are divided into mutual funds and special funds or individual mandates.

Erste AM believes that a sustainable investment process creates most added value when it combines all available tools and methods. Against this backdrop and to meet strict customer requirements, Erste AM has developed the integrated sustainable approach for its sustainable funds. This approach combines exclusion criteria, positive screening, a best-in-class approach based on the ESG analysis, engagement and voting as well as the design of the investment decisions in line with the desired impact and the assessment of the sustainable yield thus achieved. Furthermore, Erste AM offers tailor-made solutions to its institutional clients.

The managed sustainable retail funds include eight bond funds among them a globally oriented, sustainable emerging market corporate bond fund and a global high-yield fund launched in May 2020, four regional equity funds, a global equity fund following a dividend strategy, a real estate fund, a microfinance fund of funds, a theme fund in the areas of environment and climate protection (in cooperation with WWF Austria), an asset allocation fund of funds as well as Erste Green Invest, launched in August 2020, whose investment decisions focus on measurable positive effects on the environment and society. In 2020, 13 sustainable funds were awarded the FNG label: four funds were awarded three stars and nine funds received two stars. The FNG label is the quality standard for sustainable investments in German-speaking countries and was first awarded by Forum Nachhaltige Geldanlagen (FNG) in 2015. Moreover, eleven of the sustainable funds, most of them for many years, have been awarded the Austrian Ecolabel for sustainable financial products.

Cooperation with other international asset managers (organized by PRI and Sustainalytics) continued in 2020. As a founding member of the Climate Action 100+ investor initiative, Erste AM has supported the five-year active dialogue with the world's 100 largest emitters of greenhouse gases from sectors such as oil and gas, electricity, transport and chemical industry since November 2017. The aim is to make these companies reduce emissions, improve climate-related reporting and to promote measures to combat climate change. In addition to its discussions with companies on controversial topics in the field of sustainability and environmental protection, Erste AM also represented the interests of its customers and fund shareholders at numerous annual general meetings.

The regularly published online blog of the Responsible Investment team of Erste AM (https://blog.de.erste-am.com/dossier-overview/) remained popular in 2020. In addition, brief sustainability profiles (fact sheets) on the investment universe and the sustainability funds are published regularly. Customers are provided with additional details on the selection criteria and their influence on sustainability-relevant key data (such as the funds' CO_2 footprints). In 2015, Erste AM was the first Austrian capital investment company to sign the Montreal Carbon Pledge. Erste AM thus undertakes to measure the CO_2 emissions of its investments and to publish the CO_2 footprint annually. In early 2020, cooperating with the University of Natural Resources and Life Sciences (Universität für Bodenkultur; BOKU) in Vienna and applying international standards, Erste AM was among the first entities in the financial sector to conduct a comprehensive calculation of greenhouse gases emitted by its operations. Calculations were performed for its offices in Austria for 2018 and 2019 and certified by staff of the BOKU CO_2 compensation system. In 2020, the water footprint for ERSTE RESPONSIBLE equity funds was calculated for the third time.

Structured investment products and advisory

Erste Group has already issued several sustainable retail structured investment products in some of its CEE markets. Having long-standing experience in developing structured investment products for its retail clients, Erste Group regards the integration of ESG factors in its product development and offering a commitment to enable its retail clients to invest according to their sustainability-related preferences.

Business responsibility for the development and management of the group-wide sustainability policy for retail structured investment products lies within the central product management unit, which aligns all ESG related topics with the Group Sustainability Office.

In 2020, Erste Group launched a group-wide initiative to introduce a unified Group Markets Retail Responsible Investment Policy for its retail structured investment products. This policy ensures a common understanding of sustainable retail structured investment products and financial advisory services. In addition, it provides transparency on the applied ESG characteristics. The policy has been available on Erste Group's website since March 2021.

Erste Group aims to build-up a client preference-oriented sustainable retail structured investment product offering based on a harmonised ESG methodology and aligned disclosure standards between its entire asset management and advisory universe. To foster the sustainability knowledge of the financial advisors, a growing range of dedicated ESG training sessions and webinars will be available.

SOCIAL BANKING

Offering basic banking services to the unbanked part of the population was one of the main reasons for the foundation of Erste österreichische Spar-Casse in 1819. Since then, the founding principle – to make financial products and services accessible for all people and to disseminate prosperity – has not changed. For a variety of reasons more than 14 million people in Erste Group's core markets (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia) are still at risk of poverty or social exclusion and even today, some segments of the population do not have access to basic financial services.

Erste Group's social banking initiatives focus on financially excluded or vulnerable private individuals (people at risk of poverty or social exclusion) and social organisations (non-profit sector, non-governmental organisations and social enterprises) by offering them fair access to financial products, sound financial advice and business training and mentoring. Social banking was rolled out across all of Erste Group's local banks and was implemented in partnership with ERSTE Foundation and local social sector organisations. Since the launch, 36,000 clients have been supported, loans of EUR 380 million have been granted and, additionally, educational support has been provided to 26,000 clients.

A specific social banking risk policy sets out the key requirements for managing credit risk of social banking in Erste Group. This policy applies to social banking activities to private individuals, micro clients/starting entrepreneurs, social organisations and special projects. The policy provides a framework that is adapted according to local needs and local legal regulations. The responsibility for each transaction lies with the associated local bank of Erste Group.

Financial inclusion empowers people to cope with unexpected financial shock. Since its foundation in 2006, Zweite Sparkasse has helped a total of 20,500 people in financial difficulties in Austria and currently serves about 8,600 customers. In Slovakia, Slovenská sporiteľňa's social banking continued its debt advisory programme supporting approximately 730 low-income clients in taking control of their debts and improving their household financial management skills.

One of the most difficult tasks for starting entrepreneurs is raising financing to start their business. Erste Group believes that small entrepreneurs provide not only income for themselves and their families, but they often expand their businesses in their communities and, consequently, create new jobs. Erste Group offers access to start-up micro loans, business training, e-learning tools, mentoring sessions and networking to these customers. In Austria, the Mikrokredit initiative of Erste Bank Oesterreich and the Austrian Federal Ministry of Social Affairs, Health, Care and Consumer Protection targeting unemployed people starting their own business was extended by adding mentoring support. Overall, Erste Group financed 520 starting entrepreneurs with a total volume of EUR 23 million in 2020.

Very often, even a small working capital loan can be sufficient to scale micro business and successfully fight poverty. BCR social finance (formerly good.bee Credit) is a non-banking financing institution established in 2009 with a clear social inclusion mission and reinvesting all earned profits back into the company. It provides tailored financial and non-financial products for micro-businesses, small agricultural producers and individual enterprises, in both rural and urban areas of Romania. In 2020, BCR social finance approved 1,400 loans and disbursed EUR 15 million to Romanian micro-businesses.

Non-profit organisations and social enterprises often deal with some of the most challenging issues in society such as youth unemployment, social integration and poverty reduction. The Covid-19-induced crisis has triggered funding constraints for many of these organisations. In addition, the current economic downturn might result in declining future aid budgets, social programmes and donations. In May 2020, Erste Group Social Banking with the support of ERSTE Foundation started to provide emergency working capital loans with a zero interest rate in 2020 to non-profit organisations in the CEE markets aiming to support the social sector to cover immediate needs and current expenditure. Additional consultation is provided to find suitable financing.

Erste Group's social banking experts and mentors offer innovative advice and dynamic perspectives to support social enterprises and starting entrepreneurs. For these clients, Erste Group offers a bundle of working capital loans, bridge loans and investment loans. Erste Group Social Banking benefits from the social entrepreneurship guarantee umbrella under the EU Programme for Employment and Social Innovation (EaSI). In 2020, Erste Group

financed 110 social organisations, NGOs and social entrepreneurs with a total volume of EUR 14 million.

Social Impact Bond

Erste Social Finance Holding and ERSTE Foundation teamed up with atempo, an experienced social enterprise in the field of social inclusion, to contribute to solving issues of unemployment of low-skilled women and social exclusion of people with disabilities in a social impact bond scheme initiated by the Austrian Federal Ministry of Social Affairs, Health, Care and Consumer Protection. The goal of this project is to support independence and the quality of life of people with disabilities, and at the same time to empower unemployed women with professional, targeted education and mentoring to enable their re-entry into employment. Pre-financing of the private investor is guaranteed by the Federal Ministry of Social Affairs, Health, Care and Consumer Protection. The initiative is planned to run from May 2020 until December 2023 and will be realised in Vienna, Styria, and Lower and Upper Austria.

For more information and details about Erste Group's social banking or to read some client stories, please visit: https://www.erstegroup.com/en/about-us/social-banking.

Suppliers and supply chain

Erste Group views suppliers as partners in shaping its business to be more sustainable. Procurement decisions include assessments of the suppliers' social and environmental impact.

Covering the entire supply chain, Erste Group Procurement is the sourcing and procurement company of Erste Group. Its basic objective is to ensure clear and fair sourcing and procurement activities and contracts. This includes, most importantly, meeting all the needs of Erste Group's entities for goods and services on time and in accordance with all quality requirements with the best possible terms (e.g. price, terms of payment, guarantees and liability) by purchasing locally or across borders. Erste Group's suppliers must meet defined standards of business ethics, environmental protection and human rights.

In fulfilling their contractual obligations, suppliers of materials, equipment and services selected as group partners are required to:

- Comply with national and local laws, decrees and regulations
- Fulfil all their legal obligations regarding the health and safety of their employees and their contractors
- Strictly comply with environmental legislation
- Respect and implement the basic principles of corporate social responsibility

These principles are also reflected in the supplier code of conduct, which is publicly available on the website of Erste Group Procurement. Erste Group Procurement holds the CIPS Corporate Ethics Mark, a certification awarded by the Chartered Institute of Procurement and Supply (CIPS). This certificate distinguishes institutions that have committed to high standards in procurement and provide relevant courses in-house. Currently, 100% of all employees of Erste Group Procurement have obtained individual certification on ethical behaviour in procurement.

SUPPLY CHAIN

Erste Group's supply chain mainly involves indirect expenses that support the group's core business. In 2020, the total amount paid to companies outside Erste Group was slightly above EUR 1.15 billion, mostly linked to IT (43% of total spending), followed by expenses for services, operations and marketing (36%) and facility management (21%). Out of a total of 20,556 suppliers at group level, 693 suppliers accounted for 80% of total third party expenditure.

90.7% of suppliers (reflecting 94% of third party expenditure) are located in the European Union, highlighting Erste Group's focus on its markets in Central and Eastern Europe including Austria. 8.6% of suppliers are located in other European countries, 0.5% in North America and the rest (0.2%) are based on other continents.

Only 14% of Erste Group's purchases were made across borders. The focus on local procurement strengthens the local economies of the countries where Erste Group operates and underlines its commitment to support these regions.

SUPPLIER SELECTION PROCESS

Compliance with sustainability criteria in selecting suppliers is guaranteed at both the strategic and the operational levels. Strategies have been developed for selected groups of goods to help in supplier selection. In addition to group standards for social responsibility, these strategies also include defined technical specifications. Since 2016, sustainability criteria drafted with the Group Sustainability Office of Erste Group have been a mandatory element of the selection process.

To ensure that Erste Group's suppliers meet the group's corporate responsibility standards, audit questionnaires must be completed for any purchase worth more than EUR 100,000, and regular supplier business reviews have to be performed.

The supplier audit questionnaire is IT-based and an integral part of Erste Group Procurement's supply chain. This ensures full transparency and allows a timely assessment of suppliers and risks before entering into contracts with suppliers. The results of the audits form the basis for supplier classification.

To ensure correct procedures, all relevant steps have been integrated into an electronic tendering system. The IT application blocks the entry of further data, and thus collaboration with a supplier, if there is not enough information available or a supplier

classified as critical has not been explicitly approved. Any non-compliance with the supplier code of conduct is brought forward to compliance delegates, who decide on further action, if required. In addition to the initial evaluation, follow-up reviews are performed regularly on the most important suppliers or those having the most significant risk profile.

Environmental aspects

As part of Erste Group's efforts in environmental protection, ecological aspects are also included in Erste Group Procurement's supplier selection process. The supplier audit questionnaire specifically addresses the following topics:

_ Existence of an environmental management system
_ Existence of a written environmental policy
_ Method for measuring CO_2-emissions
_ Existence of environmental targets
_ Information on fines or charges for environmental infringements
_ Description of the supplier's supply chain

In the procurement of goods, tender documents include additional questions relating to potentially hazardous chemicals, recycling capabilities of products, return policies for products at the end of their useful lives and compliance with ENERGY STAR or similar standards.

A supplier sustainability scorecard was introduced in 2017. Suppliers are required to disclose their ecological footprint (energy consumption, waste and emissions) for the previous two years, either at an aggregate level or related to their activities for Erste Group. In 2020, 66 suppliers with resource-intensive operations such as data centres and transport services were selected to provide scorecard data. As these criteria are relevant to the supplier selection process, developments are continuously monitored and assessed.

In 2020, 20,556 contracts with suppliers were concluded or renewed. Of these, 1,808 suppliers were screened according to environmental standards. No supplier was subject to any environmental impact assessment beyond the standard audit questionnaire, nor was any supplier identified as having had a significant actual or potentially negative environmental impact. No actual or potentially negative environmental impact was identified in the supply chain. Finally, no supplier contract had to be terminated as a result of a significant actual or potentially negative environmental impact.

Social aspects

As the supplier selection process also encompasses social aspects, the supplier audit questionnaire also comprises relevant criteria such as:

_ Effective abolition of child labour
_ Elimination of all forms of forced or compulsory labour
_ Elimination of discrimination with respect to employment
_ Freedom of association and the right to collective bargaining
_ Reasonable working hours and fair remuneration
_ Health protection
_ Occupational health and safety
_ Job restructuring
_ Remuneration
_ Fair working conditions
_ Other social criteria in the supply chain

In 2020, Erste Group co-operated with 20,556 suppliers, of which 1,808 suppliers had a current supplier audit questionnaire on file. No supplier was subject to any specific labour practices or human rights impact assessment beyond the standard audit questionnaire, nor was any supplier identified as having had a significant actual or potentially negative impact on labour practices or human rights. There was no actual or potentially negative impact on labour practices or human rights identified in the supply chain and no supplier contract had to be terminated as a result of a significant actual or potentially negative impact on labour practices or human rights.

Furthermore, no supplier was found to be in violation or at risk of violating the right to exercise freedom of association and collective bargaining, nor was any supplier found to have a significant risk of child labour, young workers exposed to hazardous work, or material risk of incidents of forced or compulsory labour.

Compliance and anti-corruption

Erste Group is committed to the highest standards of corporate governance and responsible behaviour of every individual and conducts its business in compliance with applicable laws and regulations. In addition, Erste Group has introduced various policies and guidelines defining rules and principles for its employees. Compliance with external and in-house standards provides the basis for long-term trust in Erste Group.

Erste Group's compliance programme has laid the basis for a common understanding of values within the Group. The Code of Conduct provides guidance for Erste Group's employees. The rules it sets out for dealing with the day-to-day business create the basis for compliance awareness and for the compliance management system that ensures conduct in conformity with laws and policies.

The Compliance department is responsible for the compliance programme and thus for compliance matters within Erste Group. In organisational terms, Compliance is assigned to the Chief Risk Officer's division but reports directly to the entire management board. The compliance programme of Erste Group is based on relevant legislation such as the Market Abuse Regulation and the Securities Supervision Act, the Criminal Code and the Financial Markets Anti-Money Laundering Act as well as international practices and standards.

Conflicts of interest between customers, Erste Group and employees are governed by clear rules. The most frequent types of conflicts of interest have been defined. Policies and organisational measures have been implemented to manage such conflicts of interest, including information barriers and rules on accepting and giving benefits. Additional standards apply, for example, with regard to employee transactions and research disclaimers. Among the key issues are also the establishment and coordination of processes and measures to prevent money laundering and terrorist financing, to comply with financial sanctions and embargoes and to prevent financial crime. In this area, substantial investments are being made on an ongoing basis to strengthen the monitoring systems.

To ensure compliance with all laws and regulations, standards, policies and processes are continuously evaluated and reviewed across the Group.

Mandatory compliance training for all new employees includes awareness building and an introduction to the prevention of corruption. For employees in selected business areas, regular compliance training is mandatory.

ANTI-CORRUPTION

Based on international anti-bribery and anti-corruption initiatives (e.g. the OECD Anti-Bribery Convention, the United Nations Convention against Corruption), local authorities in many countries have adopted laws and regulations that generally prohibit offering public officials benefits for the purpose of obtaining or retaining business or otherwise securing improper advantages. Offering improper payments or other inducements for the benefit of a public official, even if made indirectly through an intermediary, is prohibited. Erste Group under no circumstances offers anything of value to a public official nor to members of a public official's family or any charitable organisation suggested by a public official for the purpose of influencing the recipient to take or refrain from taking any official action or to induce the recipient to conduct business with Erste Group. This also includes facilitating payments. All of Erste Group's businesses are subject to the laws and regulations in the countries in which Erste Group operates.

Preventing and combating corruption is fundamental to Erste Group. The following measures are taken to comprehensively raise awareness among and provide information to employees:

Policy. By rolling out a group-wide policy on conflicts of interest and anti-corruption, Compliance educates employees about key national rules as well as the rules of the UK Bribery Act and the US Foreign Corrupt Practices Act (FCPA). This ensures that every employee of Erste Group is familiar with the relevant rules and knows how to apply them. This policy is a minimum standard for the entire banking group.

Training. New employees are systematically instructed in the essence and processes of Erste Group's corruption prevention efforts. Regular releases of intranet news on key themes of anti-corruption efforts such as the proper handling of benefits around Christmas or of monetary or non-monetary benefits help to raise awareness of the anti-corruption agenda.

Reporting. Every employee of Erste Group must refrain from any conduct that might give rise to a suspicion of corruption. In addition, various reporting duties have to be met, including in particular reporting any acceptance or giving of certain benefits in the public and the private sector as well as any benefits they receive from third parties within the meaning of MiFID II or give to such third parties. With all topics arising in connection with corruption prevention, Erste Group's employees may contact Compliance through various channels such as e-mail, reporting tools or, anonymously, by whistle-blowing.

Group steering. Under a comprehensive communication scheme, Erste Group entities share information intensively at the expert and division head levels (e.g. regular expert calls, annual division head conferences). Local compliance officers and Erste Group's Compliance department hold regular phone conferences to discuss key issues such as ways of providing advice and creating awareness specifically on matters such as benefits and side-line activities.

Surveillance. All suspicious cases are reviewed and disciplinary action is taken, if required. The group-wide survey of corruption risks did not reveal any significant corruption risks for Erste Group.

Activities in 2020

- Continued optimisation of the compliance strategy with an increased strategic focus on improvements in anti-money laundering, financial sanctions and the uniform establishment of group-wide standards
- Improvement of the monitoring system to combat money laundering
- Annual or periodic reviews of policies including the group-wide AML, KYC, CTF, FATCA and CSR policies, the Financial Sanctions and Embargoes Policy, the Securities Compliance Manual, and the Anti-Corruption and Conflicts of Interest Policy
- Regular compliance and anti-corruption training
- Update of the reporting tool for conflicts of interest (benefits and side-line activities)

Activities continuing in 2021

- Increased process and technical improvements in anti-money laundering, financial sanctions and data analyses to combat financial crime
- Further improvement of the monitoring system to combat money laundering
- Campaigns to strengthen awareness regarding conflicts of interest and anti-corruption

Employees

Erste Group is convinced that current and future staff-related goals can be achieved by focusing on the following three pillars of its human resources strategy:

_ Culture
_ Competence
_ Competitiveness

Human capital is the key element for successful organisational, corporate cultural and competence building. Modern organisations enable people to work in a more flexible, adaptive and customer-centric way. Attracting, retaining and engaging highly qualified employees is crucial to business success, and Erste Group strives to be the employer-of-choice in the region, both in the financial and in the IT sectors, by offering various learning and development opportunities, diverse and international teams and challenging tasks in a flexible organisation.

Developing future leaders and experts in a systematic way is what motivates high-potential employees. Talent management is driven by honest feedback, a fair and transparent assessment of individual potential and quality development activities in partnership with internationally renowned institutions In the next few years, Erste Group expects that a significant part of today's competences will either become obsolete or will be replaced with different skillsets, more relevant for an agile and digital workforce. Building future-fit competence is thus an essential element of Erste Group's day-to-day human resources work. Learning initiatives go well beyond banking knowledge and also cover the broad economic and social issues facing the region.

Erste Group's cultural transformation aims at linking performance management and rewards to qualitative aspects. This involves moving away from incentive schemes with predominantly sales-driven key performance indicators towards a remuneration philosophy that is more purpose-driven, collaborative and team-oriented, thus taking the prosperity and satisfaction of customers into account.

Erste Group contributes to the implementation of the UN Sustainable Development Goals and Agenda 2030. Its diversity strategy and activities support good health and well-being (Goal 3), gender equality (Goal 5), decent work & economic growth (Goal 8) and reduced inequalities (Goal 10).

Erste Group's response to Covid-19

At the end of January 2020, a Covid-19 Coordination Team was established to assess risks for the company with the accelerated spreading of the coronavirus and to coordinate necessary measures. The aim was to ensure a maximum of safety for both employees and customers as well as to protect the business interests of Erste Group while supporting governmental efforts.

Starting with the first lockdown in mid-March the share of employees of central buildings working from home rose to over 90% within 36 hours. It proved to be advantageous that employees had already been equipped with laptops and softphones, and in most cases, with mobile phones, for several years to accommodate working in modern open-space working environments and from home in general.

As banking was defined as a part of critical infrastructure, Erste Group's branches were kept open even during complete shutdowns in all of its core markets. In some branches, opening hours were reduced, and a two-team system was introduced for several months to ensure the safe and stable provision of services.

Due to the strict containment and safety measures no infection clusters were identified in branches or central buildings during 2020.

So far, Erste Group Bank AG has not made use of any government subsidies, such as tax deferrals, compensation of wage costs or short-time work in connection with Covid-19.

DIVERSITY AND EQUAL OPPORTUNITY

Erste Group defines diversity and inclusion as an integral part of its corporate strategy. Owing to its diversity principles, Erste Group benefits from highly motivated employees, innovative teams and higher customer satisfaction. Erste Group is convinced that diversity promotes operating excellence, as diverse teams achieve better results.

The code of conduct also emphasises the respect for human rights and non-discrimination. Erste Group strives to create the best possible work environment, free of discrimination, harassment and intimidation. It values the work of each and every person regardless of gender, age, marital status, family obligations, religion, political conviction, sexual orientation, nationality, social or ethnic background, disability physical appearance and any other aspects unrelated to the bank's business.

Diversity and inclusion

In 2020, Erste Group's Diversity and Inclusion Policy was renewed, defining measures to increase the share of women in management positions. This policy focuses on the following four areas:

_ HR processes including recruitment, retention and promotion
_ The reconciliation of private and professional lives
_ Culture and communication
_ A new set of targets and ways to effectively monitor them

Erste Group did not reach the 35% target for women in top management positions by year-end 2019. Following an in-depth analysis of the process, the management together with experts in the fields of human resources and diversity set the objective to

reach a share of 37% women in top management positions (i.e. board and board-1) and 40% women in other management positions (i.e. B-2 and B-3) by the end of 2025. Specific targets were defined for each of the local banks, supplemented with an effective monitoring and reporting system. As of year-end 2020, the banking subsidiaries of Erste Group hold a share of women in top management of 26.6% (2019: 27.4%), with Banca Comercială Română as the best-performer with 41.9% (41.2%), followed by Erste Bank Serbia with 40.0% (38.1%) and Erste Bank Croatia with 33.3% (26.7%).

In addition, Erste Group focused on the group-wide implementation of the following initiatives:

- Establishment of new communication formats to raise awareness for diversity and equal opportunity among executives, to make existing offers more visible and to provide best practice examples
- Establishment of a strategic interim management system for persons on parental leave that addresses career disruptions with flexibility and a clear focus on the development opportunities for women and men

As the sole Austrian and one of only three companies in the CEE region, Erste Group was again listed in Bloomberg's Gender Equality Index (GEI). This index measures disclosure and performance in promoting gender equality in five areas: female leadership and talent pipeline, equal pay and gender pay parity, inclusive culture, sexual harassment policies, and pro-women brand. Another prestigious international benchmark is Erste Group's participation in the EU Diversity Charter platform. All local banks (with the exception of Erste Bank Serbia because it is headquartered in a non-EU member state) are signatories to their national diversity charters in which members commit themselves to establish an inclusive working culture for their employees regardless of gender, ethnicity, religion, age, disability and sexual orientation. In 2020, Erste Group was for the first time a main partner of the United Nations initiative Orange the World. The purpose of the campaign is to raise awareness for violence against women and support women globally to lead a life free from all forms of violence.

Antidiscrimination

A company agreement on preventing discrimination and promoting respectful behaviour in the workplace was concluded for Austria in 2015 to protect against all forms of discrimination, bullying and harassment. An independent anti-discrimination officer advises and mediates in matters concerning harassment and discrimination and works with management on awareness and prevention. In 2020, this company agreement was revised and expanded in the direction of active conflict management, as Erste Group set itself the goal of dealing with conflicts in the Code of Conduct.

Advice for employees is confidential and is accompanied in a structured solution process if required.

Experience obtained from such conflict situations are perceived as an opportunity to work on the continuous development of the corporate culture. This development focuses primarily on raising awareness and improving processes, behaviour and organisational matters for management and employees.

Following its successful implementation in Austria, a Group Policy will be drawn up in 2021 that will also offer Erste Group's subsidiaries outside Austria a framework for conflict management and processes to address and deal with discrimination, bullying and harassment.

LEARNING, TALENT MANAGEMENT, LEADERSHIP AND COMPETENCE DEVELOPMENT

Erste Group is committed to developing its employees' professional and interpersonal skills to ensure that they are well prepared to perform professionally and in a socially responsible manner. Erste Group continuously develops and aligns group-wide training programmes for senior experts and managers.

Erste Group's employees benefitted from the expanding offer of digital learning formats. Deploying the latest digital learning platforms with continuously updated content, Erste Group was able to quickly amend the learning content structure to reflect rapidly changing needs of managers and professionals in the unprecedented workplace situation due to Covid-19.

Erste School of Banking and Finance, representing the group's key learning programmes framework, switched most of its professional and leadership training, customised executive training, and personal development training courses as well as business area-specific programmes, to blended or fully virtual formats. This allowed Erste Group to keep its 2020 focus on job-specific competence building as well as on identifying and developing group-wide pools of high potential leaders, continuing its cooperation with renowned institutions such as IESE Business School, IMD Lausanne, WU Executive Academy in Vienna and Ashridge Executive Education.

Erste School of Banking and Finance offers colleges for specific business areas. The Corporates & Markets College focuses on specific product knowledge, corporate analysis and corporate sales abilities. The Finance College covers topics of the four key areas of controlling, asset/liability management, accounting and data excellence. The offering of the Risk Management College reflects the changes in the regulatory framework and helps to acquire knowledge in the various areas of risk management. The Business Transformation College provides training on project management and business analysis, enterprise architecture and the broad integration of agile methods.

Erste Group's international leadership development initiatives are structured into a comprehensive roadmap called Erste Leadership Evolution Centre (ELEC), addressing the full range of leadership development. ELEC also includes development programmes for Erste Group's talent pools that aim at developing internationally mobile, high-potential leaders across three seniority levels. The International Talent Pool targets high-performing professionals up to board minus 3 management levels. The next level, the Group Key Positions Pool, aims at preparing managerial talents for roles at division head level. The Executive Pool identifies and develops top executive level talent.

Attracting new generations of workforce through comprehensive development opportunities remains a steady priority across Erste Group. The aim of the annual Group Graduate Programme for university graduates is to attract top international graduates and provide them with fundamental banking and risk management knowledge. In the current Graduate Programme, 50% of the participants are women.

In 2020, each employee of Erste Group had on average 21.5 training hours for professional development (women 21.4 and men 21.7 training hours). Employees in managerial positions had on average 26.0 training hours. Each employee of the Holding had on average 20.2 training hours for professional development (19.6 hours for women and 20.8 hours for men).

In 2021, Erste Group plans to further expand its digital learning offering for employees and managers. Based on the experience during the pandemic, Erste Group decided to continue expanding digital learning formats. In many training courses, online formats proved to add substantial value. The focus will be both on the development of new formats and on the education of internal trainers who need to master a professional approach to the new media.

REMUNERATION AND PEOPLE PERFORMANCE MANAGEMENT

Erste Group's remuneration policy is geared towards an appropriate balance in rewarding performance, competencies and responsibility of its employees. As a signatory of the Austrian Diversity Charter, Erste Group committed itself to the principles of equal opportunity and transparency, especially in remuneration. Consequently, one of the key strategic priorities is to ensure that all reward schemes are transparent, market-driven and linked to performance and personal development. Erste Group's general remuneration philosophy is to neither fall short nor lead the market but to offer competitive remuneration packages.

Therefore, its remuneration policy aims to:

- Create an environment where employees can perform, develop and be involved
- Reward at the right level to attract and retain employees with the required competence and skills
- Be cost-competitive and cost-flexible for a sustainable business
- Support leadership and employee behaviour that creates an engaging and unique customer experience and effective risk management practices

All remuneration schemes are designed to meet the respective European and national regulatory requirements on remuneration, as well as the local banks' national remuneration practices and business line needs. The supervisory boards or, where established remuneration committees, review remuneration policies and practices annually on Group as well as on local level, to ensure compliance with respective international and national legislation.

Erste Group's remuneration packages comprise fixed and variable components, benefits and benefits in kind and other individually agreed terms and conditions. Fixed remuneration is the core component of any employee's remuneration and is based on job complexity, individual contribution and local market conditions. The fixed salary represents a sufficiently high proportion of the total remuneration to cover the employees' basic cost of living and allows Erste Group to operate a flexible remuneration policy. Variable components of remuneration are designed in such a way that they do not promote excessive risk-taking. Variable remuneration components may be offered to all employees and are based on company, individual and business line performance. Specific sales incentive schemes are offered to employees working in the retail and corporate business lines and are also based on company, individual and business line performance. Sales incentive schemes are based on quantitative and qualitative criteria. On all these levels, Erste Group uses a balance between financial and business growth, risk, customer satisfaction and cost indicators. The overall performance evaluation also includes the employee's social and business competence.

Benefits (in kind) are provided as a means to stimulate well-being in the work environment and to support an appropriate work-life balance. The benefits offered include flexible working time, study leave, parental leave as well as health centre expertise. Pension and insurance schemes aim at ensuring that employees have an appropriate standard of living after retirement. Pension and insurance provisions are according to local laws, regulations and market practice.

EMPLOYEE HEALTH & WORK-LIFE BALANCE

Respecting and promoting work-life balance has been a long-standing priority of Erste Group, and it offers a wide variety of family-friendly measures and evaluates them on a regular basis to ensure that they meet the employees' needs. These measures differ from country to country and include flexible work arrangements, a company kindergarten, short sabbaticals and regular meetings for employees on parental leave.

One of the priority measures ensuing from the Career and Family (Beruf & Familie) Certification Audit in Austria is to develop effective interim management models for persons on parental leave that address career disruptions with flexibility and a clear focus on the development opportunities for women and men on parental leave. In 2020, Erste Group fostered its initiative on encouraging more men to take full advantage of parental leave options.

The development of health literacy, embedded in the UN Sustainable Development Goals (SDG 3), is essential for dealing with illnesses, guaranteeing equal access to health care, and supporting social policies in this area. The workplace offers an ideal setting and infrastructure to support and promote health issues to large groups of people, thus making occupational health an important contributor to public health. Erste Group is committed to a proactive approach to helping its employees to identify and manage health risks. Health promotion activities and topics in Erste Group include lifestyle habits, work-life balance, mental health, stress prevention and nutrition counselling. A multi-professional team of occupational physicians, work-place psychologists and physiotherapists assists Erste Group's employees in any matters of health and well-being.

The requirements for occupational safety in Austria are regulated by law (Occupational Health and Safety Act). Erste Group ensures compliance with all legal requirements with its own health centre and covers support for the Holding, Erste Bank Oesterreich and almost 30 subsidiaries. In 2020, in the course of the Covid-19 pandemic, almost 7,000 employees received medical treatment in the context of occupational health measures.

To set effective measures for employees within the scope of Covid-19 and to maintain continuous banking operations, the health centre initiated and supervised several very successful approaches: a hotline operating 7 days a week for inquiries from employees regarding related health issues, immediate testing in case of suspected infection, participation in a study led by Medical University of Vienna regarding the immunity situation of employed persons with various demographic factors and employments as well as immediate individual and team support for all employees.

Erste Group's Vienna based health centre focuses on the prevention of chronic diseases, which account for 50-80% of all global health costs. Erste Group has implemented a wide variety of measures to prevent or at least minimise the impact of chronic illness. These measures include preventive medical examinations, melanoma screenings, colon cancer prevention and early detection measures, the prevention of cardio-vascular diseases through nutrition consultation, fitness offers, and blood pressure and other screenings. Through close cooperation with local health services providers such as rehabilitation centres, employees are ensured quick access to treatment.

A company agreement on re-integration ensures that employees can gradually return to work after an extended sick leave. Erste Group is one of only a few companies with such an agreement, which has resulted in a significant decline in long-term sick leaves over the past years.

As mental health is increasingly important for the labour market, the health centre has made it one of its priorities. Employees have access to work-place psychologists, as well as to an external service that provides support for situations concerning children, school, problems at home and outside the home, and caring for older dependent family members. Employees on Erste Campus also have access to a hotline free of charge where they can anonymously seek advice from qualified professionals.

Staff indicators

Staff indicators refer to the end of the reporting period. Total data (48,516 employees; headcount) include data from direct and indirect holdings of Erste Group outside its below-mentioned core markets.

Overview and age structure 2020

	Total		<30 years		30-50 years		>50 years	
	Women	Men	Number	in %	Number	in %	Number	in %
Erste Group	**30,271**	**18,245**	**7,812**	**16.1%**	**29,097**	**60.0%**	**11,607**	**23.9%**
thereof Holding	924	1,016	213	11.0%	1,184	61.0%	543	28.0%
Austria incl. Holding	9,873	8,822	3,131	16.7%	9,738	52.1%	5,826	31.2%
Czech Republic	6,894	3,320	1,858	18.2%	6,051	59.2%	2,305	22.6%
Slovakia	2,705	1,149	574	14.9%	2,490	64.6%	790	20.5%
Romania	4,301	1,541	871	14.9%	3,724	63.7%	1,247	21.3%
Hungary	2,086	1,284	558	16.6%	2,352	69.8%	460	13.6%
Croatia	2,201	1,040	394	12.2%	2,360	72.8%	487	15.0%
Serbia	923	340	194	15.4%	875	69.3%	194	15.4%

Mode of employment

	Full-time employees				Part-time employees			
	2020		2019		2020		2019	
	Women	Men	Women	Men	Women	Men	Women	Men
Erste Group	**24,166**	**17,200**	**24,773**	**17,927**	**6,105**	**1,045**	**6,444**	**1,101**
thereof Holding	612	921	639	991	312	95	329	104
Austria incl. Holding	5,106	8,037	5,217	8,271	4,765	787	4,872	817
Czech Republic	6,118	3,227	6,024	3,032	777	92	925	108
Slovakia	2,624	1,133	2,883	1,180	81	16	96	15
Romania	4,114	1,488	4,508	2,138	188	52	271	75
Hungary	1,873	1,200	1,873	1,159	213	84	197	79
Croatia	2,147	1,038	2,218	1,058	54	2	55	0
Serbia	918	338	820	326	5	2	3	1

Selected indicators

	Share of women in executive positions		Share of women in other managerial positions		Average number of sick leave days per employee		Number of employees with health disability	
	2020	2019	2020	2019	2020	2019	2020	2019
Erste Group	**25.1%**	**23.4%**	**43.5%**	**41.2%**	**10**	**9**	**679**	**677**
thereof Holding	25.5%	22.5%	28.4%	25.2%	4	6	17	15
Austria incl. Holding	19.3%	16.8%	25.6%	24.6%	7	8	338	330
Czech Republic	14.0%	14.4%	54.5%	56.8%	20	13	118	128
Slovakia	22.5%	19.4%	57.6%	58.4%	13	9	164	154
Romania	39.2%	38.6%	55.4%	55.3%	8	8	32	34
Hungary	24.1%	24.4%	48.6%	41.9%	3	9	10	9
Croatia	38.6%	35.7%	64.7%	60.4%	4	5	15	14
Serbia	37.5%	34.8%	53.2%	50.9%	9	10	0	1

Executive positions cover all board and board-1 positions. Other managerial positions cover all the board-2, board-3 and board-4 positions.

Governance bodies: Detailed information about the members of the management board and the supervisory board of the Holding is presented in the (consolidated) Corporate Governance Report. As of year-end 2020, one woman and six men were members of the management board, two of them were between 30 and 50 years old, and five of them were older than 50 years. 39% of the members of the supervisory board were women, 61% were men.

Parental leave (return to work after parental leave)

	2020				2019			
	Women		Men		Women		Men	
	Number	in %	Number	in %	Number	in %	Number	in %
Erste Group	**1,013**	**80.3%**	**120**	**96.0%**	**1,009**	**77.7%**	**139**	**97.9%**
thereof Holding	22	100%	7	100%	37	94.9%	16	94.1%
Austria incl. Holding	268	91.4%	81	99.0%	300	89.6%	82	97.6%
Czech Republic	151	67.4%	0	n.a.	131	44.4%	1	100.0%
Slovakia	94	77.0%	15	93.8%	80	96.4%	25	100.0%
Romania	194	84.0%	11	100%	244	97.2%	22	95.7%
Hungary	80	61.1%	0	0.0%	51	46.4%	0	n.a.
Croatia	123	83.7%	12	100%	109	87.2%	6	100%
Serbia	46	93.9%	0	n.a.	36	94.7%	0	n.a.

Every employee in a permanent employment contract is eligible to take parental leave. The ratio (in %) shows the return rate after parental leave has ended.

New hires in 2020

	Women		Men		<30 years		30-50 years		>50 years	
	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Erste Group	**2,978**	**63.4%**	**1,722**	**36.6%**	**2,202**	**46.9%**	**1,918**	**40.8%**	**580**	**12.3%**
thereof Holding	38	48.1%	41	51.9%	22	27.8%	46	58.2%	11	13.9%
Austria incl. Holding	745	57.8%	545	42.2%	665	51.6%	520	40.3%	105	8.1%
Czech Republic	945	63.2%	551	36.8%	591	39.5%	487	32.6%	418	27.9%
Slovakia	216	67.5%	104	32.5%	167	52.2%	147	45.9%	6	1.9%
Romania	446	71.4%	179	28.6%	339	54.2%	267	42.7%	19	3.0%
Hungary	234	57.9%	170	42.1%	176	43.6%	210	52.0%	18	4.5%
Croatia	130	68.4%	60	31.6%	90	47.4%	94	49.5%	6	3.2%
Serbia	126	71.6%	50	28.4%	84	47.7%	88	50.0%	4	2.3%

The calculation methodology was changed in 2020. The percentages refer to the total of newly hired employees. In 2019, the percentages referred to the total headcount.

Fluctuation in 2020

	Women		Men		<30 years		30-50 years		>50 years	
	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Erste Group	**3,645**	**10.8%**	**1,844**	**9.3%**	**1,502**	**14.5%**	**2,737**	**9.8%**	**1,250**	**8.2%**
thereof Holding	59	5.9%	75	6.7%	27	9.4%	61	4.6%	46	8.9%
Austria incl. Holding	808	7.6%	785	8.2%	395	10.3%	568	5.4%	630	10.8%
Czech Republic	887	11.3%	339	9.3%	340	12.9%	657	22.0%	229	3.9%
Slovakia	512	16.0%	153	11.8%	137	15.9%	368	13.1%	160	19.3%
Romania	720	14.4%	194	11.4%	342	27.4%	465	11.3%	107	8.0%
Hungary	330	14.2%	190	13.4%	143	21.8%	327	12.6%	50	10.1%
Croatia	229	9.6%	81	7.7%	83	14.4%	170	7.1%	57	12.2%
Serbia	77	7.6%	36	9.5%	26	9.6%	75	8.1%	12	6.1%

This table presents the number of employees who left Erste Group (including retirement) during the financial year and it does not include employees on parental leave, internal transfers within Erste Group or departing trainees and interns. The fluctuation is calculated pursuant to the Schlüter formula. For Erste Group (total of men and women), fluctuation stood at 10.2% (2019: 12.1%).

Environment

In recent years, ecological sustainability has developed from a marginal topic into a major one that is of relevance not only to experts and environmental activists. Stakeholders – employees, customers and last, but not least, investors – are increasingly taking a closer look at the ecological footprint of every company, including banks.

The Paris Agreement of 2015, the United Nations' Sustainable Development Goals and the Special Report of the Intergovernmental Panel on Climate Change of October 2018 have one thing in common: they call for accelerated and more decisive action to reduce greenhouse gases and transition to a low-CO_2 climate-neutral economy. The European Commission estimates that up to 2030, additional annual funding of approx. EUR 260 billion will be needed for a significant transition of the economy to renewable energy sources. This means that banks, insurers and other financial institutions will also play a key role in combating climate change.

Under the EU Action Plan on Sustainable Finance, the European Commission aims to create a legal framework under which aspects such as the environment, social responsibility and governance are to become key decision criteria for the financial system.

Banks are service providers whose business operations have only a modest direct impact on the environment, mostly through their consumption of energy and paper. A bank may, however, have a substantial indirect impact on the environment through its business operations. Becoming aware of this impact and taking appropriate action are among the main challenges financial institutions are facing. Erste Group has therefore already been pursuing ecological goals for many years and understands sustainability as part of its corporate responsibility, building on its 200-year history.

Consequently, Erste Group has set ecological targets to minimise its operational environmental footprint. Its direct environmental impact is limited to energy and paper consumption. Since 2016, Erste Group's published data show a total reduction of more than 21% in Scope 1 and Scope 2 emissions even though the scope of reported entities increased significantly.

ENVIRONMENTAL STRATEGY

Erste Group's environmental strategy is based on four pillars:

- Establishment of environmental management systems
- Inclusion of ecological criteria in banking products and services
- Establishing a supply chain management system for all purchased products and services
- Cooperation with non-governmental organizations active in the environmental sector

Ecological targets

For 2019 to 2021, targets for the use of energy and other resources have been agreed individually for each of the local subsidiary banks. Following absolute targets set for 2012 to 2016 (e.g. reduction of the total consumption of electrical energy), this time, relative targets (e.g. consumption of electrical energy per m^2) were agreed. Relative targets enable comparability between local subsidiary banks. In the past, comparability was limited due to the increasing number of companies included in the non-financial reports and the continuous reduction in the number of branches.

The six key indicators for the ecological targets are:

- Average electricity consumption in kWh/m^2
- Average heating energy consumption in kWh/m^2
- Share of hybrid/e-cars in the carpool in %
- Copy paper consumption in kg/employee (FTE)
- Share of recycled copy paper in %
- CO_2e emissions (Scope 1 + Scope 2) in tonnes/employee (FTE)

The starting points for the individual targets for each core market were the respective values from 2018. One year after having introduced the ecological targets, Erste Group's subsidiaries in Serbia, Croatia and the Czech Republic already met their targets on Scope 1 and Scope 2 emissions per FTE in 2020. With regard to the share of hybrid/e-cars in the carpool, the entities in Romania, the Czech Republic and in Austria met the set goals in the course of 2020. In addition, the target on the share of recycled copy paper was reached across Erste Group except in Austria due to the increased scope of entities, i.e. the Austrian savings banks that were not part of the non-financial report in 2019. Nonetheless, paper consumption per FTE declined due to the shift towards a higher rate of persons working from home.

The individual environmental targets as well as the environmental data for the reporting period are presented in a table at the end of this section.

Scope 3 emissions associated with Erste Group's investments and financing significantly contribute to total greenhouse gas emissions. For this reason, Erste Group started an initiative to develop a methodology to calculate the point-in-time carbon footprint of its credit portfolio in 2020 and to report it in 2021. CO_2e Scope 3 emissions caused by mobility (e.g. kilometers travelled by air, train or rental car for business purposes) are not reported as they are immaterial compared to emissions due to investment and finance activities.

Overall, Erste Group's reported total CO_2e emissions (Scope 1 + Scope 2) were reduced by 7,518 tonnes (-11.6%), which was mainly attributable to efficiency measures in Romania (-5,401 tonnes CO_2) and Hungary (-1,810 tonnes CO_2). The increase in emissions in Austria (+20.2%) was due to the expanded scope of entities.

Ecological footprint

	2019	2020
Electricity consumption	175 GWh	165 GWh
Heating/cooling energy consumption	138 GWh	137 GWh
Fuel consumption	46 GWh	37 GWh
Total energy consumption	359 GWh	340 GWh
CO_2e-emissions (Scope 1 and 2)	64,834 t	57,492 t
Copy paper consumption	1,615 t	1,295 t

Scope of consolidation

In 2020, the reporting scope of environmental data covers the whole consolidation scope of Erste Group entities except one minor operational entity that accounts for less than 1% of total FTEs.

In 2020, the environmental data of all Austrian savings banks of Erste Group were taken into account, while in 2019 only those with more than 150 employees were covered. The extension of the reporting scope by 30 Austrian savings banks led to the following increases in environmental data: total energy consumption 17,226 MWh (thereof consumption of electrical energy: 6,596 MWh, consumption of heating energy 7,577 MWh), copy paper consumption 55 t (of which 9.4 t recycled paper), CO_2e emissions 2,054 t.

Environmental management systems

Certifications according to ISO 14001 and/or ISO 50001 have been completed in Erste Group's subsidiaries in Croatia, Slovakia and Hungary. Erste Bank Croatia introduced energy management standard ISO 50001 in addition to the ISO 14001 certification that has been in place since 2017. Česká spořitelna is considering the introduction of an EMAS certification in 2021. Of the Austrian savings banks Steiermärkische Sparkasse (ISO 14001) and Allgemeine Sparkasse Oberösterreich (ISO 50001) are already certified. Steiermärkische Sparkasse plans to audit its environmental management system at the beginning of 2021. Dornbirner Sparkasse has been certified ÖKOPROFIT every year since 2012

PRIORITIES

Improving energy efficiency

For banks, the most effective approach to cutting CO_2 emissions is to switch to electricity from renewable energy sources. Erste Group has completed this change fully in Austria and Croatia and has completed it partially in Hungary and the Czech Republic.

The reduction in energy consumption for electrical energy and for heating and hot water preparation is predominately ensured by new, energy-efficient headquarter administrative buildings. However, branches are mostly located in rented premises and therefore are limited in their choice of heating systems efficiency measures that can lead to improvements.

- The following newly constructed Erste Group headquarters meet strict ecological criteria and thus contribute substantially to reduced consumption of resources: Erste Campus in Vienna

is certified on platinum level by DGBN/ÖGNI Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft.
_ The Bridge, the headquarters of Banca Comercială Română in Bucharest, holds LEED Platinum (Leadership in Energy and Environmental Design) certification. Office space in the LED technology equipped building was reduced from 21,000 m² of floor area to 14,000 m² compared to the old premises.

Erste Campus, for example, is supplied exclusively with non-fossil energy (district heating and cooling and green electricity). In 2020, the use of district cooling was reduced significantly by 39.2% (2019: 27.7%) to 1.0 GWh (2019: 1.7 GWh) through improved use of cold groundwater for cooling. The construction of a photovoltaic system on the roof of the Erste Campus began in December 2020. The 764 modules covering roughly 2,000 m² will supply approximately 250,000 kWh per year, which is roughly equivalent to the consumption of 5 branches or 125 households. This installation is an important step to make the main building of Erste Group even more climate-friendly, in addition to measures already taken, such as the use of 100% green electricity and the use of rainwater and district cooling.

Česká spořitelna's energy management focus was on the implementation of remote monitoring and control of technical building management, e.g. a facility management system enabling digitalisation and technology passporting, control of cleaning and waste management and corresponding documentation of systems. The bank cooperated in this area with the Centre for Energy Efficient Buildings and the Faculty of Mechanical Engineering of the Czech Technical University. Slovenská sporiteľňa achieved a further 10% reduction in electricity consumption by reducing the CO_2 footprint of its branches and optimising data server functions.

At the beginning of 2020, Erste Campus as well the branches of Erste Bank Oesterreich and some savings banks switched to Verbund as their electricity provider. Verbund is Austria's leading electricity company and one of Europe's largest producers of electricity from hydropower, making up almost 100% of their electricity generation.

Several savings banks joined the effort and invested both in energy savings and innovation. Kärntner Sparkasse piloted an eco-protective local concept. For the wooden construction of a new branch, wood was sourced locally in the Gurktal region and owing to an innovative heat pump the building's CO_2 emissions are kept at minimum levels. When Wiener Neustädter Sparkasse planned the renovation of both their customer center and the main headquarters, a special emphasis was placed on state-of-the-art technology for ventilation, cooling, heating and lighting.

A project aiming at the transition to sustainable energy and the vision of operating in a climate-neutral manner launched in 2019 by Allgemeine Sparkasse Oberösterreich, with support from OÖ Energiesparverband, proved successful in 2020. The conversion to energy sourcing with zero-carbon electricity led to a reduction of the CO_2 emissions of 59%. Technical monitoring of selected branches is an important part of this project. Automatic meter readings facilitate energy consumption and trend reports. In addition to the main locations of Promenade, sBC and Wels, six additional branches will be integrated into the system in 2020. The project also includes an analysis of the mobility behaviour of employees on their way to work.

Use of electric and hybrid vehicles

An additional measure to reduce CO_2e emissions is the replacement of fossil fuel-powered company cars with e-cars or hybrid cars. Given the cost-efficiency focus in 2020, Erste Group generally did not invest into car-fleet renewals, and its policy was focused mainly towards reduction, phase out or essential replacements. Still, Erste Group made progress towards its goal and increased the share from 1.4% to 3.2% in 2020. Austria reached 9.1% in 2020 (2019: 6.6). Banca Comercială Română improved its share from 0.1% to 3.8% as the net increase of its carpool was fully covered with eco-friendly vehicles. Other entities achieved a reduction of emissions through a decrease of their combustion engine car park – Česká spořitelna by 4.9% and Erste Bank Croatia by 8.9%. A further increase of the share of e-cars or hybrid cars will also depend on the charging station network availability in CEE countries, which is still only a fraction of that in Austria. E-car charging stations were put in place at various sites including Erste Campus in Vienna and several savings banks branches.

Reduction of paper consumption

To minimise its environmental impact, Erste Group preferably buys recycled copy paper and continuously runs paper-saving initiatives in its banking operations. The trend towards digitalisation helps to reduce paper consumption. On the online platform George, customers may choose to waive printouts of account statements as Erste Group's mobile banking offers an easy-to-use archive of all account transactions.

Current efforts aim at processing all standard banking transactions electronically whenever possible, which will accelerate back-office procedures and make customer service more efficient. This improves not only the customer experience but also reduces paper consumption. sDG Dienstleistungsgesellschaft mbH – with 187 tonnes the main consumer of printed paper across Erste Group in Austria – reduced its consumption by 37.5 tonnes in 2020.

Other paper reduction initiatives in 2020 include Erste Bank Croatia introducing electronic delivery of invoices and Česká spořitelna's ongoing Low-paper office operation project with topics such as cashless banking, biometrics and robotics.

Other environmental initiatives

One element of Erste Group's environmental strategy is cooperation with environmental NGOs. They offer access to their local and international expertise and provide Erste Group with valuable support in its efforts to improve its ecological sustainability. An example of this is the close cooperation between Erste Asset

Management and WWF in the area of ecologically particularly sustainable investment funds. With an increase in value of 77% in 2020, the ERSTE WWF Stock Environment Fund underlined that sustainability and financial performance can be combined.

Česká spořitelna is a member of Společenská odpovědnost (the Association of Social Responsibility), the largest Czech CSR initiative, and a founding member of the Změna k lepšímu (Change for the better) initiative. The bank supported the Foundation Partnerství and their project Greenways: 4,200 kilometers of cycling and hiking trails were built. Erste Bank Serbia encourages its employees to take an active part in environmental initiatives and raises awareness, for example by cleaning the Petrovaradin fortress with the help of volunteers. In 2020, Erste Bank Restaurantbetriebe switched to a reusable system for coffee cups at all restaurants it operates at Erste Campus. This initiative will save at least 85,000 disposable coffee to-go cups per year.

Slovenská sporiteľňa and Allgemeine Sparkasse Oberösterreich keep bee hives on the rooftops of their headquarters, following the example of Erste Campus in Vienna. In addition to producing excellent honey, these bee hives also serve as a visible symbol of the need for nature conservation.

Details on ecological criteria for purchasing are presented in the section on suppliers and supply chain.

Environmental data acquisition

Erste Group uses a software program from CRedit360 (cr360) to collect environmental data group-wide. With this tool, the energy consumption of approx. 3,000 business locations is individually recorded and evaluated. For the conversion to greenhouse gas equivalents (CO_2e), cr360 uses emission factors from DEFRA (UK Department for Environment, Food & Rural Affairs) and the IEA (International Energy Agency).

Environmental indicators

Total figures for Erste Group shown in the following tables also include data of direct and indirect holdings of Erste Group outside its core markets. A separate presentation of Holding data is not provided, as a meaningful segregation of environmental indicators is not possible due to the shared use of the location (Erste Campus in Vienna) with other entities. The environmental indicators for 2020 relate to 45,435.27 full-time equivalents (FTEs), that is 99% of all FTEs in Erste Group.

Further details on Erste Group's environmental data are available on the Erste Group website https://www.erstegroup.com/en/about-us/sustainability.

Environmental targets for 2021

	Measure	AT	CZ	SK	RO	HU	HR	RS
Average electricity consumption per m²	kWh/m²	104	103	85	79	125	163	106
Average heating energy usage per m²	kWh/m²	60	95	81	85	60	60	77
Share of hybrid/e-cars in carpool	%	5%	3%	1%	0%	10%	1%	3%
Copy paper consumption per employee	kg/FTE	34	23	25	59	30	33	46
Share recycled copy paper	%	90%	95%	100%	95%	100%	95%	100%
Scope 1 and 2 per employee	tCO_2e/FTE	0.53	1.40	1.50	2.55	1.20	0.75	1.95

Environmental data

2020	Measure	Erste Group	AT	CZ	SK	RO	HU	HR	RS
Full-time equivalents (FTE)	**Number**	**45,435**	**16,635**	**9,933**	**3,821**	**5,803**	**3,286**	**3,067**	**1,199**
Net floor area	**m²**	**1,654,020**	**663,089**	**301,533**	**143,199**	**356,830**	**61,617**	**67,709**	**23,093**
Total energy consumption	**MWh**	**339,588**	**121,495**	**69,317**	**26,478**	**72,270**	**16,945**	**18,628**	**4,867**
Electricity total consumption (with ATM and own electricity production)	MWh	165,356	65,953	32,145	12,328	25,457	8,232	12,353	2,283
Heating, warm water and district cooling total consumption	MWh	137,449	47,015	31,875	12,502	31,244	6,433	4,598	1,895
Total diesel consumption for electricity generation	MWh	254	177	47	20	5	3	-	-
Carpool consumption total (converted to kWh)	MWh	36,528	8,350	5,251	1,628	15,564	2,277	1,677	690
Share of hybrid/e-cars in carpool	%	3.2%	9.1%	0.4%	1.1%	3.8%	1.0%	0.0%	0.0%
Average electricity consumption per m²	kWh/m²	100.0	99.5	106.6	86.1	71.3	133.6	182.4	98.9
Average heating energy usage per m²	kWh/m²	83.1	70.9	105.7	87.3	87.6	104.4	67.9	82.1
Total paper usage	**t**	**1,295**	**502**	**158**	**72**	**311**	**84**	**76**	**22**
Paper consumption per employee	kg/FTE	28.5	30.2	16.0	18.8	53.6	25.5	24.7	18.4
Non-recycled copy paper	t	402	334	3	1	3	0	0	0
Recycled copy paper	t	892	169	155	71	308	84	76	22
Share recycled copy paper	%	68.9%	33.6%	97.9%	98.9%	99.1%	99.7%	100.0%	99.5%
Emissions Scope 1 and 2	**tCO_2e**	**57,492**	**9,968**	**10,976**	**6,144**	**18,693**	**4,659**	**1,800**	**648**
Scope 1-emissions	tCO_2e	24,929	6,785	2,160	2,931	9,636	1,603	1,221	212
Scope 2-emissions	tCO_2e	32,562	3,183	8,816	3,214	9,057	3,056	579	436
Scope 1 and 2 per employee	tCO_2e/FTE	1.27	0.60	1.10	1.61	3.22	1.42	0.59	0.54

2019	Measure	Erste Group	AT	CZ	SK	RO	HU	HR	RS
Full-time equivalents (FTE)	**Number**	**44,315**	**14,962**	**9,780**	**4,133**	**6,795**	**3,230**	**3,134**	**1,136**
Net floor area	**m²**	**1,591,455**	**573,036**	**301,629**	**155,036**	**376,953**	**68,192**	**68,133**	**24,226**
Total energy consumption	**MWh**	**358,563**	**109,096**	**73,466**	**27,979**	**96,959**	**16,985**	**20,352**	**5,598**
Electricity total consumption (with ATM and own electricity production)	MWh	174,588	63,419	32,928	13,272	35,244	8,767	13,059	2,638
Heating, warm water and district cooling total consumption	MWh	138,361	38,407	32,756	12,495	41,677	4,937	4,472	1,838
Total diesel consumption for electricity generation	MWh	301	192	41	20	16	22	5	4
Carpool consumption total (converted to kWh)	MWh	45,313	7,078	7,740	2,193	20,022	3,258	2,815	1,118
Share of hybrid/e-cars in carpool	%	1.4%	6.6%	0.3%	1.1%	0.1%	1.0%	0.0%	0.0%
Average electricity consumption per m²	kWh/m²	109.7	110.7	109.2	85.6	93.5	128.6	191.7	108.9
Average heating energy usage per m²	kWh/m²	86.9	67.0	108.6	80.6	110.6	72.4	65.6	75.9
Total paper usage	**t**	**1,615**	**575**	**211**	**101**	**397**	**102**	**102**	**69**
Paper consumption per employee	kg/FTE	37	38	22	25	59	31	33	60
Non-recycled copy paper	t	432	360	12	1	3	1	5	-
Recycled copy paper	t	1,184	215	199	100	394	101	97	69
Share recycled copy paper	%	73.3%	37.5%	94.4%	98.9%	99.1%	99.0%	95.2%	99.9%
Emissions Scope 1 and 2	**tCO_2e**	**64,834**	**8,120**	**12,015**	**6,177**	**24,094**	**6,469**	**2,271**	**1,224**
Scope 1 - Emissions	tCO_2e	29,950	5,799	2,813	3,155	12,899	2,738	1,561	582
Scope 2 - Emissions	tCO_2e	34,884	2,321	9,203	3,021	11,195	3,731	710	643
Scope 1 and 2 per employee	tCO_2e/FTE	1.46	0.54	1.23	1.49	3.55	2.00	0.72	1.08

FTE: full-time equivalent, defined as an employee times his/her employment factor.

The CO_2 equivalents (CO_2e) are the sum of all greenhouse gas emissions, i.e. carbon dioxide, methane and nitrogen oxide.

Management board	
Bernhard Spalt mp, Chairman	
Ingo Bleier mp, Member	Stefan Dörfler mp, Member
Alexandra Habeler-Drabek mp, Member	David O'Mahony mp, Member
Maurizio Poletto mp, Member	Thomas Schaufler mp, Member

Vienna, 10 March 2021

GRI Content Index

GRI Standard Number	GRI+ Standard Title	Disclosure Number	Disclosure Titel	Reference to Annual Report 2020	Comments / Reasons for omission
GRI 102 General Disclosures 2016					
1. Organisational profile					
GRI 102	General Disclosures	102-1	Name of the organisation		Erste Group Bank AG
GRI 102	General Disclosures	102-2	Activities, brands, products, and services	p. 10 et seq.	Strategy
GRI 102	General Disclosures	102-3	Location of headquarters		Erste Campus, Am Belvedere 1, 1100 Vienna
GRI 102	General Disclosures	102-4	Location of operations	p. 54	
GRI 102	General Disclosures	102-5	Ownership and legal form	p. 85	(consolidated) corporate governance report
GRI 102	General Disclosures	102-6	Markets served	Note 1	Group consolidated financial statements: Note 1 (segment reporting)
GRI 102	General Disclosures	102-7	Scale of the organisation	Note 1	Group consolidated financial statements: Note 1 (segment reporting)
GRI 102	General Disclosures	102-8	Information on employees and other workers	p. 75 et seq.	Workers who are not employees do not perform a significant portion of organization's activities. Therefore does not apply. There are no significant variations in the reported numbers in Disclosures 102-8a, 102-8b and 102-8c. In the initial phase of preparation for HR data collection for the non-financial report, the scope and the reporting categories are based on GRI standards. The data are collected using an Excel template which is sent to those responsible in each institution. Once the completed template has been returned and the data quality has been checked, the data are consolidated and prepared for publication.
GRI 102	General Disclosures	102-9	Supply chain	p. 67	
GRI 102	General Disclosures	102-10	Significant changes to the organisation and its supply chain		No significant changes in the organisation (neither in terms of size, structure nor ownership) nor in the supply chain.
GRI 102	General Disclosures	102-11	Precautionary principle or approach	p. 53	The precautionary principle is reflected in both Erste Group's code of conduct and the statement of purpose.
GRI 102	General Disclosures	102-12	External initiatives	p. 64 et seq., 75	(consolidated) non-financial report: our customers, environment; Erste Asset Management: UN Principles of Responsible Investment, Bangladesh Memorandum, Montreal Carbon Pledge Erste Group: Nestor Gold Charta, Austrian Diversity Charter
GRI 102	General Disclosures	102-13	Membership of associations		Erste Group Bank AG has the following significant memberships: WSBI (World Savings Banks Institute), ESBG (European Savings Banks Group), Österreichischer Sparkassenverband, WKO (Austrian Economic Chambers, Industry Sector: Banking and Insurance), OEVFA (Österreichische Vereinigung für Finanzanalyse und Asset Management), BWG (Bankwissen-schaftliche Gesellschaft Österreich), WIFO (Wirtschaftsforschungsinstitut Österreich), Österreichische Industriellenvereinigung, respACT (Austrian Business Council for Sustainable Development) Erste Group's banking subsidiaries in CEE have following important memberships: Erste Bank Croatia: Croatia Green Building Council (CGBC), Croatian Association of Accountants and Financial Experts (CAAFE); Erste Bank Serbia: Association of Banks of Serbia, Chamber of Commerce Serbia; Slovenská sporiteľňa: Slovak Banking Association, Central European Corporate Governance Association; Erste Bank Hungary: Hungarian Banking Association, Budapest Chamber of Commerce and industry; Banca Comercială Română: Romanian Banking Association, Financial Markets Association; Česká spořitelna: Czech Banking Association, Economic chamber of the Czech Republic
2. Strategy					
GRI 102	General Disclosures	102-14	Statement from senior decision maker	p. 2 et seqq.	
GRI 102	General Disclosures	102-15	Key impacts, risks and opportunities	p. 56 et seq.	
3. Ethics and integrity					
GRI 102	General Disclosures	102-16	Values, principles, standards, and norms of behaviour	p. 53, 85 et seqq.	Reference made to the code of conduct and the statement of purpose), (consolidated) non-financial report, (consolidated) corporate governance report (reference made to the Austrian Code of Corporate Governance and internal guidelines)
4. Governance					
GRI 102	General Disclosures	102-18	Governance structure	p. 85 et seqq.	
5. Stakeholder engagement					
GRI 102	General Disclosures	102-40	List of stakeholder groups	p. 57	
GRI 102	General Disclosures	102-41	Collective bargaining agreements		Collective agreements apply to a total of 87.9% of all employees. In Hungary, there is no collective agreement as a salary basis. In the other core markets, 90-100% of employees are included in collective agreements (Holding: 90.4%)
GRI 102	General Disclosures	102-42	Identifying and selecting stakeholders	p. 55 et seqq.	
GRI 102	General Disclosures	102-43	Approach to stakeholder engagement	p. 55 et seqq.	
GRI 102	General Disclosures	102-44	Key topics and concerns raised	p. 55 et seqq.	

GRI Standard Number	GRI+ Standard Title	Disclosure Number	Disclosure Titel	Reference to Annual Report 2020	Comments / Reasons for omission
6. Reporting practice					
GRI 102	General Disclosures	102-45	Entities included in the consolidated financial statements	p. 53	
GRI 102	General Disclosures	102-46	Defining report content and topic boundaries	p. 55 et seqq.	
GRI 102	General Disclosures	102-47	List of material topics	p. 55 et seqq.	
GRI 102	General Disclosures	102-49	Changes in reporting	p. 53	Additional 30 Savings Banks from the scope of consolidation were included in the non-financial reporting in 2020.
GRI 102	General Disclosures	102-50	Reporting period		From 1 January 2020 to 31 December 2020
GRI 102	General Disclosures	102-51	Date of most recent report		Annual report 2019
GRI 102	General Disclosures	102-52	Reporting cycle		Annual
GRI 102	General Disclosures	102-53	Contact point for questions regarding the report	p. 298	
GRI 102	General Disclosures	102-54	Claims of reporting in accordance with GRI Standards	p. 53	This report has been prepared in accordance with the requirements of the Global Reporting Initiative (GRI Standard Option: Core).
GRI 102	General Disclosures	102-55	GRI content index	p. 80 et seqq.	
GRI 102	General Disclosures	102-56	External assurance	p. 83 et seq	
GRI 103 Management Approach 2016					
GRI 103	Management Approach	103-1	Explanation of the material topic and its boundary	p. 55 et seqq.	
GRI 103	Management Approach	103-2	The management approach and its components	p. 55 et seqq.	
GRI 103	Management Approach	103-3	Evaluation of the management approach	p. 55 et seqq., 83	
GRI 201 Economic Performance 2016					
GRI 201	Economic Performance	201-1	Direct economic value generated and distributed	Note 1, Note 56	Outside the non-financial report. Consolidated financial statements.
Social commitment and social banking (FS 14 Indirect Economic Impacts 2016)					
FS 14	Indirect Economic Effects	FS14 of GRI G4	Initiatives to improve access to financial services for disadvantages peoples	p. 62 et seq., 66 et seq.	
Anti-corruption and compliance (GRI 205 Anti-corruption 2016)					
GRI 205	Anti-Corruption	205-3	Confirmed incidents of corruption and actions taken		In 2020, Erste Group did not discover or record any incident of corruption.
GRI 206 Anti-competitive behaviour 2016					
GRI 206	Anti-competitive behaviour	206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Note 43	Group consolidated financial statements: Note 43 (contingent liabilities); No legal actions for anti-competitive behavior, anti-trust, or monopoly practices have been initiated against Erste Group Bank AG. During the reporting period, subsidiaries of Erste Group Bank AG were directly or indirectly involved in five such cases. As one of these cases got resolved in 2020, there remain only four pending cases. We do not expect these cases to lead to any fines or sanctions that would have a material effect on Erste Group.
Responsible criteria in the supply chain and ecological impacts on banking operations (GRI 301 Materials 2016)					
GRI 301	Materials	301-1	Materials used by weight and volume	p. 78	
GRI 301	Materials	301-2	Recycled input materials used	p. 78	
Responsible criteria in the supply chain and ecological impacts on banking operations (GRI 302 Energy 2016)					
GRI 302	Energy	302-1	Energy consumption within the organisation	p. 76, 78	(consolidated) non-financial report: environment; In terms of energy consumption, there is no separate presentation of renewable / non-renewable energy sources. It is included in the determination of the CO_2e-emissions.
GRI 302	Energy	302-4	Reduction of energy consumption	p. 76, 78 et seq.	
Responsible criteria in the supply chain and ecological impacts on banking operations (GRI 305 Emissions 2016)					
GRI 305	Emissions	305-1	Direct (Scope 1) GHG emissions	p. 78	GRI 305-1c There are no biogenic CO_2 emissions to report.
GRI 305	Emissions	305-2	Energy indirect (Scope 2) GHG emissions	p. 78	Gross market based: 32,562t; Gross location-based:57,514t or 177% of reported value of 32,562t.
Responsible criteria in the supply chain and ecological impacts on banking operations (GRI 308 Supplier Environmental Assessment 2016)					
GRI 308	Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	p. 68	

GRI Standard Number	GRI+ Standard Title	Disclosure Number	Disclosure Titel	Reference to Annual Report 2020	Comments / Reasons for omission
Diversity and equal opportunity (GRI 401 Employment 2016)					
GRI 401	Employment	401-1	New employee hires and employee turnover	p. 75	Pursuant to Schlüter formula: (total of employees leaving) / (number of employees at the beginning of the year + total of newly hired employees)
GRI 401	Employment	401-3	Parental leave	p. 74	401-3a) All employees (women and men) are entitled to take parental leave; 401-3d) No information available due to data that could not be clearly distinguished.
Employee health & work-life balance (GRI 403 Occupational Health and Safety 2018)					
GRI 403	Occupational Health and Safety	403-1	Occupational health and safety management systems		Data not completely available. Group-wide data collection is under development.
GRI 403	Occupational Health and Safety	403-2	Hazard identification, risk assessment and incident investigation		Data not completely available. Group-wide data collection is under development.
GRI 403	Occupational Health and Safety	403-3	Occupational health services		Data not completely available. Group-wide data collection is under development
GRI 403	Occupational Health and Safety	403-4	Worker participation, consultation and communication occupational health and safety		Data not completely available. Group-wide data collection is under development.
GRI 403	Occupational Health and Safety	403-5	Worker training on occupational health and safety		Data not completely available. Group-wide data collection is under development.
GRI 403	Occupational Health and Safety	403-6	Promotion of worker health		Data not completely available. Group-wide data collection is under development
GRI 403	Occupational Health and Safety	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		Data not completely available. Group-wide data collection is under development
GRI 403	Occupational Health and Safety	403-8	Workers covered by an occupational health and safety management system.		Data not completely available. Group-wide data collection is under development
Diversity and equal opportunity (GRI 404 Training and Education 2016)					
GRI 404	Training and Education	404-1	Average hours of training per year per employee	p. 72	
Diversity and equal opportunity (GRI 405 Diversity and Equal Opportunity 2016)					
GRI 405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	p. 74, 85 et seqq.	At Erste Group Bank AG, the parent company of Erste Group, employees represent more than 50 different nationalities.
Diversity and equal opportunity (GRI 406 Non-Discrimination 2016)					
GRI 406	Non-Discrimination	406-1	Incidents of discrimination and corrective actions taken	.	In 2020, one significant incident was submitted to the anti-discrimination officer. The responsible HR and Compliance unit reviewed the incident.. According to their assessment the incident was not qualified as discrimination but rather unprofessional behaviour. In order to solve the conflict a set of recommendations were made to all involved parties. (conflict mediation by HR and compliance), coaching for all involved parties.
Responsible criteria in the supply chain and ecological impacts on banking operations (GRI 414 Supplier Social Assessment 2016)					
GRI 414	Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	p. 68	
GRI 418 Customer Privacy 2016					
GRI 418	Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 63	
GRI 419 Socioeconomic Compliance 2016					
GRI 419	Socioeconomic compliance	419-1	Non-compliance with laws and regulations in the social and economic area		In 2020, there were neither significant fines nor non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area.
Material topic: Financial education					
GRI G4 Sector Disclosures Financial Service	Information on Erste Group's engagement to improve financial literacy	GRI G4-DMA (former FS16)	Initiatives to enhance financial literacy by type of beneficiary	p. 59 et seq.	
Material topic: Customer satisfaction					
	Information on customer satisfaction			p. 63	
Material topic: Responsible investment and finance					
	Information on responsible investment and financing			p. 63et seqq.	
GRI 103	Management Approach	103-2	The management approach and its components	p. 55 et seq., 63 et seq.	
GRI 103	Management Approach	103-3	Evaluation of the management approach	p. 55 et seq., 63 et seqq.	Materiality analysis; compliance with the existing exclusion criteria for investments and financing is the responsibility of the respective business units. The exclusion criteria are evaluated on a regular basis to see whether they fulfil the envisaged social and ecological responsibility.

Independent Assurance Report

To the Management Board of Erste Group Bank AG

COURTESY TRANSLATION OF THE AUDIT REPORT OF THE INDEPENDENT ASSURANCE ON NON-FINANCIAL REPORTING

Attention: This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.

Introduction

We performed procedures to obtain limited assurance, if the (consolidated) non-financial report as at December 31, 2020 was prepared in accordance with the reporting criteria. The reporting criteria include the Sustainability Reporting Standards (GRI Standards: Core option) issued by the Global Sustainability Standards Board (GSSB) and the reporting requirements mentioned in §§ 243b and 267a UGB.

Responsibility of the management

The preparation of the report in accordance with the reporting criteria as well as the selection of the scope of the engagement is the responsibility of the management of Erste Group Bank AG. The reporting criteria include the Sustainability Reporting Standards (GRI Standards: Core option) issued by the Global Sustainability Standards Board (GSSB) and the reporting requirements mentioned in §§ 243b and 267a UGB.

This responsibility includes the selection and application of appropriate methods for preparing the report, making assumptions and estimates of individual non-financial disclosures that are plausible under the given circumstances. The responsibility of the management includes further designing, implementing and maintaining internal controls, which have been determined as necessary by management for the preparation of the report free from misstatement, whether due to fraud or error.

Responsibility of the auditor

Our responsibility is to express a limited assurance opinion on the (consolidated) non-financial report based on our review, whether all the reporting requirements mentioned in the Sustainability Reporting Standards (GRI Standards: Core option) issued by the Global Sustainability Standards Board (GSSB) and §§ 243b and 267a UGB are met.

We conducted our engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised), “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board (IAASB) in order to obtain limited assurance on the subject matters.

ISAE 3000 (Revised) requires us to plan and perform the engagement in a way that enables us to obtain limited assurance that nothing has come to our attention that causes us to believe that the (consolidated) non-financial report has not, in any material aspect been prepared in accordance with the reporting criteria of GRI Standards: Core option and §§ 243b and 267a UGB.

In a limited assurance engagement, the evidence-gathering procedures are more limited than in a reasonable assurance engagement and therefore, less assurance can be obtained. The choice of audit procedures lies in the due discretion of the auditor.
As part of our audit, we have performed, inter alia, the following audit procedures and other activities as far as they are relevant to the limited assurance engagement:

- Interview of the employees named by Erste Group Bank AG regarding the sustainability strategy, the sustainability principles and the sustainability management
- Interviewing employees of Erste Group Bank AG to assess the methods of data collection, data processing and internal controls
- Video conference with responsible parties for non-financial data of Slovenska sporitelna, a. s. and Dornbirner Sparkasse Bank AG
- Matching the non-financial disclosures shown in the report with the calculation documents provided
- Furthermore, we conducted procedures with regard to whether the reporting requirements of §§ 243b and 267a UGB are met with the (consolidated) nonfinancial report.

We performed the audit mainly at our premises in Vienna using electronic forms of communication.

Summarised Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the (consolidated) non-financial report has not, in any material aspects, been prepared in accordance with the reporting criteria of the Sustainability Reporting Standards (GRI Standards: Core option) issued by the Global Sustainability Board (GSSB).

Furthermore, nothing has come to our attention that causes us to believe that the reporting requirements of §§ 243b and 267a UGB are not met with the (consolidated) non-financial report.

Engagement approach

The basis for this engagement are the "General Conditions of Contract for the Public Accounting Professions", as issued by the Chamber of Tax Advisers and Auditors in Austria (refer to appendix). In accordance with chapter 7, our liability shall be limited to intent and gross negligence. In cases of gross negligence, the maximum liability is limited to a maximum of five times the fee. This amount constitutes a total maximum liability cap, which may only be utilized once up to this maximum amount, even if there is more than one claimant or more than one claim has been asserted.

Vienna, 10 March 2021

Deloitte Audit Wirtschaftsprüfungs GmbH

Gerhard Marterbauer m.p.
Austrian Certified Public Accountant

Christof Wolf m.p.
Austrian Certified Public Accountant

(Consolidated) corporate governance report

Erste Group Bank AG is a stock corporation established according to Austrian law and since 2003 has declared its commitment to complying with the rules of the Austrian Code of Corporate Governance (Austrian CCG – see www.corporate-governance.at) with the objective of ensuring responsible and transparent corporate governance. In addition, the management board adopted a Statement of Purpose in 2015. This statement reaffirms and states in more detail the purpose of Erste Group Bank AG to promote and secure prosperity throughout the region in which Erste Group is active. Building on this Statement of Purpose, a Code of Conduct defines binding rules for day-to-day business. Erste Group values responsibility, respect and sustainability in pursuing its business activities. The Code of Conduct therefore helps to protect the reputation of Erste Group and to strengthen stakeholder confidence. The Corporate Governance Report has been prepared in accordance with sections 243c and 267b of the Austrian Commercial Code and Rules 60 et seq. of the Austrian CCG and combines the corporate governance report of Erste Group Bank AG, the parent, and the consolidated corporate governance report in one single report. The management board has also prepared a (consolidated) non-financial report in accordance with sections 243b and 267a of the Austrian Commercial Code, which is released as part of the annual report. As from the 2020 financial year, information on the total remuneration of individual members of the management board or the supervisory board and on the principles governing the remuneration policy is no longer required to be disclosed in this consolidated corporate governance report, but instead in a separate remuneration report pursuant to section 78e Austrian Stock Corporation Act.

In the 2020 financial year, Erste Group Bank AG complied with all L-Rules (Legal Requirements – mandatory legal norms) and R-Rules (Recommendations – these rules are more similar to recommendations; non-compliance does not need to be disclosed or explained) as well as – with five exceptions – all C-Rules (Comply-or-Explain – deviations are permitted but must be explained) of the Austrian CCG. The deviations are described and explained below:

- Pursuant to C-Rule 2 of the Austrian CCG, shares are to be construed in accordance with the principle of one share – one vote, i.e. investors have one vote per share and no right to nominate members to the supervisory board. Under Erste Group Bank AG's articles of association (Art. 15.1), DIE ERSTE österreichische Spar-Casse Privatstiftung is, however, granted the right to nominate up to one third of the members of the supervisory board to be elected by the shareholder meeting as long as it is liable for all present and future liabilities of Erste Group Bank AG in case of its insolvency according to section 92 para 9 of the Austrian Banking Act. The Privatstiftung has not exercised this right to date.
- Pursuant to C-Rule 52a of the Austrian CCG, the number of supervisory board members (without employees' representatives) shall be ten at most. In 2020, the supervisory board of Erste Group Bank AG comprised twelve members elected by the annual general meeting. The deviation from C-Rule 52a of the Austrian CCG is due to the size of Erste Group and its market position in seven core markets in Central and Eastern Europe as well as to the fact that the supervisory board must perform a multitude of financial market related and prudential review and oversight duties. Moreover, the supervisory board must meet various criteria to comply with diversity requirements.
- Pursuant to C-Rules 30, 31 and 51 of the Austrian CCG, specifically the principles governing the management board's variable remuneration and the ratio of the management board's fixed and variable remuneration have to be stated in the consolidated corporate governance report, and the fixed and variable remuneration of the management board granted in the financial year and the remuneration of the supervisory board members in the reporting period have to be disclosed. Deviations from these rules are attributable to the mandatory application of sections 78a et seq. Austrian Stock Corporation Act. This information is now covered by the remuneration policy pursuant to section 78a Austrian Stock Corporation Act and disclosed in the remuneration report pursuant to section 78e Austrian Stock Corporation Act.

The management board is responsible for managing the company as required for the benefit of the company taking into account the interests of the shareholders and the employees as well as public interest. The management board takes its decisions in compliance with the articles of association and its internal rules as well as the Statement of Purpose.

Selection and assessment of members of management bodies

The qualification requirements for members of the management bodies (management board and supervisory board) of Erste Group Bank AG are governed by the internal guidelines for the selection and assessment of members of the management and supervisory boards (Suitability Policy). These guidelines define, in accordance with applicable legal provisions, the internal framework for the selection and assessment of members of the management bodies. The assessment of proposed and appointed members of management bodies is based on the following criteria: personal reputation, professional qualifications and required experience as well as potential conflicts of interest, independence, time availability, overall composition of the management or supervisory board and diversity.

Training and development

To maintain an appropriate level of professional qualification of members of the management bodies, Erste Group regularly organises events and seminars for members of the management board and supervisory board and facilitates their participation in external training events. The in-house training programme covered the following matters, for example: legal principles defined in the law on banking supervision and the application of acts of law of relevance to banks, cyber-security and other IT matters, and the application of artificial intelligence in financial services.

MANAGEMENT BOARD

In 2020, the management board consisted of seven members.

Management board member	Year of birth	Date of initial appointment	End of current period of office
Bernhard Spalt (Chairman)	1968	1 July 2019	30 June 2023
Ara Abrahamyan	1972	1 January 2020	31 December 2020
Ingo Bleier	1970	1 July 2019	30 June 2022
Peter Bosek	1968	1 January 2015	31 December 2020
Stefan Dörfler	1971	1 July 2019	31 December 2023
Alexandra Habeler-Drabek	1970	1 July 2019	31 December 2023
David O'Mahony	1965	1 January 2020	31 December 2022

On 15 October 2020, the supervisory board extended Alexandra Habeler-Drabek's management board mandate until 31 December 2023. Peter Bosek and Ara Abrahamyan resigned from the management board as of 31 December 2020.

Thomas Schaufler and Maurizio Poletto were appointed by the supervisory board as additional members of the management board in October 2020 with effect from 1 January 2021 to 31 December 2023.

Management board member	Areas of responsibility
Starting with 1 January 2020	
Bernhard Spalt (Chairman)	Group Strategy, Group Secretariat, Brand Management and Company Transformation, Group Investor Relations, Group Human Resources, Human Resources, Group Audit, Group Board Support & Corporate Affairs, Social Banking Development
Ara Abrahamyan	Group Portfolio Management, Group Architecture, Digital Initiatives
Ingo Bleier	Group Corporates, GCRE & Leasing, Group Markets, Group Product and Business Management C. and M., Group Research
Peter Bosek	Erste Hub, Digital Governance, Group Retail Strategy
Stefan Dörfler	Group ALM, Group Data Management and Reporting, Group Accounting and Group Controlling
Alexandra Habeler-Drabek	Group Liquidity and Market Risk Management, Enterprise wide Risk Management, Credit Risk Models, Group Compliance, Group Credit Risk Management, Group Legal
David O'Mahony	Holding Banking Operations, CIO Group Functions, Governance and Steering
Starting with 1 January 2021	
Bernhard Spalt (Chairman)	Group Human Resources, Human Resources, Group Secretariat, Group Audit, Brand Strategy & Communications, Group Investor Relations, Group Strategy, Group Board Support & Corporate Affairs, Group Sustainability Office, Social Banking Development
Ingo Bleier	Group Corporates, Group Commercial Real Estate, Group Markets, Group Product and Business Management C. and M., Group Research
Stefan Dörfler	Group ALM, Group Portfolio Management & Governance, Group Data Management and Reporting, Group Accounting and Group Controlling
Alexandra Habeler-Drabek	Group Compliance, Credit Risk Methods, Retail Risk Management, Credit Risk Portfolio, Group Legal, Corporate Risk Management, EnterpriseWide Risk Management, Group Liquidity and Market Risk Management
David O'Mahony	CIO Group Functions, Group Architecture, Banking Services, Group Security, Governance and Steering
Maurizio Poletto	Innovation Hub (Erste Hub), Platform Governance
Thomas Schaufler	Group Retail Strategy

Supervisory board mandates and similar functions

As of 31 December 2020, the management board members held the following supervisory board mandates or similar functions in domestic or foreign companies or material subsidiaries of Erste Group Bank AG (the latter are marked with *).

Bernhard Spalt

Česká spořitelna, a.s.*, Vice Chair
Banca Comercială Română S.A.*, Member

Ara Abrahamyan

Erste Bank Hungary Zrt.*, Member
Erste Group IT International GmbH*, Member
(both mandates until 31 December 2020)

Ingo Bleier

Erste Bank der oesterreichischen Sparkassen AG*, Member
Erste & Steiermärkische Bank d.d.* (Erste Bank Croatia), Member
Erste Bank a.d. Novi Sad*, Chair
Oesterreichische Kontrollbank Aktiengesellschaft, Member

Peter Bosek

Wiener Städtische Versicherung AG Vienna Insurance Group, 2nd Vice Chair
Sparkassen IT Holding AG*, Member
Wien 3420 Aspern Development AG, Member
s IT Solutions AT Spardat GmbH*, Chair
(all mandates until 31 December 2020)

Stefan Dörfler
Česká spořitelna, a.s.*, Member
Erste Group IT International GmbH*, Vice Chair
Slovenská sporiteľňa, a.s.*, Chair
Sparkassen-Haftungs GmbH*, Member
Wiener Börse AG, Member

Alexandra Habeler-Drabek
Prvá stavebná sporiteľňa, a.s.*, Vice Chair
Banca Comercială Română S.A.*, Vice Chair (until 1 February 2021)

David O'Mahony
s IT Solutions AT Spardat GmbH*, 2nd Vice Chair
Erste Group IT International GmbH*, Chair
Erste Bank a.d. Novi Sad*, Member

On 1 January 2021, the following mandates were assumed by new members of the management board:

Thomas Schaufler
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft*, Chair
Erste Asset Management GmbH*, Vice Chair
Kärntner Sparkasse Aktiengesellschaft*, Member
Salzburger Sparkasse Bank Aktiengesellschaft*, Chair
Steiermärkische Bank und Sparkassen Aktiengesellschaft*, Member

Management positions in subsidiaries
Peter Bosek was a member of the management board of Erste Group Bank AG and of Erste Bank Oesterreich in 2020. Since 1 January 2021, Alexandra Habeler-Drabek and Thomas Schaufler each hold a mandate on the management board of Erste Group Bank AG and on the management board of Erste Bank Oesterreich.

SUPERVISORY BOARD

In the 2020 financial year, the following persons were members of the supervisory board:

Position	Name	Year of birth	Occupation	Date of initial appointment	End of the current period of office
Chairman	Friedrich Rödler	1950	Auditor and tax advisor	4 May 2004	AGM 2022
1st Vice Chairman	Jan Homan	1947	General Manager, ret.	4 May 2004	AGM 2022
2nd Vice Chairman	Maximilian Hardegg	1966	Entrepreneur	12 May 2015	AGM 2025
Member	Matthias Bulach	1976	Head of Financial Accounting, Control and Capital, CaixaBank	15 May 2019	AGM 2022
Member	Henrietta Egerth-Stadlhuber	1971	Managing Director	26 June 2019	AGM 2022
Member	Gunter Griss	1945	Lawyer	21 May 2014	AGM 2020
Member	Jordi Gual Solé	1957	Chairman, CaixaBank	17 May 2017	AGM 2022
Member	Marion Khüny	1969	Consultant	17 May 2017	AGM 2022
Member	Elisabeth Krainer Senger-Weiss	1972	Lawyer	21 May 2014	AGM 2024
Member	Wilhelm Rasinger	1948	Consultant	11 May 2005	AGM 2020
Member	Friedrich Santner	1960	Managing Director	10. November 2020	AGM 2023
Member	András Simor	1954	Senior Vice President, EBRD, ret.	10. November 2020	AGM 2023
Member	John James Stack	1946	CEO, ret.	31 May 2007	AGM 2021
Member	Michèle F. Sutter-Rüdisser	1979	Adjunct Professor, University of St. Gallen	15 May 2019	AGM 2022
Delegated by the employees' council					
Member	Martin Grießer	1969		26 June 2019	21 January 2020
Member	Markus Haag	1980		21 November 2011	until further notice
Member	Regina Haberhauer	1965		12 May 2015	until further notice
Member	Andreas Lachs	1964		9 August 2008	until further notice
Member	Barbara Pichler	1969		9 August 2008	until further notice
Member	Jozef Pinter	1974		25 June 2015	until further notice
Member	Karin Zeisel	1961		9 August 2008	until further notice

In the 2020 financial year, the composition of the supervisory board changed as follows: the supervisory board mandates of Maximilian Hardegg, Gunter Griss and Wilhelm Rasinger expired as of the end of the annual general meeting on 10 November 2020. Maximilian Hardegg was re-elected. Friedrich Santner und András Simor were elected to the supervisory board at the annual general meeting with immediate effect. Following the death of the then supervisory board member Brian D. O'Neill in December 2019, Martin Grießer's delegation to the supervisory board was revoked pursuant to section 110 of the Labour Relations Act (ArbVG) on 21 January 2020.

Membership in supervisory board committees

Committee membership since 10 November 2020:

	Executive committee	Nomination committee	Audit committee	Risk committee	Remuneration committee	IT committee
Chairman	Friedrich Rödler	Friedrich Rödler	Friedrich Rödler (financial expert)	Maximilian Hardegg	Friedrich Rödler (remuneration expert)	Maximilian Hardegg
Vice Chairman	Jan Homan	Jan Homan	Maximilian Hardegg	Jan Homan	Jan Homan	Friedrich Rödler
Member	Maximilian Hardegg	Maximilian Hardegg	Matthias Bulach	Henrietta Egerth-Stadlhuber	Jordi Gual Solé	Henrietta Egerth-Stadlhuber
Member	Elisabeth Krainer Senger-Weiss	Elisabeth Krainer Senger-Weiss	Jan Homan	Marion Khüny	Maximilian Hardegg	Marion Khüny
Member	Barbara Pichler	Barbara Pichler	Friedrich Santner	Elisabeth Krainer Senger-Weiss	András Simor	Andreas Lachs
Member	Karin Zeisel	Karin Zeisel	Michèle F. Sutter-Rüdisser	Friedrich Rödler	John James Stack	Karin Zeisel
Member			Regina Haberhauer	Markus Haag	Andreas Lachs	
Member			Barbara Pichler	Andreas Lachs	Barbara Pichler	
Member			Jozef Pinter	Jozef Pinter	Karin Zeisel	
Substitute	Andreas Lachs	Andreas Lachs	Marion Khüny	Regina Haberhauer	Friedrich Santner	Elisabeth Krainer Senger-Weiss
Substitute	Jozef Pinter	Jozef Pinter	Andreas Lachs	Karin Zeisel	Markus Haag	Barbara Pichler
Substitute			Karin Zeisel		Jozef Pinter	Jozef Pinter

Mandates on supervisory boards or similar functions

As of 31 December 2020, supervisory board members held the following additional supervisory board mandates or similar functions in domestic or foreign companies. Material subsidiaries of Erste Group Bank AG are marked with *, listed companies are marked with **.

Friedrich Rödler

Erste Bank der oesterreichischen Sparkassen AG*, Chair
Erste Bank Hungary Zrt.*, Member
Sparkassen-Prüfungsverband, Chair
Audit Oversight Body of Austria, Member

Jan Homan

Erste Bank der oesterreichischen Sparkassen AG*, Vice Chair
FRAPAG Beteiligungsholding AG, Vice Chair
Slovenská sporiteľňa, a.s.*, 1st Vice Chair
Loparex International Holding B.V., Member

Maximilian Hardegg

DIE ERSTE österreichische Spar-Casse Privatstiftung, Member
Česká spořitelna, a.s.*, Member
TIROLER SPARKASSE Bankaktiengesellschaft Innsbruck*, Member

Matthias Bulach

CaixaBank Payments & Consumer Finance E.F.C., S.A.U., Member
CaixaBank Asset Management SGIIC, S.A.U., Member
BuildingCenter, S.A.U., Member

Henrietta Egerth-Stadlhuber

NÖ Kulturwirtschaft GesmbH., Member

Jordi Gual Solé

CaixaBank, S.A.**, Chair
Telefónica S.A.**, Member

Marion Khüny

KA Finanz AG, Member

Elisabeth Krainer Senger-Weiss

Gebrüder Weiss Holding AG, Vice Chair
Gebrüder Weiss Gesellschaft m.b.H., Vice Chair
Banca Comercială Română S.A.*, Member

Friedrich Santner

Steiermärkische Bank und Sparkassen Aktiengesellschaft*, Chair
Styria Media Group AG, Chair
Styria Media Immobilien AG, Chair

John James Stack

Ally Bank, Member
Ally Financial Inc.**, Member
Česká spořitelna, a.s.*, Chair
Mutual of America Capital Management, Member

Michèle F. Sutter-Rüdisser

Spital Thurgau AG, Member
Helsana Versicherungen AG, Member
Graubündner Kantonalbank AG**, Member

András Simor did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies as of 31 December 2020.

Members of the supervisory board retiring after the 2020 annual general meeting:

Gunter Griss

AVL List GmbH, Chair

Wilhelm Rasinger

Gebrüder Ulmer Holding GmbH, Member

Delegated by the employees' council:

Regina Haberhauer
Erste Asset Management GmbH*, Member

Andreas Lachs
VBV-Pensionskasse Aktiengesellschaft, Member

Barbara Pichler
DIE ERSTE österreichische Spar-Casse Privatstiftung, Member

Martin Grießer (until 21 January 2020), Markus Haag, Jozef Pinter and Karin Zeisel did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies.

Mechanism for shareholders and employees to provide recommendations and direction to the supervisory board

In accordance with the law and the articles of association, the employees' council has the right to delegate one member from among its ranks for every two members appointed by the annual general meeting (statutory one-third parity rule). If the number of shareholder representatives is an odd number, then one more member is appointed as an employee representative.

Measures to avoid conflicts of interest

Every year, the members of the supervisory board are obligated to consider the regulations of the Austrian CCG regarding conflicts of interest. Furthermore, new members of the supervisory board receive comprehensive information regarding the avoidance of conflicts of interest when taking up their supervisory board functions.

Independence of the supervisory board

Pursuant to C-Rule 53 of the Austrian CCG, the majority of the members of the supervisory board elected by the annual general meeting or delegated by shareholders in accordance with the articles of association shall be independent of the company and its management board. A member of the supervisory board is deemed to be independent if such person does not have any business or personal relations with the company or its management that would constitute a material conflict of interest and, therefore, might influence the member's conduct. The supervisory board adheres to the independence criteria guidelines as set out in Annex I of the Austrian CCG.

- The supervisory board member shall not have been a member of the management board or a managing employee of the company or of a subsidiary of the company in the past five years.
- The supervisory board member shall not have or not have had in the past year any business relations with the company or a subsidiary of the company to an extent of significance for the supervisory board member. This shall also apply to business relations with companies in which the supervisory board member has a significant economic interest but not to positions held in the Group's managing bodies. The approval of individual transactions by the supervisory board pursuant to L-Rule 48 does not automatically qualify the respective supervisory board member as not being independent.
- The supervisory board member shall not have served as auditor for the company or been involved in an audit or worked as an employee of the audit firm that audited the company in the past three years.
- The supervisory board member shall not serve as a management board member at another company in which a member of the company's management board is a supervisory board member.
- The supervisory board member shall not serve on the supervisory board for more than 15 years. This shall not apply to members of the supervisory board that hold investments with a business interest or that represent the interests of such a shareholder.
- The supervisory board member shall not be a close family member (child, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the management board or of persons holding one of the positions described in the points above.

Based on the above criteria, all supervisory board members have declared their independence with the exception of Friedrich Rödler and Jan Homan. Friedrich Rödler and Jan Homan have been serving on the supervisory board for more than 15 years.

No member of the supervisory board holds directly or indirectly more than 10% of the shares of Erste Group Bank AG. In 2020, two members of the supervisory board (Maximilian Hardegg and Barbara Pichler) served on a management body of DIE ERSTE österreichische Spar-Casse Privatstiftung, which holds more than 10% of the shares of Erste Group Bank AG.

Self-evaluation of the supervisory board

At its meetings of 22 January 2020 and 11 March 2020, the nomination committee performed an evaluation of the activities of the supervisory board and its committees for 2019. It discussed, for example, the supervisory board members' attendance at supervisory board and committee meetings in 2019, assessed the efficiency of the supervisory board's activities, organisation and working practice and undertook a critical review of the composition of committees. Potential conflicts of interest of management board and supervisory board members as well as the requirements of section 29 no 6 and no 7 of the Austrian Banking Act were considered, and the number of mandates and secondary activities of management and supervisory board members were reviewed.

The supervisory board discussed afterwards the results of this evaluation pursuant to C-Rule 36 of the Austrian CCG at its meeting of 26 March 2020 and concluded the evaluation for 2019 with a positive assessment. At its meeting of 20 January 2021, the nomination committee considered, among other things, potential conflicts of interest of supervisory board members and evaluated the supervisory board's attendance at supervisory board and committee meetings in 2020. The supervisory board's self-evaluation for 2020 will be continued with support from an external consultant and completed in the course of the year.

Contracts subject to approval (C-Rule 49 Austrian CCG)

In 2019, „Am Klimtpark“ LiegenschaftsverwaltungsgmbH, an entity in which Wilhelm Rasinger has a significant economic interest, signed a loan agreement with Erste Group for the amount of EUR 18 million.

SUPERVISORY BOARD COMMITTEES AND THEIR DECISION-MAKING POWERS

The supervisory board has set up six committees: the risk committee, the executive committee, the audit committee, the nomination committee, the remuneration committee and the IT committee. Some of these committees are required by law and support the supervisory board in preparing and stating its position on all matters that the supervisory board is required to deal with. The supervisory board moreover has the right, within its statutory remit, to transfer decision-making powers to committees or to withdraw powers from the committees.

Risk committee

The risk committee advises the management board with regard to the bank's current and future risk appetite and risk strategy and monitors the implementation of this risk strategy. The committee also reviews whether the services and products offered are adequately priced in accordance with the bank's business model and risk strategy. Without prejudice to the duties of the remuneration committee, the risk committee is also responsible for reviewing whether the incentives offered by the internal remuneration system adequately take into account risk, capital, liquidity and the probability and timing of profit realisation. The risk committee is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the management board defined in the approval authority regulation. The approval of the risk committee is required for large loans as defined in section 28b of the Austrian Banking Act. In addition, it may grant advance approvals to the extent permitted by law. The risk committee is responsible for monitoring the risk management of Erste Group Bank AG. The supervisory board has delegated to the risk committee the right to approve the establishment and closure of branches and to grant special statutory power of attorney (Prokura) or commercial power (Handlungsvollmacht) for all business operations. The committee is responsible for monitoring the Group's portfolio of participations except in cases where this is the responsibility of the audit committee. The tasks of the risk committee include the acknowledgement of reports on legal disputes as well as on important audits of subsidiaries conducted by regulatory authorities. In addition, the risk committee is responsible for reviewing potential stress scenarios in order to assess how the bank's risk profile reacts to external and internal events. Furthermore, the risk committee assesses recommendations of internal and external auditors and monitors the appropriate implementation of measures taken that are not covered by reports of other committees. It also advises and supports the supervisory board in monitoring current and future risk appetite and the risk strategy and submits recommendations on required adjustments to the risk strategy to the supervisory board.

Executive committee

The executive committee meets on an ad hoc basis at the supervisory board's request for the purpose of preparing specific topics for meetings or for circular resolutions. The committee may also be assigned the power to take final decisions. In case of imminent danger and to prevent significant damage, the executive committee may be convened by its chairperson in order to take action in the interest of the company even without a specific mandate from the supervisory board.

Audit committee

The audit committee is responsible for overseeing the accounting process; monitoring the effectiveness of the company's internal control system, internal audit system and risk management system; overseeing the annual audit of single-entity and consolidated financial statements; reviewing and supervising the independence of the auditor (Group auditor), in particular with respect to the additional services rendered to the audited company and the group companies; submitting a report on the results of the annual audit to the supervisory board and explaining how the annual audit has affected the reliability of financial reporting and the role of the audit committee in doing so; reviewing the annual financial statements and preparing its approval; reviewing the proposal for the allocation of profits, the management report and the (consolidated) corporate governance report as well as the (consolidated) non-financial report and submitting a report on the results of the review to the supervisory board; reviewing the consolidated financial statements of the group and the group management report and submitting the report on the results of the review to the supervisory board; carrying out the procedure for the selection of the auditor (group auditor), taking into account the appropriateness of the fees and recommending the appointment of the auditor (group auditor) to the supervisory board; recommending the renewal of the auditor's (group auditor's) mandate to the supervisory board; acknowledging the additional report of the auditor and discussing this report; acknowledging timely information on the focal points of the audit and submitting proposals for additional focal points of the audit; taking note of the annual financial statements of material subsidiaries and of the participations report; acknowledging the audit plan of the company's internal audit function; acknowledging information on current matters relevant to the internal audit of the Group and on the efficiency and effectiveness of the internal audit; acknowledging the internal auditors' report on the audit areas and material audit findings and the activity report pursuant to Article 25 (3) in conjunction with Article 24 of the Delegated Regulation (EU) 2017/565; in the case of on-site inspection conducted by supervisory authorities acknowledging the inspection report, the report on the contents of the plan to address identified findings and/or the result of administrative proceedings initiated on the basis of the identified findings; acknowledging immediate information on material findings of the auditor, the internal audit function or an audit conducted by a regulatory authority; acknowl-

edging immediate information on loss events that could exceed 5% of consolidated equity or 10% of the budgeted net result; acknowledging reports of the management board on current developments and compliance regarding corporate governance and anti-money laundering rules; acknowledging the compliance activity report pursuant to Article 25 (3) in conjunction with Article 22 of the Delegated Regulation (EU) 2017/565. The audit committee is also responsible for preparing supervisory board decisions concerning the approval of the conclusion of a material transaction pursuant to section 95a of the Austrian Stock Corporation Act (AktG) and overseeing its execution as well as overseeing and periodically (re-)assessing this material transaction; taking note of cases of damage or loss at Erste Group that are reported to the audit committee by internal audit as part of significant audit findings provided they exceed thresholds previously defined by the audit committee; pre-consenting to the removal of the head of internal audit from their position and involvement in the process of filling the position of head of internal audit. Pursuant to the – no legally binding – *Expectations for Banks* document published by the Single Resolution Board (SRB) on 1 April 2020, the audit committee is tasked with monitoring the effectiveness of Erste Group Bank AG's internal quality control with regard to resolution-relevant information, including rules ensuring the completeness and accuracy of data, by regularly receiving, reviewing and taking into account audit reports on this theme.

Nomination committee

Meetings of the nomination committee are held as needed (at least once a year) or when a member of the committee or of the management board requests a meeting. The nomination committee submits proposals to the supervisory board for filling management board mandates that become vacant and deals with issues of succession planning. The committee decides on the employment contracts for members of the management board. It deals with and decides on relationships between the company and the members of the management board except for resolutions to appoint members to the management board or revoke such appointments and on the granting of company stock options. Furthermore, the nomination committee supports the supervisory board in making proposals to the annual general meeting for filling supervisory board mandates that have become vacant. In filling vacant management board and supervisory board mandates, the focus is in particular on the members' personal and professional qualifications, but also a well-balanced board composition in terms of expertise, a well-balanced and broad range of knowledge, skills and experience of the members on each body (collective suitability) and on aspects of diversity. The nomination committee also defines a target quota for the underrepresented gender and develops a strategy to achieve this target. The nomination committee furthermore adopts the internal policy for dealing with conflicts of interest for the management board and the supervisory board, monitors compliance with it and regularly reports to the supervisory board on existing conflicts of interest and the measures taken to control them. The nomination committee must ensure that the management board's and the supervisory board's decision-making processes are not dominated by one single person or a small group of persons. The nomination committee periodically assesses the management board's and the supervisory board's structure, size, composition and performance and submits proposals for changes to the supervisory board, if necessary. In addition, the nomination committee must conduct periodic assessments of the expertise, skills and experience of both the management board members and the individual members of the supervisory board as well as of each body in its entirety and report its findings to the supervisory board. As regards the selection for senior management positions, the nomination committee must review actions taken by the management board and supports the supervisory board in making recommendations to the management board.

Remuneration committee

The remuneration committee prepares resolutions on remuneration matters, including resolutions that have an impact on the bank's risk and risk management and must be passed by the supervisory board. The remuneration committee approves the general principles of remuneration policy, reviews them regularly and is also responsible for their implementation. The committee monitors remuneration policy, remuneration practices and remuneration-linked incentive programmes in relation to the control, monitoring and containment of risks, the capital base and liquidity, with due regard to the long-term interests of the bank's shareholders, investors and employees as well as the national interest in a well-functioning banking system and financial market stability. The committee approves exceptions from the application of the remuneration policy to individual staff members of the company and monitors the payment of variable remuneration to members of the management board and to the company's second management level as well as to management board members of major subsidiaries. It furthermore reviews the (variable) remuneration of senior managers of the company performing independent control functions such as risk management and compliance and of staff members having a significant impact on the company's risk profile. In addition, it approves the identification of employees having a significant impact on the company's risk profile and reviews the criteria on which the management board's decision is based as well as the procedure used in taking such decisions. The committee also ensures that information on the remuneration policy and practices provided to shareholders is appropriate. Once a year, the committee is presented with a comprehensive report on the remuneration system including key performance indicators as well as a report on the situation regarding personnel and management in the Group. For the very first time, the nomination committee also prepared for 2020 the principles for the remuneration of management and supervisory board members pursuant to sections 78a and 98a of the Austrian Stock Corporation Act (Remuneration Policy according to Austrian Stock Corporation Act). In addition, it is responsible for preparing the report on the remuneration of management and supervisory board pursuant to sections 78a and 98a of the Austrian Stock Corporation Act (Remuneration Report according to Austrian Stock Corporation Act).

IT committee

The IT committee monitors and supervises IT-related issues and IT strategy in general. In addition, the IT committee is also responsible for taking note of IT reports, of reports on the IT outsourcing strategy and on the outsourcing of IT-related functions; taking note of the Group IT budget; of reports on the status of the IT support function and on the development of key IT initiatives and projects; monitoring the capacity and performance of systems, operating continuity and crisis management, data security, computer and network security and taking note of critical changes in the organisational structure and responsibilities of the IT department.

MEETINGS OF THE SUPERVISORY BOARD AND REPORT ON PRINCIPAL ACTIVITIES

Seven meetings of the supervisory board were held in the 2020 financial year.

At the ordinary meetings of the supervisory board, the respective monthly developments of the balance sheet and the income statement were presented and reports were given on individual risk types and the bank's total risk; the status of individual bank subsidiaries in Central and Eastern Europe was discussed, and quarterly reports were delivered on the areas audited and on the internal audit department's material audit findings pursuant to section 42 para 3 of the Austrian Banking Act. The chairpersons of the committees reported on the main topics dealt with by the committees since the last supervisory board meeting. Recurring topics at supervisory board meetings in 2020 were reports on Erste Group's view on the Covid-19 evolution as well as current regulatory developments in the banking environment and their impacts on Erste Group. The management board regularly presented proposals to the supervisory board that required its approval under the law, the articles of association and internal rules.

At the meeting of 26 March 2020, the financial statements and the 2019 management report, the consolidated financial statements and consolidated management report as well as the 2019 (consolidated) corporate governance report and the 2019 (consolidated) non-financial report were extensively discussed and reviewed; the auditors' reports as well as the report of the audit committee pursuant to section 63a para 4 (5) of BWG were discussed, and subsequently the financial statements for 2019 were adopted by circular resolution in accordance with the recommendation of the audit committee. It was also decided – by circular resolution – to propose PwC Wirtschaftsprüfung GmbH to the annual general meeting in 2020 as an additional auditor of the (consolidated) financial statements for the 2021 financial year and to approve the Remuneration Policy according to the Austrian Stock Corporation Act. The further approach to the 2020 annual general meeting was discussed. In addition, the annual report of the supervisory board on loans to board members pursuant to section 28 para 4 of the Austrian Banking Act was discussed and then approved by circular resolution. The supervisory board performed a self-evaluation pursuant to C-Rule 36 of the Austrian CCG and took note of an evaluation of the management board performed by the nomination committee pursuant to section 29 of the Austrian Banking Act. Reports were delivered on the issuance of additional core capital (additional tier 1 bonds), the new organisation of the Risk Management division, and applications were approved by circular resolution.
At the meeting of 23 April 2020, note was taken of the annual report of Group Compliance, the report on the collective suitability of the supervisory board and the annual report on conflicts of interest. The variable remuneration of members of the management board for the 2019 financial year was adopted subsequently by circular resolution. The report on the assessment of the effectiveness of the risk management was submitted to the supervisory board by the chairman of the audit committee, and the list prepared pursuant to the C-Rule 82a of the Austrian CCG was taken note of. Applications were discussed and subsequently approved by circular resolution, among them, for instance, the postponement of the annual general meeting to 10 November 2020 and a change to the internal rules of the management board.

At the meeting of 25 June 2020, which was also attended by members of the supervisory authorities' Joint Supervisory Team, who gave presentations and answered questions raised by supervisory board members, note was taken of reports delivered by the management board of Erste Group Bank AG as well as by management board members of Erste Bank Hungary, Česká spořitelna and Banca Comercială Română, with a special focus on the Covid-19 situation. Also discussed were Peter Bosek's conflicts of interest due to his dual role as CEO of Erste Bank Oesterreich, and note was taken of the result of the re-evaluation by the nomination committee as well as the reorganisation of the internal audit functions of Erste Group Bank AG and Erste Bank Oesterreich. Framework plans were adopted for the issuance of certificates and warrants, and it was decided that in the future the Group Sustainability Office will report to the Chief Executive Officer.

At the meeting of 17 September 2020, the supervisory board approved the resolutions proposed for the 2020 annual general meeting and discussed in depth the supervisory board's supplementary report pursuant to section 96 Austria Stock Corporation Act. Reports were also presented on the half-year results and the closure of the London branch. The changes to the remuneration policy pursuant to section 78a Austrian Stock Corporation Act and the new structure of the strategic risk functions of Erste Group Bank AG and Erste Bank Oesterreich were approved. The supervisory board was informed about the change in the IT committee's external consultant.

At the meeting of 15 October 2020, the supervisory board adopted the recommendation to the 2020 annual general meeting on the appropriation of profit after extensive debate and consultations with the auditor and outside legal advisors. In addition, the issuance of additional core capital (additional tier 1 bonds) was approved, the resignations of Peter Bosek and Ara Abrahamyan from

the management board were taken note of, and Maurizio Poletto, Thomas Schaufler and Alexandra Habeler-Drabek were newly appointed or their terms renewed upon consideration of the nomination committee's recommendations and the discussion of potential conflicts of interest.

At the constituent meeting of 10 November 2020 held after the annual general meeting, Friedrich Rödler, Jan Homan and Maximilian Hardegg were re-elected to their positions, and the members of the supervisory board were elected to the respective supervisory board committees, and the committees was thus newly formed. In addition, a capital increase of a subsidiary was approved.

At the meeting of 10 December 2020, a report on new measures and targets regarding women in management positions was discussed and taken note of. The budget and the capital plan for the 2021 to 2025 financial years, new representation rules for the management board and a new allocation of responsibilities were adopted. In addition, an anticipatory resolution pursuant to section 95 para 5 no 12 of the Austrian Stock Corporation Act as well as a resolution on long-term funding activities in the 2021 financial year were adopted, and a change to the internal rules of the audit committee was approved.

At a strategy retreat held on 10 and 11 December 2020, the supervisory board considered strategic topics of Erste Group comprehensively and in great depth. The management board and other experts were invited to join in more detailed debates.

MEETINGS OF THE COMMITTEES AND REPORT ON ACTIVITIES

The risk committee held sixteen meetings in 2020, at which it regularly took decisions on exposures and loans exceeding the powers of the management board, was briefed on loans granted within the scope of authorisation of the management board and approved the granting of statutory powers of attorney (Prokuren). The committee was regularly informed on the risk strategy, risk appetite, the monitoring required to comply with these limits, individual risk types, risk-bearing capacity and large exposures. Furthermore, reports were given on current regulatory risk topics, the situation of specific sectors and industries, including the real estate and automotive industries and the resulting impacts on the risk strategy. Further items on the agenda were audits by supervisory authorities, internal risk models and various legal disputes. Reports were regularly delivered on risk development in individual countries and subsidiaries. Without prejudice to the duties of the remuneration committee, the risk committee members were also informed on whether the incentives offered by the internal remuneration system adequately account for risk, capital, liquidity and the probability and timing of profit realisation. Also on the agenda were reports on stress tests. In addition, the members of the risk committee were informed about developments in the corporate workout portfolio in general and major workout cases in particular. Special attention was given to the economic effects of the Covid-19 pandemic and its impact on Erste Group.

The executive committee held one meeting in 2020 to discuss the potential acquisition of a bank. On 8 February 2021, a meeting was held in which the executive committee discussed the fulfilment of conditions for the pay-out of the dividend for the financial year 2019 as decided by the annual general meeting on 10 November 2020.

The audit committee met seven times in 2020 and, in addition, held one informal meeting to prepare the meeting on the review of the (consolidated) financial statements. The external auditors were present at all meetings. Among other things, the auditors reported on the audit of the single-entity and consolidated financial statements for 2019 and the audit committee subsequently conducted the final discussion. The financial statements and the management report, the consolidated financial statements and the management report as well as the (consolidated) corporate governance report and the (consolidated) non-financial report were reviewed and the financial statements recommended for approval by the supervisory board. The additional report of the auditors pursuant to Article 11 of EU Regulation 2014/537 was taken note of. The head of the internal audit department reported on the audit subjects and material audit findings for the year 2019 and, on an ongoing basis, about audit-relevant matters in the group and explained the audit plan for 2020. The internal audit department presented its reports pursuant to section 42 para 3 of the Austrian Banking Act and to the quality assurance programme as well as – jointly with the compliance department – a report pursuant to Article 25 (3) in conjunction with Article 24 of the Delegated Regulation (EU) 2017/565. In addition, a report was delivered on the assessment of the functionality of the risk management system pursuant to Rule 83 of the Austrian CCG and on the effectiveness of the internal control system. Based on these reports, the audit committee monitored the effectiveness of the internal control system, the internal audit system and the risk management system pursuant to section 63a para 4 no 2 of the Austrian Banking Act. The audit committee also discussed its work plan for 2021 and defined agenda topics for the meetings. It was decided to recommend the renewal of the audit mandate of PwC Wirtschaftsprüfung GmbH as additional auditor of the (consolidated) financial statements for the 2022 financial year to the supervisory board. The auditors provided information about the preliminary audit of the single-entity and consolidated financial statements for 2020. In addition, discussions were held on the reports on the development of participations, on the half-year report as of 30 June 2020, as well as on the 2019 management letter. Audit reports on on-site inspections conducted by supervisory authorities were taken note of, as were reports on the contents of the plan to address the findings made. The audit committee continuously reviewed and monitored the independence of the auditors of the (consolidated) financial statements with a particular focus on non-audit services rendered for Erste Group pursuant to section 63a para 4 (4) of the Austrian Banking Act. Among other things, the audit committee thus gave pre-approval to permissible non-audit

services rendered by the (group) auditor, received reports on their current status. The audit committee's report on activities included in the 2019 annual report was discussed and approved. The exchange of views between the audit committee and the auditors in the absence of the management board pursuant to C-Rule 81a of the Austrian CCG was conducted in December 2020. Also, the head of internal audit was evaluated by the audit committee. The annual report of Group Regulatory Compliance was taken note of. The impact of the Covid-19 pandemic on Erste Group was discussed regularly, taking into account in particular the accounting perspective.

The nomination committee hold four meetings in 2020. At one meeting, the nomination committee assessed the qualifications of Maurizio Poletto and Thomas Schaufler for their appointment as members of the management board of Erste Group Bank AG and recommended that the supervisory board approve their appointments. The review of whether the requirements for the extension of the contract and early re-appointment of Alexandra Habeler-Drabek were met ended with a positive result, and hence a recommendation to this effect was made to the supervisory board. The nomination committee furthermore conducted fit and proper assessments of Friedrich Santner, András Simor and Maximilian Hardegg for the elections to the supervisory board at the annual general meeting of Erste Group Bank AG on 10 November 2020. In addition, the nomination committee reviewed the evaluation of the supervisory board and the management board pursuant to C-Rule 36 of the Austrian CCG as well as pursuant to section 29 no 6 and 7 of the Austrian Banking Act and considered, in particular, the possible conflicts of interest and the attendance at meetings by supervisory board members. The collective suitability of the management board was likewise established, and the report on the collective suitability of the management board and the supervisory board was discussed, with a special focus on members' time availability. The report on the selection of senior management pursuant to section 28 of the Austrian Banking Act was taken note of.

The remuneration committee met four times in 2020. The supervisory board's resolution on the management board's variable remuneration was prepared and adopted in line with the ECB recommendation. In addition, various remuneration topics relating to Erste Group Bank AG were discussed and approved, including the structure of key performance indicators, the bonus policy, including the requirements for the payment of variable remuneration components, and remuneration rules for Material Risk Takers and the question of which employees are subject to these rules. In addition, changes to the internal remuneration policy of Erste Group Bank AG and Erste Group and the remuneration policy pursuant to section 78a Austrian Stock Corporation Act were approved, and a report was presented on the current status of the 2020 remuneration report being drawn up pursuant to section 78e Austrian Stock Corporation Act. Reports were delivered on the remuneration of directors in countries in which Erste Group operates and on the review of the internal remuneration policy by internal audit.

The IT committee met four times in 2020. The main topics were periodic updates on IT projects of Erste Group Bank AG and within Erste Group, priorities of IT activities in 2020, the timeline set for their implementation and impacts on ongoing processes. Also presented were a George update and news on the entities s IT Solutions AT Spardat GmbH and Erste Group IT International GmbH. The implementation of requirements regarding IT set by the supervisory authorities was also discussed in consultation with the auditor. The IT project portfolio and IT governance for Erste Group as well as IT risk management were considered on an ongoing basis. Reports were also delivered on IT security, outsourcing governance, on the strategy concerning use of data while handling data and digitalisation, on the current status of various infrastructure projects and on IT strategy. In addition, the IT budget and IT costs were discussed, and the impact of the Covid-19 pandemic explained from an IT perspective, with a special focus on customer behaviour, the increase in working from home arrangements and potential security aspects.

Attendance of supervisory board meetings

In 2020, all members of the supervisory board attended more than half of the supervisory board and committee meetings that took place after their election or delegation to the supervisory board or before their resignation from their mandate or revocation of their delegation.

Furthermore, in 2020, the ordinary members of the supervisory board or their substitutes, if applicable, attended in person, by videoconferencing or teleconferencing more than half of the committee meetings held after their election or delegation to the supervisory board or before resigning from their mandate or their delegation being revoked.

The following table shows the attendance of meetings by ordinary members without accounting for the attendance of substitute members. In the exceptional circumstances caused by Covid-19 in 2020, members attending virtual meetings only via acoustic channels are still considered to be in regular attendance in all regards under an ordinance issued by the Federal Ministry of Justice.

Meeting attendance in 2020

Name	Supervisory board (7 meetings)	Risk committee (16 meetings)	Executive-committee (1 meeting)	Audit committee (7 meetings)	Nomination committee (4 meetings)	Remuneration committee (4 meetings)	IT committee (4 meetings)
Friedrich Rödler	100%	100%	100%	100%	100%	100%	100%
Jan Homan	100%	100%	100%	100%	100%	100%	
Maximilian Hardegg	100%	100%	100%	86%	100%	100%[2]	100%
Matthias Bulach	100%			100%			
Henrietta Egerth-Stadlhuber	100%	100%[2]					100%
Gunter Griss	100%[1]						
Jordi Gual Solé	100%					100%	
Marion Khüny	100%	94%					100%
Elisabeth Krainer Senger-Weiss	100%	100%	100%		100%		
Wilhelm Rasinger	100%[1]	86%[1]		67%[1]			
Friedrich Santner	100%[2]			100%[2]			
András Simor	100%[2]					100%[2]	
John James Stack	100%					100%	
Michèle F. Sutter-Rüdisser	100%			100%			
Delegated by the employees' council							
Markus Haag	100%	94%					
Regina Haberhauer	100%			71%			
Andreas Lachs	100%	88%				100%	100%
Barbara Pichler	100%			71%	100%	100%	
Jozef Pinter	100%	81%		71%			
Karin Zeisel	100%				75%	100%	50%

[1] member until 10 November 2020, [2] member since 10 November 2020

PROMOTING WOMEN TO MANAGEMENT BOARDS, SUPERVISORY BOARDS AND MANAGING POSITIONS

Promoting women and achieving a balanced representation of women and men in management positions has long been a priority within Erste Group. In 2020, 50.4% of all management positions in the Holding and local banking subsidiaries were held by women (2019: 49.0%). The proportion of women in top management positions (board members and board minus 1 level) in the Holding and local banking subsidiaries stood at 26.6% (2019: 27.4%). The highest shares were reported by Banca Comercială Română, Erste Bank Serbia and Erste Bank Oesterreich. With Gerda Holzinger-Burgstaller, the latter has again had a female CEO since 1 January 2021.

As Erste Group had failed to reach its self-declared target of 35% women in top management in the 2019 financial year, the focus in 2020 was on analysis, development of a strategy and a package of measures. At the same time, a new target was defined, and a roadmap was adopted that sets out the path towards this goal. By 2025, 37% of all top management positions group-wide should be held by women. In addition, a corridor of 40 to 60% was adopted for the third and fourth management levels, to be reached by 2025.

At year-end 2020, the share of women on the Holding's supervisory board stood at 38.9% (2019: 38.9%). The target of 35% female representation at supervisory board level was also reached in Erste Bank Oesterreich, Erste Bank Hungary, Banca Comercială Română and Slovenská sporiteľňa. Taking into account all local banking subsidiaries, 37.5% (2019: 34.3%) of all supervisory board seats were held by women.

Erste Group organised a variety of initiatives to support female leadership in 2020. An important instrument is the more balanced gender and age structure in its talent and succession pools. In Austria, initiatives such as the Erste Women's Hub employee resource group, the WoMentoring programme, financial education for women, networking events for female employees and clients were continued. The latter were very successfully converted into online formats in response to the work environment induced by Covid-19. Another focus in 2020 was again on encouraging more men to take advantage of parental leave options and flexible working. Česká spořitelna launched a new top management mentoring program for women in leadership positions, which had a very successful start. Banca Comercială Română took a multitude of measures to implement the EU Diversity Charter, which focused most notably on training and professional development as well as building employee competencies. Further information is provided in the (consolidated) non-financial report.

DIVERSITY

Erste Group's diversity and inclusion principles are reflected in its Statement of Purpose and Code of Conduct, which both emphasise that the work environment must be free of discrimination and harassment and must value the work of each and every person, regardless of gender, age, marital status, sexual orientation, physical ability, race, skin colour, religious or political affiliation, ethnic background, nationality, citizenship or any other aspect unrelated to employment. An independent Anti-Discrimination Officer advises and mediates in matters concerning harassment and discrimination, and works with management on awareness and prevention.

Erste Group's Diversity and Inclusion Policy provides the framework for local diversity managers to define priorities and initiatives that support the group diversity strategy. The Policy also defines the diversity concepts applicable in appointing management board and supervisory board members with regard to age, gender, education and professional career. In addition to setting group-wide targets for the share of women in top management and on the supervisory board, it also requires that all positions, including management positions, have to be advertised internally (unless candidates from a succession pool are already available for a position). Selection processes and criteria must be transparent, and job offers have to be worded in a gender-neutral manner: Talent pools and programmes must be open to suitable employees of any age group, gender or origin; when filling top management positions, at least one candidate per gender must be short-listed; when filling supervisory board mandates, the nomination committees (Holding and local banks) must consider female candidates.

In 2020, Erste Group pursued the following diversity priorities: more networking and best-practice sharing within the group as well as the joint development of a group-wide diversity strategy; further increasing the number of women in management positions; developing and encouraging more initiatives for LGBT+ inclusion in the CEE region; and implementing local initiatives promoting diversity in CEE.

Further information is provided in the (consolidated) non-financial report.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Erste Group Bank AG has directors' and officers' liability insurance. Unless otherwise provided by local law, the insurance policy covers former, current and future members of the management board or managing directors, of the supervisory board, of the administrative board and of the advisory board as well as senior management, holders of statutory powers of attorney (Prokuristen) and management staff of Erste Group Bank AG and the subsidiaries in which Erste Group Bank AG holds more than 50% of the shares or voting rights either directly or indirectly through one or more subsidiaries. The costs are borne by the company.

EXTERNAL EVALUATION

Erste Group Bank AG commissioned an external evaluation of compliance with the Austrian Code of Corporate Governance in accordance with C-Rule 62 of the Austrian CCG at least every three years, most recently for the 2020 fiscal year. All evaluations reached the conclusion that Erste Group Bank AG had met all requirements of the Code. The deviations from C-Rules were described and explained. Summary reports on these evaluations are available on the website of Erste Group Bank AG.

SHAREHOLDERS' RIGHTS

Erste Group Bank AG has no rights arising from its own shares. Neither a subsidiary nor a third party holding shares on behalf of Erste Group Bank AG or of a subsidiary may exercise its voting rights and its rights for subscription of these shares.

Voting rights

Each share of Erste Group Bank AG entitles its holder to one vote at the annual general meeting. In general, shareholders may pass resolutions at an annual general meeting by a simple majority of the votes cast or, in the event that the majority of the share capital present is required to approve a measure, by a simple majority of the share capital present, unless Austrian law or the articles of association require a qualified majority vote.

The articles of association differ from the statutory majority requirements in three cases: First, the appointment of supervisory board members can be revoked before the end of their respective term by a resolution of the annual general meeting that requires a majority of 75% of the votes cast and a majority of 75% of the share capital present at such meeting. Second, the articles of association may be amended by a resolution of the annual general meeting. Provided that such amendment does not concern the business purpose, this requires a simple majority of the votes cast and a simple majority of the share capital present at such meeting. Third, any provision regulating increased majority requirements can only be amended with the same increased majority.

Dividend rights

Each shareholder is entitled to receive dividends if and to the extent the distribution of dividends is resolved by the annual general meeting.

Liquidation proceeds

In case of dissolution of Erste Group Bank AG, the assets remaining after the discharge of liabilities and repayment of supplementary capital as well as additional tier 1 capital will be distributed pro rata to the shareholders. The dissolution of Erste Group Bank AG requires a majority of at least 75% of the share capital present at an annual general meeting.

Subscription rights

All holders of shares have subscription rights allowing them to subscribe to any newly issued shares to maintain their existing share in the share capital of Erste Group Bank AG. Such subscription rights are in proportion to the number of shares held by such shareholders prior to the issue of the new shares. The said subscription rights do not apply if the respective shareholder does not exercise these subscription rights or subscription rights are excluded in certain cases by a resolution of the annual general meeting or by a resolution of the management board and the supervisory board.
The Austrian Stock Corporation Act contains provisions that protect the rights of individual shareholders. In particular, all shareholders must be treated equally under equal circumstances

unless the shareholders affected have consented to unequal treatment. Furthermore, measures affecting shareholders' rights, such as capital increases and the exclusion of subscription rights, generally require a shareholders' resolution.

The articles of association of Erste Group Bank AG do not contain any provisions regarding a change in the share capital, the rights associated with the shares or the exercise of the shareholders' rights that differ from statutory requirements.

Stock corporations such as Erste Group Bank AG must hold at least one annual general meeting (ordinary shareholders' meeting) per year, which must be held within the first eight months of any financial year and cover at least the following items:

- Presentation of certain documents
- Appropriation of profit
- Discharge of the members of the management board and the supervisory board for the financial year ended.

At annual general meetings, shareholders may ask for information about the company's affairs to the extent that this is required for the proper assessment of an agenda item.

Management Board	
Bernhard Spalt mp, Chairman	
Ingo Bleier mp, Member	Stefan Dörfler mp, Member
Alexandra Habeler-Drabek mp, Member	David O'Mahony mp, Member
Maurizio Poletto mp, Member	Thomas Schaufler mp, Member

Vienna, 26 February 2021

Your Notes

AUDITED FINANCIAL REPORTING

26 February 2021

AUDITOR'S REPORT

Management report

Consolidated financial statements

AUDITOR'S REPORT

AUDIT OPINION

Report on the Consolidated Financial Statements

Audit Opinion

Sparkassen-Prüfungsverband (Prüfungsstelle) and PwC Wirtschaftsprüfung GmbH, Vienna, – hereinafter referred to as 'we' – have audited the group consolidated financial statements of Erste Group Bank AG, Vienna, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended, and the notes to the group financial statements of Erste Group.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at December 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 59a Austrian Banking Act (BWG) in conjunction with Section 245a Austrian Company Code (UGB).

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report.

We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles, the provisions of the Austrian Banking Act and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:
- Description
- Audit approach
- Reference to related disclosures

1. Loss allowances for Loans and Advances to Customers (expected credit losses)

Description

Loss allowances represent management's best estimate of the credit losses expected with respect to the loan portfolio at balance sheet date. For loans and advances to customers in the amount of EUR 164 billion, measured at amortised cost, Erste Group Bank AG has recognised credit loss allowances in the amount of EUR 3.8 billion. Due to the underlying assumptions and estimates, determining of expected credit losses is inherently subject to substantial judgement applied by management.

Erste Group Bank AG has implemented internal guidelines and specific processes to identify significant increases in credit risk and loss events. These processes rely significantly on quantitative criteria and involve management judgement.

The following methods are applied to determine the level of loss allowances using scenario-based discounted cash flow methods as required by IFRS 9:
- For non-defaulted loans, loss allowances are generally determined collectively and measured at an amount equal to 12-month expected credit loss. If a significant increase in credit risk has occurred, loss allowances are measured as lifetime expected credit losses. Similarly, the lifetime expected credit losses are measured for those non-defaulted loans and advances whose credit risk at initial recognition could not be determined due to missing data at IFRS 9 first-time adoption.
- For defaulted loans with a comparable risk profile that are considered not to be individually significant, expected credit losses are collectively assessed as well.
- The collectively measured loss allowances are calculated considering the probability of default, the impact of forward-looking information and parameters that reflect the expected cash flows as well as the expected proceeds from the realisation of collateral. The applied parameters are estimated based on statistical models.

_ For defaulted loans considered to be significant at customer level, loss allowances are determined on a case-by-case basis. These loss allowances are calculated considering scenario probabilities, expected cash flows as well as expected proceeds from the realisation of collateral. This process involves significant judgement and management estimates.

The models used for determining loss allowances are specific to the types of loan portfolios. There are country-specific features both with regard to products and economic environment that are relevant to the respective loss estimate resulting in heightened complexity of models and input factors.

The uncertainty which is inherent to estimating expected credit losses significantly increased due to the imponderability of economic consequences of the Covid-19 pandemic.

To reduce the adverse economic consequences of the Covid-19 pandemic, numerous states have introduced relief programs in a variety of forms (e.g. moratoria, deferral options, support programs, hardship funds etc.). Those programs complicate a timely reflection of a potential deterioration of the loan portfolio and result in artificially low observed default rates. This has a negative effect on the predictive power of statistically determined default rates and the perceptibility of a significant increase in credit risk.

Erste Group Bank AG therefore introduced additional criteria on the basis of which customer groups were identified that potentially were specifically affected by the economic consequences of the pandemic, and individually assessed the customers within those groups as to whether a significant increase in credit risk occurred (Post Model Adjustment). Method and impacts of this portfolio stage transfer due to the Covid-19 pandemic are presented in note 34 of the consolidated financial statements.

With respect to the forward-looking information used for modelling expected credit losses, the heightened uncertainty about the future economic developments that results from the pandemic was reflected by using up-to-date macroeconomic assumptions and adapting the relative weight of the scenarios applied.

In addition to the adjustment of forward looking information, further adjustments to the methodology applied for estimating credit risk parameters were required in Erste Group Bank AG's view with respect to the Covid-19 pandemic and the state relief packages, which are described in note 34 of the consolidated financial statements.

Due to
_ the substantial judgement to be applied by management in defining the Post Model Adjustments and determining and weighting macro-economic future scenarios,
_ a high degree of uncertainty due to the economic impact of the Covid-19 pandemic which led to a high degree of the auditor judgement,
_ the complexity of models and interdependent assumptions and the resulting audit effort and
_ the significance of credit loss allowances
we identified this area to be a key audit matter.

Audit Approach

To assess the appropriateness of the expected credit losses, we:
_ updated our understanding of the Expected Credit Loss calculation methodology applied by Erste Group Bank AG based on policies, documentation and interviews and re-assessed its compliance with the requirements of IFRS 9. We focused on adjustements to methods and processes made in order to capture the increased uncertainties of the present and future environment due to the Covid-19 pandemic in expected credit losses.
_ evaluated and critically assessed the control activities in credit risk management and lending business processes and tested key controls, notably with respect to the approval of loans, ongoing monitoring and early warning, especially the changes of processes made by management with respect to the early identification of defaults as well as the assessment of unlikeness to pay.
_ evaluated control activities and tested key controls in the area of rating models and collateral valuation.
_ evaluated model governance and validation processes and critically reviewed the information brought to the attention of the management. With the help of our credit risk modelling experts, we evaluated the results of back-testing and model validations.
_ evaluated the adequacy of credit risk parameters and models taking into consideration possible distortions of currently observed data due to state or private relief programs (e.g. low default rates due to payment moratoria) and local specifics , and critically assessed the plausibility of expectations and estimates that have been introduced due to aforementioned distortions in order to identify significant increases in credit risk of single customers or customer groups.
_ assessed the correctness of the stage allocation for a sample of loans based on applicable policies.
_ analyzed impacts of IFRS 9 specific model aspects.
_ evaluated whether key components of the ECL calculation are correctly incorporated in the models by performing walkthroughs and reviewing steering tables.
_ evaluated the adequacy and plausibility of forward-looking information integrated into the estimates. In this context, we specifically compared the underlying macro-economic forecasts with external sources of information and critically assessed the individual weights attribute to scenarios.

_ tested, on a sample basis, whether default events have been identified in accordance with applicable policies and evaluated whether events occurred that significantly affect the borrower's ability to repay loans and advances. Furthermore, we tested, on a sample basis, the adequacy of individual loan loss allowances assessing the scenarios adopted and the estimates of expected cash flows made by the Group.

Reference to related disclosures

For further details regarding the process of determining loss allowances as well as regarding the design of the models involved we refer to the management board's disclosures in section Significant accounting policies; b) Covid-19 disclosures and Note 34. Credit Risk in the Notes to the consolidated financial statements.

2. Recoverability of goodwill for Česká Spořitelna a.s

Description

The balance sheet item 'Intangible assets' includes goodwill in the amount of EUR 544 million for the subsidiary Česká Spořitelna a.s., Prague, ('CS'). In the Group, goodwill is subject to an annual impairment test in performed in month of November each year. Additionally, management determined that the significant economic impact of the Covid-19 pandemic in the first and second quarter is an indication that goodwill may be impaired and therefore performed additional impairment tests. No impairment of goodwill resulted from these tests. Accordingly, when compared to the prior year, the goodwill for CS remains unchanged as of December 31, 2020.

To test for impairment, the recoverable amount of CS was determined and compared to the carrying amount of CS's net assets. The recoverable amount was determined using the dividend discount method ('DDM'). Under the DDM, expected future dividends that are available for the distribution to shareholders ('flows-to-equity') are capitalized in compliance with capital requirements. The determination of future distributions by CS was based on the current business plan prepared by CS management which also reflected the expected impact of the Covid-19 pandemic. The business plan comprises income statements, balance sheet and equity projections for the years 2021 to 2025. The perpetuity for the period not covered by the business plan was derived by assuming a constant growth rate. The flows-to-equity were discounted with the group-specific cost of equity for the business activities of the Group in the Czech Republic, taking into account group wide capital requirements.

Management has to make a large number of assumptions and judgments when preparing a business plan, selecting a discount rate and the assumed growth rate; in this context, he uncertainties inherent in management's expectations regarding the future economic development are much higher than usual due to the Covid-19 pandemic.

Due to
_ the subjectiveness of the assessments and future expectations that the management must take into account when determining a recoverable amount,
_ the high degree of auditor judgment required when assessing management's determination of the recoverable amount, and
_ the potential impact of an impairment loss on the Group's consolidated financial statements,
we have identified this area as a key audit matter.

Audit approach

In order to assess the appropriateness of the carrying amount of goodwill for CS, we have, with the support of valuation specialists with the necessary industry knowledge and regional expertise,
_ examined the key business processes for determining recoverable amounts.
_ identified and evaluated the internal process for approval and review of the valuation model parameters (e.g. risk-free interest rate, market risk premium, beta factors) as well as the valuation results
_ tested, on a sample basis, the valuation method used with regard to its technical and mathematical correctness in order to determine whether the valuation method used is in line with the business model of CS as well as that of the Group.
_ performed, on a sample basis, with respect to the aggregation of planning data for the three budget scenarios (base, best and worst case) that were used as a basis for estimating the value
  _ followed and assessed the steps taken to ensure the mathematical accuracy of budget data,
  _ analyzed the key assumptions in the business plan and
    _ verified the plausibility of the derivation of key value drivers (by means of benchmarking),
    _ compared the macroeconomic assumptions for the future used with independent macroeconomic forecasts,
    _ reviewed the planning accuracy for past planning periods by comparing plan vs. actual values and interviewing employees responsible for variance analyses.
  _ critically assessed probability weighting of the three scenarios.
_ examined how key valuation model parameters were derived as well as whether they are up-to-date and checked their appropriateness using our own independently determined benchmarks by making an independent estimate of the base interest rate, the beta factor, the market risk premium, the country risk premium and the inflation differential.

_ compared, on a sample basis, the appropriateness of planning figures and model parameters used in the valuation model with the approved budget figures and model parameters. Our focus here was particularly on the assumptions related to the perpetuity (especially growth rate and retention).
_ evaluated the appropriateness and accuracy of the presentations and explanations in the notes.

Reference to related disclosures

We refer to the management board's disclosure in section Significant accounting policies; b) Covid-19 disclosures and Note 39. Intangible assets in the Notes to the consolidated financial statements.

3. Recoverability of assets within the scope of IAS 36

Description

The market capitalization of Erste Group Bank AG was below the carrying amount of net assets both during the financial year and at the balance sheet date. According to IAS 36.12 (d), this is an indication that one or more assets may be impaired.

Assets within the scope of IAS 36 account for approximately 2% of the Group's total assets. The vast majority of these assets are property, plant and equipment, investment property or intangible assets.

To determine whether these assets are impaired, the Group calculated the 'recoverable amount', i.e. the higher of fair value less costs to sell and value in use, and compared it to the carrying amount of the asset. Based on these tests, no impairment losses were recognized.

The recoverable amount was determined either at the level of individual assets or, if no cash flows were identified for an individual asset that are largely independent of those of other assets or groups of assets, at the level of cash-generating units ('CGUs').

The recoverable amount of individual assets was verified by means of additional information such as valuation reports or replacement values.

The recoverable amount of a CGU was determined using the dividend discount method ('DDM'). Under the DDM, expected future dividends available for distribution to shareholders ('flows-to-equity') are capitalized in compliance with capital requirements.

The determination of future distributions is based on current business plans prepared by the management that also reflect the expected impact of the Covid-19 pandemic. The business plans comprise income statements, balance sheets and equity projections for the years 2021 to 2025. The perpetuity for the period not covered by the respective business plan was derived assuming a constant growth rate. The flows-to-equity were discounted taking into account group wide capital requirements with the specific cost of equity.

Where the recoverable amount of an individual CGU did not cover the carrying amount of the net assets, the recoverability of the significant individual assets in the respective CGU was tested separately.

The determination of the respective recoverable amounts, both for individual assets and for the CGUs, requires numerous assumptions and estimates, in particular with regard to future earnings expectations and discount factors. These are subject to inherent uncertainties regarding the economic development.

Due to
_ the subjectiveness of the assessments and future expectations that the management must take into account when determining a recoverable amount, and
_ the high degree of auditor judgment required when assessing management's determination of the recoverable amount,
we have identified this area as a key audit matter.

Audit Approach

In order to assess the appropriateness of the carrying amounts of assets within the scope of IAS 36, we, used valuation specialists with the required industry knowledge and regional expertise and:
_ assessed the appropriateness of the definition of CGUs.
_ examined the key business processes for determining recoverable amounts.
_ identified and evaluated the internal process for approval and review of the valuation model parameters (e.g. risk-free interest rate, market risk premium, beta factors) as well as the valuation results.
_ tested, on a sample basis, the valuation method used with regard to its technical and mathematical correctness to determine whether the valuation method used is in line with the business model of the CGU as well as with information available to the Group.
_ performed, on a sample basis, with respect to the aggregation of planning data for the three budget scenarios (base, best and worst case) that were used as a basis for the calculation of the appraised value, the following:
  _ followed and assessed the steps taken to ensure the mathematical accuracy of budget data,
  _ analyzed the key assumptions in the business plan and

    - verified the plausibility of the derivation of key value drivers (by means of benchmarking),
    - compared the macroeconomic assumptions for the future used with independent macroeconomic forecasts,
    - reviewed the planning accuracy for past planning periods by comparing plan vs. actual values and interviewing employees responsible for variance analyses.
  - critically assessed probability weighting of the three scenarios.
- examined how the key valuation model parameters were derived as well as whether they are up-to-date and checked their appropriateness using our own independently determined benchmarks by making an independent estimate of the base interest rate, the beta factor, the market risk premium, the country risk premium and the inflation differential,
- compared, on a sample basis, the appropriateness of planning figures and model parameters used in the valuation model with the approved budget figures and model parameters. Our focus here was particularly on the assumptions related to the perpetuity (especially growth rate and retention).
- reviewed documentation to determine whether an individual impairment trigger exists for significant assets within the scope of IAS 36.
- assessed and validated the methodology, basic data, and parameters used in the documentation received to determine whether individual assets are impaired.

Reference to related disclosure

We refer to the management board's disclosure in the section Significant accounting policies; b) Covid-19 disclosures and Note 39. Intangible assets in the Notes to the consolidated financial statements.

4. Total recoverability of deferred tax assets

Description

Erste Group Bank AG, together with its major domestic subsidiaries, forms a corporate tax group in accordance with Section 9 of the Corporate Income Tax Act (KStG). The deferred tax assets as of December 31, 2020 consist of deferred tax assets for future claims from tax loss carry-forwards and temporary differences.

To determine the value of deferred tax assets, which is largely based on assumptions and estimates for the future development of the corporate tax group's tax results, tax planning calculations are prepared together with the entities in the group.

The assumptions and estimates made in the context of preparing the budget are determined by future developments. The uncertainties inherent in the estimates when determining the recoverability of the deferred tax assets have increased significantly due to the uncertainties of the economic implications of the Covid-19 pandemic.
Due to
- management's discretion in determining which future scenarios flow into the budget,
- the complexity of determining the tax results at the level of the Austrian corporate tax group and the manual steps and adjustments involved, and
- the high level of uncertainty due to the economic effects of the Covid-19 pandemic, which involves a high degree of auditor judgment,

we have identified this area as a key audit matter.

Audit approach

In order to assess the appropriateness of the recognition of deferred tax assets of Erste Group Bank AG, we have used tax specialists with the necessary industry knowledge and
- verified the changes (additions and disposals) of group members in the tax group.
- assessed the completeness of the main group members in the summarized tax plan.
- identified and assessed the process for determining the temporary differences between the corporate and tax balance sheets, from which the deferred tax assets / liabilities arise.
- analyzed the timing of the reversal of the identified temporary differences.
- reconciled the profit-and-loss forecasts on which the above-mentioned impairment considerations are based for all material companies in the corporate tax group with budgets approved by the responsible oversight bodies and analyzed the assumptions and significant influencing factors regarding future developments underlying these forecasts, by means of benchmarking in order to judge the appropriateness and feasibility of the budget.
- reviewed the process and the documentation for reviewing historical adherence to budgets and the resulting adjustments of future budgets for selected companies.
- analyzed, understood and critically assessed the adjustments made to the budget for tax planning.
- retraced book-to-tax calculation between the planned UGB and tax results.
- analyzed the recognition of losses incurred before the tax group was established for individual group members.
- critically assessed and reconciled the determination of the recoverable deferred tax assets with the calculation documents.
- inquired about the process for splitting impairments into income-related and non-income-related tax deferrals.
- reconciled the determined recoverable deferred tax assets with the posted values. Particular attention was paid to the correct breakdown into income and non-income tax deferrals.
- assessed the appropriateness and accuracy of the presentations and explanations of deferred taxes in the notes.

Reference to further information

We refer to the management board's disclosure in Note 13. Income taxes in the notes to the consolidated financial statements.

Other Information

Management is responsible for other information. Other information comprises any information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report.

We obtained the consolidated corporate governance report in accordance with Section 267b UGB prior to the date of this auditor`s report, the rest of the annual report is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover other information and we will not express any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 59a BWG in conjunction with Section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

_ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP

Pursuant to the Austrian Company Code, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report for the Group in accordance with the Austrian Company Code and the special legal requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Additional Information in accordance with Article 10 of the EU Regulation

Pursuant to Sections 23 and 24 Austrian Savings Bank Act (SpG), Sparkassen-Prüfungsverband (Prüfungsstelle) is the statutory auditor of Erste Group Bank AG, Vienna. In accordance with Section 23 (3) SpG in conjunction with Sections 60 and 61 BWG, the Company is subject to an audit, the consolidated financial statements are also subject to a statutory audit.

At the ordinary general meeting dated May 15, 2019 and pursuant to Section 1 (1) of the Auditing Rules for Savings Banks, Annex to Section 24 SpG, PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2020 and, subsequently, was engaged by the supervisory board. At the ordinary general meeting dated November 10, 2020 PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2021 and was engaged by the Supervisory Board on November 10, 2020. Since 2017 PwC Wirtschaftsprüfung GmbH, Vienna, has constantly been appointed as additional auditor.

We confirm that the audit opinion in the 'Report on the Consolidated Financial Statements' section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement are Mr. Gerhard Margetich, Austrian Certified Public Accountant (Sparkassen-Prüfungsverband), and Ms. Dorotea-E. Rebmann, Austrian Certified Public Accountant (PwC Wirtschaftsprüfung GmbH, Vienna).

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Vienna, 26 February 2021

Sparkassen-Prüfungsverband
(Prüfungsstelle)
(Bank Auditor)

Gerhard Margetich
Austrian Certified Public Accountant

Stephan Lugitsch
Austrian Certified Public Accountant

PwC Wirtschaftsprüfung GmbH

Timo Steinmetz
Austrian Certified Public Accountant

Dorotea-E. Rebmann
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of Section 281 (2) UGB apply.

Management report

ECONOMIC ENVIRONMENT

In 2020, Covid-19 has triggered the deepest global recession in decades. The pandemic induced crisis, which drastically impacted both advanced and emerging markets, has led to an unprecedented contraction in economic activity as more than 85 percent of the countries around the globe experienced shrinking economies. Policy makers have taken extraordinary measures to protect people and national health systems, the economy, and the financial system. To prevent the virus from spreading uncontrollably, most countries imposed stringent lockdown measures in the first half of the year, and with rising infection rates in autumn and winter further lockdowns followed in the last quarter. To contain the immediate economic damage governments introduced various measures including state guaranteed loans, payment moratoria for private individuals and corporates or subsidies from hardship funds. Central banks have eased monetary policies across the globe, with a balance sheet expansion in the G10 countries of nearly EUR 6.5 trillion[1], and with more than 20 emerging market central banks deploying asset purchases for the first time. In addition, a fiscal policy response of EUR 10.5 trillion[2] globally has provided substantial support to households and corporates.

Most economies faced a substantial slump in economic activity. With its real GDP declining by 3.4%[3], the United States outperformed both Japan and the European Union. Leading European economies like Italy and France recorded a double-digit decline in their GDP. Among emerging and developing regions, China outperformed other major economies. Following a sharp output contraction in the first quarter 2020, China's economic activity rebounded stronger than in most other countries following the relaxation of the initial lockdowns. Overall, China's GDP increased by 2.3%[4]. All other major emerging markets' economies, such as India, Brazil, Russia or Turkey declined substantially. India's economy particularly suffered and fell into its first recession in 40 years. In addition to the Covid-19 crisis, the Russian economy was negatively impacted by lower oil prices. Central and Eastern European economies were similarly hit by the virus induced crisis. Overall, global real GDP declined by 3.5%[5].

The economic development in the United States was mainly characterised by the Covid-19 outbreak, increasing tension between the US and China and the presidential elections in November. The economy plummeted in April and May as a result of the coronavirus induced crisis, and the unemployment rate rose temporarily above 14% in April[6]. The economy, however, recovered quickly mainly due to robust domestic demand, improving labour market, a very accommodative monetary policy and a large fiscal stimulus. Consequently, the unemployment rate stood at 6.7%[7] at the end of the year. Core inflation remained below the Federal Reserve's 2% target. In March 2020, the Fed reduced its benchmark interest rate to zero and launched a new round of quantitative easing. The programme entailed USD 700 billion worth of asset purchases of Treasury's and mortgage-backed securities as a response to the slowing economy. Overall, the US economy contracted by 3.4%[8] in 2020.

The euro area was also significantly impacted. At 7.2%[9], economic decline in the euro zone was deeper than in other advanced regions of the world. Government measures implemented as a response to the Covid-19 pandemic – such as nationwide lockdowns, school closures or border restrictions – significantly disrupted domestic economic activity. Tourism, a sector that was virtually shut down completely for many months during the year, suffered significantly. Italy, France and Spain with their very important tourist industries performed poorly with their real GDP declining by double digit figures. The biggest economy of the euro zone, Germany, on the other hand, posted a markedly better performance mainly due to its prudent crisis management and stronger production output. Unemployment rates rose across countries. Most euro area governments launched large programmes of public loan guarantees to preserve access to bank loans for businesses. The European Central Bank (ECB) introduced a new Pandemic Emergency Purchase Programme (PEPP) to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area. The programme amounted to EUR 1.85 trillion[10] and was extended until March 2022. The ECB also increased its targeted longer-term refinancing operations (TLTROs) to provide low interest rate loans to credit institutions. Overall, EUR 1.7 trillion[11] were taken up by 388 banks. The ECB kept its discount rate at zero.

Against this backdrop, Austria's economy was also hit hard. Reflecting the containment measures and the lockdown in spring, a sharp decline in private consumption led to a fall in GDP. Investments also fell significantly. A solid economic rebound began in the third quarter. The easing of travel restrictions, but most importantly a strong domestic Summer tourism led to a partial recovery in the economically important tourism sector, with overnight stays in July and August down 15% from 2019 levels, compared to a decline of 60% to 90% in May and June. The unemployment rate increased visibly in the first half of the year, reaching 6.2% in June. In 2020, it stood on average at 5.3%[12]. Short-time work schemes helped to mitigate the effect of the economic downturn on the labour market. The Covid-19 induced crisis has put an abrupt end to

[1] IMF: https://www.imf.org/-/media/Files/Publications/GFSR/2020/October/English/foreword.ashx (Download on 19 February 2021, applied exchange rate: 1 EUR=1,147 USD)

[2] IMF: https://www.imf.org/-/media/Files/Publications/GFSR/2020/October/English/foreword.ashx (Download on 19 February 2021, applied exchange rate: 1 EUR=1,147 USD)

[3] IMF: https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update (Download on 19 February 2021)

[4] IMF: https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update (Download on 19. February 2021)

[5] IMF: https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update (Download on 19. February 2021)

[6] US Labor Statistics: https://www.bls.gov/news.release/pdf/empsit.pdf (Download on 19 February 2021), page 1

[7] US Labor Statistics: https://www.bls.gov/news.release/pdf/empsit.pdf (Download on 19 February 2021), page 9

[8] IMF: https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update (Download on 19 February 2021)

[9] IMF: https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update (Download on 19 February 2021)

[10] ECB: https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.html (Download am 19 February 2021)

[11] Euromoney: https://www.euromoney.com/article/280nvn47uuu2gasjb5534/banking/european-banks-head-for-a-funding-cliff-thanks-to-tltro-iii (Download on 19 February 2021)

[12] Statistik Austria: http://www.statistik.at/wcm/idc/idcplg?IdcService=GET_PDF_FILE&RevisionSelectionMethod=LatestReleased&dDocName=055370 (Download on 19 February 2021)

the favourable development of Austria's public finances. A crisis management fund launched in March has been covering financial support e.g. to strengthen health care services, fixed cost subsidies or short-time work schemes. Tax deferrals and public guarantees for loans also helped companies to avoid liquidity constraints. The general government deficit stood at 8.9%[13] of GDP. Public debt as a percentage of GDP significantly increased to 84.8%[14]. With the sharp economic downturn and the decrease in energy prices, inflation fell from over 2% in the beginning of the year to 1.2%[15] at year end. Overall, average inflation stood at 1.4%[16] in 2020. Real GDP declined by 7.2%[17], with GDP per capita falling to EUR 42,000[18] at year-end.

Central and Eastern European economies struggled as well. Consumption and investments fell visibly, exports and imports posted a double-digit contraction. The large exposure of CEE economies to manufacturing and exports contributed significantly to the economic decline in the spring lockdown. After an unprecedented decline in economic activity, the CEE region saw a very fast economic rebound. The second wave of lockdowns in autumn impacted the regional economies to a much lesser extent, underlying the resilience of CEE industrial production. This time, production was not halted and foreign demand held up well. Serbia proved to be the best performer with its GDP contracting only moderately in 2020. Croatia experienced the deepest GDP decline due to the country's heavy dependency on the tourism sector. Unemployment rates in CEE increased but remained still low compared to many Western European countries. The labour markets benefited from government support programmes and widely used short-time work schemes. As a result of lower revenues and higher expenses, public deficits in the region widened. CEE currencies remained weak during the year with the Hungarian forint testing all-time lows throughout the year. Despite the FX impact, inflation remained relatively moderate. Many of the region's central banks, cut their key rates in the course of the year. The most pronounced were the interest rate cuts of the Czech National Bank. Hungary, Romania, and Serbia also cut their policy rates. Overall, CEE economies shrank between 8.8%[19] in Croatia and 1.1%[20] in Serbia in 2020.

PERFORMANCE IN 2020

P&L data of 2020 is compared with data of 2019, balance sheet data as of 31 December 2020 is compared to data as of 31 December 2019.

Acquisitions and disposals in Erste Group in 2020 did not have any significant impact and therefore had no effect on the rates of change stated below. Details are provided in the notes to the consolidated financial statements.

Overview

Net interest income increased – mainly in Austria, but also in Romania and Hungary – to EUR 4,774.8 million (+0.6%; EUR 4,746.8 million). **Net fee and commission income** decreased to EUR 1,976.8 million (-1.2%; EUR 2,000.1 million). Higher income from the securities business and asset management did not fully compensate for the declines in other fee and commission income categories – most notably in payment services (thereof EUR 19 million attributable to the impact of the SEPA Payment Services Directive). While **net trading result** declined significantly to EUR 137.6 million (EUR 318.3 million), the line item **gains/losses from financial instruments measured at fair value through profit or loss** improved to EUR 62.0 million (EUR -24.5 million). The development of both line items was driven by valuation effects due to market volatility amid the Covid-19 pandemic. **Operating income** decreased to EUR 7,155.1 million (-1.4%; EUR 7,255.9 million). **General administrative expenses** declined to EUR 4,220.5 million (-1.5%; EUR 4,283.3 million), personnel expenses were slightly lower at EUR 2,520.7 million (-0.6%; EUR 2,537.1 million). Other administrative expenses were reduced to EUR 1,158.9 million (-3.8%; EUR 1,205.1 million). Payments into deposit insurance schemes included in other administrative expenses rose to EUR 132.2 million (EUR 104.8 million). Depreciation and amortisation was unchanged at EUR 540.9 million (EUR 541.0 million). Overall, the **operating result** declined to EUR 2,934.6 million (-1.3%; EUR 2,972.7 million). The **cost/income ratio** was unchanged at 59.0% (59.0%).

Due to net allocations, the **impairment result from financial instruments** amounted to EUR -1,294.8 million or 78 basis points of average gross customers loans (EUR -39.2 million or 7 basis points). Allocations to provisions for loans as well as for commitments and guarantees given went up in all core markets. The marked rise in allocations to provisions for loans was primarily driven by the deterioration in the macroeconomic outlook due to Covid-19. A positive contribution came from high income from the recovery of loans already written off, primarily in Romania and Hungary.

The **NPL ratio** based on gross customer loans deteriorated to 2.7% (2.5%), the **NPL coverage ratio** rose to 88.6% (77.1%).

[13] OeNB: https://www.oenb.at/dam/jcr:370f2792-c563-4471-93d7-f6530d6c29e0/facts-on-austria_oct-2020.pdf (Download on 19 February 2021), page 4

[14] OeNB: https://www.oenb.at/dam/jcr:370f2792-c563-4471-93d7-f6530d6c29e0/facts-on-austria_oct-2020.pdf (Download on 19 February 2021), page 4

[15] Statistik Austria: http://www.statistik.at/wcm/idc/idcplg?IdcService=GET_PDF_FILE&RevisionSelectionMethod=LatestReleased&dDocName=022832 (Download on 19 February 2021)

[16] Statistik Austria: http://www.statistik.at/wcm/idc/idcplg?IdcService=GET_PDF_FILE&RevisionSelectionMethod=LatestReleased&dDocName=022832 (Download on 19 February 2021)

[17] OeNB: https://www.oenb.at/dam/jcr:370f2792-c563-4471-93d7-f6530d6c29e0/facts-on-austria_oct-2020.pdf (Download on 19 February 2021), page 4

[18] OeNB: https://www.oenb.at/dam/jcr:370f2792-c563-4471-93d7-f6530d6c29e0/facts-on-austria_oct-2020.pdf (Download on 19 February 2021) and Statistik Austria: https://statcube.at/statistik.at/ext/statcube/jsf/tableView/tableView.xhtml (Download on 19 February 2021)

[19] European Commission: https://ec.europa.eu/eurostat/databrowser/view/NAMQ_10_GDP__custom_589433/default/table?lang=en (Download on 19. February 2019), calculation based on Q1-Q3 2020 data

[20] Statistical Office of the Republic of Serbia: https://www.stat.gov.rs/en-US/vesti/20201230-ekonomska-kretanja-2020 (Download on 19. February 2021)

Other operating result improved to EUR -278.3 million (EUR -628.2 million). The expenses for the annual contributions to resolution funds included in this line item rose – in particular in Austria – to EUR 93.5 million (EUR 75.3 million). The decline in banking and transaction taxes to EUR 117.7 million (EUR 128.0 million) is primarily attributable to the abolition of banking tax in Romania. In the previous year, other operating result included allocations to a provision in the amount of EUR 153.3 million set aside for losses expected from a supreme court decision concerning the business activities of a Romanian subsidiary as well as the write-off of goodwill in Slovakia in the amount of EUR 165.0 million.

Taxes on income declined to EUR 342.5 million (EUR 418.7 million). The minority charge fell to EUR 242.3 million (EUR 440.9 million) due to significantly lower earnings contribution of the savings banks. The **net result attributable to owners of the parent** declined to EUR 783.1 million (-46.7%; EUR 1,470.1 million).

Cash earnings per share (see glossary for definition) amounted to EUR 1.59 (reported EPS: EUR 1.57) versus EUR 3.25 (reported EPS: 3.23) in the previous year.

Cash return on equity (see glossary for definition), i.e. return on equity adjusted for non-cash expenses such as goodwill impairment and straight-line amortisation of customer relationships, stood at 4.7% (reported ROE: 4.7%) versus 10.1% (reported ROE: 10.1%) in the previous year.

Total assets rose to EUR 277.4 billion (EUR 245.7 billion). On the asset side, cash and cash balances increased, primarily in Austria, to EUR 35.8 billion (EUR 10.7 billion), loans and advances to banks decreased to EUR 21.5 billion (EUR 23.1 billion). **Loans and advances to customers** increased to EUR 166.1 billion (+3.6%; EUR 160.3 billion). On the liability side, deposits from banks grew significantly to EUR 24.8 billion (EUR 13.1 billion) on the back of increased ECB refinancing (TLTROs). **Customer deposits** rose again – in all core markets, primarily in Austria and the Czech Republic – to EUR 191.1 billion (+9.9%; EUR 173.8 billion). **The loan-to-deposit ratio** stood at 86.9% (92.2%).

The **common equity tier 1 ratio** (CET 1, CRR final, see glossary for definition) stood at 14.2% (13.7%), the **total capital ratio** (see glossary for definition) at 19.7% (18.5%).

Dividend

In the reporting period, Erste Group Bank AG posted a post-tax loss of EUR 118.4 million under the Austrian accounting regulations, which increased its distributable capital accordingly (2019 post-tax profit: EUR 1,327.1 million). The equity decreased (2019: increased) accordingly.

On 15 December 2020 the European Central Bank (ECB) has issued a recommendation in respect of dividend payouts. The management board of Erste Group will propose a 2020 dividend, in line with the ECB recommendation, of EUR 0.5 per share to the 2021 AGM for payment in May 2021. Furthermore, an additional reserve of EUR 1.0 per share was created, for payment once the ECB recommendation is withdrawn and subject to profitability and capital performance.

On 10 November 2020 the annual general meeting resolved to pay a dividend of EUR 0.75 per share for the business year of 2019 (appropriation of net profit), conditional upon no regulatory ECB recommendation to refrain from such payments or no other legal restrictions being in force prohibiting such distributions on 8 February 2021. Based on the ECB recommendations conditions to pay dividend ofd EUR 0.75 per share have not been met as of 8 February 2021 and no dividend was distributed. As a pay out is not possible, the dividend is allocated to retained earnings according to the resolution taken on the annual general meeting on 10 November 2020.

Outlook

Erste Group's goal for 2021 is to increase net profit. Among the factors that will support achievement of this goal are a recovery of the economies of all core markets – the Czech Republic, Slovakia, Hungary, Romania, Croatia, Serbia and Austria – and, on this basis, a reduction of risk costs and an improvement in the operating result. A continuation or further escalation of Covid-19 measures by governments as well as potential – and as yet unquantifiable – political, regulatory or economic risks may render meeting this goal more challenging. In 2021, the positive development of the economy should be reflected in growth rates (real GDP growth) of between 3% and close to 6% in Erste Group's CEE core markets. The development of other economic indicators should vary depending on Covid-19 policy measures imposed by authorities and/or the phasing out of state support. Unemployment rates are expected to rise but, in the Czech Republic and Hungary, should remain among the lowest in the EU. Inflation rates are forecast to decline in the Czech Republic and Slovakia while the other core markets are likely to see a slight acceleration. In most countries, sustained competitiveness should again result in solid and, in Slovakia and Romania, stronger current account balances. The fiscal situation should likewise improve again after the significant budget deficits posted in the year 2020. Public debt is projected to remain largely stable, albeit at a significantly elevated level.

Against this backdrop, Erste Group expects net loan growth in the low to mid-single digit range. This performance should keep net interest income stable despite negative interest rates in the euro zone. The second most important income component – net fee and commission income – is expected to rise in low single digits. As in 2020, positive momentum should again come from fund management, the securities business and insurance brokerage. Given the average result seen in 2020, the net trading and fair value result is expected to come in higher. This, however, will depend substantially on the financial market environment. The remaining income components are forecast to remain, by and large, stable. Overall, operating income should increase again in 2021. Operating expenses are expected to rise slightly in 2021, partly due to re-emerging wage pressure across all Erste Group markets. In addition, Erste Group will continue to invest in IT in 2021, and thus strengthen its competitive position, with a focus on progressive IT modernisation, back-office digitalisation and expansion of the digital platform George. The rollout of George in Hungary and Croatia should be completed in 2021, as a result of which customers will be able to access George in the six largest core markets. Though faced with more challenges in a largely unpredictable environment, Erste Group is striving to make operating income grow faster than costs. This leads Erste Group to project a rise in the operating result in 2021.

Based on the scenario described above, risks costs should decline again in 2021. While precise forecasting is hard in the current Covid-19 environment, Erste Group believes that in 2021 risk costs will not exceed 65 basis points of average gross customer loans. Due to the expected expiry of state support schemes a rise of the NPL ratio to 3-4% is expected though.

Other operating result is expected to remain unchanged in the absence of significant one-off effects. Assuming a tax rate of below 25% and a similar level of minority charges as in the previous year, Erste Group aims to achieve an improvement in net profit. Erste Group's CET1 ratio is expected to remain strong. The management board proposes to the annual general meeting in May – in line with ECB recommendation – a dividend for 2020 of EUR 0.5 per share. An additional EUR 1/share has been reserved for a potential later payment.

Potential risks to the guidance are besides other than expected (geo)political, economic (monetary and fiscal policies) und regulatory measures and developments also global health risks or changes to the competitive environment. In addition, given the Covid-19 governmental measures and their impact on the economic development, financial forecasts are still subject to an elevated level of uncertainty. Erste Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. Worse than expected economic development may put goodwill at risk.

ANALYSIS OF PERFORMANCE

Net interest income

Net interest income increased to EUR 4,774.8 million (EUR 4,746.8 million). While in Austria (Holding) positive impacts came from more favourable ECB refinancing and lower negative interest on deposits with the ECB, net interest income in the Czech Republic declined significantly due to lower interest rates. Included in net interest income are modification losses in the amount of EUR 49.5 million mainly resulting from moratoria on loan re-payments due to Covid-19. 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) stood at 2.08% (2.18%).

Net fee and commission income

Net fee and commission income decreased to EUR 1,976.8 million (EUR 2,000.1 million). Declines were recorded in payment services (thereof EUR 19 million attributable to SEPA, the payment-integration initiative of the European Union) but also in the lending business and insurance brokerage commission income. Significant growth was recorded, however –primarily in Austria –in the securities business and in asset management.

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

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

Due to valuation effects resulting from interest rate developments, net trading result decreased significantly to EUR 137.6 million (EUR 318.3 million), despite strong income from the foreign exchange business. Conversely, gains/losses from financial instruments measured at fair value through profit or loss improved to EUR 62.0 million (EUR -24.5 million). In addition to gains from the valuation of debt securities in issue due to the development of interest rates, the valuation result of financial assets in the fair value portfolio was, overall, likewise positive. Gains from the valuation of the securities portfolio were significantly higher than the valuation losses in the loan portfolio measured at fair value.

General administrative expenses

General administrative expenses decreased to EUR 4,220.5 million (EUR 4,283.3 million). **Personnel expenses** declined to EUR 2,520.7 million (EUR 2,537.1 million). While personnel expenses were up in Slovakia as a result of a one-off payment agreed through collective bargaining, they declined in all other core markets, in the Czech Republic and Hungary also due to positive currency effects. **Other administrative expenses** decreased to EUR 1,158.9 million (EUR 1,205.1 million) on the back of a marked reduction of marketing and consulting costs. Contributions to deposit insurance systems rose to EUR 132.2 million (EUR 104.8 million). In Austria, contributions increased substantially to EUR 95.0 million (EUR 58.4 million), driven by a one-off effect as well as continuing strong deposit growth, but declined in Romania to EUR 4.4 million (EUR 12.7 million). IT expenditure was likewise up. **Amortisation and depreciation** amounted to EUR 540.9 million (EUR 541.0 million).

Operating result

Due to the significant decline of the net trading and fair value result, operating income decreased to EUR 7,155.1 million (-1.4%; EUR 7,255.9 million). General administrative expenses were reduced to EUR 4,220.5 million (-1.5%; EUR 4,283.3 million). The operating result declined to EUR 2,934.6 million (-1.3%; EUR 2,972.7 million). The cost/income ratio was unchanged at 59.0% (59.0%).

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

Gains from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 6.5 million (EUR 23.5 million). This line item includes primarily gains/losses from the derecognition of loans and the sale of securities.

Impairment result from financial instruments

Due to net allocations, the impairment result from financial instruments amounted to EUR -1,294.8 million (EUR -39.2 million). Net allocations to provisions for commitments and guarantees given amounted to EUR -159.2 million (net releases of EUR 70.0 million). The significant rise in allocations to provisions was primarily driven by updated risk parameters with forward-looking information as well as experts' estimates on the impacts of the Covid-19 pandemic. Positive contributions came from continued high income from the recovery of loans already written off – primarily in Romania and Hungary – in the amount of EUR 140.4 million (EUR 154.0 million).

Other operating result

Other operating result improved to EUR -278.3 million (EUR -628.2 million). Levies on banking activities declined to EUR 117.7 million (EUR 128.0 million). Banking tax payable in Austria increased moderately to EUR 25.5 million (EUR 24.3 million). Levies in Slovakia, where they were charged for the last time in the first half of the year, rose to EUR 33.8 million (EUR 32.5 million). Hungarian banking tax increased to EUR 14.5 million (EUR 12.6 million). Together with the financial transaction tax of EUR 44.0 million (EUR 47.6 million), banking levies in Hungary were slightly down, totalling EUR 58.5 million (EUR 60.2 million).

The negative balance of allocations/releases of other provisions decreased markedly to EUR -18.4 million (EUR -207.0 million). The comparative period was negatively impacted by extraordinary effects – a provision in the amount of EUR 153.3 million had been set aside for losses expected from a supreme court decision concerning the business activities of a Romanian subsidiary. Furthermore, goodwill in Slovakia in the amount of EUR 165.0 million had been written down. Other operating result also reflects the annual contributions to resolution funds in the amount of EUR 93.5 million (EUR 75.3 million). Increases were recorded across all core markets, but above all in Austria, to EUR 43.6 million (EUR 33.4 million).

Profit/loss for the year

The pre-tax result from continuing operations amounted to EUR 1,368.0 million (EUR 2,329.7 million). Taxes on income declined to EUR 342.5 million (EUR 418.7 million). The minority charge decreased to EUR 242.3 million (EUR 440.9 million) due to substantially lower earnings contributions of savings banks. The net result attributable to owners of the parent amounted to EUR 783.1 million (EUR 1,470.1 million).

Tax situation

Pursuant to section 9 of the Austrian Corporate Tax Act (KStG), Erste Group Bank AG and its main domestic subsidiaries constitute a tax group. Due to the high proportion of tax-exempt income – particularly income from participating interests – and tax payments for the permanent establishments abroad, no Austrian corporate income tax was payable for the financial year 2020. The current tax loss carried forward increased in 2020.

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes. The reported total income tax expense amounted to EUR 342.5 million (EUR 418.7 million).

Balance sheet development

The rise in **cash and cash balances** to EUR 35.8 billion (EUR 10.7 billion) was primarily due to large cash balances held at central banks, not least due to increased TLTRO III funds.

Trading and investment securities held in various categories of financial assets increased to EUR 46.8 billion (EUR 44.3 billion).

Loans and advances to banks (net), including demand deposits other than overnight deposits, declined primarily in Austria to EUR 21.5 billion (EUR 23.1 billion).

Loans and advances to customers (net) rose –most notably in Austria –to EUR 166.1 billion (EUR 160,3 billion) driven by loan growth in the corporate and retail segments. In subsidiaries outside the euro zone, the effect of growth in local currency was offset by the depreciation of the local currencies.

Loan loss allowances for loans to customers rose to EUR 4.0 billion (EUR 3.2 billion). The increase reflected the deterioration in the macroeconomic outlook due to Covid-19. The **NPL ratio** (non–performing loans as a percentage of gross customer loans) deteriorated to 2.7% (2.5%). The **NPL coverage ratio** (based on gross customer loans) rose to 88.6% (77.1%).

Intangible assets remained unchanged at EUR 1.4 billion (EUR 1.4 billion). **Miscellaneous assets** amounted to EUR 5.8 billion (EUR 6.0 billion).

Financial liabilities –held for trading increased to EUR 2.6 billion (EUR 2.4 billion).

Deposits from banks, primarily in the form of term deposits, rose to EUR 24.8 billion (EUR 13.1 billion), including EUR 14.1 billion in TLTRO III funds as of the end of December 2020. **Deposits from customers** increased to EUR 191.1 billion (EUR 173.8 billion) due to strong growth in overnight deposits (the leasing liabilities of EUR 0.6 billion were not included in this position). The **loan-to-deposit ratio** stood at 86.9% (92.2%).

Debt securities in issue increased slightly to EUR 30.7 billion (EUR 30.4 billion).

Miscellaneous liabilities amounted to EUR 5.8 billion (EUR 5.4 billion).

Total assets grew to EUR 277.4 billion (+12.9%; EUR 245.7 billion). **Total equity** increased to EUR 22.4 billion (+9.4%; EUR 20.5 billion) including additional tier 1 (AT1) instruments in the amount of EUR 2,733.0 million from five issuances (June 2016, 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 17.1 billion (EUR 16.3 billion). Total **own funds** (CRR final) went up to EUR 23.6 billion (EUR 22.0 billion) supported by AT 1 issuances. **Total risk (risk-weighted assets** including credit, market and operational risk, CRR final) rose to EUR 120.2 billion (+1.3%; EUR 118.6 billion) benefitting from a positive impact of the application of the SME support factor in an amount of EUR 4.5 billion.

Consolidated regulatory capital is calculated in accordance with CRR taking into consideration transitional provisions as defined in the Austrian CRR Supplementary Regulation and the Regulation (EU) 2016/445 of the European Central Bank on the exercise of options and discretions available in Union law. These transitional provisions define the percentages applicable to eligible capital instruments and regulatory deduction items as well as filters. The **total capital ratio**, total eligible qualifying capital in relation to total risk pursuant to CRR (final), was 19.7% (18.5%), well above the legal minimum requirement. The **tier 1 ratio** (CRR final) stood at 16.5% (15.0%), the **common equity tier 1 ratio** (CRR final) at 14.2% (13.7%).

RISK MANAGEMENT

Comments on the risk profile of Erste Group

In light of the business strategy of Erste Group Bank AG, besides participation risk, the main risks included credit risk, market risk, interest-change risk in the banking book, liquidity risk and non-financial risks. In addition, a risk materiality assessment is undertaken on an annual basis. It is ensured that all relevant material risks are covered by Erste Group Bank AG's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of the group. The main types of risk can be summarised as follows:

- Credit risk: is the risk of loss from the potential collapse of counterparties, particularly of borrowers in the conventional lending business, and any related credit losses.
- Market risk: describes the risk of loss from unfavourable price changes in marketable and traded products, such as shares, fixed-income securities and derivatives, as well as from interest and foreign exchange volatility and fluctuations in raw material prices.
- Liquidity risk: describes the risk of the bank's insufficient liquidity or inability to make funds available in a timely manner to service its debts.
- Non financial risk: includes operational risks and other business risks. Operational risks are losses as a result of error or malfunction of internal procedures, humans and systems or external events. Major sub-categories of other business risks are strategic risks, reputational risks and compliance risks.

With respect to the explanations on substantial financial and non-financial risks at Erste Group as well as the goals and methods of risk management, we would like to draw the reader's attention to the information in Notes 27, 32, 34, 35, 36, 37 and 43 to the consolidated financial statements.

RESEARCH AND DEVELOPMENT

Erste Group does not engage in any research activities pursuant to section 243 (3) no. 3 UGB, but in 2020 development costs in the amount of EUR 70 million (EUR 76 million) were capitalised in connection with software developed in-house.

In order to drive improvements for retail customers and in the ongoing services, Erste Group launched the Innovation Hub. Its purpose is to initiate and coordinate across-the-board initiatives with a strong focus on customer experiences. As a multi-disciplinary team consisting of marketing, product and IT as well as design experts, the Innovation Hub is tasked with creating innovations and managing new programme initiatives.

BRANCHES

Erste Group Bank AG maintains branches in London, New York, Hong Kong and Germany (Berlin and Stuttgart) that provide commercial lending to foreign banks, leasing companies and sovereign debtors as well as institutional sales. The London branch is expected to be closed in the financial year 2021.

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS

Investor information pursuant to section 243a (1) of the Austrian Commercial Code ('UGB')

With regard to the statutory disclosure requirements related to the composition of the capital as well as the class of shares, special reference is made to Note 44 in the consolidated financial statements.

The interests disclosed in the paragraph below relate to shares in capital. This is different to the ones presented in the Consolidated Financial Statements 2019, in which shares in voting rights have been presented. Therefore comparative figures are slightly different.

As of 31 December 2020, together with its syndicate partners, DIE ERSTE oesterreichische Spar-Casse Privatstiftung (ERSTE Stiftung), a foundation, controls approx. 31.17% (prior year: 30.39%) of the shares in Erste Group Bank AG and with 16.50% (prior year: 15.96%) is the main shareholder. The ERSTE Stiftung holds 5.90% (prior year: 6.37%) of the shares directly; the indirect participation of the ERSTE Stiftung amounts to around 10.60% (prior year: 9.59%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the ERSTE Stiftung. 1.67% (prior year: 1.43%) are held directly by savings bank foundations (Sparkassenstiftungen) respectively saving banks foundations acting together with the ERSTE Stiftung and affiliated with Erste Group Bank AG through the joint liability scheme/IPS fund. 9.92% (prior year: 9.92%) of the subscribed capital is controlled by the ERSTE Stiftung on the basis of a shareholder agreement with Caixabank S.A. 3.08% (prior year: 3.08%) are held by other partners to the shareholder agreement.

It should also be noted that in addition to the joint liability scheme in place since 2001, from 1.1.2014 onwards Erste Group Bank AG has formed a recognised institutional protection scheme (IPS) in accordance with article 113 (7) CRR together with the Austrian savings banks. The joint liability scheme complies with the requirements of article 4 (1) Z 127 CRR, whereby the required individual services of the individual members of the scheme are subject to an individual and general ceiling. Furthermore, starting in 2014 an IPS ex-ante fund was established and endowed for the following 10 years. The payments of the individual members are recognised in the balance sheet as a share in IPS GesbR, which manages the ex-ante fund and are accounted for as revenue reserve. Due to the contractual terms, this revenue reserve represents a blocked reserve. The writing off of this blocked reserve may only take place as a result of the mobilisation of the ex-ante fund due to a claim. This reserve can therefore not be utilised internally to cover losses and on member level does not qualify as capital according to the CRR; on a consolidated level, the ex-ante fund does qualify, however.

Additional disclosures pursuant to section 243a (1) UGB

All restrictions on voting rights or the transfer of shares, even if they are included in agreements between shareholders, insofar as they are known to the Management Board pursuant to section 243a (1) no. 2 UGB:

In shareholder agreements ERSTE Stiftung agreed with its partners the following: concerning the appointment of the members of the supervisory board the partners are obliged to vote as required by ERSTE Stiftung. The partners can dispose of shares according to a predefined sale procedure and can purchase shares only within the quotas agreed with ERSTE Stiftung (of a maximum of 2% within 12 months in total); with this regulation an unwanted creeping-in according to takeover law shall be prevented. In addition, the partners have committed themselves not to make a hostile takeover bid, nor to participate in a hostile takeover bid nor to act together with a hostile bidder in any other way.

The Articles of Association contain no restrictions in respect of voting rights or the transfer of shares.

Pursuant to section 243a (1) no. 6 UGB not directly prescribed by the law regarding the appointment and dismissal of members of management and supervisory boards as well as on the amendment of the Articles of Association:
This concerns:

- Art. 15.1 of the Articles of Association, which provides that ERSTE Stiftung will be granted the right to nominate up to one third of the members of the Supervisory Board to be elected by the shareholders' meeting, as long as ERSTE Stiftung is liable or all present and future liabilities of the company in the case of its insolvency pursuant to Section 92 (9) Banking Act and
- Art. 15.4 of the Articles of Association, which provides that a three-quarter majority of valid votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal are required to pass a motion for removal of Supervisory Board members
- Art. 19.9 of the Articles of Association, which provides that the Articles of Association, in so far as they do not alter the business purpose, may be passed by simple majority of votes cast and simple majority of the subscribed capital represented at the meeting considering the amendment. Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Moreover, amendments to Art. 19.9 require a three-quarter majority of the votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal.

Pursuant to section 243a (1) no. 7 UGB, members of the Management Board have the right to issue or repurchase shares, where such a right is not prescribed by statutory law:
As per decision of the Annual General Meeting of 15 May 2019:

- the Management Board is entitled to purchase up to 10% of the subscribed capital in treasury shares for trading purposes according to section 65 (1) no. 7 Austrian Stock Corporation Act (AktG). However, the trading portfolio of these shares may not exceed 5% of the subscribed capital at the end of any calendar day. The consideration for the shares to be purchased must not be less than 50% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed 20% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase. This authorisation is valid for a period of 30 months, i.e. until 14 November 2021.
- the Management Board is entitled, pursuant to section 65 (1) no. 8 as well as (1a) and (1b) Stock Exchange Act and for a period of 30 months from the date of the resolution, i.e. until 14 November 2021, to acquire own shares of up to 10% of the subscribed capital, subject to approval by the Supervisory Board, with the option of making repeated use of the 10% limit, either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment. The authorization may be exercised in whole or in part or in several instalments and in pursuit of one or several purposes. The market price per share must not be below EUR 2.00 or above EUR 120.00. Pursuant to section 65 (1b) in conjunction with sec. 171 Stock Corporation Act, the Management Board is authorised, from the date of the resolution, i.e. until 14 May 2024, on approval by the Supervisory Board, to sell or use the company's own shares, also by means other than the stock exchange or a public offering for any purpose allowed by the law, particularly as consideration for the acquisition and financing of the acquisition of companies, businesses, business divisions or shares in one or several businesses in Austria or abroad to the exclusion of the shareholders' proportional purchase option.
- The Management Board is authorised to redeem shares without further resolution at the Annual General Meeting with the approval of the Supervisory Board.
- According to section 65 (1) Z 4 as well as (1a) and (1b) Stock Exchange Act, the Management Board is authorised for the duration of 30 months following the date of resolution, hence until 14 November 2021, and with the approval of the Supervisory Board to purchase own shares at an amount equalling up to 10% of share capital of the company also under repeated utilisation of the 10% limit both via the stock market as well as off-market under exclusion of the pro rata tender rights of shareholders for the purpose of granting shares for free or at concessionary terms to Erste Mitarbeiterbeteiligung Privatstiftung, their beneficiaries, employees, executive employees and members of the board at Erste Group Bank AG as well as affiliated group companies or other companies according to section 4d (5) Z 1 Income Tax Act. The authorisation may be exercised in whole or in part or in several installments and in pursuit of one or several purposes. The value per share may neither be lower than the floor value of two Euros nor higher than the ceiling of EUR 120.

All sales and purchases were carried out as authorised at the Annual General Meeting.

According to section 8.3 of the Articles of Association, the Management Board is authorized, until 24 May 2023 and with the approval of the Supervisory Board, to issue convertible bonds (including conditional compulsory convertible bonds according to section 26 Austrian Banking Act (BWG)), which grant subscription or conversion rights to the acquisition of company shares, while paying due consideration or excluding the subscription right of shareholders. The terms of issue can also set out a conversion obligation at the end of the term or at another point in time in addition or instead of subscription or conversion rights. The issue of convertible bonds may only take place to the extent that guarantees the fulfilment of agreed conversion or subscription rights and, in the case of a conversion obligation set out in the conditions of issue, the fulfilment of the corresponding conversion obligations from the conditional capital increase. The issue amount, conditions or issue and the exclusion of shareholders' subscription rights are to be determined by the Management Board with consent of the Supervisory Board.

Significant agreements to which the company is party, and which become effective, are amended or are rendered ineffective when there is a change in the control of the company as a result of a takeover bid, as well as their effects [section 243a (1) no. 8 UGB]:

Agreement in principle of the joint liability scheme

The agreement in principle of the joint liability scheme provides for the possibility of early cancellation for good cause. Good cause allowing the respective other contracting parties to cancel the agreement is deemed to exist if:

- one contracting party grossly harms the duties resulting from the present agreement
- the ownership structure of a party to the contract changes in such a way – particularly by transfer or capital increase – that one or more third parties from outside the savings bank sector directly and/or indirectly gain a majority of the equity capital or voting rights in the contracting party or
- one contracting party resigns from the savings bank sector irrespective of the reason.

The joint liability scheme's agreement in principle and supplementary agreement expire if and as soon as any entity that is not a member of the savings bank sector association acquires more than 25% of the voting power or equity capital of Erste Group Bank AG in any manner whatsoever and a member savings bank notifies the joint liability scheme's steering company and Erste Group Bank AG by registered letter within twelve weeks from the change of control that it intends to withdraw from the joint liability scheme.

Directors and Officers Insurance

Changes in control

In the event that any of the following transactions or processes occur during the term of the insurance policy (each constituting a 'change in control') in respect of the insured:

- the insured ceases to exist as a result of a merger or consolidation, unless the merger or consolidation occurs between two insured parties, or
- another company, person or group of companies or persons acting in consent, who are not insured parties, acquire more than 50% of the insured's outstanding equity or more than 50% of its voting power (resulting in the right to control the voting power represented by the shares, and the right to appoint the Management Board members of the insured),

then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change in control took effect. However, no insurance cover is provided for claims relating to unlawful acts committed or allegedly committed after that time (unless the insured and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.

In the event that a subsidiary ceases to be a subsidiary during the insurance period, the insurance cover under this policy shall remain in full force and effect for that entity for the remainder of the insurance period or (if applicable) until the end of the extended discovery period, but only in respect of claims brought against an insured in relation to unlawful acts committed or alleged to have been committed by the insured during the existence of this entity as a subsidiary. No insurance cover is provided for claims brought against an insured in relation to unlawful acts committed or allegedly committed after this entity ceased to exist.

Cooperation between Erste Group Bank AG and Vienna Insurance Group (VIG)

Erste Group Bank and VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG) are parties to a general distribution agreement (the 'Agreement') concerning the framework of the cooperation of Erste Group and VIG in Austria and CEE with respect to bank and insurance products. Originally concluded in 2008 (between Erste Group Oesterreich and WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group), the Agreement was renewed and extended in 2018 until the end of 2033. The objective for the renewal and extension was in particular to adapt the Agreement to the corporate restructuring of the original parties, to amend some commercial parameters and to align the Agreement with recent developments in the legal framework. Already in the original Agreement the parties stipulated that both parties have the right to terminate the Agreement in case of a change of control of one of the parties. A change of control is defined, with respect to Erste Group Bank, as the acquisition of Erste Group Bank by any person/entity other than DIE ERSTE österreichische Spar-Casse Privatstiftung or Austrian savings banks of 50% plus one share of Erste Group Bank's voting shares, and with respect to VIG, as the acquisition of VIG by any person/entity other than Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group of 50% plus one share of VIG's voting shares. Apart from this regulation on the termination of the Agreement, the parties agreed in the renewal and extension of the Agreement for an additional termination for cause if based on new legal or regulatory provisions, the continuation of the Agreement is unreasonable for each or both of the parties.

Erste Group Bank and VIG are furthermore parties to an asset management agreement, pursuant to which Erste Group undertakes to manage certain parts of VIG's and its group companies' securities assets. In case of a change of control (as described above), each party has the termination right. The asset management agreement has been renewed and extended until 2033 concurrently with the renewal and extension of the Agreement outlined above.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR THE GROUP FINANCIAL REPORTING PROCEDURES

Control environment

The management board is responsible for the establishment, structure and application of an appropriate internal control and risk management system that meets the company's needs in its group accounting procedures.

The management in each group unit is responsible for implementing group-wide instructions. Compliance with group rules is monitored as part of the audits performed by internal and local auditors.

Consolidated financial statements are prepared by the Group Consolidation department. The assignment of powers, the process description and the necessary control procedure are defined in the operating instructions.

Risks relating to the financial reporting procedures

The main risk in the financial reporting procedures is that errors or deliberate action (fraud) prevent facts from adequately reflecting the

company's financial position and performance. This is the case whenever the data provided in the financial statements and notes is essentially inconsistent with the correct figures, i.e. whenever, alone or in aggregate, they are apt to influence the decisions made by the users of financial statements. Such a decision may incur serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

Furthermore, especially estimates for the determination of the fair value of financial instruments for which no reliable market value is available, estimates for the accounting of risk provisions for loans and advances and for provisions, complex measurement requirements for accounting as well as a difficult business environment bear the risk of significant financial reporting errors.

Controls

Group Accounting and Group Performance Management are responsible for group reporting and report to Erste Group's CFO. Erste Group issues group policies used for preparation of consolidated financial statements in accordance with IFRS. A summary description of the accounting process is provided in Erste Group's IFRS Accounting Manual. All transactions have to be recorded, posted and accounted for in accordance with the accounting and measurement methods set out in this manual. The management of each subsidiary is responsible for the implementation of group policies.

The basic components of the internal control system (ICS) at Erste Group are:

- Controlling as a permanent financial/business analysis (e.g. comparison of target and actual data between Accounting and Controlling) and control of the company and/or individual corporate divisions.
- Systemic, automatic control systems and measures in the formal procedure and structure, e.g. programmed controls during data processing.
- Principles of functional separation and checks performed by a second person (the four-eye principle).
- Internal Audit, as a separate organisational unit, is charged with monitoring all corporate divisions in an independent yet proximate manner, particularly with regard to the effectiveness of the components of the internal control system. The Internal Audit unit is monitored and/or checked by the management board, the audit committee/supervisory board, by external parties (bank supervisor, in individual cases also by an external auditor) as well as through audit's internal quality assurance measures (self-assessments, peer reviews).

Group Consolidation

The data provided by the group entities is checked for plausibility by the Group Consolidation department. The subsequent consolidation steps are then performed using the consolidation system (TAGETIK). These include consolidation of capital, expense and income consolidation, and debt consolidation. Lastly, possible intragroup gains are eliminated. At the end of the consolidation process, the notes to the financial statements are prepared in accordance with IFRS, BWG and UGB.

The consolidated financial statements and the group management report are reviewed by the audit committee of the supervisory board and are also presented to the supervisory board for approval. They are published as part of the annual report, on Erste Group's website and in the Official Journal of Wiener Zeitung and finally filed with the Commercial Register.

Information and communication

Each year, the annual report shows the consolidated results in the form of a complete set of consolidated financial statements. In addition, the management summary provides verbal comments on the consolidated results in accordance with the statutory requirements.

Throughout the year, the group produces consolidated monthly reports for group management. Statutory interim reports are produced that conform to the provisions of IAS 34 and are also published quarterly in accordance with the Austrian Stock Corporation Act. Before publication, the consolidated financial statements are presented to senior managers and the Chief Financial Officer for final approval and then submitted to the supervisory board's audit committee.

Reporting is almost fully automated, based on source systems and automated interfaces, and guarantees up-to-date data for controlling, segment reporting and other analyses. Accounting information is derived from the same data source and is reconciled monthly for reporting purposes. Close collaboration between accounting and controlling permits continual target/actual comparisons for control and reconciliation purposes. Monthly and quarterly reports to the management board and the supervisory board ensure a regular flow of financial information and monitoring of the internal control system.

Responsibilities of Internal Audit

Internal Audit is in charge of auditing and evaluating all areas of the bank based on risk-oriented audit areas (according to the annual audit plan as approved by the management board and reported to the audit committee). The main focus of audit reviews is to monitor the completeness and functionality of the internal control system. Internal Audit has the duty of reporting its findings to the group's management board, supervisory board and audit committee several times within one year.

According to section 42 BWG, Internal Audit is a control body that is directly subordinate to the management board. Its sole purpose is to comprehensively verify the lawfulness, propriety and expediency of the banking business and banking operation on an on-going basis. The mandate of Internal Audit is therefore to support the management board in its efforts to secure the bank's assets and promote economic and operational performance and thus in the management board's pursuit of its business and operating policy. The activities of Internal Audit are governed in particular by the currently applicable Rules of Procedure, which were drawn up under the authority of all management board members and approved as well as implemented by them. The Rules of Procedure are reviewed on a regular basis and whenever required and adapted should the need arise.

Audit activities of Internal Audit

In its auditing activities, Internal Audit puts a special focus on:

- operating and business areas of the bank;
- operating and business processes of the bank;
- internal bank standards (policies, guidelines, operating instructions), also with regard to their compliance and up-to-dateness;

_ audit areas stipulated by the law as they inter alia result from the rules of the Austrian Banking Act (BWG) and the Capital Requirements Regulation (CRR).

Internal Audit performs its responsibilities based on its own discretion and in compliance with the annual audit plan as approved by the management board. Once approved, the audit plan is also reported to the audit committee.

CORPORATE GOVERNANCE

The (consolidated) corporate governance report is part of the annual report of Erste Group (www.erstegroup.com/investor-relations).

(CONSOLIDATED) NON-FINANCIAL DECLARATION

Erste Group decided to prepare and publish a separate non-financial report – integrated in the annual report– in line with an option provided for in the Austrian Sustainability and Diversity Improvement Act (NaDiVeG).

With regard to non-financial risks related to the topics environment, social and employee matters, respect for human rights and measures against corruption and bribery, reference is made to the respective sections in the non-financial report; these are summarised under opportunities and risks arising from material topics.
Upcoming new regulations on sustainability disclosures and risk management obligations: the EU Taxonomy Regulation (EC 2020/852), Sustainability Disclosure Regulation (EC 2019/2088), EBA Guideline on Loan Origination and Monitoring, ECB Guide on climate-related and Environmental Risks are properly taken into account and will be integrated with due care into the business model of Erste Group.

Management Board	
Bernhard Spalt mp, Chairman	
Ingo Bleier mp, Member	Stefan Dörfler mp, Member
Alexandra Habeler-Drabek mp, Member	David O'Mahony mp, Member
Maurizio Poletto mp, Member	Thomas Schaufler mp, Member

Vienna, 26 February 2021

Group Consolidated Financial Statements 2020 (IFRS)

Management report 99

Consolidated financial statements 99

Consolidated statement of income 120

Consolidated statement of comprehensive income 121

Consolidated balance sheet 122

Consolidated statement of changes in equity 123

Consolidated statement of cash flows 125

Notes to the group financial statements of Erste Group 126

General information 126

Significant accounting policies 126

a) Basis of preparation 126
b) Covid-19 disclosures 126
c) Accounting and measurement methods 127
d) Significant accounting judgements, assumptions and estimates 128
e) Application of amended and new IFRS/IAS 129

PERFORMANCE / RETURN 131

1. Segment reporting 131
2. Net interest income 139
3. Net fee and commission income 140
4. Dividend income 141
5. Net trading result 141
6. Gains/losses from financial instruments measured at fair value through profit or loss 141
7. Rental income from investment properties & other operating leases 141
8. General administrative expenses 142
9. Gains/losses from derecognition of financial assets measured at amortised cost 143
10. Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss 143
11. Impairment result from financial instruments 143
12. Other operating result 144
13. Taxes on income 145
14. Appropriation of profit 148

Financial instruments – Significant accounting policies 149

Financial instruments held at amortised cost 154

15. Cash and cash balances 154
16. Financial assets at amortised cost 154
17. Debt instruments subject to contractual modifications 159
18. Trade and other receivables 159
19. Financial liabilities at amortised costs 160

Financial instruments at fair value 163

20. Derivative financial instruments 164
21. Other financial assets held for trading 165
22. Non-trading financial assets at fair value through profit or loss 165
23. Other financial liabilities held for trading 165
24. Financial liabilities at fair value through profit or loss 166
25. Financial assets at fair value through other comprehensive income 168

Financial instruments – other disclosure matters 170

26. Fair value of financial instruments 170
27. Hedge accounting 180
28. Offsetting of financial instruments 185
29. Transfers of financial assets – repurchase transactions and securities lending 186
30. Collaterals 188
31. Securities 188

Risk and capital management 189

32. Risk management 189
33. Own funds and capital requirements 196
34. Credit risk 200
35. Market risk 235
36. Liquidity risk 238
37. Operational risk 241

Non-current assets and other investments 243

38. Property, equipment and investment properties 243
39. Intangible assets 246

40. Other assets 250

Leases 251

Accruals, provisions, contingent liabilities and legal proceedings 255

41. Other liabilities 255
42. Provisions 255
43. Contingent liabilities 261

Capital instruments, equity and reserves 263

44. Total equity 263
45. Non controlling interest 265

Scope of consolidation 266

46. Subsidiaries 267
47. Investments in associates and joint ventures 269
48. Unconsolidated structured entities 270

Other disclosure matters 273

49. Related-party transactions and principal shareholders 273
50. Share-based payments 275
51. Audit fees and tax consultancy fees 276
52. Assets held for sale and liabilities associated with assets held for sale 276
53. Assets and liabilities denominated in foreign currencies and outside Austria and return on assets 277
54. Analysis of remaining maturities 278
55. Events after the balance sheet date 278
56. Country by country reporting 279
57. Details of the companies wholly or partly owned by Erste Group as of 31 December 2020 280

Additional information 292

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD 297

Glossary

Abbreviations

Consolidated statement of income

in EUR million	Notes	1-12 19	1-12 20
Net interest income	2	4,746.8	4,774.8
Interest income	2	5,544.0	5,107.9
Other similar income	2	1,655.2	1,461.7
Interest expenses	2	-1,054.9	-621.2
Other similar expenses	2	-1,397.5	-1,173.6
Net fee and commission income	3	2,000.1	1,976.8
Fee and commission income	3	2,373.5	2,354.5
Fee and commission expenses	3	-373.4	-377.7
Dividend income	4	27.9	19.9
Net trading result	5	318.3	137.6
Gains/losses from financial instruments measured at fair value through profit or loss	6	-24.5	62.0
Net result from equity method investments		17.1	10.4
Rental income from investment properties & other operating leases	7	170.1	173.6
Personnel expenses	8	-2,537.1	-2,520.7
Other administrative expenses	8	-1,205.1	-1,158.9
Depreciation and amortisation	8	-541.0	-540.9
Gains/losses from derecognition of financial assets measured at amortised cost	9	0.9	6.8
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	10	23.5	-0.4
Impairment result from financial instruments	11	-39.2	-1,294.8
Other operating result	12	-628.2	-278.3
Levies on banking activities	12	-128.0	-117.7
Pre-tax result from continuing operations		**2,329.7**	**1,368.0**
Taxes on income	13	-418.7	-342.5
Net result for the period		**1,911.1**	**1,025.5**
Net result attributable to non-controlling interests		440.9	242.3
Net result attributable to owners of the parent		**1,470.1**	**783.1**

Earnings per share

Earnings per share constitute net profit/loss for the year attributable to owners of the parent divided by the average number of ordinary shares outstanding. Diluted earnings per share represent the maximum potential dilution (through an increase in the average number of shares) that would occur if all subscription and conversion rights granted were exercised (also see Note 44 Total equity). As in the previous year no subscription and conversion rights were outstanding during the financial year. Diluted earnings per share were equal to the undiluted.

		1-12 19	1-12 20
Net result attributable to owners of the parent	in EUR thousand	1,470,133	783,129
Dividend on AT1 capital	in EUR thousand	-92,081	-114,580
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	1,378,052	668,549
Weighted average number of outstanding shares		426,565,097	426,324,725
Earnings per share	**in EUR**	**3.23**	**1.57**
Weighted average diluted number of outstanding shares		426,565,097	426,324,725
Diluted earnings per share	**in EUR**	**3.23**	**1.57**

Consolidated statement of comprehensive income

in EUR million	1-12 19	1-12 20
Net result for the period	**1,911.1**	**1,025.5**
Other comprehensive income		
Items that may not be reclassified to profit or loss	-70.1	62.0
Remeasurement of defined benefit plans	-139.9	-61.0
Fair value reserve of equity instruments	54.1	5.8
Own credit risk reserve	-17.5	127.5
Deferred taxes relating to items that may not be reclassified	33.2	-10.2
Items that may be reclassified to profit or loss	-22.8	-223.4
Fair value reserve of debt instruments	44.6	44.4
Gains/losses during the period	46.3	34.7
Reclassification adjustments	-6.1	-1.2
Credit loss allowances	4.3	10.9
Cash flow hedge reserve	-54.4	99.2
Gains/losses during the period	-29.4	113.5
Reclassification adjustments	-25.0	-14.3
Currency reserve	-13.5	-338.4
Gains/losses during the period	-13.5	-338.4
Income tax relating to items that may be reclassified	0.4	-28.6
Gains/losses during the period	-6.2	-32.3
Reclassification adjustments	6.6	3.7
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.1	0.0
Total other comprehensive income	**-93.0**	**-161.4**
Total comprehensive income	**1,818.1**	**864.1**
Total comprehensive income attributable to non-controlling interests	394.5	215.0
Total comprehensive income attributable to owners of the parent	**1,423.6**	**649.1**

For a detailed split of income tax items within other comprehensive income please refer to Note 13 Taxes on income.

Consolidated balance sheet

in EUR million	Notes	Dec 19	Dec 20
Assets			
Cash and cash balances	15	10,693.3	35,838.5
Financial assets held for trading	20, 21	5,759.6	6,356.0
Derivatives	20	2,805.4	2,954.4
Other financial assets held for trading	21	2,954.2	3,401.7
Pledged as collateral	29	429.8	68.0
Non-trading financial assets at fair value through profit or loss	22	3,208.3	3,082.8
Pledged as collateral	29	38.6	7.9
Equity instruments	22	390.1	347.3
Debt securities	22	2,334.8	2,048.5
Loans and advances to customers	22	483.4	687.0
Financial assets at fair value through other comprehensive income	25	9,046.5	8,518.8
Pledged as collateral	29	603.2	50.0
Equity instruments	25	210.1	129.8
Debt securities	25	8,836.4	8,389.0
Financial assets at amortised cost	16	204,162.1	210,940.4
Pledged as collateral	29	2,142.0	1,898.5
Debt securities	16	26,763.8	29,578.9
Loans and advances to banks	16	23,054.6	21,466.2
Loans and advances to customers	16	154,343.7	159,895.3
Finance lease receivables	Leases	4,034.4	4,127.1
Hedge accounting derivatives	27	130.1	205.2
Fair value changes of hedged items in portfolio hedge of interest rate risk	27	-3.8	5.3
Property and equipment	38	2,629.2	2,552.1
Investment properties	38	1,265.9	1,280.4
Intangible assets	39	1,368.3	1,358.9
Investments in associates and joint ventures	47	163.0	190.1
Current tax assets	13	80.7	174.7
Deferred tax assets	13	477.1	460.1
Assets held for sale	51	268.9	211.8
Trade and other receivables	18	1,408.1	1,341.0
Other assets	40	1,001.1	750.6
Total assets		**245,692.8**	**277,393.7**

in EUR million	Notes	Dec 19	Dec 20
Liabilities and equity			
Financial liabilities held for trading	20, 23	2,421.1	2,625.0
Derivatives	20	2,005.4	2,037.5
Other financial liabilities held for trading	23	415.7	587.6
Financial liabilities at fair value through profit or loss	24	13,494.3	12,091.0
Deposits from customers	24	264.8	254.0
Debt securities issued	24	13,010.5	11,656.6
Other financial liabilities	24	219.0	180.4
Financial liabilities at amortised cost	19	204,143.4	235,125.3
Deposits from banks	19	13,140.6	24,771.3
Deposits from customers	19	173,066.1	190,816.4
Debt securities issued	19	17,360.3	19,019.8
Other financial liabilities		576.3	517.7
Lease liabilities	Leases	515.1	559.7
Hedge accounting derivatives	27	269.2	188.7
Fair value changes of hedged items in portfolio hedge of interest rate risk	27	0.0	0.1
Provisions	42	1,918.7	2,081.9
Current tax liabilities	13	60.6	58.5
Deferred tax liabilities	13	17.9	20.0
Liabilities associated with assets held for sale	51	6.2	1.4
Other liabilities	41	2,369.0	2,231.8
Total equity	44	**20,477.3**	**22,410.3**
Equity attributable to non-controlling interests	44	4,857.5	5,073.1
Additional equity instruments	44	1,490.4	2,733.0
Equity attributable to owners of the parent	44	14,129.5	14,604.2
Subscribed capital	44	859.6	859.6
Additional paid-in capital	44	1,477.7	1,477.7
Retained earnings and other reserves	44	11,792.1	12,266.9
Total liabilities and equity		**245,692.8**	**277,393.7**

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	Remeasur-ement 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 2020	**860**	**1,478**	**13,095**	**-45**	**260**	**-399**	**-610**	**-509**	**14,129**	**1,490**	**4,857**	**20,477**
Changes in treasury shares	0	0	-58	0	0	0	0	0	-58	0	0	-58
Dividends paid	0	0	-115	0	0	0	0	0	-115	0	-5	-119
Capital increase/decrease	0	0	0	0	0	0	0	0	0	1,243	6	1,249
Changes in scope of consolidation and ownership interest	0	0	-2	0	0	0	0	0	-2	0	-1	-3
Reclassification from other comprehensive income to retained earnings	0	0	69	0	-68	-1	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	783	81	47	110	-332	-40	649	0	215	864
Net result for the period	0	0	783	0	0	0	0	0	783	0	242	1,025
Other comprehensive income	0	0	0	81	47	110	-332	-40	-134	0	-27	-161
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	-40	-40	0	-19	-59
Change in fair value reserve	0	0	0	0	47	0	0	0	47	0	-8	39
Change in cash flow hedge reserve	0	0	0	81	0	0	0	0	81	0	0	81
Change in currency reserve	0	0	0	0	0	0	-332	0	-332	0	-7	-338
Change in own credit risk reserve	0	0	0	0	0	110	0	0	110	0	6	116
As of 31 December 2020	**860**	**1,478**	**13,773**	**36**	**239**	**-290**	**-941**	**-549**	**14,604**	**2,733**	**5,073**	**22,410**

In the column ‘Additional equity instruments’, Erste Group reports additional tier 1 bonds issued in 2020 with a nominal value of EUR 1,250 million (2019: EUR 500 million). After deduction of costs directly attributable to the capital increase of EUR 7 million (2019: EUR 3 million) the net increase in capital amounted to EUR 1.243 million (2019: EUR 497 million). Additional tier 1 bonds are unsecured and subordinated bonds which are classified as equity under IFRS. For further details, see Note 44 Total 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	Remeasur-ement 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 2019	**860**	**1,477**	**12,280**	**-3**	**229**	**-435**	**-598**	**-428**	**13,381**	**993**	**4,494**	**18,869**
Changes in treasury shares	0	0	-13	0	0	0	0	0	-13	0	0	-13
Dividends paid	0	0	-663	0	0	0	0	0	-663	0	-41	-705
Capital increase/decrease	0	1	0	0	0	0	0	0	1	497	4	502
Changes in scope of consolidation and ownership interest	0	0	0	0	0	0	0	0	0	0	6	6
Reclassification from other comprehensive income to retained earnings	0	0	21	0	-48	27	0	0	0	0	0	0
Other changes	0	0	-1	0	0	0	0	0	-1	0	0	0
Total comprehensive income	0	0	1,470	-42	80	9	-12	-81	1,424	0	394	1,818
Net result for the period	0	0	1,470	0	0	0	0	0	1,470	0	441	1,911
Other comprehensive income	0	0	0	-42	80	9	-12	-81	-47	0	-46	-93
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	-81	-81	0	-41	-123
Change in fair value reserve	0	0	0	0	80	0	0	0	80	0	-4	76
Change in cash flow hedge reserve	0	0	0	-42	0	0	0	0	-42	0	0	-43
Change in currency reserve	0	0	0	0	0	0	-12	0	-12	0	-2	-14
Change in own credit risk reserve	0	0	0	0	0	9	0	0	9	0	1	10
As of 31 December 2019	**860**	**1,478**	**13,095**	**-45**	**260**	**-399**	**-610**	**-509**	**14,129**	**1,490**	**4,857**	**20,477**

In the line ‘Changes in scope of consolidation and ownership interst’ the acquisition of Ohridska Banka AD Skopje is disclosed. The consideration for the acquisition of 91.57% of the shares amounted to EUR 31 million. As a consequence, a non-controlling interest in the amount of EUR 5 million was considered. For further details, see Note 46 Subsidiaries.

Consolidated statement of cash flows

in EUR million	Notes	1-12 19	1-12 20
Net result for the period		**1,911.1**	**1,025.5**
Non-cash adjustments for items in net profit/loss for the year			
Depreciation, amortisation and net impairment of non-financial assets	38, 39	737.6	614.3
Net allocation of credit loss allowances and other provisions	12	399.9	1,441.2
Gains/losses from measurement and derecognition of financial assets and financial liabilities	9, 10	-89.2	-189.6
Other adjustments		113.5	-277.4
Changes in assets and liabilities from operating activities after adjustment for non-cash components			
Financial assets held for trading	20, 21	-147.2	-607.9
Non-trading financial assets at fair value through profit or loss	22		
Equity instruments	22	-17.3	42.8
Debt securities	22	489.3	337.1
Loans and advances to customers	22	-194.5	-212.7
Financial assets at fair value through other comprehensive income: debt securities	25	289.1	484.1
Financial assets at amortised cost	16		
Debt securities	16	-686.8	-2,816.0
Loans and advances to banks	16	-3,956.9	1,585.3
Loans and advances to customers	16	-10,168.9	-6,790.7
Finance lease receivables	Leases	-269.3	-106.2
Hedge accounting derivatives	27	-40.0	6.2
Other assets from operating activities	18, 40	-305.9	310.3
Financial liabilities held for trading	20, 23	-83.1	308.9
Financial liabilities at fair value through profit or loss	24	-757.3	-1,271.9
Financial liabilities measured at amortised cost	19		
Deposits from banks	19	-4,611.5	11,630.8
Deposits from customers	19	10,127.6	17,750.3
Debt securities issued	19	1,067.7	1,659.4
Other financial liabilities		89.2	-58.6
Hedge accounting derivatives	27	-7.8	-80.5
Other liabilities from operating activities	41	-83.0	-291.1
Cash flow from operating activities		**-6,193.7**	**24,493.4**
Proceeds of disposal			
Financial assets at fair value through other comprehensive income: equity instruments	25	43.5	86.3
Investments in associates and joint ventures	47	4.4	5.0
Property and equipment and intangible assets	38, 39	69.4	147.3
Investment properties	38	17.9	11.5
Acquisition of			
Financial assets at fair value through other comprehensive income: equity instruments	25	0.0	-1.1
Investments in associates and joint ventures	47	0.0	0.0
Property and equipment and intangible assets	38, 39	-591.0	-549.5
Investment properties	38	-119.7	-51.1
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		142.4	0.0
Disposal of subsidiaries		0.0	0.0
Cash flow from investing activities		**-433.1**	**-351.6**
Capital increase	44	501.7	1,248.7
Capital decrease	44	0.0	0.0
Changes in ownership interests that do not result in a loss of control	44	1.5	-2.8
Dividends paid to equity holders of the parent	44	-663.3	-114.6
Dividends paid to non-controlling interests	44	-41.5	-4.8
Changes in non-controlling interests	44	5.0	0.0
Cash flow from financing activities		**-196.6**	**1,126.5**
Cash and cash equivalents at the beginning of the period	15	**17,549.2**	**10,693.3**
Cash flow from operating activities		-6,193.7	24,493.4
Cash flow from investing activities		-433.1	-351.6
Cash flow from financing activities		-196.6	1,126.5
Effect of currency translation		-32.5	-123.0
Cash and cash equivalents at the end of period	15	**10,693.3**	**35,838.5**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)		4,305.6	4,238.4
Payments for taxes on income	13	-468.1	-438.9
Interest received	2	7,800.8	7,233.2
Dividends received	4	27.9	19.9
Interest paid	2	-3,054.9	-2,575.8

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

Notes to the group financial statements of Erste Group

General information

Erste Group Bank AG is Austria's oldest savings bank and listed on the Vienna Stock Exchange. It is also quoted on the Prague Stock Exchange and on the Bucharest Stock Exchange. The registered office of Erste Group Bank AG is located at Am Belvedere 1, 1100 Vienna, Austria.

The group of Erste Group Bank AG (hereinafter referred to as 'Erste Group' or 'Group') offers a complete range of banking and other financial services, such as savings accounts, asset management (including investment funds), consumer credit and mortgage lending, investment banking, securities and derivatives trading, portfolio management, project finance, foreign trade financing, corporate finance, capital market and money market services, foreign exchange trading, leasing and factoring.

These consolidated financial statements have been prepared and authorised for issue by the management board as at the signing date of this report. Both, the supervisory board (25 March 2021) and the annual general meeting (19 May 2021) may amend the individual financial statements of Erste Group Bank AG, which in turn may have an impact on these consolidated financial statements. The consolidated financial statements have not been accepted by the supervisory board and the financial statements of Erste Group Bank AG have not been approved by the supervisory board at the date of this report.

Erste Group is subject to the regulatory requirements of Austrian and European supervisory bodies (National Bank, Financial Market Authority, Single Supervisory Mechanism). These regulations include those pertaining to minimum capital adequacy requirements, categorisation of exposures and off-balance sheet commitments, credit risk connected with clients of the Group, market risk (including interest rate and foreign exchange risk), and operational risk.

In addition to the banking entities, some Group companies are subject to regulatory requirements, specifically in relation to asset management.

Significant accounting policies

a) Basis of preparation

The consolidated financial statements of Erste Group for the financial year ending on 31 December 2020 and the related comparative information were prepared in compliance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. The requirements of Section 59a of the Austrian Banking Act and Section 245a of the Austrian Commercial Code are fulfilled.

The consolidated financial statements have been prepared on a going concern basis.

Erste Group is subject to regulatory restrictions on capital distributions stemming from the EU-wide capital requirements regulations applicable to all credit institutions based in the EU. As a consequence of the Covid-19 crisis, the European Central Bank as well as some local national banks issued recommendations to restrict dividend payouts. As a result, no dividends were paid out by Erste Group and most of the Erste Group subsidiaries did not pay out dividends to the parent Erste Group Bank AG. Erste Group does not have any other significant restrictions on its ability to access or use the assets and settle the liabilities of the Group. Also, the owners of non-controlling interests in Group subsidiaries do not have rights that can restrict the Group's ability to access or use the assets and settle the liabilities of the Group.

Except as otherwise indicated, all amounts are stated in millions of euro. The tables in this report may contain rounding differences. The abbreviations used in the consolidated financial statements of Erste Group are explained in the appendix 'Abbreviations' at the end of this report.

b) Covid-19 disclosures

In the consolidated financial statements of Erste Group, considerations and significant impacts of the Covid-19 outbreak are presented in those chapters to which they can be assigned thematically. An overview about these disclosures is presented in the following:

- The chapter 'c) Accounting and measurement methods' discusses the accounting and measurement methods used for public moratoria and payment holidays, public guarantees and impairment of non-financial assets including significant effects of those topics on the consolidated financial statements in 2020.
- The chapter 'd) Significant accounting judgements, assumptions and estimates' contains information about the key sources of estimation uncertainty in the light of the Covid-19 outbreak.
- Note 33 Own funds and capital requirements discusses the adjustments to the regulatory framework due to the current Covid-19 crisis.

_ Note 34 Credit risk contains a separate sub-chapter 'Covid-19' which explains the considerations of the pandemic on the ECL measurement, sensitivity analyses and information on credit exposures subject to certain Covid 19 measures.

c) Accounting and measurement methods

Foreign currency translation

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

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

i. Transactions and balances in foreign currency

Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as of the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as of the balance sheet date. All resulting exchange differences that arise are recognised in the statement of income under the line item 'Net trading result'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions, i.e. they do not give rise to exchange differences. Non-monetary items that are measured at fair value (such as equity investments) in a foreign currency are translated using the exchange rates at the date when the fair value is measured, thus the exchange differences are part of the fair value gains or losses.

ii. Translation of the statements of Group companies

Assets and liabilities of foreign operations (foreign subsidiaries and branches) are translated into Erste Group's presentation currency, the euro, at the rate of exchange as of the balance sheet date (closing rate). Their consolidated statement of income and consolidated statement of comprehensive income are translated at the average exchange rate of the respective reporting period calculated on the basis of daily rates. Goodwill, intangible assets (i.e. customer relationships and brand) and fair value adjustments to the carrying amounts of assets and liabilities recognised on acquisition of foreign subsidiaries on the acquisition are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate. However, goodwill of Česká spořitelna a.s. is translated at the historical FX rate as allowed by the transitional provisions in IAS 21.59.

Exchange differences arising on translation are recognised in OCI in the line 'Currency reserve' of the statement of comprehensive income. The accumulated OCI is presented in equity, specifically under 'Currency reserve' in the statement of changes in equity. On disposal of a foreign subsidiary, the cumulative amount of translation differences recognised in other comprehensive income is recognised in the statement of income under the line item 'Other operating result'.

Accounting treatment of issues related to Covid-19

i. Public moratoria and payment holidays

In light of the spread of Covid-19, a variety of measures have been taken by governments in Erste Group's region aimed at addressing the economic consequences of the outbreak on individuals, households and businesses. Such measures include, for example, public moratoria on repayment of loans, overdraft facilities and mortgages. Further, Erste Group is offering renegotiations of repayment schedules and payment holidays on a voluntary basis to customers facing liquidity shortages.

The public moratoria in general relate to customers which were performing and to their exposures existing before the outbreak of the Covid-19 pandemic. Most of the public moratoria are based on an opt-in approach, meaning that customers have to ask the bank for the payment reliefs. However, there are also cases when all applicable customers are automatically subject to the moratorium with an opt-out possibility. Such opt-out models have been implemented in Hungary and Serbia. The range of payment deferral periods in Erste Group countries was originally enacted between 3 to 9 months. However, prolongations of the moratoria have been provided afterwards in some countries. In Austria the clients can currently postpone payment obligations becoming due till 31 January 2021 for 10 months. Apart from prolongations, also new opt-in moratorium schemes were issued by local governments, for example, in Hungary and Romania. In most cases interest continues to accrue on the outstanding balance during the moratorium period. Nevertheless, in many cases an economic loss is incurred and modification losses are recognised from an accounting perspective. This results from the fact that the interest accrued, instead of being repaid or capitalised at the end of the moratorium, is repaid over the period after the moratorium.

Both public moratoria and voluntarily granted payment holidays modify contractual cash flows of the related financial asset and are therefore treated as contractual modifications within the meaning of IFRS 9. The accounting policies disclosed in chapter 'Financial instruments – Significant accounting policies', part 'Derecognition of financial instruments including treatment of contractual modifications' apply.

The public moratoria and payment holidays applied in Erste Group did not lead to derecognition. In particular, this is because the moratoria and payment holidays are typically below one year and in most cases the contractual interest continues to accrue during the suspension phase. Thus the present value effect of the modification is less than 10%, thus it is below the threshold defined for significant modifications leading to derecognition.

In the statement of income, the modification gain or loss is presented in the line 'Interest income' under 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment result from financial instruments'.

With respect to the assessment of significant increases in credit risk (SICR), Erste Group does not consider the public moratoria and payment holidays in itself as automatic SICR triggers, but applies its specific assessment rules consisting of qualitative information and quantitative thresholds. Details on this assessment and other considerations on the expected credit loss estimation in the light of the Covid-19 outbreak are described in Note 34 Credit risk.

In 2020, Erste Group incurred modification losses in total amount of EUR 73.6 million. The vast majority of this impact relates to contractual modifications arising from Covid-19-related to public or private moratoria, as well as to other bilaterally agreed contractual changes aimed at addressing or preventing clients' liquidity shortages or other financial difficulties associated with the Covid-19 crisis. Out of the total modification losses, an amount of EUR 49.5 million was presented in the statement of income in line item 'Net interest income', while the remaining EUR 24.1 million was presented in line item 'Impairment result from financial instruments'. About 70% of the modification losses was incurred by following major CEE banks: Ceska sporitelna, Erste Bank Hungary, Banca Comerciala Romana, Erste Bank Croatia (Erste & Steiermärkische Bank d.d.) and Erste Bank Serbia.

ii. Public guarantees

In their efforts to mitigate the economic effects of Covid-19, some governments and other public institutions in Erste Group's region are providing public guarantees on banks' exposures. The relevant accounting policy for financial guarantees is disclosed in note 42 Provisions, part Financial guarantees. Financial guarantees received in the context of public Covid-19 measures typically related to new credit facilities and are therefore considered as integral. Integral financial guarantees are included in the estimates of expected credit losses from the related financial assets. Premiums paid for integral financial guarantees and other credit enhancements are considered in the EIR of the related financial assets. The existence of such credit enhancements does not affect the SICR assessment.

iii. Impairment of non-financial assets

The market capitalisation of Erste Group at year-end 2020 was below the carrying amount of the net assets. Therefore, a thorough analysis was performed to ensure the recoverability of the non-financial assets. In the course of this analysis the group has estimated the value in use on the level of the cash-generating units (CGUs). The value in use is determined by discounting the cash flows at a rate that takes into account present market rates and the specific risks of the CGU. The discount rates have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium component is considered in calculation of the discount rate. The values used to establish the discount rates are determined using external sources of information. The cash flow projection period is five years. Beyond this planning horizon the cash flows are extrapolated to perpetuity based on a terminal growth rate. For those CGUs for which the carrying amount was higher than the value in use, the fair values of the underlying non-financial assets were derived and compared with the respective book values. In addition to the amounts already recognised in the course of the financial statements preparation process (see Note 38 Property, equipment and investment properties and Note 39 Intangible assets), the analysis did not reveal any need for impairment.

Further, the annual impairment test on the goodwill of Česká spořitelna a.s. did not result in an impairment loss booking as the calculated recoverable amount exceeds the carrying amount. Details on the goodwill impairment test are described in Note 39 Intangible assets.

iv. Impairment of financial instruments

The main contributor to the impairment allocation in the line item 'Impairment result from financial instruments' in the amount of EUR 823.4 million (out of overall impairment result in the amount of EUR 1,294.8 million) is directly attributable to changes in macro environment and management actions to identify mostly affected portfolios due to Covid-19 pandemic. Observed deteriorations in credit portfolios, which were also significantly driven by current Covid-19 situation, are the main reason for the remaining impairment allocation.

Details on the effects of Covid-19 on the expected credit loss estimation are described in Note 34 Credit risk.

d) Significant accounting judgements, assumptions and estimates

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

liabilities. The most significant uses of judgements, assumptions and estimates are described in the notes of the respective assets and liabilities and relate in particular to:

_ Taxes on income and deferred tax assets (Note 13 Taxes on income)
_ SPPI assessment of financial instruments (Chapter Financial instruments – Significant accounting policies)
_ Business model assessment of financial instruments (Chapter Financial instruments – Significant accounting policies)
_ Fair value of financial instruments (Note 26 Fair value of financial instruments)
_ Impairment of financial instruments (Chapter Financial instruments – Significant accounting policies, Note 34 Credit risk)
_ Impairment of non-financial assets (Chapter Non-current assets and other investments)
_ Provisions (Note 42 Provisions)
_ Defined employees benefit plans (Note 42 Provisions)
_ Control of subsidiaries (Note 46 Subsidiaries)
_ Significant influence in associates and joint ventures (Note 47 Investments in associates and joint ventures)
_ Interest in structured entities (Note 48 Unconsolidated structured entities)

The Covid-19 pandemic increased the level of uncertainty. The consequences for the economy as well as the measures taken by governments and regulators are likely to affect Erste Group's financial performance and position. The potential effects include significant impacts on expected credit losses, on operating income as well as impacts of potential goodwill and other non-financial assets impairment assessments. All negative effects that could be reasonable estimated were recognised by 2020 end. Erste Group will continue to follow the developments closely and will recognise any effects as the situation further unfolds.

e) Application of amended and new IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning after 1 January 2020. As regards new standards and interpretations and their amendments, only those that are relevant for the business of Erste Group are listed below.

Effective standards and interpretations

The following amendments of standards have become mandatory for the financial year 2020 and have been endorsed by the EU:

_Amendments to IFRS 3: Definition of a Business.
_Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
_Amendment to IFRS 16: Leases Covid-19 Related Rent Concessions
_Amendments to IAS 1 and IAS 8: Definition of Material

The amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform were applied early in 2019. Related disclosures are provided in Note 27 Hedge Accounting. Application of the above mentioned amendments in 2020 did not have a significant impact on Erste Group's financial statements.

Standards and interpretations not yet effective

The standards and amendments shown below were issued by the IASB but are not yet effective.

Following amendments to standards are already endorsed by the EU:

_ Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

Following standards and amendments and interpretations have not yet been endorsed by the EU until 19 February 2021:

_ IFRS 17: Insurance contracts
_ Annual Improvements to IFRSs 2018-2020 Cycle
_ Amendments to IAS 1: Disclosure of Accounting Policies
_ Amendments to IAS 8: Definition of Accounting Estimates

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2. The amendments were issued in August 2020 and are effective for annual periods beginning on or after 1 January 2021. The amendments introduce a practical expedient that modifications of financial assets and financial liabilities required by the reform are accounted for by updating the effective interest rate. A similar practical expedient is provided for lessee accounting applying IFRS 16. Regarding hedge accounting the hedge designation and documentation is amended and the effects of the benchmark rate change are included in the measurement of the hedging instrument and the hedged item. IFRS 7 disclosures requirements have been extended in order to allow users to understand the nature, extent and management of risks arising from the IBOR reform as well as progress in transitioning to alternative benchmark rates.

Application of these amendments will simplify the treatment compared to previous IFRS requirements which would have led to a more complex modification gain/loss or derecognition accounting or hedge accounting discontinuations. The less complex treatment is not expected to have a significant impact on Erste Group's financial statements. However, the amendments will result in new disclosures.

Erste Group has decided not to apply the amendments early since no replacement of the benchmark rates occurred in 2020. Centrally cleared derivatives were subject to switch in the discounting curve since the cash collateral remuneration changed for the new overnight benchmark rates. However, the valuation effect was compensated by one-off payments without affecting the value of hedging derivatives. Also, there was no change in the designated interest rate risk portion on the hedged items. As a result, the hedge designations and documentations were not considered to be affected by the reform during 2020.

IFRS 17: Insurance contracts. IFRS 17 was issued in May 2017 and is effective for annual periods beginning on or after 1 January 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Erste Group is in process of assessing whether some of its contracts fall in scope of IFRS 17. Erste Group will estimate the effect on its financial statements when this has been clarified.

Annual Improvements to IFRSs 2018-2020 Cycle. In May 2020, the IASB issued a set of amendments to various standards. The amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 1: Disclosure of Accounting policies. The amendments to IAS 1 were issued In February 2021 and are effective for annual periods beginning on or after 1 January 2023. The amendments specify that an entity is required to disclose its material accounting policy information. A guidance was added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements. However, revisions in the disclosures of the accounting policies may be required.

Amendments to IAS 8: Definition of Accounting Estimates. The amendments to IAS 8 were issued In February 2021 and are effective for annual periods beginning on or after 1 January 2023. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

PERFORMANCE / RETURN

1. Segment reporting

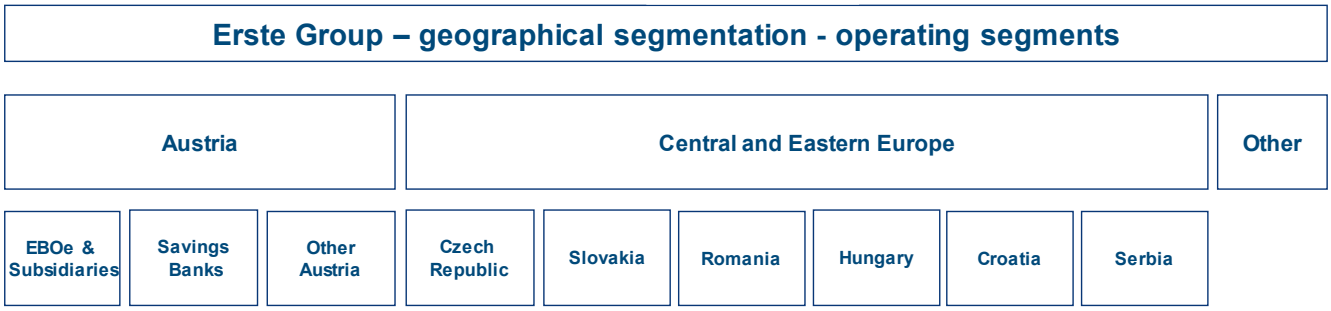
Erste Group's segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments 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. intercompany eliminations, dividend eliminations) are also part of the segment Other.

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

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	**1-12 19**	**1-12 20**	**1-12 19**	**1-12 20**	**1-12 19**	**1-12 20**	**1-12 19**	**1-12 20**
Net interest income	2,101.1	2,158.6	2,549.7	2,475.4	96.0	140.9	4,746.8	4,774.8
Net fee and commission income	1,130.1	1,176.1	955.6	894.8	-85.6	-94.1	2,000.1	1,976.8
Dividend income	17.6	9.8	4.3	3.5	6.0	6.6	27.9	19.9
Net trading result	-1.5	-17.2	268.9	214.9	50.9	-60.1	318.3	137.6
Gains/losses from financial instruments at FVPL	69.6	23.6	8.7	20.1	-102.8	18.3	-24.5	62.0
Net result from equity method investments	-0.4	1.8	11.3	4.7	6.2	3.9	17.1	10.4
Rental income from investment properties & other operating leases	131.3	143.7	50.4	49.8	-11.5	-19.9	170.1	173.6
General administrative expenses	-2,215.3	-2,184.8	-1,900.2	-1,842.6	-167.8	-193.1	-4,283.3	-4,220.5
thereof depreciation and amortization	-177.1	-178.0	-276.8	-265.0	-87.0	-97.8	-541.0	-540.9
Gains/losses from derecognition of financial assets at AC	1.2	7.7	0.0	0.3	-0.3	-1.1	0.9	6.8
Other gains/losses from derecognition of financial instruments not at FVPL	-0.9	-0.6	-1.4	0.7	25.8	-0.5	23.5	-0.4
Impairment result from financial instruments	-12.5	-605.3	-11.9	-711.2	-14.8	21.7	-39.2	-1,294.8
Other operating result	54.4	-35.2	-365.8	-223.0	-316.8	-20.1	-628.2	-278.3
Levies on banking activities	-8.0	-8.5	-103.6	-92.2	-16.4	-17.0	-128.0	-117.7
Pre-tax result from continuing operations	**1,274.7**	**678.3**	**1,569.5**	**887.2**	**-514.5**	**-197.5**	**2,329.7**	**1,368.0**
Taxes on income	-280.7	-95.2	-307.1	-188.1	169.2	-59.2	-418.7	-342.5
Net result for the period	**994.0**	**583.1**	**1,262.4**	**699.1**	**-345.4**	**-256.7**	**1,911.1**	**1,025.5**
Net result attributable to non-controlling interests	387.7	216.2	45.7	22.0	7.5	4.1	440.9	242.3
Net result attributable to owners of the parent	**606.3**	**366.9**	**1,216.7**	**677.2**	**-352.8**	**-260.9**	**1,470.1**	**783.1**
Operating income	3,447.8	3,496.5	3,848.8	3,663.1	-40.7	-4.4	7,255.9	7,155.1
Operating expenses	-2,215.3	-2,184.8	-1,900.2	-1,842.6	-167.8	-193.1	-4,283.3	-4,220.5
Operating result	**1,232.5**	**1,311.7**	**1,948.6**	**1,820.4**	**-208.4**	**-197.5**	**2,972.7**	**2,934.6**
Risk-weighted assets (credit risk, eop)	51,812	52,187	43,021	43,346	2,060	2,933	96,894	98,466
Average allocated capital	7,131	6,789	7,025	7,189	5,632	7,467	19,788	21,445
Cost/income ratio	64.3%	62.5%	49.4%	50.3%	>100%	>100%	59.0%	59.0%
Return on allocated capital	13.9%	8.6%	18.0%	9.7%	-6.1%	-3.4%	9.7%	4.8%
Total assets (eop)	158,921	182,528	112,600	119,760	-25,828	-24,894	245,693	277,394
Total liabilities excluding equity (eop)	126,184	146,072	101,011	107,557	-1,979	1,354	225,216	254,983
Impairments	**-12.2**	**-612.3**	**-38.8**	**-767.9**	**-231.7**	**28.1**	**-282.8**	**-1,352.1**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-45.2	-516.2	-57.0	-645.0	-7.0	25.6	-109.2	-1,135.6
Net impairment loss on commitments and guarantees given	32.7	-89.1	45.1	-66.2	-7.8	-3.9	70.0	-159.2
Impairment of goodwill	0.0	0.0	0.0	0.0	-165.0	0.0	-165.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.3	0.0	-0.0	-8.1	-46.1	25.7	-45.8	17.5
Net impairment on other non-financial assets	0.0	-7.0	-27.0	-48.6	-5.8	-19.3	-32.8	-74.8

Operating segments: Geographical area Austria

in EUR million	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
	1-12 19	1-12 20	1-12 19	1-12 20	1-12 19	1-12 20	1-12 19	1-12 20
Net interest income	642.1	638.2	1,052.1	1,069.4	406.9	451.0	2,101.1	2,158.6
Net fee and commission income	398.9	406.6	490.6	519.6	240.7	249.9	1,130.1	1,176.1
Dividend income	6.9	6.4	6.1	4.6	4.5	-1.2	17.6	9.8
Net trading result	16.9	6.5	26.8	8.1	-45.2	-31.7	-1.5	-17.2
Gains/losses from financial instruments at FVPL	12.2	7.3	25.2	8.5	32.2	7.8	69.6	23.6
Net result from equity method investments	1.7	1.6	0.0	0.0	-2.2	0.1	-0.4	1.8
Rental income from investment properties & other operating leases	39.2	59.5	39.3	38.4	52.7	45.7	131.3	143.7
General administrative expenses	-717.1	-711.4	-1,120.1	-1,106.1	-378.1	-367.2	-2,215.3	-2,184.8
thereof depreciation and amortization	-55.1	-54.2	-83.2	-85.0	-38.8	-38.8	-177.1	-178.0
Gains/losses from derecognition of financial assets at AC	0.0	0.1	2.3	0.1	-1.1	7.4	1.2	7.7
Other gains/losses from derecognition of financial instruments not at FVPL	-0.3	-0.1	-0.5	-1.7	0.0	1.2	-0.9	-0.6
Impairment result from financial instruments	-6.0	-135.8	0.7	-267.2	-7.3	-202.3	-12.5	-605.3
Other operating result	-18.6	-9.6	24.5	-2.6	48.5	-23.1	54.4	-35.2
Levies on banking activities	-3.6	-3.7	-4.3	-4.7	-0.1	-0.1	-8.0	-8.5
Pre-tax result from continuing operations	**375.9**	**269.4**	**547.1**	**271.2**	**351.7**	**137.8**	**1,274.7**	**678.3**
Taxes on income	-88.4	-11.5	-127.8	-54.3	-64.4	-29.4	-280.7	-95.2
Net result for the period	**287.5**	**257.9**	**419.2**	**216.8**	**287.3**	**108.3**	**994.0**	**583.1**
Net result attributable to non-controlling interests	24.3	35.9	354.5	175.2	9.0	5.1	387.7	216.2
Net result attributable to owners of the parent	**263.2**	**222.0**	**64.8**	**41.6**	**278.3**	**103.2**	**606.3**	**366.9**
Operating income	1,117.9	1,126.1	1,640.2	1,648.6	689.7	721.8	3,447.8	3,496.5
Operating expenses	-717.1	-711.4	-1,120.1	-1,106.1	-378.1	-367.2	-2,215.3	-2,184.8
Operating result	**400.8**	**414.7**	**520.1**	**542.5**	**311.6**	**354.5**	**1,232.5**	**1,311.7**
Risk-weighted assets (credit risk, eop)	12,536	12,578	24,670	24,185	14,607	15,424	51,812	52,187
Average allocated capital	1,756	1,657	3,218	3,063	2,157	2,069	7,131	6,789
Cost/income ratio	64.1%	63.2%	68.3%	67.1%	54.8%	50.9%	64.3%	62.5%
Return on allocated capital	16.4%	15.6%	13.0%	7.1%	13.3%	5.2%	13.9%	8.6%
Total assets (eop)	46,504	52,572	67,360	73,219	45,057	56,737	158,921	182,528
Total liabilities excluding equity (eop)	44,320	50,363	62,276	67,984	19,588	27,726	126,184	146,072
Impairments	**-7.1**	**-135.7**	**1.8**	**-271.5**	**-6.9**	**-205.1**	**-12.2**	**-612.3**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-20.2	-124.2	-12.7	-232.9	-12.3	-159.2	-45.2	-516.2
Net impairment loss on commitments and guarantees given	14.2	-11.6	13.4	-34.4	5.0	-43.2	32.7	-89.1
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	0.3	0.0	0.0	0.0	0.3	0.0
Net impairment on other non-financial assets	-1.2	0.1	0.8	-4.3	0.4	-2.8	0.0	-7.0

Operating segments: Geographical area Central and Eastern Europe

	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	**1-12 19**	**1-12 20**	**1-12 19**	**1-12 20**	**1-12 19**	**1-12 20**	**1-12 19**	**1-12 20**	**1-12 19**	**1-12 20**	**1-12 19**	**1-12 20**	**1-12 19**	**1-12 20**
Net interest income	1,141.1	1,049.0	433.6	438.4	428.0	435.7	213.5	217.9	275.1	270.8	58.4	63.6	2,549.7	2,475.4
Net fee and commission income	334.7	311.6	145.2	147.1	164.5	146.8	188.3	181.1	108.2	92.0	14.7	16.1	955.6	894.8
Dividend income	2.5	2.1	1.0	0.6	0.5	0.7	0.1	0.0	0.2	0.1	0.0	0.0	4.3	3.5
Net trading result	104.0	72.1	20.7	12.2	71.0	70.7	36.4	28.0	31.5	28.0	5.4	4.0	268.9	214.9
Gains/losses from financial instruments at FVPL	5.7	22.6	-2.0	-0.5	3.2	3.0	0.6	-3.3	1.2	-1.8	0.0	0.0	8.7	20.1
Net result from equity method investments	4.1	1.2	6.1	2.9	-0.1	-0.4	0.0	0.0	1.2	1.0	0.0	0.0	11.3	4.7
Rental income from investment properties & other operating leases	8.4	8.1	1.2	0.3	20.8	22.2	7.0	7.7	12.9	11.4	0.1	0.1	50.4	49.8
General administrative expenses	-753.9	-722.4	-288.7	-287.1	-359.0	-344.9	-216.9	-213.3	-223.1	-214.6	-58.7	-60.3	-1,900.2	-1,842.6
thereof depreciation and amortization	-101.4	-103.9	-46.9	-36.5	-51.0	-45.4	-39.2	-40.4	-33.5	-33.3	-4.9	-5.4	-276.8	-265.0
Gains/losses from derecognition of financial assets at AC	0.3	0.0	0.1	0.0	-0.1	0.0	0.0	0.5	-0.1	-0.1	-0.2	-0.1	0.0	0.3
Other gains/losses from derecognition of financial instruments not at FVPL	-1.1	0.0	-0.5	0.0	-6.2	0.0	6.0	0.7	0.2	0.0	0.1	0.0	-1.4	0.7
Impairment result from financial instruments	6.2	-299.8	-42.7	-107.9	13.0	-107.7	18.2	-78.0	-5.8	-104.2	-0.8	-13.5	-11.9	-711.2
Other operating result	-26.8	-25.6	-38.7	-49.3	-194.5	-60.2	-67.3	-66.6	-38.3	-16.7	-0.3	-4.7	-365.8	-223.0
Levies on banking activities	0.0	0.0	-32.5	-33.8	-11.0	0.0	-60.2	-58.4	0.0	0.0	0.0	0.0	-103.6	-92.2
Pre-tax result from continuing operations	**825.3**	**418.8**	**235.3**	**156.9**	**141.2**	**165.7**	**185.9**	**74.6**	**163.2**	**66.0**	**18.7**	**5.2**	**1,569.5**	**887.2**
Taxes on income	-158.7	-84.0	-47.5	-41.1	-56.1	-43.2	-12.7	-18.5	-30.8	-1.6	-1.1	0.2	-307.1	-188.1
Net result for the period	**666.5**	**334.8**	**187.7**	**115.8**	**85.1**	**122.6**	**173.2**	**56.1**	**132.3**	**64.4**	**17.6**	**5.4**	**1,262.4**	**699.1**
Net result attributable to non-controlling interests	0.0	0.1	0.0	0.0	0.1	0.1	0.0	0.0	42.0	20.5	3.5	1.2	45.7	22.0
Net result attributable to owners of the parent	**666.5**	**334.7**	**187.7**	**115.8**	**85.0**	**122.4**	**173.2**	**56.1**	**90.3**	**43.9**	**14.0**	**4.2**	**1,216.7**	**677.2**
Operating income	1,600.5	1,466.6	605.7	601.2	688.0	678.6	445.8	431.4	430.3	401.5	78.5	83.8	3,848.8	3,663.1
Operating expenses	-753.9	-722.4	-288.7	-287.1	-359.0	-344.9	-216.9	-213.3	-223.1	-214.6	-58.7	-60.3	-1,900.2	-1,842.6
Operating result	**846.6**	**744.2**	**317.0**	**314.1**	**329.0**	**333.7**	**229.0**	**218.1**	**207.2**	**187.0**	**19.9**	**23.4**	**1,948.6**	**1,820.4**
Risk-weighted assets (credit risk, eop)	17,815	17,666	7,209	7,624	6,521	6,786	4,226	3,967	5,638	5,814	1,612	1,489	43,021	43,346
Average allocated capital	2,504	2,590	1,066	1,103	1,452	1,415	977	967	790	889	237	225	7,025	7,189
Cost/income ratio	47.1%	49.3%	47.7%	47.8%	52.2%	50.8%	48.6%	49.4%	51.9%	53.4%	74.7%	72.0%	49.4%	50.3%
Return on allocated capital	26.6%	12.9%	17.6%	10.5%	5.9%	8.7%	17.7%	5.8%	16.8%	7.2%	7.4%	2.4%	18.0%	9.7%
Total assets (eop)	57,412	58,600	18,614	20,705	15,673	16,841	8,932	10,162	9,905	10,899	2,064	2,553	112,600	119,760
Total liabilities excluding equity (eop)	52,004	52,909	16,999	18,914	13,902	14,921	7,715	8,997	8,601	9,546	1,790	2,269	101,011	107,557
Impairments	**4.8**	**-297.7**	**-41.8**	**-116.3**	**-9.3**	**-153.5**	**16.8**	**-79.3**	**-8.5**	**-107.5**	**-0.8**	**-13.5**	**-38.8**	**-767.9**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-23.9	-282.7	-48.6	-97.0	-0.2	-88.5	16.4	-72.8	-0.1	-90.3	-0.5	-13.8	-57.0	-645.0
Net impairment loss on commitments and guarantees given	30.2	-17.1	6.0	-10.9	13.3	-19.3	1.9	-5.2	-5.8	-13.9	-0.3	0.3	45.1	-66.2
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	-8.1	-0.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-8.1
Net impairment on other non-financial assets	-1.4	2.0	0.9	-0.2	-22.4	-45.7	-1.4	-1.3	-2.6	-3.3	0.0	0.0	-27.0	-48.6

Business segments (1)

in EUR million	Retail 1-12 19	Retail 1-12 20	Corporates 1-12 19	Corporates 1-12 20	Group Markets 1-12 19	Group Markets 1-12 20	ALM&LCC 1-12 19	ALM&LCC 1-12 20
Net interest income	2,290.1	2,083.7	1,098.7	1,109.4	257.2	252.2	-104.3	86.2
Net fee and commission income	1,094.5	1,047.9	301.1	282.3	228.3	240.9	-84.5	-79.3
Dividend income	3.6	0.0	1.6	0.8	3.0	-2.0	7.6	9.9
Net trading result	112.0	96.2	95.5	76.7	19.9	20.9	117.3	-39.9
Gains/losses from financial instruments at FVPL	0.5	-6.8	5.4	-12.6	28.5	17.6	-78.7	53.1
Net result from equity method investments	6.1	3.9	0.0	0.0	0.0	0.0	4.8	2.6
Rental income from investment properties & other operating leases	23.0	23.9	100.8	104.7	0.0	0.0	30.8	25.5
General administrative expenses	-2,096.2	-2,067.7	-575.3	-535.7	-240.2	-232.0	-110.9	-107.4
thereof depreciation and amortization	-273.8	-261.6	-70.7	-66.4	-14.3	-16.8	-12.3	-13.6
Gains/losses from derecognition of financial assets at AC	-0.3	0.0	-1.1	7.3	0.0	0.0	5.6	-0.4
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	21.3	0.7	0.0	1.2	-2.3	-0.2
Impairment result from financial instruments	-74.6	-392.2	32.9	-656.0	5.1	-0.8	13.0	-3.0
Other operating result	-226.1	-69.0	-22.5	-73.6	-18.4	-26.9	-93.3	-111.2
Levies on banking activities	-69.2	-61.0	-27.6	-23.6	-4.1	-4.0	-6.4	-7.3
Pre-tax result from continuing operations	**1,132.5**	**720.1**	**1,058.4**	**304.1**	**283.4**	**271.1**	**-295.0**	**-164.2**
Taxes on income	-223.3	-121.7	-202.5	-63.1	-52.8	-56.3	46.8	48.8
Net result for the period	**909.2**	**598.4**	**855.9**	**241.0**	**230.6**	**214.8**	**-248.1**	**-115.4**
Net result attributable to non-controlling interests	42.8	14.5	41.0	47.3	6.0	3.9	-10.9	-2.7
Net result attributable to owners of the parent	**866.4**	**583.9**	**814.9**	**193.7**	**224.6**	**211.0**	**-237.3**	**-112.7**
Operating income	3,529.7	3,248.8	1,603.1	1,561.3	536.9	529.7	-107.1	58.0
Operating expenses	-2,096.2	-2,067.7	-575.3	-535.7	-240.2	-232.0	-110.9	-107.4
Operating result	**1,433.5**	**1,181.2**	**1,027.8**	**1,025.6**	**296.7**	**297.7**	**-218.0**	**-49.4**
Risk-weighted assets (credit risk, eop)	19,053	18,451	42,693	43,965	3,321	3,209	5,739	5,932
Average allocated capital	3,446	3,254	4,567	4,746	958	880	3,037	3,210
Cost/income ratio	59.4%	63.6%	35.9%	34.3%	44.7%	43.8%	>100%	>100%
Return on allocated capital	26.4%	18.4%	18.7%	5.1%	24.1%	24.4%	-8.2%	-3.6%
Total assets (eop)	65,277	65,948	57,342	59,531	31,394	43,529	60,971	71,508
Total liabilities excluding equity (eop)	91,572	100,342	28,210	32,706	31,802	37,968	49,244	53,213
Impairments	**-74.4**	**-392.6**	**20.6**	**-713.9**	**5.1**	**-0.8**	**-4.6**	**-22.0**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-82.6	-387.9	-20.5	-536.4	4.6	-1.1	10.4	-5.4
Net impairment loss on commitments and guarantees given	8.0	-4.3	53.5	-119.6	0.5	0.3	2.6	2.4
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	-1.3	0.1	0.0	0.0	1.3	-8.3
Net impairment on other non-financial assets	0.2	-0.5	-11.0	-58.0	0.0	0.0	-18.8	-10.8

Business segments (2)

in EUR million	Savings Banks 1-12 19	Savings Banks 1-12 20	Group Corporate Center 1-12 19	Group Corporate Center 1-12 20	Intragroup Elimination 1-12 19	Intragroup Elimination 1-12 20	Total Group 1-12 19	Total Group 1-12 20
Net interest income	1,052.1	1,069.4	70.6	89.1	82.5	85.0	4,746.8	4,774.8
Net fee and commission income	490.6	519.6	-1.3	6.6	-28.5	-41.2	2,000.1	1,976.8
Dividend income	6.1	4.6	6.0	6.6	0.0	0.0	27.9	19.9
Net trading result	26.8	8.1	17.7	35.0	-70.9	-59.4	318.3	137.6
Gains/losses from financial instruments at FVPL	25.2	8.5	-5.5	2.2	0.0	0.0	-24.5	62.0
Net result from equity method investments	0.0	0.0	6.2	3.9	0.0	0.0	17.1	10.4
Rental income from investment properties & other operating leases	39.3	38.4	-22.9	-18.6	-0.9	-0.4	170.1	173.6
General administrative expenses	-1,120.1	-1,106.1	-1,023.9	-1,013.0	883.4	841.3	-4,283.3	-4,220.5
thereof depreciation and amortization	-83.2	-85.0	-116.6	-121.2	29.9	23.8	-541.0	-540.9
Gains/losses from derecognition of financial assets at AC	2.3	0.1	0.4	0.0	-6.0	-0.2	0.9	6.8
Other gains/losses from derecognition of financial instruments not at FVPL	-0.5	-1.7	-1.1	-0.7	6.1	0.2	23.5	-0.4
Impairment result from financial instruments	0.7	-267.2	-16.4	24.4	0.0	0.0	-39.2	-1,294.8
Other operating result	24.5	-2.6	573.3	830.2	-865.6	-825.3	-628.2	-278.3
Levies on banking activities	-4.3	-4.7	-16.4	-17.0	0.0	0.0	-128.0	-117.7
Pre-tax result from continuing operations	**547.1**	**271.2**	**-396.8**	**-34.3**	**0.0**	**0.0**	**2,329.7**	**1,368.0**
Taxes on income	-127.8	-54.3	141.0	-96.0	0.0	0.0	-418.7	-342.5
Net result for the period	**419.2**	**216.8**	**-255.8**	**-130.2**	**0.0**	**0.0**	**1,911.1**	**1,025.5**
Net result attributable to non-controlling interests	354.5	175.2	7.5	4.1	0.0	0.0	440.9	242.3
Net result attributable to owners of the parent	**64.8**	**41.6**	**-263.3**	**-134.4**	**0.0**	**0.0**	**1,470.1**	**783.1**
Operating income	1,640.2	1,648.6	70.9	124.8	-17.7	-16.0	7,255.9	7,155.1
Operating expenses	-1,120.1	-1,106.1	-1,023.9	-1,013.0	883.4	841.3	-4,283.3	-4,220.5
Operating result	**520.1**	**542.5**	**-953.0**	**-888.2**	**865.6**	**825.3**	**2,972.7**	**2,934.6**
Risk-weighted assets (credit risk, eop)	24,670	24,185	1,417	2,725	0	0	96,894	98,466
Average allocated capital	3,218	3,063	4,561	6,293	0	0	19,788	21,445
Cost/income ratio	68.3%	67.1%	>100%	>100%	>100%	>100%	59.0%	59.0%
Return on allocated capital	13.0%	7.1%	-5.6%	-2.1%			9.7%	4.8%
Total assets (eop)	67,360	73,219	4,081	2,810	-40,732	-39,152	245,693	277,394
Total liabilities excluding equity (eop)	62,276	67,984	2,869	1,969	-40,759	-39,197	225,216	254,983
Impairments	**1.8**	**-271.5**	**-231.3**	**48.8**	**0.0**	**0.0**	**-282.8**	**-1,352.1**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-12.7	-232.9	-8.3	28.1	0.0	0.0	-109.2	-1,135.6
Net impairment loss on commitments and guarantees given	13.4	-34.4	-8.1	-3.6	0.0	0.0	70.0	-159.2
Impairment of goodwill	0.0	0.0	-165.0	0.0	0.0	0.0	-165.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.3	0.0	-46.1	25.7	0.0	0.0	-45.8	17.5
Net impairment on other non-financial assets	0.8	-4.3	-3.9	-1.3	0.0	0.0	-32.8	-74.8

2. Net interest income

Net interest income is broken down into line items of interest income, other similar income, interest expenses and other similar expenses. The distinguishing factor is whether the EIR method is mandatorily applied for recognition of interest income or expense in accordance with IFRS 9.

'Interest income' relates to interest revenue from financial assets measured at amortised cost and at fair value through other comprehensive income. It is calculated using the EIR method as discussed in chapter 'Financial instruments – Significant accounting policies'.

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

'Interest expenses' relate to interest expense from financial liabilities measured at amortised cost calculated using effective interest rate as discussed in chapter 'Financial instruments – Significant accounting policies'.

'Other similar expenses' capture interest-like sources of expense resulting from non-derivative financial liabilities measured at fair value through profit or loss, held for trading derivatives, hedge accounting derivatives, negative interest on financial assets, lease liabilities, provisions recognised under IFRS 9 and IAS 37 (unwinding of the time value of the money effect due to passage of time) and net defined liabilities (net interest cost on severance payments, pensions and jubilee obligations) under IAS 19.

As regards types of financial instruments, interest income and other similar income include interest income on loans and advances to banks and customers, on cash balances, on debt securities in all measurement categories of financial assets, on trade and other receivables and on finance lease receivables. Interest expenses and other similar expenses include interest paid on deposits from customers, deposits from banks, debt securities issued and other financial liabilities in all measurement categories of financial liabilities and interest paid on lease liabilities. Net interest income also includes interest on derivative financial instruments.

Interest income also includes modification gains and losses recognised on financial assets in Stage 1. Further, the unamortised balance of the origination fees/transaction costs upon derecognition of assets in Stage 1 and 2 considered in the effective interest rate is presented as interest income at the derecognition date.

in EUR million	1-12 19	1-12 20
Financial assets at AC	5,342.1	4,921.4
Financial assets at FVOCI	201.9	186.6
Interest income	5,544.0	5,107.9
Non-trading financial assets at FVPL	63.4	60.8
Financial assets HfT	1,479.7	1,200.5
Hedge accounting derivatives, interest rate risk	-59.1	-33.6
Other assets	123.0	119.7
Negative interest from financial liabilities	48.2	114.3
Other similar income	1,655.2	1,461.7
Interest and other similar income	**7,199.2**	**6,569.7**
Financial liabilities at AC	-1,054.9	-621.2
Interest expenses	-1,054.9	-621.2
Financial liabilities at FVPL	-411.5	-346.7
Financial liabilities HfT	-1,010.2	-855.4
Hedge accounting derivatives, interest rate risk	152.2	142.1
Other liabilities	-52.5	-31.8
Negative interest from financial assets	-75.5	-81.8
Other similar expenses	-1,397.5	-1,173.6
Interest and other similar expenses	**-2,452.3**	**-1,794.8**
Net interest income	**4,746.8**	**4,774.8**

An amount of EUR 78.4 million (2019: EUR 80.9 million) relating to impaired financial assets is included in interest income. In addition modification gains or losses of financial instruments allocated to Stage 1 in the amount of EUR -36.5 million (2019: EUR 4.7 million) is reported in line item 'Financial assets at AC'.

The amounts disclosed in the line items 'Negative interest from financial liabilities' and 'Negative interest from financial assets' relate to the interbank business, deposits and refinancing with central banks only.

Interest expenses on financial liabilities at AC include also catch-up gains from TLTRO III in the amount of EUR 8.0 million (2019: EUR 0.0 million). For more details refer to Note 19 Financial liabilities at amortised costs.

3. Net fee and commission income

Erste Group earns fee and commission income from a diverse range of services that it provides to its customers. The determination of the timing and amount of income recognition follows the five step model of IFRS 15.

Fee and commission income is measured based on the consideration specified in the contract with a customer. Erste Group recognises revenue when it transfers control over a service to a customer.

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

Fee income earned from providing transaction services, such as arranging the acquisition and sale of shares or other securities on behalf of customers or foreign exchange transactions, as well as commission income earned from services such as the sale of collective investments and insurance products, are recognised upon completion of the underlying transaction. Payment services partly include transaction based fees like withdrawal fees.

A contract with a customer that results in the recognition of a financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then Erste Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Fees and commission income that are integral to the effective interest rate of a financial instrument are in the scope of IFRS 9 and are included in the net interest income.

	1-12 19		1-12 20	
in EUR million	Income	Expenses	Income	Expenses
Securities	206.5	-40.1	242.7	-40.6
Issues	45.5	-8.5	35.9	-1.0
Transfer orders	147.2	-30.3	194.1	-38.3
Other	13.8	-1.4	12.7	-1.3
Clearing and settlement	1.5	-2.4	1.4	-3.2
Asset management	376.0	-41.7	401.2	-39.5
Custody	107.0	-20.0	106.5	-21.4
Fiduciary transactions	2.1	0.0	1.1	-0.1
Payment services	1,137.4	-187.6	1,090.2	-186.8
Card business	374.3	-148.4	334.1	-147.5
Other	763.1	-39.1	756.1	-39.3
Customer resources distributed but not managed	241.4	-14.9	228.0	-7.7
Collective investment	11.3	-1.6	16.7	-1.5
Insurance products	186.9	-2.6	184.8	-2.6
Building society brokerage	14.5	-7.5	0.7	-0.9
Foreign exchange transactions	27.4	-1.5	24.4	-1.3
Other	1.4	-1.7	1.3	-1.3
Structured finance	0.0	-0.1	0.4	-0.1
Servicing fees from securitization activities	0.0	-0.2	0.0	-2.1
Lending business	197.1	-41.4	185.8	-38.6
Guarantees given, guarantees received	71.4	-4.4	74.8	-3.4
Loan commitments given, loan commitments received	21.7	-0.5	27.3	-0.8
Other lending business	104.1	-36.4	83.7	-34.4
Other	104.3	-24.9	97.1	-37.8
Total fee and commission income and expenses	**2,373.5**	**-373.4**	**2,354.5**	**-377.7**
Net fee and commission income	**2,000.1**		**1,976.8**	

Asset management, custody and fiduciary transactions fees relate to fees earned by Erste Group on trust and other fiduciary activities in which Erste Group holds or invests assets on behalf of its customers and amount to EUR 447.9 million (2019: EUR 423.4 million). Net fee and commission income above include income of EUR 891.9 million (2019: EUR 354.6 million) relating to financial assets and financial liabilities not measured at FVPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

4. Dividend income

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

in EUR million	1-12 19	1-12 20
Financial assets HfT	3.4	1.0
Non-trading financial assets at FVPL	15.5	10.6
Financial assets at FVOCI	9.0	8.3
Dividend income	**27.9**	**19.9**

5. Net trading result

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

The accounting policy for recognition of foreign exchange gains and losses is described in the chapter Significant accounting policies, b) Accounting and measurement methods, Foreign currency translations, i. Transactions and balances in foreign currency. Detailed information relating to hedge accounting can be found in Note 27 Hedge accounting.

in EUR million	1-12 19	1-12 20
Securities and derivatives trading	103.8	-57.2
Foreign exchange transactions	208.3	191.7
Result from hedge accounting	6.2	3.0
Net trading result	**318.3**	**137.6**

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

Changes in fair value (clean price) of non-trading financial assets at fair value through profit or loss, including gains and losses on their derecognition, are presented under this line item. This concerns both non-trading financial assets designated and those mandatorily measured at FVPL. Gains and losses (clean price) of financial liabilities designated at FVPL, including gains and losses on their derecognition, are also presented under this line item. However, the fair value changes resulting from credit risk of the liability are recognised in OCI.

in EUR million	1-12 19	1-12 20
Result from measurement/sale of financial assets designated at FVPL	10.4	13.2
Result from measurement/repurchase of financial liabilities designated at FVPL	-138.8	21.9
Result from financial assets and liabilities designated at FVPL	**-128.3**	**35.0**
Result from measurement/sale of financial assets mandatorily at FVPL	103.8	26.9
Gains/losses from financial instruments measured at fair value through profit or loss	**-24.5**	**62.0**

In the reporting period, a gain of EUR 1.1 million (2019: loss of EUR 36.1 million) (before taxes) was transferred from own credit risk reserve to retained earnings due to the repurchase of debt securities (own issues) issued.

7. Rental income from investment properties & other operating leases

Rental income from investment properties and other operating leases is recognised on a straight-line basis over the lease term. Operating expenses for investment properties are reported in line item ‘Other operating result’. For further details we refer to Note 12 Other operating result.

in EUR million	1-12 19	1-12 20
Investment properties	83.8	99.1
Other operating leases	86.3	74.4
Rental income from investment properties & other operating leases	**170.1**	**173.6**

8. General administrative expenses

Personnel expenses

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

Detailed information about remuneration of management including performance-linked remuneration can be found in Note 49 Related-party transactions and principal shareholders.

Other administrative expenses

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

Depreciation and amortisation

This line item comprises depreciation of property and equipment, depreciation of investment property and amortisation of intangible assets. In the line item 'Depreciation and amortisation', also the depreciation of right-of-use assets according to IFRS 16 is disclosed.

in EUR million	1-12 19	1-12 20
Personnel expenses	**-2,537.1**	**-2,520.7**
Wages and salaries	-1,924.2	-1,927.1
Compulsory social security	-471.3	-466.2
Long-term employee provisions	-30.6	-25.2
Other personnel expenses	-111.0	-102.3
Other administrative expenses	**-1,205.1**	**-1,158.9**
Deposit insurance contribution	-104.8	-132.2
IT expenses	-389.1	-425.4
Expenses for office space	-162.8	-158.9
Office operating expenses	-117.9	-119.6
Advertising/marketing	-200.1	-154.6
Legal and consulting costs	-137.0	-114.2
Sundry administrative expenses	-93.5	-54.0
Depreciation and amortisation	**-541.0**	**-540.9**
Software and other intangible assets	-188.8	-181.5
Owner occupied real estate	-139.6	-154.2
Investment properties	-28.8	-28.3
Customer relationships	-8.7	-7.7
Office furniture and equipment and sundry property and equipment	-175.1	-169.1
General administrative expenses	**-4,283.3**	**-4,220.5**

Personnel expenses include expenses of EUR 42.8 million (2019: EUR 45.3 million) for defined contribution plans, of which EUR 0.8 million (2019: EUR 1.6 million) relate to members of the management board.

Employee Share Program 2019 and Erste Mitarbeiterbeteiligung Privatstiftung

Under the Employee Share Program 2019, Erste Group Bank AG has transferred treasury shares free of charge to employees of Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG and the majority-owned Austrian subsidiaries. The shares were granted under the condition that the employees transfer their shares of Erste Group Bank AG under an escrow agreement to the Erste Mitarbeiterbeteiligung Privatstiftung and leave them there for the duration of their employment contract. Erste Group Bank AG limited the grant to one share for each 10 shares transferred by the employee and up to a value of EUR 7,500 per employee.

Erste Group Bank AG awarded a total number of 9,603 shares to employees and incurred expenses in the amount of EUR 0.4 million. The average share price of Erste Group Bank AG was EUR 32.69 during the registration period.

In 2019, Erste Mitarbeiterbeteiligung Privatstiftung has received 5,400 additional treasury shares under an escrow agreement from employees of a subsidiary. It was agreed that employees shall not have access to the shares for a certain period. The majority of the shares have been purchased with a payment of EUR 0.2 million made by the subsidiary to settle an obligation under a defined benefit plan. The settlement did not result in a gain or loss.

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

	1-12 19	1-12 20
Austria	**16,293**	**16,144**
Erste Group Bank AG, Erste Bank Oesterreich and subsidiaries	9,107	9,027
Haftungsverbund savings banks	7,187	7,117
Outside Austria	**31,210**	**31,084**
Česká spořitelna Group	9,873	9,892
Banca Comercială Română Group	6,951	6,729
Slovenská sporiteľňa Group	4,068	3,931
Erste Bank Hungary Group	3,134	3,218
Erste Bank Croatia Group	3,300	3,309
Erste Bank Serbia Group	1,143	1,173
Savings banks subsidiaries	1,610	1,616
Other subsidiaries and foreign branch offices	1,130	1,217
Total	**47,503**	**47,229**

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

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

in EUR million	1-12 19	1-12 20
Gains from derecognition of financial assets at AC	5.1	8.0
Losses from derecognition of financial assets at AC	-4.1	-1.2
Gains/losses from derecognition of financial assets measured at amortised cost	**0.9**	**6.8**

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

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

in EUR million	1-12 19	1-12 20
Sale of financial assets at FVOCI	6.2	1.2
Sale of financial lease receivables	0.1	0.0
Derecognition of financial liabilities at AC	17.2	-1.6
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**23.5**	**-0.4**

11. Impairment result from financial instruments

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

in EUR million	1-12 19	1-12 20
Financial assets at FVOCI	-4.2	-11.0
Financial assets at AC	-112.5	-1,115.7
Net allocation to credit loss allowances	-227.8	-1,219.6
Direct write-offs	-35.7	-27.2
Recoveries recorded directly to the income statement	154.0	140.4
Modification gains or losses	-3.0	-9.3
Finance lease receivables	7.4	-8.9
Credit loss allowances for loan commitments and financial guarantees given	70.0	-159.2
Impairment result from financial instruments	**-39.2**	**-1,294.8**

12. Other operating result

The other operating result reflects all other income and expenses not directly attributable to Erste Group's ordinary activities.

In particular this includes impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment, investment property and intangible assets. Any impairment losses on goodwill are also included in this line item. The main reasons for impairment losses to be recognized are summarized hereinafter:

- the intention to sell fixed assets and accordingly their re-measurement before reclassifying them based on IFRS 5,
- not fully occupied buildings that triggered a lower recoverable amount
- recurring measurement for foreclosed assets at the balance sheet date and
- recurring measurement for own used items of property at the balance sheet date and
- concessions and other intangibles for which measurable economic benefits are no longer expected in the future

In addition, the other operating result encompasses the following: expenses for other taxes; income from the release of and expenses for allocations to provisions, selling gains and losses on equity investments accounted for using the equity method; and gains or losses from derecognition of subsidiaries.

Furthermore, levies on banking activities are considered as part of the other operating result. Erste Group recognises a liability or a provision for the levy when the activity that triggers payment, as identified by the relevant legislation, occurs. In the statement of income levies are reported in under 'Other operating result'.

in EUR million	1-12 19	1-12 20
Other operating expenses	**-748.3**	**-383.6**
Allocation to other provisions	-366.0	-153.9
Levies on banking activities	-128.0	-117.7
Banking tax	-80.4	-73.7
Financial transaction tax	-47.6	-44.0
Other taxes	-14.0	-18.4
Recovery and resolution fund contributions	-75.3	-93.5
Impairment of goodwill	-165.0	0.0
Other operating income	**159.1**	**135.5**
Release of other provisions	159.1	135.5
Result from properties/movables/other intangible assets other than goodwill	3.3	-57.7
Result from other operating expenses/income	-42.1	27.5
Other operating result	**-628.2**	**-278.3**

Operating expenses (including repair and maintenance) for investment properties held for rental income totalled to EUR 29.6 million (2019: EUR 14.1 million).

Income from reversal of impairment for assets held for sale in the amount of EUR 3.4 million (2019: EUR 0.2 million) is recognised under 'Result from other operating expenses/income'.

Recovery and Resolution Fund

In the line 'Recovery and resolution fund contributions' contributions to the national resolution funds in amount of EUR 93.5 million (2019: EUR 75.3 million) are disclosed. The contributions are based on the European Recovery and Resolution Directive, which, inter alia, establishes a financing mechanism for the resolution of credit institutions. As a consequence, banks are required to contribute annually to a resolution fund, which in a first step is installed on a national level. According to these regulations, until 31 December 2024 the available financial means of the resolution funds shall reach at least 1% of the amount of covered deposits of all the credit institutions authorized within the European Union. Therefore the resolution funds have to be built over a period of 10 years, during which the contributions shall be spread out as even as possible until the target level is reached.

Provision for litigations in Romania

As of 31 December 2020 the increase of provision recognized as expense in income statement is shown in the line 'Allocation to other provisions' for risks related to Romanian consumer protection claims Act amounting to EUR 6.2 million (2019: income from release of provision EUR 6.1 million).

Provision in BCR Banca pentru Locuinte SA. (BPL) in 2019

In 2019 an allocation of provision is disclosed in the line 'Allocation to other provisions' in amount of EUR 153.3 million for losses expected from a decision of the Romanian High Court in relation to the business activities of a Romanian subsidiary BPL. For more details please refer to Note 42 Provisions.

Impairment of Goodwill in 2019

In Slovakia, the extension and increase of banking tax due to an amendment of the respective law during the year 2019 led to higher projected future expenses. This resulted in a decrease of the budgeted results and consequently the goodwill for Slovenská sporiteľňa was fully impaired in the amount of EUR 165.0 million in financial year 2019. According to IAS 36 it is not allowed to reverse an impairment loss for goodwill in forthcoming periods, even if the reason for impairment is no longer applicable.

13. Taxes on income

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period. However, they are recognised in other comprehensive income or directly in equity if they arise from a transaction or event which itself is recognised in OCI or equity.

Current tax

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

Coupon payments made to the holders of Additional Tier 1 equity instruments issued by Erste Group Bank AG are tax-deductible interest payments under the Austrian Tax Regulations. Since the AT1 coupons are considered as distributions of profit the income tax effects are recognised in profit or loss.

Deferred tax

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

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

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

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

Significant accounting judgements, assumptions and estimates

The determination of tax bases are underlying a general level of uncertainty by nature, as interpretation of tax legislation might require judgement. Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. For this purpose a planning period of 5 years is used.

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, corrections to taxes on income for previous years and the change in deferred taxes.

in EUR million	1-12 19	1-12 20
Current tax expense/income	-465.7	-346.0
current period	-461.9	-353.1
prior period	-3.8	7.2
Deferred tax expense/income	47.0	3.4
current period	51.4	10.0
prior period	-4.4	-6.6
Total	**-418.7**	**-342.5**

The following table reconciles the income taxes reported in the income statement to the pre-tax result from continuing operations multiplied by the nominal Austrian tax rate.

in EUR million	1-12 19	1-12 20
Pre-tax result from continuing operations	2,329.7	1,368.0
Income tax expense for the financial year at the Austrian statutory tax rate (25%)	-582.4	-342.0
Impact of different foreign tax rates	135.9	87.6
Impact of tax-exempt earnings of investments and other tax-exempt income	258.7	148.1
Tax increases due to non-deductible expenses, additional business tax and similar elements	-139.3	-163.2
Impact on deferred taxes from topics on Group level	-171.4	-18.4
Current period's recognition through P&L of DTA from tax losses, assessed non-recoverable at the end of the prior period	6.9	5.5
Current period's impairment of DTA recognized in prior periods through P&L	-4.0	-58.5
Current period's recognition through P&L of DTA from temporary differences, assessed non-recoverable at the end of the prior period	137.1	33.1
Impact of current non-recoverable fiscal losses and temporary differences for the year	-28.0	-29.6
Tax expense/income not attributable to the reporting period	-29.9	0.6
Tax expense/income from changes of the tax rate or the imposition of new taxes	2.4	0.0
Tax expense/income attributable to other effects	-4.7	-5.8
Total	**-418.7**	**-342.5**

The following table shows the income tax effects relating to each component of other comprehensive income:

	1-12 19			1-12 20		
in EUR million	Pre-tax amount	Income tax	Net-of-tax amount	Pre-tax amount	Income tax	Net-of-tax amount
Fair value reserve of equity instruments	54.1	-11.2	42.9	5.8	-0.7	5.0
Fair value reserve of debt instruments	44.6	-11.5	33.1	44.4	-10.6	33.8
Own credit risk reserve	-17.5	27.3	9.8	127.5	-11.9	115.6
Cash flow hedge reserve	-54.4	11.8	-42.6	99.2	-18.0	81.2
Remeasurement of defined benefit plans	-139.9	17.2	-122.8	-61.0	2.4	-58.6
Currency reserve	-13.5	0.0	-13.5	-338.4	0.0	-338.4
Other comprehensive income	**-126.6**	**33.6**	**-93.0**	**-122.5**	**-38.8**	**-161.3**

Taxes on income within other comprehensive income are influenced by the consideration of the result of recoverability assessments allocated against OCI-related deferred tax assets. The allocation of the result of recoverability assessments is based on Erste Group's methodology of allocating non-recoverable deferred tax assets per P&L and OCI. This approach proportionately reflects how the underlying temporary differences arose from IFRS-based adjustments of the accounting values of the related items.

Besides, the income tax related to the fair value reserve and the cash flow hedge reserve is influenced by differences of tax rates applicable on contrary changes within the fair value reserve.

Major components of deferred tax assets and deferred tax liabilities

	Tax assets		Tax liabilities		Net variance 2020		
in EUR million	Dec 20	Jan 20	Dec 20	Jan 20	Total	Profit or loss	Other comprehensive income
Temporary differences related to the following items:							
Financial assets and liabilities HfT and non-trading financial assets and liabilities at FVPL	319	390	-305	-337	-40	-49	9
Financial assets at FVOCI	0	6	-62	-74	6	-1	-11
Financial assets at AC and finance lease receivables	314	191	-119	-34	38	38	0
Hedge accounting derivatives	87	126	-48	-22	-64	-47	-18
Property, plant and equipment	27	35	-112	-125	6	7	0
Equity Investments in subsidiaries, associates and joint-ventures	45	93	-8	-3	-53	-53	0
Financial liabilities at AC	214	185	-38	-3	-7	-7	0
Long-term employee provisions (tax valuation different)	148	151	-3	-4	-2	-4	2
Other provisions (tax valuation different)	104	67	-2	-4	39	39	0
Customer relationships, brands and other intangibles	4	17	-88	-84	-18	-18	0
Other	134	104	-60	-108	79	79	0
Non-recoverable tax position from temporary differences	-161	-217	0	0	56	77	-20
Deferred tax position from accumulated tax loss carried forward after recoverability considerations	48	108	0	0	-59	-59	0
Effect of netting according IAS 12.71	-823	-780	823	780			
Total deferred taxes	**460**	**477**	**-20**	**-18**	**-18**	**3**	**-39**
Current taxes	**175**	**81**	**-58**	**-61**	**96**	**-346**	**0**
Total taxes	**635**	**558**	**-79**	**-78**	**78**	**-343**	**-39**

in EUR million	Tax assets		Tax liabilities		Net variance 2019		
	Dec 19	Jan 19	Dec 19	Jan 19	Total	Profit or loss	Other comprehensive income
Temporary differences related to the following items:							
Financial assets and liabilities HfT and non-trading financial assets and liabilities at FVPL	390	371	-337	-341	24	5	18
Financial assets at FVOCI	6	8	-74	-105	30	41	-11
Financial assets at AC and finance lease receivables	191	199	-34	-11	-31	-31	0
Hedge accounting derivatives	126	161	-22	-46	-11	-22	12
Property, plant and equipment	35	47	-126	-26	-111	-111	0
Equity Investments in subsidiaries, associates and joint-ventures	93	232	-3	-2	-139	-139	0
Financial liabilities at AC	185	37	-3	-1	146	146	0
Long-term employee provisions (tax valuation different)	151	122	-4	-3	28	11	17
Other provisions (tax valuation different)	67	75	-4	-4	-8	-8	0
Customer relationships, brands and other intangibles	17	18	-84	-73	-12	-12	0
Other	104	142	-108	-134	-11	-11	0
Non-recoverable tax position from temporary differences	-217	-314	0	0	97	97	0
Deferred tax position from accumulated tax loss carried forward after recoverability considerations	108	29	0	0	79	79	0
Effect of netting according IAS 12.71	-780	-724	780	724	0	0	0
Total deferred taxes	**477**	**402**	**-18**	**-23**	**80**	**44**	**36**
Current taxes	**81**	**101**	**-61**	**-99**	**-466**	**-466**	**0**
Total taxes	**558**	**504**	**-78**	**-122**	**-386**	**-422**	**36**

The deferred tax assets and liabilities are presented prior to subsidiary-level balance-sheet netting of attributable gross deferred tax assets and gross deferred tax liabilities. The amounts shown in the table are gross amounts before recoverability assessments except for the position deferred tax assets resulting from tax loss carry-forward. The remaining non-recoverable amounts are considered in line 'Non-recoverable tax position from temporary differences' in the table. The position 'Other' comprises all deferred tax positions not being shown as separate positions in the table above.

Out of the total net deferred tax decrease of EUR 18 million (2019: increase EUR 80 million) an amount of EUR 3 million (2019: EUR 47 million) is reflected as deferred tax income in the Group's income statement for the year 2020, whilst an expense amount of EUR 39 million (2019: income EUR 34 million) represents the impact in the Group's other comprehensive income for the year. Furthermore, a deferred tax expense of EUR 18 million (2019: EUR 11 million) representing accumulated OCI in respect of deferred tax recognized for cumulative changes in the fair value of FVOCI equity instruments sold during the year has been transferred into retained earnings, consequent to the related temporary differences reversing upon sale. Similarly in 2019, deferred tax income in the amount of EUR 9 million representing accumulated OCI in respect of deferred tax recognized for cumulative changes in own credit risk attributable to own issues repurchased during the year has been transferred into retained earnings, consequent to the related temporary differences reversing upon repurchase. In addition to this, in 2019 further tax expense in amount of EUR 3 million were recognised directly in retained earnings and reported in column 'Profit or loss'.

The Group's consolidated deferred tax asset position in amount of EUR 460 million as of 31 December 2020 (2019: EUR 475 million) is expected to be recoverable in the foreseeable future. This is also expected to be the case for deferred tax assets exceeding their deferred tax liabilities by an amount of EUR 15 million as of 31 December 2020 (2019: EUR 11 million) incurred by subsidiaries reporting losses in the current or prior period. These expectations result from year-end recoverability assessments undertaken by the Group's entities, either at individual level, or at relevant tax group level. Such assessments are comparing net temporary deductible differences and available fiscal losses at year-end - after offsetting with deferred tax liabilities at individual level or at relevant tax group level - with fiscal profit forecasts for a group-wide unified and unchanged time horizon of a maximum 5 years depending on the fiscal jurisdiction and applicable facts and circumstances. If the result of these assessments is negative, the deferred tax asset positions are correspondingly not recorded and the already existing deferred tax asset positions are correspondingly depreciated.

In accordance with IAS 12.39, no deferred tax liabilities were recognized for temporary differences relating to investments in subsidiaries with an amount of EUR 2,021 million (2019: EUR 1,990 million), as they are not expected to reverse in the foreseeable future. As of 31 December 2020, no deferred tax assets were recognized for tax loss carry-forward and deductible temporary differences with a total amount of EUR 4,354 million (2019: EUR 4,060 million), of which EUR 3,225 million (2019: EUR 3,023 million) relates to tax loss carry-forward, as they are not expected to be realized in the foreseeable future. The figure comprises an amount of EUR 485 million (2019: EUR 508 million) representing temporary differences in connection with investments in subsidiaries no deferred tax assets have been recognized for in accordance with IAS 12.44.

From the total of the not recorded deferred tax assets related to tax loss carry-forward in the following period EUR 1 million will expire (2019: EUR 8 million) and in later periods EUR 5 million (2019: EUR 35 million), EUR 788 million (2019: EUR 669 million) will not expire.

14. Appropriation of profit

In the reporting period, Erste Group Bank AG posted a post-tax loss of EUR 118.4 million under the Austrian accounting regulations, which decreased its distributable capital accordingly (2019 post-tax profit: EUR 1,327.1 million). .

On 15 December 2020 the European Central Bank (ECB) has issued a recommendation in respect of dividend payouts. The management board of Erste Group will propose a 2020 dividend, in line with the ECB recommendation, of EUR 0.5 per share to the 2021 AGM for payment in May 2021. Furthermore, an additional reserve of EUR 1.0 per share was created, for payment once the ECB recommendation is withdrawn and subject to profitability and capital performance.

On 10 November 2020 the annual general meeting resolved to pay a dividend of EUR 0.75 per share for the business year of 2019 (appropriation of net profit), conditional upon no regulatory ECB recommendation to refrain from such payments or no other legal restrictions being in force prohibiting such distributions on 8 February 2021. Based on the ECB recommendations conditions to pay dividend of EUR 0.75 per share have not been met as of 8 February 2021 and no dividend was distributed. As a pay out is not possible, the dividend is allocated to retained earnings according to the resolution taken on the annual general meeting on 10 November 2020.

Financial instruments – Significant accounting policies

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

Measurement methods for financial instruments

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

i. Amortised cost and effective interest rate

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

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

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

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

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

Interest expense is calculated by applying the EIR to the amortised cost of a financial liability.

ii. Fair value

Fair value is the price that would be received if an asset were sold or paid if a liability were transferred in an orderly transaction between market participants on the measurement date. The definition also applies to fair value measurements of non-financial assets and liabilities. Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in Note 26 Fair value of financial instruments.

Initial recognition and measurement

i. Initial recognition

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

ii. Initial measurement

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

Classification and subsequent measurement of financial assets

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

(i) The business model for managing the financial assets – the assessment is focused on whether the financial asset is part of a portfolio in which the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets or they are held in other business models.

(ii) The cash flow characteristics of the financial assets – the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

Application of these criteria leads to classification of financial assets into three measurement categories described in the respective note.

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income
- Financial assets at fair value through profit or loss

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss. Further details on financial liabilities at amortised cost and financial liabilities at FVPL are in the respective notes: Note 19 Financial liabilities at amortised costs and Note 24 Financial liabilities at fair value through profit or loss.

Impairment of financial instruments

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

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

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

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

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

Financial assets in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, Erste Group generally adopted the approach of aligning it with the regulatory concept of 'default' for lending exposures. The impairment for such financial assets is measured in the amount of lifetime expected credit loss. Interest income is recognised by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset. From a balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss).

More detailed information about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 34 Credit risk.

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

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

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

Write-offs

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

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

Derecognition of financial instruments including treatment of contractual modifications

i. Derecognition of financial assets

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

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

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

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

In the normal course of running its lending business and in agreement with the respective debtors, Erste Group may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty. For the purpose of capturing the economic substance and financial effect of such contractual modifications, Erste Group has developed a set of criteria to assess whether or not the modified terms are substantially different from the original terms.

Commercial interest rate adjustments fulfilling specific conditions do not trigger the modification significance assessment. Instead, they result in a recalculation of the EIR of related loans. Such interest rate adjustments relate to performing non-forborne lending agreements for which a prepayment/early termination option and a sufficiently competitive refinancing market exist. Furthermore, the costs that the debtor would incur in case of prepayment/early termination would have to be assessed as low. Such conditions introduce an implicit floating rate element to the contract. This kind of interest rate adjustments rarely applies to loan assets in Stage 2.

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

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

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

From this perspective, the following criteria lead to derecognition unless they are considered as forbearance measures or they are applied to customers in default or they trigger default (i.e. the derecognition occurs if the modification does not relate to financial difficulties):

- repayment schedule changed in a way that the weighted remaining maturity of the assets is modified by more than 100% and at least two years compared to the original asset; or
- change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months);

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

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

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

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

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

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

iii. Derecognition of financial liabilities

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

Significant accounting judgements, assumptions and estimates

i. SPPI assessment

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

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

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

Interest mismatches features relate to floating rate financial assets where: - the reference rate's (such as Euribor) tenor is different to the rate reset frequency, - time lags arise from interest rates fixed prior to the start of the interest period, or combinations of these features. For this purpose, Erste Group has developed a so called 'benchmark test' to assess whether the interest mismatch feature could result in contractual (undiscounted) cash flows that are significantly different from a benchmark deal which does not have the interest mismatch feature. For assets with interest mismatches resulting only from lagged rates (i.e. with no tenor mismatches), SPPI compliance is considered to be met based on a qualitative assessment if the time lag between the fixation of the rate and the start of the interest period does not exceed one month.

Performing the quantitative benchmark test was particularly important upon transition to IFRS 9 as at 1 January 2018 for the portfolio existing at that time. Subsequently, the issuance of new loans with interest mismatch features was largely restricted so that a quantitative benchmark test applies only in exceptional cases.

ii. Business model assessment

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

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

iii. Impairment of financial instruments

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, Erste Group has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level. Measurement of expected credit losses involves complex models relying on historical statistics of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of various scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of behavioural life of revolving credit facilities.

Detailed disclosures about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 34 Credit risk,. The development of loan loss provisions is described in, Note 16 Financial assets at amortised cost, Note 18 Trade and other receivables, Note 25 Financial assets at fair value through other comprehensive income and in chapter Leases for Finance lease receivables.

Financial instruments held at amortised cost

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

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line 'Financial assets at amortised cost', 'Trade and other receivables' and 'Cash and cash balances'.

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

At Erste Group, financial assets at amortised cost constitute the largest measurement category, which includes the vast majority of loan business to customers (except for certain loans measured at fair value through profit or loss), interbank lending business (including reverse repo transactions), deposits with central banks, investments in debt securities, amounts in the course of settlement, trade and other receivables.

For description of financial liabilities at measured amortised cost refer to Note 19 Financial liabilities at amortised costs.

15. Cash and cash balances

Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. A part of 'Cash balances at central banks' represents the mandatory minimum reserve requirement deposits which amounted to EUR 4,575.2 million (2019: EUR 2,975.6 million) at the reporting date. The mandatory minimum reserve requirement is calculated from defined balance sheet items and has to be fulfilled in average through an extended period of time. Therefore, the mandatory minimum reserve requirement deposits are not subject to any restraints.

in EUR million	Dec 19	Dec 20
Cash on hand	6,032	7,694
Cash balances at central banks	3,466	27,006
Other demand deposits at credit institutions	1,195	1,139
Cash and cash balances	**10,693**	**35,839**

16. Financial assets at amortised cost

Debt securities

Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield generating activities). Their common attribute is that significant and frequent sales of such securities are not expected. For a description of what sales are considered as compliant with the held to collect contractual cash flows business model, see paragraph 'Business model assessment' in chapter 'Financial instruments - Significant accounting policies'.

Gross carrying amounts and credit loss allowances per impairment buckets

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	
Dec 20									
Central banks	14	0	0	14	0	0	0	0	14
General governments	25,215	11	0	25,227	-7	0	0	-7	25,220
Credit institutions	3,490	19	0	3,510	-2	0	0	-2	3,508
Other financial corporations	135	11	0	146	0	-1	0	-1	145
Non-financial corporations	667	28	3	698	-1	-2	-1	-5	693
Total	**29,521**	**70**	**3**	**29,594**	**-10**	**-3**	**-2**	**-15**	**29,579**
Dec 19									
Central banks	53	0	0	53	-1	0	0	-1	52
General governments	22,483	29	0	22,512	-4	0	0	-4	22,508
Credit institutions	3,287	1	0	3,288	-2	0	0	-2	3,286
Other financial corporations	136	7	0	143	0	-1	0	-1	142
Non-financial corporations	760	17	3	780	-1	-2	-2	-4	776
Total	**26,718**	**53**	**4**	**26,774**	**-7**	**-2**	**-2**	**-11**	**26,764**

There are no purchased or originated credit-impaired (POCI) debt securities at AC as of 31 December 2020.

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 20						**Dec 20**
Stage 1	-7	-7	2	0	0	0	-11
Stage 2	-2	0	0	-1	0	0	-3
Stage 3	-2	0	0	0	0	0	-2
Total	**-11**	**-7**	**2**	**-1**	**1**	**0**	**-15**
	Jan 19						**Dec 19**
Stage 1	-6	-3	0	0	1	0	-7
Stage 2	0	0	0	-1	-1	0	-2
Stage 3	-2	0	0	0	1	0	-2
Total	**-8**	**-3**	**0**	**-1**	**1**	**0**	**-11**

In column ‘Additions’ increases of CLA due to the initial recognition of debt securities at AC during the current reporting period are disclosed. Releases of CLA following the derecognition of the related debt securities at AC are reported in column ‘Derecognitions’.

In column ‘Transfers between stages’ CLA net changes due to changes in credit risk that triggered re-assignments of the related AC debt securities from Stage 1 (at 1 January 2020 or initial recognition date) to Stages 2 or 3 at 31 December 2020 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line ‘Stage 1’. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column ‘Other changes in credit risk (net)’.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’.

The year-end total GCAs of AC debt securities that were initially recognized (purchased) during the year 2020 and not fully derecognized by 31 December 2020 amounts to EUR 5.622,0 million (2019: EUR 4,133.8 million.) The GCA of AC debt securities that were held at 1 January 2020 and derecognized during the year 2020 amounts to EUR 2,524.2 million (2019: EUR 3,257.4 million).

Loans and advances to banks

Gross carrying amounts and credit loss allowances per impairment buckets

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	
Dec 20									
Central banks	16,763	0	0	16,763	-1	0	0	-1	16,762
Credit institutions	4,669	38	0	4,707	-2	0	0	-3	4,704
Total	**21,432**	**38**	**0**	**21,469**	**-3**	**0**	**0**	**-3**	**21,466**
Dec 19									
Central banks	16,109	0	0	16,109	0	0	0	0	16,108
Credit institutions	6,936	17	2	6,955	-6	0	-2	-9	6,946
Total	**23,045**	**17**	**2**	**23,063**	**-7**	**0**	**-2**	**-9**	**23,055**

There are no purchased or originated credit-impaired (POCI) AC loans and advances to banks at 31 December 2020.

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 20						**Dec 20**
Stage 1	-7	-27	13	0	17	0	-3
Stage 2	0	0	0	0	0	0	0
Stage 3	-2	0	2	0	-2	2	0
Total	**-9**	**-27**	**15**	**0**	**15**	**2**	**-3**
	Jan 19						**Dec 19**
Stage 1	-3	-29	27	0	-1	0	-7
Stage 2	-3	0	0	0	3	0	0
Stage 3	-2	0	0	0	0	0	-2
Total	**-8**	**-30**	**27**	**0**	**2**	**0**	**-9**

In column 'Additions' increases of CLA due to the initial recognition of loans and advances to banks at AC during the current reporting period are disclosed. Releases of CLA following the derecognition of the related loans and advances to banks at AC are reported in column 'Derecognitions'.

Any changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes in credit risk (net)'.

The year-end total GCA of AC loans and advances to banks that were initially recognized during the year 2020 and not fully de-recognized by 31 December 2020 amounts to EUR 20,962.3 million (2019: EUR 21,878.5 million). The GCA of AC loans and advances to banks that were held as of 1 January 2020 and fully de-recognized during the year 2020 amounts to EUR 21,347.1 million (2019: 17,928.4 million).

Loans and advances to customers

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Dec 20											
General governments	6,455	330	3	3	6,791	-4	-4	-2	-1	-11	6,779
Other financial corporations	2,860	836	19	11	3,727	-8	-38	-6	0	-51	3,676
Non-financial corporations	50,673	18,379	2,075	227	71,354	-186	-657	-1,172	-92	-2,107	69,247
Households	69,241	10,554	1,935	125	81,855	-136	-472	-1,021	-33	-1,662	80,193
Total	**129,229**	**30,100**	**4,031**	**367**	**163,727**	**-335**	**-1,171**	**-2,201**	**-125**	**-3,831**	**159,895**
Dec 19											
General governments	6,449	325	3	4	6,781	-17	-3	-2	-1	-23	6,757
Other financial corporations	3,342	244	12	13	3,612	-5	-9	-8	0	-22	3,590
Non-financial corporations	60,331	5,618	1,584	242	67,774	-176	-243	-965	-96	-1,479	66,296
Households	70,577	6,538	1,886	145	79,146	-122	-251	-1,029	-43	-1,445	77,701
Total	**140,699**	**12,725**	**3,484**	**404**	**157,312**	**-320**	**-506**	**-2,003**	**-139**	**-2,969**	**154,344**

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 20								Dec 20
Stage 1	**-320**	**-233**	**64**	**376**	**-227**	**0**	**0**	**4**	**-335**
General governments	-17	-5	2	1	15	0	0	0	-4
Other financial corporations	-5	-10	5	8	-9	0	0	3	-8
Non-financial corporations	-176	-149	41	157	-60	0	0	0	-186
Households	-122	-68	16	210	-173	0	0	2	-136
Stage 2	**-506**	**-133**	**125**	**-1,025**	**361**	**0**	**1**	**6**	**-1,171**
General governments	-3	0	0	-3	2	0	0	0	-4
Other financial corporations	-9	-2	1	-14	-13	0	0	0	-38
Non-financial corporations	-243	-85	83	-533	116	1	0	4	-657
Households	-251	-46	41	-475	256	-1	1	2	-472
Stage 3	**-2,003**	**-92**	**245**	**-129**	**-507**	**2**	**270**	**12**	**-2,201**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-8	-2	2	0	-2	0	4	0	-6
Non-financial corporations	-965	-51	106	-55	-357	2	143	3	-1,172
Households	-1,029	-40	137	-74	-149	1	123	9	-1,021
POCI	**-139**	**0**	**15**	**0**	**-9**	**0**	**6**	**2**	**-125**
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	-96	0	9	0	-9	0	3	1	-92
Households	-43	0	6	0	0	0	3	2	-33
Total	**-2,969**	**-458**	**449**	**-778**	**-382**	**3**	**278**	**25**	**-3,831**
	Jan 19								Dec 19
Stage 1	**-321**	**-255**	**75**	**280**	**-98**	**0**	**0**	**-1**	**-320**
General governments	-16	-4	1	1	1	0	0	0	-17
Other financial corporations	-8	-8	7	2	2	0	0	0	-5
Non-financial corporations	-169	-160	50	104	-1	0	0	0	-176
Households	-128	-83	17	174	-101	0	0	-1	-122
Stage 2	**-455**	**-34**	**79**	**-486**	**382**	**0**	**3**	**4**	**-506**
General governments	-10	0	0	-1	8	0	0	0	-3
Other financial corporations	-5	-1	1	-7	1	0	0	3	-9
Non-financial corporations	-191	-15	44	-185	107	-1	0	-1	-243
Households	-249	-17	35	-293	266	1	3	3	-251
Stage 3	**-2,341**	**-131**	**362**	**-111**	**-272**	**0**	**491**	**-3**	**-2,003**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-40	-9	4	-1	0	0	9	28	-8
Non-financial corporations	-1,133	-78	135	-42	-117	0	300	-30	-965
Households	-1,166	-44	223	-68	-155	0	182	-1	-1,029
POCI	**-173**	**0**	**28**	**0**	**-10**	**-4**	**18**	**1**	**-139**
General governments	0	0	0	0	1	0	0	-2	-1
Other financial corporations	-3	0	0	0	3	0	0	0	0
Non-financial corporations	-97	0	17	0	-25	-3	11	1	-96
Households	-73	0	11	0	11	-1	7	1	-43
Total	**-3,290**	**-419**	**545**	**-316**	**2**	**-3**	**512**	**1**	**-2,969**

In column 'Additions' increases of CLA due to the initial recognition of loans and advances to customers at AC during the current reporting period are disclosed. CLAs recognized against drawings from non-revolving loan commitments are deemed as additions for the purpose of presenting current period's movement in CLA. Therefore, additions in Stages 2 and 3 reflect transfers from Stage 1 having occurred between commitment and drawing dates of related credit facilities. Releases of CLA following the derecognition of the related loans and advances to customers at AC are reported in column 'Derecognitions'.

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related AC loans and advances to customers from Stage 1 at 1 January 2020 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2020 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse (incremental year-on-year allocations) and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable (incremental year-on-year releases) and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes in credit risk (net)'. This column also captures the passage-of-time adverse effect ('unwinding correction') over the lifetime expected cash shortfalls of AC loans and advances to customers that were assigned to Stage 3 for any period throughout the year, as well as of any POCI loans and advances to customers. This adverse effect amounted to EUR 59.9 million (2019: EUR 71.1 million) cumulatively for the year 2020, which also reflects the unrecognized interest income out of the related AC loans and advances to customers throughout the year.

The column 'Insignificant modifications (net)' reflects the effect on CLA arising from contractual modifications of loans and advances to customers at AC which do not trigger their full derecognition. The use of CLA triggered by full or partial write-offs of AC loans and advances to customers is reported in column 'Write-offs'.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across different impairment stages. The year-end GCA of AC loans and advances to customers that were assigned at 31 December 2020 to a different stage compared to 1 January 2020 (or to the initial recognition date, if originated during the year) are summarized below:

	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
in EUR million	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
Dec 20								
General governments	201	89	0	0	0	0	0	0
Other financial corporations	579	65	4	2	8	0	0	0
Non-financial corporations	14,523	1,145	380	49	573	7	2	10
Households	6,549	1,546	287	142	372	41	1	10
Total	**21,853**	**2,845**	**671**	**193**	**954**	**48**	**3**	**20**
Dec 19								
General governments	120	69	0	0	1	0	0	0
Other financial corporations	157	107	0	1	2	0	0	14
Non-financial corporations	3,925	933	130	37	204	14	10	9
Households	2,928	1,464	269	92	303	51	2	11
Total	**7,131**	**2,572**	**399**	**130**	**509**	**64**	**12**	**34**

Detailed information on stage transfers due to Covid-19 measures are described in Note 34 Credit risk.

The year-end total GCA of the AC loans and advances to customers that were initially recognized during the reporting period and not fully de-recognized by 31 December 2020 amounts to EUR 39,706.5 million (2019: EUR 38,982.9 million). The GCA of the AC loans and advances to customers that were held at 1 January 2020 and fully de-recognized during the reporting period amounts to EUR 19,576.4 million (2019: EUR 16,425.7 million).

The undiscounted amount of the lifetime expected credit losses considered in the initial measurement of the AC loans and advances to customers initially recognized and identified as POCI during the year 2020 amounted to EUR 43.5 million (2019: EUR 32.4 million).

17. Debt instruments subject to contractual modifications

Impact of non-significant contractual modifications of debt instruments AC assigned to Stage 2 and 3

in EUR million	Dec 19		Dec 20	
	Amortised cost before the modification	Net modification gains/losses	Amortised cost before the modification	Net modification gains/losses
Loans and advances				
General governments	12	0	16	0
Other financial corporations	11	0	131	1
Non-financial corporations	615	-3	4,398	2
Households	489	1	2,929	-13
Total	**1,128**	**-2**	**7,474**	**-9**

As at 31 December 2020, the total GCA of Erste Group's debt instruments measured at AC, which were impacted by non-significant contractual modifications while they were assigned to Stage 2 or 3 and re-assigned to Stage 1 during the year 2020 amounted to EUR 671.0 million (2019: EUR 306.2 million).

18. Trade and other receivables

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Dec 20											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	35	20	0	0	55	0	0	0	0	0	55
Credit institutions	27	2	0	0	29	0	0	0	0	-1	29
Other financial corporations	25	2	0	0	28	0	0	0	0	0	27
Non-financial corporations	484	639	39	0	1,162	-4	-5	-29	0	-38	1,124
Households	88	21	21	0	130	-2	-5	-18	0	-24	106
Total	**660**	**684**	**61**	**0**	**1,405**	**-6**	**-10**	**-47**	**0**	**-64**	**1,341**
Dec 19											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	44	18	0	0	63	0	0	0	0	0	62
Credit institutions	22	2	0	0	25	0	-1	0	0	-1	24
Other financial corporations	24	5	0	0	30	0	0	0	0	0	29
Non-financial corporations	500	680	50	10	1,240	-3	-2	-41	-1	-47	1,193
Households	70	33	19	0	122	-3	-7	-13	0	-23	99
Total	**661**	**738**	**70**	**10**	**1,480**	**-6**	**-10**	**-55**	**-1**	**-72**	**1,408**

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 20								**Dec 20**
Stage 1	-6	-4	2	1	1	0	0	0	-6
Stage 2	-10	0	2	-4	1	0	0	0	-10
Stage 3	-55	0	5	-1	-6	0	6	4	-47
POCI	-1	0	1	0	0	0	0	0	0
Total	**-72**	**-5**	**9**	**-3**	**-4**	**0**	**6**	**4**	**-64**
	Jan 19								**Dec 19**
Stage 1	-5	-5	1	1	0	0	0	0	-6
Stage 2	-19	0	1	-1	4	0	6	0	-10
Stage 3	-98	-1	9	-3	1	0	37	0	-55
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-122**	**-6**	**11**	**-3**	**5**	**0**	**43**	**0**	**-72**

19. Financial liabilities at amortised costs

The line item 'Financial liabilities at amortised cost' is further broken down into 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

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

Financial liabilities stemming from the TLTRO programme of the ECB are presented under 'Deposits from banks'. Erste Group assessed an appropriate accounting treatment of the TLTRO. The conclusion was that such instruments do not qualify as below-market interest rate loans and therefore are not related to IAS 20 government grants accounting. The reason was that the TLTRO is considered as a separate market organised by the ECB as part of its monetary policy. As a result, the IFRS 9 amortised cost accounting treatment applies.

The carrying amount of the TLTRO III liabilities was EUR 14,088 million at the end of 2020 (2019: EUR 1,035 million). The negative interest expense recognised for the TLTRO III in 2020, including the catch-up adjustment discussed below, was EUR 52.3 million (2019: EUR 0.2 million).

In general, the TLTRO interest rate is reduced if banks reach certain lending thresholds. At the TLTRO inception, the original effective interest rate is determined by considering the contractual terms and assessing whether the eligibility conditions for the reduced interest will be fulfilled. The scenario which is considered more likely is used for the original effective interest rate calculation.

Erste Group assesses on an ongoing basis how it meets the eligibility criteria for the lower interest rate. Any subsequent changes in estimates of payments due to the revised assessment of the eligibility conditions are treated as catch-up adjustments. The amount of the catch-up adjustment is determined by discounting the revised estimated payments at the original effective interest rate and comparing it to the gross carrying amount before the adjustment. The catch-up adjustments are presented in the net interest income.

In 2020, in order to support the provision of credit in the economy hit by the Covid-19 pandemic, the ECB modified the conditions of the TLTRO III by additional reductions of interest rates. In April the interest rate reduction by 50bp during the period between June 2020 and June 2021 was conditional upon reaching the lending threshold of 0% between 1 March 2020 and 31 March 2021. Erste Group considered that the eligibility criteria were fulfilled. This resulted in a recognition of a positive catch-up adjustment in the amount of EUR 8.0 million (2019: EUR 0.0 million). In December 2020 the ECB announced to extend the pandemic-related low interest for the period between June 2021 and June 2022. Erste Group's assessment at 2020 year end was that the lending threshold conditions for this interest rate reduction will not be met. No additional catch-up adjustment was recognised based on this announcement.

Deposits from banks

in EUR million	Dec 19	Dec 20
Overnight deposits	1,951	2,115
Term deposits	9,613	21,728
Repurchase agreements	1,577	927
Deposits from banks	**13,141**	**24,771**

Deposits from customers

in EUR million	Dec 19	Dec 20
Overnight deposits	**121,651**	**144,864**
Savings deposits	31,476	37,265
Other financial corporations	150	185
Non-financial corporations	1,992	2,457
Households	29,334	34,623
Non-savings deposits	90,174	107,599
General governments	5,339	5,806
Other financial corporations	5,705	6,936
Non-financial corporations	27,245	33,312
Households	51,886	61,544
Term deposits	**49,910**	**44,684**
Deposits with agreed maturity	43,508	38,142
Savings deposits	28,248	25,996
Other financial corporations	1,098	1,050
Non-financial corporations	1,323	1,331
Households	25,826	23,615
Non-savings deposits	15,261	12,146
General governments	3,294	2,832
Other financial corporations	2,488	1,890
Non-financial corporations	3,493	2,285
Households	5,985	5,140
Deposits redeemable at notice	6,402	6,543
General governments	12	1
Other financial corporations	86	110
Non-financial corporations	163	256
Households	6,140	6,175
Repurchase agreements	**1,505**	**1,269**
General governments	9	2
Other financial corporations	1,431	1,260
Non-financial corporations	65	6
Deposits from customers	**173,066**	**190,816**
General governments	8,655	8,642
Other financial corporations	10,958	11,431
Non-financial corporations	34,281	39,648
Households	119,173	131,097

Debt securities issued

in EUR million	Dec 19	Dec 20
Subordinated debt securities issued	1,439	1,477
Senior non-preferred bonds	505	669
Other debt securities issued	15,417	16,874
Bonds	2,929	4,680
Certificates of deposit	81	520
Other certificates of deposits/name certificates	237	178
Mortgage covered bonds	10,796	10,977
Public sector covered bonds	0	0
Other	1,374	519
Debt securities issued	**17,360**	**19,020**

In 1998, Erste Group Bank AG launched a EUR 30 billion Debt Issuance Programme (DIP). Since then other issuance programmes had been set up to fulfill high standards of specific seniorities and investor classes. In 2020, 17 DIP new bonds (2019: 49) with a total volume of approximately EUR 165 million (2019: EUR 1.8 billion) were issued under the DIP.

In 2020, 120 (2019: 173) new bonds with a total volume of EUR 184 million (2019: EUR 414 million) were issued out of the Structured Notes Programme. In November 2018 the Covered Bonds Programme was implemented, under which 2 (2019: 3) new bonds with a total volume of EUR 2.3 billion (2019: EUR 1.0 billion) were issued. In June 2019, the Capital Guaranteed Structured Notes Programme was implemented, under which 36 (2019: 16) new bonds with a total volume of EUR 129 million (2019: EUR 70 million) were issued. In December 2019, the Multi Issuer EMTN Notes Programme was implemented, under which 5 new bonds with a total volume of EUR 2.7 billion were issued.

Furthermore, senior unsecured registered notes (‘Namensschuldverschreibungen’), were issued with a volume of EUR 69 million (2019: EUR 107 million).

Starting with August 2008, the Euro Commercial Paper and Certificates of Deposit Programme has an overall volume of EUR 10.0 billion. In total, 56 issues (2019: 34) amounting to EUR 3.7 billion (2019: EUR 1.4 billion) were placed in 2020. Issues totaling approximately EUR 3.7 billion (2019: EUR 1.8 billion) were redeemed over the same period.

Erste Group Bank AG, through its branch in NY and through its fully consolidated subsidiary Erste Finance Delaware LLC, issues commercial papers and certificates of deposit into the US money market. The total balance as of 31 December 2020 of the Dollar Certificate of Deposit Program of the New York branch amounted to EUR 519 million (USD 635 million) and as of 31 December 2019 EUR 38 million (USD 43 million). The Dollar Commercial Paper Program of Erste Finance Delaware LLC has a maximum issuance volume of EUR 6.7 billion (USD 7.5 billion), with a total balance as of 31 December 2020 of EUR 521 million (USD 637 million) and EUR 1.4 billion (USD 1.5 billion) as of 31 December 2019.

Financial instruments at fair value

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

FVPL measurement relates to that are part of residual business models, i.e. they are neither held to collect contractual cash flows nor held to either collect contractual cash flows or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis. In the business of Erste Group, such business models are typical of assets that are held for trading (i.e. financial assets held by the trading function of the bank), of assets whose value is expected to be primarily realised through sales, such as investments in securitisations or of failed loan syndications when the loan is offered for sale on the market. Further subject to FVPL measurement are financial assets held by funds consolidated by Erste Group since they are managed and their performance is evaluated on a fair value basis.Another reason for the the FVPL measurement are financial assets whose contractual cash flows are not considered as SPPI. At Erste Group, this concerns certain debt securities and loans to customers.

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

On the balance sheet, debt instrument financial assets measured at FVPL are presented as 'Financial assets held for trading', sub-item 'Other financial assets held for trading' and 'Non-trading financial assets at fair value through profit or loss', sub-items 'Debt securities' and 'Loans and advances to customers'. Non-trading financial assets at FVPL consist of two sub-categories disclosed in Note 22 Non-trading financial assets at fair value through profit or loss which are 'mandatorily at fair value through profit or loss' and 'designated at fair value through profit or loss'. Financial assets are mandatorily measured at fair value through profit or loss either because they are held as part of residual business models that are other than held for trading or their contractual cash flows are not SPPI.

Investments in equity instruments that are held for trading (i.e. financial assets held by the trading function of the bank) are measured at FVPL. They are included in the balance sheet under the line 'Financial assets held for trading', sub-item 'Other financial assets held for trading'. Investments in equity instruments that are not held for trading are also measured at FVPL (unless they are designated at FVOCI). They are presented in the balance sheet under 'Non-trading financial assets at fair value through profit or loss', sub-item 'Equity instruments', sub-category 'mandatorily at fair value through profit or loss' in Note 22 Non-trading financial assets at fair value through profit or loss.

From IFRS 9 perspective all derivatives which are not designated as hedging instruments are considered as held for trading. As a result, they are measured at FVPL. They are described more detail in the Note 20 Derivative financial instruments.

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

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

On the balance sheet, financial liabilities at FVPL are presented as 'Financial liabilities held for trading', sub-items 'Derivatives' and 'Other financial liabilities held for trading' and as 'Financial liabilities at fair value through profit or loss' which are further broken down into 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'. Accounting policy related to financial liabilities at FVPL can be found in Note 20 Derivative financial instrument, Note 23 Other financial liabilities held for trading and Note 24 Financial liabilities at fair value through profit or loss.

20. Derivative financial instruments

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

For presentation purposes, derivatives are split into:
- Derivatives – held for trading; and
- Derivatives – hedge accounting.

Hedge accounting derivatives are discussed in Note 27 Hedge accounting.

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

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

Changes in the fair value (clean price) of derivatives – held for trading as well as of derivatives designated as hedging instruments in fair value hedges are reported in the statement of income in the line item 'Net trading result'. Interest income/expense related both to held for trading and hedging derivatives is presented in the statement of income in the line item 'Other similar income' or 'Other similar expenses' under 'Net interest income'. Interest income/expense recognition is based on EIR-like accruals in respect of the derivative notional amount and includes amortisation of the inception value of the derivative (e.g. upfront fees, if any).

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

Embedded derivatives

Erste Group issues certain financial liabilities which contain structured features. Structured features mean that a derivative is embedded in non-derivative host instruments. Embedded derivatives are separated from the host instruments if
- the economic characteristics of the derivatives are not closely related to the economic characteristics and risks of the host debt instruments;
- the embedded derivative meets the definition of a derivative; and
- the hybrid instrument is not a financial asset or liability held for trading or designated at fair value through profit or loss.

Embedded derivatives that are separated are accounted for as stand-alone derivatives and presented on the balance sheet under the line item 'Derivatives' in financial assets held for trading and financial liabilities held for trading. At Erste Group, these relate to bonds and deposits whose payments are linked to equity prices or FX rates.

In the business of Erste Group, majority of non-closely related embedded derivatives relates to bonds issued for which fair value option has been applied since 2018. As a result, these embedded derivatives are part of the measurement of the entire hybrid instrument at FVPL and thus are not separated.

Derivatives held for trading

in EUR million	Dec 19			Dec 20		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**189,747**	**3,068**	**3,305**	**206,411**	**3,524**	**3,606**
Interest rate	122,129	2,609	2,728	139,393	2,742	2,829
Equity	311	11	3	435	4	3
Foreign exchange	66,888	423	571	65,541	740	748
Credit	226	3	3	820	15	25
Commodity	10	0	0	16	0	0
Other	183	23	0	205	23	0
Derivatives held in the banking book	**28,048**	**1,353**	**341**	**27,229**	**1,330**	**409**
Interest rate	16,891	1,254	226	16,836	1,233	246
Equity	5,823	52	36	5,202	41	64
Foreign exchange	4,812	41	78	4,742	52	98
Credit	348	6	1	305	4	1
Other	174	1	0	144	0	0
Total gross amounts	**217,794**	**4,422**	**3,646**	**233,640**	**4,854**	**4,015**
Offset	0	-1,616	-1,640		-1,900	-1,977
Total	**0**	**2,805**	**2,005**		**2,954**	**2,037**

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. For more details on balance sheet offsetting please refer to Note 28 Offsetting of financial instruments.

21. Other financial assets held for trading

in EUR million	Dec 19	Dec 20
Equity instruments	65	34
Debt securities	2,889	3,368
General governments	1,918	2,628
Credit institutions	803	606
Other financial corporations	57	57
Non-financial corporations	111	76
Other financial assets held for trading	**2,954**	**3,402**

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

in EUR million	Dec 19		Dec 20	
	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	390	0	347
Debt securities	664	1,671	603	1,446
General governments	77	258	63	214
Credit institutions	563	160	524	101
Other financial corporations	25	1,062	16	983
Non-financial corporations	0	191	0	148
Loans and advances to customers	0	483	0	687
General governments	0	2	0	1
Other financial corporations	0	1	0	0
Non-financial corporations	0	137	0	107
Households	0	344	0	579
Financial assets designated and mandatorily at FVPL	664	2,544	603	2,480
Non-trading financial assets at fair value through profit or loss		**3,208**		**3,083**

Erste Group has designated debt securities at FVPL. The maximum exposure to credit risk on these securities is its fair value. At the reporting date the change in fair value that is attributable to changes in credit risk amounts to EUR 2.9 million (2019: EUR 1.4 million) cumulatively and EUR 7.7 million (2019: EUR 3.4 million) for the reporting period.

23. Other financial liabilities held for trading

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

in EUR million	Dec 19	Dec 20
Short positions	368	521
Equity instruments	35	135
Debt securities	333	386
Debt securities issued	48	66
Other financial liabilities held for trading	**416**	**588**

24. Financial liabilities at fair value through profit or loss

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

- such classification eliminates or significantly reduces an accounting mismatch between fixed interest rate financial liabilities otherwise measured at amortised cost and related derivatives measured at FVPL. Erste Group assesses quantitatively that the designation actually eliminates or significantly reduces the accounting mismatch in respect of fair value changes attributable to interest rate risk; or
- the entire hybrid contract contains a non-closely related embedded derivative.

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

The amount of the fair value change resulting from the credit risk of the financial liability for the period is presented as OCI in the statement of comprehensive income in the line 'Own credit risk reserve'. The cumulative amount is recognised as accumulated OCI, specifically under 'Own credit risk reserve' in the statement of changes in equity. The amount recognised in OCI is never reclassified to profit or loss. However, upon derecognition (mainly repurchases) of the financial liabilities designated at FVPL the amount accumulated in OCI is transferred to retained earnings.

The cumulative amount of the credit risk recognised as accumulated OCI is calculated as the difference between the present value of the liability determined by using the original credit spread and the fair value of the liability. The amount of fair value change attributable to changes in credit risk of the liability for the period which is recognised in OCI is the difference between the cumulative amount of the credit risk at the end of the period and at the beginning of the period. When calculating the present value of the liability by using the original credit spread, the rate used for discounting is the sum of the observed interest rate (swap yield curve) and the original credit spread. The original credit spread is determined at initial recognition of the liability and it equals the difference between the total yield of the liability and the observed interest rate (swap yield curve) at that time.

	Carrying amount		Amount repayable		Delta between carrying amount and amount repayable	
in EUR million	Dec 19	Dec 20	Dec 19	Dec 20	Dec 19	Dec 20
Deposits	265	254	248	243	17	11
Debt securities issued	13,011	11,657	12,415	11,230	596	427
Other financial liabilities	219	180	219	180	0	0
Financial liabilities at FVPL	**13,494**	**12,091**	**12,882**	**11,653**	**613**	**438**

Fair value changes that are attributable to changes in own credit risk

	For reporting period		Cumulative amount	
in EUR million	1-12 19	1-12 20	Dec 19	Dec 20
Deposits	-1	-2	2	0
Debt securities issued	19	-126	484	358
Other financial liabilities	0	0	0	0
Financial liabilities at FVPL	**18**	**-127**	**486**	**358**

The line 'Other financial liabilities' contains fund units issued by investment funds fully consolidated by Erste Group. Their fair value changes are subject to asset-specific performance risk only and are not dependent on changes in the individual own credit risk of the respective investment funds.

Debt securities issued

in EUR million	Dec 19	Dec 20
Subordinated debt securities issued	4,539	3,944
Other debt securities issued	8,471	7,713
Bonds	5,386	4,784
Other certificates of deposits/name certificates	872	854
Mortgage covered bonds	1,961	1,858
Public sector covered bonds	252	216
Debt securities issued	**13,011**	**11,657**

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

25. Financial assets at fair value through other comprehensive income

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

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

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

Erste Group classifies investments in debt securities as measured at FVOCI, i.e. no loan business is included in this measurement category. Similarly to investments in debt securities measured at amortised cost, they relate to various business objectives such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield-enhancement activities. The common attribute for investments in debt instruments at FVOCI is that an active yield optimisation via sales is integral to achieving the objectives. The sales are carried out in order to optimise the liquidity position or to realise fair value gains or losses. As a result, the business objectives are achieved through both collecting contractual cash flows and sales of the securities.

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

Equity instruments

The carrying amount of Erste Group's equity instruments at FVOCI as at 31 December 2020 amounts to EUR 129.8 million (2019: EUR 210.1 million), the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 85.9 million (2019: EUR 166.1 million). During the year 2020, the sales of such instruments amounted to EUR 85.7 million (2019: EUR 43.6 million) and were triggered by strategic business decisions. The cumulative gain (net of tax) that was transferred from accumulated other comprehensive income into retained earnings upon such sales amounted to EUR 68.2 million (2019: EUR 48.9 million).

Debt instruments

Gross carrying amounts and credit loss allowances per impairment buckets

	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	Accumu-lated OCI changes	Fair value
Dec 20											
Central banks	5	0	0	5	0	0	0	0	5	0	5
General governments	5,757	241	0	5,998	-3	-5	0	-9	5,989	212	6,202
Credit institutions	944	0	0	944	-3	0	0	-3	941	43	985
Other financial corporations	122	83	0	205	0	-4	0	-4	201	10	211
Non-financial corporations	655	301	0	957	-3	-7	0	-9	947	39	987
Total	**7,483**	**626**	**0**	**8,109**	**-9**	**-16**	**0**	**-25**	**8,084**	**305**	**8,389**
Dec 19											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	6,232	8	0	6,240	-3	0	0	-3	6,237	189	6,426
Credit institutions	1,073	27	0	1,099	-1	-1	0	-2	1,097	19	1,116
Other financial corporations	135	46	0	181	0	-1	0	-2	179	9	188
Non-financial corporations	933	137	0	1,070	-2	-5	0	-7	1,062	45	1,107
Total	**8,373**	**217**	**0**	**8,590**	**-6**	**-8**	**0**	**-14**	**8,575**	**261**	**8,836**

As defined in IFRS 9, the gross carrying amount of debt instruments at FVOCI equals the amortised cost before deducting any credit loss allowances. The accumulated OCI changes combine the effects of credit loss allowances booked in other comprehensive income and fair value accounting through other comprehensive income, as required by IFRS9 in respect of debt instruments measured at FVOCI

There are no purchased or originated credit-impaired (POCI) debt securities at FVOCI as of 31 December 2020.

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 20						**Dec 20**
Stage 1	-6	-2	1	1	-4	1	-9
Stage 2	-8	0	3	-10	-1	0	-16
Stage 3	0	0	0	0	0	0	0
Total	**-14**	**-2**	**4**	**-8**	**-4**	**1**	**-25**
	Jan 19						**Dec 19**
Stage 1	-8	-3	2	0	3	0	-6
Stage 2	-2	-1	0	-5	0	0	-8
Stage 3	0	0	0	0	0	0	0
Total	**-10**	**-4**	**2**	**-5**	**3**	**0**	**-14**

In column ‘Additions’ increases of CLA due to the initial recognition of debt securities at FVOCI during the current reporting period are disclosed. Releases of CLA following the derecognition of the related debt securities at FVOCI are reported in column ‘Derecognitions’.

In column ‘Transfers between stages’ CLA net changes due to changes in credit risk that triggered re-assignments of the related FVOCI debt securities from Stage 1 (at 1 January 2020 or initial recognition date) to Stages 2 or 3 at 31 December 2020 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line ‘Stage 1’. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column ‘Other changes in credit risk (net)’. Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’.

One significant driver of the above presented CLA movements for the year has been the transfer of the related instruments across different stages. The year-end GCAs of FVOCI debt securities that were assigned at 31 December 2020 to a different stage compared to 1 January 2020 (or to the initial recognition date, if purchased during the year) are summarized in the table below:

Transfers between Stage 1 and Stage 2

in EUR million	Dec 19	Dec 20
To Stage 2 from Stage 1	98	429
To Stage 1 from Stage 2	7	11

Financial instruments – other disclosure matters

26. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Using of unobservable inputs is particularly relevant for models used for valuations of loans and unquoted equity investments. Disclosures on valuation models, the fair value hierarchy and fair values of financial instruments can be found subsequently. 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.

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

Financial instruments carried at fair value

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

Description of valuation models and parameters

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

Loans. Not SPPI (solely payments of principal and interest) compliant loans are to be valued at fair value. The methodology to compute fair value of these loans corresponds to the basic present value technique where expected cash flows of assets are discounted by the full rate including risk premium required for non-market risk based part of the interest rate to be compliant with fair value definition. The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer's probability of default and loss given default. These adjusted cash flows are then discounted by a yield curve which consists of a risk free rate and a funding spread.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 models based on multiples. The comparable company multiple method is a valuation technique within the market approach that uses prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee's equity or enterprise value can be inferred.

Liabilities. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined 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.

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 ESTER (Euro Short-Term Rate) with a transition phase until 31 December 2021. In Erste Group all contracts with CCP's (Central Counter Parties), LCH (London Clearing House) and EUREX have been converted in 2020 and for the respective collaterals ESTER is used as interest rate. Furthermore, the conversion for a significant part of unsecured derivatives was done in November 2020. The fair value of these derivatives is already determined using ESTER as discount rate. Furthermore, the conversion for the most part of unsecured derivatives was done in November 2020. The valuation difference resulting from the conversion has been offset by a compensation payment. The change for all bilateral contracts and CSA's (Credit Support Annex) is in process and will take place the same way as for CCP's contracts.

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 17.6 million (2019: EUR 15.7 million) and the total DVA-adjustment amounted to EUR 3.1 million (2019: EUR 2.8 million).

Validation and control

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

Fair value hierarchy

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

Level 1 of the fair value hierarchy

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

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

Level 2 of the fair value hierarchy

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as Level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument

is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

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

Level 3 of the fair value hierarchy

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

These include shares, participations and funds not quoted, illiquid bonds as well as collateralized mortgage obligations (CMO) as well as loans. Furthermore, fund units issued by investment funds fully consolidated by Erste Group as well as own issues are reported in this category.

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

	Dec 19				Dec 20			
in EUR million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets HfT	2,209	3,457	93	5,760	2,390	3,881	85	6,356
Derivatives	7	2,720	79	2,805	4	2,875	75	2,954
Other financial assets held for trading	2,202	737	14	2,954	2,385	1,007	10	3,402
Non-trading financial assets at FVPL	1,985	302	922	3,208	1,805	232	1,046	3,083
Equity instruments	55	5	330	390	59	7	282	347
Debt securities	1,929	297	109	2,335	1,747	225	77	2,048
Loans and advances	0	0	483	483	0	0	687	687
Financial assets at FVOCI	7,745	845	457	9,047	7,347	795	376	8,519
Equity instruments	1	0	209	210	1	0	129	130
Debt securities	7,744	845	247	8,836	7,346	795	248	8,389
Hedge accounting derivatives	0	129	1	130	0	205	0	205
Total assets	**11,939**	**4,733**	**1,473**	**18,144**	**11,542**	**5,113**	**1,508**	**18,163**
Liabilities								
Financial liabilities HfT	371	2,045	5	2,421	500	2,123	2	2,625
Derivatives	3	1,997	5	2,005	3	2,032	2	2,037
Other financial liabilities held for trading	368	48	0	416	496	91	0	588
Financial liabilities at FVPL	366	12,821	308	13,494	347	11,408	336	12,091
Deposits from customers	0	265	0	265	0	254	0	254
Debt securities issued	366	12,556	89	13,011	347	11,154	155	11,657
Other financial liabilities	0	0	219	219	0	0	180	180
Hedge accounting derivatives	0	269	0	269	0	189	0	189
Total liabilities	**736**	**15,135**	**313**	**16,185**	**846**	**13,720**	**338**	**14,905**

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

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

Valuation process for financial instruments categorised as Level 3

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

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

in EUR million	Dec 19 Level 1	Dec 19 Level 2	Dec 20 Level 1	Dec 20 Level 2
Securities				
Net transfer from Level 1		-60		-5
Net transfer from Level 2	60		5	
Net transfer from Level 3	3	146	0	-7
Purchases/sales/expiries	507	-670	-400	163
Changes in derivatives	4	-256	-2	230
Total year-to-date change	**574**	**-840**	**-397**	**381**

Movements in 2020. The total amount of Level 1 financial assets decreased by EUR 397 million compared to last year. The volume of Level 1 securities decreased by EUR 395 million. The main changes are caused by matured or sold assets in the amount of EUR 3,212 million and by new investments in the amount of EUR 2,474 million. Furthermore, the increase in volume for securities that were allocated to Level 1 at both reporting dates (2020 and 2019) amounted to EUR 344 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 108 million have been reclassified from Level 2 to Level 1. This applied mainly to securities issued by governments (EUR 77 million), but also to securities issued by financial institutions (EUR 29 million) and other corporates (EUR 2 million). Due to lower market activity and changes to modelled fair value, securities in total of EUR 103 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by governments (EUR 50 million), financial institutions (EUR 45 million) as well as securities issued by other corporates (EUR 8 million). The remaining negative change in the amount of EUR 6 million was due to partial sales and fair value changes of reclassified in-struments. The volume of derivatives decreased by EUR 2 million.

Movements in 2019. The total amount of Level 1 financial assets increased by EUR 574 million compared to last year. The volume of Level 1 securities increased by EUR 569 million. The main changes are caused by matured or sold assets in the amount of EUR 3,164 million and by new investments in the amount of EUR 2,530 million. Furthermore, the increase in volume for securities that were allocated to Level 1 at both reporting dates (2019 and 2018) amounted to EUR 1,125 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 79 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by governments (EUR 32 million), but also to securities issued by other corporates (EUR 24 million) and financial institutions (EUR 23 million). Due to lower market activity and changes to modelled fair value, securities in total of EUR 19 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by governments (EUR 13 million), other corporates (EUR 4 million) as well as securities issued by financial institutions (EUR 2 million). Level 3 instruments in the amount of EUR 2 million were reclassified to Level 1. The remaining positive change in the amount of EUR 6 million was due to partial sales and fair value changes of reclassified instruments. The volume of derivatives increased by EUR 5 million.

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

in EUR million	Dec 19 Level 1 to Level 2	Dec 19 Level 2 to Level 1	Dec 20 Level 1 to Level 2	Dec 20 Level 2 to Level 1
Financial assets HfT	**14**	**11**	**15**	**23**
Bonds	14	9	15	23
Funds	0	2	0	0
Non-trading financial assets at FVPL	**3**	**4**	**16**	**3**
Bonds	3	4	14	3
Funds	0	0	2	0
Financial assets at FVOCI	**2**	**64**	**72**	**82**
Bonds	2	64	72	82
Total	**19**	**79**	**103**	**108**

Movements in 2020: Financial Assets. The total value of Level 2 financial assets increased between 2020 and 2019 by EUR 380 million. The Level 2 fair value change of securities and other receivables (in total up by EUR 150 million) can be explained for the most part by matured or sold positions in the amount of EUR 835 million and new investments in the amount of EUR 1,056 million. The decrease in volume for securities that have been allocated to Level 2 at both reporting dates 2020 and 2019 amounted to EUR 59 million due to purchases or sales in volumes and changes in market values. Due to reduced market depth a total volume of EUR 103 million was reclassified from Level 1 to Level 2 in 2020. This applies mainly to securities issued by governments (EUR 50 million), securities issued by financial institutions (EUR 45 million) and other corporates (EUR 8 million). Securities in the amount of EUR 108 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 13 million was reclassified from Level 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 6 million was reclassified from Level 3 to Level 2. The increase on the asset side derivatives in Level 2 by EUR 230 million are caused by changes in market values and by netting effects.

Movements in 2020: Financial Liabilities. The total Level 2 financial liabilities decreased by EUR 1,415 million. Whereas the fair value of derivatives decreased by EUR 46 million, the portfolio of securities decreased by EUR 1,358 million. The fair value of client deposits decreased by EUR 11 million.

Movements in 2019: Financial Assets. The total value of Level 2 financial assets decreased between 2019 and 2018 by EUR 840 million. The Level 2 fair value change of securities and other receivables (down by EUR 584 million) can be explained for the most part by matured or sold positions in the amount of EUR 1,472 million and new investments in the amount of EUR 793 million. The increase in volume for securities that have been allocated to Level 2 at both reporting dates 2019 and 2018 amounted to EUR 21 million due to purchases or sales in volumes and changes in market values. Due to reduced market depth a total volume of EUR 19 million was reclassified from Level 1 to Level 2 in 2018. This applies mainly to securities issued by governments (EUR 13 million), securities issued by other corporates (EUR 4 million) and financial institutions (EUR 2 million). Securities in the amount of EUR 79 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 4 million was reclassified from Level 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 150 million was reclassified from Level 3 to Level 2. The remaining decrease in the amount of EUR 12 million was due to partial sales and fair value changes of reclassified instruments. The decrease on the asset side derivatives in Level 2 by EUR 256 million are caused by changes in market values and by netting effects.

Movements in 2019: Financial Liabilities. The total Level 2 financial liabilities decreased by EUR 114 million. Whereas the fair value of derivatives increased by EUR 4 million, the portfolio of securities decreased by EUR 171 million. The fair value of client deposits increased by EUR 53 million.

Movements in Level 3 of financial instruments carried at fair value

Development of fair value of financial instruments in Level 3

in EUR million		Gains/ losses profit or loss	Gains/ losses OCI	Purch-ases	Sales	Settle-ments	Addition to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency trans-lation	
	Jan 20											**Dec 20**
Assets												
Financial assets HfT	93	10	0	1	-5	0	0	0	6	-20	-1	85
Derivatives	79	11	0	0	-1	0	0	0	6	-20	-1	75
Other financial assets held for trading	14	-1	0	1	-4	0	0	0	0	0	0	10
Non-trading financial assets at FVPL	922	5	0	371	-122	-70	0	0	2	-15	-47	1,046
Equity instruments	330	2	0	19	-62	0	0	0	1	-5	-1	282
Debt securities	109	11	0	6	-14	-24	0	0	1	-9	-2	77
Loans and advances	483	-8	0	346	-46	-46	0	0	0	0	-43	687
Financial assets at FVOCI	457	3	7	91	-105	-62	0	0	11	-22	-3	376
Equity instruments	209	0	7	0	-86	-1	0	0	0	0	0	129
Debt securities	247	3	0	91	-20	-61	0	0	11	-21	-2	248
Hedge accounting derivatives	1	-1	0	0	0	0	0	0	0	0	0	0
Total assets	**1,473**	**18**	**7**	**464**	**-233**	**-132**	**0**	**0**	**19**	**-56**	**-50**	**1,508**
Liabilities												
Financial liabilities HfT	5	2	0	0	-4	0	0	0	0	-1	0	2
Derivatives	5	2	0	0	-4	0	0	0	0	-1	0	2
Financial liabilities at FVPL	308	8	-2	73	-78	-41	0	0	140	-72	0	336
Debt securities issued	89	3	-2	0	0	-2	0	0	140	-72	0	155
Other financial liabilities	219	5	0	72	-78	-38	0	0	0	0	0	180
Total liabilities	**313**	**10**	**-2**	**73**	**-82**	**-41**	**0**	**0**	**140**	**-72**	**0**	**338**

	Jan 19											**Dec 19**
Assets												
Financial assets HfT	80	25	0	4	-5	-2	0	0	2	-11	0	93
Derivatives	61	26	0	3	-5	-1	0	0	2	-7	0	79
Other financial assets held for trading	19	0	0	2	-1	-1	0	0	0	-5	0	14
Non-trading financial assets at FVPL	778	23	0	768	-298	-182	0	0	1	-162	-6	922
Equity instruments	317	5	0	40	-5	-9	0	0	1	-20	0	330
Debt securities	174	14	0	55	-4	-15	0	0	0	-116	0	109
Loans and advances	287	4	0	672	-290	-158	0	0	0	-26	-6	483
Financial assets at FVOCI	502	1	66	6	-50	-59	19	0	21	-47	-2	457
Equity instruments	239	0	53	0	-43	-47	0	0	9	-1	0	209
Debt securities	263	1	13	6	-7	-11	19	0	12	-46	-2	247
Hedge accounting derivatives	1	0	0	1	0	0	0	0	0	-1	0	1
Total assets	**1,361**	**50**	**66**	**779**	**-354**	**-242**	**19**	**0**	**24**	**-222**	**-8**	**1,473**
Liabilities												
Financial liabilities HfT	14	-7	0	0	0	-1	0	0	0	0	0	5
Derivatives	14	-7	0	0	0	-1	0	0	0	0	0	5
Financial liabilities at FVPL	561	22	0	143	-85	-6	0	-318	87	-96	-1	308
Debt securities issued	96	5	0	0	0	-2	0	0	87	-96	-1	89
Other financial liabilities	464	17	0	143	-85	-4	0	-318	0	0	0	219
Total liabilities	**574**	**15**	**0**	**143**	**-85**	**-7**	**0**	**-318**	**87**	**-96**	**-1**	**313**

Movements in 2020. The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. Based on the described analysis securities in the amount of EUR 13 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by other corporates (EUR 9 million), as well as securities issued by financial institutions (EUR 2 million) and securities issued by governments (EUR 2 million). On the other hand, securities that were on the balance at both reporting dates (2020 and 2019) were reclassified from Level 3 to Level 2 in the amount of EUR 6 million. Thereof, EUR 6 million are securities issued by financial institutions. Loans and advances which are measured at fair value under IFRS 9 increased by EUR 204 million, mainly by purchases. The additional change in Level 3 positions was on the one hand caused by a decrease in derivative exposure of EUR 4 million and on the other hand by a decrease caused by the purchase, sale and market value change of securities in the amount of EUR 172 million.

Movements in 2019. The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. Based on the described analysis securities in the amount of EUR 4 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by financial institutions (EUR 4 million). On the other hand securities in the amount of EUR 150 million were reclassified from Level 3 to Level 2. Thereof EUR 113 million are securities issued by financial institutions, EUR 34 million are securities issued by other corporates and EUR 3 million are issued by central governments. The movement from Level 3 to Level 1 amounted to EUR 2 million. Loans and advances which are measured at fair value under IFRS 9 increased by EUR 197 million. The additional change in Level 3 positions was on the one hand caused by a increase in derivative exposure of EUR 17 million and on the other hand by an increase caused by the purchase, sale and market value change of securities of EUR 46 million.

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

in EUR million	1-12 19	1-12 20
Assets		
Financial assets HfT	26.4	15.0
Derivatives	26.6	16.0
Other financial assets held for trading	-0.2	-1.0
Non-trading financial assets at FVPL	24.5	0.3
Equity instruments	6.0	-1.2
Debt securities	14.8	9.1
Loans and advances	3.7	-7.6
Financial assets at FVOCI	-2.7	0.4
Debt securities	-2.7	0.4
Hedge accounting derivatives	0.0	-0.7
Total	**48.1**	**15.0**

For financial liabilities designated at FVPL in Level 3 a valuation of EUR -5,6 million was posted via income statement for the end of the reporting period (2019: EUR -6.7 million).

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

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

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Dec 20					
Positive fair value of derivatives	Forwards, swaps, options	75.5	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.60%-100% (4.12%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	6.1	Discounted cash flow	Credit Spread	0.81%-6.10% (4.51%)
	Loans	687.0	Discounted cash flow	PD	1,16%-6,10% (2,38%)
				LGD	0%-68,22% (27,94%)
Financial assets at FVOCI	Fixed and variable coupon bonds	132.3	Discounted cash flow	Credit Spread	0.86%-6.52% (2.18%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	236.0	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 0.90-0.95 Recreation 0.96 Real Estate (General/Diversified) 0.78 Real Estate (Operations & Services) 0.49 Financial Svcs. (Non-bank & Insurance) 0.91-1.10 Banks (Regional) 0.51 Health Resort & Gesundheitszentrum GmbH 0.74
				Country risk premium	Croatia 4.45%, Austria 0.36%-0.5% Czech Republic 0.90% Romania 3.26%, Russia 2.58%, Slovakia 1.26%, Hungary 3.26% Resulting cost of equity based on above inputs: 4.19%-12.83%
		183.6	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 19					
Positive fair value of derivatives	Forwards, swaps, options	75.8	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.66%-100% (4.40%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	6.1	Discounted cash flow	Credit Spread	0.81%-6.21% (3.29%)
	Loans	483,4	Discounted cash flow	PD	0%-39.70% (0.81%)
				LGD	0%-79.30% (25.18%)
Financial assets at FVOCI	Fixed and variable coupon bonds	140.9	Discounted cash flow	Credit Spread	1.23%-7.27% (4.31%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	214.8	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 0.92-0.96 Recreation 0.93 Real Estate (General/Diversified) 0.75 Financial Svcs. (Non-bank & Insurance) 0.93-1.02 Banks (Regional) 0.58
				Country risk premium	Croatia 2.79%, Austria 0.37% Czech Republic 0.65% Romania 2.04%, Russia 2.04%, Slovakia 0.79%, Spain 1.48%, Hungary 2.04% Resulting cost of equity based on above inputs: 6.32%-11.01%
		191.7	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		159.0	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 21.6 million (2019: EUR 147.9 million) are assessed on the basis of expert opinions.

Furthermore, for equity instruments other than participations classified as Level 3, the amount of EUR 49.9 million (2019: EUR 25.6 million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Sensitivity analysis using reasonably possible alternatives per product type

	Dec 19		Dec 20	
	Fair value changes		Fair value changes	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	2.2	-2.8	2.4	-2.3
Income statement	2.2	-2.8	2.4	-2.3
Debt securities	45.3	-60.3	11.7	-15.6
Income statement	23.7	-31.5	2.1	-2.8
Other comprehensive income	21.6	-28.8	9.6	-12.8
Equity instruments	71.6	-52.8	113.0	-73.4
Income statement	36.2	-31.6	73.1	-49.9
Other comprehensive income	35.4	-21.2	39.9	-23.5
Loans and advances	9.5	-24.8	16.7	-35.4
Income statement	9.5	-24.8	16.7	-35.4
Total	**128.6**	**-140.7**	**143.8**	**-126.7**
Income statement	**71.6**	**-90.7**	**94.3**	**-90.4**
Other comprehensive income	**57.0**	**-50.0**	**49.5**	**-36.3**

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

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

in EUR million	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Dec 20					
Assets					
Cash and cash balances	35,839	35,839	0	0	0
Financial assets at AC	210,940	218,023	27,326	3,768	186,929
Loans and advances to banks	21,466	21,502	0	0	21,502
Loans and advances to customers	159,895	165,257	0	0	165,257
Debt securities	29,579	31,264	27,326	3,768	170
Finance lease receivables	4,127	4,124	0	0	4,124
Assets held for sale	4	4	0	0	4
Trade and other receivables	1,341	1,338	0	0	1,338
Liabilities					
Financial liabilities at AC	235,125	235,688	10,255	8,707	216,725
Deposits from banks	24,771	24,763	0	0	24,763
Deposits from customers	190,816	191,098	0	0	191,098
Debt securities issued	19,020	19,309	10,255	8,707	346
Other financial liabilities	518	518	0	0	518
Financial guarantees and commitments					
Financial guarantees	n/a	5			5
Irrevocable commitments	n/a	895			895
Dec 19					
Assets					
Cash and cash balances	10,693	10,693	0	0	0
Financial assets at AC	204,162	208,412	25,273	2,637	180,503
Loans and advances to banks	23,055	23,072	0	0	23,072
Loans and advances to customers	154,344	157,342	0	0	157,342
Debt securities	26,764	27,998	25,273	2,637	89
Finance lease receivables	4,034	4,024	0	0	4,024
Assets held for sale	0	0	0	0	0
Trade and other receivables	1,408	1,412	0	0	1,412
			0	0	0
Liabilities					
Financial liabilities at AC	204,143	204,392	10,472	6,631	187,289
Deposits from banks	13,141	13,337	0	0	13,337
Deposits from customers	173,066	172,948	0	0	172,948
Debt securities issued	17,360	17,531	10,472	6,631	428
Other financial liabilities	576	577	0	0	577
Financial guarantees and commitments					
Financial guarantees	n/a	82			82
Irrevocable commitments	n/a	357			357

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.

27. Hedge accounting

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

i. Fair value hedges

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

Erste Group also applies portfolio fair value hedges of interest rate risk as regulated by IAS 39.AG114-AG132. For this purpose, Erste Group makes use of the relaxation provided by the EU-carve out and hedges the interest rate risk of prepayable loans in respect of the so called ‘bottom layer’ amount. With this approach, prepayments, other derecognitions and impairments are considered as not affecting the hedge effectiveness unless their amount hits the designated hedged bottom layer level. The change in the fair value of the hedged items attributable to the hedged interest risk is presented on the balance sheet under the line item ‘Fair value changes of hedged items in portfolio hedge of interest rate risk’.

If the hedging instrument expires, is sold, is terminated or is exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the fair value adjustment of the hedged item is amortised until maturity of the financial instrument. In the statement of income the amortisation is presented under ‘Net interest income’ in the line item ‘Interest income’ if the hedged item was a financial asset or in the line item ‘Interest expenses’ if the hedged item was a financial liability. For portfolio fair value hedges of interest rate risk the fair value adjustment related to the terminated hedge is amortised to the statement of income on a straight-line basis in the line item ‘Other similar income’ under ‘Net interest income’.

ii. Cash flow hedges

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

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

Hedges of interest rate risk

As an inherent part of its business Erste Group is exposed to interest rate risk arising from the interest characteristics and behavior of assets, liabilities and off balance sheet items. This relates to the existing balance sheet items as well as to expected development of the balance sheet and banking activities. Interest rate risk can generally be defined as a potential deterioration of a bank's financial condition in reaction to adverse movements in market interest rates.

Hedge accounting activities relate to interest risk bearing exposures in the banking book. The interest rate risk of the banking book is managed by Group Asset Liability Management (ALM). Interest rate risk management actions of ALM are approved as part of the ALM strategy by Group Asset Liability Committee (ALCO). For hedging relationships qualifying for hedge accounting hedge effectiveness is measured by risk management unit which is independent from ALM as the risk taker.

The objective of the interest rate risk management in the banking book is to optimise the risk and return of interest rate risk exposures. For this purpose and for compliance with external and internal regulations and limitations Erste Group manages the interest rate risk from the earnings and economic value perspectives. The focal point of the interest rate risk analysis from the earnings perspective is the variation in earnings, i.e. the net interest income. The changes in interest rates have an impact on the bank's earnings via its distinct impact on interest income and interest expenses accrued on assets and liabilities respectively. The economic value perspective views the interest rate risk as changes in the economic value of equity. It can be identified as the present value of cash-flows arising from asset, liability and off-balance-sheet items. Change in interest rates alters both the size of future cash-flows and the value of discount rates applied in the calculation.

Existing balance sheet items and contributions of planned or forecast transactions are analysed through the earnings and economic value based metrics. Erste Group keeps the risk within predefined limits. When actively managing interest rate risk ALM gives preference to entering into bonds and derivatives. In general, the policy of Erste Group is to swap all substantial fixed or structured issued bonds to floating items. In addition of managing the interest rate risk using derivative transactions and investments in bonds, also the intended non-hedging of benchmark issues with derivatives is used for managing the interest rate risk.

Interest rate swaps are the most common derivatives used to manage interest rate. If fixed rate repricing profiles of assets or liabilities do not fit to the interest rate risk management strategy they are swapped into variable rate items (usually 3-month money market rate such as Euribor). In other cases, variable rate repricing profiles of assets or liabilities may need to be swapped into fixed rate items.

Erste Group employs hedge accounting to address accounting mismatches resulting from different measurement requirements for derivatives which are measured at fair value through profit or loss and financial assets and liabilities in the banking book measured at amortised cost or at fair value through other comprehensive income. Some of the accounting mismatches are addressed by designating financial assets or financial liabilities as measured at FVPL (fair value option) without the need to use hedge accounting.

Fair value hedges address the risk management activities of swapping fixed rate assets or liabilities into variable rate. On the other hand, cash flow hedges are used when floating rates assets or liabilities are swapped into fixed ones (please refer also to the discussion of proxy hedges below).

For hedges of interest rate risk of portfolios of prepayable fixed rate loans Erste Group applies requirements for portfolio fair value hedges of interest rate risk as regulated by IAS 39.AG114-AG132. For this purpose, Erste Group makes use of the relaxation provided by the EU-carve out and hedges the interest rate risk in respect of so called bottom layer amount. The bottom layer amount is expected not to be affected by prepayments of loans (including a margin of conservatism). Thus, it represents a stable fixed interest rate exposure which is hedged by using interest rate swaps. With this approach, any prepayments, other derecognitions and impairments are attributed to the un-hedged buffer amount above the designated bottom layer. Thus, they do not affect the hedge effectiveness unless their amount hits the designated hedged bottom layer level.

Fair value hedges are designated in respect of the interest rate risk component of the fair value changes of the hedged fixed rate items. The hedged interest rate risk portion in fair value hedges relates to the observed interest rate (swap yield curve) component. I.e. the fair value volatility resulting from changes in the spread of the hedged fixed rate instrument swap yield curve is excluded from hedge accounting and is not accounted for.

Similarly, in cash flow hedges the hedged risk is designated in respect of the variable cash flows portion equal to the interest index of the swap (such as Euribor, Libor). The credit spreads over the swap index are excluded from hedge accounting.

The hedging interest derivatives are economically related to the hedged interest rate risk component of the hedged item. The non-interest components (such as credit spreads) of the hedged items are outside the hedging relationship. As a result, comparable valuation inputs are applied on both sides of the hedging relationship. Thus offsetting effects are recognised to the extent the economic relationship exists without giving rise to artificial volatility in profit or loss. The hedged interest risk component is the most significant factor affecting fair value changes of the hedged item.

The designated hedging relationships normally correspond to the economic hedges set up by ALM when managing the interest rate risk. However, in some cases, the hedging derivatives may not be directly related to specific assets or liabilities but they manage the overall interest risk position. Also, the derivatives may relate to instruments which do not qualify as hedged items under the IFRS hedge accounting requirements. In order to account for risk mitigating effects of such derivatives Erste Group searches for suitable hedged items providing the best fit to the terms of the derivative and designates an effective hedging relationship (so called proxy hedges). Typically cash flow hedges of variable rate assets are designated on such a basis whereby the actual economically hedged risk may result from modelled fixed rate profile of demand deposit liabilities.

Notional amounts of hedged items

		Notional amount	
in EUR million	Type of hedged items	Dec 19	Dec 20
Fair value hedges			
Assets	Portfolios of client loans	319	234
Assets	Single loans	383	356
Assets	Bonds at FVOCI	543	432
Assets	Bonds at AC	600	925
Liabilities	Issued bonds	9,412	11,679
Liabilities	Other liabilities/repos	54	0
Cash flow hedges			
Assets	Interbank loans/repos	1,580	1,527
Assets	Client loans	1,608	1,125
Assets	Corporate/government bonds	94	53

Portfolio hedges of defined bottom layer amounts (bottom layer hedges) are disclosed in the table with the nominal hedged bottom layer amounts. Client loans hedged in portfolio hedges are disclosed in balance sheet line item 'Financial assets measured at amortised cost', with a carrying amount of EUR 388,0 million (2019: EUR 419.9 million).

The hedge ratio is chosen in compliance with the rules defined in IAS 39. The volume of the hedging instrument which is designated for the hedge relation can never be greater than the volume of the hedged item. If the notional of a hedging derivative is greater than the notional of the hedged item the respective proportion of the derivative is designated as hedging instrument. Further, the tenor of the hedging instrument is never longer than the tenor of the hedged item.

Sources of hedge ineffectiveness can result from:

- designation of hedging instruments and hedged items during their life rather than from their inception
- different discounting curves applied for hedged item and hedging instrument
- different interest tenors of hedging swaps and hedged variable rate items in cash flow hedges
- volatility of present value of floating leg of hedging swaps in fair value hedges
- different trade dates for the hedging instrument and the hedged item
- real prepayments of a loan portfolio deviating from expected prepayments
- credit risk adjustments (CVA, DVA) on the hedging derivatives

Hedges of foreign exchange risk

The objective of foreign exchange risk management in the banking book is to avoid unfavorable market movements of foreign exchange rates which could impact profit or loss of Erste Group. Only a minor part of foreign exchange risk management activities requires using of hedge accounting. Currently fixed rate corporate or government bonds with notional amount of EUR 596 million (2019: EUR 252 million) are hedged in cash flow hedges by using cross currency swaps as hedging instruments.

Quantitative disclosures

In the tables below, detailed information related to hedging instruments and hedged items in fair value and cash flow hedges as of 31 December 2020 are reported. The indicated values for fair value hedges include single hedges as well as portfolio hedges, which due to immateriality are not shown separately.

Hedging instruments

in EUR million	Carrying amount		Change in FV for the period used for calculating hedge ineffectivness	Notional	Timing of the nominal amounts of the instruments			
	Assets	Liabilities			≤ 3 m	> 3 m and ≤ 1 y	> 1 y and ≤ 5 y	> 5 y
Dec 20								
Fair value hedges	**537**	**291**	**77**	**13,540**	**1,175**	**137**	**5,612**	**6,617**
Interest rate risk	537	291	77	13,540	1,175	137	5,612	6,617
Cash flow hedges	**86**	**15**	**116**	**3,300**	**19**	**116**	**2,651**	**513**
Interest rate risk	83	8	124	2,704	19	116	2,397	171
Foreign exchange risk	2	7	-8	596	0	0	254	342
Total gross amounts	**623**	**306**	**193**	**16,840**	**1,194**	**253**	**8,263**	**7,130**
Offset	-418	-117						
Total	**205**	**189**	**193**	**16,840**	**1,194**	**253**	**8,263**	**7,130**
Dec 19								
Fair value hedges	**460**	**296**	**181**	**11,234**	**33**	**1,093**	**4,952**	**5,155**
Interest rate risk	460	296	181	11,234	33	1,093	4,952	5,155
Cash flow hedges	**21**	**81**	**-25**	**3,532**	**10**	**61**	**2,162**	**1,299**
Interest rate risk	20	79	-20	3,280	0	39	2,094	1,147
Foreign exchange risk	1	2	-4	252	10	21	68	152
Total gross amounts	**481**	**377**	**156**	**14,766**	**43**	**1,154**	**7,114**	**6,455**
Offset	-350	-107						
Total	**130**	**269**	**156**	**14,766**	**43**	**1,154**	**7,114**	**6,455**

The hedging instruments are presented in the line 'Hedge accounting derivatives' in the balance sheet.

Hedged items in fair value hedges

in EUR million	Carrying amount	Hedge adjustments		
		included in the carrying amount	Thereof: for the period used for recognition of hedge ineffectiveness	Remaining adjustments for terminated hedges
Dec 20				
Financial assets at FVOCI				
Interest rate risk	487	90	-3	17
Financial assets at AC				
Interest rate risk	1,992	122	4	23
Financial liabilities at AC				
Interest rate risk	12,189	445	-80	121
Dec 19				
Financial assets at FVOCI				
Interest rate risk	600	91	0	25
Financial assets at AC				
Interest rate risk	1,632	115	20	24
Financial liabilities at AC				
Interest rate risk	9,900	361	-199	148

The hedged items are disclosed in the following line items in the balance sheet:

- Financial assets at fair value through other comprehensive income / debt securities
- Financial assets at amortised cost / loans and advances to customers
- Financial assets at amortised cost / debt securities
- Financial liabilities at amortised cost / debt securities issued

Hedged items in cash flow hedges

in EUR million	Change in FV for the period used for calculating hedge ineffectiveness	Cash flow hedge reserve for continuing hedges	Cash flow hedge reserve for terminated hedges
Dec 20			
Interest rate risk	-111	55	4
Foreign exchange risk	7	-13	0
Total	**-104**	**42**	**4**
Dec 19			
Interest rate risk	25	-65	18
Foreign exchange risk	5	-6	0
Total	**29**	**-71**	**18**

Effects of hedge accounting in profit or loss and other comprehensive income

in EUR million	Hedge ineffectiveness recognised in P&L	Hedging gains/losses recognized in OCI	Cash flow hedge reclassified to profit or loss because	
			the hedged item has affected profit or loss	the hedged future cash flows are no longer expected to occur
Dec 20				
Fair value hedges				
Interest rate risk	-2	0	0	0
Cash flow hedges				
Interest rate risk	4	120	-14	0
Foreign exchange risk	1	-8	0	0
Total	**3**	**111**	**-14**	**0**
Dec 19				
Fair value hedges				
Interest rate risk	2	0	0	0
Cash flow hedges				
Interest rate risk	4	-25	-25	0
Foreign exchange risk	0	-4	0	0
Total	**6**	**-29**	**-25**	**0**

Ineffectiveness from both fair value and cash flow hedges is presented under 'Net trading result' in the statement of income. The amounts reclassified from the cash flow hedge reserve are presented in the line 'Other similar income' under 'Net interest income' for hedges of interest rate risk and 'Net trading result' for hedges of foreign exchange risk.

Application of the Interest Rate Benchmark Reform IAS 39 amendments

Erste Group considers that it is exposed to uncertainties resulting from interest rate benchmark reform in respect of its hedges of CHF LIBOR and USD LIBOR interest risk. Hedging instruments with nominal amount of CHF 200 million (EUR 182.2 million) (2019: CHF 200 million (EUR 184.3 million)) designated in fair value hedges of debt securities issued and USD 50 million (EUR 40.7 million) designated in fair value hedges of bonds acquired are affected. Their hedging period reaches beyond 2021 the expected end date of the respective LIBOR rates (in general 31 December 2021 but for USD LIBOR 1M, 3M, 6M and 12M tenors 30 June 2023).

When CHF LIBOR and USD LIBOR rates cease to be quoted they are assumed to be replaced by SARON (Swiss Average Rate Overnight for CFH) and SOFR (Secured Overnight Financing Rate for USD) rates. There are significant differences between the LIBOR and SARON/SOFR rates. LIBOR is a 'term rate' published at a start of a borrowing period with certain tenor (such as 3 months), i.e. it is 'forward-looking'. SARON and SOFR are overnight rates resulting from actual transactions. The LIBOR term rates used as floating leg reference rates in interest derivative markets will fall back to SARON or SOFR term rates on a 'backward-looking' basis. For example a 3-month SARON or SOFR term rate would be based on a compounded average of overnight SARON or SOFR rates over the 3-month period calculated at its end. Moreover, LIBOR rates in general include a credit spread component reflecting the riskiness of an interbank market for respective tenors. As a result, the replacement rates will have as a foundation the term SARON or SOFR rate and on top a spread adjustment to ensure economic equivalence addressing the tenor, credit risk and other differences.

When it comes to the replacement, the CHF and USD interest rate swap hedging instruments will be affected both by replacements of the reference rate used for their floating legs (LIBOR rate changed into term SARON or SOFR) and the change in the discounting curve. On the hedged items side, the hedged benchmark interest rate risk portion will be affected only by change in the discounting curve (LIBOR-based discounting curve changed into overnight SARON- or SOFR-based discounting curve).

As a result of these uncertainties, Erste Group applies the amendments to IAS 39 Interest Rate Benchmark Reform (issued in September 2019 – Phase 1 of the Interest Rate Benchmark Reform IASB project) which bring some reliefs enabling not to discontinue these hedges as long as uncertainties arising from the reform exist. More specifically, it is necessary to prove that the non-contractually specified benchmark portion of interest rate risk (resulting from the CHF and USD LIBOR curve) is separately identifiable only at the hedge inception and not during the hedge life. For testing of prospective effectiveness it is assumed that the hedging instrument and the hedged risk of the hedged item do not change as a result of the reform. If the retrospective effectiveness requirements were not met the hedges would not need to be discontinued. However, any hedge ineffectiveness would be accounted for in profit or loss. Application of these reliefs will cease when there is no longer uncertainty about the CHF and USD LIBOR-based cash flows of the hedging instruments and the hedged benchmark interest rate risk portion.

Erste Group also hedges interest rate risks in EUR and CZK . However, for these currencies it does not consider to be exposed to uncertainties resulting from the reform. For EUR all the hedges relate to EURIBOR interest rates which have been reformed and are EU Benchmark Regulation compliant. The same applies in CZK for PRIBOR, whose calculation methodology was strengthened in 2020 while continuing to measure the same underlying interest.

Erste Group has established an internal project led by Asset-Liability Management to manage and oversee the implications resulting from the the interest rate benchmark reform with the aim to minimize the potential disruption to business and to mitigate operational and conduct risks and possible financial losses. This transition project will include changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications.

Erste Group decided not to apply early the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 issued in August 2020. The reasons are discussed in the part Application of amended and new IFRS/IAS of Significant accounting policies.

28. Offsetting of financial instruments

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

The following table shows netting effects on the balance sheet of Erste Group as well as the impacts of offsetting financial instruments which are subject to offsetting agreements.

Financial assets subject to offsetting and potential offsetting agreements

				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial assets (gross)	Amounts offset (gross)	Financial assets in balance sheet (net)	Financial instruments	Cash collateral received	Other financial collateral received	Net amount after potential offsetting
Dec 20							
Derivatives	5,477	2,318	3,159	1,476	1,121	0	563
Reverse repurchase agreements	17,869	0	17,869	0	2	17,390	476
Total	**23,346**	**2,318**	**21,028**	**1,476**	**1,123**	**17,390**	**1,040**
Dec 19							
Derivatives	4,902	1,967	2,936	1,520	849	0	567
Reverse repurchase agreements	20,778	0	20,778	0	7	20,604	167
Total	**25,680**	**1,967**	**23,713**	**1,520**	**856**	**20,604**	**734**

Financial liabilities subject to offsetting and potential offsetting agreements

				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial liabilities (gross)	Amounts offset (gross)	Financial liabilities in balance sheet (net)	Financial instruments	Cash collateral pledged	Other financial collateral pledged	Net amount after potential offsetting
Dec 20							
Derivatives	4,321	2,095	2,226	1,476	359	49	343
Repurchase agreements	2,196	0	2,196	0	12	2,180	4
Total	**6,517**	**2,095**	**4,422**	**1,476**	**371**	**2,228**	**348**
Dec 19							
Derivatives	4,022	1,748	2,275	1,520	270	5	479
Repurchase agreements	3,082	0	3,082	0	14	2,859	209
Total	**7,104**	**1,748**	**5,357**	**1,520**	**284**	**2,865**	**688**

The impact of offsetting is shown in the column 'Amounts offset (gross)'. The net position between the offset derivative amounts EUR 223 million (2019: EUR 219 million) is further offset with variation margin balances presented under balance sheet items 'Cash and cash balances' in amount EUR 62 million (2019: EUR 58 million) and 'Financial liabilities measured at amortised cost ', sub-item 'Deposits from banks' in amount of EUR 285 million (2019: EUR 277 million).

Erste Group employs repurchase agreements and master netting agreements as a means of reducing credit risk of derivative and financing transactions. They qualify as potential offsetting agreements. Master netting agreements are relevant for counterparties with multiple derivative contracts. They provide for the net settlement of all the contracts in the event of default of any counterparty. For derivatives transactions the values of assets and liabilities that would be set off as a result of master netting agreements are presented in the column 'Financial instruments'. If the net position is further secured by cash collateral or other financial collaterals the effects are disclosed in columns 'Cash collateral received / pledged' and 'Other financial collateral received / pledged' respectively.

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities remain in the hands of the lender as collateral in case the borrower defaults on fulfilling

any of its obligations. Offsetting effects from repurchase agreements are disclosed in the column 'Other financial collateral received / pledged' respectively. Collateral is presented at the fair value of the transferred securities. However, if the fair value of collateral exceeds the carrying amount of the receivable/liability from the repo transaction the value is capped at the level of the carrying amount. Remaining position may be secured by cash collateral. Cash and other financial collateral involved in these transactions is restricted from being used it by the transferor during the time of the pledge. For further details regarding repurchase and reverse repurchase transactions we refer to Note 29 Transfers of financial assets – repurchase transactions and securities lending

29. Transfers of financial assets – repurchase transactions and securities lending

Repurchase and reverse repurchase agreements

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

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

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

Securities lending and borrowing

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

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

	Dec 19		Dec 20	
in EUR million	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	**1,703**	**1,645**	**754**	**754**
Financial assets at AC	741	717	664	666
Trading assets	383	381	40	39
Non-trading financial assets at FVPL	2	2	0	0
Financial assets at FVOCI	578	545	50	49
Securities lendings	**1,510**	**0**	**1,270**	**0**
Financial assets at AC	1,401	0	1,235	0
Trading assets	47	0	28	0
Non-trading financial assets at FVPL	37	0	8	0
Financial assets at FVOCI	26	0	0	0
Total	**3,214**	**1,645**	**2,024**	**754**

The transferred financial instruments consist of bonds and other interest-bearing securities. The total amount of transferred financial assets represent the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledge. The associated liabilities from repo transaction, which are measured at amortised cost, represent an obligation to repay the borrowed funds.

The following table shows fair values of the transferred assets and associated liabilities for repo transactions with an existing recourse right only on the transferred assets:

	Dec 19			Dec 20		
in EUR million	Fair value of transferred assets	Fair value of associated liabilities	Net position	Fair value of transferred assets	Fair value of associated liabilities	Net position
Financial assets at AC	791	718	73	767	665	101
Trading assets	383	381	2	40	39	2
Non-trading financial assets at FVPL	2	2	0	0	0	0
Financial assets at FVOCI	578	545	32	50	49	1
Total	**1,753**	**1,646**	**107**	**857**	**753**	**104**

30. Collaterals

Carrying amount of financial assets pledged as collaterals

in EUR million	Dec 19	Dec 20
Financial assets at AC	24,390	40,641
Trading assets	430	181
Non-trading financial assets at FVPL	97	57
Financial assets at FVOCI	862	776
Total	**25,780**	**41,654**

The financial assets pledged as collateral consist of loans and advances to customers, bonds and other interest-bearing securities. Collaterals were pledged as a result of repurchase transactions, refinancing transactions with the European Central bank (ECB) and the respective National Banks, loans backing issued mortgage bonds and other collateral arrangements.

The fair value of collateral received which may be repledged or resold even without the collateral provider's default was EUR 19,156.9 million (2019: EUR 23,776.3 million). Collateral with fair value of EUR 1,532.3 million (2019: EUR 1,654.5 million) was resold. Collateral with fair value of EUR 29.9 million (2019: EUR 400.6 million) was repledged. The bank is obliged to return the resold and repledged collateral.

31. Securities

	Dec 19					Dec 20				
			Financial assets					Financial assets		
in EUR million	At AC	Trading assets	Mandatorily at FVPL	Designated at FVPL	At FVOCI	At AC	Trading assets	Mandatorily at FVPL	Designated at FVPL	At FVOCI
Bonds and other interest-bearing securities	**26,764**	**2,889**	**1,671**	**664**	**8,836**	**29,579**	**3,368**	**1,446**	**603**	**8,389**
Listed	25,663	2,114	844	620	7,123	28,095	2,454	685	164	6,367
Unlisted	1,101	774	826	44	1,714	1,484	914	761	439	2,022
Equity-related securities	**0**	**65**	**390**	**0**	**210**	**0**	**34**	**347**	**0**	**130**
Listed	0	62	142	0	120	0	28	124	0	43
Unlisted	0	4	248	0	90	0	6	223	0	87
Total	**26,764**	**2,954**	**2,061**	**664**	**9,047**	**29,579**	**3,402**	**1,793**	**603**	**8,519**

Investment funds units are reported within bonds and other interest bearing securities.

Risk and capital management

32. Risk management

Risk policy and strategy

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.

Erste Group has developed a risk management framework that is forward-looking and tailored to its business and risk profile. This framework is based on a clear risk strategy that sets out general principles according to which risk taking must be performed across the Group. The risk strategy is consistent with the business strategy and incorporates the expected impact of external environment on the planned business and risk development.

The risk strategy describes the current risk profile, defines risk management principles, strategic goals and initiatives for the main risk types as well as sets strategic limits for the significant financial and non-financial risk types as defined in the Risk Materiality Assessment. The risk strategy is executed within a clearly defined governance structure. This structure also applies to monitoring of risk appetite, additional metrics, as well as to the escalation of limit breaches.

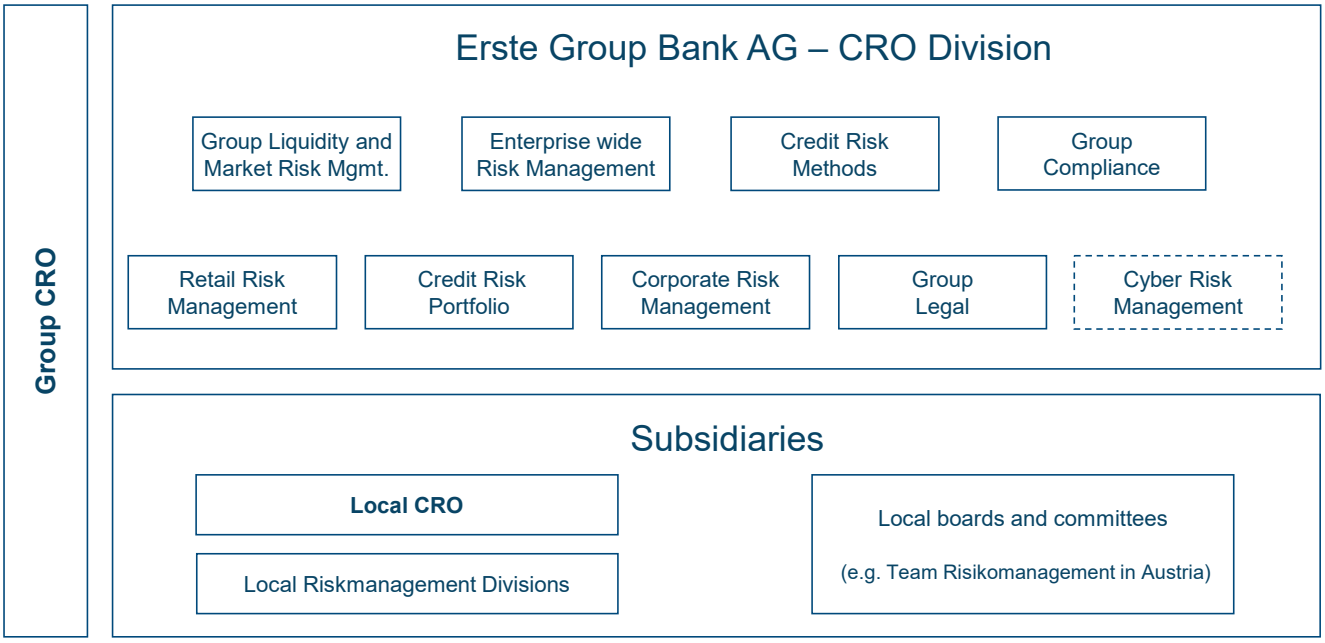
In 2020, when the Covid-19 pandemic has been the central topic worldwide – and hence also in our core markets, management has continued to steer credit portfolio, including active management of non-performing exposures to further strengthen the risk profile. A forward-looking approach was implemented in the Group and significant provisions were set aside to reflect the expected deterioration in asset quality as a result of worsening in the macroeconomic outlook due to Covid-19.

Erste Group Bank AG uses the Internet as the medium for publishing its disclosures under Article 434 of the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - CRR) and Regulation (EU) No. 876/2019 amending Regulation (EU) No. 575/2013. Details are available on the website of Erste Group at www.erstegroup.com/ir. Relevant disclosures are included in the annual report in the section 'Reports' or published as separate documents in the section 'Regulatory disclosure'.

Risk management organisation

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities and risk limits.

The following chart presents an overview of Erste Group's risk management organisation:



At the beginning of 2020, the management boards of Erste Group Bank AG (EGB) and Erste Bank der oesterreichischen Sparkassen AG (EBOe) decided to consolidate the risk management structures of EGB and EBOe in order to establish a more focused support for the corporate and retail business as well as improved processes and collaboration. In April 2020, the common structure was implemented for the areas of operative credit risk management, i.e. the Corporate Risk Management, Retail Risk Management and Credit Risk Portfolio

divisions. Furthermore, as of 1 October 2020, EGB and EBOe merged their strategic risk management units and form a uniform compliance function to improve cooperation and processes based on existing synergies. The reorganization included the merger of the enterprise-wide risk management functions and security risk management units as well as the merger of the credit risk methods and models. This step will improve the cooperation and ensures coordinated processes and standards being implemented. In addition, the new structure will enable a standardized data collection and processing and target a harmonized IT infrastructure. The staff unit Group Sustainability Office was transferred to the area of responsibility of the Chief Executive Officer and a new staff unit, Cyber Risk Management, was created.

Risk management structure

The management board and in particular Erste Group's Chief Risk Officer (Group CRO) perform the oversight function within Erste Group's risk management structure. Risk control and risk steering within Erste Group are performed based on the business strategy and risk appetite approved by the management board. The Group CRO, working together with the chief risk officers of the subsidiaries, is responsible for the implementation and adherence to the risk control and risk management strategies across all risk types and business lines.

The management board and, in particular, the Group CRO ensure the availability of appropriate infrastructure and staff as well as methods, standards and processes to that effect; the actual identification, measurement, assessment, approval, monitoring, steering and limit setting for the relevant risks are performed on the operating entity level within Erste Group.

At group level, the management board is supported by several divisions established to perform operating risk control functions and exercise strategic risk management responsibilities. The following risk management functions report directly to the Group CRO:

_ Group Liquidity and Market Risk Management;
_ Enterprise wide Risk Management;
_ Credit Risk Methods;
_ Group Compliance;
_ Retail Risk Management:
_ Credit Risk Portfolio;
_ Corporate Risk Management;
_ Group Legal;
_ Cyber Risk Management;
_ Local Chief Risk Officers.

Group Liquidity and Market Risk Management

The division Group Liquidity and Market Risk Management comprises all market and liquidity risk functions in Erste Group. This division is responsible for steering, measuring, and controlling liquidity and market risk. It covers both banking book and trading book and ensures the development and validation of liquidity and market risk models for regulatory as well as for internal steering purposes.

Enterprise wide Risk Management

Enterprise wide Risk Management (ERM) focuses on holistic risk management and ensures comprehensive cross-risk group-wide risk portfolio steering, monitoring, analysis, and reporting. ERM drives key strategic initiatives to establish greater cohesion between risk strategy (including risk appetite and limit steering) and operational execution. It also comprises recovery & resolution planning as well as the management of non-financial risk. ERM works together with all risk functions and key divisions to strengthen risk oversight group-wide, covering capital, credit, liquidity, market, operational, and business risk.

Credit Risk Methods

The responsibilities of the area comprise the development, maintenance and validation of credit risk models in accordance with the regulatory requirements for the internal ratings-based approach. A dedicated organisational unit takes care of model risk governance and the strategic planning of model changes.

Group Compliance

In line with Austrian and European Union legislations, Group Compliance ensures the implementation and steering of measures to prevent money laundering, terrorism financing and fraud. Furthermore, it is responsible for standards and measures to comply with financial sanctions and embargoes. Another central task consists in the implementation and enforcement of regulatory provisions for insider trading, market manipulation and other misconduct in securities business.

Retail Risk Management

Retail Risk Management covers the operational credit decisions and the collection and workout activities for retail clients of EBOe. The credit decision and collection systems are developed, validated and adapted to the new requirements for EBOe and savings banks. In order to ensure the sustained performance of the retail loan portfolio, Retail Risk Management defines group-wide framework conditions and requirements for lending within the Group's risk/return profile.

Credit Risk Portfolio

Credit Risk Portfolio monitors the development of the overall loan portfolio of EBOe, Erste Group Bank AG and the Group with a specific focus on non-retail clients. Active steering ensures the operative implementation of the Group's credit risk strategies. The division is also in charge of continuously improving underwriting processes as well as for corporate and retail risk management projects with a particular focus on digital initiatives. Credit Risk Portfolio is also responsible for rating control, real estate valuations and credit analytics.

Corporate Risk Management

Corporate Risk Management is responsible for credit underwriting, restructuring (including sales of non-performing loans) for corporate and real estate clients, financial institutions, sovereigns and municipalities in EBOe and Erste Group Bank AG as well as group-wide for the local customers if their local credit limits are exceeded.

Group Legal

Group Legal acts as the central legal department of Erste Group Bank AG. This division provides legal support and counsel for the management board, the business units and the central functions, and mitigates legal risk. It also attends to legal sourcing and to dispute resolution and litigation.

Cyber Risk Management

Cyber Risk Management is a risk control unit segregated from IT and security operations, responsible for managing and overseeing cyber risks, monitoring and controlling adherence to cyber risk management framework.

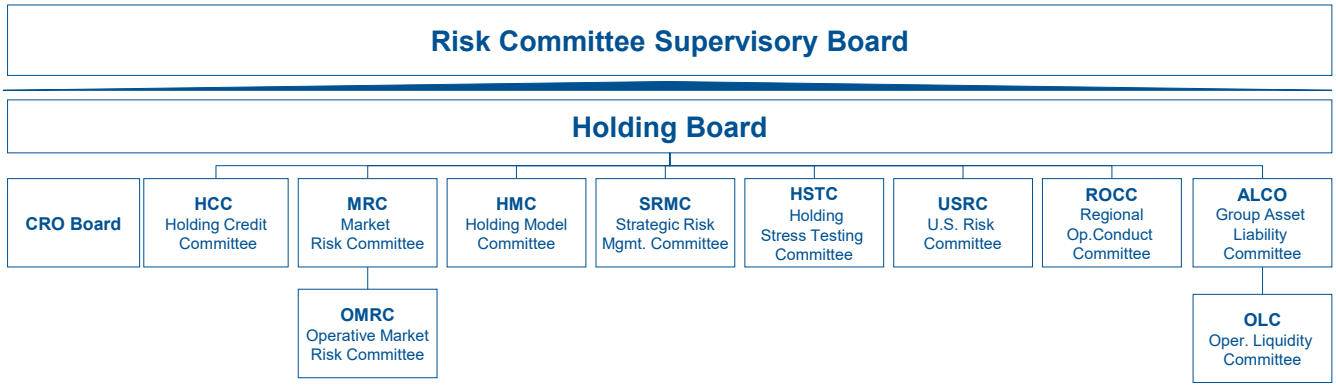
Local Chief Risk Officers

Each subsidiary has separate risk control and management units with responsibilities tailored to the local requirements, which are headed by the respective local chief risk officer (Local CRO).

Group coordination of risk management activities

The management board regularly deals with risk issues of all risk types in its regular board meetings. Actions are discussed and taken when needed.

Furthermore, certain cross-divisional committees were established with the purpose of carrying out risk management activities in Erste Group. They are shown in the following diagram:



The **Risk Committee of the Supervisory Board** is responsible for granting approval in all cases in which loans and exposures reach an amount exceeding the approval authority of the management board according to the Credit Risk Approval Authority Regulations. It is in charge of granting approval to large exposures pursuant to Article 392 CRR, if such a claim is equal to or exceeds 10% of the eligible capital of a credit institution. Within the competence assigned to it, the committee may grant advance approvals to the extent permitted by law.

In addition, it is responsible for supervising the risk management of Erste Group Bank AG. The risk committee meets regularly. As the central risk control body, the Risk Management Committee is regularly briefed on the risk status across all risk types.

The **CRO Board** is responsible for the coordination and implementation of risk management activities within Erste Group. The CRO Board consists of the Group CRO, the chief risk officers of major subsidiaries within Erste Group and the B-1 managers of the Holding CRO division. Chaired by the Group CRO, the CRO Board is the primary body for aligning on strategically relevant topics of the risk division across Erste Group entities, including (but not limited to) the group-wide strategic planning, the project portfolio and Change the Bank (CtB) investments. The CRO Board ensures a consistent flow of information from and to the group functions and supports the setting of the overall risk agenda.

The **Holding Credit Committee** (HCC) is the highest operative decision-making body for approvals of credit risks according to the valid credit risk approval authority regulations. Based on the advice of HCC, decisions of significant exposures and extended risks are decided

by the risk management board of the supervisory committee. It also approves the relevant corporate industry strategies. The HCC is headed by the Group CRO and comprises the board member of Corporates & Markets, the head of Corporate Risk Management, Head of Credit Risk Portfolio and the head of the requesting business line. Each subsidiary has their own local credit committee established by the same principles.

The **Market Risk Committee** (MRC) is the main steering body for market risk and trading book related issues of Erste Group. MRC approves group-wide market risk limits and elaborates on the current market situation. In addition, it approves market risk methodologies and models, model changes, and related validation results.

The **Operative Market Risk Committee** (OMRC) prepares decisions for the MRC and approves sensitivity and notional limits which do not require VaR/SVaR limit adjustments.

The **Holding Model Committee** (HMC) is chaired by the Chief Risk Officer of Erste Group and is the steering and control body for Pilar 1 IRB and Pillar 2 Credit Risk model development, validation and monitoring. All new or changed models and model related aspects (e.g. risk parameters (PD, LGD, CCF, ELBE), group-wide methodology standards, IFRS 9 parameter methodologies) are reviewed by the Holding Model Committee and require its approval.

The **Strategic Risk Management Committee** (SRMC) chaired by the Head of Enterprise-wide Risk Management and consisting of selected B-1 managers of the Holding CRO division, holds the delegated decision authority from the Holding Board with respect to strategic risk management functions. Its responsibility area covers the approach to credit RWA calculation and economic capital calculation methodology, design of Forward-Looking Information (FLI) adjustments and scenarios for IFRS 9 parameters, monitoring of IFRS 9 models, defining scenarios, staging and expected credit loss (ECL) methodologies, the back-testing of loan loss provisions, and the remedy actions resulting from reporting of credit risk control units on rating system performance.

The **Holding Stress Testing Committee** (HSTC) is the sole forum for all joint resolutions, decisions and acknowledgements in the stress testing area for group-wide stress testing activities.

The **United States Risk Committee** (USRC) has been established to meet the requirements of the United States Federal Reserve Board (FRB) regulation, which has been in force since 1 July 2016. The objective is to involve the management board as key governance and control function for the U.S. trade portfolio which has been specified in the Combined U.S. Operations (CUSO) guidance.

The **Regional Operational Conduct Committee** (ROCC) decides on business applications and implements group-wide corrective measures to steer non-financial risks (NFR). This is done based on a risk-return evaluation. Furthermore, ROCC defines group-wide standards for non-financial risk topics. The ROCC is a forum for joint alignments, decisions, and escalations in non-financial risk areas across Erste Group entities and Erste Group Bank AG itself.

The **Group Asset/Liability Committee** (ALCO) manages the consolidated Erste Group balance sheet, focusing on trade-offs between all affected consolidated balance sheet risks (interest rate, exchange rate and liquidity risks), and takes care of the setting of group standards and limits for the members of Erste Group. In addition, it approves policies and strategies for controlling liquidity risk as well as interest rate risk (net interest income) and examines proposals, statements and opinions of ALM, risk management, controlling and accounting functions. The approved investment strategy complies with the guidelines agreed with Risk Management.

The **Operational Liquidity Committee** (OLC) is responsible for the day-to-day management of the global liquidity position of Erste Group. It analyses the liquidity situation of Erste Group on a regular basis and reports directly to the ALCO. It also proposes measures to ALCO within the scope of the management policies and principles laid down in the Liquidity Risk Management Rule Book. Furthermore, members of the OLC are points of contact for other departments or Erste Group members for liquidity-related matters. Each local bank has its own local operational liquidity committee.

In addition, committees are established at local level, such as the ‘Team Risikomanagement’ in Austria. It is responsible for a common risk approach with the Austrian savings banks.

Group-wide risk and capital management

Enterprise wide Risk Management (ERM) includes as its fundamental component the Internal Capital Adequacy Assessment Process (ICAAP) as required under Pillar 2 of the Basel framework and regulatory guides (e.g. ECB Guide to ICAAP).

The ERM framework is designed to support the bank’s management in managing the risk portfolios as well as the coverage potential to ensure that the bank holds adequate capital for the nature and magnitude of its risk profile at all times. The framework is tailored to the Erste Group’s business and risk profile and reflects the strategic goal of protecting shareholders and senior debt holders while ensuring the sustainability of the organisation.

ERM framework is a modular and comprehensive management and steering system within Erste Group as well as an essential part of the overall steering and management instruments. The ERM components necessary to ensure all aspects, in particular to fulfil regulatory requirements and to provide an effective internal steering tool, can be clustered as follows:

_ Risk Appetite Statement (RAS), limits and risk strategy;
_ portfolio and risk analytics including Risk Materiality Assessment (RMA), concentration risk management, and stress testing;
_ Risk-bearing Capacity Calculation (RCC);
_ Capital allocation and performance management;
_ planning of key risk indicators;
_ recovery and resolution planning.

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the ERM components serve to support the bank's management in pursuing its strategy.

Risk appetite

Erste Group defines the maximum level of risk it is willing to accept in order to meet its business objectives within the Group's risk appetite (Group RAS). The Group RAS acts as a binding constraint to Erste Group's business activities within its overall risk appetite via triggers and limits approved by the management board. It is integrated and embedded into Erste Group's structural processes; including business and risk strategy, budget process, capital and liquidity planning, recovery plan, stress testing and remuneration framework. The Group RAS consists of a set of core risk metrics providing quantitative direction for overall risk-return steering and qualitative statements in the form of key risk principles that are part of the guidelines for managing risks. The core risk metrics (capital, liquidity, risk/earnings) are set as ultimate boundaries for the Group risk-return target setting. They are also a key part of the annual strategic planning / budgeting process and give an overall picture of capital, liquidity and risk-return trade-offs. The key objective of the RAS is to:

_ ensure that Erste Group has sufficient resources to support its business at any given point in time and absorb stress events;
_ set boundaries for the Group's risk target setting;
_ support the group's financial strength and the robustness of its systems and controls.

To foster risk-return steering and ensure proactive management of the risk profile, Erste Group creates its RAS on a forward-looking basis. External constraints such as regulatory requirements create the floor and ceiling for the RAS and therefore the amount of risk Erste Group is willing to accept. In order to ensure that the group remains within the targeted risk profile, a traffic light system was established and assigned to the core metrics. This approach allows a timely delivery of information to the respective governance and the implementation of effective remediation measures. The RAS traffic light system is defined as follows:

_ RAS is green: The target risk profile is within the specified boundaries.
_ RAS is amber: The undershooting or overshooting of a pre-defined threshold leads to an escalation to the designated governance and the discussion of potential remediation actions.
_ RAS is red: The undershooting or overshooting of a pre-defined limit initiates an immediate escalation to the designated governance and a prompt implementation of remediation actions.

Moreover, stress indicators are defined for selected core metrics and integrated into the assessment of the stress test results. They are reported as early warning signals to the management board to support proactive management of the risk and capital profile.

In addition, supporting metrics and principles are defined by material risk type in the Group Risk Strategy based on Group RAS. These support implementation of the mid- to long-term strategy. Risk management governance ensures full oversight of risk decisions and sound execution of the Group risk strategy. Mitigating actions are undertaken as part of the regular risk management process to ensure that the Group remains within its RAS.

Group RAS is also broken down into local entities. Local RAS is approved by the management board to ensure compliance with the Group RAS and also approved by the local management board to ensure alignment with local regulatory requirements. The Group may also decide to include further compulsory constraints and limits in local RAS to ensure alignment with Group RAS and Group Risk Strategy.

The Group further developed an aggregated and consolidated risk appetite dashboard (Risk Dashboard) illustrating the group's and local entities' risk profile developments by comparing the risk exposure and risk limits. The Risk Dashboard is regularly presented to the management board and to the supervisory board (including risk committee of supervisory board) to support its review, oversight, and monitoring of the group risk profile and the risk profile of its local entities.

Group RAS for 2020 was approved by the management board and acknowledged by the risk committee of supervisory board and supervisory board in the last quarter of 2019. On the back of global developments related to Covid-19, as well as changed regulatory requirements/expectations towards credit institutions, in the first half of 2020, interim revisions of Group RAS and Risk Strategy, as well as local entities RAS were conducted and approved by the designated governance.

Portfolio and risk analytics

Erste Group uses dedicated infrastructure, systems and processes to actively identify, measure, control, report and manage risks within its portfolio. Portfolio and risk analytics processes are designed to quantify, qualify and discuss risks in order to raise awareness to management in a timely manner.

Risk materiality assessment

The Risk Materiality Assessment (RMA) determines the materiality of risk types and consequently the risk profile across Erste Group and its entities. RMA is an annual process with the purpose of systematically identification of new and assessment of all risks for the Group. As such, the RMA is an integral part of the ICAAP and serves as a steering tool for top and senior management.

Insights generated by the assessment are used to improve risk management practices and further mitigate risks within the Group. The assessment also serves as input for the design and definition of the Group's risk strategy and Risk Appetite Statement. Key outputs and recommendations of the RMA are considered in the scenario design and selection of the comprehensive and reverse stress tests.

Risk concentration analysis

Erste Group has implemented a process to identify measure, control and manage risk concentrations. This process is important to ensure the long-term viability of Erste Group, especially in times of an adverse business environment and stressed economic conditions.

The risk concentration analysis at Erste Group is performed on an annual basis covering credit risk, market risk, operational risk, liquidity risk and inter-risk concentrations. Identified risk concentrations are considered in the scenario design of the comprehensive stress test and measured under stressed conditions. The output of the risk concentration analysis additionally contributes to the identification of material risks within the RMA and to the setting/calibration of Erste Group's limit system.

Stress testing

Modelling sensitivities of the group's assets, liabilities and profit or loss provide management steering information and help to optimise Erste Group's risk-return profile. Stress tests help to factor in severe but plausible scenarios providing further robustness to measurement, steering and management. Risk modelling and stress testing are vital forward-looking elements of the ICAAP. Finally, sensitivities and stress scenarios are considered within the group's planning process.

Erste Group's most complex stress testing activities are scenario stress tests that take a comprehensive account of the impact of various economic scenarios, including second-round effects on all risk types (credit, market, liquidity and operational) and effects on the associated volumes of assets and liabilities as well as on profit and loss sensitivities. In addition to the standard scenario-driven stress testing exercises, reverse stress tests are performed to identify a scenario or a combination of scenarios in which viability of the current business model can be questioned.

Erste Group has developed specific tools to translate macroeconomic variables (e.g. GDP or unemployment rate) into risk parameters in order to support the stress testing process, which combines bottom-up and top-down approaches. For adapting the stress parameters, Erste Group additionally leverages the experience of its local professionals and uses, where appropriate, their statistical models to simulate the impacts of macroeconomic variables on the probabilities of default in the respective markets. Special attention is given to account for adequate granularity and special characteristics (i.e. countries and industries) when determining the segmentation in which the stressed parameters are defined.

Results from Erste Group's internal stress tests are analysed in order to decide on appropriate measures. The internal comprehensive stress tests performed in 2020 indicated no breach of stressed RAS triggers after the application of scenario contingent measures in the last year of adverse scenario.

Risk-bearing capacity calculation

The Risk-bearing Capacity Calculation (RCC) describes the methodology of Pillar 2 capital adequacy calculation. In contrast to the regulatory view of Pillar 1, the RCC is based on an economic view of Pillar 1+ approach, assuming continuation of Erste Group as expected by the ECB Guide to ICAAP, and determines whether the Group has sufficient capital to cover all relevant risks it is exposed to. With this Pillar 1+ approach the Group increases efficiency and ensures comparability with the Pillar 1 calculation. Based on the results of the RMA, economic capital is considered for relevant risk types as approved by the management board. The economic capital requirement is then compared to internally available capital (coverage potential) to cover the Group's risks in Pillar 2. Both economic capital and coverage potential are computed on the CRR scope of consolidation of Erste Group as ultimate parent entity based on IFRS accounting standards.

Besides the Pillar 1 risk types (credit, market and operational risks), interest rate risk in the banking book, foreign exchange risk arising from equity investments, credit spread risk in the banking book, risk from repayment vehicles as well as business risk are explicitly considered within the economic capital calculated over a horizon of one year and at a confidence level of 99.92%. For the calculation of the economic capital, Erste Group uses, where possible, more risk sensitive/advanced methodologies tailored to Erste Group's individual risk profile and specificities of the Group's individual risk exposures. Diversification effects between risks (inter-risk diversification) are not considered, reflecting the Group's prudent approach to maintain sufficient internal capital in times when correlations between risks may

change dramatically (like in times of stress). The largest portion of economic capital requirements is coming from credit risk, which accounts for 73.2% of total economic capital requirements at the end of 2020.

The calculation of internal capital or coverage potential required to cover Pillar 2 risks/unexpected losses is based on Pillar 1+ approach. Namely, CRR and CRR II (Regulation (EU) No. 575/2013 and Regulation (EU) No. 876/2019 amending Regulation (EU) No. 575/2013) regulatory own funds are adjusted by internal capital components which reflect economic view (e.g. year-to-date profit (if not already considered in Pillar 1 capital), exclusion of Tier 2 capital instruments, Pillar 2 IRB expected loss excess/shortfall add-on, etc.).

The coverage potential must be sufficient to absorb Pillar 2 risks/unexpected losses resulting from the group's operations at any point in time (normal and stressed), as reflected in the Group's Risk Appetite through the limits set for Group economic capital adequacy and stressed capital adequacy utilisation. At the end of 2020, the economic capital adequacy was at 55.0%.

The management board, risk management committees and supervisory board are briefed quarterly on the results of the ICAAP capital adequacy through the Group Risk Report and the Risk Dashboard. The former includes risk profile developments, available capital (coverage potential), consideration of potential losses in stress situations, the degree of the risk limit utilisation and the overall status of capital adequacy. The latter outlines risk profile development in relation to risk appetite.

Risk planning

Group Risk Planning framework is essential for the capital allocation and overall financial planning processes and supports the adequate reflection of risks within the strategy, steering and management processes of the group.

Methods and instruments applied

Key risk indicators covered by the Risk Planning framework include indicators that provide an overview of incurred or potential risks, with respect to both portfolio and economic environment developments. Indicators include RWA (and related indicators), portfolio quality indicators (impairments, NPL/NPE and relevant performance indicators etc.), as well as indicators required by the regulatory authorities under the responsibility of the Risk division.

Planning activities are performed in close cooperation with all stakeholders in the group´s overall process and follow a clear governance structure to ensure sound risk planning process.

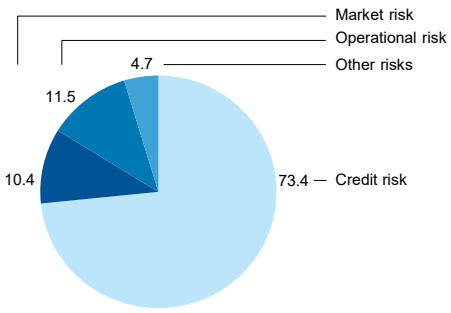
Capital allocation

An important task integral to the risk planning process is the allocation of capital to entities, business lines and segments. This is done with close cooperation between Risk Management and Controlling. Methodology for allocation reflects risk and controlling processes in order to allocate capital with risk-return considerations.

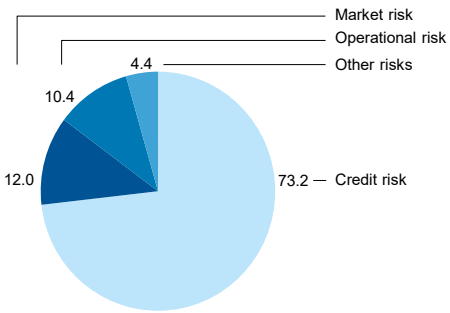
Erste Group's aggregate capital requirements by risk type

The following diagrams present the composition of the economic capital requirements according to type of risk:

Economic capital allocation (in %)
31 December 2019



Economic capital allocation (in %)
31 December 2020



Other risks include business risk.

Recovery and resolution plans

In compliance with the Austrian Banking Recovery and Resolution Law ('Bundesgesetz über die Sanierung und Abwicklung von Banken – BaSAG') Erste Group submits an updated Group Recovery Plan to ECB every year.

The Group Recovery Plan identifies options for restoring financial strength and viability in case Erste Group comes under severe economic stress. The plan specifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of scenarios including both idiosyncratic and market-wide stress (in 2020 one Covid-19 scenario was requested by ECB). The recovery governance described in the plan ensures timely identification and proper management of any recovery situation. Furthermore, the assessment

of the Group Recovery Plan and the recently addressed assessment of the overall recovery capacity are part of the Supervisory Review and Evaluation Process (SREP) assessment. It is relevant to demonstrate that, in a severe stress which is close to a failing or likely to fail situation, there is sufficient recovery capacity available.

Erste Group collaborates with the resolution authorities in the drawing up of resolution plans based on BaSAG and EU Regulation No 806/2014 establishing the Single Resolution Mechanism (SRM Regulation). Based on a joint decision taken in the Resolution College, Erste Group in April 2020 received notification of the preferred Multiple Point of Entry (MPE) resolution strategy on cross-country level, but a Single Point of Entry (SPE) resolution strategy within a country. This results in being MPE in Austria, the Czech Republic, Croatia, Hungary, Romania and Slovakia.

The Bank Recovery and Resolution Directive (BRRD) introduced the Minimum Requirement for own funds and Eligible Liabilities (MREL), which is – in case of Erste due to the MPE resolution strategy – set on Resolution Group level. Based on the MREL joint decision, the requirement is binding as of the date of the notification in case of notified MREL surplus, however in case of an MREL shortfall the requirement becomes binding at the end of a transition period to be set between 2 and 4 years, at the latest by the end of 2023. MREL is expressed as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds (TLOF).

In June 2019 the new banking reform package was published, which includes the Bank Recovery and Resolution Directive (BRRD2). The transposition into national law (BaSAG) is set with up to 18 months. Nevertheless, the Austrian Lawmaker delayed the national transposition. The publication of the final text is expected for Q1 2021. Key changes include the MREL expression in terms of Risk Weighted Assets (RWA) and Leverage Ratio Exposure (LRE) instead of TLOF, adapted transition arrangements (binding intermediate MREL target as of 01.01.2022 and a common deadline of 01.01.2024 to meet the final MREL target) as well as tighter eligibility criteria. Hence, MREL target setting will be subject to further changes. Potential changes in the MREL requirement will be reflected in Erste Group Bank AG's funding plan as to ensure compliance with MREL and subordination targets.

33. Own funds and capital requirements

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

Regulatory Requirements

Since 1 January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to the CRR and the Capital Requirement Directive (CRD IV). The CRD IV was enacted in national law in the Austrian Banking Act (ABA). Erste Group applies these rules and calculates the capital ratios on the one hand by taking into consideration the Austrian transitional provisions which are defined in the CRR 'Begleitverordnung', published by the Austrian regulator. On the other hand Erste Group also applies the European Regulation on the exercise of options and discretions available in Union law which entered into force 1 October 2016. All requirements as defined in the CRR, the ABA , in technical standards issued by the European Banking Authority (EBA) and EBA guidelines 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. Eligible capital components are derived from the balance sheet and income statement which were prepared in accordance with IFRS. Adjustments to the accounting figures are considered due to the different definitions in the scopes of consolidation. Further details are explained in the section 'Regulatory scope of consolidation and institutional protection scheme'. The uniform closing date of the consolidated regulatory figures of Erste Group is the 31 December of the respective year.

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, investment firms, financial institutions and ancillary service undertakings. In addition, the following update according to Art 18 (7) 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.

The Austrian savings banks are included as subsidiaries in Erste Group's regulatory scope of consolidation based on the cross-guarantee contract of the 'Haftungsverbund'. Furthermore, Erste Group Bank AG together with the savings banks forms an institutional protection scheme (IPS) according to Art. 113 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 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 items of own fundsas disclosed are also used for internal capital management purpose, except T2 capital instruments Erste Group fulfilled the capital requirements. The regulatory minimum capital ratios including the capital buffers as of 31 December 2020 amount to

- 9.18% for CET1 (4.5% CET1, +2.5% capital conservation buffer, +2.0% buffer for systemic vulnerability and for systemic concentration risk 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 23 (capital conservation buffer), 23a (countercyclical buffer), 23b (Global Systemic Important Institution (G-SII) buffer), 23c (Other Systemic Important Institution (O-SII) buffer) and 23d (systemic risk buffer) of the ABA and further specified in the regulation of the Financial Market Authority (FMA) on the establishment and recognition of the countercyclical buffer rate in accordance with section 23a para 3 ABA, on the establishment of the systemic risk buffer in accordance with section 23d para 3 ABA as well as on the detailed definition of the bases of calculation in accordance with section 23a para 3 clause 1 ABA and section 24 para 2 ABA (capital buffers regulation). All capital buffers have to be met entirely with CET1 capital and relate, except the countercyclical buffer, to total risk.

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).

The ECB Banking Supervision adjusted the SREP approach for 2020 in light of the Covid-19 crisis. Therefore the ECB has not issued a SREP decision 2020, but rather chose a pragmatic SREP 2020 approach which keeps the SREP 2019 decision in place and confirms a Pillar 2 requirement (P2R) of 1.75%. The adjustments made to the regulatory framework on 12 March 2020 to stabilize the financial markets remain in place. The originally envisaged relief for 2021 regarding the composition of capital for the Pillar 2 requirement under article 104a (4) CRD V can be applied directly by credit institutions under the supervision of the ECB. 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 31 December 2020.

The regulatory minimum capital ratios including the capital buffers ans SREP requirements as of 31 December 2020 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 2019, Erste Group is expected to meet a Pillar 2 Guidance (P2G) of 1.0% valid as of 1 January 2020 onwards. The ECB press release of 12 March 2020 also indicated that the Pillar 2 Guidance need not be fully complied with temporarily 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 19	Dec 20
Pillar 1		
Minimum CET 1 requirement	4,50%	4,50%
Minimum Tier 1 requirement	6,00%	6,00%
Minimum Own Funds requirement	8,00%	8,00%
Combined buffer requirement (CBR)	**4,91%**	**4,68%**
Capital conservation buffer	2,50%	2,50%
Countercyclical capital buffer	0,41%	0,18%
Systemic risk buffer	2,00%	2,00%
O-SII capital buffer	2,00%	2,00%
Minimum CET 1 requirement (incl.CBR)	9,41%	9,18%
Minimum Tier 1 requirement (incl.CBR)	10,91%	10,68%
Minimum Own Funds requirement (incl.CBR)	12,91%	12,68%
Pillar 2	**1,75%**	**1,75%**
Minimum CET1 requirement	1,75%	0,98%
Minimum T1 requirement	n.a.	1,31%
Minimum Own Funds requirement	n.a.	1,75%
Total CET 1 requirement for Pillar 1 and Pillar 2	**11,16%**	**10,16%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**12,66%**	**11,99%**
Total Capital requirement for Pillar 1 and Pillar 2	**14,66%**	**14,43%**

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

As announced by the European Central Bank (ECB) in its press release on 12 March 2020[21], 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'[22] 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%.

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

		Dec 19		Dec 20	
in EUR million	CRR articles	Phased-in	Final	Phased-in	Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26(1)(a)(b), 27-30, 36(1)(f), 42	2.337	2.337	2.337	2.337
Retained earnings	26(1)(c), 26(2)	12.238	12.238	13.002	13.002
Accumulated other comprehensive income	4(1) (100), 26(1) (d)	-1.458	-1.458	-1.690	-1.690
Minority interest recognised in CET1	4(1) (120), 84	4.448	4.448	4.891	4.891
Common equity tier 1 capital (CET1) before regulatory adjustments		**17.565**	**17.565**	**18.540**	**18.540**
Own CET1 instruments	36(1) (f), 42	-68	-68	-63	-63
Prudential filter: cash flow hedge reserve	33(1) (a)	45	45	-36	-36
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33(1) (b)	406	406	289	289
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33(1) (c), 33(2)	-3	-3	-3	-3
Value adjustments due to the requirements for prudent valuation	34, 105	-85	-85	-58	-58
Regulatory adjustments relating to unrealised gains (0%)	468	0	0	0	0
Regulatory adjustments relating to unrealised losses (0%)	467	0	0	0	0
Securitizations with a risk weight of 1.250%	36(1) (k)	-45	-45	-29	-29
Goodwill	4(1) (113), 36(1) (b), 37	-544	-544	-544	-544
Other intangible assets	4(1) (115), 36(1) (b), 37(a)	-741	-741	-720	-720
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36(1) (c), 38	-102	-102	-48	-48
IRB shortfall of credit risk adjustments to expected losses	36(1) (d), 40, 158, 159	-158	-158	0	0
CET1 capital elements or deductions – other		-17	-17	-270	-270
Common equity tier 1 capital (CET1)	**50**	**16.252**	**16.252**	**17.057**	**17.057**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51(a) ,52-54, 56(a), 57	1490	1490	2.733	2.733
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	8	8	7	7
Additional tier 1 capital (AT1) before regulatory adjustments		**1.498**	**1.498**	**2.740**	**2.740**
Own AT1 instruments	52(1)(b), 56(a), 57	-2	-2	-2	-2
Transitional adjustments due to grandfathered AT1 instruments	483(4)(5),484-487,489, 491	0	0	0	0
AT1 instruments of financial sector entities where the institution has a significant investment	4(1) (27), 56(d), 59, 79	0	0	0	0
Additional tier 1 capital (AT1)	**61**	**1.497**	**1.497**	**2.738**	**2.738**
Tier 1 capital = CET1 + AT1	**25**	**17.749**	**17.749**	**19.795**	**19.795**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62(a), 63-65, 66(a), 67	3.660	3.660	3.222	3.222
Instruments issued by subsidiaries recognised in T2	87, 88	267	267	209	209
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0	0	0	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483(6) (7), 484, 486, 488, 490, 491	0	0	0	0
IRB excess of provisions over expected losses eligible	62(d)	328	328	467	467
Tier 2 capital (T2) before regulatory adjustments		**4.255**	**4.255**	**3.899**	**3.899**
Own T2 instruments	63(b)(i), 66(a), 67	-44	-44	-50	-50
Standardised approach general credit risk adjustments	62(c)	0	0	0	0
Tier 2 capital (T2)	**71**	**4.211**	**4.211**	**3.848**	**3.848**
Total own funds	**4(1) (118) and 72**	**21.961**	**21.961**	**23.643**	**23.643**
Capital requirement	**92(3), 95, 96, 98**	**9.448**	**9.484**	**9.440**	**9.612**
CET1 capital ratio	**92(2) (a)**	**13,8%**	**13,7%**	**14,5%**	**14,2%**
Tier 1 capital ratio	**92(2) (b)**	**15,0%**	**15,0%**	**16,8%**	**16,5%**
Total capital ratio	**92(2) (c)**	**18,6%**	**18,5%**	**20,0%**	**19,7%**

[21] ECB Banking Supervision: https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200312~43351ac3ac.en.html

[22] ECB Banking Supervision: https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200320_FAQs~a4ac38e3ef.en.html

In accordance with Art. 26 (2) CRR the item retained earnings only includes the interim profits of EUR 451 million approved by the ECB by decision of 8 February 2021. Minority interest recognised in CET1 includes interim result from saving banks in an amount of EUR 115 million.

The position CET1 elements or deduction – Others include development of unaudited risk provisions during the year (EU No 183/2014) and starting with year end 2020 also 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) No 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements, enlarged by the EBA GL 2014/14. Positions, which are not relevant for Erste Group are not disclosed. Figures shown under full implementation of Basel 3 considered the current CRR.

The consolidated financial statements have not been reviewed and noticed by the supervisory board and the financial statements of Erste Group Bank AG have not been reviewed by the supervisory board yet.

Likewise financial statements of single entities within the group have not been noticed by the supervisory board yet. In addition, no resolution on the appropriation of the profit has yet been made by the general meeting of the single entity.

Erste Group reports since the end of the second quarter of 2017 on consolidated level an RWA-add-on in view of the calculation of risk-weighted assets for credit risk in Banca Comercială Română (BCR). Since the ECB decision in respect of the change in the IRB roll-out plan from 25 May 2020 the RWA add on amounts to EUR 2.1 billion. This RWA increase front-loads the expected difference in BCR between the treatments of exposures under the Standardised Approach compared to the treatment under IRB and is limited in time until the authorization of the IRB-approach in BCR.

Furthermore Erste Group reports on consolidated level since Q3 2017 – due to a decision of the European Central Bank in the context of its supervisory assessments in view of deficiencies in credit risk models – a RWA-Add-On of around EUR 1.2 billion until these deficiencies will be addressed in the course of an update of these models.

Erste Group was informed by the ECB in the third quarter of 2018 about a final decision in view of credit risk models (targeted review of internal models), which became effective at the end of September 2018. This decision had an effect on risk weighted assets (RWA) on consolidated level of around EUR 0.3 billion. As pre-emption of the expected effects from the implementation of the new loss given default (LGD) estimation methodology, Erste Group incorporated a RWA add-on in the amount of EUR 0.5 billion as of the first quarter 2019.

Erste Group's AMA model change obtained regulatory approval in October 2018 under the condition of an add-on in the amount of 7% and became applicable in the fourth quarter of 2018.

The approval of the new group-wide PD estimation methodology was approved by the ECB in December 2019 with a limitation related to an application of a RWA add-on in the volume of EUR 0.3 billion as of December 2019. With the approval of the updated group wide default definition an additional add-on was imposed in the amount of EUR 0.1 billion as of December 2019.

The risk item other exposure amounts to EUR 3.2 billion as of 31 December 2020 and encompasses the BCR add-on (EUR 2.1 billion), the add-on resulting from the targeted review of internal models (EUR 0.3 billion), the effect from the updated LGD estimation methodology (EUR 0.5 billion) and the new group-wide PD estimation methodology (EUR 0.3 billion). All other credit risk related add-ons are directly reflected in the RWA calculation for credit risk.

In order to mitigate the ramifications of the Covid-19 pandemic further, certain adjustments to the CRR and CRR II became effective on 27 June 2020 through EU Regulation No. 2020/873. The so-called CRR quick fix encompassed a revised supporting factor for loans to small and medium-sized enterprises (SMEs) which resulted in a credit RWA reduction of EUR -4.5 billion at Erste Group in June 2020. Furthermore, the temporary treatment of a 0% risk weight on public debt issued in the EEA currency of another EU member state lead to an additional RWA relief in the amount of EUR -1.0 billion for the exposure in standardized approach and EUR -1.2 billion under the IRB treatment, respectively. The temporary treatment of 0% risk weight is valid until 31 December 2022.

On 2 September 2020 the ECB granted permission to revert to the use of the Standardised Approach for the exposures of Česká spořitelna towards leasing and insurance companies. This change led to the increase of RWA in the amount of EUR 70.8 million in the fourth quarter 2020.

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

in EUR million	CRR articles	Dec 19 Total risk (phased-in)	Dec 19 Capital requirement (phased-in)	Dec 20 Total risk (phased-in)	Dec 20 Capital requirement (phased-in)
Total Risk Exposure Amount	92(3), 95, 96, 98	118.105	9.448	118.005	9.440
Risk weighted assets (credit risk)	92(3) (a)(f)	96.325	7.706	95.923	7.674
Standardised approach		18.006	1.440	18.056	1.444
IRB approach		78.318	6.265	77.852	6.228
Contribution to the default fund of a CCP		2	0	15	1
Settlement Risk	92(3) (c)(ii), 92(4) (b)	0	0	1	0
Trading book, foreign FX risk and commodity risk	92(3) (b)(i) and (c)(i) and (iii), 92(4(b)	2.795	224	3.630	290
Operational Risk	92(3) (e), 92(4) (b)	14.934	1.195	14.813	1.185
Exposure for CVA	92(3) (d)	569	46	397	32
Other exposure amounts (incl. Basel 1 floor)	3, 458, 459, 500	3.483	279	3.241	259

in EUR million	CRR articles	Dec 19 Total risk (final)	Dec 19 Capital requirement (final)	Dec 20 Total risk (final)	Dec 20 Capital requirement (final)
Total Risk Exposure Amount	92(3), 95, 96, 98	118.556	9.484	120.151	9.612
Risk weighted assets (credit risk)	92(3) (a)(f)	96.776	7.742	98.069	7.846
Standardised approach		18.457	1.477	18.065	1.445
IRB approach		78.318	6.265	79.988	6.399
Contribution to the default fund of a CCP		2	0	15	1
Settlement Risk	92(3) (c)(ii), 92(4) (b)	0	0	1	0
Trading book, foreign FX risk and commodity risk	92(3) (b)(i) and (c)(i) and (iii), 92(4(b)	2.795	224	3.630	290
Operational Risk	92(3) (e), 92(4) (b)	14.934	1.195	14.813	1.185
Exposure for CVA	92(3) (d)	569	46	397	32
Other exposure amounts (incl. Basel 1 floor)	3, 458, 459, 500	3.483	279	3.241	259

34. Credit risk

Credit risk arises in Erste Group's traditional lending and investment businesses. It involves both credit losses incurred as a result of borrowers' default (Stage 3) and credit losses expected if default occurs either within 1 year (Stage 1) or at any time until maturity (Stage 2).

Stage 1 credit losses apply to non-defaulted credit risk exposures without significant increase in credit risk (SICR) since inception, whilst Stage 2 credit losses apply to non-defaulted credit risk exposures for which SICR is observed at the reporting date. It also involves credit losses due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk and related macro-economic forward-looking information is also considered in the calculation of credit risk.

Operative credit decisions are made by the credit risk management units in each of the banking subsidiaries locally and by Corporate Risk Management at group level.

In contrast to large corporates, banks and governments, managing credit risk in retail and SME involves dealing with a large number of relatively small exposures extended to private individuals, free professionals, entrepreneurs, or micro and small companies. Credit risk related to retail and SME loan portfolios is managed at group and at local entity level with a common interest in order to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities and supported by underlying profitability.

The central database used for credit risk management is the Business Intelligence data warehouse (BI-DWH). All data relevant to credit risk management, performance management, and determination of risk-weighted assets and regulatory capital requirements is regularly loaded into this database. Relevant subsidiaries not yet integrated into the Group data pool regularly deliver reporting packages.

The Group Risk Reporting, Planning and Risk Cost Management department uses the BI-DWH in particular for centralised credit risk reporting. This ensures centralised analysis and application of ratios according to unified methods and segmentation across Erste Group as a whole. Credit risk reporting comprises regular reports on Erste Group's credit portfolio for external and internal recipients and permits continuous monitoring of credit risk developments, thus enabling management to take control measures. In-house recipients of these reports include, above all, the supervisory and management boards of Erste Group Bank AG as well as the risk managers, business unit directors and internal audit staff.

Internal rating system

Erste Group has business and risk strategies in place that govern policies for lending and credit approval processes. These policies are reviewed and adjusted regularly, at a minimum on an annual basis. They cover the entire lending business, considering the nature, scope

and risk level of the transactions and the counterparties involved. Credit approval considers individual information on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of counterparty default risk within Erste Group is based on the customer's probability of default (PD). For each credit exposure and lending decision, Erste Group assigns an internal rating, which is a unique measure of the counterparty default risk.The internal rating of each customer is updated event-specific, however, at least once a year (annual rating review). Ratings of workout customers are reviewed with a higher frequency.

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities. Internal ratings also determine the level of credit approval authority within Erste Group and the monitoring procedures for existing exposures. At a quantitative level, internal ratings influence the level of required risk pricing, loss allowances and risk-weighted assets under Pillar 1 and 2.

For entities of Erste Group that use the internal ratings-based (IRB) approach, internal ratings are key input for the risk-weighted assets calculation. They are also used in the group's assessment of the economic capital requirements according to Pillar 2. For these purposes, a distinct PD value is assigned to each rating grade for its IRB portfolios within a calibration process that is performed individually for each rating method and each regional portfolio. PD values reflect a 12-month probability of default based on long-term average default rates per rating grade. The bank assigns margins of conservatism to the calculated PDs.

Internal ratings take into account all available significant information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, flexibility in corporate financing, general company information and external credit history information, where available. For retail clients, internal ratings are based mainly on payment behaviour versus the bank and, where applicable, credit bureau information, supplemented with information provided by the respective client and general demographic information. Rating ceiling rules on credit quality are applied based on membership in a group of economically related entities and the country of main economic activity (applicable to cross-border financing facilities).

Internal specialist teams develop and improve internal rating models and risk parameters in cooperation with risk managers. Model development follows an internal group-wide methodological standard and utilises relevant data covering the respective market. In this way, Erste Group ensures the availability of rating models with the best possible prediction and discriminatory ability across its core regions.

The central organisational unit Model Validation is responsible for defining the validation methodologies and standards to be applied to all credit risk models within Erste Group as well as for conducting the validation activities across the whole Erste Group. All credit risk rating models are validated on the ongoing basis. Model Validation employs qualitative as well as quantitative validation methods to challenge conceptual soundness, performance and model use aspects. The validation outcomes are approved by the respective model committees and shared with the regulatory bodies. In addition to the validation process, the group applies a regular monitoring process on the performance of rating tools, reflecting developments in new defaults and early delinquencies.

The Holding Model Committee (HMC) holds delegated approval authorities of the Erste Holding Management Board and is established as the steering and oversight body for the model development and validation process. Approvals of all new models, model changes, changes to risk parameters within the group, changes in group-wide methodological standards and other model-related aspects are following a dual approval process within the Group – corresponding Holding and local model committee structures reflect joint responsibilities for decisions on Pillar 1 IRB and Pillar 2 credit risk models as well as on methodologies related to IFRS9 parameters. Responsibilities are assigned depending on model perimeter (group-wide or locally developed model). Ultimate responsibility for all models used within the Group (at consolidated level) lies with the Group CRO. All model governance, development and validation activities are coordinated by the Credit Risk Methods division.

Credit risk classification

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 done with clients in this risk category.

Management attention. Vulnerable non-retail clients, who 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, which include 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. All non-performing exposures are also defaulted.

Based on the calibration of internal PDs (probabilities of default) for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating was used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series were applied.

In 2020, the method for determining risk categories was adjusted to consider necessary changes in the group-wide PD methodology, resulting in a more stable distribution of exposure to risk categories over time. Compared to the method used for the assignment of credit exposures to risk categories until 2019, the adjusted methodology results in an increase of the portfolio share of the 'low risk' and 'management attention' categories by 0.1 and 0.7 percentage points, respectively, as of 31 December 2019. The 'substandard' category decreases by 0.8 percentage points. The 'non-performing' risk category was not affected by the adjustment of the methodology.

Credit risk review and monitoring

Group Retail Risk Management as well as Credit Risk Portfolio in cooperation with Corporate Risk Management conduct periodical reviews of the loan portfolio for each local entity to ensure an adequate portfolio quality and to monitor the compliance of local portfolios with the principles and parameters as stipulated by Erste Group's credit risk policies.

All credit limits and the transactions booked within the limits are reviewed at least once a year. Counterparty credit risk limits are monitored daily in an internal limit management system with remedial actions taken in case limits are exceeded.

A group-wide standardised early warning monitoring process is implemented to proactively identify negative developments. The early warning monitoring process for corporate clients is managed at group level by Credit Risk Portfolio and, at subsidiary level, by the local units responsible for corporate risk management, retail risk management and collections, for respective segments. When early warning signals are identified and validated, the overall client exposure and creditworthiness is reviewed, and adequate risk mitigating actions are taken if deemed necessary. Watch list review meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures. For smaller enterprises (micro) and retail customers, the monitoring and credit review are based on an automated early warning system. In retail risk management, the early warning signals for adverse portfolio developments include, for instance, quality deterioration in new business or a decreasing collections effectiveness and require appropriate countermeasures. Additionally, the monitoring is performed for clients where early warning signals have been identified, even if they are still fulfilling their contractual repayment obligations.

Adverse portfolio developments regarding the non-performing and substandard loans portfolio of Erste Group are monitored, discussed and reported. In case of further negative developments clients are handled in specialized workout units aiming to minimize potential losses.

Credit risk exposure

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

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

Between the 31 December 2019 and 31 December 2020, the credit risk exposure increased from EUR 273,778 million to EUR 286,699 million. This is an increase of 4.7% or EUR 12,921 million.

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

in EUR million	Credit risk exposure	Credit loss allowances	Adjustments	Net carrying amount
Dec 20				
Cash and cash balances - demand deposits to credit institutions	1,140	-1	0	1,139
Debt instruments held for trading	6,322	0	0	6,322
Non-trading debt instruments at FVPL	2,736	0	0	2,736
Debt securities	2,048	0	0	2,048
Loans and advances to banks	0	0	0	0
Loans and advances to customers	687	0	0	687
Debt instruments at FVOCI	8,109	-25	280	8,389
Debt securities	8,109	-25	280	8,389
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	214,790	-3,850	0	210,940
Debt securities	29,594	-15	0	29,579
Loans and advances to banks	21,469	-3	0	21,466
Loans and advances to customers	163,727	-3,831	0	159,895
Trade and other receivables	1,405	-64	0	1,341
Finance lease receivables	4,235	-108	0	4,127
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	205	0	0	205
Off-balance sheet exposures	47,758	-474	0	-
Total	**286,699**	**-4,522**	**280**	**235,199**
Dec 19				
Cash and cash balances - demand deposits to credit institutions	1,196	0	0	1,195
Debt instruments held for trading	5,694	0	0	5,694
Non-trading debt instruments at FVPL	2,818	0	0	2,818
Debt securities	2,335	0	0	2,335
Loans and advances to banks	0	0	0	0
Loans and advances to customers	483	0	0	483
Debt instruments at FVOCI	8,590	-14	247	8,836
Debt securities	8,590	-14	247	8,836
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	207,150	-2,988	0	204,162
Debt securities	26,774	-11	0	26,764
Loans and advances to banks	23,063	-9	0	23,055
Loans and advances to customers	157,312	-2,969	0	154,344
Trade and other receivables	1,480	-72	0	1,408
Finance lease receivables	4,169	-134	0	4,034
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	130	0	0	130
Off-balance sheet exposures	42,552	-310	0	-
Total	**273,778**	**-3,518**	**247**	**228,279**

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 financial assets at FVOCI.

Breakdown of credit risk exposure

On the following pages the credit risk exposure is presented according to different segmentation criteria.

Credit risk exposure by counterparty sector and financial instrument

in EUR million	Cash and cash balances - demand deposits to credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Trade and other receivables	Finance lease receivables	Debt instruments held for sale in disposal groups	Positive fair value of hedge accounting derivatives	Off-balance sheet exposures	Total
Dec 20													
Central banks	0	38	0	42	35	16,763	0	1	0	0	0	0	16,878
General governments	0	2,806	278	5,961	25,206	0	6,791	55	374	0	0	3,154	44,625
Credit institutions	1,140	2,914	625	944	3,510	4,707	0	29	4	0	204	852	14,928
Other financial corporations	0	146	999	205	146	0	3,727	28	73	0	1	2,235	7,560
Non-financial corporations	0	418	254	957	698	0	71,324	1,162	2,974	0	0	29,595	107,381
Households	0	1	579	0	0	0	81,885	130	810	0	0	11,922	95,327
Total	**1,140**	**6,322**	**2,736**	**8,109**	**29,594**	**21,469**	**163,727**	**1,405**	**4,235**	**0**	**205**	**47,758**	**286,699**
Dec 19													
Central banks	0	19	0	19	50	16,109	0	1	0	0	0	21	16,218
General governments	0	2,037	336	6,221	22,514	0	6,781	63	379	0	0	2,098	40,429
Credit institutions	1,196	3,059	723	1,099	3,288	6,955	0	25	1	0	129	955	17,429
Other financial corporations	0	98	1,088	181	143	0	3,612	30	71	0	0	1,513	6,735
Non-financial corporations	0	481	328	1,070	780	0	67,774	1,240	2,934	0	1	26,493	101,099
Households	0	1	344	0	0	0	79,146	122	783	0	0	11,472	91,868
Total	**1,196**	**5,694**	**2,818**	**8,590**	**26,774**	**23,063**	**157,312**	**1,480**	**4,169**	**0**	**130**	**42,552**	**273,778**

Contingent liabilities / Off-balance sheet exposures by product

in EUR million	Dec 19	Dec 20
Financial guarantees	7,190	6,426
Loan commitments	31,225	35,650
Other commitments	4,137	5,682
Total	**42,552**	**47,758**

Credit risk exposure by industry and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 20							
Agriculture and forestry	2,550	593	122	5	3,270	19	3,289
Mining	544	64	16	2	626	207	832
Manufacturing	13,658	4,914	585	46	19,202	1,023	20,226
Energy and water supply	4,054	577	56	8	4,695	198	4,893
Construction	9,330	1,789	279	16	11,414	1,231	12,645
Development of building projects	4,766	904	68	4	5,743	305	6,048
Trade	9,251	3,758	472	44	13,525	1,019	14,544
Transport and communication	5,759	1,993	196	4	7,952	361	8,313
Hotels and restaurants	1,281	3,977	331	29	5,618	79	5,697
Financial and insurance services	32,797	1,714	30	12	34,551	5,060	39,611
Holding companies	2,061	976	10	11	3,058	139	3,197
Real estate and housing	25,893	5,824	262	129	32,108	857	32,965
Services	9,461	3,976	488	5	13,930	745	14,675
Public administration	38,571	560	1	3	39,135	3,235	42,370
Education, health and art	2,604	932	102	1	3,638	38	3,677
Households	71,994	7,967	1,541	116	81,619	784	82,403
Other	452	19	0	0	471	88	558
Total	**228,200**	**38,655**	**4,480**	**419**	**271,754**	**14,945**	**286,699**
Dec 19							
Agriculture and forestry	2,849	265	111	11	3,236	14	3,250
Mining	680	52	27	23	781	26	807
Manufacturing	16,043	1,805	431	46	18,324	951	19,274
Energy and water supply	3,657	558	75	4	4,294	124	4,418
Construction	10,160	862	389	31	11,441	890	12,332
Development of building projects	4,908	327	71	9	5,314	245	5,559
Trade	11,290	1,363	396	41	13,091	666	13,757
Transport and communication	6,934	462	104	5	7,506	292	7,798
Hotels and restaurants	4,314	503	243	26	5,086	41	5,126
Financial and insurance services	34,931	515	27	13	35,486	5,362	40,848
Holding companies	2,406	189	5	13	2,614	136	2,749
Real estate and housing	27,130	2,031	316	134	29,611	592	30,203
Services	11,709	1,322	243	6	13,279	759	14,038
Public administration	35,748	385	1	3	36,137	2,459	38,595
Education, health and art	3,097	417	216	0	3,730	37	3,767
Households	71,273	5,715	1,511	136	78,636	562	79,198
Other	361	0	0	0	361	7	368
Total	**240,176**	**16,256**	**4,087**	**480**	**260,999**	**12,779**	**273,778**

From industry and financial instrument point of view, the highest exposure is represented by households in loans and advances to customers (exposure of 71,093 million, representing 24.8% from total) followed by real estate and housing in loans and advances to customers (exposure of 28,338 million, representing 9.9% from total) and public administration in debt securities (exposure of 25,013 million, representing 8.7% from total).

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 20					
Agriculture and forestry	2,080	830	253	125	3,289
Mining	742	63	4	23	832
Manufacturing	15,950	2,966	676	634	20,226
Energy and water supply	3,940	655	233	64	4,893
Construction	9,594	2,284	435	331	12,645
Development of building projects	4,909	976	94	69	6,048
Trade	10,754	2,702	575	513	14,544
Transport and communication	6,555	1,368	189	202	8,313
Hotels and restaurants	3,618	1,442	294	343	5,697
Financial and insurance services	37,653	1,557	364	37	39,611
Holding companies	2,415	693	73	16	3,197
Real estate and housing	26,262	4,982	1,344	377	32,965
Services	12,086	1,719	375	495	14,675
Public administration	41,937	387	46	1	42,370
Education, health and art	2,877	620	77	103	3,677
Households	74,640	4,507	1,662	1,593	82,403
Other	352	3	203	0	558
Total	**249,041**	**26,086**	**6,731**	**4,841**	**286,699**
Dec 19					
Agriculture and forestry	2,063	851	214	122	3,250
Mining	713	33	11	50	807
Manufacturing	16,376	1,942	483	474	19,274
Energy and water supply	3,654	485	199	79	4,418
Construction	9,867	1,612	435	418	12,332
Development of building projects	4,586	784	109	79	5,559
Trade	10,906	1,979	434	438	13,757
Transport and communication	6,669	712	309	108	7,798
Hotels and restaurants	3,662	928	285	251	5,126
Financial and insurance services	39,692	884	244	27	40,848
Holding companies	2,558	164	22	5	2,749
Real estate and housing	24,692	3,747	1,326	438	30,203
Services	12,202	1,245	335	254	14,038
Public administration	38,218	292	85	1	38,595
Education, health and art	2,982	413	155	216	3,767
Households	71,039	4,813	1,759	1,587	79,198
Other	306	0	61	0	368
Total	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**

The low risk exposure has the highest proportion in total credit risk exposure, with 86.9%, while management attention represents 9.1%. The substandard exposure represents 2.3% and the non-performing 1.7%

Credit risk exposure by region and risk category

The geographic analysis of credit risk exposure is based on the country of risk of borrowers and counterparties. It 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.

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 20					
Core markets	**216,858**	**23,219**	**5,981**	**4,163**	**250,221**
Austria	104,551	10,786	1,839	1,826	119,002
Czech Republic	52,874	6,075	1,194	642	60,784
Slovakia	20,738	1,487	1,594	409	24,229
Romania	17,217	1,837	397	455	19,905
Hungary	10,394	1,147	539	181	12,262
Croatia	8,446	1,513	305	622	10,885
Serbia	2,637	376	114	27	3,154
Other EU	**20,704**	**1,153**	**311**	**463**	**22,631**
Other industrialised countries	**6,855**	**662**	**89**	**66**	**7,671**
Emerging markets	**4,624**	**1,053**	**350**	**149**	**6,175**
Southeastern Europe/CIS	2,771	650	119	120	3,660
Asia	1,450	124	26	27	1,626
Latin America	138	12	8	1	159
Middle East/Africa	265	268	197	1	730
Total	**249,041**	**26,086**	**6,731**	**4,841**	**286,699**
Dec 19					
Core markets	**208,069**	**18,042**	**5,869**	**4,023**	**236,003**
Austria	100,495	8,357	1,816	1,687	112,355
Czech Republic	52,422	4,515	1,147	673	58,757
Slovakia	18,851	1,305	1,544	479	22,180
Romania	15,908	1,407	559	407	18,281
Hungary	9,475	1,030	471	157	11,134
Croatia	8,506	1,093	274	598	10,472
Serbia	2,411	335	57	22	2,824
Other EU	**24,839**	**837**	**226**	**296**	**26,198**
Other industrialised countries	**5,334**	**123**	**34**	**14**	**5,504**
Emerging markets	**4,800**	**934**	**210**	**130**	**6,074**
Southeastern Europe/CIS	2,698	571	64	116	3,449
Asia	1,576	152	21	4	1,754
Latin America	156	18	10	9	193
Middle East/Africa	370	193	114	1	678
Total	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**

Credit risk exposure by region and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 20							
Core markets	**203,419**	**33,645**	**3,897**	**351**	**241,312**	**8,909**	**250,221**
Austria	92,710	20,412	1,778	37	114,938	4,064	119,002
Czech Republic	54,645	4,789	614	34	60,082	702	60,784
Slovakia	20,270	3,006	319	111	23,706	523	24,229
Romania	15,069	2,711	406	69	18,254	1,652	19,905
Hungary	9,600	1,100	152	77	10,929	1,333	12,262
Croatia	8,654	1,331	604	22	10,611	274	10,885
Serbia	2,470	296	24	2	2,793	361	3,154
Other EU	**15,697**	**3,078**	**371**	**55**	**19,201**	**3,431**	**22,631**
Other industrialised countries	**4,784**	**1,112**	**66**	**12**	**5,972**	**1,698**	**7,671**
Emerging markets	**4,301**	**821**	**146**	**1**	**5,269**	**907**	**6,175**
Southeastern Europe/CIS	2,639	578	119	1	3,336	324	3,660
Asia	932	124	27	0	1,083	544	1,626
Latin America	82	67	0	0	149	10	159
Middle East/Africa	648	52	1	0	701	29	730
Total	**228,200**	**38,655**	**4,480**	**419**	**271,754**	**14,945**	**286,699**
Dec 19							
Core markets	**210,624**	**14,007**	**3,715**	**417**	**228,762**	**7,240**	**236,003**
Austria	97,589	9,071	1,652	30	108,343	4,012	112,355
Czech Republic	55,975	1,678	648	27	58,328	428	58,757
Slovakia	20,865	666	384	116	22,031	149	22,180
Romania	15,377	1,661	335	110	17,483	798	18,281
Hungary	9,454	295	111	94	9,955	1,179	11,134
Croatia	9,004	530	565	37	10,137	335	10,472
Serbia	2,360	105	19	2	2,486	338	2,824
Other EU	**20,390**	**1,608**	**237**	**49**	**22,283**	**3,914**	**26,198**
Other industrialised countries	**4,601**	**234**	**14**	**13**	**4,862**	**643**	**5,504**
Emerging markets	**4,561**	**408**	**122**	**1**	**5,091**	**982**	**6,074**
Southeastern Europe/CIS	2,928	267	114	1	3,310	138	3,449
Asia	949	34	4	0	987	767	1,754
Latin America	142	25	2	0	169	24	193
Middle East/Africa	543	81	1	0	625	53	678
Total	**240,176**	**16,256**	**4,087**	**480**	**260,999**	**12,779**	**273,778**

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

The defaulted part of POCI amounted to EUR 274 million (2019: 339 million), the non-defaulted part to EUR 145 million (2019: 141 million).

The credit risk exposure increased by EUR 6,647 million, or 5.9% in Austria, and by EUR 7,572 million, or 6.1% in the CEE core markets. In the other EU member states (EU 27 excluding core markets), the credit risk exposure decreased by EUR 3,566 million, or -13.6%, mainly caused by the exit of the United Kingdom from the European Union. Growth was recorded in other industrialised countries (EUR 2,167 million) and in emerging markets (EUR 102 million). In total, Erste Group's core markets and the EU accounted for 95.2% (2019: 95.8%) of credit risk exposure as of 31 December 2020. At 2.2% (2019: 2.2%), the share of emerging markets remained of minor importance.

Credit risk exposure by reporting segment and risk category

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

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 20					
Retail	60,580	5,596	2,143	1,514	69,833
Corporates	66,644	11,727	2,747	1,819	82,936
Group Markets	16,522	384	224	1	17,131
ALM & LCC	44,527	223	155	20	44,925
Savings Banks	60,446	8,111	1,221	1,470	71,249
GCC	320	46	242	17	625
Total	**249,041**	**26,086**	**6,731**	**4,841**	**286,699**
Dec 19					
Retail	58,616	5,977	2,512	1,474	68,579
Corporates	67,378	6,807	2,189	1,467	77,841
Group Markets	17,962	346	133	3	18,444
ALM & LCC	41,554	121	92	75	41,842
Savings Banks	57,280	6,673	1,403	1,431	66,786
GCC	252	13	9	13	287
Total	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**

Credit risk exposure by business segment and IFRS 9 treatment

	Credit risk exposure					Credit loss allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 20												
Retail	59,028	8,461	1,461	118	763	-141	-478	-859	-34	5.6%	58.8%	29.0%
Corporates	60,296	16,931	1,551	251	3,907	-182	-560	-901	-89	3.3%	58.1%	35.5%
Group Markets	10,273	116	1	0	6,741	-6	-3	0	0	2.5%	6.2%	100.0%
ALM & LCC	44,273	308	19	0	326	-16	-12	-19	0	3.8%	102.0%	0.0%
Savings Banks	53,972	12,669	1,431	50	3,126	-119	-371	-636	-4	2.9%	44.4%	7.8%
GCC	357	169	17	0	82	0	0	-16	0	0.1%	93.7%	0.0%
Total	**228,200**	**38,655**	**4,480**	**419**	**14,945**	**-464**	**-1,424**	**-2,430**	**-127**	**3.7%**	**54.2%**	**30.4%**
Dec 19												
Retail	61,886	4,613	1,398	139	543	-125	-227	-837	-45	4.9%	59.9%	32.4%
Corporates	67,684	5,489	1,203	294	3,170	-173	-191	-767	-96	3.5%	63.8%	32.6%
Group Markets	12,199	126	2	0	6,116	-8	-3	-2	0	2.2%	100.0%	100.0%
ALM & LCC	41,380	78	75	0	309	-11	-7	-35	0	9.3%	47.4%	0.0%
Savings Banks	56,822	5,945	1,397	47	2,576	-108	-179	-672	-3	3.0%	48.1%	5.6%
GCC	205	3	13	0	65	0	0	-13	0	0.2%	96.6%	0.0%
Total	**240,176**	**16,256**	**4,087**	**480**	**12,779**	**-425**	**-607**	**-2,327**	**-143**	**3.7%**	**56.9%**	**29.9%**

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 20					
Austria	**135,415**	**13,923**	**2,200**	**2,533**	**154,072**
EBOe & Subs.	41,761	3,512	566	615	46,455
Savings Banks	60,446	8,111	1,221	1,470	71,249
Other Austria	33,208	2,299	413	448	36,368
CEE	**106,783**	**12,115**	**4,289**	**2,291**	**125,478**
Czech Republic	53,910	6,034	1,405	684	62,033
Slovakia	17,707	1,439	1,455	411	21,012
Romania	15,361	1,737	396	481	17,975
Hungary	8,834	1,007	539	160	10,539
Croatia	8,907	1,535	380	529	11,351
Serbia	2,064	364	114	26	2,568
Other	**6,842**	**48**	**242**	**17**	**7,149**
Total	**249,041**	**26,086**	**6,731**	**4,841**	**286,699**
Dec 19					
Austria	**134,745**	**10,174**	**2,309**	**2,324**	**149,551**
EBOe & Subs.	41,074	2,788	584	529	44,975
Savings Banks	57,280	6,673	1,403	1,431	66,786
Other Austria	36,391	713	323	364	37,790
CEE	**102,434**	**9,749**	**4,019**	**2,126**	**118,328**
Czech Republic	53,611	4,596	1,161	556	59,924
Slovakia	16,553	1,291	1,541	473	19,859
Romania	13,926	1,430	559	441	16,356
Hungary	7,883	1,014	403	133	9,432
Croatia	8,649	1,102	299	501	10,551
Serbia	1,812	316	57	21	2,206
Other	**5,863**	**13**	**9**	**13**	**5,899**
Total	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**

Credit risk exposure by geographical segment and IFRS 9 treatment

	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 20												
Austria	**114,235**	**26,033**	**2,452**	**72**	**11,278**	**-183**	**-685**	**-1,081**	**-4**	**2.6%**	**44.1%**	**5.4%**
EBOe & Subs.	37,174	7,633	603	6	1,038	-41	-152	-233	0	2.0%	38.7%	0.1%
Savings Banks	53,972	12,669	1,431	50	3,126	-119	-371	-636	-4	2.9%	44.4%	7.8%
Other Austria	23,089	5,731	418	17	7,114	-23	-162	-212	0	2.8%	50.7%	0.0%
CEE	**107,204**	**12,351**	**2,011**	**347**	**3,565**	**-280**	**-737**	**-1,333**	**-123**	**6.0%**	**66.3%**	**35.6%**
Czech Republic	56,144	4,793	642	47	408	-100	-252	-429	-22	5.2%	66.9%	46.0%
Slovakia	17,413	2,709	302	130	459	-35	-140	-175	-58	5.2%	58.1%	44.4%
Romania	13,775	2,430	403	69	1,298	-53	-183	-299	-17	7.5%	74.2%	25.3%
Hungary	8,307	919	130	77	1,106	-22	-64	-79	-16	7.0%	60.8%	21.1%
Croatia	9,468	1,317	511	22	33	-57	-86	-332	-10	6.5%	65.1%	43.6%
Serbia	2,098	183	24	2	262	-12	-13	-18	-1	7.3%	78.6%	35.5%
Other	**6,760**	**271**	**17**	**0**	**101**	**-1**	**-1**	**-16**	**0**	**0.5%**	**93.7%**	**0.0%**
Total	**228,200**	**38,655**	**4,480**	**419**	**14,945**	**-464**	**-1,424**	**-2,430**	**-127**	**3.7%**	**54.2%**	**30.4%**
Dec 19												
Austria	**124,594**	**11,625**	**2,245**	**69**	**11,017**	**-171**	**-290**	**-1,078**	**-3**	**2.5%**	**48.0%**	**3.8%**
EBOe & Subs.	39,844	3,553	523	6	1,049	-37	-69	-219	0	1.9%	42.0%	0.2%
Savings Banks	56,822	5,945	1,397	47	2,576	-108	-179	-672	-3	3.0%	48.1%	5.6%
Other Austria	27,928	2,127	326	17	7,392	-27	-42	-187	0	2.0%	57.4%	0.0%
CEE	**109,787**	**4,627**	**1,829**	**411**	**1,674**	**-252**	**-317**	**-1,236**	**-141**	**6.8%**	**67.6%**	**34.3%**
Czech Republic	57,259	1,746	525	32	362	-78	-84	-352	-19	4.8%	67.1%	59.9%
Slovakia	18,774	511	360	135	79	-39	-38	-221	-53	7.4%	61.5%	39.6%
Romania	14,020	1,551	370	110	303	-47	-135	-284	-31	8.7%	76.6%	28.4%
Hungary	8,360	264	87	94	626	-16	-27	-59	-22	10.1%	67.8%	22.9%
Croatia	9,499	488	468	37	59	-61	-27	-306	-15	5.5%	65.4%	39.2%
Serbia	1,875	66	18	2	246	-10	-6	-13	-1	8.8%	73.6%	38.1%
Other	**5,795**	**3**	**13**	**0**	**88**	**-1**	**0**	**-13**	**0**	**0.2%**	**96.6%**	**0.0%**
Total	**240,176**	**16,256**	**4,087**	**480**	**12,779**	**-425**	**-607**	**-2,327**	**-143**	**3.7%**	**56.9%**	**29.9%**

Non-performing credit risk exposure and credit loss allowances

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection 'Credit risk classification'. Credit risk allowances include credit loss allowances for financial assets, credit loss allowances for loan commitments and financial guarantees (all allowances within the scope of IFRS 9) and provisions for other commitments.

Credit loss allowances (all stages combined) covered 93.5% (2019: 79.1%) of the reported non-performing on-balance and off-balance credit risk exposure as of 31 December 2020. For the portion of the non-performing credit risk exposure that is not covered by allowances, Erste Group assumes there are sufficient levels of collateral and expected other recoveries.

During 2020, the non-performing credit risk exposure increased by EUR 378 million, or 8.5%. The credit loss allowances for loans and advances together with credit loss allowances for loan commitments and financial guarantees increased by EUR 944 million, or 27.0%. This development resulted in a substantial increase of 14.4 percentage points in the coverage of non-performing credit risk exposure by credit risk allowances.

The following tables show the coverage of the non-performing credit risk exposure by credit loss allowances (without taking into consideration collateral) as of 31 December 2020 and 31 December 2019. The differences in the credit allowance levels between the reporting segments result from the risk situation in the respective markets, different levels of collateralisation as well as the local legal environment and regulatory requirements.

The non-performing exposure ratio (NPE ratio) is calculated as the non-performing credit risk exposure divided by total credit risk exposure while the NPE coverage ratio is computed as total credit loss allowances (all allowances within the scope of IFRS 9) divided by non-performing credit risk exposure at AC and FVOCI. Collateral is not taken into account in the NPE coverage ratio.

Non-performing credit risk exposure by business segment and coverage by credit loss allowances and collateral

	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage ratio	NPE collateralisation ratio	
in EUR million	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
Dec 20												
Retail	1,514	1,513	69,833	69,070	-1,512	602	602	2.2%	2.2%	99.9%	39.8%	39.8%
Corporates	1,819	1,746	82,936	79,030	-1,731	658	657	2.2%	2.2%	99.2%	36.2%	37.7%
Group Markets	1	1	17,131	10,390	-9	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	20	19	44,925	44,599	-47	0	0	0.0%	0.0%	249.7%	0.4%	0.4%
Savings Banks	1,470	1,459	71,249	68,122	-1,130	751	748	2.1%	2.1%	77.4%	51.1%	51.3%
GCC	17	15	625	543	-16	8	6	2.7%	2.7%	111.4%	47.3%	39.4%
Total	**4,841**	**4,753**	**286,699**	**271,754**	**-4,446**	**2,019**	**2,013**	**1.7%**	**1.7%**	**93.5%**	**41.7%**	**42.4%**
Dec 19												
Retail	1,474	1,472	68,579	68,036	-1,234	619	618	2.1%	2.2%	83.8%	42.0%	42.0%
Corporates	1,467	1,441	77,841	74,671	-1,227	508	506	1.9%	1.9%	85.2%	34.6%	35.1%
Group Markets	3	2	18,444	12,327	-13	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	75	75	41,842	41,533	-53	48	48	0.2%	0.2%	71.6%	64.7%	64.9%
Savings Banks	1,431	1,424	66,786	64,210	-961	707	705	2.1%	2.2%	67.5%	49.5%	49.5%
GCC	13	11	287	222	-13	5	3	4.6%	5.1%	115.1%	39.8%	29.0%
Total	**4,463**	**4,425**	**273,778**	**260,999**	**-3,502**	**1,888**	**1,881**	**1.6%**	**1.7%**	**79.1%**	**42.3%**	**42.5%**

Non-performing credit risk exposure by geographical segment and coverage by credit loss allowances and collateral

in EUR million	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage ratio	NPE collateralisation ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
Dec 20												
Austria	**2,533**	**2,500**	**154,072**	**142,793**	**-1,953**	**1,209**	**1,207**	**1.6%**	**1.8%**	**78.1%**	**47.7%**	**48.3%**
EBOe & Subs.	615	606	46,455	45,417	-426	326	326	1.3%	1.3%	70.3%	53.1%	53.8%
Savings Banks	1,470	1,459	71,249	68,122	-1,130	751	748	2.1%	2.1%	77.4%	51.1%	51.3%
Other Austria	448	434	36,368	29,254	-397	132	132	1.2%	1.5%	91.4%	29.6%	30.4%
CEE	**2,291**	**2,238**	**125,478**	**121,913**	**-2,474**	**802**	**801**	**1.8%**	**1.8%**	**110.5%**	**35.0%**	**35.8%**
Czech Republic	684	682	62,033	61,625	-803	181	181	1.1%	1.1%	117.6%	26.5%	26.6%
Slovakia	411	411	21,012	20,553	-408	145	145	2.0%	2.0%	99.3%	35.3%	35.3%
Romania	481	436	17,975	16,677	-552	162	162	2.7%	2.6%	126.7%	33.8%	37.2%
Hungary	160	156	10,539	9,433	-182	93	93	1.5%	1.7%	116.6%	58.4%	59.4%
Croatia	529	528	11,351	11,318	-485	216	216	4.7%	4.7%	91.8%	40.9%	40.9%
Serbia	26	25	2,568	2,307	-44	4	4	1.0%	1.1%	174.0%	14.0%	14.2%
Other	**17**	**15**	**7,149**	**7,048**	**-18**	**8**	**6**	**0.2%**	**0.2%**	**126.6%**	**47.3%**	**39.4%**
Total	**4,841**	**4,753**	**286,699**	**271,754**	**-4,446**	**2,019**	**2,013**	**1.7%**	**1.7%**	**93.5%**	**41.7%**	**42.4%**
Dec 19												
Austria	**2,324**	**2,294**	**149,551**	**138,534**	**-1,543**	**1,143**	**1,141**	**1.6%**	**1.7%**	**67.3%**	**49.2%**	**49.7%**
EBOe & Subs.	529	527	44,975	43,926	-326	289	289	1.2%	1.2%	61.7%	54.6%	54.7%
Savings Banks	1,431	1,424	66,786	64,210	-961	707	705	2.1%	2.2%	67.5%	49.5%	49.5%
Other Austria	364	342	37,790	30,398	-256	147	147	1.0%	1.1%	74.7%	40.3%	42.8%
CEE	**2,126**	**2,120**	**118,328**	**116,653**	**-1,945**	**740**	**737**	**1.8%**	**1.8%**	**91.7%**	**34.8%**	**34.8%**
Czech Republic	556	555	59,924	59,562	-534	129	129	0.9%	0.9%	96.3%	23.2%	23.3%
Slovakia	473	473	19,859	19,780	-351	169	169	2.4%	2.4%	74.2%	35.8%	35.8%
Romania	441	440	16,356	16,052	-497	151	151	2.7%	2.7%	112.9%	34.2%	34.2%
Hungary	133	130	9,432	8,806	-123	78	78	1.4%	1.5%	94.6%	59.1%	59.6%
Croatia	501	501	10,551	10,493	-409	207	205	4.7%	4.8%	81.7%	41.3%	41.0%
Serbia	21	21	2,206	1,961	-30	5	5	1.0%	1.0%	148.5%	23.0%	23.0%
Other	**13**	**11**	**5,899**	**5,811**	**-14**	**5**	**3**	**0.2%**	**0.2%**	**124.8%**	**39.8%**	**29.0%**
Total	**4,463**	**4,425**	**273,778**	**260,999**	**-3,502**	**1,888**	**1,881**	**1.6%**	**1.7%**	**79.1%**	**42.3%**	**42.5%**

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).

Quantitative criteria. Quantitative SICR indicators include adverse changes in annualised lifetime probability of default or in lifetime probability of default with significance being assessed by reference to a mix of relative and absolute change thresholds. The bank has established thresholds for significant increases in credit risk based on both a percentage (relative) and absolute change in PD compared to initial recognition. In order for the SICR to occur for a particular financial instrument, both the relative and absolute thresholds need to be breached.

The relative measure is calculated as a ratio between current annualised PD and annualised PD value on initial recognition. 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
Dec 20		
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 19		
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**	**4.41**
Czech Republic	1.13	3.59
Slovakia	1.13	4.41
Romania	1.13	3.36
Hungary	1.13	3.21
Croatia	1.13	3.13
Serbia	1.03	3.47
Total	**1.03**	**4.41**

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. The main rule in those cases is that downgrading of the ratings would lead to a positive conclusion on SICR. 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 estimate in ECL measurement, therefore can be changed as a result of validation or after significant change of PD models. There were re-estimations for individual entities and portfolios.

For migration back to Stage 1 there are no additional cure periods established for quantitative criteria other than those already established in general credit risk practice (e.g. for rating improvement).

The absolute threshold refers to difference of annualised or LT PD on initial recognition and current annualised or LT PD. It is set to a maximum of 50 bps and serves as a backstop for migrations between the best ratings. In such cases, relative thresholds may be breached, however overall LT PD is very low, and therefore SICR is not positively concluded.

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. We have introduced additional portfolio level SICR assessment criteria due to Covid-19 pandemic and related economic impacts. Please see Covid-19 disclosures in the next chapter.

Additional 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).

For migration back to Stage 1 there are no additional cure periods established for qualitative criteria other than those already established in general credit risk practice for the above-mentioned flags (forbearance, watch lists).

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 expected to occasionally apply to some debt security exposures and only exceptionally to loans.

As of 31 December 2020, low credit risk exemption is applied only to debt securities in the Czech subsidiary (Česká spořitelna) and sovereign exposures in the Romanian subsidiary (Banca Comercială Română). In Česká spořitelna, the corresponding exposure amounted to EUR 10.5 billion (2019: EUR 10.2 billion) with PDs interval of 0.01%-0.5%. In Banca Comercială Română, the respective exposure amounted to EUR 4.5 billion (2019: 4.3 billion) with PD interval of 0.01%-0.5%.

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 based on 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, where the baseline forecasts are, with a few exceptions, internally determined by Erste Group's research department. Given multiple scenarios, the 'neutral' PDs (and, with a few exceptions, also LGDs) are adjusted using macro models that link relevant macroeconomic variables with risk drivers. The same macro-shift models as for external and internal stress test are used. Forward-looking information is incorporated for first three years of ECL measurement. Measurement of the parameters for the remaining lifetime returns to through-the-cycle observations immediately in year four.

Specific situation of the Covid-19 pandemic and extensive supporting measures, mainly moratoria, lead to the lagging of the macroeconomic reflection in credit risk parameters. Therefore, macroeconomic variables of 2020 were included as additional predictors for future values of credit risk parameters. Variables in year 2020 have same values across all three scenarios.

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. Nevertheless, the main indication of estimated economic development is the GDP development. We are disclosing sensitivity of the staging and ECL on macro scenarios in the Covid-19 section below.

Baseline, upside and downside scenarios of GDP growth by geographical segment

		Probability weights	GDP growth in %			
	Scenario	2021-2023	2020	2021	2022	2023
Dec 20						
Austria	Upside	1%	-7.6	5.0	3.9	3.3
	Baseline	40%	-7.6	3.4	2.3	1.7
	Downside	59%	-7.6	-2.1	1.0	-0.1
Czech Republic	Upside	4%	-7.7	5.5	7.3	6.4
	Baseline	40%	-7.7	3.9	5.7	4.8
	Downside	56%	-7.7	-1.7	1.2	1.7
Slovakia	Upside	25%	-7.1	8.2	6.7	6.4
	Baseline	35%	-7.1	6.0	4.5	4.2
	Downside	40%	-7.1	-1.2	-0.0	0.9
Romania	Upside	18%	-5.9	5.3	7.1	7.3
	Baseline	40%	-5.9	2.7	4.5	4.7
	Downside	42%	-5.9	-3.6	-0.2	1.9
Hungary	Upside	6%	-6.4	5.1	6.6	5.2
	Baseline	40%	-6.4	3.9	5.4	4.0
	Downside	54%	-6.4	-1.3	1.6	2.0
Croatia	Upside	8%	-9.9	8.2	9.0	9.1
	Baseline	40%	-9.9	5.2	3.6	4.0
	Downside	52%	-9.9	-2.5	-1.4	0.9
Serbia	Upside	15%	-1.3	6.3	5.3	5.8
	Baseline	40%	-1.3	5.0	4.0	4.5
	Downside	45%	-1.3	-0.5	0.9	2.6
Dec 19		2020-2022	2019	2020	2021	2022
Austria	Upside	11%	1.7	3.1	3.2	3.1
	Baseline	50%	1.7	1.6	1.7	1.6
	Downside	39%	1.7	-0.2	-0.1	-0.2
Czech Republic	Upside	13%	2.6	4.6	4.7	4.8
	Baseline	50%	2.6	2.6	2.7	2.8
	Downside	37%	2.6	0.1	0.2	0.3
Slovakia	Upside	12%	3.4	5.7	5.3	5.2
	Baseline	50%	3.4	3.3	2.9	2.8
	Downside	38%	3.4	0.1	-0.3	-0.4
Romania	Upside	10%	4.5	6.9	6.5	5.0
	Baseline	50%	4.5	3.8	3.4	1.9
	Downside	40%	4.5	0.3	-0.1	-1.6
Hungary	Upside	7%	4.1	5.0	4.4	4.3
	Baseline	50%	4.1	3.2	2.6	2.5
	Downside	43%	4.1	0.6	0.0	-0.1
Croatia	Upside	10%	3.2	4.1	5.3	6.3
	Baseline	50%	3.2	2.5	2.4	2.4
	Downside	40%	3.2	0.9	-0.5	-1.5
Serbia	Upside	10%	3.3	5.7	6.2	n/a
	Baseline	50%	3.3	3.5	4.0	n/a
	Downside	40%	3.3	1.1	1.6	n/a

As of 31 December 2019, the growth rates for the year 2020 correspond to estimated values. As of 31 December 2020, they represent real observed values.

In order to reflect on the higher volatility of macro-economic variables estimates and significantly higher downward risk of macro-economic recovery due to current developments of the Covid-19 pandemics we have introduced a conservative downside scenario with relatively high probability of occurrence as shown in the GDP overview table above.

Covid-19

The Covid-19 pandemic has been causing 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 Erste Group's core markets to support private individuals and companies. While such measures mitigate the negative economic effects, they complicate a timely reflection of a potential deterioration of the loan portfolios.

Effect on customers

Immediately upon the crisis showing severe economic impacts in our region (governmental decisions on lockdowns in countries of Erste Group perimeter), initiatives were started aiming to, on the one hand support Erste Group´s clients to the utmost extent, and on the other hand, manage the respective risks and bearing the responsibility of Erste Group towards all stakeholders in mind.

The measures differed from country to country as they had to be based on the legislative steps taken by the respective governments. Nevertheless, Erste Group gave a guidance to the entities in respect of underwriting, reporting and classification processes. Apart from overall valid state-moratoria as e.g. in Hungary and Serbia, some measures like short-term deferrals were applied in all countries, whereas financial support schemes with public or state guarantees were offered only in some countries or to some client-segments. In addition to programmes with standard parameters that were defined at a very early stage of the crisis and should support an efficient processing, also individual solutions were agreed with clients that did not meet all predefined requirements.

Credit risk exposure of non-financial corporations by industry – measures applied in response to the Covid-19 crisis

in EUR million	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to COVID-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis
Dec 20			
Agriculture and forestry	54	1	31
Mining	0	-	5
Manufacturing	274	15	514
Energy and water supply	9	-	19
Construction	45	12	125
Trade	116	22	416
Transport and communication	96	4	235
Hotels and restaurants	497	17	164
Financial and insurance services	17	-	0
Real estate and housing	369	63	14
Services	90	1	181
Public administration	0	-	-
Education, health and art	17	18	35
Total	**1,583**	**155**	**1,739**

Loans and advances of non-financial corporations to which the measures applied in the response to Covid-19 were granted and are currently valid (have not been expired), amounted to EUR 3.5 billion as of 31 December 2020. Measures mostly refer to EBA-compliant moratoria. The highest amount of granted moratoria measures in non-financial corporations refers to real estate and housing and manufacturing, followed by hotels and restaurants and trade.

Loans and advances of households to which the measures applied in the response to Covid-19 were granted and are currently valid (have not been expired), amounted to EUR 3.3 billion as of 31 December 2020

Besides measures disclosed in the table above, as a direct response to Covid-19 crisis additional measures that do not meet the forbearance criteria were approved amounting to EUR 3.6 billion as of 31 December 2020.

Effect on business

In March 2020, risk management and business divisions started a joint initiative aiming to quickly provide a harmonised guidance for a focused industry approach within Erste Group, reflecting the changed economic environment. 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.

Main driver for assigning an industry classification was the assessment of impacts of the crisis on the specific (sub)industry. The classifications are regularly reviewed on a 12-month rolling forecast basis to take current developments into account. A respective business and risk strategy for the (sub)industries was formulated based on the assessment. The assessed risk for the specific (sub)industry can lead to strategic recommendations (e.g. to temporarily limit financing for specific categories to existing clients only) and/or the revision of underwriting standards. This approach was aligned with all affected entities and business lines and approved by the respective governance bodies of Erste Group.

Exposures in particular industries that belong to critical or high risk sub-industries are referred to as significant risk in the following tables.

Credit risk exposure and credit loss allowances by industry and IFRS9 treatment – industry heatmap

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
Dec 20								
Agriculture and forestry	2,550	593	122	5	3,270	19	3,289	- 101
of which significant risk	6	8	0	-	14	0	14	-0
Mining	544	64	16	2	626	207	832	-20
of which significant risk	382	10	8	2	401	199	601	-13
Manufacturing	13,658	4,914	585	46	19,202	1,023	20,226	- 587
of which significant risk	3,838	3,264	268	22	7,392	434	7,826	- 278
Energy and water supply	4,054	577	56	8	4,695	198	4,893	-97
of which significant risk	0	3	-	-	3	0	3	-0
Construction	9,330	1,789	279	16	11,414	1,231	12,645	- 320
of which significant risk	23	13	4	0	40	2	43	-3
Trade	9,251	3,758	472	44	13,525	1,019	14,544	- 441
of which significant risk	2,169	2,244	193	10	4,617	213	4,830	- 172
Transport and communication	5,759	1,993	196	4	7,952	361	8,313	- 182
of which significant risk	977	1,192	29	1	2,199	60	2,259	-48
Hotels and restaurants	1,281	3,977	331	29	5,618	79	5,697	- 271
of which significant risk	1,225	3,933	312	29	5,500	73	5,573	- 255
Financial and insurance services	32,797	1,714	30	12	34,551	5,060	39,611	- 110
Real estate and housing	25,893	5,824	262	129	32,108	857	32,965	- 390
of which significant risk	242	340	17	0	599	4	603	-21
Services	9,461	3,976	488	5	13,930	745	14,675	- 426
of which significant risk	2,395	2,688	341	5	5,430	173	5,603	- 263
Public administration	38,571	560	1	3	39,135	3,235	42,370	-25
Education, health and art	2,604	932	102	1	3,638	38	3,677	-99
of which significant risk	280	465	60	0	806	8	814	-58
Private households	71,994	7,967	1,541	116	81,619	784	82,403	-1,452
Other	452	19	0	0	471	88	558	-1
Total	**228,200**	**38,655**	**4,480**	**419**	**271,754**	**14,945**	**286,699**	**-4,522**
Dec 19								
Agriculture and forestry	2,849	265	111	11	3,236	14	3,250	-83
Mining	680	52	27	23	781	26	807	-27
Manufacturing	16,043	1,805	431	46	18,324	951	19,274	-406
Energy and water supply	3,657	558	75	4	4,294	124	4,418	-89
Construction	10,160	862	389	31	11,441	890	12,332	-348
Trade	11,290	1,363	396	41	13,091	666	13,757	-346
Transport and communication	6,934	462	104	5	7,506	292	7,798	-97
Hotels and restaurants	4,314	503	243	26	5,086	41	5,126	-148
Financial and insurance services	34,931	515	27	13	35,486	5,362	40,848	-56
Real estate and housing	27,130	2,031	316	134	29,611	592	30,203	- 291
Services	11,709	1,322	243	6	13,279	759	14,038	-222
Public administration	35,748	385	1	3	36,137	2,459	38,595	- 13
Education, health and art	3,097	417	216	0	3,730	37	3,767	- 136
Private households	71,273	5,715	1,511	136	78,636	562	79,198	-1,256
Other	361	0	0	0	361	7	368	- 1
Total	**240,176**	**16,256**	**4,087**	**480**	**260,999**	**12,779**	**273,778**	**-3,518**

Effect on Expected Credit Loss

As described above, an increase of the ECL might result from a re-assessment of the credit risk parameters and a migration to worse stages either via significant increase in credit risk (SICR) or a default.

We have concluded so far that majority of moratoria introduced in our core markets until 31 December 2020 fulfil the conditions as defined in the EBA guidelines published during the year 2020. Relief offered to credit owners thus did not result in an automatic transfer from Stage 1 to Stage 2. However, Erste Group continues to perform individual assessments whether there are other circumstances that would lead to forbearance or default classification.

We have re-assessed credit risk parameters based on the new macro-scenarios FLI overlay. Reference is also made to the explanations in the sub-chapter 'incorporation of forward-looking information' above. We will continue monitoring of the macro and macro-prediction development in order to reflect up-to-date information in our credit risk parameters. GDP scenarios and weights are shown in the table displayed within Incorporation of forward looking information section above. The effect of the FLI in the ECL calculation as of 31 December 2020 amounted to EUR 527 million. The increase of EUR 410 million in comparison with EUR 117 million as of 31 December 2019 can be directly attributed to the Covid-19 situation.

Erste Group has addressed expected SICR by introducing Covid-19 portfolio overlays. We divided the portfolio in private individuals (PIs) and non-private individuals (non-PIs) and assessed the customers by taking into account any Covid-19 related relief measure granted as

well as the internal industry heat-map and corresponding customer-specific one-year IFRS PD levels. Based on this assessment and individual reviews, customers were migrated to stage 2, i.e. lifetime ECL measure. The industry heat map and the portfolio overlays are subject to regular reviews. The effect of Covid-19 portfolio overlays in the ECL calculation as of 31 December 2020 amounted to EUR 245 million.

In the Q4-2020 Erste Group performed additional portfolio review in order to assess migrations to Stage 3 due to unlikeliness-to-pay default designation. This was done in order to properly and timely identify Stage 3 exposure. We have migrated additional EUR 518 million credit risk exposure resulting in allocation of the EUR 168 million credit loss allowances.

Erste Group will assess releases of Covid-19 portfolio overlays for PI portfolios once the moratoria are lifted. When moratoria do no longer distort DPD information, behavioural scoring will allow an unbiased SICR assessment. In case of non-PI portfolios, release of the overlays will be assessed after expiration of the measures enables a proper re-rating. Release will follow in combination with a consistent improvement of the macro indicators.

Erste Group expects an increase in defaults especially after state aid measures, in particular moratoria, are lifted.

The analysis tables below present staging splits of the current performing exposure and ECL. Movements of exposures between performing stages and resulting changes in ECL triggered by effect of Covid-19 SICR overlays and FLI macro overlays is shown.

Effects on industry segments, high risk industry subsegments and geographical segment are disclosed. Analysis shows that out of EUR 38,665 million exposure in Stage 2 EUR 14,420 million were migrated due to Covid-19 overlays, resulting in increase of ECL of 245 million. Additional EUR 5,884 million were migrated to Stage 2 due to FLI overlay, resulting in ECL increase of EUR 410 million (difference between FLI effect as of 31.12.2020 of EUR 527 million and as of 31.12.2019 of EUR 117 million).

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

Forward looking information (FLI) and stage overlays due to the Covid-19 pandemic

Impact on credit risk exposure by geographical segment

	Current status - parameters (FLI shifted)		Effect of stage overlays due to Covid-19		Effect of FLI shifts	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Dec 20						
Austria	**114,235**	**26,033**	**+9,496.9**	**-9,496.9**	**+4,519.9**	**-4,519.9**
EBOe & Subs.	37,174	7,633	+2,635.1	-2,635.1	+1,305.2	-1,305.2
Savings Banks	53,972	12,669	+5,007.5	-5,007.5	+2,042.6	-2,042.6
Other Austria	23,089	5,731	+1,854.4	-1,854.4	+1,172.1	-1,172.1
CEE	**107,204**	**12,351**	**+4,922.6**	**-4,922.6**	**+1,363.7**	**-1,363.7**
Czech Republic	56,144	4,793	+1,576.0	-1,576.0	+534.2	-534.2
Slovakia	17,413	2,709	+1,535.5	-1,535.5	+103.1	-103.1
Romania	13,775	2,430	+793.4	-793.4	+480.2	-480.2
Hungary	8,307	919	+468.0	-468.0	+162.2	-162.2
Croatia	9,468	1,317	+455.8	-455.8	+66.7	-66.7
Serbia	2,098	183	+93.9	-93.9	+17.3	-17.3
Other	**6,760**	**271**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**228,200**	**38,655**	**+14,419.5**	**-14,419.5**	**+5,883.6**	**-5,883.6**
Dec 19						
Austria	**124,594**	**11,625**	**+0.0**	**+0.0**	**+1,159.5**	**-1,159.5**
EBOe & Subs.	39,844	3,553	0	0	+264.8	-264.8
Savings Banks	56,822	5,945	0	0	+632.7	-632.7
Other Austria	27,928	2,127	0	0	+261.9	-261.9
CEE	**109,787**	**4,627**	**+0.0**	**+0.0**	**+444.3**	**-444.3**
Czech Republic	57,259	1,746	0	0	+82.3	-82.3
Slovakia	18,774	511	0	0	+21.8	-21.8
Romania	14,020	1,551	0	0	+251.1	-251.1
Hungary	8,360	264	0	0	+58.2	-58.2
Croatia	9,499	488	0	0	+23.1	-23.1
Serbia	1,875	66	0	0	+7.7	-7.7
Other	**5,795**	**3**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**240,176**	**16,256**	**+0.0**	**+0.0**	**+1,603.8**	**-1,603.8**

Impact on credit loss allowances by geographical segment

	Current status - parameters (FLI shifted)		Effect of stage overlays due to Covid-19		Effect of FLI shifts	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Dec 20						
Austria	**-183**	**-685**	**-43.6**	**+158.4**	**+68.6**	**+202.3**
EBOe & Subs.	-41	-152	-10.2	+39.8	+17.8	+39.1
Savings Banks	-119	-371	-28.6	+95.2	+42.9	+94.2
Other Austria	-23	-162	-4.8	+23.4	+7.8	+69.0
CEE	**-280**	**-737**	**-66.0**	**+196.2**	**+97.6**	**+159.1**
Czech Republic	-100	-252	-20.6	+50.4	+40.9	+56.3
Slovakia	-35	-140	-13.7	+51.4	+12.7	+3.1
Romania	-53	-183	-12.9	+39.7	+6.2	+62.1
Hungary	-22	-64	-6.5	+19.1	+14.3	+25.6
Croatia	-57	-86	-10.2	+30.5	+20.2	+9.6
Serbia	-12	-13	-2.1	+5.2	+3.3	+2.5
Other	**-1**	**-1**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**-464**	**-1,424**	**-109.5**	**+354.6**	**+166.2**	**+361.4**
Dec 19						
Austria	**-173**	**-290**	**+0.0**	**+0.0**	**+2.2**	**+42.2**
EBOe & Subs.	-37	-69	0	0	+1.0	+8.0
Savings Banks	-108	-179	0	0	+1.5	+22.8
Other Austria	-28	-42	0	0	-0.3	+11.3
CEE	**-252**	**-317**	**+0.0**	**+0.0**	**+24.3**	**+48.5**
Czech Republic	-78	-84	0	0	+1.1	+4.7
Slovakia	-39	-38	0	0	-0.3	+2.4
Romania	-47	-135	0	0	+4.5	+32.1
Hungary	-16	-27	0	0	+5.1	+7.8
Croatia	-61	-27	0	0	+11.7	+1.0
Serbia	-10	-6	0	0	+2.2	+0.6
Other	**0**	**0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**-425**	**-607**	**+0.0**	**+0.0**	**+26.4**	**+90.7**

Impact on credit risk exposure by industry

	Current status - parameters (FLI shifted)		Effect of stage overlays due to Covid-19		Effect of FLI shifts	
in EUR million	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**
Dec 20						
Agriculture and forestry	2,550	593	+145.9	-145.9	+88.3	-88.3
of which significant risk	6	8	+0.4	-0.4	+0.0	-0.0
Mining	544	64	+16.4	-16.4	+8.7	-8.7
of which significant risk	382	10	+5.9	-5.9	+0.1	-0.1
Manufacturing	13,658	4,914	+3,199.3	-3,199.3	+1,020.0	-1,020.0
of which significant risk	3,838	3,264	+2,737.2	-2,737.2	+236.2	-236.2
Energy and water supply	4,054	577	+6.5	-6.5	+84.7	-84.7
of which significant risk	0	3	+0.0	+0.0	+0.0	+0.0
Construction	9,330	1,789	+186.3	-186.3	+848.6	-848.6
of which significant risk	23	13	+103.6	-103.6	+0.0	+0.0
Trade	9,251	3,758	+1,861.1	-1,861.1	+386.5	-386.5
of which significant risk	2,169	2,244	+1,600.7	-1,600.7	+72.0	-72.0
Transport and communication	5,759	1,993	+1,178.8	-1,178.8	+201.2	-201.2
of which significant risk	977	1,192	+989.0	-989.0	+10.8	-10.8
Hotels and restaurants	1,281	3,977	+2,935.3	-2,935.3	+100.9	-100.9
of which significant risk	1,225	3,933	+2,898.5	-2,898.5	+100.9	-100.9
Financial and insurance services	32,797	1,714	+13.0	-13.0	+137.3	-137.3
Real estate and housing	25,893	5,824	+1,415.7	-1,415.7	+1,715.3	-1,715.3
of which significant risk	242	340	+240.3	-240.3	+6.1	-6.1
Services	9,461	3,976	+1,916.4	-1,916.4	+173.4	-173.4
of which significant risk	2,395	2,688	+1,891.4	-1,891.4	+92.6	-92.6
Public administration	38,571	560	+1.3	-1.3	+253.8	-253.8
Education, health and art	2,604	932	+572.5	-572.5	+117.7	-117.7
of which significant risk	280	465	+336.0	-336.0	+7.6	-7.6
Households	71,994	7,967	+971.0	-971.0	+745.7	-745.7
Other	452	19	+0.0	-0.0	+1.4	-1.4
Total	**228,200**	**38,655**	**+14,419.5**	**-14,419.5**	**+5,883.6**	**-5,883.6**
Dec 19						
Agriculture and forestry	2,849	265	+0.0	+0.0	+15.5	-15.5
Mining	680	52	+0.0	+0.0	+0.3	-0.3
Manufacturing	16,043	1,805	+0.0	+0.0	+193.7	-193.7
Energy and water supply	3,657	558	+0.0	+0.0	+8.9	-8.9
Construction	10,160	862	+0.0	+0.0	+122.7	-122.7
Trade	11,290	1,363	+0.0	+0.0	+167.5	-167.5
Transport and communication	6,934	462	+0.0	+0.0	+36.4	-36.4
Hotels and restaurants	4,314	503	+0.0	+0.0	+29.9	-29.9
Financial and insurance services	34,931	515	+0.0	+0.0	+30.9	-30.9
Real estate and housing	27,130	2,031	+0.0	+0.0	+276.8	-276.8
Services	11,709	1,322	+0.0	+0.0	+219.1	-219.1
Public administration	35,748	385	+0.0	+0.0	+0.0	-0.0
Education, health and art	3,097	417	+0.0	+0.0	+26.5	-26.5
Households	71,273	5,715	+0.0	+0.0	+474.6	-474.6
Other	361	0	+0.0	+0.0	+1.0	-1.0
Total	**240,176**	**16,256**	**+0.0**	**+0.0**	**+1,603.8**	**-1,603.8**

Impact on credit loss allowances by industry

in EUR million	Current status - parameters (FLI shifted)	Effect of stage overlays due to Covid-19		Effect of FLI shifts	
	All stages	Stage 1	Stage 2	Stage 1	Stage 2
Dec 20					
Agriculture and forestry	-101	-2.4	+5.3	+4.4	+15.9
of which significant risk	0	-0.0	+0.0	+0.1	+0.0
Mining	-20	-0.1	+0.3	+0.3	+0.4
of which significant risk	-13	-0.0	+0.1	+0.2	+0.1
Manufacturing	-587	-26.2	+64.8	+20.9	+65.2
of which significant risk	-278	-20.6	+51.4	+11.7	+22.4
Energy and water supply	-97	-0.1	+0.2	+5.4	+8.2
of which significant risk	0	+0.0	+0.0	+0.0	+0.0
Construction	-320	-1.7	+4.5	+12.6	+29.4
of which significant risk	-3	-0.7	+1.1	+0.4	+0.2
Trade	-441	-14.0	+35.1	+16.3	+29.7
of which significant risk	-172	-9.6	+25.3	+6.2	+10.3
Transport and communication	-182	-6.9	+26.9	+8.3	+15.8
of which significant risk	-48	-4.5	+20.0	+2.8	+3.4
Hotels and restaurants	-271	-19.1	+72.5	+9.7	+15.7
of which significant risk	-255	-18.9	+71.7	+9.6	+15.7
Financial and insurance services	-110	-0.1	+0.4	+5.8	+8.5
Real estate and housing	-390	-10.8	+44.5	+24.1	+46.0
of which significant risk	-21	-1.8	+7.6	+0.1	+0.2
Services	-426	-8.7	+32.0	+7.2	+15.0
of which significant risk	-263	-8.5	+31.4	+4.1	+8.2
Public administration	-25	-0.0	+0.0	+2.7	+0.3
Education, health and art	-99	-7.5	+18.8	+18.8	+22.2
of which significant risk	-58	-1.9	+6.1	+2.2	+2.4
Households	-1,452	-11.9	+49.2	+29.5	+88.1
Other	-1	-0.0	+0.0	+0.2	+0.9
Total	**-4,522**	**-109.5**	**+354.6**	**+166.2**	**+361.4**
Dec 19					
Agriculture and forestry	-83	+0.0	+0.0	+0.9	+1.1
Mining	-27	+0.0	+0.0	+0.1	+0.1
Manufacturing	-406	+0.0	+0.0	+1.8	+8.6
Energy and water supply	-89	+0.0	+0.0	+1.1	+0.7
Construction	-348	+0.0	+0.0	+5.3	+3.4
Trade	-346	+0.0	+0.0	+1.2	+7.1
Transport and communication	-97	+0.0	+0.0	+1.0	+2.0
Hotels and restaurants	-148	+0.0	+0.0	+1.1	+2.3
Financial and insurance services	-56	+0.0	+0.0	+0.9	+1.2
Real estate and housing	-291	+0.0	+0.0	+1.8	+8.9
Services	-222	+0.0	+0.0	+0.3	+5.5
Public administration	-13	+0.0	+0.0	+0.0	+0.0
Education, health and art	-136	+0.0	+0.0	+0.9	+1.5
Private households	-1,256	+0.0	+0.0	+10.0	+48.3
Other	-1	+0.0	+0.0	-0.0	+0.0
Total	**-3,518**	**+0.0**	**+0.0**	**+26.4**	**+90.7**

The following tables present analyses taking into consideration only changes due to the different values of PDs according to the baseline, upside and downside FLI scenarios. Covid-19 SICR overlays are ignored. Values of these particular scenarios are calculated in comparison to current probability-weighted FLI scenarios shifted - PDs (weights and scenarios are disclosed in the 'Incorporation of forward-looking information' section above). The staging and ECL results if each baseline, upside or downside scenario were of 100% weight are shown in industry and geographical segmentation. The point in time PD effect as of 31 December 2019 is displayed as comparative information only.

The analyses confirm that the FLI macro shift due to the Covid-19 induced macro situation is significantly higher in both exposure and ECL as of 31 December 2020 in comparison to 31 December 2019. Credit risk exposure in an amount of EUR 5,884 million is in stage 2 due to FLI shift as of 31 December 2020 compared to EUR 1,604 million as of 31 December 2019. This increase of stage 2 credit risk exposure led to an ECL increase of EUR 410 million (difference between EUR 527 million as of 31 December 2020 and EUR 117 million as of 31 December 2019). Our conservative probability weighted scenario results in higher Stage 2 migrations than pure baseline scenario. That would lead to release of EUR 1,867 million from Stage 2 resulting in decrease of ECL by EUR 97 million (EUR 103 million release from stage 2 and EUR 6 million net allocation in Stage 1). Fully employed downside scenario would lead to additional EUR 1,590 million of exposure migration to Stage 2, resulting in ECL increase of EUR 100 million. Differences between scenarios are rather mild. Biggest effect is caused by incorporation of 2020 macro variables to the scenarios as these represent Covid-19 induced crisis. These variables are however included in each scenario with the same value. Differences among scenarios are therefore caused by differences in the recovery estimation of years 2021-2023.

Scenario analysis – Different probabilities of default (PD)

Impact of different scenarios on credit risk exposure by geographical segment

	Point in time (effect of FLI shifts)		Upside scenario		Baseline scenario		Downside scenario	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Dec 20								
Austria	**+4,519.9**	**-4,519.9**	**+2,187.5**	**-2,187.5**	**+1,537.0**	**-1,537.0**	**-1,131.9**	**+1,131.9**
EBOe & Subs.	+1,305.2	-1,305.2	+730.6	-730.6	+569.4	-569.4	-269.3	+269.3
Savings Banks	+2,042.6	-2,042.6	+911.6	-911.6	+597.5	-597.5	-509.4	+509.4
Other Austria	+1,172.1	-1,172.1	+545.4	-545.4	+370.1	-370.1	-353.2	+353.2
CEE	**+1,363.7**	**-1,363.7**	**+688.1**	**-688.1**	**+330.0**	**-330.0**	**-458.1**	**+458.1**
Czech Republic	+534.2	-534.2	+305.0	-305.0	+164.1	-164.1	-164.1	+164.1
Slovakia	+103.1	-103.1	+8.5	-8.5	+4.8	-4.8	-5.3	+5.3
Romania	+480.2	-480.2	+315.0	-315.0	+129.2	-129.2	-247.6	+247.6
Hungary	+162.2	-162.2	+20.6	-20.6	+9.2	-9.2	-8.0	+8.0
Croatia	+66.7	-66.7	+30.5	-30.5	+15.9	-15.9	-15.0	+15.0
Serbia	+17.3	-17.3	+8.5	-8.5	+6.8	-6.8	-18.1	+18.1
Other	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**+5,883.6**	**-5,883.6**	**+2,875.7**	**-2,875.7**	**+1,867.1**	**-1,867.1**	**-1,590.0**	**+1,590.0**
Dec 19								
Austria	**+1,159.5**	**-1,159.5**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
EBOe & Subs.	+264.8	-264.8	n/a	n/a	n/a	n/a	n/a	n/a
Savings Banks	+632.7	-632.7	n/a	n/a	n/a	n/a	n/a	n/a
Other Austria	+261.9	-261.9	n/a	n/a	n/a	n/a	n/a	n/a
CEE	**+444.3**	**-444.3**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Czech Republic	+82.3	-82.3	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	+21.8	-21.8	n/a	n/a	n/a	n/a	n/a	n/a
Romania	+251.1	-251.1	n/a	n/a	n/a	n/a	n/a	n/a
Hungary	+58.2	-58.2	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	+23.1	-23.1	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	+7.7	-7.7	n/a	n/a	n/a	n/a	n/a	n/a
Other	**+0.0**	**+0.0**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Total	**+1,603.8**	**-1,603.8**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

Impact of different scenarios on credit loss allowances by geographical segment

	Point in time (effect of FLI shifts)		Upside scenario		Baseline scenario		Downside scenario	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Dec 20								
Austria	**+68.6**	**+202.3**	**-11.8**	**+100.8**	**-7.5**	**+66.2**	**+6.2**	**-52.6**
EBOe & Subs.	+17.8	+39.1	-2.8	+20.6	-2.0	+14.2	+1.7	-10.1
Savings Banks	+42.9	+94.2	-6.2	+43.6	-3.4	+26.7	+3.4	-24.5
Other Austria	+7.8	+69.0	-2.9	+36.7	-2.1	+25.3	+1.1	-18.1
CEE	**+97.6**	**+159.1**	**+2.4**	**+64.8**	**+1.9**	**+36.3**	**-2.6**	**-51.3**
Czech Republic	+40.9	+56.3	+1.5	+25.4	+1.0	+17.4	-0.2	-16.3
Slovakia	+12.7	+3.1	+2.8	+1.8	+1.6	+1.0	-3.2	-1.7
Romania	+6.2	+62.1	-3.2	+30.7	-1.5	+14.3	+1.8	-29.3
Hungary	+14.3	+25.6	-0.4	+2.3	-0.2	+1.2	+0.2	-0.9
Croatia	+20.2	+9.6	-1.0	+3.9	-0.5	+2.1	+0.4	-1.8
Serbia	+3.3	+2.5	+2.6	+0.6	+1.5	+0.4	-1.6	-1.2
Other	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**+166.2**	**+361.4**	**-9.4**	**+165.6**	**-5.6**	**+102.5**	**+3.6**	**-103.9**
Dec 19								
Austria	**+2.2**	**+42.2**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
EBOe & Subs.	+1.0	+8.0	n/a	n/a	n/a	n/a	n/a	n/a
Savings Banks	+1.5	+22.8	n/a	n/a	n/a	n/a	n/a	n/a
Other Austria	-0.3	+11.3	n/a	n/a	n/a	n/a	n/a	n/a
CEE	**+24.3**	**+48.5**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Czech Republic	+1.1	+4.7	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	-0.3	+2.4	n/a	n/a	n/a	n/a	n/a	n/a
Romania	+4.5	+32.1	n/a	n/a	n/a	n/a	n/a	n/a
Hungary	+5.1	+7.8	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	+11.7	+1.0	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	+2.2	+0.6	n/a	n/a	n/a	n/a	n/a	n/a
Other	**+0.0**	**+0.0**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Total	**+26.4**	**+90.7**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

Impact of different scenarios on credit risk exposure by industry

	Point in time (effect of FLI shifts)		Upside scenario		Baseline scenario		Downside scenario	
in EUR million	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**
Dec 20								
Agriculture and forestry	+88.3	-88.3	+20.5	-20.5	+13.7	-13.7	-12.6	+12.6
of which significant risk	+0.0	-0.0	+0.0	-0.0	+0.0	-0.0	-0.0	+0.0
Mining	+8.7	-8.7	+6.5	-6.5	+3.6	-3.6	-37.1	+37.1
of which significant risk	+0.1	-0.1	+0.0	+0.0	+0.0	+0.0	-27.0	+27.0
Manufacturing	+1,020.0	-1,020.0	+367.1	-367.1	+265.3	-265.3	-281.0	+281.0
of which significant risk	+236.2	-236.2	+147.4	-147.4	+116.4	-116.4	-164.7	+164.7
Energy and water supply	+84.7	-84.7	+50.6	-50.6	+43.1	-43.1	-16.3	+16.3
of which significant risk	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Construction	+848.6	-848.6	+320.9	-320.9	+228.0	-228.0	-104.4	+104.4
of which significant risk	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Trade	+386.5	-386.5	+110.1	-110.1	+60.4	-60.4	-125.9	+125.9
of which significant risk	+72.0	-72.0	+17.2	-17.2	+9.7	-9.7	-66.0	+66.0
Transport and communication	+201.2	-201.2	+127.5	-127.5	+110.5	-110.5	-74.8	+74.8
of which significant risk	+10.8	-10.8	+6.2	-6.2	+5.4	-5.4	-17.5	+17.5
Hotels and restaurants	+100.9	-100.9	+79.8	-79.8	+29.3	-29.3	-78.6	+78.6
of which significant risk	+100.9	-100.9	+79.8	-79.8	+29.3	-29.3	-78.6	+78.6
Financial and insurance services	+137.3	-137.3	+64.3	-64.3	+56.3	-56.3	-25.3	+25.3
Real estate and housing	+1,715.3	-1,715.3	+959.7	-959.7	+624.1	-624.1	-425.2	+425.2
of which significant risk	+6.1	-6.1	+0.3	-0.3	+0.2	-0.2	-6.9	+6.9
Services	+173.4	-173.4	+34.3	-34.3	+10.8	-10.8	-42.7	+42.7
of which significant risk	+92.6	-92.6	+13.7	-13.7	+1.5	-1.5	-35.9	+35.9
Public administration	+253.8	-253.8	+172.7	-172.7	+171.8	-171.8	-3.0	+3.0
Education, health and art	+117.7	-117.7	+110.4	-110.4	+58.0	-58.0	-65.6	+65.6
of which significant risk	+7.6	-7.6	+6.3	-6.3	+6.2	-6.2	-4.6	+4.6
Households	+745.7	-745.7	+450.4	-450.4	+191.9	-191.9	-289.8	+289.8
Other	+1.4	-1.4	+0.7	-0.7	+0.2	-0.2	-7.7	+7.7
Total	**+5,883.6**	**-5,883.6**	**+2,875.7**	**-2,875.7**	**+1,867.1**	**-1,867.1**	**-1,590.0**	**+1,590.0**
Dec 19								
Agriculture and forestry	+15.5	-15.5	n/a	n/a	n/a	n/a	n/a	n/a
Mining	+0.3	-0.3	n/a	n/a	n/a	n/a	n/a	n/a
Manufacturing	+193.7	-193.7	n/a	n/a	n/a	n/a	n/a	n/a
Energy and water supply	+8.9	-8.9	n/a	n/a	n/a	n/a	n/a	n/a
Construction	+122.7	-122.7	n/a	n/a	n/a	n/a	n/a	n/a
Trade	+167.5	-167.5	n/a	n/a	n/a	n/a	n/a	n/a
Transport and communication	+36.4	-36.4	n/a	n/a	n/a	n/a	n/a	n/a
Hotels and restaurants	+29.9	-29.9	n/a	n/a	n/a	n/a	n/a	n/a
Financial and insurance services	+30.9	-30.9	n/a	n/a	n/a	n/a	n/a	n/a
Real estate and housing	+276.8	-276.8	n/a	n/a	n/a	n/a	n/a	n/a
Services	+219.1	-219.1	n/a	n/a	n/a	n/a	n/a	n/a
Public administration	+0.0	-0.0	n/a	n/a	n/a	n/a	n/a	n/a
Education, health and art	+26.5	-26.5	n/a	n/a	n/a	n/a	n/a	n/a
Households	+474.6	-474.6	n/a	n/a	n/a	n/a	n/a	n/a
Other	+1.0	-1.0	n/a	n/a	n/a	n/a	n/a	n/a
Total	**+1,603.8**	**-1,603.8**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

Impact of different scenarios on credit loss allowances by industry

	Point in time (effect of FLI shifts)		Upside scenario		Baseline scenario		Downside scenario	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Dec 20								
Agriculture and forestry	+4.4	+15.9	+0.1	+4.3	+0.0	+2.7	-0.1	-2.1
of which significant risk	+0.1	+0.0	+0.1	+0.0	+0.1	+0.0	-0.1	-0.0
Mining	+0.3	+0.4	-0.0	+0.2	-0.0	+0.1	+0.1	-0.9
of which significant risk	+0.2	+0.1	+0.0	+0.0	+0.0	+0.0	+0.1	-0.7
Manufacturing	+20.9	+65.2	-1.4	+28.7	-1.1	+19.5	+0.9	-16.8
of which significant risk	+11.7	+22.4	-0.5	+11.3	-0.6	+8.5	+0.4	-7.3
Energy and water supply	+5.4	+8.2	-0.3	+4.2	-0.3	+3.1	-0.1	-2.0
of which significant risk	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Construction	+12.6	+29.4	-2.0	+12.2	-1.3	+8.0	+0.7	-5.5
of which significant risk	+0.4	+0.2	+0.0	+0.0	+0.0	+0.0	+0.0	-0.0
Trade	+16.3	+29.7	+0.0	+10.4	+0.1	+6.3	+0.5	-6.9
of which significant risk	+6.2	+10.3	+0.4	+3.5	+0.2	+2.2	+0.5	-3.5
Transport and communication	+8.3	+15.8	-0.3	+9.4	-0.4	+7.2	-0.1	-4.8
of which significant risk	+2.8	+3.4	+0.2	+1.8	+0.1	+1.2	-0.1	-1.2
Hotels and restaurants	+9.7	+15.7	-0.4	+7.6	-0.0	+4.3	+0.8	-6.2
of which significant risk	+9.6	+15.7	-0.4	+7.6	-0.0	+4.3	+0.8	-6.2
Financial and insurance services	+5.8	+8.5	-0.2	+4.8	-0.2	+3.3	+0.1	-2.3
Real estate and housing	+24.1	+46.0	-4.3	+25.0	-2.8	+17.3	+2.0	-12.3
of which significant risk	+0.1	+0.2	+0.0	+0.2	+0.0	+0.1	+0.1	-0.3
Services	+7.2	+15.0	-0.0	+5.0	+0.1	+2.8	+0.2	-3.2
of which significant risk	+4.1	+8.2	-0.0	+3.0	+0.0	+1.7	+0.3	-2.2
Public administration	+2.7	+0.3	-0.0	+0.3	-0.0	+0.3	+0.0	-0.1
Education, health and art	+18.8	+22.2	+0.4	+12.9	+0.4	+8.2	-0.4	-6.9
of which significant risk	+2.2	+2.4	+0.0	+1.3	-0.0	+1.0	+0.0	-0.6
Households	+29.5	+88.1	-1.1	+40.4	-0.1	+19.2	-1.1	-33.4
Other	+0.2	+0.9	+0.0	+0.3	+0.0	+0.1	+0.0	-0.5
Total	**+166.2**	**+361.4**	**-9.4**	**+165.6**	**-5.6**	**+102.5**	**+3.6**	**-103.9**
Dec 19								
Agriculture and forestry	+0.9	+1.1	n/a	n/a	n/a	n/a	n/a	n/a
Mining	+0.1	+0.1	n/a	n/a	n/a	n/a	n/a	n/a
Manufacturing	+1.8	+8.6	n/a	n/a	n/a	n/a	n/a	n/a
Energy and water supply	+1.1	+0.7	n/a	n/a	n/a	n/a	n/a	n/a
Construction	+5.3	+3.4	n/a	n/a	n/a	n/a	n/a	n/a
Trade	+1.2	+7.1	n/a	n/a	n/a	n/a	n/a	n/a
Transport and communication	+1.0	+2.0	n/a	n/a	n/a	n/a	n/a	n/a
Hotels and restaurants	+1.1	+2.3	n/a	n/a	n/a	n/a	n/a	n/a
Financial and insurance services	+0.9	+1.2	n/a	n/a	n/a	n/a	n/a	n/a
Real estate and housing	+1.8	+8.9	n/a	n/a	n/a	n/a	n/a	n/a
Services	+0.3	+5.5	n/a	n/a	n/a	n/a	n/a	n/a
Public administration	+0.0	+0.0	n/a	n/a	n/a	n/a	n/a	n/a
Education, health and art	+0.9	+1.5	n/a	n/a	n/a	n/a	n/a	n/a
Households	+10.0	+48.3	n/a	n/a	n/a	n/a	n/a	n/a
Other	-0.0	+0.0	n/a	n/a	n/a	n/a	n/a	n/a
Total	**+26.4**	**+90.7**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

Composition of credit loss allowances

in EUR million	Dec 19	Dec 20
Credit loss allowances	-3,209	-4,047
Credit loss allowances for loan commitments and financial guarantees	-293	-399
Provisions for other commitments	-17	-76
Total	**-3,518**	**-4,522**

Credit loss allowances are computed based on IFRS 9 requirements, while provisions for other commitments are subject to IAS 37.

Restructuring, renegotiation and forbearance

Restructuring means contractual modification of any of the customer's loan repayment conditions including tenor, interest rate, fees, principal amount due or a combination thereof. Restructuring can be business restructuring (in the retail segment), commercial renegotiation (in the corporate segment), or forbearance (e.g. concession due to financial difficulties) in line with EBA requirements in both segments.

Restructuring and renegotiation

Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potentially effective customer retention tool involving, for example, re-pricing or the offering of an additional loan or both in order to maintain the business relationship.

Forbearance

The definition of 'forbearance' is included in Regulation (EU) 2015/227. A restructuring is considered 'forbearance' if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- the customer was more than 30 days past due in the past 3 months;
- the customer would be 30 days past due or more without receiving forbearance;
- the customer is in default;
- the customer would default without receiving forbearance.

Additional criteria for non-retail segment:

- early warning signals for this customer identified;
- customer has deteriorated financial figures, which led to decline of the rating grade;
- customer has increased probability of default.

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Concession means that any of the following conditions are met:

- modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution;
- the contract modification involves total or partial cancellation of the debt by (partial) write-off;
- activation of embedded forbearance clause of the contract;
- any waiver of a material financial or non-financial covenant.

Forbearance can be initiated by the bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:

- performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance);
- non-performing forbearance (incl. defaulted forbearance; since 10/2019 the definition of non-performing status is aligned with default).

Forborne exposures are considered performing when:

- the exposure did not have non-performing status at the time the extension of or application for forbearance was approved;
- granting the forbearance has not led to classifying the exposure as non-performing/default.

Performing forborne exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum two years:

- an additional forbearance measure is extended;
- the customer becomes more than 30 days past due on forborne exposure and in the past the customer was in the non-performing forbearance category;
- the customer meets any of the default event criteria defined in the default definition;
- for corporate customers, when a final restructuring agreement cannot be concluded within 18 months after the first forbearance measure.

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all the following conditions are met:

- a minimum of two years has passed from the date of classifying the exposure as performing forbearance (probation period);
- under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid (significant repayment) at least during half of the probation period (in the case of retail customers);
- regular repayments in a significant amount during at least half of the probation period have been made (in the case of non-retail customers);

- significant repayment includes amount previously past-due (if any) or written-off (if no-past due amounts) for both segments retail and non-retail;
- none of the exposure of the customer is more than 30 days past due at the end of the probation period.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all the following conditions are met:

- one year has passed from the date of classifying the exposure as non-performing forbearance or from the latest of the following events:
  - the moment of extending the restructuring measure;
  - the end of the grace period included in the restructuring agreement;
  - the moment when the exposure has been classified as defaulted.
- the forbearance has not led the exposure to be classified as non-performing;
- the customer is not classified as defaulted according to the definition of default;
- retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following:
  - the customer has never been more than 30 days past due during the 12 months prior to the reclassification and there is no delinquent amount;
  - the customer has repaid the full past due amount or the written-off amount (if there was any).
- corporate customers: significant amount has been paid in regular repayments, analysis of financial development that leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the 12 months prior to the reclassification and there is no delinquent amount.

The largest part of the forbearance measures is set and monitored within the responsibility of the local workout units according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as qualitative trigger events in the SICR concept according to the internal regulations of Erste Group.

Default definition

Since October 2019 Erste Group has implemented the new definition of default, based on regulatory joint decision, in all entities using IRB approach to comply with the EBA 'Guidelines on the application of the definition of default under Art.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 impact of the modified default definition is immaterial. Erste Group follows the two-step approach of the European Central Bank which requires the adjustment of the risk parameters and recalibration of rating systems as a second step afterwards.

Entities with standardized approach have to implement the new Group Forbearance, Non-performing and Default Definition Policy latest by end of 2020. The group requirements stipulated in the Group policy cover the EBA requirements given in the Guidelines on the application of default definition (EBA GL 2016-07). Deviations to the group requirements are allowed only if are triggered by local regulatory requirements.

The definitions of non-performing and default are aligned within Erste Group.

The materiality of 90 days past due credit obligation is applied for on-balance exposure at client level and assessed daily against the group-wide defined materiality threshold (except the local regulator has defined different thresholds) for the:

- retail exposure: as an absolute limit on client level of 100 EUR and relative 1% on client level;
- non-retail exposure: as an absolute limit on client level of 500 EUR and relative 1% on client level.

Changes in the treatment of forbearance and default due to the Covid-19 pandemic are described in the previous chapter 'Covid-19'.

Credit risk exposure, forbearance exposure and credit loss allowances

in EUR million	Loans and advances	Debt securities	Other positions	Loan commitments	Total
Dec 20					
Gross exposure	**191,523**	**39,751**	**19,774**	**35,650**	**286,699**
thereof gross forborne exposure	3,572	3	0	151	3,726
Performing exposure	186,989	39,747	19,608	35,514	281,858
thereof performing forborne exposure	2,324	0	0	83	2,407
Credit loss allowances for performing exposure	-1,554	-39	-158	-173	-1,923
thereof credit loss allowances for performing forborne exposure	-90	0	0	-3	-93
Non-performing exposure	4,534	4	166	137	4,841
thereof non-performing forborne exposure	1,248	3	0	68	1,319
Credit loss allowances for non-performing exposure	-2,452	-2	-97	-48	-2,598
thereof credit loss allowances for non-performing forborne exposure	-617	-1	0	-10	-629
Dec 19					
Gross exposure	**186,507**	**37,699**	**18,347**	**31,225**	**273,778**
thereof gross forborne exposure	2,213	3	0	96	2,313
Performing exposure	182,363	37,695	18,147	31,110	269,316
thereof performing forborne exposure	910	0	0	30	939
Credit loss allowances for performing exposure	-869	-23	-72	-79	-1,042
thereof credit loss allowances for performing forborne exposure	-33	0	0	-4	-37
Non-performing exposure	4,144	4	200	115	4,463
thereof non-performing forborne exposure	1,303	3	0	67	1,373
Credit loss allowances for non-performing exposure	-2,315	-2	-128	-32	-2,476
thereof credit loss allowances for non-performing forborne exposure	-662	-2	0	-11	-675

Types of forbearance exposure

in EUR million	Gross forborne exposure	Modification in terms and conditions	Refinancing
Dec 20			
Loans and advances	3,572	3,335	237
Debt securities	3	3	0
Loan commitments	151	126	25
Total	**3,726**	**3,464**	**262**
Dec 19			
Loans and advances	2,213	1,933	280
Debt securities	3	3	0
Loan commitments	96	82	14
Total	**2,313**	**2,019**	**294**

Loans and advances also include lease, trade and other receivables.

Collateral

Recognition of credit collateral

Collateral Management is integrated in Underwriting Processes department of Credit Risk Portfolio division. The Group Collateral Management Policy Part 1 Credit Collateral defines, among other things, uniform valuation standards for credit collateral across the entire group. It ensures that the credit risk decision processes are standardised with respect to accepted collateral values.

All collateral types acceptable within the group are contained in the Group Collateral Catalogue. Locally permitted collateral is defined by the respective bank in accordance with applicable national legal provisions. The valuation and revaluation of collateral is done according to the principles defined in the Group Collateral Catalogue broken down by collateral type and based on the internal work instructions in accordance with the individual supervisory requirements. Whether a type of collateral or a specific collateral asset is accepted for credit risk mitigation is decided by Enterprise-wide Risk Management after determining if the applicable regulatory requirements are met. Credit underwriting monitors adherence to the standard work processes stipulated for assigning the acceptable collateral assets to the categories available.

Main types of credit collateral

The following types of credit collateral are accepted:

- real estate: residential and commercial real estate;
- financial collateral: securities, cash deposits and life insurance policies;
- guarantees: given by sovereigns, public sector entities, financial institutes, companies and private individuals. All guarantors must have a minimum credit rating, which is reviewed annually;
- movables: equipment, investment goods, machinery and motor vehicles;
- claims and rights: trade account receivables, leasehold rights and shares in a company's capital.

Collateral valuation and management

Collateral valuation is based on current market prices while taking into account an amount that can be recovered within a reasonable period. The valuation processes are defined and their IT-supported technical application is performed by Collateral Management at group level and by authorised staff in each country with the assistance of software applications. The allocated collateral values are capped by the amount of the secured transaction. Therefore, imputed excess collateral values are not possible. Only independent appraisers not involved in the lending decision process are permitted to conduct real estate valuations, and the valuation methods to be applied are defined by the bank. For quality assurance purposes, the real estate evaluation mechanism and real estate valuations are validated on an ongoing basis.

The methods and discounts used for valuations are based on empirical data representing past experience of the workout departments and on the collected data on recoveries from realising collateral. The valuation discounts are adjusted regularly – at least once a year – to reflect current recoveries.

The revaluation of collateral is done periodically and is automated as far as possible. In the case of external data sources, the appropriate interfaces are used. The maximum periods for the revaluation of individual collateral assets are predefined and compliance is monitored by risk management using software applications. Apart from periodic revaluations, collateral is assessed when information becomes available that indicates a decrease in the value of the collateral for exceptional reasons.

Concentration risks resulting from credit risk mitigation techniques may affect a single customer, but also a portfolio defined by region, industry, or type of collateral. Erste Group is a retail bank, and, due to its customer structure and the markets in which it operates, it does not have any concentrations with respect to collateral from customers. All guarantee liabilities and loans of a corporate guarantee provider are taken into consideration in the credit application process in order to prevent possible concentrations. Guarantees provided by sovereigns, a public sector entity or financial institutions have to lie within the approved limit of the guarantor. Concerning other areas of a potentially detrimental correlation of risks, the collateral portfolios are analysed using statistical evaluations for, among other things, regional or industry-specific concentrations within the scope of portfolio monitoring. The response to those risks identified includes, above all, the adjustment of volume targets, setting of corresponding limits and modification of the staff's discretionary limits for lending.

Collateral obtained in foreclosure proceedings is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, Erste Group does not occupy repossessed properties for its own business use. The main part of assets taken onto its own books is commercial land and buildings. In addition, residential real estate properties and transport vehicles are taken into Erste Group's possession. As of 31 December 2020, the carrying value of these assets obtained during the reporting period amounted to EUR 15 million (2019: EUR 9 million).

Treasury collateral

The department Trading Book Risk Management is responsible for treasury collateral. The Group Collateral Management Policy Part 2 defines, among other things, uniform valuation standards for treasury collateral across the entire group.

Under the framework of treasury collateral, netting agreements (international framework agreements for derivatives of the International Swap and Derivatives Association (ISDA), Austrian or German framework agreements, framework agreements for securities lending transactions and repurchase deals) as well as collateral agreements (e.g. ISDA Credit Support Annex) are used for reducing the credit risk from derivatives.

Netting agreements make it possible to net all amounts due or payable for each individual transaction under a framework agreement in the case of a credit default, with the result that only the net receivables vis-à-vis the business partner are of relevance for credit risk. Within the scope of these collateral agreements, the portfolio with the respective counterparty is revalued periodically, usually daily, and in case of insufficient coverage additional collateral is requested. The policy restrictions on collateral types ensure that collateral received predominantly consists of cash or securities of investment grade quality. In the case of securities used as collateral, an additional valuation discount (haircut) depending on credit quality and residual maturity is applied.

The following table compares the credit risk exposure broken down by business segments to the allocated collateral. The amount of allocated collateral corresponds to the accepted value after internal haircuts capped by the exposure amount.

Credit risk exposure by business segment and collateral

in EUR million	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
Dec 20						
Retail	69,833	41,249	2,044	36,602	2,603	28,583
Corporates	82,936	30,826	5,788	19,980	5,058	52,110
Group Markets	17,131	4,648	2,206	20	2,422	12,483
ALM & LCC	44,925	17,099	1,084	1	16,013	27,826
Savings Banks	71,249	33,601	2,223	28,361	3,017	37,648
GCC	625	37	0	8	29	587
Total	**286,699**	**127,461**	**13,346**	**84,973**	**29,142**	**159,238**
Dec 19						
Retail	68,579	39,853	1,568	35,357	2,928	28,725
Corporates	77,841	27,408	4,459	17,738	5,211	50,433
Group Markets	18,444	7,408	1,719	11	5,678	11,036
ALM & LCC	41,842	16,392	1,322	31	15,038	25,450
Savings Banks	66,786	31,117	1,529	26,343	3,244	35,669
GCC	287	30	0	6	23	257
Total	**273,778**	**122,208**	**10,597**	**79,488**	**32,123**	**151,570**

Credit risk exposure by financial instrument and collateral

in EUR million	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral	IFRS 9 impairment relevant		
			Guarantees	Real estate	Other		Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
Dec 20									
Cash and cash balances - demand deposits to credit institutions	1,140	49	0	0	49	1,091	1,114	25	0
Debt instruments held for trading	6,322	1,203	205	1	997	5,119	0	0	0
Non-trading debt instruments at FVPL	2,736	630	448	174	8	2,106	0	0	0
Debt instruments at FVOCI	8,109	781	781	0	0	7,328	8,109	0	0
Debt instruments at AC	214,790	116,305	10,154	81,555	24,596	98,486	208,472	2,058	4,260
Debt securities	29,594	1,167	1,165	0	3	28,427	29,591	0	3
Loans and advances to banks	21,469	18,964	1,258	0	17,706	2,505	21,469	0	0
Loans and advances to customers	163,727	96,173	7,731	81,554	6,888	67,553	157,411	2,058	4,257
Trade and other receivables	1,405	20	2	1	16	1,385	881	463	61
Finance lease receivables	4,235	2,355	56	251	2,047	1,880	3,878	155	201
Debt instruments held for sale in disposal groups	0	0	0	0	0	0	0	0	0
Positive fair value of hedge accounting derivatives	205	59	0	0	59	146	0	0	0
Off-balance sheet exposures	47,758	6,061	1,700	2,991	1,370	41,697	41,808	36	232
thereof other commitments	5,682	843	304	103	436	4,839	0	0	0
Total	**286,699**	**127,461**	**13,346**	**84,973**	**29,142**	**159,238**	**264,262**	**2,738**	**4,754**
Dec 19									
Cash and cash balances - demand deposits to credit institutions	1,196	189	0	0	189	1,007	1,139	56	0
Debt instruments held for trading	5,694	1,022	153	1	868	4,672	0	0	0
Non-trading debt instruments at FVPL	2,818	437	289	136	12	2,381	0	0	0
Debt instruments at FVOCI	8,590	925	925	0	0	7,664	8,587	3	0
Debt instruments at AC	207,150	112,644	8,310	76,360	27,973	94,507	200,902	2,486	3,762
Debt securities	26,774	1,144	1,141	0	3	25,631	26,771	0	4
Loans and advances to banks	23,063	20,811	822	0	19,990	2,252	23,064	0	2
Loans and advances to customers	157,312	90,689	6,348	76,360	7,981	66,624	151,067	2,486	3,757
Trade and other receivables	1,480	6	2	1	3	1,473	1,317	85	78
Finance lease receivables	4,169	2,322	57	350	1,915	1,847	3,763	122	284
Debt instruments held for sale in disposal groups	0	0	0	0	0	0	0	0	0
Positive fair value of hedge accounting derivatives	130	0	0	0	0	130	0	0	0
Off-balance sheet exposures	42,552	4,662	861	2,640	1,162	37,889	38,077	35	302
thereof other commitments	4,137	314	21	71	222	3,823	0	0	0
Total	**273,778**	**122,208**	**10,597**	**79,488**	**32,123**	**151,570**	**253,786**	**2,787**	**4,426**

The collateral attributable to exposures that are credit-impaired at 31 December 2020 amounts to EUR 2,013 million (2019: 1,881 million).

Loans and advances to customers

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

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

The presentation is by gross carrying amount excluding loan loss allowances and collateral.

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 20					
Retail	52,511	5,013	2,007	1,495	61,025
Corporates	44,961	8,735	2,247	1,624	57,567
Group Markets	565	10	1	1	577
ALM & LCC	65	50	124	4	243
Savings Banks	41,535	6,449	1,016	1,394	50,393
GCC	23	17	158	17	215
Total	**139,660**	**20,275**	**5,552**	**4,534**	**170,020**
Dec 19					
Retail	50,297	5,385	2,277	1,454	59,413
Corporates	46,518	5,308	1,759	1,266	54,851
Group Markets	896	33	5	0	934
ALM & LCC	199	15	77	59	351
Savings Banks	39,959	5,319	1,196	1,349	47,823
GCC	24	7	2	13	46
Total	**137,892**	**16,066**	**5,317**	**4,142**	**163,417**

Loans and advances to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 20					
Austria	**86,658**	**10,610**	**1,708**	**2,401**	**101,376**
EBOe & Subs.	31,623	2,928	504	578	35,634
Savings Banks	41,535	6,449	1,016	1,394	50,393
Other Austria	13,500	1,233	188	428	15,349
CEE	**52,956**	**9,645**	**3,687**	**2,116**	**68,404**
Czech Republic	22,899	4,771	1,275	651	29,597
Slovakia	12,481	1,227	1,216	364	15,289
Romania	7,317	1,231	349	419	9,316
Hungary	3,512	851	433	151	4,947
Croatia	5,465	1,237	303	506	7,511
Serbia	1,281	327	110	25	1,744
Other	**46**	**20**	**158**	**17**	**240**
Total	**139,660**	**20,275**	**5,552**	**4,534**	**170,020**
Dec 19					
Austria	**85,578**	**7,958**	**1,912**	**2,191**	**97,639**
EBOe & Subs.	31,302	2,303	540	500	34,645
Savings Banks	39,959	5,319	1,196	1,349	47,823
Other Austria	14,317	337	177	341	15,172
CEE	**52,268**	**8,101**	**3,403**	**1,938**	**65,709**
Czech Republic	23,703	3,909	1,057	519	29,188
Slovakia	11,540	1,175	1,296	426	14,437
Romania	6,890	1,073	448	359	8,771
Hungary	3,534	866	307	124	4,831
Croatia	5,451	817	242	489	6,999
Serbia	1,149	261	52	20	1,483
Other	**46**	**7**	**2**	**13**	**69**
Total	**137,892**	**16,066**	**5,317**	**4,142**	**163,417**

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.

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

	Non-performing		Customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage ratio	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Dec 20												
Retail	1,495	1,494	61,025	60,452	-1,466	599	599	2.4%	2.5%	98.2%	40.1%	40.1%
Corporates	1,624	1,614	57,567	57,466	-1,530	631	630	2.8%	2.8%	94.8%	38.9%	39.1%
Group Markets	1	1	577	577	-3	0	0	0.1%	0.1%	378.4%	0.0%	0.0%
ALM & LCC	4	4	243	243	-11	0	0	1.6%	1.6%	278.6%	1.8%	1.8%
Savings Banks	1,394	1,391	50,393	50,383	-976	732	729	2.8%	2.8%	70.2%	52.5%	52.4%
GCC	17	15	215	211	-16	8	6	7.8%	6.9%	111.4%	47.3%	39.4%
Total	**4,534**	**4,518**	**170,020**	**169,333**	**-4,002**	**1,970**	**1,964**	**2.7%**	**2.7%**	**88.6%**	**43.5%**	**43.5%**
Dec 19												
Retail	1,454	1,452	59,413	59,073	-1,202	617	616	2.4%	2.5%	82.8%	42.4%	42.4%
Corporates	1,266	1,247	54,851	54,719	-1,069	481	481	2.3%	2.3%	85.7%	38.0%	38.5%
Group Markets	0	0	934	934	-2	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	59	59	351	351	-26	48	48	16.9%	16.9%	44.0%	81.5%	81.5%
Savings Banks	1,349	1,347	47,823	47,814	-861	695	693	2.8%	2.8%	63.9%	51.5%	51.5%
GCC	13	11	46	43	-13	5	3	28.4%	25.6%	115.3%	40.4%	29.5%
Total	**4,142**	**4,117**	**163,417**	**162,934**	**-3,174**	**1,847**	**1,842**	**2.5%**	**2.5%**	**77.1%**	**44.6%**	**44.7%**

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

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

	Loans to customers					Loan loss allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 20												
Retail	51,256	7,638	1,443	115	573	-129	-455	-849	-34	6.0%	58.8%	29.4%
Corporates	42,700	13,097	1,466	203	100	-135	-443	-865	-88	3.4%	59.0%	43.2%
Group Markets	532	44	1	0	0	-1	-2	0	0	4.5%	5.3%	100.0%
ALM & LCC	213	26	4	0	0	-1	-6	-4	0	21.7%	115.2%	0.0%
Savings Banks	38,616	10,355	1,363	49	10	-93	-287	-592	-4	2.8%	43.5%	7.6%
GCC	26	169	17	0	4	0	0	-16	0	0.1%	93.7%	0.0%
Total	**133,343**	**31,329**	**4,293**	**368**	**687**	**-358**	**-1,193**	**-2,326**	**-125**	**3.8%**	**54.2%**	**34.1%**
Dec 19												
Retail	53,491	4,067	1,379	136	340	-116	-214	-827	-44	5.3%	60.0%	32.8%
Corporates	49,049	4,371	1,066	233	132	-137	-157	-682	-93	3.6%	64.0%	40.1%
Group Markets	888	46	0	0	0	-1	-1	0	0	3.1%	98.7%	100.0%
ALM & LCC	274	17	59	0	0	-1	-5	-20	0	29.9%	34.5%	0.0%
Savings Banks	41,373	5,074	1,320	46	9	-86	-143	-629	-3	2.8%	47.7%	5.5%
GCC	27	3	13	0	3	0	0	-13	0	0.1%	96.6%	0.0%
Total	**145,104**	**13,578**	**3,837**	**415**	**483**	**-341**	**-520**	**-2,172**	**-140**	**3.8%**	**56.6%**	**33.9%**

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) consists of loans already credit impaired when purchased or originated.

The defaulted part of POCI loans amounted to EUR 226 million (2019: 281 million), the non-defaulted part to EUR 142 million (2019: 134 million).

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

	Non-performing		Customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage ratio	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Dec 20												
Austria	**2,401**	**2,388**	**101,376**	**101,267**	**-1,670**	**1,182**	**1,179**	**2.4%**	**2.4%**	**69.9%**	**49.2%**	**49.4%**
EBOe & Subs.	578	578	35,634	35,622	-367	318	318	1.6%	1.6%	63.4%	54.9%	54.9%
Savings Banks	1,394	1,391	50,393	50,383	-976	732	729	2.8%	2.8%	70.2%	52.5%	52.4%
Other Austria	428	419	15,349	15,262	-327	132	132	2.8%	2.7%	78.1%	30.9%	31.5%
CEE	**2,116**	**2,115**	**68,404**	**67,829**	**-2,317**	**780**	**779**	**3.1%**	**3.1%**	**109.5%**	**36.9%**	**36.8%**
Czech Republic	651	651	29,597	29,596	-750	178	178	2.2%	2.2%	115.1%	27.3%	27.3%
Slovakia	364	364	15,289	15,289	-391	145	145	2.4%	2.4%	107.4%	39.8%	39.8%
Romania	419	418	9,316	9,316	-512	154	154	4.5%	4.5%	122.5%	36.7%	36.7%
Hungary	151	150	4,947	4,374	-167	90	89	3.0%	3.4%	111.4%	59.8%	59.6%
Croatia	506	506	7,511	7,511	-454	210	210	6.7%	6.7%	89.7%	41.5%	41.5%
Serbia	25	25	1,744	1,744	-43	4	4	1.5%	1.5%	168.2%	14.1%	14.1%
Other	**17**	**15**	**240**	**237**	**-16**	**8**	**6**	**7.0%**	**6.1%**	**111.4%**	**47.3%**	**39.4%**
Total	**4,534**	**4,518**	**170,020**	**169,333**	**-4,002**	**1,970**	**1,964**	**2.7%**	**2.7%**	**88.6%**	**43.5%**	**43.5%**
Dec 19												
Austria	**2,191**	**2,171**	**97,639**	**97,530**	**-1,367**	**1,128**	**1,126**	**2.2%**	**2.2%**	**63.0%**	**51.5%**	**51.9%**
EBOe & Subs.	500	500	34,645	34,633	-290	286	286	1.4%	1.4%	58.0%	57.2%	57.3%
Savings Banks	1,349	1,347	47,823	47,814	-861	695	693	2.8%	2.8%	63.9%	51.5%	51.5%
Other Austria	341	323	15,172	15,084	-216	147	147	2.2%	2.1%	66.8%	43.0%	45.3%
CEE	**1,938**	**1,935**	**65,709**	**65,338**	**-1,794**	**713**	**712**	**2.9%**	**3.0%**	**92.7%**	**36.8%**	**36.8%**
Czech Republic	519	519	29,188	29,157	-500	124	124	1.8%	1.8%	96.3%	24.0%	24.0%
Slovakia	426	426	14,437	14,437	-344	169	169	3.0%	3.0%	80.8%	39.7%	39.7%
Romania	359	359	8,771	8,770	-417	138	138	4.1%	4.1%	116.3%	38.5%	38.5%
Hungary	124	122	4,831	4,491	-115	74	73	2.6%	2.7%	93.8%	59.8%	59.8%
Croatia	489	489	6,999	6,999	-390	203	203	7.0%	7.0%	79.7%	41.4%	41.4%
Serbia	20	20	1,482	1,482	-29	5	5	1.4%	1.4%	140.3%	22.9%	22.9%
Other	**13**	**11**	**69**	**66**	**-13**	**5**	**3**	**19.0%**	**16.8%**	**115.5%**	**40.4%**	**29.5%**
Total	**4,142**	**4,117**	**163,417**	**162,934**	**-3,174**	**1,847**	**1,842**	**2.5%**	**2.5%**	**77.1%**	**44.6%**	**44.7%**

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.

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

	Loans to customers					Loan loss allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 20												
Austria	**78,106**	**20,748**	**2,341**	**71**	**109**	**-139**	**-514**	**-1,014**	**-4**	**2.5%**	**43.3%**	**5.3%**
EBOe & Subs.	28,688	6,352	575	6	12	-31	-119	-217	0	1.9%	37.6%	0.1%
Savings Banks	38,616	10,355	1,363	49	10	-93	-287	-592	-4	2.8%	43.5%	7.6%
Other Austria	10,803	4,041	403	16	87	-15	-107	-205	0	2.7%	50.8%	0.0%
CEE	**55,187**	**10,410**	**1,935**	**296**	**575**	**-219**	**-679**	**-1,297**	**-122**	**6.5%**	**67.0%**	**41.1%**
Czech Republic	24,980	3,958	611	47	2	-83	-232	-413	-22	5.9%	67.6%	46.1%
Slovakia	12,514	2,390	301	84	0	-31	-128	-175	-57	5.4%	58.1%	68.5%
Romania	6,818	2,044	387	66	0	-38	-170	-287	-17	8.3%	74.3%	25.1%
Hungary	3,354	820	124	76	573	-16	-59	-76	-16	7.2%	61.5%	21.2%
Croatia	5,973	1,028	489	22	0	-41	-76	-327	-9	7.4%	66.8%	43.5%
Serbia	1,548	171	23	2	0	-10	-13	-18	-1	7.8%	78.6%	35.5%
Other	**49**	**171**	**17**	**0**	**4**	**0**	**0**	**-16**	**0**	**0.1%**	**93.7%**	**0.0%**
Total	**133,343**	**31,329**	**4,293**	**368**	**687**	**-358**	**-1,193**	**-2,326**	**-125**	**3.8%**	**54.2%**	**34.1%**
Dec 19												
Austria	**85,639**	**9,700**	**2,123**	**68**	**109**	**-130**	**-230**	**-1,004**	**-3**	**2.4%**	**47.3%**	**3.8%**
EBOe & Subs.	31,130	3,001	496	6	12	-29	-55	-206	0	1.8%	41.5%	0.0%
Savings Banks	41,373	5,074	1,320	46	9	-86	-143	-629	-3	2.8%	47.7%	5.5%
Other Austria	13,136	1,624	307	16	88	-16	-31	-169	0	1.9%	54.9%	0.0%
CEE	**59,415**	**3,875**	**1,701**	**347**	**372**	**-210**	**-290**	**-1,155**	**-138**	**7.5%**	**67.9%**	**39.8%**
Czech Republic	27,169	1,467	489	32	31	-68	-77	-335	-19	5.3%	68.4%	60.1%
Slovakia	13,519	474	358	85	0	-35	-36	-220	-53	7.6%	61.6%	62.2%
Romania	7,102	1,272	300	97	1	-37	-122	-229	-29	9.6%	76.3%	29.9%
Hungary	4,071	247	80	94	340	-13	-25	-55	-21	10.3%	69.4%	22.8%
Croatia	6,154	352	456	37	0	-48	-24	-303	-15	6.8%	66.4%	39.3%
Serbia	1,399	63	18	2	0	-9	-6	-13	-1	9.0%	73.6%	38.1%
Other	**50**	**3**	**13**	**0**	**3**	**0**	**0**	**-13**	**0**	**0.1%**	**96.6%**	**0.0%**
Total	**145,104**	**13,578**	**3,837**	**415**	**483**	**-341**	**-520**	**-2,172**	**-140**	**3.8%**	**56.6%**	**33.9%**

The NPL exposures above exclude any write-offs recognised in accordance with IFRS 9. Erste Group distinguishes between contractual write-offs (debt forgiveness towards the defaulted client, either unconditional or subject to conditions) and technical write-offs (claim removal from the books due to no reasonable expectation of recovery, whereby the legal claim towards the customer remains). Both types of write-offs have as a pre-condition that all reasonable workout measures and late collections tools have been applied for optimal recovery. In case of collateralised loans, write-off prior to the realisation of the collateral is not allowed unless specific circumstances apply. Additional technical write-off triggers include enforcement, worthlessness of claim/collateral, legally binding bankruptcy/liquidation or other economic loss of the rights to claim/sale. The amount written off during 2020, which is still subject to enforcement activity, totals EUR 114 million (2019: 253 million).

Loans and advances to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Dec 20						
Austria	**93,915**	**0**	**2,672**	**2,518**	**2,272**	**101,376**
EBOe & Subs.	34,395	0	1,124	41	73	35,634
Savings Banks	47,503	0	1,505	57	1,329	50,393
Other Austria	12,017	0	43	2,420	869	15,349
CEE	**29,657**	**38,515**	**22**	**154**	**56**	**68,404**
Czech Republic	4,069	25,446	0	41	40	29,597
Slovakia	15,269	0	0	3	16	15,289
Romania	3,108	6,130	0	78	0	9,316
Hungary	1,277	3,643	3	23	0	4,947
Croatia	4,624	2,864	19	4	0	7,511
Serbia	1,310	431	0	3	0	1,744
Other	**175**	**45**	**4**	**16**	**0**	**240**
Total	**123,747**	**38,560**	**2,698**	**2,687**	**2,327**	**170,020**
Dec 19						
Austria	**89,317**	**0**	**3,185**	**2,637**	**2,500**	**97,639**
EBOe & Subs.	33,167	0	1,325	60	93	34,645
Savings Banks	44,643	0	1,809	87	1,284	47,823
Other Austria	11,507	0	51	2,490	1,124	15,172
CEE	**28,261**	**37,042**	**28**	**289**	**90**	**65,709**
Czech Republic	3,822	25,155	0	151	60	29,188
Slovakia	14,391	0	0	16	30	14,437
Romania	3,192	5,471	0	108	0	8,771
Hungary	1,282	3,541	6	2	0	4,831
Croatia	4,426	2,544	22	7	0	6,999
Serbia	1,147	331	0	4	0	1,482
Other	**22**	**42**	**0**	**5**	**0**	**69**
Total	**117,599**	**37,084**	**3,214**	**2,931**	**2,589**	**163,417**

'CEE-LCY' refers to the CEE geographical segment view where the local currency is the currency of the respective country (e.g. CZK in Czech Republic, RON in Romania etc.).

Securitisations

As of 31 December 2020, Erste Group held a further reduced residual portfolio of securitisations; there were no new investments undertaken and all repayments were made as scheduled in 2020.

As of year-end 2020, the carrying amount of Erste Group's securitisation portfolio totalled EUR 13.8 million. The entire exposure consists of three individual transactions, which are triple-, double- and single-A rated.

35. Market risk

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived from them. These market value changes might appear in the profit and loss account, in the statement of comprehensive income or in hidden reserves. At Erste Group, market risk is divided into interest rate risk; credit spread risk, currency risk, equity risk, commodity risk, and volatility risk. This concerns both trading and banking book positions.

Methods and instruments employed

At Erste Group, potential losses that may arise from market movements are assessed using the value at risk (VaR). The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions. The calculation is based on the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day, and a look back period of two years.

Back-testing is used to constantly monitor the validity of the internal market risk model. This process is conducted with a one-day delay to monitor if the model projections regarding losses have actually materialised. At a confidence level of 99%, the actual loss on a given day should exceed the VaR estimate statistically only two to three times a year (1% of around 250 workdays).

A known limitation of the VaR approach is that on the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed within the look-back period of two yearsto calculate the VaR for the current position of the bank. To address this limitation and in order to investigate any extreme market situations not reflected in the VaR approach, stress tests are conducted at Erste Group. These stress tests are designed to cover market movements of low probability and high impact.

The stress tests are carried out according to several methods: stressed VaR (SVaR) is derived from the normal VaR calculation. But instead of simulating only over the two most recent years, an analysis of a much longer period is carried out in order to identify a one-year period

that constitutes a relevant period of stress for the current portfolio mix. According to the legal framework, that one-year period is used to calculate a VaR with a 99% confidence level. This enables Erste Group on the one hand to hold sufficient own funds available for the trading book even in periods of elevated market volatility, while on the other hand also enabling it to incorporate these resulting effects into the management of trading positions.

Standard scenarios are also defined, in which selected market factors are subject to extreme movements. Such scenarios are calculated at Erste Group for interest rates, stock prices, exchange rates and volatilities. Historic scenarios are a modification of the concept of standard scenarios. In this case, risk factor movements modelled after certain crisis events such as '9/11'or the 'Lehman bankruptcy' form the basis of the stress calculation. In addition, hypothetical stress test scenarios are defined based on analysis of the current economic environment and projections of adverse developments of key market risk drivers. These analyses are made available to the management board within the scope of the regular market risk reporting.

Methods and instruments of risk mitigation

At Erste Group, market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of risk-weighted assets (RWAs) for the trading book is allocated by the management board in the Risk Appetite Statement while taking into account the risk-bearing capacity and projected earnings. A further breakdown in VaR, SVaR, and sensitivity limits is done by the Market Risk Committee (MRC) on the basis of a proposal from the Trading Book Risk Management unit.

All market risk activities of the trading book are assigned risk limits that are entirely consistent with the overall RWA limit. The RWA limit is broken down into dedicated VaR and SVaR limits and assigned in a top-down procedure to the individual trading units. Additionally, in a bottom-up procedure, sensitivity limits are assigned on trading desk level in order to control exposures to individual risk drivers and ensure sufficient diversification. These are then aggregated and applied as a second-limit layer to the VaR and SVaR limits..

Limit compliance is verified at two levels: by the appropriate local risk management unit and by the Trading Book Risk Management unit. The monitoring of sensitivity limits is performed on both intraday and end-of-day basis. On demand, limit reports can also be triggered by the trading units or risk management on an ad-hoc basis.

Trading book VaR and SVaR are calculated daily at group level and reported to all key stakeholders including the relevant board members. In case of a limit breach, the escalation procedure ensures the timely remediation of the limit breach.

The VaR for banking book positions (BB-VaR) is based on the ICAAP calculation of Erste Group where 250.000 historical scenarios are calculated with a theoretical holding period of 1 year and a confidence level of 99.92%. The same calculation is used for the BB-VaR with a 1 day holding period and a 99% confidence level, consistent with the trading book methodology. The results of both calculations, ICAAP and BB-VaR are presented in the Group ALCO to the management board.

Analysis of market risk

The following tables show the VaR amounts at the 99% confidence level using equally weighted market data and with a holding period of one day:

Value at Risk of banking book and trading book

in EUR thousand	Total	Interest	Credit spread	Currency	Shares	Commodity	Volatility
Dec 20							
Erste Group	25,700	21,359	4,251	1,626	1,388	499	544
Banking book	22,200	17,950	4,251	-	-	-	-
Trading book	3,500	3,409	-	1,626	1,388	499	544
Dec 19							
Erste Group	34,079	22,960	11,195	775	370	133	747
Banking book	30,985	19,790	11,195	-	-	-	-
Trading book	3,094	3,170	-	775	370	133	747

Interest rate risk in the banking book (IRRBB)

Interest rate risk is the risk of an adverse change in both, the earnings and economic value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including off-balance instruments are used to calculate the impact of certain interest rate scenarios on their economic value and their earnings. Limits and thresholds are implemented for both aspects of the IRRBB, the change in economic value as well as the change in earnings. Positions without contractually defined maturity or repricing structures, such as demand deposits or overdrafts are modelled accordingly. For positions where the customer has the right to prepay his debt prepayment models are applied.

During 2020, some new models were introduced in Erste Group such as a demand deposit model for private accounts in Česká spořitelna, a.s. or a savings accounts model for the Austrian savings banks and EBOe. Furthermore, several existing models have been recalibrated.

Erste Group responded to the low or even negative interest rate environment since 2015, which poses a challenge for the interest rate risk measurement and management of banks, in recent years by adjusting its methodologies for measuring the interest rate risk. For internal risk calculations and for the regulatory interest rate risk measures, the maximum downward shock is floored according to the Annex III of the EBA guidelines on the management of interest rate risk arising from non-trading activities (EBA/GL/2018/02).

The following tables list the open fixed-income positions held by Erste Group in the four currencies that carry a significant interest rate risk: EUR, CZK, HUF and RON.

Only the open fixed-income positions that are not allocated to the trading book are presented. Positive values indicate fixed-income risks on the asset side, i.e. a surplus of asset items; negative values represent a surplus on the liability side.

Open fixed-income positions not assigned to the trading book

in EUR million	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Dec 20					
Fixed-interest gap in EUR positions	5,223.4	3,675.6	2,984.1	3,574.3	1,590.4
Fixed-interest gap in CZK positions	4,158.2	3,512.6	2,554.1	2,015.2	1,092.0
Fixed-interest gap in HUF positions	1,007.6	523.9	3,017.2	204.2	43.6
Fixed-interest gap in RON positions	1,679.5	846.2	205.5	76.1	0.1
Dec 19					
Fixed-interest gap in EUR positions	1,889.7	4,018.4	2,928.4	2,128.5	1,088.8
Fixed-interest gap in CZK positions	3,890.6	2,748.6	3,147.9	2,128.1	945.7
Fixed-interest gap in HUF positions	1,040.9	646.5	443.9	-32.9	33.4
Fixed-interest gap in RON positions	1,683.2	879.2	292.4	267.2	0.2

Exchange rate risk

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. In the trading book, these risks might originate from customer-related or trading operations and are monitored and managed on a daily basis. Foreign currency exposure is subject to regulatory and internal limits. The internal limits for the trading book are set by the Market Risk Committee.

Erste Group separately measures and manages other types of risks relating to the group's balance sheet and earnings structure. The translation risk related to the valuation of the balance sheet items, earnings, dividends and participations/net investments in local currency or foreign exchange has an impact on consolidated earnings and consolidated capital. Erste Group is also reducing the negative impact related to volatility of foreign exchange rates on asset performance (for example as a result of foreign exchange lending in the CEE countries that was stopped for clients not having sufficient regular income in the respective loan currency).

In order to manage its multi-currency earnings structure, Erste Group regularly discusses hedging opportunities and takes decisions in the Group Asset Liability Committee (ALCO). Asset and Liability Management (ALM) uses as the usual source of information the current financial results and the financial budget prepared for the upcoming period to obtain as much information as possible on the future foreign currency cash flows. The proposal, which mainly includes the volume, hedging level, hedge ratio and timeline of the hedging, is submitted by ALM to ALCO. The impact of translation on consolidated capital is monitored and reported to ALCO. The ALCO decisions are then implemented by ALM and the implementation status is reported on a monthly basis to ALCO.

The following table shows the largest open foreign currency positions of Erste Group as of 31 December 2020 and the corresponding open positions of these currencies as of 31 December 2019 (excluding foreign currency positions arising from equity participation).

Open foreign currency positions

in EUR thousand	Dec 19	Dec 20
Czech Koruna (CZK)	-61,217	-189,279
Hungarian Forint (HUF)	-18,943	19,284
Swiss Franc (CHF)	-18,262	6,595
Romanian Leu (RON)	12,494	-5,184
Polish Zloty (PLN)	-2,137	4,990
Serbian Dinar (RSD)	190	3,698
Swedish Krona (SEK)	1089	-2,133
US Dollar (USD)	11,014	1,491
Croatian Kuna (HRK)	11,570	-1,284
British Pound (GBP)	9,919	-1,069

Credit spread risk

Credit spread risk is the risk of an adverse movement in the fair value of financial instruments caused by a change in the creditworthiness of an issuer perceived by the market. Erste Group is exposed to credit spread risk with respect to its securities portfolio, both in the trading as well as in the banking book.

For the trading book, credit spread risk for government bonds is part of the general market risk covered by VaR and SVaR. Corporate bonds are allocated to benchmark spread curves depending on sector, rating, and currency as part of the general risk covered by VaR and SVaR. The issuer specific risk is covered by the standardised approach for Pillar 1 of regulatory capital requirements. For the issuer specific risk of the trading book in Pillar 2, the spread risk is broken down into a systematic and a residual part risk and reported on an aggregated level.

Quantifying the credit spread risk of the securities in the banking book is based on a historical simulation. The maximum (hypothetical) drawdown that can be attributed to credit related risk factors over a one-year horizon is calculated. It is based on credit spread sensitivities (CR01) and the risk factors used are mainly asset swap spreads for sovereigns and iTRAXX CDS indices for financials and corporates. The resulting amount is used as part of the ICAAP calculations to determine the capital consumption of the banking book portfolio.

Hedging

Banking book market risk management consists of optimising Erste Group's risk position by finding the proper trade-off between the economic value of the balance sheet and forecasted earnings. Decisions are based on balance sheet development, economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. The steering body responsible for interest rate risk management is ALCO. ALM submits proposals for actions to steer the interest rate risk to ALCO and implements ALCO's decisions.

In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. In a broader sense, hedging refers to an economic activity that mitigates risk but does not necessarily qualify for hedge accounting under IFRS rules. IFRS hedge accounting is applied, if possible, to avoid accounting mismatches due to hedging activity. Within the scope of IFRS-compliant hedge accounting, fair value hedges and cash flow hedges are used. In addition, the fair value option is used for hedging the market risk from the economic perspective. Most of the hedging within Erste Group concerns hedging of interest rate risk. The remainder is hedging of foreign exchange rate risk.

36. Liquidity risk

The liquidity risk in Erste Group is defined in line with the principles set out by the Basel Committee on Banking Supervision as well as the European and Austrian regulations (Capital Requirements Regulation (CRR) - Regulation (EU) No 575/2013, Commission Delegated Regulation (EU) 2015/61 amended by Commission Delegated Regulation (EU) 2018/1620, Kreditinstitute-Risikomanagement-Verordnung - KI-RMV). Accordingly, a distinction is made between market liquidity risk, which is the risk that the group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

In 2020, Erste Group implemented a new technical environment for monitoring and management of liquidity risk starting with the Liquidity Coverage Ratio (LCR). Implementation of further metrics such as Net Stable Funding Ratio (NSFR), Additional Liquidity Monitoring Metrics (ALMM) etc. is planned for 2021. The environment is based on daily deal level data from the significant entities in the CRR Liquidity scope and is planned to provide centrally calculated cash flows for all banking book risk reports.

Liquidity strategy

In 2020, customer deposits remained the primary source of funding for Erste Group. The growth in loan volume was lower than inflows of customer deposits, the excess liquidity was mainly placed with central banks.

With regards its own issuance, Erste Group Bank AG issued EUR 5.2 billion in bonds in 2020 (2019: EUR 4.0 billion) which in net terms was approx. EUR 1.0 billion above the original plan at the beginning of the year due to pre-funding activities. EUR 750 million (2019: EUR 1.0 billion) was collected via a mortgage covered bond in benchmark size. EUR 2.6 billion (2019: EUR 1.3 billion) was collected by issuing senior preferred bonds, of which EUR 2.0 billion (2019: 0.5 billion) were printed via three benchmark sized transactions and the rest via private placements or the retail network. Tier 2 subordinated debt issuance amounted to EUR 0.6 billion (2019: EUR 0.6 billion). Furthermore, two additional tier 1 benchmark bonds EUR 1.25 billion (2019: EUR 0.5 billion) was issued. This was offset by repurchases of EUR 62 million (2019: EUR 266 million). The average tenor of all new issues in 2020 is approximately 7.1 years (2019: 7.1 years).

Erste Group's total TLTRO participation in 2020 was increased to EUR 14.1 billion (2019: 1.9 billion).

Liquidity ratios

The regulatory liquidity ratios Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are well implemented in Erste Group. Erste Group uses the above mentioned technical environment to calculate the LCR according to the Delegated Regulation (EU) 2015/61 (LCR DA) amended by Delegated Regulation (EU) 2018/1620. In 2019, the calculation of the NSFR was adjusted in order to fulfil the requirements as defined in the proposal for amending the Directive 2013/36/EU (Draft CRR 2). The implementation of the official NSFR according to the Regulation (EU) 2019/876 amending the Regulation (EU) No 575/2013 (final CRR 2) is planned in 2021 in the new technical environment.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period anlysis (SPA) on both entity and group levels. This analysis determines the maximum period during which the entity can survive a set of defined scenarios, including a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflows. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of customer, as well as the potential outflows from collateralised derivative transactions estimating the effect of collateral outflows in the case of adverse market movements. The SPA is covering a stress horizon of up to 12 months.

Erste Group calculates LCR and reports this ratio on a monthly basis to the authorities on a solo and group level. Furthermore, the LCR is part of the internal Risk Appetite Statement (RAS). LCR limits are defined in the RAS targeting to be well above the regulatory requirement of 100%. For regulatory purposes Erste Group is reporting the NSFR according to the Basel rules in the quarterly SREP Exercise (Short Term Exercise).

Legal lending limits exist in all CEE countries where Erste Group is represented. As they restrict liquidity flows between Erste Group's subsidiaries in different countries they are taken into account for the assessment of liquidity risk in the survival period model as well as in the calculation of the LCR at group level.

Additionally, the structural liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the group as a whole are reported and monitored regularly. Concentration risks in the funding structure and 'Counterbalancing Capacity' (CBC are regularly monitored and reported to the regulator. Erste Group's funds transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

Methods and instruments of risk mitigation

Short-term liquidity risk is managed by limits resulting from the survival period analysis (SPA), internal stress testing and by internal LCR targets at both entity and group level. The development of liquidity metrics and limit breaches are reported to the Operational Liquidity Committee (OLC) as well as to the Group Asset Liability Committee (ALCO). Another important instrument for managing the liquidity risk within Erste Group Bank AG and in relation to its subsidiaries is the FTP system. Important information for liquidity management can be obtained by the process of planning funding needs. Therefore, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across Erste Group.

The Comprehensive Contingency Plan of the Erste Group ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency plans of the subsidiaries are coordinated as part of the plan for Erste Group Bank AG.

Analysis of liquidity risk

In Erste Group, the liquidity risk is analysed by the following methods.

Liquidity coverage ratio. Erste Group uses the regulatory LCR for internal monitoring and steering of the liquidity position. In order to keep the LCR according LCR DA above both limits, the regulatory limit and the internal limit, Erste Group closely monitors its short-term liquidity inflows and outflows as well as its available counterbalancing capacity (CBC).

The following table shows the LCR DA as of 31 December 2019 and 31 December 2020:

Liquidity coverage ratio

in EUR million	Dec 19	Dec 20
Liquidity buffer	46,315	58,218
Net liquidity outflow	31,299	30,754
Liquidity coverage ratio	148.0%	189.3%

Structural liquidity gaps. The long-term liquidity position is managed using structural liquidity gaps on the basis of contractual and partially behavioural cash flows of all liquidity relevant components of the balance sheet (on-balance and off-balance). This liquidity position is calculated for each material currency.

Cash flows are broken down by contractual maturities in accordance with the amortisation schedule and arranged in maturity ranges. All customer products without contractual maturities (such as demand deposits and overdrafts) are included according to a going concern maturity profile using model based on statistically observed client behaviour.

The following table shows the structural liquidity gaps as of 31 December 2019 and 31 December 2020:

Structural liquidity gap

	0-12 months		1-3 years		3-5 years		> 5 years	
in EUR million	Dec 19	Dec 20	Dec 19	Dec 20	Dec 19	Dec 20	Dec 19	Dec 20
Liquidity gap	13,548	30,829	-5,321	-6,329	-3,360	-5,487	-6,465	-20,221

An excess of assets over liabilities is indicated by a positive value, while an excess of liabilities over assets is indicated by a negative value. The cash inflows from liquid securities amounting to EUR 27.4 billion (2019: EUR 33.6 billion), which are accepted as collateral by the central banks to which Erste Group has access, are taken into account in the first time bucket rather than considering them at their contractual maturity.

Counterbalancing capacity. Erste Group regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserves at the central banks as well as unencumbered central bank eligible assets and other liquid securities, including impacts from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation.

Term structure of counterbalancing capacity

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Dec 20					
Cash, excess reserve	23,741	0	0	0	0
Liquid assets	31,000	-2,904	-2,121	-801	-2,037
Other central bank eligible assets	3,223	-88	1,534	-188	-205
Thereof retained covered bonds	601	0	1,677	0	0
Thereof credit claims	774	0	0	0	0
Counterbalancing capacity	**57,964**	**-2,992**	**-587**	**-990**	**-2,242**
Dec 19					
Cash, excess reserve	5,831	0	0	0	0
Liquid assets	36,499	-2,998	-1,634	-2,523	-2,037
Other central bank eligible assets	5,096	-298	1,059	526	-121
Thereof retained covered bonds	1,330	0	1,296	750	0
Thereof credit claims	1,709	0	0	0	18
Counterbalancing capacity	**47,426**	**-3,297**	**-575**	**-1,997**	**-2,158**

The figures above show the total amount of potential liquidity available for the group in a going concern situation, taking into account the applicable central bank haircuts. In a crisis situation, adverse market movements can decrease this amount. The initial counterbalancing capacity available at group level is reduced by additional stressed haircuts. Negative figures are maturing positions of the counterbalancing capacity. Positive figures after one week are positions not immediately available as counterbalancing capacity.

Financial liabilities. The table below shows the undiscounted principal cash flows for all financial liabilities, derivative liabilities contain additionally the interest cash flows.

Financial liabilities

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
Dec 20						
Non-derivative liabilities	**246,518**	**255,108**	**175,767**	**25,824**	**37,358**	**16,159**
Deposits by banks	24,771	25,141	4,671	1,486	17,408	1,576
Customer deposits	191,070	194,088	164,600	20,655	7,330	1,503
Debt securities in issue	24,587	31,016	6,470	3,324	10,129	11,092
Subordinated liabilities	6,089	4,863	25	359	2,491	1,988
Derivative liabilities	**2,226**	**1,512**	**-5**	**524**	**666**	**326**
Derivatives liabilities with netted Cash Flows	-	1,469	237	293	606	333
Derivatives liabilities with gross Cash Flow (net)	-	43	-242	231	60	-7
Outflows	-	51,265	38,785	7,464	4,032	983
Inflows	-	-51,222	-39,027	-7,234	-3,972	-990
Contingent liabilities	**-**	**47,758**	**47,758**	**0**	**0**	**0**
Financial guarantees	-	6,426	6,426	0	0	0
Commitments	-	41,332	41,332	0	0	0
Other financial liabilities	**1,286**	**1,286**	**1,286**	**0**	**0**	**0**
Total	**250,030**	**305,664**	**224,806**	**26,348**	**38,024**	**16,485**
Dec 19						
Non-derivative liabilities	**216,842**	**217,231**	**147,320**	**28,535**	**25,571**	**15,805**
Deposits by banks	13,141	13,765	5,758	2,487	3,852	1,667
Customer deposits	173,331	174,770	141,406	23,449	8,010	1,906
Debt securities in issue	23,888	23,546	151	2,134	11,273	9,988
Subordinated liabilities	6,482	5,149	5	465	2,435	2,244
Derivative liabilities	**2,275**	**2,126**	**6**	**576**	**1,034**	**508**
Derivatives liabilities with netted Cash Flows	-	2,043	128	413	986	516
Derivatives liabilities with gross Cash Flow (net)	-	82	-122	163	48	-8
Outflows	-	63,199	46,724	9,451	6,146	878
Inflows	-	-63,117	-46,846	-9,288	-6,098	-886
Contingent liabilities	**-**	**42,552**	**42,552**	**0**	**0**	**0**
Financial guarantees	-	7,190	7,190	0	0	0
Commitments	-	35,362	35,362	0	0	0
Other financial liabilities	**1,211**	**1,211**	**1,211**	**0**	**0**	**0**
Total	**220,328**	**263,119**	**191,089**	**29,111**	**26,605**	**16,313**

As of year-end 2020, the currency composition of the non-derivative liabilities consisted of approximately 70% EUR, 19% CZK, 3% RON, 3% USD, and 5% in other currencies (2019: 69% EUR, 18% CZK, 4% USD, 4% RON and 5% in other currencies).

Besides the contingent liabilities from unused credit lines and guarantees, material potential cash outflow is calculated from the collateralised derivative transactions for the stress testing, following a historical lookback approach, which amounted to EUR 1,054 million (2019: EUR 960 million) in the severe combined idiosyncratic and market crisis scenario as of 31 December 2020.

As of 31 December 2020, the volume of customer deposits due on demand amounted to EUR 144.9 billion (2019: EUR 121.6 billion). According to customer segments, the customer demand deposits are composed as follows: 65% private individuals, 15% large corporates, 14% small and medium-sized enterprises, 4% public sector, and 2% non-banking financial institutions (2019: 65% private individuals, 15% large corporates, 14% small and medium-sized enterprises, 4% public sector, and 2% non-banking financial institutions).

37. Operational risk

In line with Article 4 Section 52 of regulation (EU) 575/2013 (CRR), Erste Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Methods and instruments employed

The quantitative measurement methods are based on internal loss experience data, which are collected across Erste Group using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. Erste Group sources external data from a leading non-profit risk-loss data consortium.

Erste Group calculates capital requirements for operational risk based on the Advanced Measurement Approach (AMA) that is subject to regulatory approval. AMA is a sophisticated approach for measuring operational risk. Pursuant to AMA, the required capital is calculated using an

internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors. Additionally, Erste Group received the approval to use insurance contracts for mitigation within the AMA pursuant to Article 323 CRR.

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk and control assessments through expert panels. Additional methods include setting of key risk indicators and risk assessments in connection with product approvals, outsourcing assessments and risk return decisions. The results of these assessments and processes are reported to line management along with mitigation measures and thus help to reduce operational risks. In order to ensure early detection of changes in the risk profile that may lead to losses, Erste Group monitors a number of key risk indicators such as system availability, staff turnover, and customer complaints.

Erste Group uses a group-wide insurance program that has reduced the cost of meeting Erste Group's traditional property insurance needs. Freed-up resources made it possible to buy additional insurance for previously uninsured bank-specific risks. This program uses a captive reinsurance entity as a vehicle to share losses within the group and access the external market.

The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above, form the operational risk framework of Erste Group. Information on operational risk is periodically communicated to the management board via various reports, including the quarterly top management reports, which describe the recent loss history, loss development, qualitative information from risk assessments and key risk indicators as well as the operational VaR for Erste Group.

Non-current assets and other investments

38. Property, equipment and investment properties

Property and equipment

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment. Borrowing costs for qualifying assets are capitalised into the costs of property and equipment. Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is recognised in the statement of income in the line item 'Depreciation and amortisation' and impairment in the line item 'Other operating result'.

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

Land is not depreciated.

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

Investment properties

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

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

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

Impairment

The bank assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Testing for impairment is done at individual asset level if the asset generates cash inflows that are largely independent of those from other assets. The typical case is investment property. Otherwise, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

At each reporting date, an assessment is made as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the bank estimates the asset's or the CGU's recoverable amount. Judgement and estimates are required to determine the value in use and fair value less costs of disposal by estimating the timing and amount of future expected cash flows and the discount rates. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

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

The analysis on the recoverability of non-financial assets in the context of the Covid-19 pandemic is explained in section 'Accounting treatment of issues related to Covid-19' in the chapter 'Significant accounting policies'.

Acquisition and production costs

Own property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 19	**2,668**	**1,067**	**597**	**610**	**4,941**	**1,568**
Additions	109	74	63	148	395	120
Disposals	-100	-74	-131	-332	-637	-26
Acquisition of subsidiaries	11	3	4	0	18	0
Disposal of subsidiaries	0	0	0	0	0	-7
Reclassification	-32	0	7	-1	-26	26
Assets held for sale	-120	-19	0	0	-138	-3
Currency translation	4	-1	-1	2	3	-1
Dec 19	**2,540**	**1,050**	**538**	**427**	**4,555**	**1,678**
Additions	170	54	57	117	399	44
Disposals	-218	-127	-30	-124	-499	-34
Acquisition of subsidiaries	0	2	0	0	2	16
Disposal of subsidiaries	0	0	0	-2	-3	0
Reclassification	-26	2	0	0	-25	26
Assets held for sale	-41	0	0	0	-41	-34
Currency translation	-30	-9	-8	-8	-56	-12
Dec 20	**2,393**	**970**	**557**	**410**	**4,331**	**1,684**

Rights of use: property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 19	**404**	**2**	**1**	**2**	**410**	**21**
Additions	152	1	1	1	155	6
Disposals	-13	-1	-1	-2	-17	0
Acquisition of subsidiaries	1	2	0	0	3	0
Disposal of subsidiaries	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Assets held for sale	-2	0	0	0	-2	0
Currency translation	0	0	0	0	0	0
Dec 19	**541**	**5**	**2**	**2**	**550**	**27**
Additions	121	1	0	0	122	34
Disposals	-36	-1	0	0	-37	-1
Acquisition of subsidiaries	1	0	0	0	1	0
Disposal of subsidiaries	-1	0	0	0	-1	0
Reclassification	0	0	0	0	0	0
Assets held for sale	0	0	0	0	0	0
Currency translation	-13	0	0	0	-14	0
Dec 20	**613**	**4**	**2**	**2**	**621**	**60**

Accumulated depreciation

Own property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 19	**-1,217**	**-763**	**-443**	**-225**	**-2,648**	**-409**
Amortisation and depreciation	-70	-58	-58	-58	-243	-27
Disposals	69	65	133	161	427	9
Acquisition of subsidiaries	-3	-2	-3	0	-8	0
Disposal of subsidiaries	0	0	0	0	0	7
Impairment	-9	-4	0	-8	-22	-6
Reversal of impairment	2	0	0	0	2	1
Reclassification	14	3	-4	1	14	-13
Assets held for sale	59	18	0	0	77	1
Currency translation	-4	1	1	-1	-3	0
Dec 19	**-1,159**	**-740**	**-374**	**-131**	**-2,404**	**-436**
Amortisation and depreciation	-69	-61	-59	-48	-236	-26
Disposals	155	122	31	43	352	12
Acquisition of subsidiaries	0	-1	0	0	-1	-3
Disposal of subsidiaries	0	0	0	2	3	0
Impairment	-16	-2	0	-50	-68	-8
Reversal of impairment	9	0	0	0	9	1
Reclassification	15	0	0	0	15	-15
Assets held for sale	28	0	0	16	44	13
Currency translation	16	7	6	4	33	3
Dec 20	**-1,021**	**-674**	**-395**	**-164**	**-2,253**	**-459**

Rights of use: property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 19	**0**	**0**	**0**	**0**	**0**	**0**
Amortisation and depreciation	-70	-1	0	0	-72	-2
Disposals	2	0	0	0	2	0
Acquisition of subsidiaries	-2	0	0	0	-2	0
Disposal of subsidiaries	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Reversal of impairment	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Assets held for sale	0	0	0	0	0	0
Currency translation	0	0	0	0	0	0
Dec 19	**-70**	**-1**	**0**	**0**	**-72**	**-2**
Amortisation and depreciation	-85	-1	-1	0	-87	-2
Disposals	12	0	0	0	12	0
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0
Impairment	-2	0	0	0	-2	-1
Reversal of impairment	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Assets held for sale	0	0	0	0	0	0
Currency translation	2	0	0	0	2	0
Dec 20	**-143**	**-1**	**-1**	**-1**	**-146**	**-5**

Carrying amounts

Own property, equipment and investment properties

in EUR million	Land and buildings (used by the Group)	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Dec 19	**1,381**	**310**	**165**	**296**	**2,152**	**1,241**
Dec 20	**1,372**	**296**	**162**	**247**	**2,077**	**1,225**

Rights of use: property, equipment and investment properties

in EUR million	Land and buildings (used by the Group)	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Dec 19	**471**	**4**	**1**	**1**	**478**	**25**
Dec 20	**470**	**3**	**1**	**1**	**475**	**55**

Total carrying amounts

in EUR million	Land and buildings (used by the Group)	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Dec 19	1,852	314	166	298	2,629	1,266
Dec 20	1,842	299	163	248	2,552	1,280

The carrying amount of investment properties include properties subject to operating leases in the amount of EUR 1,227.4 million (2019: EUR 1,200.4 million). Investment properties with a carrying amount of EUR 425.7 million (2019: EUR 429.4 million) are pledged as collaterals. Investment properties with a carrying amount of EUR 563.0 million (2019: EUR 551.4 million) are subject to the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz) and hence are subject to the specific rules in respect of sale and use of these properties. The carrying amount of property and equipment includes properties subject to operating leases in the amount of EUR 360.6 million (2019: EUR 411.1 million).

In the reporting period, expenditures in the amount of EUR 147.4 million (2019: EUR 93.2 million) are capitalised in the carrying amount of fixed assets and investment properties during their construction. The contractual commitments for purchase of fixed assets are EUR 74.2 million (2019: EUR 82.6 million).

In 2020, land and buildings were impaired in the amount of EUR 9.8 million in Romania (2019: EUR 7.2 million in Romania and Slowakia). As of 31 December 2020, the recoverable amount of these impaired assets amounted to EUR 12.3 million (2019: EUR 26.8 million).

Fair values and fair value hierarchy of investment properties

in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Dec 20					
Assets for which the FV is disclosed in the notes					
Investment property	1,038	1,114	0	0	1,114
Dec 19					
Assets for which the FV is disclosed in the notes					
Investment property	1,061	1,205	0	0	1,205

The fair values are determined by experts with recognised and relevant professional qualification. Fair values of commercial real estate in Austria and CEE owned by Erste Group through Austrian companies are based on valuation reports relying essentially, but not solely, on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets). For all other property owned by Erste Group through subsidiaries located in CEE countries the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors.

The book value related to investment properties for which no disclosure according to IFRS 13 is required amounts to EUR 242 million as of 31 December 2020 (2019: EUR 205 million). The corresponding fair value amounts to EUR 318 million (2019: EUR 209 million).

39. Intangible assets

Goodwill

Goowill arises from business combinations whereby a subsidiary is acquired. Subsequently, goodwill is carried at cost as established on the acquisition date, less accumulated subsequent impairment losses, if any. For more details on measurement of goodwill at the acquisition date refer to Note 46 Subsidiaries.

Other intangible assets

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

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

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

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

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

Brands have been impaired to nil carrying amount. As a result, they are not being amortised.

Impairment of intangible assets including goodwill

Impairment of intangible assets is based on the same requirements as described in Note 36 Property, equipments and investment properties. It is typical of intangible assets that they do not generate cash inflows that are largely independent of those from other assets. As a result, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs.

Goodwill is tested for impairment annually in November, or whenever there is an indication of possible impairment during the year, with any impairment determined recognised in profit or loss. The impairment test is carried out for each cash-generating unit (CGU) to which goodwill has been allocated. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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

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

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

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

The analysis on the recoverability of non-financial assets in the context of the Covid-19 pandemic is explained in section 'Accounting treatment of issues related to Covid-19' in the chapter 'Significant accounting policies'.

Acquisition and production costs

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Jan 19	**3,867**	**755**	**277**	**1,509**	**453**	**333**	**7,194**
Additions	0	0	0	146	76	12	233
Disposals	0	0	0	-83	-15	-4	-102
Acquisition of subsidiaries	0	0	0	0	0	5	5
Disposal of subsidiaries	0	0	0	0	0	0	0
Reclassification	0	0	0	-2	-1	3	0
Assets held for sale	0	0	0	0	0	0	0
Currency translation	-53	-16	-7	-1	-1	0	-78
Dec 19	**3,814**	**739**	**270**	**1,569**	**511**	**349**	**7,252**
Additions	0	0	0	129	70	13	213
Disposals	-3,124	-570	-267	-11	-30	-6	-4,008
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	-3	0	0	0	0	-1	-3
Reclassification	0	0	0	-1	-2	2	-1
Assets held for sale	0	0	0	0	0	0	0
Exchange-rate changes	-25	-10	-3	-43	-1	-4	-85
Dec 20	**662**	**159**	**0**	**1,644**	**549**	**353**	**3,367**

Accumulated depreciation

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Jan 19	**-3,154**	**-694**	**-277**	**-1,099**	**-226**	**-236**	**-5,687**
Amortisation and depreciation	0	-9	0	-114	-52	-23	-197
Disposals	0	0	0	80	15	3	98
Acquisition of subsidiaries	0	0	0	0	0	-4	-4
Disposal of subsidiaries	0	0	0	0	0	0	0
Impairment	-165	0	0	-2	-3	0	-170
Reversal of impairment	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	-1	-1
Assets held for sale	0	0	0	0	0	0	0
Currency translation	53	15	7	0	0	0	76
Dec 19	**-3,267**	**-687**	**-270**	**-1,134**	**-266**	**-260**	**-5,884**
Amortisation and depreciation	0	-8	0	-106	-53	-23	-189
Disposals	3,124	570	267	23	8	6	3,998
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	1	1
Impairment	0	0	0	-2	-1	0	-2
Reversal of impairment	0	0	0	0	0	0	0
Reclassification	0	0	0	-1	0	1	0
Assets held for sale	0	0	0	0	0	0	0
Currency translation	25	9	3	28	0	3	68
Dec 20	**-118**	**-117**	**0**	**-1,191**	**-311**	**-272**	**-2,008**

Carrying amounts

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Dec 19	**547**	**51**	**0**	**435**	**246**	**89**	**1,368**
Dec 20	**544**	**42**	**0**	**452**	**238**	**81**	**1,359**

The contractual commitments for the purchase of intangible assets amounted to EUR 1.8 million (2019: EUR 11.2 million). As of 31 December 2020 the customer relationship Ringturm Kapitalanlagegesellschaft m.b.H. amounted to EUR 32.1 million (2019: EUR 36.2 million). The remaining amortization period of the customer relationship in Ringturm Kapitalanlagegesellschaft m.b.H. was 7.8 years.

Goodwill

The goodwill of Česká spořitelna a.s. ('CSAS') was assessed for objective evidence of impairment on a quarterly basis in 2020. Due to the Covid-19 pandemic, impairment indicators were identified and therefore impairment tests were performed for the first and second quarter during 2020. The recoverable amount was always higher than the carrying amount, so no impairment was required. For this CGU, also the annual goodwill impairment test was performed for the year-end 2020. Due to the increased uncertainty in financial planning in the current economic environment caused by the Covid-19 pandemic, Erste Group derived additional planning scenarios for performing the impairment tests. In addition to the most probable base case-scenario which is weighted with 60% probability, a best case-scenario and a worst case-scenario with 20% probability each was defined.

Impairment assessment of goodwill in 2019

In 2019 the goodwill of Slovenská sporiteľňa a.s. ('SLSP') was impaired as of 31 December 2019. This impairment was triggered by an extension and increase of the Slovak banking tax which led to a decline in projected results. For Česká spořitelna a.s. ('CSAS') no objective evidence of impairment was identified during the year, therefore the annual goodwill impairment assessment for the year 2019 was carried out for this CGU.

Carrying amount and material parameters used for the impairment test per subsidiary (CGU) for significant goodwills

	CSAS
Carrying amount of goodwill as of 1 January 2020 (in EUR million)	544
Effect of exchange rate changes for the year 2020 (in EUR million)	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)
Key interest input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at -0.23% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2020.
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 'European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements' published by the European Securities and Markets Authority (ESMA).
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2020.
Description of approach to determining values assigned to market risk premium	Set at 8.03% throughout relevant Group's CGUs based on published evaluations by the Austrian Chamber of Commerce (Kammer der Steuerberater und Wirtschaftsprüfer).
Period of cash flow projection (years)	5 years (2021 - 2025); extrapolation to perpetuity based on Terminal Growth Rate
Discount rate applied to cash flow projections (pre-tax)	13.2%
The value assigned to β Factor	1.17
Amount of goodwill impairment loss recognised in profit or loss for the year 2020 (in EUR million)	0
Post-impairment carrying amount of goodwill as of 31 December 2020 (in EUR million)	544

	CSAS	SLSP
Carrying amount of goodwill as of 1 January 2019 (in EUR million)	544	165
Effect of exchange rate changes for the year 2019 (in EUR million)	0	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)	
Key interest input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium	
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 0.13% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2019.	
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 'European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements' published by the European Securities and Markets Authority (ESMA).	
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2019.	
Description of approach to determining values assigned to market risk premium	Set at 7.88% throughout relevant Group's CGUs based on published evaluations by the Austrian Chamber of Commerce (Kammer der Steuerberater und Wirtschaftsprüfer).	
Period of cash flow projection (years)	5 years (2020 - 2024); extrapolation to perpetuity based on Terminal Growth Rate	
Discount rate applied to cash flow projections (pre-tax)	13.7%	13.7%
The value assigned to β Factor	1.18	1.18
Amount of goodwill impairment loss recognised in profit or loss for the year 2019 (in EUR million)	0	165
Post-impairment carrying amount of goodwill as of 31 December 2019 (in EUR million)	544	0

For cash generating units outside the euro-zone, an inflation differential has been considered when determining the discount rates applicable to the related 2021-2025 cash flow projections.

In respect to tested cash-generating units for which no goodwill impairment loss was determined as of 31 December 2020, the table below summarizes the outcome of the sensitivity analysis performed to determine by how much the key input parameters into the applied discounted cash flow models would need to vary in order to cause the unit's calculated recoverable amount to equal its related carrying amount:

Dec 20	CSAS
Amount by which recoverable amount exceeds/fall short the carrying amount (in EUR million)	412
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	71
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-1,192
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.088
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	61

Dec 19	
Amount by which recoverable amount exceeds/fall short the carrying amount (in EUR million)	734
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	131
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-2,011
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.167
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	111

40. Other assets

in EUR million	Dec 19	Dec 20
Prepayments	123	124
Inventories	198	171
Sundry assets	680	456
Other assets	**1,001**	**751**

In the line 'Inventories' real estate project developments and repossessed assets (mainly real estate) are disclosed.

The impairment of inventories, shown as expense in the reporting period amounts to EUR 4.7 million (2019: EUR 2.0 million). The carrying amount of inventories carried at fair value less costs to sell amounts to EUR 50.4 million (2019: EUR 20.4 million). The cost of inventories recognised as expense in the reporting period amounts to EUR 16.3 million (2019: EUR 15.2 million).

Fiduciary assets

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

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Erste Group as a lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. In the case of a finance lease, the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of income in the line item 'Other similar income' under 'Net interest income'.

In the case of operating leases, which are leases other than finance leases, the leased asset is reported by the lessor in 'Property and equipment' or in 'Investment properties' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the statement of income under the line item 'Rental income from investment properties and other operating leases'. Operating leases mainly include the leasing of commercial real estate, automobiles and small trucks.

The lessor is mitigating the risk associated with any rights it retains in underlying assets. This is achieved especially by means of residual value guarantees, variable lease payments for use in excess of specified limits and buy-back agreements with third parties.

An intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

Finance leases

Erste Group leases both movable property and real estate to other parties under finance lease arrangements. For finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of the minimum lease payments is as follows:

in EUR million	Dec 19	Dec 20
Outstanding lease payments	4,082	4,154
Non-guaranteed residual values	200	189
Gross investment	**4,283**	**4,342**
Unrealised financial income	316	250
Net investment	**3,967**	**4,093**
Present value of non-guaranteed residual values	181	168
Present value of outstanding lease payments	**3,786**	**3,924**

Maturity analysis by residual maturities

	Dec 19		Dec 20	
in EUR million	Gross investment	Present value of outstanding lease payments	Gross investment	Present value of outstanding lease payments
< 1 year	984	892	1,056	972
1-2 years	859	793	892	824
2-3 years	744	683	770	715
3-4 years	580	532	608	570
4-5 years	393	361	415	382
> 5 years	722	525	600	462
Total	**4,283**	**3,786**	**4,342**	**3,924**

During 2020, Erste Group recognised interest income on finance lease receivables in the amount of EUR 118.2 million (2019: EUR 118.3 million). Gains/losses from derecognition of finance lease receivables are recognized in line item 'Gains/losses from derecognition of financial assets measured at amortised cost' (Note 10).

The Erste Group leases an office building and subleases it. The sublease is classified as finance lease because it is for the whole of the remaining term of the head lease.

During 2020, income from subleasing right-of-use assets was recognised in the amount of EUR 3.5 million (2019: EUR 1,8 million).

Finance lease receivables

Gross carrying amounts and credit loss allowances per impairment buckets

	Gross carrying amount					Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
Dec 20											
General governments	358	1	16	0	374	-3	0	-2	0	-4	370
Credit institutions	4	0	0	0	4	0	0	0	0	0	4
Other financial corporations	66	7	0	0	73	0	0	0	0	0	73
Non-financial corporations	2,319	484	171	0	2,974	-11	-10	-70	0	-91	2,883
Households	739	56	15	0	810	-3	-2	-7	0	-12	798
Total	**3,485**	**548**	**201**	**0**	**4,235**	**-17**	**-12**	**-78**	**0**	**-108**	**4,127**
Dec 19											
General governments	363	0	16	0	379	-2	0	0	0	-2	377
Credit institutions	1	0	0	0	1	0	0	0	0	0	1
Other financial corporations	71	0	0	0	71	0	0	0	0	0	71
Non-financial corporations	2,585	96	253	0	2,934	-10	-4	-106	0	-121	2,813
Households	747	21	15	0	783	-3	-1	-7	0	-11	772
Total	**3,768**	**117**	**284**	**0**	**4,169**	**-15**	**-5**	**-114**	**0**	**-134**	**4,034**

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 20								**Dec 20**
Stage 1	-15	-6	1	7	-4	0	0	0	-17
Stage 2	-5	0	0	-8	1	0	0	0	-12
Stage3	-114	0	35	-11	3	0	6	2	-78
POCI	0	0	0	0	0	0	0	0	0
Total	**-134**	**-6**	**36**	**-11**	**1**	**0**	**6**	**2**	**-108**
	Jan 19								**Dec 19**
Stage 1	-18	-6	0	4	5	0	0	0	-15
Stage 2	-3	0	0	-4	1	0	0	0	-5
Stage3	-130	0	3	-5	5	0	15	-1	-114
POCI	0	0	0	0	0	0	0	0	0
Total	**-151**	**-6**	**3**	**-5**	**11**	**0**	**15**	**-1**	**-134**

In column ‘Additions’ increases of CLA due to the initial recognition of finance lease receivables during the current reporting period are disclosed. Releases of CLA following the derecognition of the related finance lease receivables are reported in column ‘Derecognitions’.

In column ‘Transfers between stages’ CLA net changes due to changes in credit risk that triggered re-assignments of the related finance lease receivables from Stage 1 as of 1 January 2020 or initial recognition date to Stages 2 or 3 as of 31 December 2020 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line ‘Stage 1’. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column ‘Other changes in credit risk (net)’.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’. This column also captures the passage-of-time adverse effect (‘unwinding correction’) over the lifetime expected cash shortfalls of finance lease receivables that were assigned to Stage 3 for any period throughout the year, as well as of any POCI finance lease receivables. This adverse effect amounted to EUR 4.4 million (2019: EUR 5.7 million) cumulatively for the year 2020, which also reflects the unrecognized interest income out of the related finance lease receivables throughout the year.

The column ‘Insignificant modifications (net)’ reflects the effect on CLA arising from contractual modifications of finance lease receivables which do not trigger their full derecognition. The use of CLA triggered by full or partial write-offs of finance lease receivables is reported in column ‘Write-offs’.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across impairment stages. The year-end GCA of finance lease receivables that were assigned at 31 December 2020 to a different stage compared to 1 January 2020 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages

in EUR million	Dec 19	Dec 20
Transfers between Stage 1 and Stage 2		
To Stage 2 from Stage 1	92	421
To Stage 1 from Stage 2	49	36
Transfers between Stage 2 and Stage 3		
To Stage 3 from Stage 2	57	40
To Stage 2 from Stage 3	51	1
Transfers between Stage 1 and Stage 3		
To Stage 3 from Stage 1	15	47
To Stage 1 from Stage 3	2	6

The year-end total GCA of the finance lease receivables that were initially recognized during the reporting period and not fully de-recognized by 31 December 2020 amounts to EUR 1,026.9 million (2019: EUR 1,017.2 million). The GCAs of the finance lease receivables that were held at 1 January 2020 and fully de-recognized during the year 2020 amounts to EUR 390.3 million (2019: EUR 62.2 million).

Operating leases

Under operating leases, Erste Group leases both real estate and movable property to other parties.

Maturity analysis of lease payments from operating leases

in EUR million	Dec 19	Dec 20
< 1 year	129	175
1-2 years	106	115
2-3 years	93	98
3-4 years	75	73
4-5 years	63	58
> 5 years	137	122
Total	**603**	**641**

During 2020, Erste Group recognised income relating to variable lease payments in the amount of EUR 4.5 million (2019: EUR 4.8 million). For information about rental income please refer to Note 7 Rental income from investment properties and other operating leases.

Leases where the Group is a lessee

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

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability and also includes other elements such as initial direct costs incurred by the lessee. Subsequently, the right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. Erste Group uses the straight-line method of depreciation. The right-of-use assets are presented on the balance sheet as part of 'Property and equipment' or, if they are subleased to third parties, for operating leases as part of 'Investment properties' and for finance leases as a 'Finance lease receivable'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee. Additionally, the exercise price under a purchase option and lease payments in an optional renewal period are considered if the lessee is reasonably certain to exercise the options. Extension and termination options are included in a number of real estate leases across Erste Group. The use of extension and termination options gives Erste Group added flexibility in case more suitable premises in terms of costs and/or location are identified or in case it is considered favourable to remain in a location beyond the original lease term.

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

Erste Group primarily rents real estate's such as buildings and land for headquarters, branches and parking lots. In addition, movables such as IT equipment and ATMs are rented for business operations. For details related to right of use assets capitalized in balance sheet arising from leases where Erste Group is lessee, please see Note 38 Property, plant and equipment.

Maturity analysis of lease liabilities based on undiscounted cash flows

in EUR million	Dec 19	Dec 20
< 1 year	85	91
1-5 years	275	285
> 5 years	198	222
Total	**558**	**598**

During 2020, interest expenses on lease liabilities were recognised in the amount of EUR 7.0 million (2019: EUR 24.6 million). In addition expenses in the amount of EUR 4.1 million (2019: EUR 6.4 million) relating to short term leases and expenses amounting to EUR 5.3 million (2019: EUR 5.3 million) relating to leases of low value items, for which the recognition exemption of IFSR 16 applies, were recognised. Gains arising from sale and leaseback transactions in the amount of EUR 0.8 million (2019: EUR 3,5 million) were recognised. Total cash outflow for leases in 2020 was EUR 105.7 million (2019: EUR 100.0 million).

Erste Group has commitments for future cash outflows which are not reflected in the measurement of lease liabilities as of 31 December 2020. The total undiscounted cash flow amounts to EUR 71.7 million (2019: EUR 71.0 million). In 2019, Erste Group signed rental agreement amounting to EUR 71.0 million (without considering consumer price indexation) with commencement date April 2021 and lease term 15 years.

Accruals, provisions, contingent liabilities and legal proceedings

41. Other liabilities

in EUR million	Dec 19	Dec 20
Deferred income	117	117
Sundry liabilities	2,252	2,115
Other liabilities	**2,369**	**2,232**

Deferred income outstanding at 31 December 2020 includes 'contract liabilities' in accordance with IFRS 15 in amount of EUR 109 million (2019: EUR 107 million). Revenue recognised in the reporting year 2020 that was included in the contract liability balance at the beginning of the period amounts to EUR 39 million (2019: EUR 38 million).

The item 'Sundry liabilities' mainly contains outstanding settlement liabilities as well as other liabilities from employee benefits.

42. Provisions

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

Defined employee benefit plans

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

In Austria, the defined benefit pension plans relate largely to retired employees. The pension obligations for current employees were transferred to external pension funds. Remaining with Erste Group is a defined benefit obligation for entitlements of former employees who were already retired as of 31 December 1998 before the pension reform took effect and for those former employees who retired only in 1999 but remained entitled to a direct pension from Erste Group under individual agreements. Also included are entitlements to resulting survivor pensions. In addition, an already closed plan for a small number of active entitled employees exists entitling them to defined benefits from Erste Group upon reaching pension age.

In the case of defined benefit pension plans in other countries, the commitments for active employees are primarily dependent on future salary increases, as well as on the expected entitlement date. Due to the nature of the commitment to the defined benefit pensioners, the future, regularly expected pension adjustments according to the collective agreement and the state pension are estimated and taken into consideration as deduction from the total pension. The inflation rate is not indicated separately, but implicitly represented in the assumption for the future collective agreement development.

Employees of Austrian entities who started their employment before 1 January 2003, are entitled to receive a severance payment if their employment is terminated by the employer or if they retire. The amount to be paid depends on the number of years of service and the employee's salary at termination of the employment. For employees who started their employment after 31 December 2002, a contribution-based system is provided. The contributions to external employee pension funds are recognised as expenses.

Defined benefit plans include jubilee benefits. Jubilee provisions are special one-off payments stipulated in the collective agreement which are dependent on remuneration and duration of service. Eligibility is conditioned on a certain minimum duration of the employment.

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

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

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

Remeasurements consist of actuarial gains and losses on the defined benefit obligations and the return on plan assets. Remeasurements of pension and severance defined benefit plans are recognised as accumulated OCI in equity specifically under 'Remeasurement of defined benefit plans' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Remeasurement of defined benefit plans'. Remeasurements of jubilee defined benefit plans are recognised in the statement of income under the line item 'Personnel expenses'.

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Assumptions, estimates and sensitivities used for the defined benefit obligation calculations, as well as related amounts are disclosed in the section 'Long-term employee provisions'.

Financial guarantees

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

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

If Erste Group is a guarantee holder, the treatment depends on whether the financial guarantee is considered as integral to the contractual terms of financial assets whose risk is guaranteed. Erste Group considers as integral those guarantees which are entered into at or close to the inception of the guaranteed financial assets. If the bank has in a loan contract an option to require provision of a guarantee, it is also considered as integral.

Integral financial guarantees are included in the estimates of expected credit losses from the related financial assets. Premiums paid for integral financial guarantees and other credit enhancements are considered in the EIR of the related financial assets.

Financial guarantees which are not considered integral are recognised as reimbursement assets under 'Other assets' in the balance sheet. In the statement of income they reduce the impairment loss incurred on guaranteed financial assets under 'Impairment result from financial instruments'. A precondition for this treatment is that it must be virtually certain that the guarantee would reimburse the bank for the loss. Premiums paid for non-integral financial guarantees are presented in the statement of income under the line item 'Fee and commission expense' under 'Net fee and commission income'.

Significant accounting judgements, assumptions and estimates

Recognition of provisions requires judgement with respect to whether Erste Group has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Further details on provisions for off-balance credit risk exposures in Note 34 Credit risk. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 43 Contingent liabilities.

in EUR million	Dec 19	Dec 20
Long-term employee provisions	1,054	1,042
Pending legal issues and tax litigation	353	359
Loan commitments and financial guarantees given	293	399
CLA for loan commitments and financial guarantees in Stage 1	64	83
CLA for loan commitments and financial guarantees in Stage 2	75	211
CLA for loan commitments and financial guarantees - Defaulted	154	104
Other provisions	219	282
Provisions for onerous contracts	3	3
Other	216	279
Provisions	**1,919**	**2,082**

Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Present value of long-term employee benefit obligations – Dec 16	**714**	**446**	**90**	**1,250**
Present value of long-term employee benefit obligations – Dec 17	**700**	**431**	**88**	**1,219**
Present value of long-term employee benefit obligations – Dec 18	**750**	**445**	**97**	**1,292**
Increase	1	0	0	1
Decrease	0	0	0	0
Settlements/curtailments	0	0	0	0
Service cost	1	15	7	23
Interest cost	15	4	1	20
Payments	-64	-34	-5	-103
Exchange rate difference	1	0	0	0
Other changes	-1	5	0	4
Actuarial gains/losses recognised in OCI				
Adjustments in financial assumptions	81	57	0	137
Adjustments in demografic assumptions	0	0	0	0
Experience adjustments	8	6	0	14
Actuarial gains/losses recognised in PL				
Adjustments in financial assumptions	0	0	14	14
Adjustments in demografic assumptions	0	0	0	0
Experience adjustments	0	0	-2	-2
Present value of long-term employee benefit obligations – Dec 19	**791**	**497**	**113**	**1,400**
Obligations covered by plan assets	27	258	62	347
Obligations covered by provisions	764	239	51	1,054
Less fair value of plan assets	**27**	**258**	**62**	**347**
Provisions – Dec 19	**764**	**239**	**51**	**1,054**

Present value of long-term employee benefit obligations – Dec 19	**791**	**497**	**113**	**1,400**
Increase	0	0	0	0
Decrease	0	0	0	0
Settlements/curtailments	2	0	0	1
Service cost	1	12	8	22
Interest cost	8	5	1	14
Payments	-64	-43	-5	-112
Exchange rate difference	-3	0	0	-4
Other changes	0	0	0	0
Actuarial gains/losses recognised in OCI				
Adjustments in financial assumptions	33	26	0	59
Adjustments in demografic assumptions	0	0	0	0
Experience adjustments	7	-5	0	2
Actuarial gains/losses recognised in PL				
Adjustments in financial assumptions	0	0	5	5
Adjustments in demografic assumptions	0	0	0	0
Experience adjustments	0	0	-2	-2
Present value of long-term employee benefit obligations – Dec 20	**774**	**493**	**119**	**1,386**
Obligations covered by plan assets	28	251	65	344
Obligations covered by provisions	746	242	54	1,042
Less fair value of plan assets	**28**	**251**	**65**	**344**
Provisions – Dec 20	**746**	**242**	**54**	**1,042**

Actuarial assumptions

For Austrian entities the actuarial calculation of pension obligations is based on the following assumptions:

in %	Dec 19	Dec 20
Interest rate	0.95	0.50
Expected increase in retirement benefits	2.00	2.00

The expected retirement age for each employee was individually calculated on the basis of the changes set out in the Budget Implementation Act of 2003 (Austrian Federal Law Gazette Vol. I No. 71/2003) regarding the increase in the minimum retirement age. The currently applicable legislation on the gradual raising of the retirement age for men and women to 65 was taken into consideration.

For Austrian entities the actuarial calculation of severance payment and jubilee benefits is based on the following assumptions:

in %	Dec 19	Dec 20
Interest rate	0.95	0.50
Average increase in salary (incl. career trend and collective agreement trend)	2.90	2.90

The interest rate applied for the calculation of the long-term employee provisions is derived from the yield of a portfolio of AA-rated corporate bonds. For this purpose the weighted average yield of the underlying portfolio with a corresponding duration is determined.

For the non-Austrian subsidiaries and branches interest rates between 0.01% (2019: 0.4%) and 3.7% (2019: 4.45%) were used. The legal retirement age is in a range between 61 years for women and 65 years for men.

Obligations were calculated based on mortality tables entitled 'AVÖ 2018–P – Rechnungsgrundlagen für die Pensionsversicherung' or comparable mortality tables.

Movements in plan assets

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Fair value of plan assets – Dec 18	**22**	**235**	**54**	**311**
Addition	0	0	0	0
Interest income on plan assets	0	4	1	5
Contributions by the employer	1	33	11	45
Benefits paid	-1	-21	-6	-27
Actuarial gains/losses recognised in OCI	5	7	0	12
Actuarial gains/losses recognised in PL	1	0	1	2
Fair value of plan assets – Dec 19	**27**	**258**	**62**	**347**
Addition	0	0	0	0
Interest income on plan assets	0	2	1	3
Contributions by the employer	0	26	9	35
Benefits paid	-3	-31	-5	-40
Actuarial gains/losses recognised in OCI	3	-4	0	-1
Actuarial gains/losses recognised in PL	1	0	0	1
Fair value of plan assets – Dec 20	**28**	**251**	**65**	**344**

In 2021, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 9.0 million (2020: EUR 9.6 million). The contributions shown in the table include not only regular contributions but also one-time payments at the end of the year. The total gain on plan assets amounted to EUR 2.8 million (2019: gain EUR 18.8 million).

Investment strategy

The primary investment strategy of Erste Group is the continuous optimization of plan assets and the effective coverage of existing entitlements. The Group works with professional fund managers for the investment of plan assets. The Investment Fund Act applies as a requirement with respect to specific investment guidelines relating to the investment of plan assets. Additionally, the Investment Committee which is composed of senior staff in the financial sector and representatives of the S-Versicherung and Erste Asset Management meets once a year.

Erste Group's severance payments and jubilee payments are partially covered by the fair value of plan assets, while defined benefit pension plans are not financed with segregated assets. Majority of defined benefit pension plans only exist for already retired employees. Majority of pension plans are dedicated to former employees of Austrian entities of Erste Group and are unfunded. Major part of the plans (sum over severance payments, defined benefit pension plans and jubilee payments) are not matched with dedicated assets.

For the yearly pension payments of the unfunded defined benefit plans and the unfunded part of severance payments Erste Group generally takes care within its asset-liability management strategy covering the funding plan and interest rate risk position of the Group. The payments for 2021 are expected with EUR 79 million (2020: EUR 86 million) for both plans.

The average duration of these provisions is assumed to be for severance payments 11.67 years (2019: 11.51 years) and 8.86 years (2019: 8.89 years) for defined benefit pension plans.

Control and risk

The effective allocation of plan assets is determined by the administering body including the relevant existing economic and market conditions as well as considering specific risks of the individual asset classes and the risk profile. Moreover the Investment Committee is responsible for monitoring the mandate guidelines and the investment structure, the supervision, which may arise from regulatory or other legal requirements, as well as the monitoring of demographic changes. As an additional steering tool the fund management generates a report, which is transmitted on a quarterly basis to the Group. Overall, the Group tries to minimize the impact caused by market movements on the pension plans.

Asset allocation in the different asset classes

	Dec 19					Dec 20				
in EUR million	Europe-EMU	Europe-non EMU	USA	Other countries	Total	Europe-EMU	Europe-non EMU	USA	Other countries	Total
Cash and cash equivalents	0	0	0	0	20					105
Equity instruments	5	5	40	11	61	1	1	22	8	32
Investment-grade bonds										
Government	56	23	5	29	113	1	0	0	0	1
Non-government bonds	16	10	19	11	55	13	4	4	2	22
Non-investment-grade bonds										
Government	0	1	14	22	37	2	0	0	0	2
Non-government bonds	17	5	14	8	45	101	20	8	38	167
Alternatives										
Commodities	0	0	0	0	0	0	0	0	0	0
Other	0	0	1	8	8	0	0	0	0	0
Derivatives (market risk)										
Interest rate risk	0	0	0	0	0	0	0	0	0	0
Credit risk	0	0	0	0	0	0	0	0	0	0
Equity price risk	0	0	0	0	0	0	0	0	0	0
Foreign exchange risk	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	7	0	0	0	0	15
Plan assets	**0**	**0**	**0**	**0**	**347**	**0**	**0**	**0**	**0**	**344**

In the table above, Investment-grade refers to BBB and above. The plan assets shown in the table above include mainly assets that are quoted and traded on active markets. As of 31 December 2020, the plan assets did not include material amounts of securities issued by the Group or other claims upon it. Moreover none of the mortgage securities used by the Group are included.

Effects of defined post-employment benefit plans in profit or loss

in EUR million	Dec 19	Dec 20
Settlements/curtailments	0	-1
Service cost	-23	-22
Net interest	-15	-11
Total	**-38**	**-35**

Settlements and curtailments as well as service costs are included in the income statement in the line item ‘Personnel expenses’. Net interest includes interest expenses for long-term employee benefits as well as the expected return on plan assets.These are disclosed in the income statement in the line item ‘Other similar income’ and ‘Other similar expense’ under ‘Net interest income’. As of 31 December 2020, the cumulative amount of remeasurement from defined benefit plans, recognised in other comprehensive income amounted to EUR -843.8 million before tax (2019: EUR -782.9 million).

Sensitivity to key assumption

The following table presents a sensitivity analysis for each significant actuarial assumptions showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the balance sheet.

	Dec 19			Dec 20		
in EUR million	Pensions	Severance payments	Total	Pensions	Severance payments	Total
Change in discount rate +0.5%	758	470	1,228	741	466	1,207
Change in discount rate -0.5%	827	526	1,353	809	523	1,332
Change in future salary increases +0.5%	791	526	1,317	774	522	1,296
Change in future salary increases -0.5%	791	470	1,261	774	466	1,240
Change in future benefit increases +0.5%	849	497	1,346	830	493	1,323
Change in future benefit increases -0.5%	737	497	1,234	721	493	1,214
Increase in survival rate by approx. 10%	853	0	853	838	0	838

Impact on cash flows

Benefits expected to be paid by the defined benefit plans in each of the respective periods

in EUR million	Pensions	Severance payments	Total
2021	59	20	79
2022	55	18	73
2023	52	22	74
2024	49	22	71
2025	45	20	65
2026-2030	179	124	303

Duration

Weighted average duration of the defined-benefit obligations

	Dec 19			Dec 20		
in years	Pensions	Severance payments	Total	Pensions	Severance payments	Total
Duration	8.89	11.51	9.84	8.86	11.67	9.96

The weighted average duration is affected by changes in longevity and in the mortality table.

Sundry provisions

Movement in credit loss allowances for loan commitments and financial guarantees

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 20						Dec 20
Stage 1	64	214	-69	-82	-42	-1	83
Stage 2	75	0	-78	174	47	-7	211
Defaulted	154	22	-55	7	28	-52	104
Total	**293**	**236**	**-202**	**99**	**33**	**-60**	**399**
	Jan 19						Dec 19
Stage 1	76	148	-56	-54	-49	-2	64
Stage 2	58	0	-29	78	-34	2	75
Defaulted	196	1	-102	8	51	0	154
Total	**329**	**149**	**-186**	**33**	**-31**	**0**	**293**

In column 'Additions' increases of CLA due to the initial recognition of loan commitments and financial guarantees during the current reporting period are disclosed. Releases of CLA following the derecognition of the related loan commitments and financial guarantees are reported in column 'Derecognitions'.

In the column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related loan commitments and financial guarantees from Stage 1 (at 1 January 2020 or initial recognition date) to Stages 2 or Defaulted at 31 December 2020 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or Defaulted on the related CLAs are adverse and presented in lines attributable to Stages 2 or Defaulted. The effects of transfers from Stages 2 or Defaulted to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'. This column also captures the passage-of-time adverse effect ('unwinding') over the lifetime expected cash shortfalls of defaulted loan commitments and financial guarantees.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across different stages. The year-end notional amounts of loan commitments and financial guarantees that were assigned at 31 December 2020 to a different stage compared to 1 January 2020 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages

in EUR million	Dec 19	Dec 20
Transfers between Stage 1 and Stage 2	**1,644**	**5,321**
To Stage 2 from Stage 1	1,044	4,684
To Stage 1 from Stage 2	600	637
Transfers between Stage 2 and Defaulted	**19**	**72**
To Defaulted from Stage 2	12	32
To Stage 2 from Defaulted	8	40
Transfers between Stage 1 and Defaulted	**99**	**65**
To Defaulted from Stage 1	79	45
To Stage 1 from Defaulted	20	20

The year-end nominal amounts of unused off-balance commitments and financial guarantees that were initially recognized during the year 2020 and not fully de-recognized by 31 December 2020 amounts to EUR 14,165.7 million (2019: EUR 11,918.6 million). The nominal

amounts of unused off-balance commitments or financial guarantees that were held at 1 January 2020 and fully de-recognized during the year 2020 amounts to EUR 7,915.1 million (2019: EUR 7,397.3 million).

Sundry provisions 2020

in EUR million	Jan 20	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes	Dec 20
Pending legal issues and tax litigation	353	37	-8	-17	0	-5	359
Commitments and guarantees given out of scope of IFRS9	17	101	0	-105	0	63	76
Other provisions	202	36	-13	-15	0	-4	206
Provisions for onerous contracts	3	0	-1	0	0	0	3
Other	199	36	-13	-15	0	-4	204
Provisions	**571**	**174**	**-21**	**-137**	**0**	**54**	**641**
	Jan 19						**Dec 19**
Pending legal issues and tax litigation	332	73	-13	-37	0	-2	353
Commitments and guarantees given out of scope of IFRS9	14	19	-1	-17	0	1	17
Other provisions	48	277	-18	-105	0	-1	202
Provisions for onerous contracts	3	0	0	0	0	0	3
Other	46	277	-18	-105	0	-1	199
Provisions	**394**	**369**	**-32**	**-159**	**0**	**-1**	**571**

Under position ‘Pending legal issues and tax litigation’ provisions related to litigations from lending business, asset management or litigations with customer protection associations, which normally occur in banking business, are disclosed. In 2020, the increase of provision for risks related to Romanian Consumer Protection Claims Act was recognized in income statement in amount of EUR 6.2 million (2019: release EUR 6.1 million). The total amount of the provision as of 31 December 2020 was EUR 122.8 million (2019: EUR 118.8 million).

The level of other provisions is the best possible estimate of expected outflow of economic benefits at the reporting date, while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. Risks and uncertainties are taken into account in the estimate. During 2019 a provision in the amount of EUR 153.3 million was allocated for losses expected from a decision of the Romanian High Court in relation to the business activities of the Romanian building society subsidiary BCR Banca pentru Locuinte SA. (BPL). The related provision is disclosed in line ‘Other provisions’. This case is about whether state subsidies had been disbursed to building society clients in accordance with the applicable legal provisions. The provision was determined based on the expected amount that should be returned to the Romanian State, consisting of state premiums, interest and penalties. The duration of these proceeding cannot be estimated reliably. The total amount of the provision as of 31 December 2020 amounted to EUR 141.6 million (2019: EUR 144.3 million).

43. Contingent liabilities

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do involve credit risk and are therefore part of the overall risk of the Bank (see Note 34 Credit risk).

Legal proceedings

Erste Group Bank AG and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group or Erste Group Bank AG. Erste Group is also subject to the following ongoing proceedings, some of which, if adversely adjudicated, may have a significant impact on the financial position or profitability of Erste Group or Erste Group Bank AG. Any possible financial impacts of these proceedings are not disclosed, as neither the duration nor the outcome can be reliably estimated and to avoid influencing the outcome of the various proceedings.

Consumer protection claims

Several subsidiaries of Erste Group have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings, filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The proceedings mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and principles of general civil law and that certain fees or parts of interest payments charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as to contractual provisions for the adjustment of interest rates and currencies. In some jurisdictions, the legal risks in connection with loans granted in the past are also increased by the enactment of politically-motivated laws impacting existing lending relationships, which may result in repayment obligations towards customers, as well as a level of unpredictability of judicial decisions beyond the level of uncertainty generally inherent in court proceedings. The following consumer protection issues are deemed particularly noteworthy.

In Romania, BCR is, aside from being a defendant in a number of individual law suits filed by consumers, among several local credit institutions pursued by the consumer protection authority for allegedly abusive clauses pertaining to pre-2010 lending practices. In connection therewith, BCR is currently a defendant in individual litigation claims filed by the local consumer protection authority, in each case on behalf of a single or several borrowers. Only a part of these cases have so far been finally decided by the courts, only few of them with an adverse result for BCR and with rather limited impact so far. Adverse judgments on the validity of certain clauses may have the impact of invalidating such clauses also in other similar agreements concluded by BCR with other consumers.

In Croatia, the Supreme Court of Croatia, in a proceeding initiated by a local consumer protection association against several credit institutions, among them Erste Bank Croatia, declared in 2015 that Swiss Franc (CHF) clauses in loan agreements with consumers are valid, but contractual provisions permitting unilateral change of the variable interest rates in CHF denominated consumer loans, used by the majority of credit institutions until 2008, are null and void. In 2016, the Croatian Constitutional Court rescinded the part of the Supreme Court of Croatia decision relating to the validity of CHF clauses. After the case had been returned for a retrial with respect to the CHF clause to the court of second instance, such court delivered its decision in 2018, declaring in essence the nullification of the CHF currency clause, holding that collective and individual consumer rights were breached. However, no specific obligation of the bank was ordered by the verdict. In 2019 the Supreme Court rejected the appeal of the credit Institutions against the 2018 decision. The impact of this decision on legal disputes with individual clients related to CHF denominated loan agreements is difficult to predict, especially in light of the laws enacted in 2015 that forced credit institutions to accept requests from clients that are consumers or individual professionals to convert their CHF denominated loans into EUR with retroactive effect.

In Austria, Erste Bank der oesterreichischen Sparkassen AG ('EBOe') is a defendant in legal proceedings in which the Verein für Konsumenteninformation ('VKI') is, challenging in collective actions (Verbandsklagen) the validity of a number of clauses in EBOe's general terms and/or contract forms for a number of bank products, claiming that they are not transparent or violate other provisions of consumer protection laws or general principles of civil law and EBOe should discontinue the use of these clauses or of synonymous clauses and should no longer invoke these clauses.

CSAS minority shareholders claims

Following the completion of a squeeze-out procedure in CSAS resulting in Erste Group Bank AG becoming the sole shareholder of CSAS, some former minority shareholders of CSAS have filed legal actions with the courts in Prague. In the case against CSAS the plaintiffs aim in essence at invalidating the shareholders´ resolution approving the squeeze-out. In the proceedings against Erste Group Bank AG the plaintiffs allege in essence that the share price of 1.328 CZK (then ca. 51 Euro per share) paid by Erste Group Bank AG in the squeeze-out of the CSAS minority shareholders in 2018 was unfair and too low and should be increased. In case the courts find there should be an increase, this would affect all minority shareholders squeezed-out. In the squeeze-out performed in 2018 Erste Group Bank AG acquired a total of 1.03% of minority shares for a consideration of ca. EUR 80 million. Erste Group Bank AG views that the purchase price, established by a valuation done by professional external experts, was correct and fair.

Capital instruments, equity and reserves

44. Total equity

in EUR million	Dec 19	Dec 20
Subscribed capital	860	860
Additional paid-in capital	1,478	1,478
Retained earnings and other reserves	11,792	12,267
Owners of the parent	**14,129**	**14,604**
Additional equity instruments	1,490	2,733
Non-controlling interests	4,857	5,073
Total	**20,477**	**22,410**

As of 31 December 2020, subscribed capital (also known as registered capital) consists of 429,800,000 (2019: 429,800,000) voting bearer shares (ordinary shares). The pro rata amount of registered capital, per no-par value share, was EUR 2.00. Additional paid-in capital (or share premium) represents the amount by which the issue price of the shares exceeded their par value. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

Additional equity instruments

In addition Erste Group Bank AG issued additional tier 1 capital (AT1 bonds). AT1 bonds are perpetual and can be cancelled only by the issuer at predetermined dates. The bonds include discretionary non-cumulative coupon payments.

AT1 bonds issued

Nominal value	Currency	Issue	Initial fixed rate	Reset rate after the first call date	Coupon payments	First and subsequent calls dates
500 million	EUR	June 2016	8,875%	5Y swap +9.02%	Semi-annually on 15th April and 15th October	15.10.2021 + coupon dates thereafter
500 million	EUR	April 2017	6.5%	5Y swap +6,204%	Semi-annually on 15th April and 15th October	15.04.2024 + coupon dates thereafter
500 million	EUR	March 2019	5,125%	5Y swap +4,851%	Semi-annually on 15th April and 15th October	15.10.2025 + coupon dates thereafter
500 million	EUR	January 2020	3,375%	5Y swap +3,433%	Semi-annually on 15th April and 15th October	15.04.2027 + coupon dates thereafter
750 million	EUR	November 2020	4.25%	5Y swap +4,646%	Semi-annually on 15th April and 15th October	15.10.2027 + coupon dates thereafter

If common equity tier 1 ratio of Erste Group or Erste Group Bank AG falls below 5.125% (i.e. a trigger event occurs) the principal amount will be written down (fully or partially) on a temporary basis. The issuer may, at its sole discretion, write up the amount (fully or partially) provided a positive profit has been recorded and the trigger event no longer exists.

Distributions on own equity instruments

Distributions on own equity instruments are recognised as a liability and deducted from equity when their payment is confirmed. For dividends on common shares the decision is taken by the Annual General Meeting. For coupons on Additional Tier 1 instruments the payouts do not need approvals but an event of non-payment would require a decision of Erste Group Bank AG Board.

Changes in number of outstanding shares

	Dec 19	Dec 20
Shares outstanding as of 1 January	**408,617,137**	**408,127,137**
Acquisition of treasury shares	-7,677,249	-7,517,744
Disposal of treasury shares	7,187,249	4,861,317
Shares outstanding as of 31 December	**408,127,137**	**405,470,710**
Treasury shares	21,672,863	24,329,290
Number of shares issued as of 31 December	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,565,097	426,324,725
Weighted average diluted number of outstanding shares	426,565,097	426,324,725

In addition to the calculation of the annual average number of shares outstanding by incorporation of acquisitions and disposals of treasury shares during the year, the line items ‘weighted average number of outstanding shares’ and ‘weighted average diluted number of outstanding shares’ consider a proportionate allocation of the treasury shares held by non-controlling interests.

Treasury shares and contracts on treasury shares

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

Transactions and shares held by the management board and supervisory board

The shares of management- and supervisory board member, whose office term began or ended during the financial year, held as at the date of inception or termination of their term in office were recognized as additions or disposals.

Shares and related dividends held by management board

Managing board member	Dec 19	Additions	Disposals	Dec 20	Dividends received in 2020 (in EUR)
Spalt Bernhard (Chairman)	5,000	5,000	0	10,000	0
Abrahamyan Ara	0	510	0	510	0
Bleier Ingo	3,111	0	0	3,111	0
Bosek Peter	1,500	0	0	1,500	0
Dörfler Stefan	800	700	0	1,500	0
Habeler-Drabek Alexandra	72	0	0	72	0
O'Mahony David	0	0	0	0	0

Shares and related dividends held by supervisory board

Supervisory board member	Dec 19	Additions	Disposals	Dec 20	Dividends received in 2020 (in EUR)
Rödler Friedrich (Chairman)	2,202	300	0	2,502	0
Homan Jan (1st Vice Chairman)	4,400	0	0	4,400	0
Hardegg Maximilian (2nd Vice Chairman)	240	0	0	240	0
Bulach Matthias	0	0	0	0	0
Egerth-Stadlhuber Henrietta	0	0	0	0	0
Grießer Martin (until 21 January 2021)	14	0	14	0	0
Griss Gunter (until 10 November 2020)	0	0	0	0	0
Gual Solé Jordi	0	0	0	0	0
Haag Markus	176	0	0	176	0
Haberhauer Regina	188	0	0	188	0
Khüny Marion	0	0	0	0	0
Krainer Senger-Weiss Elisabeth	0	0	0	0	0
Lachs Andreas	0	0	0	0	0
Pichler Barbara	309	0	0	309	0
Pinter Jozef	0	0	0	0	0
Rasinger Wilhelm (until 10 November 2020)	24,303	500	24,803	0	0
Santner Friedrich (since 10 November 2020)	0	0	0	0	0
Simor András (since 10 November 2020)	0	0	0	0	0
Stack John James	32,761	0	0	32,761	0
Sutter-Rüdisser Michèle F.	0	0	0	0	0
Zeisel Karin	38	0	0	38	0

As of 31 December 2020, supervisory board members did not hold options in Erste Group Bank AG shares. Persons related to members of the management board or supervisory board held 111 shares (2019: 3,412 shares) of Erste Group Bank AG.

Remaining authorised and contingent capital as of 31 December 2020

Clause 5 of the articles of association authorises the management board to increase the registered capital with the consent of the supervisory board until 24 May 2023 – also in several tranches – by an amount of up to EUR 343,600,000 by issuing up to 171,800,000 voting no-par value bearer shares in return for contributions in cash and/or in kind, with the issue price and the issuing conditions being determined by the management board with the consent of the supervisory board. Furthermore, the management board is authorized to fully or partly exclude the statutory subscription right of the shareholders with the consent of the supervisory board if the capital increase is in return for a cash contribution and the shares issued while excluding the subscription right of the shareholders, taken together, do not exceed EUR 43,000,000; and/or if the capital increase is in return for contributions in kind.

The measures in sections 5.1.1 (capital increase against cash contribution) to 5.1.2 (capital increase against contributions in kind) can also be combined. The aggregate pro rata amount of registered capital represented by shares in respect of which the shareholders' subscription rights are excluded under this authorization in section 5.1 (authorized capital), together with the pro rata amount of registered capital attributable to shares to which conversion or subscription rights or obligations relate under bonds which were issued and sold on the basis of the authorization in section 8.3, subject to an exclusion of subscription rights, on or after 24 May 2018 must not, however, exceed the proportionate amount of EUR 171,920,000.

Clause 6.3 of the articles of association states that conditional capital based on the resolutions of the management board in 2002 and 2010 (both approved by the supervisory board) with a nominal value of EUR 21,923,264 persists that can be consumed by issuing up to 10,961,632 ordinary bearer shares or ordinary registered shares (ordinary share) with an issue price of at least EUR 2.00 per share against cash contribution and by excluding the subscription rights of the current shareholders. This conditional capital is used for granting options to staff, management and members of the management board of the entity of one of its related undertakings.

Under clause 6.4 of the articles of association, the company has conditional capital of EUR 124,700,000.00 available, which may be utilized by issuing up to 62,350,000 pieces bearer shares. This conditional capital can be used for granting conversion or subscription rights to holders of convertible bonds. In case the terms and conditions of the convertible bonds provide for a mandatory conversion, it shall also serve to cover the mandatory conversion. The issue price and exchange ratio shall be determined pursuant to a recognized pricing method on the basis of accepted finance-mathematical methods and the share price of the company.

According to clause 7 of the articles of association, currently no authorized conditional capital exists.

45. Non controlling interest

	Haftungsverbund Savings Banks, thereof:			
in EUR million	Total	Sparkasse Oberösterreich	Sparkasse Steiermark	Sparkasse Kärnten
Dec 20				
Country of incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	2	0	0	0
Net result attributable to non-controlling interests	175	31	44	8
Accumulated NCI	4,480	540	1,096	237
Subsidiary-level stand-alone key financial information				
Current assets	26,874	6,554	5,581	1,522
Non-current assets	48,556	8,341	10,934	3,137
Current liabilities	56,282	9,021	13,192	3,348
Non-current liabilities	12,824	4,904	1,781	964
Operating income	1,665	300	349	109
Profit or loss from continuing operations	297	60	82	20
Total comprehensive income	**47**	**18**	**29**	**-2**
Dec 19				
Country of incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	33	5	9	4
Net result attributable to non-controlling interests	356	30	73	13
Accumulated NCI	4,317	508	1,018	228
Subsidiary-level stand-alone key financial information				
Current assets	23,561	5,203	5,003	1,236
Non-current assets	46,391	8,062	9,376	3,154
Current liabilities	49,396	7,865	11,339	3,076
Non-current liabilities	14,238	4,449	1,575	967
Operating income	1,710	307	352	112
Profit or loss from continuing operations	584	79	154	35
Total comprehensive income	**493**	**64**	**118**	**35**

Scope of consolidation

As at 31 December 2020, Erste Group Bank AG, as parent entity of Erste Group, includes in its IFRS scope of consolidation a total of 353 subsidiaries (31 December 2019: 379). This includes a total of 47 local savings banks which, alongside Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG, are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector.

In 2014, following the implementation of the new agreements of the cross-guarantee system (please refer to Note 46. Subsidiaries) and the related financial support of the members, an 'ex-ante fund' was established. The fund is managed by a civil law company named IPS GesbR. The assets of the fund – the members of the cross-guarantee system are required to pay into the fund over a period of ten years - are bound and can be used solely for the purpose to cover loss events of members of the cross-guarantee system. The company IPS GesbR was included in the scope of consolidation in year 2014.

Additions and disposals 2020. Additions and disposals had no material impact on the financial position and performance of the Group.

Additions in 2019. On 28 February 2019 Steiermärkische Bank und Sparkassen AG signed a share purchase agreement with Société Générale S.A. (SocGen) for the acquisition of 74.53% of the share capital (384,844 shares) of Ohridska Banka AD Skopje (OBS) in North Macedonia. OBS is a North Macedonian based business bank, which offers a range of services in corporate and retail business as well as brokerage services. This transaction enables Steiermärkische Sparkasse to significantly strengthen its existing market position in North Macedonia.

After approval by the European Central Bank (ECB) and the National Bank of the Republic of North Macedonia, the application for the acquisition to the Macedonian Securities and Markets Authority (SEC) was filed, the acquisition process was started and a purchase offer was made to all shareholders. The closing took place on 4 November 2019. On this reporting date, the OBS was included in Erste Group's consolidated financial statements. Additionally taking into account the shares from free float, a total of 91.57% of share capital with voting rights (472,839 shares) were acquired. Furthermore, supplementary capital of OBS was taken over from SocGen.

As of 31 December 2019, the measurement period for the business combination has not yet been completed. Due to the complexity of the analyses to be performed and the focus on the rapid implementation of immediately necessary integration steps, the purchase price allocation in 2019 was carried out on a preliminary basis. The finalisation of the business combination during the fourth quarter of 2020 did not lead to a significant change of the fair value of the net assets as identified as of the date of first consolidation. The identifiable assets acquired and liabilities assumed, measured at fair value, had the following composition from the time of initial consolidation:

in EUR million	Carrying amount	Fair value adjustment	Fair value
Cash and cash balances	173.5	0.0	173.5
Financial assets at fair value through other comprehensive income	10.9	0.0	10.9
Financial assets at amortised cost	489.0	-6.3	482.7
Property and equipment	13.2	-2.1	11.1
Intangible assets	1.3	0.0	1.3
Current tax assets	0.6	0.0	0.6
Other assets	1.5	0.0	1.5
Total assets	**690.0**	**-8.4**	**681.6**
Financial liabilities measured at amortised cost	608.4	0.0	608.4
Provisions	1.7	3.7	5.4
Tax liabilities	0.0	0.0	0.0
Other liabilities	3.7	0.0	3.7
Total liabilities	**613.9**	**3.7**	**617.6**
Subscribed capital	22.2	0.0	22.2
Additional paid-in capital	5.7	0.0	5.7
Retained earnings and other reserves	41.8	-12.1	29.7
Net result attributable to owners of the parent	6.4	0.0	6.4
Total equity	**76.2**	**-12.1**	**64.0**
Total liabilities and equity	**690.0**	**-8.4**	**681.6**

The fair value adjustments relate to credit risk valuations and the land and buildings acquired in the course of the OBS acquisition, which were valued on the basis of an appraisal report. The fair value of the acquired loans at the acquisition date amounted to EUR 455.2 million. The total gross contractual amount of these receivables was EUR 491.9 million. The best estimate at the acquisition date of the contractual cash flows not expected to be collected amounts to EUR 36.5 million. The proportionate share of non-controlling interests in the fair value of the acquired net assets amounted to EUR 5.4 million.

The cash consideration transferred for the shares acquired totaled EUR 31.9 million. In addition, acquisition related costs of EUR 2.2 million were recognised as expenses. Taking into account the fair value adjustments to the net assets, the transaction resulted in a gain from bargain purchase as follows:

in EUR million	2019
Purchase price excl. acquisition related expenses	31.9
Direct own interest of Steiermärkische Sparkasse in the net assets	-58.6
Bargain purchase gain	**26.7**

The bargain purchase gain is presented in the statement of income under line item ‚Other operating result'.

The opportunity for this bargain purchase arose due to the decision of SocGen to dispose of bank investments in Southeastern Europe in order to concentrate its international activities as a retail bank on markets with higher market shares and greater synergy potential.

Since the acquisition date, OBS's contribution to Erste Group's operating income amounted to EUR 4.3 million. The contribution to the net result for the period after taking into account the non-controlling interests amounted to EUR 4.0 million. If OBS had already been included in Erste Group's consolidated financial statements as of 1 January 2019, the contribution to the operating income would have been EUR 27.1 million and the contribution to net result for the period after taking into account the non-controlling interests would have been EUR 10.4 million.

Further additions to the consolidation scope had no material impact on the financial position and performance of the Group.

Disposals in 2019. The disposals had no material impact on the financial position and performance of the Group.

For further details regarding the scope of consolidation please refer to Note 56 Details of the companies wholly or partly owned by Erste Group as of 31 December 2020.

46. Subsidiaries

A subsidiary is an entity controlled by another entity. All entities directly or indirectly controlled by Erste Group Bank AG are consolidated in the Group financial statements on the basis of their annual accounts as of 31 December 2020, and for the year then ended.

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income and consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal. The financial statements of the bank's subsidiaries are prepared for the same reporting year as that of Erste Group Bank AG and using consistent accounting policies. All intra-Group balances, transactions, income and expenses as well as unrealised gains and losses and dividends are eliminated.

Non-controlling interests represent those portions of total comprehensive income and net assets that are neither directly nor indirectly attributable to the owners of Erste Group Bank AG. Non-controlling interests are presented separately in the consolidated statement of income, in the consolidated statement of comprehensive income and within equity on the consolidated balance sheet. Acquisitions of non-controlling interests as well as disposals of non-controlling interests that do not lead to a change of control are accounted for as equity transactions, whereby the difference between the consideration transferred and the share in the carrying amount of the net assets acquired is recognised in equity.

Control

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

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

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

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

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

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

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

Based on the contractual agreement, Haftungsverbund GmbH as the steering company is vested with the following substantive rights related to the savings banks:
_ participation in the appointment of board members;
_ approval of budgets including capital decisions;
_ provision of binding guidelines in the areas of risk and liquidity management as well as internal audit; and
_ determination of thresholds for capital requirement including the payment of dividends.

Furthermore, taking into account the magnitude of Erste Group's involvement with the member banks – whether in the form of synergies, investments, commitments, guarantees, or access to common resources – the Group has significant exposure to each of the member banks' variable returns. As Haftungsverbund GmbH is able to affect the variable returns through its power, it has been assessed that Haftungsverbund GmbH has control over the savings banks.

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

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

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

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

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

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

47. Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an interest in an associate or joint venture is recognised on the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's or joint venture's result is recognised in the consolidated statement of income in line item Net result from equity method investments. The line item contains the result from associates and joint ventures recorded by applying the equity method (measured as the investor's share of profit or loss in the associates and joint ventures). However, impairment losses, reversal of impairment losses and realised gains and losses on investments in associates or joint ventures accounted for using the equity method are reported under the line item 'Other operating result'. Entities accounted for using the equity method are recognised on the basis of annual financial statements as of 31 December 2019 and for the year then ended.

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

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

Joint ventures are joint arrangements over which Erste Group exercises control jointly with one or more other venturers, with the venturers having rights to the net assets of the arrangement, rather than to the assets and liabilities relating to the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Erste Group is not involved in joint arrangements which take form of joint operations.

Carrying amounts of at equity measured entities

in EUR million	Dec 19	Dec 20
Credit institutions	47	68
Financial institutions	60	60
Others	56	63
Total	**163**	**190**

Aggregated financial information of at equity measured entities

in EUR million	Dec 19	Dec 20
Total assets	4,870	4,835
Total liabilities	4,284	4,227
Income	306	327
Profit/loss	48	31

None of Erste Group's investments accounted for using the equity method published price quotations.

Selected equity method investments where the Erste Group has strategic interest

in EUR million	Dec 19			Dec 20		
	Prvá stavebná	Global Payments s.r.o.	VBV - Betriebliche Altersvorsorge AG	Prvá stavebná	Global Payments s.r.o.	VBV - Betriebliche Altersvorsorge AG
Country of Incorporation	Slovakia	Czech Republic	Austria	Slovakia	Czech Republic	Austria
Place of business	Slovakia	Czech Republic	Austria	Slovakia	Czech Republic	Austria
Main business activity	Financing building society	Payment services	Insurance	Financing building society	Payment services	Insurance
Ownership held %	35%	49%	30%	35%	49%	32%
Voting rights held %	35%	49%	27%	35%	49%	29%
IFRS Classification (JV/A)	Associate	Associate	Associate	Associate	Associate	Associate
Reporting currency	EUR	CZK	EUR	EUR	CZK	EUR
Investee's financial information for the reporting year						
Cash and cash balances	1	13	6	1	20	6
Other current assets	583	47	13	171	28	16
Non-current assets	2,411	52	43	2,779	56	47
Current liabilities	693	38	0	657	20	0
Non-current liabilities	2,043	0	2	2,028	9	10
Operating Income	71	40	0	71	36	8
Post-tax result from continuing operations	17	8	10	8	3	7
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	17	8	10	8	3	7
Depreciation and amortization	-5	-6	0	-6	-5	0
Interest income	93	0	0	89	0	0
Interest expense	-35	-1	0	-29	-1	0
Tax expense/income	-5	-3	0	-3	-1	0
Reconciliation of investee's net assets against equity investment's carrying amount						
Net assets attributable to Erste Group	90	37	18	93	37	19
Accumulated impairment	-46	0	0	-28	0	0
Carrying amount	45	37	18	65	37	19

The classification of current and non-current financial assets and liabilities is based on the expected remaining maturities of assets and liabilities.

In 2020 the impairment of the investment in Prvá stavebná was partly reversed with EUR 17.5 million recognised as income in line item 'Other operating result'. In 2019 the carrying amount of Prvá stavebná was impaired in the amount of EUR 46 million as a consequence of the extension and increase of the Slovak banking tax. The impairment loss was disclosed in line item 'Other operating result'.

Other equity method investments

in EUR million	Dec 19		Dec 20	
	Associates	Joint Ventures	Associates	Joint Ventures
Investees' aggregated key financial information				
Post-tax result from continuing operations	6	6	7	7
Other comprehensive income	0	0	0	0
Total comprehensive income	**6**	**6**	**7**	**7**
Loan commitments, financial guarantees and other commitments given	**0**	**0**	**0**	**0**
			0	0
Carrying amount	**40**	**24**	**42**	**27**

48. Unconsolidated structured entities

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

Assessing which entities are structured entities, and which involvements in such entities are interests, may require considerable accounting judgements and assumptions. In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for assessing involvements with investment funds and securitisation vehicles.

For investment funds, Erste Group reached the conclusion that direct Group exposure would typically indicate an interest in these structured entities, irrespective of whether such exposure comes from on-balance financial assets – mostly in the form of units held in such funds, off-balance commitments given or management fees varying in relation to the assets under management (for own-managed funds in general). As described under Note 46 Subsidiaries above, own-managed funds where the Group cumulatively holds less than 20% of the related fund units in issue are not consolidated due to lack of control and thus are subject to specific disclosures for unconsolidated structured entities.

Erste Group uses following structured entities in the course of its business activity.

Investment funds

Direct investments in own-managed and third-party-managed investment funds as well as management fees earned for the management of investment funds by subsidiaries of Erste Group are classified as interests in unconsolidated structured entities, if they are not consolidated.

Direct investments in investment funds. Erste Group is invested in several mutual funds as well as in private investment funds which are registered in Austria, Central- and Eastern Europe or other countries. The majority of those funds is managed by subsidiaries of Erste Group, the smaller part of the funds being managed by independent third parties. The investments in funds held by Erste Group do not constitute material investments (basically below 20%) and mostly take the form of redeemable fund unit investments. They are measured at fair value on the Group's balance sheet, and are disclosed as debt securities either under line item 'Non-trading financial assets at fair value through profit or loss' or 'Financial assets held for trading'.

Management fees. Moreover, Erste Group earnes management fees for providing investment management services as fund manager (by subsidiaries of Erste Group); meaning for making the investment decision for the funds under management of the relevant investment fund.

Beside the management fees for the services as fund manager Erste Group also receives distributions for their investments in fund units. On the other side stand expenses for the administration of investment funds and fees for the business activity of investment funds, especially custodian fees and fees for securities trading transactions. In the normal course of business activity Erste Group enters into derivative transactions with own-managed unconsolidated investment funds. Moreover, own-managed unconsolidated investment funds are also invested - over different time periods - in debt securities issued by or deposits of Erste Group. In restricted cases Erste Group offers capital guarantees for own-managed unconsolidated investment funds.

The magnitude of the Group's equity interests in unconsolidated investment funds may vary in the future depending on the future performance of their respective underlying assets, relevant market circumstances and opportunities, or regulatory requirements.

Securitization vehicles

Erste Group is also involved as an investor in a number of unconsolidated securitization vehicles sponsored and managed by unrelated third parties in foreign jurisdictions. These interests are asset backed securities with the purpose to securitize certain assets, usually loan receivables, into tradeable interest-bearing securities. The securitization vehicles are financed by the issuance of different tranches of asset backed securities. Investors of those securities cover the default risk of the underlying assets. Erste Group is invested in tranches with investment grade, which are measured at fair value on the balance sheet. All investments in unconsolidated securitizations relates to bond investments maturing beyond 1 year. At year end the remaining, weighted average maturity of those debt securities is slightly more than 11.58 years. The interests in securitization vehicles include Collateralized Mortgage Obligations (CMO) and securitized student loans from the US, which will be disposed in the next years.

Others

To a lesser extent, Erste Group is also exposed (notably as lender) to unconsolidated structured entities having other business activities. The respective loans and advances are either measured at amortised cost or at fair value through profit or loss, depending whether they are SPPI-compliant or not.

Maximum exposure to unconsolidated structured entities

Erste Group's maximum exposure to losses from its interests in unconsolidated structured entities is equal to the total fair value of its fund units, bond investments, trading derivative assets, provided loans and off-balance sheet commitments and guarantees as of the respective balance sheet date. The maximum exposure corresponds to the carrying amounts after risk provisions as of the balance sheet date. For off-balance sheet loan commitments and guarantees the maximum exposure corresponds to the respective nominal value.

The table below summarises the Group's business relations to unconsolidated structured entities per balance sheet line item, business activity and business location. The summary includes the assets identified as impaired at year-end, as well as related net impairment losses/gains incurred during the year. The carrying amounts of the exposures summarized below are mostly referring to assets already measured at fair value in the balance sheet of the Group. The carrying amounts of the remaining exposures (notably 'Loans and advances') are materially similar to their fair values.

in EUR million	Investment Funds			Securitization vehicles			Other	Total
	Own-managed	Third-party managed	Total	Own-managed	Third-party managed	Total		
Dec 20								
Assets								
Equity instruments, thereof:	0	0	0	0	0	0	0	0
at FVPL	0	0	0	0	0	0	0	0
Debt securities, thereof:	650	79	728	0	41	41	0	770
Financial assets HfT	1	23	24	0	0	0	0	24
at FVPL	648	56	704	0	41	41	0	746
Loans and advances	9	0	9	0	0	0	49	58
Trading derivatives	16	0	16	0	0	0	0	16
Total assets	**674**	**79**	**753**	**0**	**41**	**41**	**49**	**843**
thereof impaired	0	0	0	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction								
Austria	644	0	644	0	0	0	0	644
Central and Eastern Europe	30	6	35	0	0	0	49	84
Other jurisdictions	0	73	73	0	41	41	0	115
Liabilities								
Equity instruments	87	0	87	0	0	0	0	87
Debt securities issued	232	0	232	0	0	0	0	232
Deposits	1,994	0	1,994	0	0	0	1	1,995
Trading derivatives	79	0	79	0	0	0	0	79
Total liabilities	**2,392**	**0**	**2,392**	**0**	**0**	**0**	**1**	**2,393**
Off balance-sheet commitments	**131**	**0**	**131**	**0**	**0**	**0**	**0**	**131**
Dec 19								
Assets								
Equity instruments, thereof:	0	0	0	0	0	0	9	9
at FVPL	0	0	0	0	0	0	9	9
Debt securities, thereof:	649	46	695	0	59	59	0	754
Financial assets HfT	6	8	14	0	0	0	0	14
at FVPL	643	39	681	0	59	59	0	741
Loans and advances	78	0	78	0	0	0	55	133
Trading derivatives	5	0	5	0	0	0	0	5
Total assets	**732**	**46**	**778**	**0**	**59**	**59**	**64**	**901**
thereof impaired	0	0	0	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction								
Austria	685	0	685	0	0	0	0	685
Central and Eastern Europe	47	5	52	0	0	0	64	116
Other jurisdictions	0	41	41	0	59	59	0	100
Liabilities								
Equity instruments	100	0	100	0	0	0	0	100
Debt securities issued	214	0	214	0	0	0	0	214
Deposits	1,785	0	1,785	0	0	0	2	1,787
Trading derivatives	47	0	47	0	0	0	0	47
Total liabilities	**2,146**	**0**	**2,146**	**0**	**0**	**0**	**2**	**2,148**
Off balance-sheet commitments	**26**	**0**	**26**	**0**	**0**	**0**	**0**	**26**

Other disclosure matters

49. Related-party transactions and principal shareholders

In addition to principal shareholders, Erste Group also defines as related parties subsidiaries that are not consolidated due to non-materiality and associates that are included in the consolidated financial statements by the equity method. Furthermore, related parties consist of management and supervisory board members of Erste Group Bank AG. Moreover, Erste Group defines close family members of management and supervisory board members of Erste Group Bank AG, as well as companies over which management and supervisory board members of Erste Group Bank AG have significant influence, as other related parties.

Transactions between Erste Group Bank AG and fully consolidated companies are not recognised in the consolidated financial statements as they have been eliminated.

Transactions with related parties are done at arm's length.

Principal shareholders

The interests disclosed in the paragraph below relate to shares in capital. This is different to the ones presented in the Consolidated Financial Statements 2019, in which shares in voting rights have been presented. Therefore comparative figures are slightly different.

As of 31 December 2020, DIE Erste österreichische Spar-Casse Privatstiftung (ERSTE Foundation), a foundation, holds together with its partners to shareholder agreements approximately 31.17% (2019: 30.39%) share capital of the subscribed capital of Erste Group Bank AG and is with 16.50% (2019: 15.96%) principal shareholder. The ERSTE Foundation is holding 5.90% (2019: 6.37%) of the share capital directly, the indirect participation of the ERSTE Foundation amounts to 10.60% (2019: 9.59%) of the share capital held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated company of ERSTE Foundation. 1.67% (2019: 1.43%) of the share capital are directly held by saving banks foundations acting together with the ERSTE Foundation. 9.92% (2019: 9.92%) of the subscribed capital are held by the ERSTE Foundation on the basis of a shareholder agreement with CaixaBank S.A, 3.08% (2019: 3.08%) are held by other partners to other shareholder agreements.

Erste Group did not distribute any dividends in 2020, for details please refer to Note 14 Appropriation of profit. Accordingly, ERSTE Foundation received no dividend on its stake in Erste Group Bank AG in 2020 (2019 EUR 67.5 million).

The purpose of the ERSTE Foundation, to be achieved notably by way of the participating interest in Erste Group Bank AG, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. As of 31 December 2020, Mario Catasta (chairman), Boris Marte (vice chairman), Eva Höltl and Franz Portisch were members of ERSTE Foundation's management board. The supervisory board of ERSTE Foundation had eight members at the end of 2020, two of whom are also members of the supervisory board of Erste Group Bank AG.

Under article 15.1 of the articles of association, for the duration of its assumption of liability for all current and future debts in the event of default on payment by the company, the ERSTE Foundation is entitled, pursuant to Section 92 (9) of the Austrian Banking Act, to delegate up to one-third of the supervisory board members to be elected at the Annual General Meeting. Until now, the ERSTE Foundation has not exercised this right.

As of 31 December 2020, Erste Group had in relation to the ERSTE Foundation accounts payable of EUR 10.7 million (2019: EUR 8.2 million). In addition, ERSTE Foundation held bonds issued by Erste Group Bank AG in the amount of EUR 7.2 million (2019: EUR 7.3 million). The above-mentioned transactions resulted in interest expenses of EUR 0.2 million (2019: EUR 0.3 million).

As of 31 December 2020 CaixaBank S.A. with headquarters in Valencia, Spain held a total of 42,634,248 (2019: 42,634,248) Erste Group Bank AG shares, equivalent to 9.92% (2019: 9.92%) of the share capital of Erste Group Bank AG. One seat, for which CaixaBank S.A. has a nomination right according to the shareholders agreement, is occupied by Jordi Gual Sole (chairman of the board of CaixaBank S.A.), since the annual general meeting from 2017. The second seat for which CaixaBank S.A. has a nomination right according to the shareholders agreement is occupied by Matthias Bulach (member of the management board of CaixaBank S.A.) since the annual general meeting from 2019.

In addition, the shareholders' agreement between CaixaBank S.A. and the ERSTE Foundation which had been in effect since 2009, was renewed on 15 December 2014 (Preferred Partnership Agreement). On the basis of this agreement, CaixaBank S.A. joined the ranks of the core shareholders, which include ERSTE Foundation as well as the savings banks, their foundations as well as Wiener Städtische Wechselseitige Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group. As member of this syndicate, CaixaBank S.A. will abide by the recommendations of the ERSTE Foundation when electing new supervisory board members. Moreover CaixaBank S.A. gets the right to nominate a second member of the supervisory board. CaixaBank S.A. did not receive a dividend in 2020 for the financial year 2019 (2019 for financial year 2018: EUR 59.7 million).

Balances and off-balance exposures with related parties

in EUR million	Dec 19			Dec 20		
	Subsidaries - not consolidated	Associated entities	Joint ventures	Subsidaries - not consolidated	Associated entities	Joint ventures
Selected financial assets	**143**	**555**	**209**	**118**	**531**	**223**
Equity instruments	97	74	11	85	68	17
Debt securities	0	6	0	0	4	0
Loans and advances	45	474	198	34	460	206
Loans and advances credit institutions	0	1	0	0	0	0
Loans and advances customers	45	473	198	34	460	206
of which impaired	1	0	0	1	0	0
Selected financial liabilities	**28**	**119**	**10**	**56**	**127**	**16**
Deposits	28	119	10	56	127	16
Deposits from banks	0	10	0	0	0	0
Deposits from customers	28	109	10	56	127	16
Loan commitments, financial guarantees and other commitments given (notional amount)	20	190	51	18	172	59
of which defaulted	1	0	0	0	0	0
Loan commitments, financial guarantees and other commitments received (notional amount)	0	0	0	1	0	0
Derivatives (notional amount)	0	0	0	0	0	0
Credit loss allowances and provisions	13	0	0	12	0	0

Expenses/Income generated by transactions with related parties

in EUR million	1-12 19			1-12 20		
	Subsidaries - not consolidated	Associated entities	Joint ventures	Subsidaries - not consolidated	Associated entities	Joint ventures
Interest income	1	7	3	1	6	3
Fee and commission income	0	1	1	0	1	0
Dividend income	3	6	1	1	4	1
Rental income from operating leasing	0	0	0	0	0	0
Interest expenses	0	0	0	0	0	0
Fee and commission expenses	-1	-2	0	-1	-2	0
Expenses from impairment of financial instruments	-15	0	0	0	-2	0
Income from impairment of financial instruments	0	0	0	1	0	0

Remuneration of management and supervisory board members

The following table shows total remuneration of the members of the management and supervisory board according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis in line with the respective rules of the underlying standards IAS 19 and IFRS 2. The amounts disclosed correspond to the estimated disbursement as of the balance sheet date and may deviate from the ones which will be finally paid.

in EUR thousand	1-12 19			1-12 20		
	Management board	Supervisory board	Total	Management board	Supervisory board	Total
Short-term employee benefits	6.114	1.489	7.603	5.952	1.635	7.588
Post-employment benefits	1.983		1.983	889		889
Other long-term benefits	249		249	7		7
Termination benefits			0			0
Share-based payment	5.302		5.302	4.421		4.421
Total	**13.648**	**1.489**	**15.137**	**11.270**	**1.635**	**12.906**

Short-term employee benefits. Under this category salaries, benefits in kind, social security contributions and other short-term benefits are included. Disclosed remuneration for supervisory board members comprises supervisory board compensation, meeting fees as well as remuneration for board functions in fully consolidated subsidiaries.

Post-employment benefits. The members of the management board participate in the defined contribution pension plan of Erste Group according to the same principles as the employees of the Group (see Note 42 Provisons). Post-employment benefits shown in the table above contain contribution payments to pension schemes and to severance schemes (‘Mitarbeitervorsorgekasse’).

Other long-term benefits. Other long-term benefits mainly include net allocations to provisions for jubilee payments. (see Note 42 Provisions).

Share-based payment transactions. Share-based payments are variable remuneration components, which – according to the remuneration policy of Erste Group – are deferred over a period of five years and may only be paid if regulatory requirements in respect of own funds and liquidity are met, both für Erste Group and Erste Group Bank AG. The amount paid is dependent on the average share price of Erste Group Bank AG in the year of payment (‘phantom shares’). Following the EBA-Statement on dividends distribution, share buybacks and variable remuneration, in order to achieve an appropriate alignment with risks stemming from the Covid-19 pandemic, a significant part of

the variable remuneration will be deferred for a longer period and entirely - depending on meeting minimum performance standards - be awarded in phantom shares. Accordingly, for performance year 2019, 100% of any variable remuneration of the management board in Erste Group Bank AG was granted in non-cash instruments only. The expense for the variable remuneration is accrued based on the estimated amount which will be decided by the Remuneration Committee in April of the following year. In balance sheet, the recognized provision is disclosed under line item 'Provisions'. The amount of the liability is fixed in the next year. After the performance period the liability is measured by using the average stock price. Subsequent adjustments of the liability from changes in the share price are recognized in profit or loss. As of 31 December 2020, the valuation of the liability is based on the average weighted daily share price of Erste Group Bank AG of the year 2020 in the amount of EUR 21.81 (2019: EUR 32.08) per share.
Pay-outs of firmly awarded share-equivalents are made after one-year vesting period.

The outstanding amount of liability related to the performance period 2020 and unpaid deferred tranches from the previous years was EUR 8.7 million (2019: EUR 17.8 million).

The members of the management board of Erste Group were granted a remuneration of 0.4% (2019: 0.5%) of the total personnel expenses for their activities in the financial year 2020.

In 2020, EUR 9,205,553.01 (2019: EUR 1,941,320.82) was paid in cash and EUR 83,569 (2019: EUR 4,862) share-equivalents were assigned to former board members and their dependents.

The remuneration granted to the management board members complies with the banking rules on management remuneration.

Banking transactions with key management employees and persons and companies related to key management employees

As of the end of 2020, loans and advances granted to members of the management board and supervisory board totalled EUR 1,423 thousand (2019: EUR 2,674 thousand). Deposits of members of the management board and supervisory board at Erste Group amounted to EUR 47,099 thousand (2019: EUR 10,596 thousand) in total. Members of the management and supervisory board held bonds issued by Erste Group in the amount of EUR 422 thousand (2019: EUR 253 thousand). Loan commitments and financial guarantees, issued in favour of members of the management and supervisory board totalled EUR 700 thousand (2019: EUR 4,136 thousand) as of the end of 2020. From banking transactions with members of the management board and supervisory board Erste Group received interest income and fee income of EUR 88 thousand (2019: EUR 23 thousand) in total, and paid interest expense of EUR 7 thousand (2019: EUR 7 thousand).

Loans and advances to close family members of key management employees and companies over which key management employees have control or significant influence (hereinafter referred to 'other related parties') totalled EUR 60,802 thousand (2019: EUR 34,639 thousand) as of 31 December 2020. As of the end of 2020, deposits of other related parties at Erste Group amounted to EUR 11,809 thousand (2019: EUR 38,641 thousand) in total. As of 31 December 2020 other related parties held no bonds issued by companies of Erste Group (2019: EUR 12,060 thousand). Loan commitments and financial guarantees, issued in favour of other related parties totalled EUR 48 thousand (2019: EUR 1,782 thousand) as of the end of 2020. From banking transactions with other related parties Erste Group received interest income and fee income of EUR 1,086 thousand (2019: EUR 1,005 thousand) in total, and paid interest and fee expenses of EUR 5 thousand (2019: EUR 15 thousand).

The applicable interest rates and other terms (maturity dates and collateral) represent market conditions.

50. Share-based payments

Every year Erste Group grants a bonus program to defined employees. It relates to services rendered by these employees in that year ('performance period'). The bonus payments are split into an upfront tranche and five deferred tranches. At least 50 percent of the absolute amount paid depends on the average share price of Erste Group Bank AG in the year of payment ('phantom shares').

As services are received by Erste Group in the performance year, the total estimated amount of bonus payments is accrued via profit or loss and recognized as provision in balance sheet. The share-based component of the bonus payment is measured with the respective average share price. Subsequent adjustments due to changes in the share price are recognized in profit or loss. As of 31 December 2020, the valuation is based on the average weighted daily share price of Erste Group Bank AG of the year 2020 in the amount of EUR 21.81 (2019: EUR 32.08) per share. Pay-outs of share-based bonus payments are made one-year after the final amount is determined.

The outstanding amount of liability related to unpaid deferred tranches was EUR 43.5 million (2019: EUR 33.8 million).

51. Audit fees and tax consultancy fees

The following table contains fees charged by the auditors of Erste Group Bank AG and subsidiaries for the financial years 2019 and 2018; the auditors being Sparkassen-Prüfungsverband (auditing agency) and Price Waterhouse Coopers. The values for PricewaterhouseCoopers comprise the services of 'PwC Wirtschaftsprüfung GmbH' as well as the PwC network.

in EUR million	Dec 19	Dec 20
Statutory audit of financial statements/consolidated financial statements	**13.2**	**12.5**
Audit fees - PwC	5.9	5.3
Audit fees - Sparkassen-Püfungsverband	7.3	7.2
Other assurance services	**1.9**	**2.5**
Other assurance services - PwC	0.8	1.5
Other assurance services - Sparkassen-Püfungsverband	1.1	1.0
Tax consulting	**0.0**	**0.0**
Tax consulting - PwC	0.0	0.0
Tax consulting - Sparkassen-Püfungsverband	0.0	0.0
Other services	**0.4**	**0.2**
Other services - PwC	0.4	0.2
Other services - Sparkassen-Püfungsverband	0.1	0.0
Total	**15.6**	**15.2**

The Sparkassen-Prüfungsverband (Austrian Savings Bank Auditing Association) provided audit services for an amount of EUR 1.7 million (2019: EUR 1.7 million) to Erste Group Bank AG and EUR 5.3 million (2019: EUR 5.5 million) for the subsidiaries. For other assurance services EUR 0.0 million (2019: EUR 0.1 million) were charged to the subsidiaries of Erste Group Bank AG while EUR 0.0 million (2019: EUR 0.0 million) is the amount for other services provided to the subsidiaries. The amounts in the table above include also fees for services provided by SPV Wirtschaftsprüfungsges.m.b.H.

The auditor 'PwC Wirtschaftsprüfung GmbH' provided audit services to Erste Group Bank AG for EUR 1.0 million (2019: EUR 1.1 million) and to the subsidiaries for EUR 0.7 million (2019: EUR 0.9 million). An amount of EUR 3.6 million (2019: EUR 3.9 million) was charged for audit services of the PricewaterhouseCoopers network to the subsidiaries.

The total amount for other assurance services provided by 'PwC Wirtschaftsprüfung GmbH' is EUR 0.3 million (2019: EUR 0.3 million).

52. Assets held for sale and liabilities associated with assets held for sale

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

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

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

in EUR million	Dec 19	Dec 20
Assets held for sale	269	212
Liabilities associated with assets held for sale	6	1

As of the end of 2020, 'Assets held for sale' include mainly land and buildings in amount of EUR 163.1 million (2019: EUR 180.9 million).

Fair values and fair value hierarchy

in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Dec 20					
Assets for which the FV is presented in the balance sheet					
Assets held for sale	129	131	0	0	131
Dec 19					
Assets for which the FV is presented in the balance sheet					
Assets held for sale	133	134	0	0	134

Assets held for sale, which consist mainly of property, are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell. The fair values are determined by experts with recognised and relevant professional qualification.

The book value related to assets held for sale for which no disclosure according to IFRS 13 is required amounts to EUR 49 million (2019: EUR 48 million) as of 31 December 2020. The corresponding fair value amounts to EUR 66 million (2019: EUR 68 million).

53. Assets and liabilities denominated in foreign currencies and outside Austria and return on assets

Assets and liabilities not denominated in EUR

in EUR million	Dec 19	Dec 20
Assets	86,290	101,321
Liabilities	64,877	78,535

Assets and liabilities outside Austria

in EUR million	Dec 19	Dec 20
Assets	147,865	152,875
Liabilities	104,816	117,457

Return on assets (net profit for the year divided by average total assets) was 0.39% at 31 December 2020 (2019: 0.79%).

54. Analysis of remaining maturities

Expected remaining maturities of assets and liabilities

in EUR million	Dec 19		Dec 20	
	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	10,693	0	35,839	0
Financial assets HfT	1,864	3,895	2,745	3,611
Derivatives	608	2,197	925	2,029
Other financial assets held for trading	1,256	1,698	1,820	1,582
Non-trading financial assets at FVPL	1,140	2,009	1,017	2,066
Equity instruments	39	352	22	325
Debt securities	1,055	1,220	984	1,065
Loans and advances to customers	47	437	12	675
Financial assets at FVOCI	1,784	7,336	1,710	6,809
Equity instruments	6	277	-34	164
Debt securities	1,777	7,059	1,744	6,645
Financial assets at AC	55,636	148,526	50,853	160,088
Debt securities	21,802	1,252	3,779	25,800
Loans and advances to banks	31,224	123,120	20,299	1,167
Loans and advances to customers	2,610	24,153	26,775	133,120
Finance lease receivables	392	3,643	471	3,657
Hedge accounting derivatives	33	97	104	101
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	-4	0	5
Property and equipment	0	2,629	0	2,552
Investment properties	0	1,266	0	1,280
Intangible assets	0	1,368	0	1,359
Investments in associates and joint ventures	0	163	0	190
Current tax assets	81	0	175	0
Deferred tax assets	0	475	0	460
Assets held for sale	269	0	212	0
Trade and other receivables	1,384	24	1,302	39
Other assets	736	265	611	140
Total Assets	**74,012**	**171,692**	**95,037**	**182,356**
Financial liabilities HfT	733	1,688	925	1,700
Derivatives	673	1,332	788	1,250
Other trading liabilities	60	356	137	451
Financial liabilities at FVPL	1,925	11,569	2,168	9,923
Deposits	140	125	144	110
Debt securities issued	1,566	11,444	1,844	9,813
Other financial liabilities	219	0	180	0
Financial liabilities at AC	145,649	58,495	164,170	70,955
Deposits from banks	7,113	6,028	5,120	19,651
Deposits from customers	135,323	37,743	155,521	35,295
Debt securities issued	2,673	14,688	3,033	15,987
Other financial liabilities	540	36	496	22
Lease liabilities	92	423	65	495
Hedge accounting derivatives	250	19	167	22
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	696	1,223	704	1,378
Current tax liabilities	61	0	58	0
Deferred tax liabilities	0	18	0	20
Liabilities associated with assets held for sale	6	0	1	0
Other liabilities	1,628	742	1,684	547
Total Liabilites	**151,039**	**74,177**	**169,943**	**85,040**

55. Events after the balance sheet date

Due to the ECB recommendation from 15 December 2020 the disbursement conditions for distributing a dividend of 0.75 EUR as of 8 February 2021 (reference date) have not been satisfied. As a consequence, no dividend has been distributed for financial year 2019.

56. Country by country reporting

Starting with 2014 Erste Group publishes information about Group's country by country relevant activities as required by Article 89 of the EU Capital Requirements Directive IV.

in EUR million	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Dec 20				
Austria	2,968	-4	-120	-112
Croatia	373	51	-1	-20
Czech Republic	1,627	641	-100	-180
Hungary	481	139	-19	-18
Romania	732	265	-52	-50
Serbia	108	26	1	-1
Slovakia	622	199	-41	-55
Other locations	243	51	-10	-3
Total	**7,155**	**1,368**	**-343**	**-439**
Dec 19				
Austria	3,169	620	-71	-136
Croatia	424	182	-30	-40
Czech Republic	1,641	914	-168	-142
Hungary	434	192	-13	-14
Romania	711	207	-64	-80
Serbia	103	40	-2	-3
Slovakia	613	108	-50	-46
Other locations	161	66	-22	-7
Total	**7,256**	**2,330**	**-419**	**-468**

For information regarding the country of residence of each fully consolidated entity refer to Note 56 Details of the companies wholly or partly owned by Erste Group as of 31 December 2020.

During the financial year 2020, Erste Group received only an immaterial amount of public or state subsidies.

Information about the geographical split of the average number of headcounts employed in Erste Group throughout 2020 is disclosed in Note 8 General administrative expenses.

57. Details of the companies wholly or partly owned by Erste Group as of 31 December 2020

The table below presents material, fully consolidated subsidiaries, investments in associates accounted for at equity and other investments.

Company name, registered office		Interest of Erste Group in %	
		Dec 19	Dec 20
Fully consolidated subsidiaries			
Credit institutions			
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	Linz	39.2	39.2
Banca Comerciala Romana Chisinau S.A.	Chisinau	99.9	99.9
Banca Comerciala Romana SA	Bucharest	99.9	99.9
Banka Sparkasse d.d.	Ljubljana	28.0	28.0
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft	Wien	95.1	95.1
BCR Banca pentru Locuinte SA	Bucharest	99.9	99.9
Ceska sporitelna, a.s.	Praha	100.0	100.0
Die Zweite Wiener Vereins-Sparcasse	Wien	0.0	0.0
Dornbirner Sparkasse Bank AG	Dornbirn	0.0	0.0
Erste & Steiermärkische Bank d.d.	Rijeka	69.3	69.3
ERSTE BANK AD PODGORICA	Podgorica	69.3	69.3
ERSTE BANK AKCIONARSKO DRUŠTVO, NOVI SAD	Novi Sad	80.5	80.5
Erste Bank der oesterreichischen Sparkassen AG	Wien	100.0	100.0
Erste Bank Hungary Zrt	Budapest	100.0	100.0
Erste Group Bank AG	Wien	0.0	0.0
ERSTE Jelzálogbank Zártkörüen Működö Részvénytársaság	Budapest	100.0	100.0
Erste Lakas-Takarekpenztar Zartkoruen Mukodo Reszvenytarsasag	Budapest	100.0	100.0
Kärntner Sparkasse Aktiengesellschaft	Klagenfurt	25.0	25.0
KREMSER BANK UND SPARKASSEN AKTIENGESELLSCHAFT	Krems	0.0	0.0
Lienzer Sparkasse AG	Lienz	0.0	0.0
Ohridska Banka AD Skopje	Skopje	22.9	23.3
Salzburger Sparkasse Bank Aktiengesellschaft	Salzburg	100.0	100.0
Slovenska sporitelna, a. s.	Bratislava	100.0	100.0
Sparkasse Baden	Baden	0.0	0.0
Sparkasse Bank dd Bosna i Hercegovina	Sarajevo	25.0	25.0
SPARKASSE BANK MAKEDONIJA AD SKOPJE	Skopje	24.9	24.9
Sparkasse Bludenz Bank AG	Bludenz	0.0	0.0
Sparkasse Bregenz Bank Aktiengesellschaft	Bregenz	0.0	0.0
Sparkasse der Gemeinde Egg	Egg	0.0	0.0
Sparkasse der Stadt Amstetten AG	Amstetten	0.0	0.0
Sparkasse der Stadt Feldkirch	Feldkirch	0.0	0.0
Sparkasse der Stadt Kitzbühel	Kitzbühel	0.0	0.0
Sparkasse Eferding-Peuerbach-Waizenkirchen	Eferding	0.0	0.0
Sparkasse Feldkirchen/Kärnten	Feldkirchen	0.0	0.0
SPARKASSE FRANKENMARKT AKTIENGESELLSCHAFT	Frankenmarkt	0.0	0.0
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	Hainburg	75.0	75.0
Sparkasse Haugsdorf	Haugsdorf	0.0	0.0
Sparkasse Herzogenburg-Neulengbach Bank Aktiengesellschaft	Herzogenburg	0.0	0.0
Sparkasse Horn-Ravelsbach-Kirchberg Aktiengesellschaft	Horn	0.0	0.0
Sparkasse Imst AG	Imst	0.0	0.0
Sparkasse Korneuburg AG	Korneuburg	0.0	0.0
Sparkasse Kufstein Tiroler Sparkasse von 1877	Kufstein	0.0	0.0
Sparkasse Lambach Bank Aktiengesellschaft	Lambach	0.0	0.0
Sparkasse Langenlois	Langenlois	0.0	0.0
Sparkasse Mittersill Bank AG	Mittersill	0.0	0.0
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	Rohrbach	40.0	40.0
Sparkasse Mürzzuschlag Aktiengesellschaft	Mürzzuschlag	0.0	0.0
Sparkasse Neuhofen Bank Aktiengesellschaft	Neuhofen	0.0	0.0
Sparkasse Neunkirchen	Neunkirchen	0.0	0.0
SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT	St. Pölten	0.0	0.0
Sparkasse Pöllau AG	Pöllau	0.0	0.0
Sparkasse Pottenstein N.Ö.	Pottenstein	0.0	0.0
Sparkasse Poysdorf AG	Poysdorf	0.0	0.0
Sparkasse Pregarten - Unterweißenbach AG	Pregarten	0.0	0.0
Sparkasse Rattenberg Bank AG	Rattenberg	0.0	0.0
Sparkasse Reutte AG	Reutte	0.0	0.0
Sparkasse Ried im Innkreis-Haag am Hausruck	Ried	0.0	0.0
Sparkasse Salzkammergut AG	Bad Ischl	0.0	0.0
Sparkasse Scheibbs AG	Scheibbs	0.0	0.0
Sparkasse Schwaz AG	Schwaz	0.0	0.0
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	Voitsberg	4.2	4.2
Stavebni sporitelna Ceske sporitelny, a.s.	Praha	100.0	100.0
Steiermärkische Bank und Sparkassen Aktiengesellschaft	Graz	25.0	25.0
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	Innsbruck	75.0	75.0
Waldviertler Sparkasse Bank AG	Zwettl	0.0	0.0
Wiener Neustädter Sparkasse	Wiener Neustadt	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 19	Dec 20
Financial institutions			
"DIE EVA" Grundstückverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
"Die Kärntner" Trust- Vermögensverwaltungsgesellschaft m.b.H. & Co KG	Klagenfurt	25.0	25.0
"Die Kärntner" Trust-Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
"Nare" Grundstücksverwertungs-Gesellschaft m.b.H.	Wien	100.0	100.0
"SELIMMO" - Sparkasse Mühlviertel-West - DIE ERSTE Leasing - Immobilienvermietung GmbH	Rohrbach	69.4	69.4
ACP Financial Solutions GmbH	Wien	75.0	75.0
Alea-Grundstückverwaltung Gesellschaft m.b.H.	Wien	100.0	100.0
Altstadt Hotelbetriebs GmbH	Wien	100.0	100.0
AS-Alpha Grundstücksverwaltung Gesellschaft m.b.H.	Wien	39.2	39.2
AVION-Grundverwertungsgesellschaft m.b.H.	Wien	51.0	51.0
AWEKA - Kapitalverwaltungsgesellschaft m.b.H.	Graz	25.0	25.0
BCR Leasing IFN SA	Bucharest	99.9	99.9
BCR Payments Services SRL	Sibiu	99.9	99.9
BCR Social Finance IFN S.A.	Bucharest	79.5	79.5
BOOTES-Immorent Grundverwertungs-Gesellschaft m.b.H.	Wien	100.0	100.0
CS Property Investment Limited	Nicosia	100.0	100.0
DENAR-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
DIE ERSTE Leasing Grundaufschließungs- und Immobilienvermietungsgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Grundbesitzgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Grundstückverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Immobilienbesitzgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Immobilienverwaltungs- und -vermietungsgesellschaft m.b.H.	Wien	100.0	100.0
DIE EVA - Liegenschaftsverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
DIE EVA-Gebäudeleasinggesellschaft m.b.H.	Wien	100.0	100.0
DIE EVA-Immobilienleasing und -erwerb Gesellschaft m.b.H.	Wien	100.0	100.0
Drustvo za lizing nekretnina, vozila, plovila i masina "S-Leasing" doo Podgorica	Podgorica	62.5	62.5
EB Erste Bank Internationale Beteiligungen GmbH	Wien	100.0	100.0
EB-Grundstücksbeteiligungen GmbH	Wien	100.0	100.0
EKZ-Immorent Vermietung GmbH	Wien	100.0	100.0
Epsilon Immorent s.r.o.	Praha	100.0	100.0
Erste & Steiermärkische S-Leasing drustvo s ogranicenom odgovornoscu za leasing vozila i strojeva	Zagreb	47.1	47.1
Erste Bank und Sparkassen Leasing GmbH	Wien	100.0	100.0
ERSTE CARD CLUB d.o.o.	Zagreb	69.3	69.3
ERSTE CARD poslovanje s kreditnimi karticami, d.o.o.	Ljubljana	69.3	69.3
Erste Finance (Delaware) LLC	Wilmington	100.0	100.0
Erste Group Immorent CR s.r.o.	Praha	100.0	100.0
Erste Group Immorent GmbH	Wien	100.0	100.0
Erste Group Immorent International Holding GmbH	Wien	100.0	100.0
Erste Group Immorent Lízing Zártkörüen Működö Részvénytársaság	Budapest	100.0	100.0
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o.	Ljubljana	100.0	100.0
Erste Leasing, a.s.	Znojmo	100.0	100.0
Erste Social Finance Holding GmbH	Wien	60.0	60.0
Eva-Immobilienverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
Eva-Realitätenverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
F & S Leasing GmbH	Klagenfurt	100.0	100.0
Factoring Ceske sporitelny a.s.	Praha	100.0	100.0
GIROLEASING-Mobilienvermietungsgesellschaft m.b.H.	Wien	62.5	62.5
Holding Card Service s.r.o.	Praha	100.0	100.0
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H.	Wien	38.0	38.0
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	54.5	54.5
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach	40.0	40.0
Immo Smaragd GmbH	Schwaz	0.0	0.0
Immorent - Immobilienleasing Gesellschaft m.b.H.	Wien	100.0	100.0
Immorent - Weiko Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT DELTA, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
ImmoRent Einkaufszentren Verwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT EPSILON, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
Immorent Oktatási Ingatlanhasznosító és Szolgáltató Kft.	Budapest	56.0	56.0
IMMORENT PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
IMMORENT PTC, s.r.o.	Praha	100.0	100.0
IMMORENT RIED GmbH	Wien	100.0	100.0
IMMORENT-ANUBIS Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-ASTRA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Clio-Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Gamma-Grundstücksverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-GREKO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-JULIA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Kappa Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-LEANDER Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-MOMO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-MÖRE Grundverwertungsgesellschaft m.b.H.	Wien	69.5	69.5

Company name, registered office		Interest of Erste Group in %	
		Dec 19	Dec 20
IMMORENT-NERO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-Objektvermietungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-OSIRIS Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-PAN Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-Raiffeisen Fachhochschule Errichtungs- und BetriebsgmbH	Wien	55.0	55.0
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
IMMORENT-RASTA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-REMUS Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RIALTO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RIO Grundverwertungsgesellschaft m.b.H.	Wien	55.0	55.0
IMMORENT-RIWA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RONDO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RUBIN Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-SARI Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Theta-Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-TRIAS Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
Immorent-WBV Grundverwertungsgesellschaft m.b.H.	Wien	50.0	50.0
IMNA-Immorent Immobilienleasing GmbH	Wien	100.0	100.0
Intermarket Bank AG	Wien	93.8	93.8
IR Beteiligungsverwaltungsgesellschaft mbH	Wien	100.0	100.0
IR REAL ESTATE LEASING d.o.o. u likvidaciji	Zagreb	92.5	92.5
Kärntner Sparkasse Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
MEKLA Leasing Gesellschaft m.b.H.	Wien	100.0	100.0
NAXOS-Immorent Immobilienleasing GmbH	Wien	100.0	100.0
NÖ-Sparkassen Beteiligungsgesellschaft m.b.H.	Wien	2.5	2.5
Ölim-Grundverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
OMEGA IMMORENT s.r.o.	Praha	100.0	100.0
OREST-Immorent Leasing GmbH	Wien	100.0	100.0
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung	Wien	100.0	100.0
PAROS-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Pischeldorfer Straße 221 Liegenschaftsverwertungs GmbH	Wien	100.0	100.0
PREDUZECE ZA FINANSIJSKI LIZING S-LEASING DOO, BEOGRAD	Belgrade	66.6	66.6
RHEA-Immorent Holding GmbH	Wien	100.0	100.0
s Autoleasing a.s.	Praha	100.0	100.0
s Autoleasing SK, s.r.o.	Bratislava	100.0	100.0
S IMMORENT OMIKRON drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
S Slovensko, spol. s r.o.	Bratislava	100.0	100.0
s Wohnbaubank AG	Wien	100.0	100.0
SCIENTIA Immorent GmbH	Wien	100.0	100.0
S-Factoring, faktoring druzba d.d.	Ljubljana	28.0	28.0
Sieben Tiroler Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein	0.0	0.0
S-Leasing Gesellschaft m.b.H.	Kirchdorf	69.6	69.6
S-Leasing Immobilienvermietungsgesellschaft m.b.H.	Wiener Neustadt	33.3	33.3
Sparfinanz-, Vermögens-, Verwaltungs- und Beratungs- Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
SPARKASSE IMMORENT Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Sparkasse Leasing d.o.o., Sarajevo	Sarajevo	25.0	25.0
Sparkasse Leasing d.o.o., Skopje	Skopje	25.0	25.0
Sparkasse Leasing S, družba za financiranje d.o.o.	Ljubljana	28.0	28.0
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach	40.0	40.0
Sparkassen IT Holding AG	Wien	31.1	31.1
Sparkassen Leasing Süd GmbH	Graz	25.0	25.0
Strabag Oktatási PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségü Társaság	Budapest	70.0	70.0
Subholding Immorent GmbH	Wien	100.0	100.0
TAURIS-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Theta Immorent s.r.o.	Praha	100.0	100.0
Theuthras-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
UBG-Unternehmensbeteiligungsgesellschaft m.b.H.	Wien	100.0	100.0
VIA Immobilien Errichtungsgesellschaft m.b.H.	Wien	100.0	100.0
Vorarlberger Sparkassen Beteiligungs GmbH	Dornbirn	0.0	0.0
WIESTA-Immorent Immobilienleasing GmbH	Wien	100.0	100.0
XENIA-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Zeta Immorent s.r.o.	Praha	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 19	Dec 20
Other			
Asset Management Slovenskej sporitelne, správ. spol., a. s.	Bratislava	91.1	91.1
BCR Fleet Management SRL	Bucharest	99.9	99.9
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Bucharest	99.9	99.9
BP Budejovicka, s. r. o.	Praha	0.0	100.0
BP Olbrachtova, s. r. o.	Praha	0.0	100.0
BP Polackova, s. r. o.	Praha	0.0	100.0
brokerjet Ceské sporitelny, a.s. v likvidaci	Praha	100.0	100.0
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.	Graz	25.0	25.0
BTV-Beteiligungs-, Treuhand-, Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Budejovicka development, s. r. o.	Praha	100.0	100.0
C&C Atlantic Limited	Dublin	100.0	100.0
CEE Property Development Portfolio 2 a.s.	Praha	100.0	100.0
CEE Property Development Portfolio B.V.	Amsterdam	20.0	20.0
Ceska sporitelna - penzijni spolecnost, a.s.	Praha	100.0	100.0
Cinci-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Collat-real Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
CP Praha s.r.o., v likvidaci	Praha	20.0	20.0
CPDP 2003 s.r.o.	Praha	100.0	100.0
CPP Lux S. 'ar.l.	Luxembourg	20.0	20.0
CS NHQ, s.r.o.	Praha	100.0	100.0
CS Seed Starter, a.s.	Praha	100.0	100.0
Czech and Slovak Property Fund B.V.	Amsterdam	100.0	100.0
Czech TOP Venture Fund B.V. in liquidation	Groesbeek	84.0	84.0
DIE ERSTE Leasing Immobilien Vermietungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
Dienstleistungszentrum Leoben GmbH	Wien	51.0	51.0
EBB Beteiligungen GmbH	Wien	100.0	100.0
EB-Restaurantsbetriebe Ges.m.b.H.	Wien	100.0	100.0
Erste Asset Management d.o.o.	Zagreb	91.1	91.1
Erste Asset Management GmbH	Wien	91.1	91.1
Erste Asset Management Ltd. (vm Erste Alapkezelo Zrt.)	Budapest	91.1	91.1
Erste Befektetesi Zrt.	Budapest	100.0	100.0
ERSTE CAMPUS Immobilien AG & Co KG	Wien	100.0	100.0
Erste Grantika Advisory, a.s.	Brno	100.0	100.0
Erste Group Card Processor d.o.o.	Zagreb	100.0	100.0
ERSTE GROUP IMMORENT HRVATSKA drustvo s ogranicenom odgovornoscu za upravljanje	Zagreb	100.0	100.0
ERSTE GROUP IMMORENT POLSKA SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA W LIKWIDACJI	Warsaw	100.0	100.0
Erste Group Immorent Slovensko s.r.o.	Bratislava	100.0	100.0
Erste Group IT HR društvo s ogranicenom odgovornošcu za usluge informacijskih tehnologija	Bjelovar	75.4	75.4
Erste Group IT International GmbH	Wien	99.9	99.9
Erste Group Services GmbH	Wien	100.0	100.0
Erste Group Shared Services (EGSS), s.r.o.	Hodonin	100.0	100.0
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	Wien	68.7	68.7
Erste Ingatlan Fejleszto, Hasznosito es Mernoki Kft.	Budapest	100.0	100.0
ERSTE NEKRETNINE d.o.o. za poslovanje nekretninama	Zagreb	69.3	69.3
Erste Reinsurance S.A.	Luxembourg	100.0	100.0
Erste Securities Polska S.A.	Warsaw	100.0	100.0
Flottenmanagement GmbH	Wien	51.0	51.0
FUKO-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
George Labs GmbH	Wien	100.0	100.0
GLADIATOR LEASING IRELAND DESIGNATED ACTIVITY COMPANY	Dublin	100.0	100.0
Gladiator Leasing Limited	Pieta	100.0	100.0
GLL A319 AS LIMITED	Pieta	100.0	100.0
GLL A330 Designated Activity Company	Dublin	100.0	100.0
GLL MSN 2118 DESIGNATED ACTIVITY COMPANY	Dublin	100.0	100.0
Haftungsverbund GmbH	Wien	63.9	63.9
HBM Immobilien Kamp GmbH	Wien	100.0	100.0
HP Immobilien Psi GmbH	Wien	100.0	100.0
HT Immobilien Tau GmbH	Wien	100.0	100.0
HT Immobilien Theta GmbH	Wien	100.0	100.0
HV Immobilien Hohenems GmbH	Wien	100.0	100.0
IBF-Anlagenleasing 95 Gesellschaft m.b.H.	Wien	100.0	100.0
IGP Industrie und Gewerbepark Wörgl Gesellschaft m.b.H.	Kufstein	0.0	0.0
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
IMMORENT - ANDROMEDA Grundverwertungsgesellschaft m.b.H.	Wien	41.9	41.9
IMMORENT Alpha Ingatlanbérbeadó és Üzemeltetö Karlátolt Felelösségü Társaság "végelszámolás alatt"	Budapest	100.0	100.0
Immorent Lehrbauhöfeerrichtungsgesellschaft m.b.H. "in Liqu."	Wien	100.0	100.0
IMMORENT Orion, s.r.o.	Praha	100.0	100.0
IMMORENT Österreich GmbH	Wien	100.0	100.0
Immorent Singidunum d.o.o.	Belgrade	100.0	100.0
IMMORENT Térinvest Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
IMMORENT-BRAUGEBÄUDE-Leasinggesellschaft m.b.H. "in Liqu."	Wien	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 19	Dec 20
IMMORENT-HATHOR Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
IMMORENT-KRABA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Mytho Grundverwertungsgesellschaft m.b.H. "in Liqu."	Wien	50.0	50.0
IMMORENT-UTO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Invalidovna centrum s.r.o.	Praha	100.0	100.0
IPS Fonds Gesellschaft bürgerlichen Rechts	Wien	63.6	63.5
IR CEE Project Development Holding GmbH	Wien	100.0	100.0
IZBOR NEKRETNINA D.O.O. ZA USLUGE	Zagreb	69.3	69.3
Jura Grundverwertungsgmbh	Graz	25.0	25.0
K1A Ingatlankezelö Korlatolt Felelössegü Tarsasag vegelszamolas alatt	Budapest	100.0	100.0
KS - Dienstleistungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Beteiligungs- und Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
LANED a.s.	Bratislava	100.0	100.0
Lassallestraße 7b Immobilienverwaltung GmbH	Wien	100.0	100.0
LBG 61 Liegenschaftsverwaltungsgmbh	Wien	100.0	100.0
LIEGESA Immobilienvermietung GmbH Nfg OG	Graz	25.0	25.0
MCS 14 Projektentwicklung GmbH & Co KG	Wien	100.0	100.0
MOPET CZ a.s.	Praha	100.0	100.0
OM Objektmanagement GmbH	Wien	100.0	100.0
Österreichische Sparkassenakademie GmbH	Wien	45.6	45.6
ÖVW Bauträger GmbH	Wien	100.0	100.0
PONOS-Immorent Immobilienleasing GmbH "in Liqu."	Graz	62.5	62.5
Procurement Services CZ s.r.o.	Praha	99.9	99.9
Procurement Services GmbH	Wien	99.9	99.9
Procurement Services HR d.o.o.	Zagreb	99.9	99.9
Procurement Services HU Kft.	Budapest	99.9	99.9
Procurement Services RO srl	Bucharest	99.9	99.9
Procurement Services SK, s.r.o.	Bratislava	99.9	99.9
Project Development Vest s.r.l	Bucharest	100.0	100.0
Proxima IMMORENT s.r.o.	Praha	100.0	100.0
QBC Management und Beteiligungen GmbH	Wien	65.0	65.0
QBC Management und Beteiligungen GmbH & Co KG	Wien	65.0	65.0
Realia Consult Magyarország Beruházás Szervezési KFT „végelszámolás alatt“	Budapest	100.0	100.0
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz	68.6	68.6
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.	Graz	61.7	61.7
REICO investicni spolecnost Ceske sporitelny, a.s.	Praha	100.0	100.0
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0	25.0
s IT Solutions AT Spardat GmbH	Wien	72.7	72.7
s REAL Immobilienvermittlung GmbH	Wien	100.0	100.0
s ServiceCenter GmbH	Wien	58.4	58.4
s Wohnbauträger GmbH	Wien	100.0	100.0
s Wohnfinanzierung Beratungs GmbH	Wien	95.1	95.1
SAI Erste Asset Management S.A.	Bucharest	91.1	91.1
sBAU Holding GmbH	Wien	100.0	100.0
Schauersberg Immobilien Gesellschaft m.b.H.	Graz	25.0	25.0
sDG Dienstleistungsgesellschaft mbH	Linz	58.7	58.7
S-Invest Beteiligungsgesellschaft m.b.H.	Wien	70.0	70.0
Sio Ingatlan Invest Kft.	Budapest	100.0	100.0
SK - Immobiliengesellschaft m.b.H.	Krems	0.0	0.0
SK Immobilien Epsilon GmbH	Wien	100.0	100.0
SKT Immobilien GmbH	Kufstein	0.0	0.0
SKT Immobilien GmbH & Co KG	Kufstein	0.0	0.0
Sluzby SLSP, s.r.o. v likvidacii	Bratislava	100.0	100.0
sMS Marktservice für Sparkassen GmbH	Krems	0.0	0.0
Social Financing SK, s.r.o.	Bratislava	0.0	100.0
SOLARIS City Ingatlanfejleszto Korlatolt Felelossegu Tarsasag vegelszamolas alatt	Budapest	100.0	100.0
Solaris Park Kft. "v.a."	Budapest	100.0	100.0
SPARDAT - Bürohauserrichtungs- und Vermietungsgesellschaft m.b.H.	Wien	100.0	100.0
Sparkasse Oberösterreich Kapitalanlagegesellschaft m.b.H.	Linz	37.9	37.9
SPARKASSEN LEASING druzba za financiranje d.o.o. - v likvidaciji	Ljubljana	50.0	50.0
Sparkassen Real Vorarlberg Immobilienvermittlung GmbH	Dornbirn	50.0	50.0
Sparkassen-Haftungs GmbH	Wien	63.9	63.9
Sparkassen-Real-Service für Kärnten und Osttirol Realitätenvermittlungs-Gesellschaft m.b.H.	Klagenfurt	57.6	57.6
Sparkassen-Real-Service -Tirol Realitätenvermittlungs-Gesellschaft m.b.H.	Innsbruck	68.7	68.7
S-Real, Realitätenvermittlungs- und -verwaltungs Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-RENT DOO BEOGRAD	Belgrade	35.5	35.5
Steiermärkische Verwaltungssparkasse Immobilien & Co KG	Graz	25.0	25.0
STRAULESTI PROPERTY DEVELOPMENT SRL	Bucharest	100.0	100.0
Suport Colect SRL	Bucharest	99.9	99.9
Toplice Sveti Martin d.o.o.	Sveti Martin	100.0	100.0
Wirtschaftspark Siebenhirten Entwicklungs- und Errichtungs GmbH "in Liqu."	Wien	100.0	100.0
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 19	Dec 20
Funds			
ERSTE BOND EURO TREND	Wien	0.0	0.0
ERSTE RESERVE CORPORATE	Wien	0.0	0.0
SPARKASSEN 19	Wien	0.0	0.0
SPARKASSEN 2	Wien	0.0	0.0
SPARKASSEN 21	Wien	0.0	0.0
SPARKASSEN 26	Wien	0.0	0.0
SPARKASSEN 4	Wien	0.0	0.0
SPARKASSEN 5	Wien	0.0	0.0
SPARKASSEN 8	Wien	0.0	0.0
SPARKASSEN 9	Wien	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 19	Dec 20
Equity method investments			
Credit institusions			
Prva stavebna sporitelna, a.s.	Bratislava	35.0	35.0
SPAR-FINANZ BANK AG	Salzburg	50.0	50.0
Financial institutions			
Adoria Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Aventin Grundstückverwaltungs Gesellschaft m.b.H.	Horn	24.5	24.5
Epsilon - Grundverwertungsgesellschaft m.b.H.	Wien	50.0	50.0
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Fondul de Garantare a Creditului Rural IFN SA	Bucharest	33.3	33.3
FORIS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Global Payments s.r.o.	Praha	49.0	49.0
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	33.3	33.3
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H.	Innsbruck	49.0	49.0
LITUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	33.4	33.4
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H.	Eisenstadt	50.0	50.0
NÖ Bürgschaften und Beteiligungen GmbH	Wien	14.4	14.4
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	28.4	33.4
O.Ö. Kommunalgebäude-Leasing Gesellschaft m.b.H.	Linz	40.0	40.0
Quirinal Grundstücksverwaltungs Gesellschaft m.b.H.	Wien	33.3	33.3
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H.	Wien	50.0	50.0
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	50.0	50.0
Steirische Leasing für Gebietskörperschaften Gesellschaft m.b.H.	Wien	50.0	50.0
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H.	Wien	50.0	50.0
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Wien	50.5	50.5
SUPRIA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Wien	50.0	50.0
SWO Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	50.0	50.0
TKL V Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VIII Grundverwertungsgesellschaft m.b.H.	Innsbruck	24.5	24.5
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.	Wien	25.0	25.0
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	35.0	35.0
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H.	Dornbirn	33.3	33.3
Other			
APHRODITE Bauträger Aktiengesellschaft	Wien	50.0	50.0
Bankovní identita, a.s.	Praha	0.0	33.3
CALDO Grundstücksverwertungsgesellschaft m.b.H. in Liqu.	Wien	31.2	31.2
CIT ONE SA	Bucharest	99.9	33.3
Dostupny Domov j.s.a.	Nitra	0.0	49.9
ERSTE d.o.o.	Zagreb	45.2	45.2
Erste ÖSW Wohnbauträger GmbH	Wien	50.5	50.5
GELUP GmbH	Wien	33.3	33.3
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m. b. H.	Korneuburg	0.8	0.8
Hochkönig Bergbahnen GmbH	Mühlbach	47.4	47.4
KWC Campus Errichtungsgesellschaft m.b.H.	Klagenfurt	13.6	13.6
SILO DREI next LBG 57 Liegenschaftsverwertung GmbH & Co KG	Wien	49.0	49.0
SILO II LBG 57 – 59 Liegenschaftsverwertung GmbH & Co KG	Wien	49.0	49.0
Slovak Banking Credit Bureau, s.r.o.	Bratislava	33.3	33.3
VBV - Betriebliche Altersvorsorge AG	Wien	27.9	29.8
Viminal Grundstückverwaltungs Gesellschaft m.b.H. in Liqu.	Wien	25.0	25.0
VKL III Gebäudeleasing-Gesellschaft m.b.H. in Liqu.	Dornbirn	33.3	33.3
Other investments			
Credit institusions			
ALTA BANKA AD BEOGRAD	Belgrade	0.0	0.0
EUROAXIS BANK AD Moskva	Moscow	1.6	1.6
Oesterreichische Kontrollbank Aktiengesellschaft	Wien	12.9	12.9
Public Joint-stock company commercial Bank "Center-Invest"	Rostov	9.1	9.1
Südtiroler Sparkasse AG	Bozen	0.1	0.1
Financial institutions			
"Österreichisches Siedlungswerk" Gemeinnützige Wohnungsaktiengesellschaft	Wien	1.0	1.0
"Wohnungseigentum", Tiroler gemeinnützige Wohnbaugesellschaft m.b.H.	Innsbruck	19.1	19.1
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	20.3	20.3
ARWAG Holding-Aktiengesellschaft	Wien	19.3	19.3
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
CULINA Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
Diners Club BH d.o.o. Sarajevo	Sarajevo	69.3	69.3
Diners Club Bulgaria AD	Sofia	3.6	3.6
Diners Club International Belgrade d.o.o. Beograd in bankruptcy	Belgrade	69.3	69.3
Diners Club International Montenegro d.o.o. in Podgorica	Podgorica	69.3	69.3
Erste Asset Management Deutschland GmbH	Vaterstetten	91.1	91.1
EUROPEAN INVESTMENT FUND	Luxembourg	0.1	0.1
EWU Wohnbau Unternehmensbeteiligungs-GmbH	St. Pölten	20.2	20.2
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA	Bucharest	9.5	9.5

Company name, registered office		Interest of Erste Group in %	
		Dec 19	Dec 20
Garantiqa Hitelgarancia Zrt.	Budapest	1.8	1.8
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Mödling	19.2	19.2
Gemeinnützige Bau- und Siedlungsgenossenschaft "Waldviertel" registrierte Genossenschaft mit beschränkter Haftung	Raabs	0.0	0.0
Gemeinnützige Wohn- und Siedlungsgesellschaft Schönere Zukunft, Gesellschaft m.b.H.	Wien	15.0	15.0
Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft	Mödling	20.0	20.0
GWG - Gemeinnützige Wohnungsgesellschaft der Stadt Linz GmbH	Linz	5.0	5.0
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.5	7.5
GZ-Finanz Leasing Gesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT S-Immobilienmanagement GesmbH	Wien	100.0	100.0
Immorent-Hackinger Grundverwertungsgesellschaft m.b.H.	Wien	11.3	11.3
KERES-Immorent Immobilienleasing GmbH	Wien	25.0	25.0
LBH Liegenschafts- und Beteiligungsholding GmbH	Innsbruck	75.0	75.0
Lorit Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	26.7	26.7
LV Holding GmbH	Linz	35.4	35.4
MIGRA Gemeinnützige Wohnungsges.m.b.H.	Wien	19.8	19.8
O.Ö. Kommunal-Immobilienleasing GmbH	Linz	40.0	40.0
O.Ö. Leasing für öffentliche Bauten Gesellschaft m.b.H.	Linz	33.3	33.3
Oberösterreichische Kreditgarantiegesellschaft m.b.H.	Linz	5.6	5.6
ÖSW Wohnbauvereinigung Gemeinnützige Gesellschaft m.b.H.	Salzburg	15.6	15.6
ÖWB Gemeinnützige Wohnungsaktiengesellschaft	Innsbruck	25.6	26.3
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	2.5	2.5
PSA Payment Services Austria GmbH	Wien	18.5	18.5
Salzburger Kreditgarantiegesellschaft m.b.H.	Salzburg	18.2	18.2
Seilbahnleasing GmbH	Innsbruck	33.3	33.3
SREDISNJE KLIRINSKO DEPOZITARNO DRUSTVO D.D.(CENTRAL DEPOZITORY & CLEARING COMPANY Inc.)	Zagreb	0.1	0.1
TKL II. Grundverwertungsgesellschaft m.b.H.	Wien	26.7	26.7
TKL VI Grundverwertungsgesellschaft m.b.H.	Innsbruck	28.2	33.3
TKL VII Grundverwertungsgesellschaft m.b.H.	Innsbruck	28.4	33.3
UNDA Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
WBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H.	Feldkirch	0.0	0.0
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG (vorm.Kapital-Beteiligungs Aktiengesellschaft)	Wien	14.4	14.4
Other			
"Die Kärntner" - Förderungs- und Beteiligungsgesellschaft für die Stadt Friesach Gesellschaft m.b.H.	Friesach	25.0	25.0
"Die Kärntner" - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Gurk	25.0	25.0
"Die Kärntner"-Förderungs- und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Wolfsberg	25.0	25.0
"Gasthof Löwen" Liegenschaftsverwaltung GmbH & Co., KG	Feldkirch	0.0	0.0
"Photovoltaik-Gemeinschaftsanlage" der Marktgemeinde Wolfurt	Wolfurt	0.0	0.0
"SIMM" Liegenschaftsverwertungsgesellschaft m.b.H. in Liquidation	Graz	25.0	25.0
"S-PREMIUM" Drustvo sa ogranicenom odgovornoscu za posredovanje i zastupanje u osiguranju d.o.o. Sarajevo	Sarajevo	25.0	25.0
"Stolz auf Wien" Beteiligungs GmbH	Wien	0.0	0.0
"TBG" Thermenzentrum Geinberg Betriebsgesellschaft m.b.H.	Geinberg	1.5	1.5
"THG" Thermenzentrum Geinberg Errichtungs-GmbH	Linz	1.5	1.5
AB Banka, a.s. v likvidaci	Mladá Boleslav	4.5	4.5
Achenseebahn-Aktiengesellschaft	Jenbach	0.0	0.0
Achtundsechzigste Sachwert Rendite-Fonds Holland GmbH & Co KG	Hamburg	0.0	0.0
AD SPORTSKO POSLOVNI CENTAR MILLENNIUM VRŠAC	Vršac	0.2	0.2
Agrargemeinschaft Kirchschlag	Kirchschlag	0.0	0.0
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU DELOVA ZA MOTORE GARANT, FUTOG - U STECAJU	Futog	6.2	6.2
ALBA Services GmbH	Wien	50.0	50.0
Alpbacher Bergbahn Gesellschaft m.b.H. & Co.KG.	Alpbach	0.0	0.0
ALPENDORF BERGBAHNEN AG	St. Johann	0.0	0.0
AREALIS Liegenschaftsmanagement GmbH	Wien	50.0	50.0
Argentum Immobilienverwertungs Ges.m.b.H.	Linz	39.2	39.2
AS LEASING Gesellschaft m.b.H.	Linz	39.2	39.2
AS Support GmbH	Linz	39.2	39.2
AS-WECO Grundstückverwaltung Gesellschaft m.b.H.	Linz	39.2	39.2
Austrian Reporting Services GmbH	Wien	14.3	14.3
AWEKA-Beteiligungsgesellschaft m.b.H.	Graz	25.0	25.0
aws Gründerfonds Beteiligungs GmbH & Co KG	Wien	5.1	5.1
Bäuerliches Blockheizkraftwerk reg. Gen.m.b.H.	Kautzen	0.0	0.0
BCR Asigurari de Viata Vienna Insurance Group SA	Bucharest	5.5	5.5
beeex GmbH	Pöllau	0.0	0.0
Beogradska Berza, Akcionarsko Drustvo Beograd	Belgrade	12.6	12.6
Berg- und Schilift Schwaz-Pill Gesellschaft m.b.H.	Schwaz	0.0	0.0
Bergbahn Aktiengesellschaft Kitzbühel	Kitzbühel	0.0	0.0
Bergbahn Lofer GmbH	Lofer	7.9	7.1
Bergbahnen Oetz Gesellschaft m.b.H.	Oetz	0.0	0.0
Bergbahnen Westendorf Gesellschaft m.b.H.	Westendorf	0.0	0.0
BGM - EB-Grundstücksbeteiligungen GmbH & Co KG	Wien	0.0	0.0
Biogenrohstoffgenossenschaft Kamptal und Umgebung registrierte Genossenschaft mit beschränkter Haftung	Maiersch	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 19	Dec 20
Biomasse Heizwerk Zürs GmbH	Zürs	0.0	0.0
Biroul de Credit SA	Bucharest	19.4	19.4
Biroul de Credit SRL	Chisinau	6.7	6.7
Brauerei Murau eGen	Murau	0.6	0.6
Bregenz Tourismus & Stadtmarketing GmbH	Bregenz	0.0	0.0
Budapesti Értéktozsde Zártköruen Muködo Részvénytársaság	Budapest	2.0	2.0
Burza cennych papierov v Bratislave, a.s.	Bratislava	3.9	3.9
Camelot Informatik und Consulting Gesellschaft m.b.H.	Wien	3.6	3.6
CAMPUS 02 Fachhochschule der Wirtschaft GmbH	Graz	3.8	3.8
capital300 EuVECA GmbH & Co KG	Linz	2.6	2.6
Cargo-Center-Graz Betriebsgesellschaft m.b.H.	Werndorf	1.6	1.6
Cargo-Center-Graz Betriebsgesellschaft m.b.H. & Co KG	Werndorf	1.6	1.6
Carlyle Europe Partners,L.P. (in Liquidation)	Vale	0.6	0.6
Casa Romana de Compensatie Sibiu	Sibiu	0.4	0.4
CBCB-Czech Banking Credit Bureau, a.s.	Praha	20.0	20.0
CRNOMEREC CENTAR D.O.O. ZA PROJEKTIRANJE GRAĐENJE I NADZOR	Zagreb	0.0	0.0
D.C. Travel d.o.o Beograd	Belgrade	69.3	69.3
Dachstein Tourismus AG	Gosau	0.0	0.0
Dateio s.r.o.	Praha	22.2	22.2
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor	25.0	25.0
DINESIA a.s.	Praha	100.0	100.0
Dolomitencenter Verwaltungs GmbH	Lienz	50.0	50.0
Dornbirner Seilbahn AG	Dornbirn	0.0	0.0
DRUŠTVO ZA KONSALTING I MENADŽMENT POSLOVE TRŽIŠTE NOVCA A.D. BEOGRAD (SAVSKI VENAC)	Belgrade	0.8	0.8
EBB-Delta Holding GmbH	Wien	100.0	100.0
EBV-Leasing Gesellschaft m.b.H.	Wien	51.0	51.0
EC Energie Center Lipizzanerheimat GmbH	Bärnbach	0.0	0.0
Egg Investment GmbH	Egg	0.0	0.0
E-H Liegenschaftsverwaltungs-GmbH	Etsdorf	0.0	0.0
Einlagensicherung AUSTRIA Ges.m.b.H.	Wien	0.6	0.5
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H. in Liqu.	Wien	0.1	0.2
ELAG Immobilien AG	Linz	1.5	1.5
Energie AG Oberösterreich	Linz	0.2	0.2
ERSTE Immobilien Alpha "WE-Objekte" GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha APS 85 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Baufeld Omega GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Brünner Straße 124 Liegenschaftsverwaltung GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Eggenberger Gürtel GmbH & Co KG	Graz	0.0	0.0
ERSTE Immobilien Alpha Favoritenstraße 92 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha GmbH	Wien	68.7	68.7
ERSTE Immobilien Alpha Kerensstraße GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Lastenstraße GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Monte Laa GmbH & Co. KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Paragonstraße GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Ulmgasse GmbH & Co. KG	Wien	0.0	0.0
ERSTE Immobilien Alpha W175 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Aspernbrückengasse 2 GmbH & Co KG	Wien	0.1	0.1
ERSTE Immobilien Beta GmbH	Wien	68.7	68.7
ERSTE Immobilien Beta GS 131 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma GmbH	Wien	68.7	68.7
ERSTE Immobilien Gamma Hilde-Spiel-Gasse GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma Lemböckgasse GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma Pflegeheim Fischamend GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma Seepark Campus West GmbH & Co KG	Wien	0.0	0.0
FINAG D.D. INDUSTRIJA GRADJEVNOG MATERIJALA BANKRUPTCY	Garesnica	18.2	18.2
Finanzpartner GmbH	Wien	51.1	51.1
Fortenova Group STAK Stichting	Amsterdam	0.3	0.3
FRC2 Croatia Partners SCSp	Luxembourg	5.6	5.6
Freizeitpark Zell GmbH	Zell	0.0	0.0
Freizeitzentrum Zillertal GmbH	Fügen	0.0	0.0
Fund of Excellence Förderungs GmbH	Wien	45.0	45.0
FWG-Fernwärmeversorgung Engelbrechts registrierte Genossenschaft mit beschränkter Haftung	Kautzen	0.0	0.0
FWG-Fernwärmeversorgung Raabs a.d. Thaya registrierte Genossenschaft mit beschränkter Haftung	Raabs	0.0	0.0
Gasteiner Bergbahnen Aktiengesellschaft	Bad Hofgastein	13.4	13.4
GEMDAT OÖ GmbH	Linz	10.6	10.6
GEMDAT OÖ GmbH & Co KG	Linz	11.8	11.8
Gerlitzen - Kanzelbahn - Touristik Gesellschaft m.b.H. & Co KG	Sattendorf	0.0	0.0
Gewerbe- und Dienstleistungspark der Stadtgemeinde Bad Radkersburg KG	Bad Radkersburg	12.5	12.5
Gladiator Aircraft Management Limited	Pieta	100.0	100.0
Golfclub Bludenz-Braz GmbH	Bludenz-Braz	0.0	0.0
Golfclub Brand GmbH	Brand	0.0	0.0
Golfclub Pfarrkirchen im Mühlviertel GesmbH	Pfarrkirchen	0.2	0.2
Golfplatz Hohe Salve - Brixental Errichtergesellschaft m.b.H. & Co KG	Westendorf	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 19	Dec 20
Golfresort Haugschlag GmbH & Co KG	Litschau	0.0	0.0
Graben 21 Liegenschaftsverwaltung GmbH	Wien	100.0	100.0
Großarler Bergbahnen Gesellschaft mit beschränkter Haftung & Co. KG.	Großarl	0.5	0.5
GW St. Pölten Integrative Betriebe GmbH	St. Pölten	0.0	0.0
GXT Vermögensverwaltung GmbH & Co KG	Wien	0.0	0.0
HAPIMAG AG	Baar	0.0	0.0
Harkin Limited	Dublin	100.0	100.0
Hauser Kaibling Seilbahn- und Liftgesellschaft m.b.H. & Co. KG.	Haus	0.4	0.4
HDL Fiecht GmbH	Vomp	0.0	0.0
Heiltherme Bad Waltersdorf GmbH	Bad Waltersdorf	4.5	4.5
Heiltherme Bad Waltersdorf GmbH & Co KG	Bad Waltersdorf	4.1	4.1
Hinterstoder-Wurzeralm Bergbahnen Aktiengesellschaft	Hinterstoder	0.4	0.4
Hrvatski olimpijski centar Bjelolosica d.o.o. (Kroatisches Olympiazentrum) in bankruptcy	Jesenak	1.2	1.2
Hrvatski registar obveza po kreditima d.o.o. (HROK)	Zagreb	7.3	7.3
HV-Veranstaltungsservice GmbH	St. Lorenzen	100.0	100.0
ILGES - Liegenschaftsverwaltung G.m.b.H.	Rohrbach	40.0	40.0
JAVNO SKLADIŠTE SLOBODNA CARINSKA ZONA NOVI SAD AD NOVI SAD	Novi Sad	4.1	4.1
JUGOALAT-JAL AD NOVI SAD	Novi Sad	1.7	5.0
Kaiser-Ebersdorfer Straße 8 GmbH & Co KG	Wien	0.0	0.0
Kapruner Freizeitzentrum Betriebs GmbH	Kaprun	0.0	0.0
Kapruner Promotion und Lifte GmbH	Kaprun	6.5	6.5
Kitzbüheler Anzeiger Gesellschaft m.b.H.	Kitzbühel	0.0	0.0
Kleinkraftwerke-Betriebsgesellschaft m.b.H.	Wien	100.0	100.0
Kommanditgesellschaft MS "SANTA LORENA" Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
Kommanditgesellschaft MS "SANTA LUCIANA" Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
KOOPERATIVA poistovna, a.s. Vienna Insurance Group	Bratislava	1.5	1.5
Kooperativa pojistovna, a.s. Vienna Insurance Group	Praha	1.6	1.6
'KULSKI ŠTOFOVI' FABRIKA ZA PROIZVODNJU VUNENIH TKANINA I PREDIVA AKCIONARSKO DRUŠTVO IZ KULE - U STECAJU	Kula	0.2	6.1
ländleticket marketing gmbh	Dornbirn	0.0	0.0
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois	0.0	0.0
Lantech Innovationszentrum GesmbH	Landeck	0.0	0.0
Lebens.Resort & Gesundheitszentrum GmbH	Ottenschlag	0.0	0.0
Lienzer-Bergbahnen-Aktiengesellschaft	Gaimberg	0.0	0.0
Liezener Bezirksnachrichten Gesellschaft m.b.H.	Liezen	1.1	1.1
LOCO 597 Investment GmbH	Egg	0.0	0.0
M Schön Wohnen Immorent GmbH	Wien	100.0	100.0
Maissauer Amethyst GmbH	Maissau	0.0	0.0
MAJEVICA HOLDING AKCIONARSKO DRUŠTVO, BACKA PALANKA	Bačka Palanka	0.6	5.2
MasterCard Incorporated	Wilmington	0.0	0.0
Mayer Property Alpha d.o.o.	Zagreb	100.0	100.0
Mayrhofner Bergbahnen Aktiengesellschaft	Mayrhofen	0.0	0.0
MCG Graz e.gen.	Graz	1.4	1.4
MEG Hausgemeinschaft "Bahnhofstraße 1, 4481 Asten"	Asten	0.0	0.0
Mittersiller Golf- und Freizeitanlagen Gesellschaft m.b.H.	Mittersill	0.0	0.0
Montfort Investment GmbH	Götzis	0.0	0.0
MPC Rendite-Fonds Leben plus spezial III GmbH & Co KG	Quickborn	0.0	0.0
Mühlbachgasse 8 Immobilien GmbH	Langenlois	0.0	0.0
MUNDO FM & S GmbH	Wien	100.0	100.0
Murauer WM Halle Betriebsgesellschaft m.b.H.	Murau	3.1	3.1
Nahwärme Frankenmarkt eGen	Frankenmarkt	0.0	0.0
Neo Investment B.V.	Amsterdam	0.0	0.0
Neuhofner Bauträger GmbH	Neuhofen	0.0	0.0
Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H.	Linz	5.6	5.6
Oberpinzgauer Fremdenverkehrsförderungs- und Bergbahnen - Aktiengesellschaft	Neukirchen	0.0	0.0
Obertilliacher Bergbahnen-Gesellschaft m.b.H.	Obertilliach	0.0	0.0
Öhlknecht-Hof Errichtungs- und Verwaltungsgesellschaft m.b.H.	Horn	0.0	0.0
ÖKO-Heizkraftwerk Pöllau GmbH	Pöllau	0.0	0.0
ÖKO-Heizkraftwerk Pöllau GmbH & Co KG	Pöllau	0.0	0.0
Old Byr Holding ehf.	Reykjavik	1.5	1.5
Omniasig Vienna Insurance Group SA	Bucharest	0.1	0.1
OÖ HightechFonds GmbH	Linz	7.8	7.8
Ortswärme Fügen GmbH	Fügen	0.0	0.0
Österreichische Wertpapierdaten Service GmbH	Wien	32.7	32.7
Osttiroler Wirtschaftspark GesmbH	Lienz	0.0	0.0
Planai - Hochwurzen - Bahnen Gesellschaft m.b.H.	Schladming	0.7	0.7
Planung und Errichtung von Kleinkraftwerken Aktiengesellschaft	Wien	98.9	99.6
POSLOVNO UDRUŽENJE DAVAOCA LIZINGA "ALCS" BEOGRAD	Belgrade	8.3	8.3
PREDUZECE ZA PRUŽANJE CONSULTING USLUGA BANCOR CONSULTING GROUP DOO NOVI SAD	Novi Sad	2.6	2.6
Prvni certifikacni autorita, a.s.	Praha	23.3	23.3
Radio Osttirol GesmbH	Lienz	0.0	0.0
Rätikon-Center Errichtungs- und Betriebsgesellschaft m.b.H.	Bludenz	0.0	0.0
Realitäten und Wohnungsservice Gesellschaft m.b.H.	Köflach	4.0	4.0

Company name, registered office		Interest of Erste Group in %	
		Dec 19	Dec 20
Realitni spolecnost Ceske sporitelny, a.s.	Praha	100.0	100.0
REGIONALNA AGENCIJA ZA RAZVOJ MALIH I SREDNJIH PREDUZECA ALMA MONS D.O.O.	Novi Sad	3.3	3.3
REICO nemovitostni fond SICAV a.s.	Praha	100.0	100.0
Riesneralm - Bergbahnen Gesellschaft m.b.H. & Co. KG.	Donnersbach	0.0	0.0
Rolling Stock Lease s.r.o.	Bratislava	100.0	3.0
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A.	Amsterdam	77.4	77.4
RTG Tiefgaragenerrichtungs und -vermietungs GmbH	Graz	25.0	25.0
S - Leasing und Vermögensverwaltung - Gesellschaft m.b.H.	Peuerbach	0.0	0.0
S IMMOKO Leasing GesmbH	Korneuburg	0.0	0.0
S Servis, s.r.o.	Znojmo	100.0	100.0
SALIX-Grundstückserwerbs Ges.m.b.H.	Eisenstadt	50.0	50.0
SALZBURG INNENSTADT, Vereinigung zur Förderung selbständiger Unternehmer der Salzburger Innenstadt, registrierte Genossenschaft mit beschränkter Haftung	Salzburg	2.0	2.0
S-AMC1 DOOEL Skopje	Skopje	24.9	24.9
Schweighofer Gesellschaft m.b.H. & Co KG	Friedersbach	0.0	0.0
S-City Center Wirtschaftsgütervermietungsgesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-Commerz Beratungs- und Handelsgesellschaft m.b.H.	Neunkirchen	0.0	0.0
SEG Sport Event GmbH	Hohenems	0.0	0.0
Seniorenresidenz "Am Steinberg" GmbH	Graz	25.0	25.0
S-Finanzservice Gesellschaft m.b.H.	Baden	0.0	0.0
SILO DREI Komplementärgesellschaft m.b.H.	Wien	49.0	49.0
SILO II Komplementärgesellschaft m.b.H.	Wien	49.0	49.0
Silvrettaseilbahn Aktiengesellschaft	Ischgl	0.0	0.0
SK 2 Properties s.r.o.	Bratislava	0.0	0.0
Skilifte Unken - Heutal Gesellschaft m.b.H. & Co, KG	Unken	0.0	0.0
Skilifte Unken Heutal Gesellschaft m.b.H.	Unken	2.2	2.2
Smart City GmbH	Eferding	0.0	0.0
SOCIETATEA DE TRANSFER DE FONDURI SI DECONTARI TRANSFOND SA	Bucharest	3.2	3.2
Society for Worldwide Interbank Financial Telecommunication scrl	La Hulpe	0.3	0.3
Sparkasse Amstetten Service- und Verwaltungsgesellschaft m. b. H.	Amstetten	0.0	0.0
Sparkasse Bludenz Beteiligungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Bludenz Immobilienverwaltungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH	Imst	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH & Co KG	Imst	0.0	0.0
Sparkassen Bankbeteiligungs GmbH	Dornbirn	0.0	0.0
Sparkassen Beteiligungs GmbH & Co KG	Wien	7.8	7.8
Sparkassen Facility Management GmbH	Innsbruck	75.0	75.0
Sparkassengarage Imst Errichtungs- und Betriebs GmbH	Imst	0.0	0.0
Sparkassengarage Imst Errichtungs- und Betriebs GmbH & Co KG	Imst	0.0	0.0
Speedinvest III EuVECA GmbH & Co KG	Wien	0.0	2.5
SPES GmbH & Co. KG	Schlierbach	0.0	0.0
SPKB Beteiligungs- und Verwaltungsgesellschaft m.b.H.	Bregenz	0.0	0.0
SPKR Liegenschaftsverwertungs GmbH	Reutte	0.0	0.0
Sport- und Freizeitanlagen Gesellschaft m.b.H.	Schwanenstadt	12.9	12.9
SPRON ehf.	Reykjavik	4.9	4.9
Stadtgemeinde Weiz - Wirtschaftsentwicklung KG	Weiz	0.0	0.0
Stadtmarketing-Ternitz Gmbh	Ternitz	0.0	0.0
Sternstein Sessellift Gesellschaft m.b.H.	Bad Leonfelden	7.2	7.2
Stoderzinken - Liftgesellschaft m.b.H. & Co. KG.	Gröbming	0.4	0.4
SVB Lambach Versicherungsmakler GmbH	Lambach	0.0	0.0
SZG-Dienstleistungsgesellschaft m.b.H.	Salzburg	100.0	100.0
Tannheimer Bergbahnen GmbH & Co KG	Tannheim	0.0	0.0
Tauern SPA World Betriebs- Gmbh & Co KG	Kaprun	11.1	11.1
Tauern SPA World Betriebs-GmbH	Kaprun	12.2	12.2
Tauern SPA World Errichtungs- GmbH & Co KG	Kaprun	11.1	11.1
Tauern SPA World Errichtungs-GmbH	Kaprun	12.2	12.2
TAUROS Capital Investment GmbH & Co KG	Wien	40.4	40.4
TAUROS Capital Management GmbH	Wien	49.0	44.6
TDG Techn. Dienstleistungs- und Objektservicegesellschaft m.b.H.	Wien	100.0	100.0
TDZ Technologie- und Dienstleistungszentrum Donau-Böhmerwald Bezirk Rohrbach GmbH.	Neufelden	1.0	1.0
TECH21 Bürohaus und Gewerbehof Errichtungs- und Betriebsgesellschaft mbH & Co KG	Wien	0.1	0.1
Technologie- und Dienstleistungszentrum Ennstal GmbH	Reichraming	0.0	0.0
TECHNOLOGIE- und GRÜNDERPARK ROSENTAL GmbH	Rosental	0.3	0.3
Technologie- und Innovationszentrum Kirchdorf GmbH	Schlierbach	0.0	0.0
Technologiezentrum Inneres Salzkammergut GmbH	Bad Ischl	0.0	0.0
Technologiezentrum Salzkammergut GmbH	Gmunden	0.6	0.6
Technologiezentrum Salzkammergut-Bezirk Vöcklabruck GmbH	Attnang-Puchheim	0.0	0.0
Techno-Z Ried Technologiezentrum GmbH	Ried	0.0	0.0
Tennis-Center Hofkirchen i. M. GmbH	Hofkirchen	7.3	7.3
Thermalquelle Loipersdorf Gesellschaft m.b.H. & Co KG	Loipersdorf	0.0	0.0
Therme Wien Ges.m.b.H.	Wien	15.3	15.3
Therme Wien GmbH & Co KG	Wien	15.3	15.3
Tiefgarage Anger, Gesellschaft m.b.H. & Co. KG.	Lech	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 19	Dec 20
TIZ Landl - Grieskirchen GmbH	Grieskirchen	0.0	0.0
Tourismus- u. Freizeitanlagen GmbH	Hinterstoder	0.0	0.0
TPK-18 Sp. z o.o.	Warsaw	100.0	100.0
Transformovany fond penzijniho pripojisteni se statnim prispevkem Ceska sporitelna - penzijni spolecnost, a.s.	Praha	0.0	0.0
Trziste novca d.d. in liquidity	Zagreb	8.6	8.6
TSG EDV-Terminal-Service Ges.m.b.H.	Wien	0.1	0.1
UNION Vienna Insurance Group Biztosito Zrt.	Budapest	1.2	1.2
Unzmarkter Kleinkraftwerk-Aktiengesellschaft	Wien	99.2	99.8
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH	Wien	25.6	25.6
VISA INC.	San Francisco	0.0	0.0
VIVEA Bad Schönau GmbH	Bad Schönau	0.0	0.0
VIVIThv GmbH	St. Pölten	0.0	20.0
VIVITimmo GmbH	St. Pölten	0.0	20.0
VMG Versicherungsmakler GmbH	Wien	5.0	5.0
Waldviertler Leasing s.r.o.	Jindrichuv Hradec	0.0	0.0
Wassergenossenschaft Mayrhofen	Mayrhofen	0.0	0.0
WE.TRADE INNOVATION DESIGNATED ACTIVITY COMPANY	Dublin	4.5	4.1
WEB Windenergie AG	Pfaffenschlag	0.0	0.0
Weißsee-Gletscherwelt GmbH	Uttendorf	0.0	0.0
WET Wohnbaugruppe Service GmbH	Mödling	0.0	19.9
WEVA - Veranlagungs- und Beteiligungsgesellschaft m.b.H.	Linz	39.2	39.2
WG PROJEKTIRANJE, investiranje in inženiring d.o.o.	Ljubljana	100.0	100.0
Wien 3420 Aspern Development AG	Wien	24.5	24.5
Wiener Börse AG	Wien	11.8	11.8
Wiener osiguranje Vienna Insurance Group dionicko društvo za osiguranje	Zagreb	1.1	1.1
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group	Wien	2.2	2.2
WIEPA-Vermögensverwaltungsgesellschaft m.b.H.	Dornbirn	0.0	0.0
Wirtschaftspark Kleinregion Fehring Errichtungs- und Betriebsgesellschaft m.b.H.	Fehring	1.3	1.3
WNI Wiener Neustädter Immobilienleasing Ges.m.b.H.	Wiener Neustadt	0.0	0.0
WW Wohnpark Wehlistraße GmbH	Wien	100.0	100.0
Zagreb Stock Exchange, Inc.	Zagreb	2.3	2.3
Zelina Centar d.o.o.	Sveta Helena	100.0	100.0
Zweite Beteiligungsgesellschaft Reefer-Flottenfonds mbH & Co KG	Hamburg	0.0	0.0

Additional information

GLOSSARY

Book value per share
Equity (attributable to owners of the parent) divided by the number of outstanding shares at the end of the period.

Cash return on equity (cash RoE)
Net profit for the period attributable to the owners of the parent less dividends for Additional Tier 1 capital (AT1), adjusted for non-cash items such as goodwill amortisation and amortisation of customer relationship as a percentage of the average equity attributable to the owners of the parent. The average is calculated on the basis of final quarterly values.

Cash earnings per share
Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1), adjusted for non-cash items such as goodwill impairment and amortisation of customer relationship divided by the weighted average number of outstanding shares.

CEE (Central and Eastern Europe)
Abbreviation for the economic area Central and Eastern Europe. Includes the new EU member states of the enlargement rounds 2004 and 2007 as well as the successor states of Yugoslavia and the Soviet Union as well as Albania.

CET1
Common equity Tier 1.

CET1 ratio
Common equity Tier 1 as a percentage of the total risk (according to CRR).

CRR
Capital Requirements Regulation: one of the two legal acts containing the new Capital Requirements.

Cost/income ratio
General administrative expenses or operating expenses as a percentage of operating income.

Dividend yield
Dividend distribution of the financial year as a percentage of the year-end closing price or the most recent price of the share.

Earnings per share
Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1), divided by the weighted average number of outstanding shares.

Interest-bearing assets
Total assets less cash and cash balances, derivatives – held for trading, hedge accounting derivatives, property and equipment, investment properties, intangible assets, current and deferred tax assets, assets held for sale and other assets.

Loan to deposit ratio
Loans and receivables to customers (net) in relation to deposits from customers

Miscellaneous assets
The total of hedge accounting derivatives, property and equipment, investment properties, investments in associates and joint ventures associates, current and deferred tax assets, assets held for sale and other assets,

Miscellaneous liabilities
The total of other financial liabilities at fair value through profit or loss, other financial liabilities at amortised cost, hedge accounting derivatives, changes in fair value of portfolio hedged items, provisions, current and deferred tax liabilities, liabilities associated with assets held for sale and other liabilities.

Net interest margin
Net interest income as a percentage of average interest-bearing assets. The average is calculated on the basis of quarterly values.

Operating expenses (general administrative expenses)
The total of personnel expenses, other administrative expenses and depreciation and amortisation.

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 and rental income from investment properties & other operating leases.

Operating result
Operating income less operating expenses.

Own funds
Own funds according to CRR consist of Common equity Tier 1 (CET1), Additional Tier 1 capital (AT1) and the supplementary capital (T2).

Price/earnings ratio
Ratio between closing price of the financial year and earnings per share of the financial year.

Market capitalisation
Total value of a company which results from multiplying the share price by the number of shares outstanding (share capital).

Non-performing exposure (NPE) collateralisation ratio
Collateral for non-performing credit risk exposure as a percentage of non-performing credit risk exposure.

Non-performing exposure (NPE) coverage ratio
Credit risk allowances for credit risk exposure (all allowances in scope of IFRS 9 and provisions for other commitments) as a percentage of non-performing credit risk exposure.

Non-performing exposure (NPE) ratio
Non-performing credit risk exposure as a percentage of total credit risk exposure.

Non-performing loans (NPL) collateralisation ratio
Collateral for non-performing loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) coverage ratio
Credit risk allowances for loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) ratio
Non-performing loans and advances to customers as a percentage of total loans and advances to customers.

Return on equity (RoE)
Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1) as a percentage of the average equity attributable to the owners of the parent. The average is calculated on the basis of final quarterly figures.

Return on equity excluding intangible assets (ROTE)
Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1) as a percentage of average equity attributable to owners of the parent and adjusted for intangible assets. The average is calculated on the basis of quarterly final values.

Risk Appetite Statement (RAS)
The RAS is a strategic document, which concludes the maximum risk an organization is willing to take in order to reach any given target.

Risk categories
Risk categories classify the risk exposures of Erste Group based on the internal ratings of Erste Group. There exist three risk categories for performing risk exposures and one risk category for non-performing risk exposures.

Risk category – 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 done with clients in this risk category.

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.

Risk category – 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.

Risk category – non-performing

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

Share capital

Total equity attributable to owners of the parent subscribed by the shareholders.

Tax ratio

Taxes on income as a percentage of pre-tax profit from continuing operations.

Texas ratio

Total capital according to IFRS dividends for Additional Tier 1 capital (AT1), and intangible assets plus allowances for loans and advances to customers as a percentage of non-performing loans.

T 1 ratio

Tier 1 as a percentage of the total risk (according to CRR).

Total capital ratio

Total of own funds as a percentage of the total risk (according to CRR).

Total risk (risk-weighted assets, RWA)

Includes credit, market and operational risk (according to CRR).

Total shareholder return

Performance of an investment in Erste Group Bank AG shares within one year including all distributions, such as dividends, as a percentage of the share price at the end of the previous year.

ABBREVIATIONS

ABA	Austrian Banking Act
AC	Amortized cost
ACC	Austrian Commercial Code
AFS	Available for sale
ALM	Asset Liability Management
ALCO	Asset Liability Committee
AMA	Advanced Measurement Approach
AT1	Additional Tier 1
BCR	Banca Comercială Românlă S.A.
BSM & LCC	Balance sheet management & Local Corporate Center
CBCR	Country-by-Country-Reporting
CCF	Credit Conversion Factor
CEE	Central and Eastern Europe
CGU	Cash-Generating Unit
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CRO	Chief Risk Officer
CSAS	Česká spořitelna, a.s.
CVA	Credit Value Adjustments
DIP	Debt Issuance-Programme
DVA	Debit Value Adjustment
EBA	European Banking Authority
EBC	Erste Bank Croatia
EBH	Erste Bank Hungary Zrt.
EBOe	Erste Bank Oesterreich
ECL	Expected Credit Loss
ECJ	European Court of Justice
EIR	Effective interest rate
ERM	Enterprise wide Risk Management
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
GDPR	General Data Protection Regulation
G-SII	Global Systemic Important Institution
GLMRM	Group Liquidity and Market Risk Management
HFT	Held for trading
HTM	Held to maturity
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
LGD	Loss Given Default
L&R	Loans and receivables
LT PD	Lifetime Probability of Default
MDA	Maximum distributable amount
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
RAS	Risk Appetite Statement
RTS	Regulatory Technical Standards
RW	Risk weight
RWA	Risk Weighted Assets
SICR	Significant increase in credit risk
SLSP	Slovenská sporiteľňa
Sparkasse Oberösterreich	Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft
Sparkasse Steiermark	Erste & Steiermärkische Bank d.d.
Sparkasse Kärnten	Kärntner Sparkasse Aktiengesellschaft
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
T1	Tier 1
T2	Tier 2
VAR	Value at Risk

Management Board	
Bernhard Spalt mp, Chairman	
Ingo Bleier mp, Member	Stefan Dörfler mp, Member
Alexandra Habeler-Drabek mp, Member	David O'Mahony mp, Member
Maurizio Poletto mp, Member	Thomas Schaufler mp, Member

Vienna, 26 February 2021

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD

We confirm that to the best of our knowledge the consolidated 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 the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties to which the Group is exposed.

Management Board	
Bernhard Spalt mp, Chairman	
Ingo Bleier mp, Member	Stefan Dörfler mp, Member
Alexandra Habeler-Drabek mp, Member	David O'Mahony mp, Member
Maurizio Poletto mp, Member	Thomas Schaufler mp, Member

Vienna, 26 February 2021

Important addresses

ERSTE GROUP BANK AG
Am Belvedere 1
A-1100 Vienna
Tel: +43 (0) 50100 10100
SWIFT/BIC: GIBAATWGXXX
E-Mail: contact@erstegroup.com
Website: www.erstegroup.com

AUSTRIA
Erste Bank der oesterreichischen Sparkassen AG
(Erste Bank Oesterreich)
Am Belvedere 1
A-1100 Vienna
Tel: +43 (0) 50100 20111
SWIFT/BIC: GIBAATWWXXX
E-Mail: service@s-servicecenter.at
Website: www.erstebank.at

CZECH REPUBLIC
Česká spořitelna, a.s.
Olbrachtova 1929/62
CZ-140 00 Prague 4
Tel: +420 956 777901
SWIFT/BIC: GIBACZPX
E-Mail: csas@csas.cz
Website: www.csas.cz

SLOVAKIA
Slovenská sporiteľňa, a.s.
Tomášikova 48
SK-832 37 Bratislava
Tel: +421 2 582681 11
SWIFT/BIC: GIBASKBX
E-Mail: info@slsp.sk
Website: www.slsp.sk

ROMANIA
Banca Comercială Română S.A.
159 Calea Plevnei, Business Garden Bucharest, Building A
RO-060013 Bucharest 6
Tel: +40 21 4074200
SWIFT/BIC: RNCBROBU
E-Mail: contact.center@bcr.ro
Website: www.bcr.ro

HUNGARY
Erste Bank Hungary Zrt.
Népfürdő u. 24-26
H-1138 Budapest
Tel: +36 12980222
SWIFT/BIC: GIBAHUHB
E-Mail: erste@erstebank.hu
Website: www.erstebank.hu

CROATIA
Erste&Steiermärkische Bank d.d.
(Erste Bank Croatia)
Jadranski trg 3A
HR-51000 Rijeka
Tel: +385 51 365591
SWIFT/BIC: ESBCHR22
E-Mail: erstebank@erstebank.hr
Website: www.erstebank.hr

SERBIA
Erste Bank a.d. Novi Sad
(Erste Bank Serbia)
Bulevar oslobođenja 5
SRB-21000 Novi Sad
Tel: +381 66 89669000
SWIFT/BIC: GIBARS22XXX
E-Mail: info@erstebank.rs
Website: www.erstebank.rs

Imprint

Publisher and copyright owner:
Erste Group Bank AG
Am Belvedere 1, A-1100 Vienna

Editorial staff:
Investor Relations & Accounting-Teams, Erste Group

Production:
Erste Group with the assistance of firesys GmbH

Graphics:
Schneeweis Wittmann
www.schneeweiswittmann.at

Print management:
SPV-Druck Gesellschaft m. b. H.
Bockfließerstraße 60–62, A-2214 Auersthal

PEFC/06-39-372

PEFC zertifiziert

Dieses Produkt stammt aus nachhaltig bewirtschafteten Wäldern und kontrollierten Quellen

www.pefc.at

Contact:

Erste Group Bank AG
Am Belvedere 1, A-1100 Vienna
Phone: +43 (0)5 0100 - 17731
Email: investor.relations@erstegroup.com
Internet: www.erstegroup.com/investorrelations

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

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

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

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

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

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

www.erstegroup.com

Erste Group Bank AG

Financial Statements 2020

ERSTE Group

Table of Contents

Erste Group Bank AG 1

Financial Statements 2020 1

Table of Contents 2

I. Balance Sheet of Erste Group Bank AG as of 31 December 2020 4

II. Income Statement of Erste Group Bank AG for the Year ended 31 December 2020 6

III. Notes to the Financial Statements 2020 7

A. General Information 7

B. Notes on accounting and measurement methods 8

C. Notes on the balance sheet and income statement 14

1. Maturity structure of loans and advances as well as liabilities to credit institutions and customers (by residual time to maturity) 14
2. Debt securities due within one year 14
3. Assets and liabilities in foreign currencies 14
4. Loans and advances as well as liabilities to affiliated companies and companies in which participating interests are held 15
5. Subordinated assets 15
6. Fiduciary business 15
7. Securities 16
8. Trading book 16
9. Participating interests and shares in affiliated companies 17
10. Fixed assets 18
11. Other assets 19
12. Accrued and deferred items 20
13. Deferred tax assets 20
14. Securitised liabilities 20
15. Other liabilities 21
16. Provisions 21
17. Subordinated liabilities 22
18. Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013 22
19. Additional core capital 22
20. Subscribed capital 22
21. Authorised and conditional capital as of 31 December 2018 23
22. Major shareholders 23
23. Reserves 24
24. Recovery & Resolution Fund, deposit guarantee fund, IPS fund 24
25. Own funds and capital requirement 25
26. List of assets pledged as collateral for liabilities (acc. to section 64 [1] no. 8 Austrian Banking Act) 27
27. Total volume of unsettled derivatives 28
28. Derivative financial instruments and fixed-asset financial instruments 30
29. Market value for securities in inactive markets 32
30. Reclassification in securities positions 33
31. Hedging transactions 33
32. Consideration of CVA/DVA in derivative valuation 33
33. Risk provisions 34
34. Contingent liabilities 34
35. Credit Risk 34
36. Gross income – regional breakdown 34
37. Net interest income 34
38. Income from participating interests and shares in affiliated companies 34
39. Other operating income 35
40. Personnel expenses 35
41. Other administrative expenses 35
42. Other operating expenses 35
43. Value adjustments as well as results from purchases and sales in respect of participating interests and shares in affiliated companies 35
44. Taxes on profit and loss 36

45. Other taxes 36
46. Branches on a consolidated basis 36
47. Return on assets 37
48. Events after balance sheet date 37

D. Information on board members and employees 37

E. Appropriation of profit 40

F. Appendix 1: Management bodies of Erste Group Bank AG as of 31 December 2020 40

IV. Management Report 43

Economic environment 43

Financial Performance Indicators 44

Outlook 46

Own shares 46

Research and development 47

Branches 47

Share, Voting and Control Rights 48

Internal Control and Risk Management System Control Rights for Financial Reporting Procedures 51

Risk Management 52

Corporate Governance 55

Claim pursuant to section 243b Commercial Code (UGB) 55

Glossary 56

V. Auditors' Report 58

VI. Statements of all members of the management board 66

I. Balance Sheet of Erste Group Bank AG as of 31 December 2020

in EUR or in EUR thousand	Dec 20	Dec 19
Assets		
1. Cash in hand, balances with central banks	**17,420,984,212.98**	**1,625,618**
2. Treasury bills and other bills eligible for refinancing with central banks	**4,898,136,114.11**	**3,851,263**
a) treasury bills and similar securities	4,898,136,114.11	3,851,263
b) other bills eligible for refinancing with central banks	0.00	0
3. Loans and advances to credit institutions	**21,368,923,815.14**	**25,578,852**
a) repayable on demand	1,260,580,310.95	1,392,111
b) other loans and advances	20,108,343,504.19	24,186,742
4. Loans and advances to customers	**16,792,699,565.89**	**16,237,043**
5. Debt securities and other fixed-income securities	**3,874,931,874.99**	**6,370,039**
a) issued by public bodies	845,796,159.14	885,411
b) issued by other borrowers	3,029,135,715.85	5,484,628
of which: own debt securities	846,778,042.27	2,426,985
6. Shares and other variable-yield securities	**1,186,460,781.55**	**1,115,631**
7. Participating interests	**137,101,592.14**	**127,363**
of which: in credit institutions	55,246,589.50	41,306
8. Shares in affiliated companies	**7,366,746,216.39**	**7,389,378**
of which: in credit institutions	6,656,012,917.73	6,609,983
9. Intangible fixed assets	**23,341,536.65**	**23,177**
10. Tangible fixed assets	**98,543,371.05**	**58,521**
of which: land and buildings used by the credit institution for its own business operations	3,485,435.92	3,373
11. Shares in a controlling company	**0.00**	**0**
of which: par value	0.00	0
12. Other assets	**3,691,226,883.17**	**3,593,788**
13. Subscribed capital called but not paid	**0.00**	**0**
14. Prepayments and accrued income	**116,568,745.27**	**143,156**
15. Deferred tax assets	**79,758,963.69**	**150,349**
Total assets	**77,055,423,673.02**	**66,264,178**
Off-balance sheet items		
1. Foreign assets	**43,671,770,415.01**	**46,583,644**

in EUR or in EUR thousand	Dec 20	Dec 19
Liabilities and equity		
1. Liabilities to credit institutions	**32,144,836,425.08**	**22,214,674**
a) repayable on demand	5,658,088,170.24	4,924,575
b) with agreed maturity dates or periods of notice	26,486,748,254.84	17,290,099
2. Liabilities to customers (non-banks)	**5,891,720,982.93**	**6,589,589**
a) savings deposits	0.00	0
aa) repayable on demand	0.00	0
bb) with agreed maturity dates or periods of notice	0.00	0
b) other liabilities	5,891,720,982.93	6,589,589
aa) repayable on demand	4,510,246,066.19	3,044,180
bb) with agreed maturity dates or periods of notice	1,381,474,916.74	3,545,408
3. Securitised liabilities	**18,897,749,758.94**	**18,154,418**
a) debt securities issued	18,380,222,033.55	18,076,020
b) other securitised liabilities	517,527,725.39	78,398
4. Other liabilities	**3,784,127,032.76**	**3,689,892**
5. Accruals and deferred income	**237,694,212.13**	**207,465**
6. Provisions	**523,191,645.74**	**490,194**
a) provisions for severance payments	0.00	0
b) provisions for pensions	310,596,181.29	317,037
c) provisions for taxes	8,241,922.53	9,082
d) other	204,353,541.92	164,075
6a. Special fund for general banking risks	**0.00**	**0**
7. Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	**4,583,910,778.52**	**5,064,549**
8. Additional Tier 1 capital pursuant to Part 2 Title I Chapter 3 of Regulation (EU) No 575/2013	**2,778,909,242.11**	**1,521,760**
of which: Compulsory convertible bonds pursuant to § 26 Austrian Banking Act (BWG)	0.00	0
8b Instruments without a vote pursuant to § 26a Austrian Banking Act (BWG)	**0.00**	**0**
9. Subscribed capital	**859,600,000.00**	**859,600**
10. Capital reserves	**1,628,104,885.97**	**1,628,105**
a) committed	1,628,104,885.97	1,628,105
b) uncommitted	0.00	0
11. Retained earnings	**4,229,878,708.84**	**4,348,234**
a) statutory reserve	1,537,900,000.00	1,537,900
b) reserves provided for by the articles	0.00	0
c) other reserves	2,557,081,483.52	2,612,310
d) blocked reserves	134,897,225.32	198,024
12. Reserve pursuant to section 57 (5) of Austrian Banking Act (BWG)	**851,000,000.00**	**851,000**
13. Net profit or loss for the year	**644,700,000.00**	**644,700**
Total Liabilities and equity	**77,055,423,673.02**	**66,264,178**
Off-balance sheet items		
1. Contingent liabilities of which	**3,753,048,433.45**	**3,663,354**
a) acceptances and endorsements	0.00	0
b) guarantees and assets pledged as collateral security	3,185,793,478.68	3,236,677
c) credit derivatives	567,254,954.77	426,677
2. Commitments	**9,940,427,325.67**	**9,151,755**
of which: commitments arising from repurchase agreements	0.00	0
3. Liabilities arising out of fiduciary activities	**147,056.00**	**186**
4. Own funds pursuant to Part 2 of Regulation (EU) No 575/2013	**13,225,984,969.07**	**12,505,350**
of which: Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	3,075,183,933.13	3,496,562
5. Own funds requirements pursuant to Art 92 of Regulation (EU) No 575/2013 of which: capital required pursuant to Art 92 (1) of Regulation (EU) No 575/2013	**33,611,086,639.51**	**32,819,608**
a) Common Equity Tier 1 capital ratio	22.02%	22.88%
b) Tier 1 capital ratio	30.20%	27.45%
c) Total capital ratio	39.35%	38.10%
6. Foreign liabilities	**8,337,707,549.31**	**11,982,988**

II. Income Statement of Erste Group Bank AG for the Year ended 31 December 2020

in EUR or in EUR thousand	1-12 20	1-12 19
1. Interest and similar income	2,098,617,915.99	2,575,434
of which: from fixed-income securities	208,164,997.96	234,861
2. Interest and similar expenses	-1,867,176,409.40	-2,363,638
I. NET INTEREST INCOME	**231,441,506.59**	**211,796**
3. Income from securities and participating interests	421,312,063.78	815,843
a) income from shares, other ownership interests and variable-yield securities	68,279,491.76	64,281
b) income from participating interests	6,482,910.03	8,714
c) income from shares in affiliated companies	346,549,661.99	742,848
4. Commissions income	171,844,463.78	157,532
5. Commissions expenses	-154,956,988.16	-128,525
6. Net profit or loss on financial operations	-4,766,640.19	-69,346
7. Other operating income	91,813,312.20	230,976
II. OPERATING INCOME	**756,687,718.00**	**1,218,275**
8. General administrative expenses	-570,260,998.31	-660,820
a) staff costs	-295,722,000.58	-345,024
aa) wages and salaries	-207,871,280.48	-226,373
bb) expenses for statutory social security contributions and compulsory contributions related to wages and salaries	-42,995,318.34	-45,352
cc) other social expenses	-2,026,314.34	-3,147
dd) expenses for pensions and assistance	-10,190,399.17	-13,815
ee) release / allocation to the provision of pensions	-17,956,789.80	-39,750
ff) expenses for severance payments and contributions to severnace and retirement funds	-14,681,898.45	-16,587
b) other administrative expenses	-274,538,997.73	-315,796
9. Value adjustments in respect of assets items 9 and 10	-7,261,973.18	-10,085
10. Other operating expenses	-32,362,813.76	-59,917
III. OPERATING EXPENSES	**-609,885,785.25**	**-730,822**
IV. OPERATING RESULT	**146,801,932.75**	**487,453**
11./12. Income/expenses from value adjustments of loans and advances as well as individual provisions for liabilities and credit risks	-230,252,054.96	-17,427
13./14. Income/expenses from value adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated companies	-5,838,828.13	696,366
V. PROFIT OR LOSS ON ORDINARY ACTIVITIES	**-89,288,950.34**	**1,166,392**
15. Extraordinary income	0.00	5,000
of which: withdrawals from the special fund for general banking risks	0.00	0
16. Extraordinary expenses	0.00	0
of which: allocation to the special fund for general banking risks	0.00	0
17. Extraordinary result (sub-total of items 15 and 16)	0.00	5,000
18. Tax on profit or loss	-10,944,564.33	173,412
19. Other taxes not reported under item 18	-18,121,318.24	-17,701
VI. PROFIT OR LOSS FOR THE YEAR AFTER TAX	**-118,354,832.91**	**1,327,102**
20. Changes in reserves	118,354,832.91	-682,706
of which: allocation to liability reserve pursuant to section 23 (6) of the Austrian Banking Act (BWG)	0.00	0
of which: reversal of liability reserve pursuant to section 23 (6) of the Austrian Banking Act (BWG)	0.00	0
VII. PROFIT OR LOSS FOR THE YEAR AFTER DISTRIBUTION ON CAPITAL	**0.00**	**644,396**
21. Profit brought forward from previous year	644,700,000.00	304
22. Profit transferred on the basis of profit transfer agreement	0.00	0
VIII. PROFIT OR LOSS FOR THE YEAR	**644,700,000.00**	**644,700**

III. Notes to the Financial Statements 2020

A. GENERAL INFORMATION

Erste Group Bank AG is listed on the Vienna Stock Exchange. It is also quoted on the Prague Stock Exchange and on the Bucharest Stock Exchange. Erste Group Bank AG is registered in the company register at the Commercial Court of Vienna under FN 33209m. The address of its registered office is: Am Belvedere 1, 1100 Vienna, Austria.

The 2020 financial statements of Erste Group Bank AG have been prepared in accordance with the regulations of the Commercial Code (Unternehmensgesetzbuch, UGB) and in conjunction with the applicable provisions of the Austrian Banking Act (Bankwesengesetz, BWG).

Pursuant to section 59a Austrian Banking Act (BWG), Erste Group prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) on the same balance sheet date. The Erste Group's consolidated financial statements are filed with the commercial register at the Commercial Court of Vienna.

It should also be noted that in addition to the joint liability scheme in place since 2001, from 1.1.2014 onwards Erste Group Bank AG has formed a recognised institutional protection scheme in accordance with article 113 (7) CRR together with the Austrian savings banks. The joint liability scheme complies with the requirements of article 4 (1) Z 127 CRR, whereby the required individual services of the individual members of the scheme are subject to an individual and general ceiling. The applicable amounts are determined by the steering company and made known to the paying members. Due to the requirements for an IPS (Institutional Protection Scheme), the ceilings for individual members' support measures were raised and an ex-ante fund established which was endowed beginning in 2014 for the following 10 years.

The payments of the individual members are recognised in the balance sheet as a share in IPS GesbR, which manages the ex-ante fund and are accounted for as revenue reserve. Due to the contractual terms, this revenue reserve represents a blocked reserve. The writing off of this blocked reserve may only take place as a result of the mobilisation of the ex-ante fund due to a claim. This reserve can therefore not be utilised internally to cover losses and on member level does not qualify as capital according to the CRR; on a consolidated level, the ex-ante fund does qualify, however.

Furthermore, Erste Group Bank AG is the central institution for the associated Austrian savings banks, and together they form a cash pool pursuant to section 27a Austrian Banking Act (BWG). Where necessary, Erste Group Bank AG must supply liquidity to an associated savings bank in accordance with legal and contractual provisions.

Ongoing legal cases

Erste Group Bank AG is party to lawsuits that, for the most part, relate to ordinary banking business. The outcome of these proceedings is not expected to have a significant negative impact on the financial position and profitability of Erste Group Bank AG. Erste Group Bank AG is currently also involved in the following legal case:

Lawsuit filed by minority shareholders in Česká Spořitelna a.s.: Following the completion of a squeeze-out procedure in Česká Spořitelna a.s. resulting in Erste Group Bank AG becoming the sole share-holder of Česká Spořitelna a.s., some former minority shareholders of Česká Spořitelna a.s. filed a lawsuit with the courts in Prague. In the case against Česká Spořitelna a.s., the plaintiffs aim in essence a declaration that the shareholders´ resolution approving the squeeze-out is invalid. In the proceedings against Erste Group Bank AG, the plaintiffs allege in essence that the share price of CZK 1,328.00 (at that time around EUR 51.00) paid by Erste Group Bank AG in the squeeze-out of the Česká Spořitelna a.s. minority shareholders in 2018 was unfair and too low and should be increased. If the courts were to decide there ought to be an increase, this would affect all minority shareholders squeezed-out. In the squeeze-out performed in 2018, Erste Group Bank AG acquired a total of 1.03% of minority shares for a consideration of EUR 80,327,547.67. Erste Group Bank AG views that the purchase price, established by a valuation carried out by professional external experts, was correct and fair.

Disclosure

Erste Group Bank AG uses the internet as the medium for publishing disclosure requirements according to Part 8 of the regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR). Details are available on the website of Erste Group at www.erstegroup.com/ir. Relevant disclosures are included in the annual report in the section 'reports' or published as separate documents in the section 'regulatory disclosure'.

Size according to section 221 Commercial Code (UGB)

Pursuant to section 221 (3) in connection with section 189a Commercial Code (UGB), the legal regulations for large companies are valid for the financial year ending 31 December 2020.

B. NOTES ON ACCOUNTING AND MEASUREMENT METHODS

Generally accepted accounting principles

The financial statements were prepared in accordance with the generally accepted accounting principles and according to the standard principle that the financial statements should provide a fair and accurate view of the company's financial position, income and expenses. In the preparation of the financial statements, the principle of completeness was applied. The principle of individual measurement was applied in assessing the company's assets and liabilities, and the assumption was that the company would continue to operate (going concern). In applying the principle of prudence, the particularities of the banking business were taken into account.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currencies were measured at the ECB reference rates applicable at the balance sheet date. The currencies for which ECB did not publish a reference rate were recognised at the mid-rate applicable at the balance sheet date of Erste Group Bank AG. Foreign exchange forward transactions and FX swaps were principally rated at the forward exchange rate.

Participating interests and shares in affiliated companies

The valuation approach for participating interests and shares in affiliated companies is the modified lower of cost or market principle.

The fair value is determined based on expert assessments of the corporate value and recent transactions or market values. In general, the value is determined using a discounted cash flow model (DCF model), which incorporates the specifics of the banking business and its regulatory environment. For this purpose, Erste Group Bank AG performs an annual impairment test at the balance sheet date, although an impairment test is also carried out during the year if evidence exists that might indicate depreciation. Methodologically, this is carried out following IAS 36.

The estimation of future earnings distributable to shareholders is based on financial plans (budgets) as agreed by the management of the subsidiaries while taking into account the fulfilment of the respective regulatory capital requirements. The calculation of corporate value is based upon three different budget scenarios, in order to demonstrate the future macro-economic development and the development of risk costs. The base scenario utilises the budgets agreed upon. The worst-case scenario evaluates the macro-economic data more conservatively, which results in higher risk costs and lower income. The best-case scenario evaluates the macro-economic data more optimistically, which results in lower risk costs and higher income. All scenarios are weighted with their probability of occurrence, whereby the base scenario is assigned a 50% probability of occurrence.

Any forecast beyond the planning period are derived based on the last year of the planning period and a long-term growth rate (perpetual annuity). As long as the implicit return on equity is higher than the equity capital costs at the end of the planning period, the return on equity for the perpetuities is aligned with the equity capital costs. The present value of perpetual earnings growing at a stable rate (referred to as terminal value) takes macro-economic parameters and economically sustainable cash flows into consideration.

The interest rate used for calculation was determined on the basis of the CAPM (Capital Asset Pricing Model). Key input factors include:

- A risk-free interest rate (Source: Svensson yield curve method for 30-year German government bonds)
- Market risk premium
- Beta factor
- Weighted country risk premium (Source: Damodaran).

Dividend earnings from participating interests and shares in affiliated companies are reported according to the resolution on dividend payouts and shown in item 3 Income from securities and participating interests.

Loans and advances to credit institutions and customers

Credit loans and advances to credit institutions and customers were measured in accordance with the provisions set out in the common position paper by the AFRAC (Austrian Financial Reporting and Auditing Committee) and FMA (Financial Market Authority) concerning the subsequent valuation of financial institutions using the effective interest rate method.

Default risks, which were recognised at the balance sheet date, were covered by loan loss provisions. Write-ups from the release of loan loss provisions were carried out. Methodologically, the calculation of loan loss provisions is conducted using the IFRS 9 impairment models set out in the Commercial Code (UGB).

Securities

Depending on their classification, securities (debt securities, other fixed-income securities, shares and other variable-yield securities) are held either as trading assets, current assets or financial assets. According to the classification they are measured as specified below:

- trading assets at market value, even when acquisition costs are exceeded
- current assets at amortised acquisition cost or at the lower market value (strict application of valuation rule "whichever is lowest out of market value or acquisition costs"), or
- bonds admitted to trading on stock exchanges at market values, even when acquisition costs are exceeded (in accordance with section 207 Commercial Code in connection with section 56 (5) Austrian Banking Act (BWG)), repurchased own listed bonds (retained covered bonds) at the settlement amount
- fixed assets at amortised acquisition cost and where permanent impairment can be presumed, at the lower market value (discretionary application of the valuation rule "whichever is lowest out of market value or acquisition costs"). As long as there is no evidence of permanent impairment, no impairment loss is recognised. Securities in item 6 are valued according to the strict lowest value principle without exception.

Securities were allocated to trading assets, current assets or to financial assets in accordance with the organisational policies adopted by the management board. The fair value, or market price, is the price that can be achieved by selling a financial instrument or the price payable for its purchase, in an active market. Where available, market prices were used for asset valuation. Valuation methods, especially the present value method, were used for assets without market prices.

Amortised Costs and Effective Interest Rate Method

Pursuant to section 56 (2) and (3) Austrian Banking Act (BWG) and section 198 (7) Commercial Code, the difference between acquisition cost and redemption amount for fixed-income securities with the characteristics of financial investments as well as for securitised liabilities is amortised on a pro rata basis. The distribution of the difference takes place in line with AFRAC (Austrian Financial Reporting and Auditing Committee – AFRAC) statement 14 “Accounting of non-derivative financial instruments” according to the effective interest rate method either until the first possibility for termination by the issuer, or until the redemption date

The amortised acquisition costs of financial assets or liabilities are the amount, which the asset or liability is valued at when initially recognised, minus redemptions, plus or minus the cumulated amortisation of any difference between the original amount and the amount redeemable at maturity using the effective interest rate method. In the lending business, fees and commission similar in nature to interest as well as changes in estimates are amortised on a pro rata basis using the effective interest method.

The effective interest rate is the interest rate with which the estimated future in- and outflows over the expected life of the asset or liability are discounted exactly at the amortised costs of an asset or a liability. The estimated cash flows take into consideration all conditions set out in the contract for the asset or liability; expected credit losses, however, are not taken into consideration. Furthermore, the calculation includes transaction costs and handling fees, if these are distributable, as well as all other premiums and discounts on the nominal value.

Lending Business

Should the base interest rate change during the life of a variable interest rate loan and this change is not due to contractual modification, the changes to the expected future in/outflows are taken into consideration by recalculating the EIR. Any caps and floors agreed on the base interest rate are also taken into account.

If the expected future in/outflows of a loan change during the contract term and the change is neither due to contractual modification nor to an adjustment to the nominal interest rate, nor to deterioration of credit rating, the amortised costs of the asset are adjusted by recording a changed estimate. This changed estimate corresponds to the difference between the amortised acquisition costs before the change in the expected in/outflows and the cash value of the newly expected in/outflows, discounted by the original effective interest rate. In the profit and loss statement the change in estimates is reflected in the interest income.

Handling of contractual modifications

A contractual modification occurs when a contract is modified without such a possibility to modify it having been specified previously in the contract. Most contractual adjustments are carried out in the lending business. These contractual adjustments are assessed according to qualitative and quantitative aspects. If, according to qualitative and/or quantitative assessment, there is a significant change, it is referred to as a significant contractual adjustment. If there is no significant change according to both qualitative and quantitative assessments, it is

referred to as a non-significant contractual adjustment. The utilisation of the legal moratorium in accordance with 2.Covid-19 Accompanying Act is not treated as a significant contractual modification. Deviating agreements are treated as significant or non-significant contractual modifications in line with their qualitative and quantitative aspects. Loans of customers, who have not utilised the legal moratorium, are continued without balancing a contractual modification.

Significant contractual modifications lead to the derecognition of the original financial asset and to the initial recognition of a new financial asset in accordance with the contractual modifications. If the debtor has defaulted or the significant contractual modification leads to a default, the new asset is treated as a defaulted asset. The difference between the carrying value of the derecognised asset and the fair value of the new asset is initially recognised in item 11/12 of the profit and loss statement. If the debtor has not defaulted and the significant contractual modification does not lead to default, the new asset is recorded in stage 1 following the derecognition of the original asset. The non-amortised amount of processing fees/transaction costs, which are taken into account in the effective interest rate, is recognised at the time of derecognition in the interest result. The reversal of impairments, which were recorded for the original asset until the contract was significantly modified, as well as the recording of impairments for the new asset are shown in item 11/12 in the profit and loss statement. The remaining difference is shown in other operating income or expenses.

Non-significant contractual modifications are accounted for according to general corporate law principles.

Market-based adjustments to interest conditions, which fulfil specific conditions, are no longer treated as contractual modifications from the financial year 2020 onwards. Such changes to the interest conditions usually concern loans, which have no forbearance status and for which there is a prepayment option and a sufficiently competitive refinancing market. Moreover, the costs, which are incurred by the debtor in the case of prepayment or early termination, must be considered to be low. Such changes to interest conditions are no longer treated as contractual modifications from the financial year 2020 onwards, but are taken into account within the framework of the recalculation of the effective interest rate. This change took place at the end of 2020 and there were no significant impacts on the annual financial statements.

Impairment for Credit Risks

Impairments or provisions for credit risks to loan receivables and off-balance sheet credit risk arising from financial guarantee contracts and certain loan commitments are recorded.

For loan receivables, the book value of the asset recorded in the balance sheet corresponds to the difference between the amortised acquisition costs and the cumulated impairments. Impairments for loan commitments and financial guarantee contracts are reported in the balance sheet item other provisions. In the profit and loss statement, impairment losses and income are recorded in items 11/12 for all assets in accordance with section 53 Austrian Banking Act (BWG).

The calculation of impairments is carried out in line with the FMA (Finance Market Authority) and AFRAC's common position paper concerning the subsequent valuation in financial institutions by using the IFRS 9 model in the Commercial Code. The impairment model is based on expected credit loss and considers the "statistically determined empirical values from similar facts and circumstances" in Section 201 (2) Z 7 Commercial Code, which are also necessary for the valuation of expected credit loss in the Commercial Code.
Expected credit loss (ECL) reflects the following:

- an undistorted and probability-weighted amount, which is determined by a series of possible scenarios;
- the time value of money; and
- plausible and comprehensible information about past events and current conditions as well as prognoses about future economic developments.

Three Stage Model

An impairment model based upon a three stage approach is used for the calculation of risk provisioning:

- Stage 1 includes financial assets at initial recognition (as long as these are not already impaired) and financial assets which have not significantly shown increased credit risk since initial recognition, independent of their creditworthiness.
- Stage 2 includes financial assets which have shown significantly increased credit risk since initial recognition, however for which there is not yet any impairment at the time of report. Stage 2 also includes non-impaired assets, which could not be assigned with a credit risk at the time of acquisition due to missing data in the framework of the IFRS 9 transition.
  Specific rules for the classification of initial utilisations of approved lines of credit exist. Dependent on the development of credit risk between confirmation and initial utilisation, the loan is classified at stage 1 or stage 2.
- Stage 3 includes financial assets that are impaired on the reporting date. A financial asset is principally impaired if the customer defaults.

Across the Group, the definition used for loan default is based on EBA/GL/2016/07 guide to using the definition of default in accordance with Article 178 of EU regulation number 575/2013 and delegated regulation EU/2018/171 "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."

In stage 1 risk provisions are calculated in the amount of the expected losses over 12 months. In stages 2 and 3 risk provisions are calculated in the amount of the expected credit losses over the (remaining) duration.

Significant Increase in Credit Risk

Concerning the modelling of the expected credit loss (ECL) and the calculation of the risk provisions for credit risks resulting therefrom, the identification of a significant increase in credit risk (SICR) since the recognition of the loan receivable is one of the substantial determinants for the expected impact. For this purpose, quantitative and qualitative indicators for the estimation of a SICR are defined for all portfolios and product types, including receivables overdue by more than 30 days.

Quantitative indicators include adverse changes in the probability of default (PD) over the total (remaining) duration, whereby the significant increase is determined by means of a combination of relative and absolute change threshold levels. Generally, the indicators for the PD are defined in order to represent the risk in consideration of forward-looking information ("forward looking-information", FLI) as a point-in-time measurement. The PD threshold values are defined for customer segments or (individual) customer rating and are subject to continuous validation.

Qualitative indicators for calculating an SICR include forbearance measures and the transfer of the customer to the workout department as well as early warning indicators (if these are not already sufficiently considered in the rating) and indications of fraud. The setting of qualitative indicators is based inherently on the expert evaluation of credit risks, which is to be carried out in an appropriate and timely manner. The group-wide and institution-specific guidelines and processes concerning this ensure the required governance framework. Besides the qualitative determinants on a customer level, the calculation of an SICR is carried out at portfolio level if the increase to the credit risk on a business or customer level occurs only after some delay or if the increase is only noticeable at portfolio level. In the financial year 2020, additional rules came into effect in the determination of an SICR, which are described in the "Covid-19" section.

Calculation of Risk Provisions

The calculation of risk provisions for defaulted customers is generally carried out on an individual level. The individual method is used for defaulted customers and comprises an individual definition of those restructuring or liquidation scenarios deemed currently possible, the probability of them occurring and the expected recoveries per scenario (amortisations and collateral proceeds) by the workout-risk manager. The cash value comes from the discounting of the expected cash flows based on the original effective interest rate. The required risk provision is the difference between the gross book value and the cash value of the expected cash flows in a scenario, calculated over all probability-weighted scenarios.

Regardless of their significance, rule-based risk provisions are calculated on the basis of a rule-based approach for non-defaulted customers. The amount of portfolio risk provisions depends on the gross book value, the probability of default (PD), the losses given default (LGD) and the credit conversion factor (CCF) for off-balance sheet items. For the calculation of loss given default, the impact of the discounting of future cash flows on the cash value is considered.

Covid-19

Erste Group Bank AG concluded that the majority of moratoria introduced prior to 31 December 2020 fulfil the conditions defined in the EBA guidelines published throughout 2020. The relief offered to borrowers therefore did not cause an automatic shift from stage 1 to stage 2. Nevertheless, Erste Group Bank AG will continue to make individual estimates to determine whether other factors would lead to a forbearance or default classification. To this effect, risk recognition was adapted in 2020 in order to identify customers, who have financial difficulties or consideration in light of the concessions included in the EBA-guidelines, in accordance with the forbearance or default definitions (check for improbability of repayment).

On the basis of new, future-oriented macro-economic information, a revaluation of the risk parameters was carried out. The special situation due to the Covid-19 pandemic and the comprehensive support measures lead to a delay in the presentation of macro-economic indicators in the credit risk parameters. Therefore, macro-economic variables for 2020 were included as additional predictors for future values of credit risk parameters. Macro-economic developments and prognoses continue to be observed, to draw conclusions from the information obtained in connection with the credit risk parameters.

For the recognition of a significant increase in credit risk following the outbreak of the Covid-19 pandemic, portfolio shifts (overlays) were carried out on the basis of professional estimates. As a basis for this, branches and sub-branches were categorised in view of the expected impact of Covid-19 as significantly, strongly, mildly or hardly affected. The evaluation of customers was carried out afterwards investigating whether Covid-19-related help measures were utilised, which branch category they belonged to and how likely the customer-specific default probability was according to IFRS. Based upon this information and in combination with an individual assessment, customers were additionally shifted into stage 2, meaning a calculation was carried out of the expected credit loss over the entire term.

Intangible and tangible assets

Intangible and tangible assets were measured at purchase or production cost less depreciation and impairment. Straight-line depreciation was applied as scheduled. The useful life is 25 to 50 years for buildings and 4 to 20 years for fixtures and fittings; the amortisation period for intangible assets is 4 to 15 years. Low-value assets were fully written off in the year of acquisition.

Liabilities

Liabilities were recognised in the balance sheet at their settlement values or the pro rata annual values (zero coupon bonds).

Issuing costs for securities were expensed immediately; premiums and discounts on issues were amortised on a pro rata temporis basis using the effective interest rate method. Distribution is described in “Amortised Costs and Effective Interest Rate Method.”

Provisions

Defined benefit plan

Defined benefit plans of Erste Group AG comprise provisions for pension, severance and jubilee benefits. In Austria, defined pension plans now only apply to retired employees. In previous years, pension obligations for active employees were transferred to VBV-Betriebliche Altersvorsorge AG. Remaining with Erste Group Bank AG is a defined-benefit obligation for entitlements of former employees who had already retired by 31 December 1998 before the pension reform took effect, and for those former employees who did not retire until 1999 but continued to be entitled to a direct pension from Erste Group Bank AG under individual agreements. Entitlements to resulting survivor pensions also remained with the Erste Group Bank AG. Severance entitlements continue to be applicable for employees whose employment contract with Erste Group Bank AG commenced prior to 1 January 2003. Severance pay is a one-off payment which employees are entitled to when their employment is terminated. Entitlement to this severance pay arises after three years of employment. Defined benefit plans include jubilee benefits. The amount of jubilee benefits (payments for long-term service/loyalty to the company) is determined by the length of employment with the employer. The entitlement to jubilee benefits is established by a collective agreement, which defines both the conditions and amount of the entitlement.

Obligations under defined benefit plans for employees are determined using the projected unit credit method. Future obligations are determined based on actuarial reports. The calculation takes into account not only the known salaries, pensions and entitlements to future pension payments but also salary and pension increases expected in the future.

The interest rate applied for the calculation of long-term personnel provisions is derived from the current interest rate of a portfolio of high-quality (AA-rating) corporate bonds. For this purpose, the weighted average of the yield of the underlying portfolio is determined with a corresponding duration.

Tax provisions and other provisions

Unless the amounts were small, provisions were set aside on a best estimate basis. Tax provisions and other provisions with a term of more than a year were discounted at a customary market interest rate of corporate bonds with an AA rating as at the closing day. Depending on the applicable remaining duration, interest rates between 0.0% and 1.6% were applied.

Assets held in trust

Recoverable trust assets were declared off-balance sheet in accordance with section 48 (1) Austrian Banking Act (BWG).

Derivative business

Derivatives in a hedge relationship under AFRAC-statement 15 (September 2017) are treated as a valuation unit, thus the fair value neither of the derivative nor of the hedged item is part of the balance sheet. Derivatives in the Banking Book, which are not in a hedge relationship under AFRAC statement 15 (September 2017) are recognised based on the imparity principle in profit and loss as provisions for contingent losses with the expected loss exceeding the book value. The interest income/expenses as well as possible financial compensation from the current period are accrued based on the effective interest rate. These are shown in the interest result.
Depending on the contract, derivatives in the trading book are shown in the balance sheet based on mark-to-market valuations.

The attributed fair value is the amount which could be achieved in an active market from the sale of a financial instrument, or the amount which would need to be paid for a relevant acquisition. As long as market rates were available, these are used for valuation. If market rates were not available, valuation models were used, which included the present value method in particular. Fair values for options are calculated with recognised option price models. Amongst others, the valuation models include the Black-Scholes model, binomial model, Hull-White model, local volatility model and Vanna-Volga model

Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA) are used for the calculation of the market values of derivatives. For derivatives in hedge relationships, the CVA is reported as an inefficient part in the balance sheet and income statement as provision for contingent losses.

Deferred tax assets

Deferred tax assets are recognised to the extent of convincing substantial evidence that sufficient taxable income will be available in future against which tax-deductible temporary differences and tax losses can be offset. The valuation methods were based on expected results for all larger incorporated companies in the tax group.

The calculation of deferred tax assets of Erste Group Bank AG as group parent of the group of companies, which includes only group members in Austria, was completed in accordance with Statement 30 Deferred Tax Assets in single and consolidated financial statements issued by AFRAC (December 2020).

Securities lending and repurchase transactions

In repurchase agreements / securities lending transactions, the assets assigned are still recognised in the balance sheet. A liability is presented against the pledgee in the amount received for the transfer. In reverse repurchase agreements / securities lending transactions, the assets taken over are not part of the balance sheet. The amount owed by the pledgor is recognised as a receivable in the amount paid for the transfer.

Changes in accounting and measurement methods

Further to the already mentioned adaptions in other chapters, the following change was applied. In the financial year 2020, in accordance with section 53 (3) Austrian Banking Act the profit and loss items “11. Value adjustments of loans and advances and allocations to provisions for contingent liabilities, commitments and securities held in the financial current assets” and “12. Value re-adjustments of loans and advances and provisions for contingent liabilities, commitments and securities held in the financial current assets” and in accordance with section 54 (2) Austrian Banking Act the items “13. Value adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated companies” and “14. Value re-adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated companies” are summarised as one item each. This was carried out both for the current and the prior year. This change in presentation occurred because of a technical change in the bank IT system. The determination of a true and fair view of the assets, financial and profit position is not compromised by this summarisation.

C. NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

Unless otherwise indicated, amounts for the reporting year are stated in Euros, for the previous year in thousand Euros. The tables in this report may contain rounding differences.

1. Maturity structure of loans and advances as well as liabilities to credit institutions and customers (by residual time to maturity)

Loans and Advances

in EUR or in EUR thousand	Dec 20	Dec 19
Loans and advances to credit institutions	**21,368,923,815.14**	**25,578,852**
payable on demand	1,260,580,310.95	1,392,111
0-3 months	10,357,594,316.59	13,921,556
3-12 months	2,862,566,947.15	4,188,388
1-5 years	5,400,516,936.10	4,527,797
>5 years	1,487,665,304.35	1,549,001
Loans and advances to customers	**16,792,699,565.89**	**16,237,043**
payable on demand	663,096,108.53	482,424
0-3 months	1,637,408,724.88	1,204,994
3-12 months	1,215,998,469.79	1,266,122
1-5 years	7,768,966,976.47	7,030,680
>5 years	5,507,229,286.22	6,252,822

Liabilities

in EUR or in EUR thousand	Dec 20	Dec 19
Liabilities to credit institutions	**32,144,836,425.08**	**22,214,674**
payable on demand	5,658,088,170.24	4,924,575
0-3 months	13,215,244,002.18	13,745,432
3-12 months	828,962,997.12	728,952
1-5 years	10,996,795,460.27	1,926,010
>5 years	1,445,745,795.27	889,705
Liabilities to customers (non-banks)	**5,891,720,982.93**	**6,589,589**
Other Liabilities	**5,891,720,982.93**	**6,589,589**
payable on demand	4,510,246,066.19	3,044,180
0-3 months	1,223,908,185.83	3,285,571
3-12 months	5,537,500.00	36,540
1-5 years	103,000,424.09	139,600
>5 years	49,028,806.82	83,697

2. Debt securities due within one year

Purchased debt securities worth EUR 817,428,781.00 (prior year: EUR 767,565 thousand) and issued debt securities worth EUR 2,438,998,504.00 (prior year: EUR 1,357,070 thousand) are scheduled to mature in the year following 31 December 2020.

3. Assets and liabilities in foreign currencies

in EUR or in EUR thousand	Dec 20	Dec 19
Assets	19,266,534,765.22	22,359,436
Liabilities	7,607,016,651.15	10,270,108

4. Loans and advances as well as liabilities to affiliated companies and companies in which participating interests are held

in EUR or in EUR thousand	Loans and advances to affiliated companies		Loans and advances to participating interests	
	Dec 20	Dec 19	Dec 20	Dec 19
Treasury bills and other bills eligible for refinancing with central banks	0.00	0	0.00	0
Loans and advances to credit institutions	16,069,416,403.59	18,104,979	0.00	0
Loans and advances to customers	1,189,995,772.96	1,526,815	4,546,665.49	3,269
Debt securities and other fixed-income securities (incl. securitised loans and advances to credit institutions)	494,795,012.61	583,710	0.00	4,483
Shares and other variable-yield securities	1,107,034,486.61	980,141	3,523,845.51	26,327

in EUR or in EUR thousand	Liabilities to affiliated companies		Liabilities to participating interests	
	Dec 20	Dec 19	Dec 20	Dec 19
Liabilities to credit institutions	17,071,599,383.02	15,124,030	401,406.08	1,769
Liabilities to customers (non-banks)	649,402,465.73	1,495,752	2,212,358.04	1,065
Securitised liabilities	419,131,733.02	534,420	0.00	0
Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	1,500,000.00	1,506	0.00	0

Business with affiliated companies is conducted at arm's length.

5. Subordinated assets

in EUR or in EUR thousand	Dec 20	Dec 19
Loans and advances to credit institutions, thereof	**729,952,081.10**	**744,177**
to affiliated companies	708,509,510.16	701,115
to companies with participating interests	0.00	0
Loans and advances to customers, thereof	**76,956.06**	**535**
to affiliated companies	0.00	0
to companies with participating interests	76,956.06	535
Shares and other fixed-income securities, thereof	**32,281,119.60**	**53,709**
to affiliated companies	0.00	0
to companies with participating interests	0.00	0

6. Fiduciary business

No fiduciary business without the right of disposal was disclosed as of the balance sheet date.

7. Securities

Breakdown of securities admitted to trading on stock exchange items A5 to A8

pursuant to section 64 (1) no. 10 Austrian Banking Act (BWG)	Listed		Not listed	
in EUR or in EUR thousand	Dec 20	Dec 19	Dec 20	Dec 19
Debt securities and other fixed-income securities	3,874,931,874.99	6,370,039	0.00	0
Shares and other variable-yield securities	68,776,562.56	63,249	6,372,493.27	39,887
Participating interests	0.00	1,440	0.00	0
Shares in affiliated companies	0.00	0	0.00	0
Total	**3,943,708,437.55**	**6,434,729**	**6,372,493.27**	**39,887**

Breakdown of securities admitted to trading on stock exchange items A5 to A6

pursuant to section 64 (1) no. 11 Austrian Banking Act (BWG)	Fixed assets		Current assets	
in EUR or in EUR thousand	Dec 20	Dec 19	Dec 20	Dec 19
Debt securities and other fixed-income securities	2,054,258,423.91	2,610,038	829,075,148.42	2,379,940
Shares and other variable-yield securities	51,757.95	10,802	11,488,212.09	47,437
Total	**2,054,310,181.86**	**2,620,840**	**840,563,360.51**	**2,427,376**

Securities that are listed on a non-regulated market, for example those on the third market of the Vienna Stock Exchange, are considered as approved for trading on the stock market, yet they are not publicly listed.

Allocation pursuant to section 64 (1) no. 11 Austrian Banking Act (BWG) was carried out in accordance with the organisational policies adopted by the management board, with positions being included under fixed assets that are held for strategic purposes of liquidity. As of 31 December 2020, the difference to the redemption value – items A2 to A6 - resulting from the pro rata write-downs pursuant to section 56 (2) Austrian Banking Act (BWG) amounts to EUR 156,959,753.15 (prior year: EUR 75,285 thousand), whereas the difference to the redemption value from the pro-rata write-ups pursuant to section 56 (3) Austrian Banking Act (BWG) amounts to EUR 33,706,567.18 (prior year: EUR 35,374 thousand).

Repurchase agreements

The carrying amount of assets subject to sale and repurchase agreements amounts to EUR 622,717,296.95 on the balance sheet date (prior year: EUR 1,584,619 thousand).

Differences of the securities listed for trade on the stock exchange not held as financial fixed assets

The difference between the higher market value on the balance sheet date and the cost of purchase pursuant to section 56 (5) Austrian Banking Act (BWG) amounts to EUR 2.024.866,25 (prior year: EUR 2,242 thousand).

Breakdown of debt securities and other fixed-income securities

in EUR or in EUR thousand	Dec 20	Dec 19
Issued by public-sector issuers	845,796,159.14	885,411
Own issues	846,778,042.27	2,426,985
Bonds - domestic credit institutions	30,938,749.21	9,097
Bonds - foreign credit institutions	1,076,553,770.43	1,754,788
Mortgage and municipal securities	899,794,972.10	1,024,302
Convertible bonds	0.00	0
Other bonds	175,070,181.88	269,456
Total position A5	**3,874,931,874.99**	**6,370,039**

8. Trading book

Erste Group Bank AG kept a trading book pursuant to Art. 102 CRR throughout the financial year. As of 31 December 2020, the securities portfolio assigned to the trading book was EUR 9,021,733,257.08 (prior year: EUR 2,735,257 thousand). Money market instruments worth EUR 9,254,385,868.30 (prior year: EUR 20,112,932 thousand) were assigned to the trading book as of 31 December 2020.

The volume of other financial instruments included in the trading book had a par value of EUR 254,349,173,762.64 as of 31 December 2020 (prior year: EUR 243,304,254 thousand):

The disclosure of other financial instruments includes external transactions as well as booked internal transactions concerning hedge relationships. Further information on internal transactions can be found in section 28 of this chapter.

9. Participating interests and shares in affiliated companies

The amounts for equity and result are denominated in euro and, as a rule, are derived from the IFRS financial statements prepared to consolidate the consolidated financial statements according to uniform group guidelines. The share indicated below represents direct and indirect shares.

Holdings as of 31 December 2020

Company name, registered office	Interest of Erste Group in %	Equity	Result	Balance sheet date
Credit institutions according to CRR				
Banca Comerciala Romana SA, Bucharest	99.88	1,879,787,010.00	161,211,676.00	31.12.2020
Banka Sparkasse d.d., Ljubljana	4.00	123,708,832.00	3,033,883.00	31.12.2020
Ceska sporitelna, a.s., Prague	100.00	5,410,339,643.00	332,363,256.00	31.12.2020
Erste & Steiermärkische Bank d.d., Rijeka	59.02	1,156,916,524.00	51,672,106.00	31.12.2020
ERSTE BANK AKCIONARSKO DRUŠTVO, NOVI SAD, Novi Sad	74.00	280,127,867.00	11,342,720.00	31.12.2020
Erste Bank der oesterreichischen Sparkassen AG, Vienna	100.00	1,730,475,915.00	162,612,983.00	31.12.2020
Erste Bank Hungary Zrt, Budapest	85.00	1,113,383,824.00	53,822,324.00	31.12.2020
Prva stavebna sporitelna, a.s., Bratislava	25.02	266,448,761.45	8,316,486.24	31.12.2020
Public Joint-stock company commercial Bank "Center-Invest", Rostowam Don	9.09	157,610,277.36	40,399,983.08	31.12.2019
Slovenska sporitelna, a. s., Bratislava	100.00	1,760,003,940.00	114,633,191.00	31.12.2020
SPAR-FINANZ BANK AG, Salzburg	50.00	5,337,209.40	105,592.57	31.12.2020
Financial institutions				
EB Erste Bank Internationale Beteiligungen GmbH, Vienna	100.00	35,814,952.00	9,654,398.00	31.12.2020
Erste Group Immorent GmbH, Vienna	100.00	317,951,301.00	27,490,105.00	31.12.2020
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o., Ljubljana	25.00	52,830.00	-97,960.00	31.12.2020
EUROPEAN INVESTMENT FUND, Luxembourg	0.11	1,990,071,052.00	175,668,122.00	31.12.2019
Intermarket Bank AG, Vienna	92.63	60,050,461.00	4,387,449.00	31.12.2020
VBV - Betriebliche Altersvorsorge AG, Vienna	27.96	58,747,165.81	6,597,693.17	31.12.2020

Company name, registered office	Interest of Erste Group in %	Equity	Result	Balance sheet date
Other holdings				
Austrian Reporting Services GmbH, Vienna	14.00	100,481.91	13,961.59	31.12.2019
aws Gründerfonds Beteiligungs GmbH & Co KG, Vienna	5.11	36,163,010.56	-1,145,147.98	31.12.2019
Dateio s.r.o., Prague	22.23	2,522,711.66	-66,316.74	31.12.2019
EB-Restaurantsbetriebe Ges.m.b.H., Vienna	100.00	419,798.00	-3,926,903.00	31.12.2020
Erste Asset Management GmbH, Vienna	64.67	118,385,691.00	49,041,009.00	31.12.2020
ERSTE CAMPUS Immobilien AG & Co KG, Vienna	-	99,201,067.00	2,424,815.00	31.12.2020
ERSTE d.o.o., Zagreb	10.79	14,469,711.61	2,237,844.21	31.12.2020
Erste Finance (Delaware) LLC, Wilmington	100.00	49,392.00	-25,575.00	31.12.2020
Erste Group Card Processor d.o.o., Zagreb	100.00	18,170,394.00	1,196,558.00	31.12.2020
Erste Group IT International GmbH, Vienna	99.90	66,913,449.00	5,552,591.00	31.12.2020
Erste Group Services GmbH, Vienna	100.00	317,358.00	171,847.00	31.12.2020
Erste Group Shared Services (EGSS), s.r.o., Hodonin	60.00	472,275.00	230,683.00	31.12.2020
Erste Reinsurance S.A., Luxembourg	100.00	56,362,088.00	5,531,815.00	31.12.2020
FRC2 Croatia Partners SCSp, Luxembourg	5.59	6,272,546.00	-1,095,604.00	31.12.2019
George Labs GmbH, Vienna	100.00	3,011,372.00	1,519,220.00	31.12.2020
Graben 21 Liegenschaftsverwaltung GmbH, Vienna	100.00	29,710.41	-1,711.48	31.12.2019
Haftungsverbund GmbH, Vienna	0.97	722,143.00	1,803.00	31.12.2020
IPS Fonds Gesellschaft bürgerlichen Rechts, Vienna	31.51	175,011,731.00	5,258.00	31.12.2020
OM Objektmanagement GmbH, Vienna	100.00	42,723,098.00	847,350.00	31.12.2020
Österreichische Wertpapierdaten Service GmbH, Vienna	32.50	239,425.95	36,645.22	31.12.2019
Procurement Services GmbH, Vienna	99.80	1,042,905.00	361,199.00	31.12.2020
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A., Amsterdam	77.38	8,273,009.00	562,215.00	31.12.2019
s IT Solutions AT Spardat GmbH, Wien	25.00	45,721,521.00	10,173,550.00	31.12.2020
Society for Worldwide Interbank Financial Telecommunication scrl, La Hulpe	0.20	469,587,748.00	53,207,710.00	31.12.2019
Speedinvest III EuVECA GmbH & Co KG, Vienna	2.50	6,787,735.74	-1,087,267.26	31.12.2019
TAUROS Capital Investment GmbH & Co KG, Vienna	40.00	2,997,609.78	-384,036.74	31.12.2019
Therme Wien GmbH & Co KG, Vienna	15.00	28,850,694.44	2,197,205.62	31.12.2019
WE.TRADE INNOVATION DESIGNATED ACTIVITY COMPANY, Dublin	4.06	2,350,506.00	-6,829,707.00	31.12.2019
Wiener Börse AG, Vienna	11.30	30,668,513.95	18,800,937.31	31.12.2019
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	2.15	539,291,509.22	80,137,942.99	31.12.2019

In 2016, the European Bank for Reconstruction and Development (EBRD) and Corvinus Nemzetközi Befektetési Zártkörüen Müködö Részvénytársaság (Corvinus) each acquired 15% of the shares in Erste Bank Hungary Zrt. (EBH) from Erste Group Bank AG. At the same time, call-put option agreements were entered into for the acquisition of the overall 30% of the shares between Erste Group Bank AG and the EBRD and with Corvinus. Due to the different structures of these option agreements, 15% of the shares that were sold to the EBRD are still included as investments in affiliated companies in the Erste Group Bank AG's annual financial report, at the same time a financial liability in the value of the expected exercise price is accounted for. For the remaining part (Corvinus), the put-call agreements were recognised off-balance as options.

There are open payment obligations to the nominal capital amounting to EUR 4,000,000.00 EUR (prior year: EUR 4,000 thousand) to the EUROPEAN INVESTMENT FUND, Luxembourg.

10. Fixed assets

The carrying amount of developed land was EUR 6,725,907.35 as of 31 December 2020 (prior year: EUR 6,726 thousand). The carrying amount as of 31 December 2020 did not include leased assets. For the next financial year, Erste Group Bank AG will have expenses from the use of tangible assets not disclosed in the balance sheet (rental and leasing contracts) of EUR 16,483,807.63 (prior year: EUR 16,774 thousand), and of EUR 83,052,052.46 for the next five financial years (prior year: EUR 82,959 thousand). Intangible fixed assets include assets with a value of EUR 22,689,247.00 (prior year adjusted: EUR 17,030 thousand) that were acquired from an affiliated company. During the reporting year, assets were acquired in the value of EUR 5,872,434.02 (prior year adjusted: EUR 3,928 thousand).

Statement of changes in fixed and long-term assets 2020

At cost

in EUR	As of 1 January 2020	Additions	Disposals	Reclassification	Currency translation (+/-)	As of 31 December 2020
Participating interests	211,136,378.15	6,486,261.85	10,380,985.53	0.00	0.00	207,241,654.47
Shares in affiliated companies	10,861,491,383.30	11,884,686.69	1,206,843.11	0.00	0.00	10,872,169,226.88
Intangible assets	99,560,582.42	5,872,434.02	6,325,098.48	-1,270,000.00	-4,040.26	97,833,877.70
Tangible assets	93,562,689.31	41,736,918.03	4,099,310.87	1,270,000.00	-344,281.51	132,126,014.96
Securities	**8,592,154,427.72**	**3,044,758,567.76**	**1,963,333,839.53**	**0.00**	**12,938,588.74**	**9,686,517,744.69**
Treasury bills and similar securities	3,386,941,352.66	1,762,782,972.06	1,026,543,734.77	0.00	0.00	4,123,180,589.95
Loans and advances to credit institutions	626,832,796.32	221,148,200.51	171,325,233.93	440,294,893.59	6,566,808.75	1,123,517,465.24
Loans and advances to customers	983,533,351.48	309,126,834.62	128,926,245.47	46,012,372.54	2,808,934.36	1,212,555,247.53
Bonds and other fixed-income securities	2,583,767,705.57	451,700,560.57	428,909,470.85	-486,307,266.13	3,562,845.63	2,123,814,374.80
Shares and other non-fixed-income securities	1,011,079,221.69	300,000,000.00	207,629,154.52	0.00	0.00	1,103,450,067.17
Total	**19,857,905,460.90**	**3,110,738,868.35**	**1,985,346,077.52**	**0.00**	**12,590,266.97**	**20,995,888,518.70**

Accumulated depreciation

in EUR	Accumulated write ups / downs As of 1 January 2020	Write-ups (-)	Write-downs (+)	Accumulated write ups / downs Additions / Disposals (-/+)	Currency translation (+/-)	Accumulated write ups / downs As of 31 December 2020
Participating interests	83,773,117.89	16,800,000.00	5,279,967.61	-2,113,023.17	0.00	70,140,062.33
Shares in affiliated companies	3,472,113,659.22	144,158,570.10	178,674,762.48	-1,206,841.11	0.00	3,505,423,010.49
Intangible assets	76,383,768.40	208,844.00	4,644,848.04	6,325,098.48	-2,332.91	74,492,341.05
Tangible assets	35,041,553.66	0.00	2,825,969.14	4,078,493.67	-206,385.22	33,582,643.91
Securities	**85,898,751.65**	**7,356,742.14**	**25,537,798.67**	**-76,430,559.90**	**188,405,861.59**	**216,055,109.88**
Treasury bills and similar securities	103,225,567.38	2,404,792.18	18,781,760.59	-66,750,876.87	1,954,319.27	54,805,978.19
Loans and advances to credit institutions	9,804,362.80	605,135.52	410,137.94	-8,606,326.96	47,902,558.13	48,905,596.39
Loans and advances to customers	-17,770,564.31	2,737,604.91	3,525,685.88	-1,045,187.83	48,979,305.46	30,951,634.30
Bonds and other fixed-income securities	-9,684,751.88	1,201,439.83	2,819,203.11	-84,146.54	89,569,678.73	81,418,543.59
Shares and other non-fixed-income securities	324,137.66	407,769.70	1,011.15	55,978.29	0.00	-26,642.60
Total	**3,753,210,850.82**	**168,524,156.24**	**216,963,345.94**	**-69,346,832.03**	**188,197,143.46**	**3,899,693,167.66**

Carrying amount

in EUR	Clean Price	Contractual interest accrual	As of 31 December 2020	As of 1 January 2020
Participating interests	137,101,592.14	0.00	137,101,592.14	127,363,260.26
Shares in affiliated companies	7,366,746,216.39	0.00	7,366,746,216.39	7,389,377,724.08
Intangible assets	23,341,536.65	0.00	23,341,536.65	23,176,814.02
Tangible assets	98,543,371.05	0.00	98,543,371.05	58,521,135.65
Securities	**9,470,462,634.82**	**67,219,593.40**	**9,537,682,228.22**	**8,578,658,125.69**
Treasury bills and similar securities	4,068,374,611.76	36,856,782.99	4,105,231,394.75	3,324,406,851.77
Loans and advances to credit institutions	1,074,611,868.84	3,380,012.96	1,077,991,881.80	618,170,222.53
Loans and advances to customers	1,181,603,613.23	8,184,712.72	1,189,788,325.95	1,008,928,776.27
Bonds and other fixed-income securities	2,042,395,831.21	11,881,849.39	2,054,277,680.60	2,610,037,684.84
Shares and other non-fixed-income securities	1,103,476,709.77	6,916,235.34	1,110,392,945.11	1,017,114,590.29
Total	**17,096,195,351.05**	**67,219,593.40**	**17,163,414,944.45**	**16,177,097,059.70**

Due to improved master data quality, there were reclassifications between listed and non-listed securities.

11. Other assets

in EUR or in EUR thousand	Dec 20	Dec 19
Securities transactions	5,836,101.95	27,800
Derivatives	3,523,729,532.01	3,322,937
Accrued income	9,785,834.90	7,266
Receivables from participating interests and affiliated companies	62,744,285.83	74,178
Other payments and settlements	89,131,128.48	161,606
Other assets	**3,691,226,883.17**	**3,593,788**

The carrying amounts for derivatives are shown post offsetting with central counterparties. Derivative assets and liabilities as well as provided and received cash collateral to cover the market values of outstanding derivatives are included in offsetting. Offsetting is carried out according to clearing agent, central clearer and currency.

The balance sheet item other assets includes derivatives with a reduced carrying amount of EUR 2,001,083,480.90 (prior year: EUR 1,688,564 thousand). In the balance sheet item loans to credit institutions, the carrying amounts were reduced by EUR 59,041,892.87 (prior year: EUR 57,398 thousand).

12. Accrued and deferred items

Prepayments and accrued income decreased to EUR 116,568,745.27 as of 31 December 2020 (prior year: EUR 143,156 thousand). Of these, EUR 74,664,434.61 (prior year: EUR 90,237 thousand) were accruals in connection with securities and derivative instruments and EUR 35,409,834.45 (prior year: EUR 47,213 thousand) were prepayments on commissions.

13. Deferred tax assets

In accordance with Section 198 Paragraph 9 of the Austrian Commercial Code (UGB) an amount of EUR 79,758,963.69 (prior year: EUR 150,349 thousand) deferred tax assets were accounted for in 2020 based on recognition of tax losses EUR 32,607,609.88 (prior year: EUR 86,847 thousand) and temporary differences between the book values EUR 47,151,353.81 (prior year: EUR 63,501 thousand). The decline in deferred tax assets in comparison to the prior year is attributable to lower anticipated tax results in the plan years. For the calculation of the anticipated tax results, a linear release of the general value adjustments and provisions as of 31 December 2020 was planned over a period of five years in accordance with the Covid-19 Measures Act. The option to recognise tax losses carried forward was exercised, as according to the multiannual plan, future taxable profits are expected against which tax loss carryforwards can be offset and therefore from today`s perspective a tax benefit seems to be feasible. To calculate deferred taxes, the local tax rate in Austria in the amount of 25.0% is applied for the parent company as well as for the branch with the tax credit method according to the double taxation agreement. For the branch in Hong Kong (double taxation agreement with tax exemption method), the local tax rate in the amount of 16.5% is applied.

14. Securitised liabilities

in EUR or in EUR thousand	Dec 20	Dec 19
Non-covered loans and bank bonds	7,565,131,705.04	5,856,441
Mortgage and municipal bonds	10,815,090,328.51	12,219,579
Certificates of deposits	517,527,725.39	78,398
Securitised liabilities	**18,897,749,758.94**	**18,154,418**

Erste Group Bank AG issues commercial papers and certificates of deposit for the US money market via the New York branch and the fully consolidated subsidiary Erste Finance Delaware LLC. The New York branch`s Dollar Certificates of Deposit Program had reached EUR 517,527,725.39 on 31 December 2020 (prior year: EUR 38,292 thousand). The Dollar Commercial Paper Program of Erste Finance Delaware LLC is fully secured by Erste Group Bank AG. The framework program amounted to EUR 6,111,971,314.48 on 31 December 2020 (prior year: EUR 6,676,162 thousend), of which commercial papers are in circulation in the amount of EUR 519,213,955.55 (prior year: EUR 1,373,349 thousand) for which the issue amount was immediately transferred to Erste Group Bank AG and are recognised in the item liabilities to customers.

15. Other liabilities

in EUR or in EUR thousand	Dec 20	Dec 19
Securities transactions	21,937,713.94	9,284
Derivatives	2,996,151,362.29	2,995,772
Accrued income	2,760,752.04	2,357
Other liabilities and settlements	763,277,204.49	682,479
Other liabilities	**3,784,127,032.76**	**3,689,892**

The carrying amounts for derivatives are shown post offsetting with central counterparties. Derivative assets and liabilities as well as provided and received cash collateral to cover the market values of outstanding derivatives are included in offsetting. Offsetting is carried out according to clearing agent, central clearer and currency.

The balance sheet item other assets includes derivatives with a reduced carrying amount of EUR 2,021,349,076.34 (prior year: EUR 1,715,001 thousand). In the balance sheet item loans to credit institutions, the carrying amounts were reduced by EUR 38,776,297.43 (prior year: EUR 30,961 thousand).

16. Provisions

in EUR or in EUR thousand	Dec 20	Dec 19
Provisions for pensions	310,596,181.29	317,037
Provisions for taxation	8,241,922.53	9,082
Provisions for contingent liabilities	77,344,475.45	33,247
Provisions for negative market values of standalone derivatives without hedge relationships	91,193.99	100
Other	126,917,872.48	130,728
Provisions	**523,191,645.74**	**490,194**

Assumptions for the actuarial calculation of pension entitlements

	Dec 20	Dec 19
Interest rate	0.50%	0.95%
Expected increase in pension benefits (including career- and collective agreement trend)	2.00%	2.00%

The expected retirement age was individually calculated per employee due to the amendments determined in the Ancillary Budget Act 2003 (BGBl I 71/2003) concerning the raising of the earliest possible retirement age. The currently applicable legislation specifiying a gradual rise of the retirement age for men and women to 65 was taken into consideration.

An interest rate of 2.60% (prior year: 3.37%) was used for the calculation of pension obligations in the New York branch.

Assumptions for the actuarial calculation of severance entitlements and jubilee benefits

	Dec 20	Dec 19
Interest rate	0.50%	0.95%
Average salary rise (including career- and collective agreement trend)	2.90%	2.90%

The obligations were calculated in accordance with the Association of Actuaries' (AVÖ) mortality table "AVÖ 2018 – Rechnungsgrundlagen für die Pensionsversicherung".

Severance and anniversary entitlements are outsourced to Wiener Städtische Versicherung AG. Severance entitlements measured in accordance with commercial law and based on the above parameters amount to EUR 44,870,051.77 (prior year: EUR 49,742 thousand), respectively EUR 18,549,108.02 (prior year: EUR 17,124 thousand) for jubilee benefits obligations, and are posted as a contingent liability off-balance. The credit intended for the performance of outsourced severance entitlements with the insurer as of 31 December 2020 amounted to EUR 44,870,051.77 (prior year: EUR 49,742 thousand) and the amount defined for jubilee benefits obligations is EUR 18,549,108.02 (prior year: EUR 17,124 thousand).

The outsourcing of severance/jubilee benefits entitlements to Wiener Städtische Versicherung AG has not resulted in any change to employee claims against Erste Group Bank AG, which continues to be liable for the severance entitlements of eligible employees.

17. Subordinated liabilities

Subordinated debt (subordinated liabilities and supplementary capital) amounted to EUR 7,881,921,765.83 as of 31 December 2020 (prior year: EUR 7,105,392 thousand). No subordinated liability taken by Erste Group Bank AG (including supplementary capital) was above the 10% limit for total subordinated liabilities. The terms of all subordinated liabilities in the value of EUR 4,583,910,778.52 (prior year: EUR 5,064,549 thousand) are in compliance with the requirements set forth in section 62 until 71 CRR (corresponds to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013). In 2020, no non-preferred senior bonds were issued (prior year: 502,654 thousand), which are recognised under securitised liabilities.

Movements in total subordinated liabilities were as follows:

in EUR or in EUR thousand	1-12 20	1-12 19
Opening balance	**7,105,391,684.75**	**5,815,840**
Increase due to new issues	1,888,002,695.59	1,637,389
Decrease due to redemption	-1,123,753,919.56	-228,699
Decrease due to partial extinguishment	-28,793,302.50	-266,513
Changes in carrying amount of bonds, of accrued interest and of FX valuation	41,074,607.55	147,374
Closing balance	**7,881,921,765.83**	**7,105,392**

Supplementary capital liabilities are primarily issued in the form of securities. The securities are due at the end of the term. Supplementary capital bonds are sold to international institutional customers and private customers.

In the upcoming year, securitised supplementary capital liabilities in the value of EUR 432,986,420.86 (prior year: EUR 656,359 thousand) are due for repayment due to maturity.

The weighted average interest rate of supplementary capital bonds was 3.4% on 31 December 2020 (prior year: 4.4%) and the average remaining term was 4.9 years (prior year: 4.6 years).

The term “subordinated” is defined in accordance with section 45 paragraph 4 and section 51 paragraph 9 of the Austrian Banking Act.

In 2020, Erste Group Bank AG's expenses for subordinated liabilities were EUR 293,175,416.03 (prior year: EUR 316,965 thousand).

18. Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013

As of the 2020 balance sheet date, the carrying amount of supplementary capital is EUR 4,583,910,778.52 (prior year: EUR 5,064,549 thousand). Thereof the repurchased supplementary capital from own issues of Erste Group Bank AG with a carrying amount including accrued interest receivables in the amount of EUR 18,647,501.50 (prior year: EUR 29,360 thousand).

19. Additional core capital

In the reporting year 2020, Erste Group Bank AG issued two further bonds totaling EUR 1,250,000,000.00 (prior year: EUR 500,000 thousand) as part of its Additional Tier 1 programme from 20 April 2016.

Article 52 (1) lit n CRR provides for the loss absorbency of financial instruments of additional core capital (write-down or conversion). A trigger event for the write-off or conversion of additional core capital is deemed to occur according to Article 54 Section 1 lit a CRR if the core capital ratio of the issuer falls below 5.125% or below another higher value defined by the issuer. In 2020 no write-downs occured.

20. Subscribed capital

Subscribed capital on 31 December 2020 was EUR 859,600,000.00 (prior year: EUR 859,600 thousand), represented by 429,800,000 voting bearer shares (ordinary shares). Erste Group Bank AG held no own shares on the balance sheet date.

21. Authorised and conditional capital as of 31 December 2020

Authorised capital

According to clause 5 of the Articles of Association, the management board is authorised to increase the registered capital of the Company until 24 May 2023 subject to the supervisory board's consent - also in several tranches - by an amount of up to EUR 343,600,000.00 by issuing up to 171,800,000 voting no-par value bearer shares in return for contributions in cash and/or in kind, with the issue price and issuing conditions being determined by the management board subject to the supervisory board's consent.

Furthermore, the management board is authorised to fully or partly exclude the shareholders' statutory subscription right subject to the supervisory board's consent (exclusion of the subscription right):

- if the capital increase is in return for a cash contribution and the shares issued to the exclusion of the subscription right of the shareholders, taken together, do not exceed EUR 43,000,000.00; and/or
- if the capital increase is in return for contributions in kind.

These two measures may also be combined. However, the aggregate pro rata amount of registered capital represented by shares for which the shareholders' subscription rights are excluded under the referenced authorisation, together with the pro rata amount of registered capital attributable to shares issued to creditors of convertible bonds, which had been issued and sold after the beginning of 24 May 2018, in order to grant conversion or subscription rights or fulfil obligations must not exceed the amount of EUR 171,920,000.00.

Conditional Capital

Pursuant to clause 6.3 of the Articles of Association, conditional capital based on the management board resolutions in 2002 and 2010 (both approved by the supervisory board) with a nominal value of EUR 21,923,264.00 persists, which can be consumed by issuing up to 10,961,632 ordinary bearer shares or ordinary registered shares with an issue price of at least EUR 2.00 per share against cash contribution and by excluding the subscription rights of the current shareholders. According to clause 6.4 of the Articles of Association, the Company has additional conditional capital from the general meeting's resolution of 12 May 2009 of EUR 124,700,000.00 from the issuance of up to 62,350,000 ordinary bearer shares. This conditional capital serves to grant conversion or subscription rights to investors of convertible bonds. In the case of a specified conversion obligation in the terms of issue of convertile bonds, it should also serve to fulfil this conversion obligation. The issue amount and conversion ratio are to be determined according to financial calculation methods as well as the company's share prices in a recognised pricing procedure.

Authorized conditional capital

According to clause 7 of the Articles of Association no authorisation currently exists to grant conditional capital.

22. Major shareholders

As of 31 December 2020, together with its syndicate partners, DIE ERSTE oesterreichische Spar-Casse Privatstiftung ("ERSTE Stiftung"), a foundation, controls approx. 31.17% (prior year: 30.39%) of the shares in Erste Group Bank AG and with 16.50% (prior year adjusted: 15.96%) is the main shareholder. The ERSTE Stiftung holds 5.90% (prior year: 6.37%) of the shares directly; the indirect participation of the ERSTE Stiftung amounts to around 10.60% (prior year adjusted: 9.59%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the ERSTE Stiftung. 1.67% (prior year adjusted: 1.43%) are held directly by savings bank foundations (Sparkassenstiftungen) respectively saving banks foundations acting together with the ERSTE Stiftung and affiliated with Erste Group Bank AG through the joint liability scheme/IPS fund. 9.92% (prior year: 9.92%) of the subscribed capital is controlled by the ERSTE Stiftung on the basis of a shareholder agreement with Caixabank S.A. 3.08% (prior year: 3.08%) are held by other partners to the shareholder agreement.

As described in chapter E concerning the appropriation of profit, no dividends were paid out in 2020, therefore in 2020 the participation of the ERSTE Stiftung in Erste Group Bank AG did not receive any dividends for the financial year 2019 (prior year: EUR 67,497 thousand).

The purpose of the ERSTE Stiftung, to be achieved notably by way of holding interests in Erste Group Bank AG, is to support social, scientific, cultural as well as charitable institutions and to promote the guiding principles of the savings bank philosophy. As of 31 December 2020, Mario Catasta (chairman), Boris Marte (deputy chairman), Eva Höltl and Franz Portisch were appointed as board members of the ERSTE Stiftung. The ERSTE Stiftung's supervisory board had nine members at the end of 2020, two of whom also serve as members of the supervisory board of Erste Group Bank AG.

In accordance with clause 15.1 of the Articles of Association, and for the time in which the ERSTE Stiftung assumes liability for all current and future debts in the event of their default on payment, it is entitled, pursuant to section 92 (9) Austrian Banking Act, to nominate up to one-third of the supervisory board members for election at the annual general meeting. So far, the ERSTE Stiftung has not exercised this right.

The ERSTE Stiftung held as of 31 December 2020 bonds of Erste Group Bank AG in the amount of EUR 6,633,291.67 (prior year: EUR 6,634 thousand). In 2020, the interest expenses of Erste Group Bank AG from announced bonds held amounted to EUR 215,916.67 (prior year EUR 304 thousand) for the reporting period. With the exception of the facts already mentioned in this section, there were, as in the prior year, no further business relations between Erste Group Bank AG and ERSTE Stiftung.

As of 31 December 2020, CaixaBank S.A., which is based in Valencia, Spain held a total of 42,634,248 Erste Group Bank AG shares (prior year: 42,634,248 shares), which is equivalent to 9.92% (prior year: 9.92%) of the subscribed capital of Erste Group Bank AG. In accordance with the syndicate agreement with the other major shareholders of the bank, CaixaBank may nominate two supervisory board members. Mr. Jordi Gual Solé (chairman of the board at CaixaBank S.A.) has held one of these seats since the general meeting in 2017, while the second supervisory board mandate has been exercised by Mr. Matthias Bulach (Head of Financial Accounting, Control and Capital, CaixaBank S.A.) since the general meeting.

For the financial year 2019, CaixaBank S.A. did not receive a dividend (prior year: EUR 59,688 thousand) in 2020.

23. Reserves

In 2020, the reserves of Erste Group Bank AG developed as follows:

in EUR	As of Dec 19	Addition / Allocations (+)	Releases (-)	As of Dec 20
Capital reserves	**1,628,104,885.97**	**0.00**	**0.00**	**1,628,104,885.97**
committed	1,628,104,885.97	0.00	0.00	1,628,104,885.97
uncommitted	0.00	0.00	0.00	0.00
for own shares and shares in a controlling company	0.00	0.00	0.00	0.00
Retained earnings	**4,348,233,541.75**	**0.00**	**-118,354,832.91**	**4,229,878,708.84**
statutory reserve	1,537,900,000.00	0.00	0.00	1,537,900,000.00
reserves provided for by the articles	0.00	0.00	0.00	0.00
other reserves	2,612,309,642.74	0.00	-55,228,159.22	2,557,081,483.52
blocked reserves	198,023,899.01	0.00	-63,126,673.69	134,897,225.32
Reserve pursuant to section 57 (5) of the Austrian Banking Act (BWG)	**851,000,000.00**	**0.00**	**0.00**	**851,000,000.00**

From the purchase and sale of treasury shares in the long position, Erste Group Bank AG did not achieve any capital gains (prior year: EUR 1,085 thousand), which are recorded as an addition under committed capital reserves pursuant to section 229 (1) sentence 3 of the Commercial Code (UGB).

The release of retained earnings amounted to EUR 118,354,832.91 (prior year:allocation EUR 682,706 thousand) and concerned other reserves amounting to EUR 55,228,159.22 (prior year: allocation EUR 581,795 thousand) as well as blocked reserves amounting to EUR 63,126,673.69 (prior year: allocation EUR 100,910 thousand). The latter includes allocation the ex-ante-fund (see note 24) in the amount of EUR 7,462,949.17 (prior year: EUR 7,572 thousand) as well as deferred tax assets from New York branch of EUR 74,647.20 (prior year: EUR 823 thousand), release deferred tax assets from Hong Kong branch of EUR 718,874.72 (prior year: allocation EUR 558 thousand) and release domestic deferred tax assets of EUR 69,945,395.34 (prior year: allocation EUR 91,957 thousand).

The capital contributed to the ex-ante fund is reported under blocked reserves, which, on a member level, does not qualify as own funds according to article 26 (1) CRR. The amounts subject to distribution resreictions in accordance with section 235 (2) Commercial Code (UGB) are also included in this item. Due to the restricted right of disposal, disclosure is carried out separately to the remaining equity items.

24. Recovery & Resolution Fund, deposit guarantee fund, IPS fund

Recovery & Resolution Fund

EU directive 2014/59/EU (Bank Recovery and Resolution Directive, BRRD) was transposed into Austrian law via the Austrian Banking Restructuring and Resolution Act (BaSAG). BaSAG became effective on 1 January 2015. The law governs a number of aspects, including

the creation of financing mechanisms for the resolution of credit institutions that provide for the annual payment of contributions by banks to a joint European recovery and resolution fund (Single Resolution Fund, SRF).

BaSAG defines the target level of the Austrian Recovery & Resolution Fund and the contribution payable by the Austrian credit institutions. The law requires that the Recovery & Resolution Fund be endowed with at least 1% of the secured deposits of all credit institutions authorised in Austria by 31 December 2024. Therefore, the fund shall be set up over a period of 10 years and, to the extent practicable, contributions will be equally distributed over the entire period.

The contributions to be made by the credit institutions are calculated as a ratio of their respective liabilities (exclusive of own funds) less secured deposits to the aggregate liabilities (exclusive of own funds) less secured deposits of all institutions authorised in Austria, distributed over a period of 10 years. Furthermore, these contributions will be weighted in accordance with the risk profile of the credit institution. The amount payable as contribution is thus determined not only by the respective credit institution's unsecured liabilities, but also significantly influenced by the unsecured liabilities held by all Austrian institutions and the risk weighting. The resolution authority is tasked with determining the risk weighting. In 2020, Erste Group Bank AG paid EUR 23,594,523.30 (prior year: EUR 17,602 thousand), which is included in the item other operating expenses.

Deposit guarantee fund

The deposit guarantee scheme, based on an EU directive (2014/49/EU), serves to protect customer deposits held at credit institutions. This EU directive was transposed into national law in Austria by way of the Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), and came into effect on 14 August 2015.

Every guarantee scheme has its own deposit guarantee fund consisting of available financial resources amounting to no less than 0.8% of the sum total of covered deposits held at the member institutions (target level). This target level is to be achieved over a period of 10 years.

As long as the target level has not been reached, the guarantee schemes will require their member institutions to pay an annual contribution. The contributions payable by the member institutions are calculated on the basis of the volume of covered deposits (0.8% of the covered deposits distributed over a 10-year period) and are determined in relation to the nature of the risks to which each relevant member institution is specifically exposed. The method used to determine the risk weighting must be approved by the FMA. In 2020, Erste Group Bank AG paid a total of EUR 58,057.00 (prior year: EUR 45 thousand), which is included in the item other administrative expenses.

IPS fund (ex-ante-fund)

The IPS fund is an ex-ante-fund of joint liability scheme's institutional guarantee system (IPS) that is intended to secure financial support to joint liability scheme members facing economic difficulties. The IPS fund is a "Gesellschaft bürgerlichen Rechts" (IPS Fonds GesBR - a partnership under civil law) – the low-risk, readily available investment of the ex-ante-fund is recognised as a special asset. Shareholders with a stake in the assets are Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG and all other savings banks that subscribe to the institutional guarantee system. Joint liability scheme GmbH is an active partner but not obliged to make a capital contribution.

The plan is to provide the ex-ante-fund with EUR 250 million over a period of 10 years, i.e. by 30 September 2024. Partners are obliged to pay EUR 25 million a year, payable in quarterly installments. Joint liability scheme GmbH is tasked with determining the amount of the respective payment due. The schedule of contributions as defined in the second Supplementary Agreement has been set up both on the basis of the distribution key specified under sec. 7 (1) Agreement in Principle (total risk) and on the basis of the distribution key specified under sec. 12 (1) Agreement in Principle ("Amounts owed to customers" plus 50% of the item "Securitised liabilities"), in equal terms. The contributions (deposits) are to be taken from the annual financial result, with other reserves being released where necessary. Erste Group Bank AG created a reserve of EUR 7,462,949.17 (prior year: EUR 7,572 thousand) in 2020, which corresponds to the amount of the contributions made (deposits).

25. Own funds and capital requirement

These unconsolidated financial statements of Erste Group Bank AG have yet to be approved by the supervisory board. Erste Group Bank AG is in compliance with the transitional provisions concerning capital requirements, market risk and credit risk set forth by Austria's accompanying CRR ordinance as well as EU Regulation No. 2016/445 of the European Central Bank concerning the use of options and discretions available in European Union Law, EZB/2016/4.

Own funds

Capital structure according to Regulation (EU) No 575/2013 (CRR)

CRR

in EUR or in EUR thousand	Article pursuant to CRR	Dec 20	Dec 19
Common equity tier 1 capital (CET1)			
Capital instruments eligible as CET1	26 (1) (a) (b), 27-30, 36 (1) (f), 42	2,487,194,885.97	2,486,620
Own CET1 instruments	36 (1) (f), 42	-7,385,360.19	-2,616
Retained earnings	26 (1) (c), 26 (2)	5,025,740,447.21	5,151,558
Interim loss	36 (1) (a)	0.00	0
Other reserves	4 (117), 26 (1) (e)	0.00	0
Prudential filter: cash flow hedge reserve	33 (1) (a)	0.00	0
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	0.00	0
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-1,712,170.85	-1,661
Value adjustments due to the requirements for prudent valuation	34, 105	-16,631,367.74	-11,524
Regulatory adjustments relating to unrealised gains and losses	467, 468	0.00	0
Other intangible assets	4 (115), 36 (1) (b), 37 (a)	-23,341,536.65	-23,177
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-32,607,609.88	-86,847
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	0.00	-2,065
Excess of deduction from AT1 items over AT1	36 (1) (j)	0.00	0
Other components or deductions of the CET1	47 (c)	-28,956,251.93	0
Common equity tier 1 capital (CET1)	**50**	**7,402,301,035.94**	**7,510,288**
Additional tier 1 capital (AT1)			
Capital instruments eligible as AT1	51 (a), 52-54, 56 (a), 57	2,750,000,000.00	1,500,000
Own AT1 instruments	52 (1) (b), 56 (a), 57	-1,500,000.00	-1,500
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	0.00	0
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484-487, 489, 491	0.00	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (27), 56 (d), 59, 79	0.00	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0.00	0
Additional tier 1 capital (AT1)	**61**	**2,748,500,000.00**	**1,498,500**
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier1 (AT1)		**10,150,801,035.94**	**9,008,788**
Tier 2 capital (T2)			
Capital instruments and subordinated loans eligible as T2	62 (a), 63-65, 66 (a), 67	2,993,508,041.68	3,458,264
Own T2 instruments	63 (b) (i), 66 (a), 67	-46,209,001.89	-38,737
Instruments issued by subsidiaries recognised in T2	87, 88	0.00	0
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0.00	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	19,413,117.36	29,120
IRB excess of provisions over expected losses eligible	62 (d)	108,471,775.98	47,916
Standardised approach general credit risk adjustments	62 (c)	0.00	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (27), 66 (d), 68, 69, 79	0.00	0
Tier 2 capital (T2)	**71**	**3,075,183,933.13**	**3,496,562**
Total own funds		**13,225,984,969.07**	**12,505,350**
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**33,611,086,639.51**	**32,819,608**
Common Equity Tier 1 capital ratio	**92 (2) (a)**	**22.02%**	**22.88%**
Tier 1 capital ratio	**92 (2) (b)**	**30.20%**	**27.45%**
Total capital ratio	**92 (2) (c)**	**39.35%**	**38.10%**

Capital Requirements

Risk structure according to Regulation (EU) No 575/2013 (CRR) in EUR or in EUR thousand	Article pursuant to CRR	Dec 20 Calculation base /total risk (phased-in)	Dec 20 Capital requirement (phased-in)	Dec 19 Calculation base /total risk	Dec 19 Capital requirement
Total Risk Exposure Amount	92 (3), 95, 96, 98	33,611,086,639.51	2,688,886,931.16	32,819,608	2,625,569
Risk weighted assets (credit risk)	92 (3) (a) (f)	28,351,311,363.13	2,268,104,909.05	27,879,827	2,230,386
Standardised approach		4,714,132,737.94	377,130,619.04	6,102,959	488,237
IRB approach		23,621,688,492.06	1,889,735,079.36	21,775,238	1,742,019
Default fund contributions to a central counterparty		15,490,133.13	1,239,210.65	1,630	130
Settlement Risk	(3) (c) (ii), 92 (4) (b)	865,118.13	69,209.45	164	13
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) und (iii), 92 (4) (b)	4,168,381,128.26	333,470,490.26	3,245,855	259,668
Operational Risk	92 (3) (e), 92 (4) (b)	687,397,782.75	54,991,822.62	1,067,925	85,434
Exposure for CVA	92 (3) (d)	402,866,053.50	32,229,284.28	625,560	50,045
Other amounts receivable (regulatory Add-On)		265,193.74	21,215.50	277	22
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	0.00	0.00	0	0

For the preparation of consolidated capital and consolidated capital requirements, reference is made to the respective statements in the 2020 consolidated financial statements of Erste Group.

26. List of assets pledged as collateral for liabilities (acc. to section 64 [1] no. 8 Austrian Banking Act)

Assets in EUR or in EUR thousand	Dec 20	Dec 19	Liability description	Balance sheet item
OeNB asset pool (tender)				
Fixed-income securities	9,379,277,777.79	500,000	Refinancing by OeNB / ECB	Liability 1
Total	**9,379,277,777.79**	500,000		
Collateral pool for covered Erste Bank bonds				
Loans and advances to customers (prior year adjusted)	173,264,197.68	754,066	Covered Erste Bank bonds	Liability 3
Collateral pool for municipal and mortgage bonds				
Loans and advances to customers	586,810,446.19	648,319	Issued municipal and mortgage bonds	Liability 3
Fixed-income securities	220,707,584.07	120,867	Issued municipal and mortgage bonds	Liability 3
Total	**980,782,227.94**	1,523,252		
Cash Collateral for OTC-derivatives	453,646,668.48	391,516	Other liabilities	Liability 4
Cash Collateral for exchange traded derivatives	4,483,894.47	19,732	margin requirement	
Blocked securities account as collateral for OTC- and exchange traded derivatives	546,606,300.09	285,944	Other liabilities / margin requirement	Liability 4
Total	**1,004,736,863.04**	697,192		
Coverage for the pension provisions				
Pension provisions § 11 BPG	188,937,349.63	158,518	Coverage for the pension provisions	Liability 6
Total	**188,937,349.63**	**158,518**		
Pledge agreements				
Money market loan	64,900,000.00	120,000	Guarantees and contingent liabilities pledged as collateral	
Securities loan	259,901,383.84	162,570	Guarantees and contingent liabilities pledged as collateral	
Total	**324,801,383.84**	282,570		
Aggregate Total	**11,878,535,602.24**	3,161,532		

27. Total volume of unsettled derivatives

Dec 20 in EUR	Time to maturity for notional amounts < 1 years	1-5 years	> 5 years	Total
Interest rate contracts	**62,097,848,962.72**	**77,551,827,559.31**	**48,882,992,854.98**	**188,532,669,377.01**
OTC products	61,923,250,818.41	77,551,827,559.31	48,882,992,854.98	188,358,071,232.70
Options	2,088,668,017.65	4,643,357,240.04	2,679,700,162.16	9,411,725,419.85
Other (f.i.: Interest rate swaps)	59,834,582,800.76	72,908,470,319.27	46,203,292,692.82	178,946,345,812.85
Exchange-traded products	174,598,144.31	0.00	0.00	174,598,144.31
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	174,598,144.31	0.00	0.00	174,598,144.31
Securities related contracts	**6,135,467,570.71**	**9,712,521,854.20**	**1,128,808,626.29**	**16,976,798,051.20**
OTC products	5,762,382,185.10	9,711,017,806.73	1,128,808,626.29	16,602,208,618.12
Options	2,099,211,491.46	3,123,003,188.06	322,639,956.38	5,544,854,635.90
Other (f.i.: Stock swaps)	3,663,170,693.64	6,588,014,618.67	806,168,669.91	11,057,353,982.22
Exchange-traded products	373,085,385.61	1,504,047.47	0.00	374,589,433.08
Options	132,236,468.47	859,137.47	0.00	133,095,605.94
Other (f.i.: Futures)	240,848,917.14	644,910.00	0.00	241,493,827.14
Currency contracts	**58,682,727,462.12**	**12,579,765,059.08**	**2,158,386,367.94**	**73,420,878,889.14**
OTC products	58,635,379,876.25	12,579,765,059.08	2,158,386,367.94	73,373,531,303.27
Options	1,482,279,978.18	294,438,120.95	0.00	1,776,718,099.13
Other (f.i.: Currency swap)	57,153,099,898.07	12,285,326,938.13	2,158,386,367.94	71,596,813,204.14
Exchange-traded products	47,347,585.87	0.00	0.00	47,347,585.87
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	47,347,585.87	0.00	0.00	47,347,585.87
Credit derivatives	**292,853,323.29**	**1,434,383,197.91**	**32,780,000.00**	**1,760,016,521.20**
OTC products	292,853,323.29	1,434,383,197.91	32,780,000.00	1,760,016,521.20
Credit Default Options	0.00	0.00	0.00	0.00
Other (f.i.: Credit Default Swaps)	292,853,323.29	1,434,383,197.91	32,780,000.00	1,760,016,521.20
Exchange-traded products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
Commodity contracts	**16,288,933.26**	**0.00**	**0.00**	**16,288,933.26**
OTC products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other (f.i.: Commodity swaps)	0.00	0.00	0.00	0.00
Exchange-traded products	16,288,933.26	0.00	0.00	16,288,933.26
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	16,288,933.26	0.00	0.00	16,288,933.26
Other	**14,000,000.00**	**77,500,000.00**	**879,858,207.30**	**971,358,207.30**
OTC products	14,000,000.00	77,500,000.00	879,858,207.30	971,358,207.30
Options	2,000,000.00	52,500,000.00	165,000,000.00	219,500,000.00
Other (f.i.: Inflation swaps)	12,000,000.00	25,000,000.00	714,858,207.30	751,858,207.30
Exchange-traded products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
Total	**127,239,186,252.10**	**101,355,997,670.50**	**53,082,826,056.51**	**281,678,009,979.11**
OTC products	**126,627,866,203.05**	**101,354,493,623.03**	**53,082,826,056.51**	**281,065,185,882.59**
Exchange-traded products	**611,320,049.05**	**1,504,047.47**	**0.00**	**612,824,096.52**

The presentation of nominal values was made without offsetting the transactions with central counterparties.

Dec 19 in EUR thousand	Time to maturity for notional amounts < 1 years	1-5 years	> 5 years	Total
Interest rate contracts	**43,748,258**	**80,682,201**	**44,760,428**	**169,190,887**
OTC products	43,580,803	80,682,201	44,760,428	169,023,432
Options	2,616,423	5,911,248	2,405,981	10,933,652
Other (f.i.: Interest rate swaps)	40,964,380	74,770,953	42,354,446	158,089,780
Exchange-traded products	167,455	0	0	167,455
Options	0	0	0	0
Other (f.i.: Futures)	167,455	0	0	167,455
Securities related contracts	**2,095,893**	**14,728,463**	**1,150,598**	**17,974,955**
OTC products	1,993,915	14,689,888	1,150,598	17,834,402
Options	1,850,635	4,743,253	413,688	7,007,576
Other (f.i.: Stock swaps)	143,280	9,946,635	736,910	10,826,826
Exchange-traded products	101,978	38,575	0	140,553
Options	43,969	38,575	0	82,544
Other (f.i.: Futures)	58,010	0	0	58,010
Currency contracts	**64,624,144**	**13,817,554**	**1,726,523**	**80,168,221**
OTC products	64,579,298	13,817,554	1,726,523	80,123,375
Options	4,062,923	453,191	0	4,516,114
Other (f.i.: Currency swap)	60,516,375	13,364,362	1,726,523	75,607,260
Exchange-traded products	44,846	0	0	44,846
Options	0	0	0	0
Other (f.i.: Futures)	44,846	0	0	44,846
Credit derivatives	**196,142**	**957,283**	**146,102**	**1,299,527**
OTC products	196,142	957,283	146,102	1,299,527
Credit Default Options	0	0	0	0
Other (f.i.: Credit Default Swaps)	196,142	957,283	146,102	1,299,527
Exchange-traded products	0	0	0	0
Options	0	0	0	0
Other	0	0	0	0
Commodity contracts	**9,745**	**0**	**0**	**9,745**
OTC products	0	0	0	0
Options	0	0	0	0
Other (f.i.: Commodity swaps)	0	0	0	0
Exchange-traded products	9,745	0	0	9,745
Options	0	0	0	0
Other (f.i.: Futures)	9,745	0	0	9,745
Other	**94,518**	**78,500**	**869,390**	**1,042,408**
OTC products	94,518	78,500	869,390	1,042,408
Options	94,518	54,500	165,000	314,018
Other (f.i.: Inflation swaps)	0	24,000	704,390	728,390
Exchange-traded products	0	0	0	0
Options	0	0	0	0
Other	0	0	0	0
Total	**110,768,700**	**110,264,001**	**48,653,042**	**269,685,743**
OTC products	**110,444,676**	**110,225,426**	**48,653,042**	**269,323,144**
Exchange-traded products	**324,025**	**38,575**	**0**	**362,600**

28. Derivative financial instruments and fixed-asset financial instruments

Derivative financial instruments

Dec 20	Notional amount		Carrying amount	Fair value	
in EUR thousand		thereof sells	Assets (+) / Liabilities (-)	Positive	Negative
Interest rate contracts	**188,532,669,377.01**	**4,964,346,157.94**	**311,394,428.94**	**5,081,881,187.51**	**-4,157,405,517.93**
OTC products	188,358,071,232.70	4,964,346,157.94	311,394,428.94	5,081,881,187.51	-4,157,405,517.93
Options	9,411,725,419.85	4,964,346,157.94	12,321,176.74	287,519,405.21	-274,472,657.76
Other (f.i.: Interest rate swaps)	178,946,345,812.85	0.00	299,073,252.20	4,794,361,782.30	-3,882,932,860.17
Exchange-traded products	174,598,144.31	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	174,598,144.31	0.00	0.00	0.00	0.00
Securities related contracts	**16,976,798,051.20**	**2,391,378,851.94**	**16,620,677.38**	**141,618,495.07**	**-165,515,335.17**
OTC products	16,602,208,618.12	2,314,999,875.33	17,238,205.32	140,074,734.88	-163,354,047.04
Options	5,544,854,635.90	2,314,999,875.33	24,736,124.38	105,012,028.27	-129,775,194.10
Other (f.i.: Stock swaps)	11,057,353,982.22	0.00	-7,497,919.06	35,062,706.61	-33,578,852.94
Exchange-traded products	374,589,433.08	76,378,976.61	-617,527.94	1,543,760.19	-2,161,288.13
Options	133,095,605.94	76,378,976.61	-617,527.94	1,543,760.19	-2,161,288.13
Other (f.i.: Futures)	241,493,827.14	0.00	0.00	0.00	0.00
Currency contracts	**73,420,878,889.14**	**909,933,766.31**	**39,548,540.43**	**865,029,938.15**	**-833,615,650.40**
OTC products	73,373,531,303.27	909,933,766.31	39,548,540.43	865,029,938.15	-833,615,650.40
Options	1,776,718,099.13	909,933,766.31	2,127,302.88	17,353,842.94	-14,983,527.02
Other (f.i.: Currency swap)	71,596,813,204.14	0.00	37,421,237.55	847,676,095.21	-818,632,123.38
Exchange-traded products	47,347,585.87	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	47,347,585.87	0.00	0.00	0.00	0.00
Credit derivatives	**1,760,016,521.20**	**23,943,182.79**	**-4,508,039.85**	**25,564,277.62**	**-33,005,635.20**
OTC products	1,760,016,521.20	23,943,182.79	-4,508,039.85	25,564,277.62	-33,005,635.20
Credit Default Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Credit Default Swaps)	1,760,016,521.20	23,943,182.79	-4,508,039.85	25,564,277.62	-33,005,635.20
Exchange-traded products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00
Commodity contracts	**16,288,933.26**	**0.00**	**0.00**	**0.00**	**0.00**
OTC products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Commodity swaps)	0.00	0.00	0.00	0.00	0.00
Exchange-traded products	16,288,933.26	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	16,288,933.26	0.00	0.00	0.00	0.00
Other	**971,358,207.30**	**26,250,000.00**	**-41,871,073.65**	**90,678,287.83**	**-68,698,731.26**
OTC products	971,358,207.30	26,250,000.00	-41,871,073.65	90,678,287.83	-68,698,731.26
Options	219,500,000.00	26,250,000.00	15,012.78	15,012.78	0.00
Other (f.i.: Inflation swaps)	751,858,207.30	0.00	-41,886,086.43	90,663,275.05	-68,698,731.26
Exchange-traded products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00
Total	**281,678,009,979.11**	**8,315,851,958.98**	**321,184,533.25**	**6,204,772,186.18**	**-5,258,240,869.96**
thereof external/internal deals					
External	249,752,875,139.13	6,539,572,146.53	647,873,650.17	5,264,985,813.76	-4,318,454,497.54
Internal	31,925,134,839.98	1,776,279,812.45	-326,689,116.92	939,786,372.42	-939,786,372.42
thereof OTC/Exchange-traded products					
OTC products	281,065,185,882.59	8,239,472,982.37	321,802,061.19	6,203,228,425.99	-5,256,079,581.83
Exchange-traded products	612,824,096.52	76,378,976.61	-617,527.94	1,543,760.19	-2,161,288.13
thereof trading book/banking book					
Trading book	254,349,173,762.64	7,652,764,553.78	348,521,627.70	5,163,400,028.80	-4,935,960,115.59
Banking book	27,328,836,216.47	663,087,405.20	-27,337,094.45	1,041,372,157.38	-322,280,754.37
thereof hedges	27,143,681,216.47	487,932,405.20	-27,238,489.59	1,041,372,157.38	-322,184,435.89

The presentation of nominal values was made without offsetting the transactions with central counterparties.

The carrying amounts for derivatives are shown in the balance sheet following the balancing of transactions with central counterparties. The balancing includes derivatives classified as assets or liabilities, as well as cash collateral taken to cover market values of still outstanding derivatives. The extent of the net carrying amounts is included either under other assets or other liabilities.

Fair values for options are calculated using recognised option pricing models. Amongst others, the valuation models include the Black-Scholes model, binomial model, Hull-White model, local volatility model and Vanna-Volga model.

Dec 19	Notional amount		Carrying amount	Fair value	
in EUR thousand		thereof sells	Assets (+) / Liabilities (-)	Positive	Negative
Interest rate contracts	**169,190,887**	**5,642,338**	**266,311**	**4,957,820**	**-4,088,090**
OTC products	169,023,432	5,642,338	266,311	4,957,820	-4,088,090
Options	10,933,652	5,642,338	-9,074	338,663	-347,074
Other (f.i.: Interest rate swaps)	158,089,780	0	275,385	4,619,157	-3,741,015
Exchange-traded products	167,455	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	167,455	0	0	0	0
Securities related contracts	**17,974,955**	**2,905,342**	**20,499**	**111,470**	**-100,605**
OTC products	17,834,402	2,905,342	20,080	109,980	-99,533
Options	7,007,576	2,905,342	31,661	81,713	-68,550
Other (f.i.: Stock swaps)	10,826,826	0	-11,581	28,267	-30,983
Exchange-traded products	140,553	0	419	1,490	-1,071
Options	82,544	0	419	1,490	-1,071
Other (f.i.: Futures)	58,010	0	0	0	0
Currency contracts	**80,168,221**	**2,360,617**	**-109,492**	**543,734**	**-661,593**
OTC products	80,123,375	2,360,617	-109,492	543,734	-661,593
Options	4,516,114	2,360,617	-7,488	18,905	-26,782
Other (f.i.: Currency swap)	75,607,260	0	-102,004	524,830	-634,810
Exchange-traded products	44,846	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	44,846	0	0	0	0
Credit derivatives	**1,299,527**	**27,741**	**-3,024**	**18,820**	**-13,652**
OTC products	1,299,527	27,741	-3,024	18,820	-13,652
Credit Default Options	0	0	0	0	0
Other (f.i.: Credit Default Swaps)	1,299,527	27,741	-3,024	18,820	-13,652
Exchange-traded products	0	0	0	0	0
Options	0	0	0	0	0
Other	0	0	0	0	0
Commodity contracts	**9,745**	**0**	**0**	**0**	**0**
OTC products	0	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Commodity swaps)	0	0	0	0	0
Exchange-traded products	9,745	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	9,745	0	0	0	0
Other	**1,042,408**	**65,588**	**-37,864**	**87,027**	**-64,963**
OTC products	1,042,408	65,588	-37,864	87,027	-64,963
Options	314,018	65,588	351	31	0
Other (f.i.: Inflation swaps)	728,390	0	-38,216	86,996	-64,963
Exchange-traded products	0	0	0	0	0
Options	0	0	0	0	0
Other	0	0	0	0	0
Total	**269,685,743**	**11,001,626**	**136,431**	**5,718,871**	**-4,928,902**
thereof external/internal deals				0	0
External	235,262,009	8,719,345	542,264	4,723,104	-3,933,211
Internal	34,423,734	2,282,281	-405,834	995,767	-995,691
thereof OTC/Exchange-traded products				0	0
OTC products	269,323,144	11,001,626	136,012	5,717,381	-4,927,831
Exchange-traded products	362,600	0	419	1,490	-1,071
thereof trading book/banking book				0	0
Trading book	243,304,254	10,393,009	117,576	4,656,742	-4,624,727
Banking book	26,381,489	608,617	18,854	1,062,129	-304,175
thereof hedges	26,174,489	421,617	18,785	1,060,739	-304,076

The figures concerning fair values for 2019 were adapted for the presentation in the year 2020. The reported fair values for the years 2020 and 2019 now concern fair values prior to offsetting transactions with central counterparties.

The book values are presented in following balance sheet items:

in EUR or in EUR thousand	Dec 20	thereof internal trades	Dec 19
A12 Other assets	3,523,729,532.01	550,508,889.23	3,322,937
A14 Prepayments and accrued income	6,458,383.21	6,457,805.32	7,701
L04 Other liabilities	2,996,151,362.29	717,109,869.79	2,995,772
L05 Accruals and deferred income	212,760,825.69	166,545,941.68	198,336
L06 Provisions	91,193.99	0.00	100

Fixed-asset instruments

In the following table the figures are displayed without contractual interest accruals.

	Dec 20			
in EUR	Carrying amount	Positive fair value	Hidden losses	Hidden reserves
Treasury bills	70,343,173.19	69,902,393.42	-440,779.77	
	3,998,031,438.57	4,321,165,807.00		323,134,368.43
Loans and advances to credit institutions	181,478,081.07	181,223,355.86	-254,725.21	
	893,133,787.77	914,028,006.05		20,894,218.28
Loans and advances to customers	405,463,463.47	402,379,689.37	-3,083,774.11	
	776,140,149.76	841,718,064.83		65,577,915.07
Debt securities	166,499,356.66	166,012,462.09	-486,894.57	
	1,875,896,474.54	1,962,292,280.78		86,395,806.24
Shares and other non-fixed-income securities	300,000,000.00	297,806,400.00	-2,193,600.00	
	803,476,709.77	812,270,644.86		8,793,935.09
Financial instruments carried as fixed assets	**1,123,784,074.40**	**1,117,324,300.74**	**-6,459,773.66**	
	8,346,678,560.41	**8,851,474,803.52**		**504,796,243.11**

	Dec 19			
in EUR thousand	Carrying amount	Positive fair value	Hidden losses	Hidden reserves
Treasury bills	176,307	173,425	-2,882	
	3,107,409	3,359,954		252,545
Loans and advances to credit institutions	89,789	88,211	-1,577	
	527,240	536,018		8,779
Loans and advances to customers	416,848	414,706	-2,143	
	584,455	622,544		38,088
Debt securities	270,065	267,990	-2,075	
	2,323,387	2,382,061		58,674
Shares and other non-fixed-income securities	0	0	0	
	1,010,755	1,019,932		9,177
Financial instruments carried as fixed assets	**953,009**	**944,332**	**-8,677**	
	7,553,246	**7,920,509**		**367,263**

Assets were not impaired, since impairment is not presumed to be permanent. The fair value is the amount that could be obtained in an active market through the sale of a financial instrument, or correspondingly the amount that would be payable for its purchase. Market prices were used to determine fair value where available. Where no market price was available, valuation models were used, particularly the net present value method.

29. Market value for securities in inactive markets

Erste Group Bank AG calculates theoretical prices for securities in an inactive market. A market is assumed to be inactive when prices for the relevant security are formed only sporadically, there is only small-volume trading or no current prices are available.

Of the securities allocated to trading on stock exchanges and valued to market price, theoretical prices were used for the following volumes.

In the following tables the figures are shown without contractual interest accruals:

Carrying amount of securities not marked on the basis of market prices in EUR	Fair value on the basis of the price in the inactive market	Difference 2020
670,366,199.88	657,443,182.34	-12,923,017.54

Carrying amount of securities not marked on the basis of market prices in EUR thousand	Fair value on the basis of the price in the inactive market	Difference 2019
2,493,954	2,483,909	-10,045

The last available rates are used as rates for inactive markets. Of the differential amount in the reporting year in the value of EUR 12,923,017.54 (prior year: EUR 10,045 thousand), EUR 11,304,775.68 (prior year: EUR 9,276 thousand) can be attributed to a zero-coupon bond with a term of 30 years.

30. Reclassification in securities positions

In 2020 no need for reclassification of security positions to the current asset portfolio occurred.

31. Hedging transactions

Erste Group Bank AG uses interest swaps, currency swaps, credit derivatives and options in order to to hedge against the market risk (interest-change risk and price risk) from balance sheet assets (bonds, repurchase agreements on asset side) and liabilities (own issues) either individually or as a group.

Derivatives are used as specified by the hedging strategy in accordance with the Commercial Code (UGB) to hedge the fair value of underlying transactions (e.g. by swapping fixed for variable interest payments) and thereby reducing the interest rate risk of Erste Group Bank AG to the level defined under the interest risk strategy.

in EUR	Dec 20	Dec 19	Change
Fair Value Hedge			
Positive market value fair value hedge	856,876,528.55	872,262,292.58	-15,385,764.03
Negative market value fair value hedge	-211,266,436.65	-193,507,237.83	-17,759,198.82

The figures for 2020 represent the proportion of the fair value (Dirty Price) of derivatives in a hedging relationship that were not recognized in the balance sheet. As of 31 December 2020 fair value hedges with maturity up to 2051 were held.

The disclosure for 2019 was adjusted in line with the presentation in 2020. The disclosed values concern fair values prior to offsetting with central counterparties for 2019 and 2020.

The Commercial Code hedging efficiency measurement is carried out for Erste Group Bank AG for the year 2020 in form of a critical terms match.

For derivatives in the banking book, compensation fees had to be paid in connection with the change to the reference rates. These were immediately recognised in profit and loss (other operating income and expenses). These compensation fees were not significant.

Two hedging derivatives with CHF-LIBOR interest rates with a notional value of EUR 185,150,897.98 and 19 hedging derivatives with USD-LIBOR interest rates with a notional value of EUR 11,160,549.62 serve to hedge the fair value of several issues. A further 77 hedging derivates with USD-LIBOR interest rates with a notional value of EUR 252,416,265.99 serve to hedge the fair value of bonds held as assets. These hedging relationships currently subject to uncertainty in connection with the exact structure of the successor rate.

32. Consideration of CVA/DVA in derivative valuation

Credit value adjustments (CVA) for counterparty default risk and debt value adjustments (DVA) for own credit risk are applied for all OTC derivatives. The CVA adjustment depends on the expected positive exposure and the counterparty's credit worthiness. DVA is determined by the expected negative exposure and by the credit quality of Erste Group Bank AG. The calculation of expected exposure is based on a model that relies on replicated options and on a Monte Carlo simulation, respectively, the probability of default is based on market-based information. No CVA was recognised for counterparties fully backed by Credit support annex – agreements (CSA).

For portfolios that are marked-to-market, both a CVA and a DVA in the amount of EUR -7,124,699.89 (prior year: EUR -6,867 thousand) and EUR 1,712,170.85 (prior year: EUR 1,661 thousand), respectively, were recognised. For the banking book portfolio as in prior years no CVA (prior year: EUR 0 thoursand) was recognised, due to the fact that hedging transactions are carried out via a central counterparty whereby trades are collateralised.

33. Risk provisions

Changes in risk provisions (loans and advances to credit institutions and to customers as well as contingent liabilities):

in EUR or in EUR thousand	Dec 20	Dec 19
Opening balance	**204,147,271.82**	**219,549**
Allocations / Releases (-)	234,402,587.61	32,489
Use	-14,357,592.78	-50,123
Reclassification	0.00	0
Exchange rate changes	-3,380,949.09	2,232
Closing balance	**420,811,317.56**	**204,147**

34. Contingent liabilities

Within the off-balance item contingent liabilities in the amount of EUR 3,753,048,433.45 (prior year: EUR 3,663,354 thousand) necessary provisions were deducted. The largest part of the amount totalling EUR 3,185,793,478.68 (prior year: EUR 3,236,677 thousand) relates to liabilities and guarantees from collateralization. This amount also includes comfort letters in the amount of EUR 454,124,827.00 (prior year: EUR 474,549 thousand). A large part of this sum totalling EUR 324,967,923.00 (prior year: 346,407 thousand) was issued by Erste Group Bank AG in 2015 for affiliated companies in case they do not meet their rent payment obligations for the Erste Campus. Moreover, this item also includes credit derivatives in the amount of EUR 567,254,954.77 (prior year: EUR 426,677 thousand).

35. Credit Risk

There is credit risk in the amount of EUR 9,638,806,751.35 (prior year: EUR 8,793,434 thousand) primarily for loan and guarantee commitments which have not yet been exercised. These amounts are net of the appropriate provisions.

36. Gross income – regional breakdown

Gross income of Erste Group Bank AG was broken down as follows (according to the location of branches):

	1-12 20			1-12 19		
in EUR or in EUR thousand	Domestic	Abroad	Total	Domestic	Abroad	Total
Interest and similar income	1,985,207,375.25	113,410,540.74	2,098,617,915.99	2,318,028	257,406	2,575,434
Income from securities and participating interests	421,312,063.78	0.00	421,312,063.78	815,843	0	815,843
Commission income	171,390,527.16	453,936.62	171,844,463.78	156,355	1,177	157,532
Net profit or loss on financial operations	-3,495,674.77	-1,270,965.42	-4,766,640.19	-69,358	11	-69,346
Other operating income	89,561,866.36	2,251,445.84	91,813,312.20	219,670	11,306	230,976
Gross income	**2,663,976,157.78**	**114,844,957.78**	**2,778,821,115.56**	**3,440,538**	**269,900**	**3,710,438**

37. Net interest income

Erste Group Bank AG recognises negative interest charged on loans (assets) in the amount of EUR 71,342,051.81 (prior year: EUR 72,826 thousand) under interest and similar expenses and negative interest paid for deposits (liabilities) in the amount of EUR 69,125,713.66 (prior year: EUR 43,884 thousand) as interest and similar income.

38. Income from participating interests and shares in affiliated companies

The balance sheet item income from participating interests and shares in affiliated companies includes EUR 268,273,552.67 (prior year: EUR 35,577 thousand) and the balance sheet item extraordinary income includes EUR 0 (prior year: EUR 5,000 thousand) from group members, which are subsidiaries belonging to the fiscal group of Erste Group Bank AG within the framework of the group taxation regulations which came into power in 2005.

39. Other operating income

Other operating income of EUR 91,813,312.20 (prior year: EUR 230,976 thousand) included income from personnel and other administrative expenses passed on to group members in the value of EUR 70,586,718.76 (prior year: EUR 78,907 thousand). In the prior year, income in the amount of EUR 114,087 thousand from the early termination of two derivatives, which were in a hedge relationship, was included in this item.

40. Personnel expenses

In terms of personnel expenses, expenses for severance payments and payments to severance-payment funds included expenses for severance payments in the amount of EUR 12,418,927.83 (prior year: income EUR 14,351 thousand).

Expenses for pensions are accounted for as follows:

- Costs for defined pension payments in the amount of EUR 17,956,789.80 (prior year: EUR 39,750 thousand) as personnel costs and interest expenses in the amount of EUR 4,051,264.13 (prior year: EUR 6,626 thousand) as interest costs;
- Costs for pension fund contributions in the amount of EUR 9,648,090.03 (prior year: EUR 12,928 thousand) also as personnel costs.

41. Other administrative expenses

Other administrative expenses include fees paid for auditing and tax advisory services. The table below lists the fees or charges charged by the external auditors (Sparkassen-Prüfungsverband and PwC Wirtschaftprüfung GmbH):

in EUR or in EUR thousand	1-12 20	1-12 19
Fees charged for auditing the financial statements	2,710,360.00	2,727
Fees charged for audit-related services	1,203,547.01	1,025
Fees charged for tax advisory services	0.00	0
Fees charged for other services	5,285.99	78
Total	**3,919,193.00**	**3,830**

As statutory auditors, Sparkassen-Prüfungsverband (auditing agency) provided auditing services for affiliated companies of Erste Group Bank AG in the value of EUR 5,343,169.79 (prior year: EUR 5,545 thousand). Other advisory services were charged to other affiliated companies in the value of EUR 18,497.13 (prior year: EUR 58 thousand). The amount charged for other services for affiliated companies came up to EUR 2,136.56 (prior year: EUR 12 thousand).

PwC Wirtschaftsprüfung GmbH provided auditing services for affiliated companies of Erste Group Bank AG in the value of EUR 681,702.00 (prior year adjusted: EUR 921 thousand). Other advisory services were charged to other affiliated companies in the value of EUR 289,360.00 (prior year: EUR 338 thousand).

42. Other operating expenses

Other operating expenses amounting to EUR 32,362,813.76 (prior year: EUR 59,917 thousand) primarily concerned expenses for the Recovery & Resolution fund in the amount of EUR 23,594,523.30 (prior year: EUR 17,602 thousand) as well as expenses for the Operational Risk Insurance Programme in the value of EUR 6,549,465.58 (prior year: EUR 6,175 thousand). In the prior year, this item also included expenses for the partial closure of a fixed rate subordinate Erste Group Bank bond in the value of EUR 40,475 thousand.

43. Value adjustments as well as results from purchases and sales in respect of participating interests and shares in affiliated companies

In 2020, the balance from value adjustments as well as results from sales of participating interests and shares in affiliated companies resulted in a write-off of EUR 9,459,801.52 (prior year: write-up EUR 687,524 thousand). This was largely attributable to the write-off of Erste Bank Hungary Zrt.at EUR 84,300,000.00 (prior year: write-up EUR 214,800 thousand) and Erste Group Immorent GmbH at EUR 81,900,000.00 (prior year: 0 thousand) as well as the write-up of Banca Comercială Română S.A. at EUR 129,858,570.10 (prior year: EUR 499,500 thousand) and Prva stavebna sporitelna a.s.at EUR 16,800,000.00 (prior year: write-off EUR 36,826 thousand). Moreover, a gain of EUR 11,166,753.67 resulted from the sale of Swedbank AB (prior year: S Slovensko s.r.o. EUR 9,848 thousand).

For group members (subsidiaries that are considered a tax group with Erste Group Bank AG under the group taxation regulations of 2005) revaluation requirements in the amount of EUR 87,874,762.48 (prior year: write-up EUR 8,217 thousand) are included in this item. As in the prior year, no group members were sold in the reporting year.

44. Taxes on profit and loss

The item taxes on profit or loss shows expenses amounting to EUR 10,944,564.33 (prior year: income EUR 173,412 thousand). This includes income in the amount of EUR 65,304,633.21 (prior year: EUR 87,469 thousand) from the current tax allocation, income of EUR 734,146.01 (prior year: expense EUR 7,566 thousand) from the retroactive accounting of the prior years according to section 9 Corporate Tax Act (Körperschaftssteuergesetz) on group taxation, as well as expenses of EUR 70,444,020.13 (prior year: income EUR 93,332 thousand) from the write-off of deferred tax assets.

Since 2005, Erste Group Bank AG and its main domestic subsidiaries have formed a tax group in accordance with section 9 Corporate Tax Act, with Erste Group Bank AG as parent of the group ("Gruppenträger"). Group and tax equalisation agreements were concluded with all affiliated companies. Under these agreements, affiliated companies allocate amounts equivalent to the corporation tax on taxable profits to Erste Group Bank AG. Since tax losses from prior years are recorded and offset against their current tax liability by the affiliated companies themselves, there is no obligation to make tax allocation payments to Erste Group Bank AG. Moreover, Erste Group Bank AG undertakes to make compensatory payments for any tax losses utilised up to that point to any affiliated companies leaving the Group.

Foreign income tax and other foreign income-related taxes were expenses of EUR 7,145,756.83 (prior year: EUR 5,007 thousand).

45. Other taxes

The balance sheet item other taxes not shown under item 18 in the amount of EUR 18,121,318.24 (prior year: EUR 17,701 thousand) includes the bank levy to the amount of EUR 17,018,552.67 (prior year: EUR 16,392 thousand).

46. Branches on a consolidated basis

Due to its improved rating, Erste Group Bank AG New York branch was able to attract more external funding at favorable levels (commercial papers/deposits), which was placed partley with the Head Office in Vienna. This had an overall positive effect for Erste Group Bank AG, however from a consolidated perspective it led to a negative result for the New York branch in 2019 and 2020 (as the interest earned from intra-group placements was eliminated).

Dec 20 Business		Commercial lending to foreign banks, leasing companies and sovereign debtors		Institutional sales-business
Branches	London	New York	Hong Kong	Berlin, Stuttgart
Country of domicile	Great Britain	USA	China	Germany
Net interest income in EUR	16,609,885.21	22,388,561.31	20,977,751.45	-635.38
Operating result in EUR	18,758,918.42	22,652,859.62	20,259,747.98	526.23
Headcount / as of reporting date	26	21	24	12
Profit or loss from ordinary activities in EUR	2,052,478.57	-3,603,503.09	13,302,669.38	-3,287,197.62
Taxes on income in EUR	124,286.61	-5,788,486.82	-1,948,391.10	-33,509.34
Public benefits received	None	None	None	None

Dec 19 Business		Commercial lending to foreign banks, leasing companies and sovereign debtors		Institutional sales-business
Branches	London	New York	Hong Kong	Berlin, Stuttgart
Country of domicile	Great Britain	USA	China	Germany
Net interest income in EUR	34,443,403.14	-39,235,265.72	11,486,929.83	0.00
Operating result in EUR	46,209,628.50	-38,897,527.43	11,051,159.58	-786.73
Headcount / as of reporting date	29	23	23	12
Profit or loss from ordinary activities in EUR	27,216,471.11	-53,884,940.66	2,968,116.31	-3,381,723.50
Taxes on income in EUR	-1,113,587.23	-658,667.41	-1,830,889.94	-27,197.90
Public benefits received	None	None	None	None

47. Return on assets

Profit or loss for the year after tax before changes in reserves expressed in proportion to the average total assets was at balance sheet date -0.2% in 2020 (prior year: 1.9%).

48. Events after balance sheet date

Due to the ECB's recommendation of 15 December 2020, the pay-out conditions for a dividend in the amount of EUR 0.75 were not fulfilled on the balance sheet date (8 February 2021), therefore no dividend was paid out for the financial year 2019.

D. INFORMATION ON BOARD MEMBERS AND EMPLOYEES

Employees

The average number of employees at Erste Group Bank AG (weighted, excluding employees on leave and management board members) was 1,948 during the financial year 2020 (prior year: 1,982).

In 2020, 159 employees (prior year: 164) worked at other companies against reimbursement of expenses. The reimbursement costs of EUR 19,262,555.85 (prior year: EUR 19,103 thousand) are included in other operating income.

Board members

Neither in 2020 nor in the previous year did Erste Group Bank AG grant loans directly to members of the board or supervisory board.

Management board members

Remuneration paid to board members, who left during this financial year, is reported as active board members.

The following table displays the total remuneration of the management board and the supervisory board. This was recognised on an accrued basis. The amounts indicated correspond to the expected payments on the balance sheet date and can deviate from those amounts, which are actually paid out.

The distribution of remuneration to active members of the management and supervisory boards is as follows:

			1-12 20			1-12 19
in EUR or in EUR thousand	Management Board	Supervisory Board	Total	Management Board	Supervisory Board	Total
Short-term benefits	5,952,452.93	1,635,539.00	7,587,991.93	6,114	1,489	7,603
Post-employment benefits	889,243.33	0.00	889,243.33	1,983	0	1,983
Other long-term benefits	7,470.74	0.00	7,470.74	249	0	249
Termination benefits	0.00	0.00	0.00	0	0	0
Share-based payments	4,421,324.28	0.00	4,421,324.28	5,302	0	5,302
Total	**11,270,491.28**	**1,635,539.00**	**12,906,030.28**	**13,648**	**1,489**	**15,137**

Short-term benefits

This category includes salaries, payments in kind, social security contributions and other short-term benefits. The supervisory board remuneration indicated includes supervisory board remuneration, attendance fees and remuneration for serving on the boards of affiliated companies.

Post-employment beneftis

The members of the management board participate in the defined contribution pension plan of Erste Group Bank AG according to the same principles as the employees of the Group. Termination benefits primarily include contributions paid to pension funds and employee provision funds.

Other long-term benefits

These primarily include expenses for provisions for jubilee benefits.

Share-based payments

Share-based payments represent variable elements of remuneration, which are spread over 5 years in accordance with Erste Group Bank AG's remuneration policy. They are only paid out if the regulatory equity and liquidity requirements are fulfilled. The amount depends on Erste Group Bank AG's average share price in the year of payment (phantom shares). In line with the European Banking Authority's recommendation in relation to the distribution of dividends, share buybacks and variable remuneration and on the basis of appropriate consideration of the risks resulting from the Covid-19 pandemic, a significant part of the variable remuneration was retained for a long period and granted as share equivalents, dependent on the achievement of the minimum requirements. For the performance year 2019, 100% of the variable remuneration of Erste Group Bank AG's management board was granted in share equivalents. The total bonus is recorded as a provision in the balance sheet item Provisions at the estimated value expected to be determined by the remuneration committee in the April of the following year. The amount of the liability is determined in the next year. Following the performance period, the liability is valued according to the applicable average share price. Changes due to share price changes are recognised in profit and loss. The valuation as of 31 December 2020 is based on the average, volume-weighted, daily share-price of Erste Group Bank AG in 2020 at EUR 21.81 (2019: EUR 32.08) per share. The pay-out of granted share equivalents starts after a one-year retention period.

The outstanding amount for the performance year 2020 and unpaid accrued tranches from the prior years is EUR 8,697,836.01 (prior year: EUR 17,809 thousand).

For the financial year 2014 no performance-linked remuneration was paid out to board members.

In addition to his position on the Holding board, Mr. Bosek took over the chairmanship in the EBOe from 1 July 2019 until 31 December 2020. Proportional remuneration is charged to EBOe.

In 2020, EUR 9,205,553.01 (prior year: EUR 1,941 thousand) was paid in cash and 83,569 share-equivalents (prior year: 4,862) were assigned to former members of the management bodies and their dependants.

The remuneration granted was in line with the banking regulations on the remuneration of management board members.

Supervisory board members

The supervisory board consists of at least three and a maximum of fourteen members elected in the annual general meeting. Unless the annual general meeting has determined a shorter term of the mandate for individual, several or all supervisory board members on the occasion of their appointment, the term of office of the members of the supervisory board ends at the close of the annual general meeting that resolves on the approvals of their actions for the fourth financial business year following their election; re-election is permitted. In addition, membership of the supervisory board ceases upon death, revocation, resignation or in the event of a defined impediment. Revocation requires a majority of three quarters of valid votes cast and a majority of three-quarters of the registered capital represented at the time of the resolution.

Breakdown of supervisory board remuneration

Pursuant to the decision passed at the annual general meeting of 24 May 2018, the supervisory board adopted in its constituent meeting the following yearly remuneration structure for the financial year 2017 and the following years:

in EUR	Number	Allowance per person	Total allowance
Chairman	1	150,000.00	150,000.00
1st Vice Chairmen	1	90,000.00	90,000.00
2nd Vice Chairmen	1	80,000.00	80,000.00
Members	9	60,000.00	540,000.00
Total	**12**		**860,000.00**

In addition, the chairmen of the risk, audit and IT committee each receive further annual compensation of EUR 10,000.00 (prior year: EUR 10 thousand) and the chairmen of the remuneration and nomination committee each receive further annual compensation of EUR 5,000.00 (prior year: EUR 5 thousand).

The additional attendance fee to be paid to the members of the Supervisory Board was set at EUR 1,000 per meeting of the Supervisory Board or one of its committees

Erste Group Bank AG did not conclude other legal transactions with its members of the supervisory board.

Transactions and shares held by management board and supervisory board members

The tables below provide information on Erste Group Bank AG shares held by management board and supervisory board members as well as transactions carried out with Erste Group Bank AG shares (numbers of shares). Erste Group Bank AG shares held by management board and supervisory board members, whose office term began or ended during the financial year, as at the date of inception or termination of their term in office were recognised as additions or disposals.

Management board member	As of 31 December 2019	Additions	Disposals	As of 31 December 2020
Abrahamyan Ara	0	510	0	510
Bleier Ingo	3,111	0	0	3,111
Bosek Peter	1,500	0	0	1,500
Dörfler Stefan	800	700	0	1,500
Habeler-Drabek Alexandra	72	0	0	72
O'Mahony David	0	0	0	0
Spalt Bernhard	5,000	5,000	0	10,000

Supervisory board members did not receive any options on Erste Group Bank AG shares for exercising their mandate.

Members of the supervisory board	As of 31 December 2019	Additions	Disposals	As of 31 December 2020
Bulach Matthias	0	0	0	0
Egerth-Stadlhuber Henrietta	0	0	0	0
Grießer Martin (until 21January 2020)	14	0	14	0
Griss Gunter (until 10 November 2020)	0	0	0	0
Gual Solé Jordi	0	0	0	0
Haag Markus	176	0	0	176
Haberhauer Regina	188	0	0	188
Hardegg Maximilian	240	0	0	240
Homan Jan	4,400	0	0	4,400
Khüny Marion	0	0	0	0
Krainer Senger Weiss Elisabeth	0	0	0	0
Lachs Andreas	0	0	0	0
Pichler Barbara	309	0	0	309
Pinter Jozef	0	0	0	0
Rasinger Wilhelm (until 10 November 2020)	24,303	500	24,803	0
Rödler Friedrich	2,202	300	0	2,502
Santner Friedrich (as of 10 November 2020)	0	0	0	0
Simor András (as of 10 November 2020)	0	0	0	0
Stack John James	32,761	0	0	32,761
Sutter-Rüdisser Michèle F.	0	0	0	0
Zeisel Karin	38	0	0	38

Persons related to management board or supervisory board members held 111 Erste Group Bank AG shares as of 31 December 2020 (prior year: 3,412).

Severance payments and pensions

Expenses for severance payments and pensions for members of the management board and managers amounted to EUR 2,110,065.85 (prior year: EUR 6,193 thousand). Expenses for severance payments and pensions for other employees amounted to EUR 40,719,020.77 (prior year: EUR 63,959 thousand). Expenses for surviving dependents and pensioners are included in the reported amounts. In accordance with section 239 (2) Commercial Code, statements regarding members of the executive and supervisory boards are disclosed separately in the annex 1.

E. APPROPRIATION OF PROFIT

On 15 December 2020, the European Central Bank (ECB) published a recommendation concerning the distribution of dividends. The management board of Erste Group Bank AG will propose a 2020 dividend, in line with the ECB recommendation, of EUR 0.50 per share (prior year: EUR 1.50 per share) to the 2021 annual general meeting (AGM) for payment in May 2021. Furthermore, an additional reserve of EUR 1.00 per share was created, for payment once the ECB recommendation is withdrawn and subject to profitability and capital performance. According to section 235 (1) Corporate Code (UGB), the amount restricted from distribution is EUR 0.00 (prior year: EUR 0 thousand).

In the annual general meeting held on 10 November 2020, it was decided for the appropriation of profit from the financial year 2019 that a dividend of EUR 0.75 would be paid out per eligible share if, on 8 February 2021(balance sheet date), there is neither a mandatory statutory prohibition on the distribution of dividends nor an applicable recommendation from the European Central Bank precluding the distribution of dividends from the perspective of the company. Due to the ECB's recommendation, the pay-out conditions for a dividend in the amount of EUR 0.75 were not fulfilled on the balance sheet date (8 February 2021), therefore no dividend was paid out for the financial year 2019. In the absence of the option to distribute, the dividend is shown in the profit carried forward in accordance with the resolution of the general meeting as of 10 November 2020.

F. APPENDIX 1: MANAGEMENT BODIES OF ERSTE GROUP BANK AG AS OF 31 DECEMBER 2020

Supervisory board

Position	Name	Year of birth	Occupation	Date of initial appointment	End of the current period of office
Chairman	Rödler Friedrich	1950	Auditor and tax advisor	4 May 2004	AGM 2022
1st Vice Chairman	Homan Jan	1947	General Manager, ret.	4 May 2004	AGM 2022
2nd Vice Chairman	Hardegg Maximilian	1966	Entrepreneur	12 May 2015	AGM 2025
Member	Bulach Matthias	1976	Head of Financial Accounting, Control and Capital, Caixa Bank	15 May 2019	AGM 2022
Member	Egerth-Stadlhuber Henrietta	1971	General Manager	15 May 2019	AGM 2022
Member	Griss Gunter	1945	Lawyer	21 May 2014	AGM 2020
Member	Gual Solé Jordi	1957	Chairman Board of Directors, Caixa Bank	17 May 2017	AGM 2022
Member	Khüny Marion	1969	Advisor	17 May 2017	AGM 2022
Member	Krainer Senger-Weiss Elisabeth	1972	Lawyer	21 May 2014	AGM 2024
Member	Rasinger Wilhelm	1948	Advisor	11 May 2005	AGM 2020
Member	Santner Friedrich	1960	General Manager	10 November 2020	AGM 2023
Member	Simor András	1954	Senior Vice President, EBRD i.R.	10 November 2020	AGM 2023
Member	Stack John James	1946	CEO i.R.	31 May 2007	AGM 2021
Member	Sutter-Rüdisser Michèle F.	1979	Honorary Professor, University of St. Gallen	15 May 2019	AGM 2022
Delegated by the employees' council					
Member	Grießer Martin	1969		26 June 2019	21 January 2020
Member	Haag Markus	1980		21 November 2011	Until further notice
Member	Haberhauer Regina	1965		12 Mai 2015	Until further notice
Member	Lachs Andreas	1964		9 August 2008	Until further notice
Member	Pichler Barbara	1969		9 August 2008	Until further notice
Member	Pinter Jozef	1974		25 June 2015	Until further notice
Member	Zeisel Karin	1961		9 August 2008	Until further notice

Representatives of the supervisory authority

Name	Position
Bartsch Wolfgang	State Commissioner
Kremser Michael	Deputy State Commissioner.
Maca Silvia	State Controller for Premium Reserve
Moser Erhard	Deputy State Controller for Premium Reserve
Kienzl Irene	Trustee under the Mortgage Bank Act (Hypothekenbank- und Pfandbriefgesetz)
Offner Gabriela	Deputy trustee under the Mortgage Bank Act

Management board

Board member	Year of birth	Date of initial appointment	End of current period of office
Spalt Bernhard (Vorsitzender)	1968	1 July 2019	30 June 2023
Abrahamyan Ara	1972	1 January 2020	31 December 2020
Bleier Ingo	1970	1 July 2019	30 June 2022
Bosek Peter	1968	1 January 2015	31 December 2020
Dörfler Stefan	1971	1 July 2019	31 December 2023
Habeler-Drabek Alexandra	1970	1 July 2019	31 December 2023
O'Mahony David	1965	1 January 2020	31 December 2022
Poletto Maurizio	1973	1 January 2021	31 December 2023
Schaufler Thomas	1970	1 January 2021	31 December 2023

Vienna, 26 February 2021

Management board

Bernhard Spalt mp
Chairman

Ingo Bleier mp
Member

Stefan Dörfler mp
Member

Alexandra Habeler-Drabek mp
Member

David O'Mahony mp
Member

Maurizio Poletto mp
Member

Thomas Schaufler mp
Member

IV. Management Report

ECONOMIC ENVIRONMENT

In 2020, Covid-19 has triggered the deepest global recession in decades. The pandemic induced crisis, which drastically impacted both advanced and emerging markets, has led to an unprecedented contraction in economic activity as more than 85 percent of the countries around the globe experienced shrinking economies. Policy makers have taken extraordinary measures to protect people and national health systems, the economy and the financial system. To prevent the virus from spreading uncontrollably, most countries imposed stringent lockdown measures in the first half of the year, and with rising infection rates in autumn and winter further lockdowns followed in the last quarter. To contain the immediate economic damage governments introduced various measures including state guaranteed loans, payment moratoria for private individuals and corporates or subsidies from hardship funds. Central banks have eased monetary policies across the globe, with a balance sheet expansion in the G10 countries of nearly EUR 6.5 trillion[1], and with more than 20 emerging market central banks deploying asset purchases for the first time. In addition, a fiscal policy response of EUR 10.5 trillion[2] globally has provided substantial support to households and corporates.

Most economies faced a substantial slump in economic activity. With its real GDP declining by 3.4%[3], the United States outperformed both Japan and the European Union. Leading European economies like Italy and France recorded a double-digit decline in their GDP. Among emerging and developing regions, China outperformed other major economies. Following a sharp output contraction in the first quarter 2020, China's economic activity rebounded stronger than in most other countries following the relaxation of the initial lockdowns. Overall, China's GDP increased by 2.3%[4]. All other major emerging markets' economies, such as India, Brazil, Russia or Turkey declined substantially. India's economy particularly suffered and fell into its first recession in 40 years. In addition to the Covid-19 crisis, the Russian economy was negatively impacted by lower oil prices. Central and Eastern European economies were similarly hit by the virus induced crisis. Overall, global real GDP declined by 3.54%[5].

The economic development in the United States was mainly characterised by the Covid-19 outbreak, increasing tension between the US and China and the presidential elections in November. The economy plummeted in April and May as a result of the coronavirus induced crisis, and the unemployment rate rose temporarily above 14% in April[6]. The economy, however, recovered quickly mainly due to robust domestic demand, improving labour market, a very accommodative monetary policy and a large fiscal stimulus. Consequently, the unemployment rate stood at 6.7%[7] at the end of the year. Core inflation remained below the Federal Reserve's 2% target. In March 2020, the Fed reduced its benchmark interest rate to zero and launched a new round of quantitative easing. The programme entailed USD 700 billion worth of asset purchases of Treasury's and mortgage-backed securities as a response to the slowing economy. Overall, the US economy contracted by 3.4%[8] in 2020.

The euro area was also significantly impacted. At 7.2%[9], economic decline in the euro zone was deeper than in other advanced regions of the world. Government measures implemented as a response to the Covid-19 pandemic – such as nationwide lockdowns, school closures or border restrictions – significantly disrupted domestic economic activity. Tourism, a sector that was virtually shut down completely for many months during the year, suffered significantly. Italy, France and Spain with their very important tourist industries performed poorly with their real GDP declining by double digit figures. The biggest economy of the euro zone, Germany, on the other hand, posted a markedly better performance mainly due to its prudent crisis management and stronger production output. Unemployment rates rose across countries. Most euro area governments launched large programmes of public loan guarantees to preserve access to bank loans for businesses. The European Central Bank (ECB) introduced a new Pandemic Emergency Purchase Programme (PEPP) to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area. The programme amounted to EUR 1.85 trillion[10] and was extended until March 2022. The ECB also increased its targeted longer-term refinancing operations (TLTROs) to provide low interest rate loans to credit institutions. Overall, EUR 1.7 trillion[11] were taken up by 388 banks. The ECB kept its discount rate at zero.

---

[1] IMF: https://www.imf.org/-/media/Files/Publications/GFSR/2020/October/English/foreword.ashx (Download on 19 February 2021, applied exchange rate: 1 EUR=1,147 USD)
[2] IMF: https://www.imf.org/-/media/Files/Publications/GFSR/2020/October/English/foreword.ashx (Download on 19 February 2021, applied exchange rate: 1 EUR=1,147 USD)
[3] IMF: https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update (Download on 19 February 2021)
[4] IMF: https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update (Download on 19. February 2021)
[5] IMF: https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update (Download on 19. February 2021)

[6] US Labor Statistics: https://www.bls.gov/news.release/pdf/empsit.pdf (Download on 19 February 2021), page 1

[7] US Labor Statistics: https://www.bls.gov/news.release/pdf/empsit.pdf (Download on 19 February 2021), page 9
[8] IMF: https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update (Download on 19 February 2021)
[9] IMF: https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update (Download on 19 February 2021)
[10] ECB: https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.html (Download am 19 February 2021)
[11] Euromoney: https://www.euromoney.com/article/280nvn47uuu2gasjb5534/banking/european-banks-head-for-a-funding-cliff-thanks-to-tltro-iii (Download on 19 February 2021)
[12] Statistik Austria: http://www.statistik.at/wcm/idc/idcplg?IdcService=GET_PDF_FILE&RevisionSelectionMethod=LatestReleased&dDocName=055370 (Download on 19 February 2021)

Against this backdrop, Austria's economy was also hit hard. Reflecting the containment measures and the lockdown in spring, a sharp decline in private consumption led to a fall in GDP. Investments also fell significantly. A solid economic rebound began in the third quarter. The easing of travel restrictions, but most importantly a strong domestic Summer tourism led to a partial recovery in the economically important tourism sector, with overnight stays in July and August down 15% from 2019 levels, compared to a decline of 60% to 90% in May and June. The unemployment rate increased visibly in the first half of the year, reaching 6.2% in June. In 2020, it stood on average at 5.3%[12]. Short-time work schemes helped to mitigate the effect of the economic downturn on the labour market. The Covid-19 induced crisis has put an abrupt end to the favourable development of Austria's public finances. A crisis management fund launched in March has been covering financial support e.g. to strengthen health care services, fixed cost subsidies or short-time work schemes. Tax deferrals and public guarantees for loans also helped companies to avoid liquidity constraints. The general government deficit stood at 8.9%[13] of GDP. Public debt as a percentage of GDP significantly increased to 84.4%[14]. With the sharp economic downturn and the decrease in energy prices, inflation fell from over 2% in the beginning of the year to 1.2%[15] at year end. Overall, average inflation stood at 1.4%[16] in 2020. Real GDP declined by 7.2%[17], with GDP per capita falling to EUR 42,000[18] at year-end.

Central and Eastern European economies struggled as well. Consumption and investments fell visibly, exports and imports posted a double-digit contraction. The large exposure of CEE economies to manufacturing and exports contributed significantly to the economic decline in the spring lockdown. After an unprecedented decline in economic activity, the CEE region saw a very fast economic rebound. The second wave of lockdowns in autumn impacted the regional economies to a much lesser extent, underlying the resilience of CEE industrial production. This time, production was not halted and foreign demand held up well. Serbia proved to be the best performer with its GDP contracting only moderately in 2020. Croatia experienced the deepest GDP decline due to the country's heavy dependency on the tourism sector. Unemployment rates in CEE increased but remained still low compared to many Western European countries. The labour markets benefited from government support programmes and widely used short-time work schemes. As a result of lower revenues and higher expenses, public deficits in the region widened. CEE currencies remained weak during the year with the Hungarian forint testing all-time lows throughout the year. Despite the FX impact, inflation remained relatively moderate. Many of the region's central banks, cut their key rates in the course of the year. The most pronounced were the interest rate cuts of the Czech National Bank. Hungary, Romania and Serbia also cut their policy rates. Overall, CEE economies shrank between 8.8%[19] in Croatia and 1.1%[20] in Serbia in 2020.

FINANCIAL PERFORMANCE INDICATORS

Explanatory notes on the balance sheet

As of 31 December 2020, total assets had increased by 16.3% from EUR 66.3 billion to EUR 77.1 billion in comparison to the end of 2019. The individual items developed as follows:

The item **cash in hand, balances with central banks** increased elevenfold from EUR 1.6 billion to EUR 17.4 billion as of 31 December 2020, which is attributable to the increase in amounts payable on demand in Euros at the Austrian National Bank (OeNB), not least because of the increased TLTRO (targeted longer-term refinancing operation)-funds. Fixed asset acquisitions in particular led to a 27.2% increase in **treasury bills** from EUR 3.9 billion to EUR 4.9 billion. As only part of the decrease in repurchase agreements with foreign banks in foreign currencies could be compensated for with the acquisition of unlisted securities in the trading portfolio, the **loans and advances to credit institutions** reduced by 16.5% from EUR 25.6 billion in the prior year to EUR 21.4 billion in the reporting year. New business with domestic customers in Euros contributed in particular to an increase in **customer deposits** by 3.4% in comparison to the end of 2019 from EUR 16.2 billion to EUR 16.8 billion. Compared to the prior year, **debt securities** decreased by 39.2% from EUR 6.4 billion to EUR 3.9 billion, which is attributable to significantly fewer repurchased covered bonds. The book values of **participating interest and shares in affiliated companies** remained unchanged at EUR 7.5 billion. The item **other assets** in the amount of EUR 3.7 billion (prior year: EUR 3.6 billion) includes around 95.5% (prior year: 92.5%) derivatives.

Due to time deposits connected to the utilisation of TLTRO III totalling EUR 8.9 billion as of the end of December 2020 in particular, **liabilities to credit institutions** rose by 44.7% to EUR 32.1 billion (prior year: EUR 22.2 billion). The decrease in time deposits in

[13] OeNB: https://www.oenb.at/dam/jcr:370f2792-c563-4471-93d7-f6530d6c29e0/facts-on-austria_oct-2020.pdf (Download on 19 February 2021), page 4
[14] OeNB: https://www.oenb.at/dam/jcr:370f2792-c563-4471-93d7-f6530d6c29e0/facts-on-austria_oct-2020.pdf (Download on 19 February 2021), page 4
[15] Statistik Austria: http://www.statistik.at/wcm/idc/idcplg?IdcService=GET_PDF_FILE&RevisionSelectionMethod=LatestReleased&dDocName=022832 (Download on 19 February 2021)
[16] Statistik Austria: http://www.statistik.at/wcm/idc/idcplg?IdcService=GET_PDF_FILE&RevisionSelectionMethod=LatestReleased&dDocName=022832 (Download on 19 February 2021)
[17] OeNB: https://www.oenb.at/dam/jcr:370f2792-c563-4471-93d7-f6530d6c29e0/facts-on-austria_oct-2020.pdf (Download on 19 February 2021), page 4
[18] OeNB: https://www.oenb.at/dam/jcr:370f2792-c563-4471-93d7-f6530d6c29e0/facts-on-austria_oct-2020.pdf (Download on 19 February 2021) and Statistik Austria: https://statcube.at/statistik.at/ext/statcube/jsf/tableView/tableView.xhtml (Download on 19 February 2021)
[19] European Commission: https://ec.europa.eu/eurostat/databrowser/view/NAMQ_10_GDP__custom_589433/default/table?lang=en (Download on 19. February 2019), calculation based on Q1-Q3 2020 data
[20] Statistical Office of the Republic of Serbia: https://www.stat.gov.rs/en-US/vesti/20201230-ekonomska-kretanja-2020 (Download on 19. February 2021)

foreign currencies in New York was compensated by domestic giro deposits in Euros, however repurchase agreements in foreign currencies matured, which led to a decrease of 10.6% in the item **amounts owed to customers** to EUR 5.9 billion (prior year: EUR 6.6 billion). In 2020, the New York branch once again issued more certificates of deposit, which explains the increase of 4.1% in **securitised liabilities** to EUR 18.9 billion (prior year: EUR 18.2 billion). In January and November 2020, Erste Group Bank AG issued two further bonds in the framework of its Additional Tier 1 Program, therefore the items **subordinated** and **additional tier capital** increased by 11.8% to EUR 7.4 billion (prior year: EUR 6.6 billion). The item **other liabilities** in the value of EUR 3.8 billion (prior year: EUR 3.7 billion) includes approx. 79.2% derivatives (prior year: 80.0%).

After deduction and filtering as specified in the CRR, **Tier 1 Capital** (CET 1 and AT1) amounted to EUR 10.2 billion (prior year: EUR 9.0 billion); **Common Equity Tier 1 Capital** (CET 1) amounted to EUR 7.4 billion (prior year: EUR 7.5 billion). **Own Funds** of Erste Group Bank AG pursuant to Part 2 of Regulation (EU) No 575/2013 (primarily core and supplementary capital) amounted to EUR 13.2 billion on 31 December 2020 (prior year: EUR 12.5 billion). The **Common Equity Tier 1 Capital Ratio** (CET 1) was 22.0% (prior year: 22.9%), whereas the **Total Capital Ratio** was 39.4% (prior year: 38.1%)

Details on Earnings

Erste Group Bank AG's **net interest income** improved by 9.3% to EUR 231.4 million (prior year: EUR 211.8 million), which can be particularly attributed to favourable ECB-refinancing and the higher interest applied to deposits at the ECB. Largely due to the lack of dividend payments from Ceska sporitelna, a.s. as well as Banca Comerciala Romana SA – both affiliated companies - the **income from securities and participating interests** reduced by 48.4% to EUR 421.3 million (prior year: EUR 815.8 million). The balance from **fee and commission income and expenses** worsened by 41.8% to EUR 16.9 million (prior year: EUR 29.0 million), mainly due to transaction costs in the securities business driven by increased issuing business. Due to the fact that the losses in trading with derivatives and securities could not be compensated for with gains from foreign exchange trading and coin trading, the item **net profit or loss on financial operations** continues to be negative at EUR 4.8 million (prior year: EUR 69.3 million), although it did improve by 93.1%. In 2019, Erste Group Bank AG gained EUR 114.1 million from the early termination of two derivatives in a hedge relationship, which did not reoccur in the reporting year. This is why the **other operating income** sank by 60.2% to EUR 91.8 million (prior year: EUR 231.0 million). All in all, this resulted in a 37.9% deterioration in **operating income** in 2020 to EUR 756.7 million (prior year: EUR 1,218.3 million).

In addition to salaries (both fixed and variable) and statutory charges, **personnel expenses** also include expenses for long-term employee provisions and pension fund contributions. Personnel expenses decreased by a total of 14.3% to EUR 295.7 million (prior year: EUR 345.0 million). The actuarial losses recognised on the balance sheet (in particular as a result of the discount rate being lowered from 0.95% to 0.50%) from compensation related liabilities of EUR 18.5 million (prior year: EUR 47.0 million) as well as the reduced number of employees were the drivers for this.

The **number of employees** at Erste Group Bank AG (weighted according to the extent of employment) went down slightly by 4.3% compared to 31.12.2019 and compares to the previous year as follows:

	As of 31 December 2020	As of 31 December 2019
Domestic	**2,006.4**	**2,097.1**
Foreign branches	**83.0**	**87.0**
London	26.0	29.0
New York	21.0	23.0
Hong Kong	24.0	23.0
Berlin, Stuttgart	12.0	12.0
Total	**2,089.4**	**2,184.1**
thereof maternity/paternity leave	138.0	121.5

Due to cost savings particularly in IT and consulting as well as advertising (2019 saw intensified advertising measures in connection with the bank's 200 year anniversary), **other administrative expenses** decreased by 13.1% to EUR 274.5 million (prior year: EUR 315.8 million). The item **depreciation and amortization on fixed assets and intangible assets** was also 28.0% lower at EUR 7.3 million (prior year: EUR 10.1 million). As the costs (EUR 40.5 million) for the partial closure of a fixed interest subordinated bond were no longer incurred in the reporting year 2020, other operating expenses decreased by 46.0% to EUR 32.4 million (prior year: EUR 59.9 million). As a result, **operating expenses** decreased by 16.5% to EUR 609.9 million (prior year: EUR 730.8 million).

After deduction of all operating expenses from operating income, net operating income amounted to EUR 146.8 million in the financial year 2020 (prior year: EUR 487.5 million). At 80.6%, the cost-income ratio (operating expenses as a percentage of operating income) was above the prior year's figure of 60.0%.

Reflecting the deterioration of the macro-economic outlook due to the Covid-19 pandemic, Erste Group Bank AG reports **net expenses for provisions for risks to loan receivables** (including write-offs offset against income from written off loans) in the amount of EUR 229.3 million (prior year: EUR 20.2 million). The successful balance from current securities (valuation and gains) as well as the result and value adjustment positions on participating interests and fixed-asset securities was a negative EUR 6.8 million in 2020 (prior year: positive EUR 699.2 million). Participation valuations (primarily the appreciation of Banca Comercială Română S.A. and depreciation of Erste Bank Hungary Zrt. and Erste Group Immorent GmbH) in particular had a negative impact on the results in the reporting year.

Accordingly, profit or loss on ordinary income was a negative EUR 89.3 million in the year 2020 (prior year: positive EUR 1,166.4 million in the year 2019).

As Erste Group Bank AG did not receive any dividends (not resulting from operative income), the dividend revenue is zero in the reporting year 2020 (prior year: EUR 5.0 million). Taxes on profit or loss reduced to an expense of EUR 10.9 million (prior year: income EUR 173.4 million), particularly following the release of capitalised deferred taxes. Due to the high proportion of tax-exempt income as well as the obligation of depreciating participation over 7 years, no Austrian corporate income tax was payable in the financial year 2020. Driven by the banking levy, other taxes increased by 2.4% from EUR 17.7 million to EUR 18.1 million.

After accounting for the changes in reserves (see Annex chapter C note 23), which resulted in the net release of EUR 118.4 million (prior year: allocation of EUR 682.7 million), there was an annual profit of EUR 0.0 million (prior year: EUR 644.4 million). As no dividend was paid out for the financial year 2019 due to the ECB's recommendation, this remained in the retained income, whereby the net profit, as in the prior year, was EUR 644.7 million.

OUTLOOK

Since Erste Group Bank AG's economic success is substantially determined by Erste Group's profitability, the Erste Group's outlook is presented below.

Erste Group Bank AG's goal for 2021 is to increase net profit. Among the factors that will support achievement of this goal are a recovery of the economies of all core markets – the Czech Republic, Slovakia, Hungary, Romania, Croatia, Serbia and Austria – and, on this basis, a reduction of risk costs and an improvement in the operating result. A continuation or further escalation of Covid-19 measures by governments as well as potential – and as yet unquantifiable – political, regulatory or economic risks may render meeting this goal more challenging.

In 2021, the positive development of the economy should be reflected in growth rates (real GDP growth) of between 3% and close to 6% in Erste Group Bank AG's CEE core markets. The development of other economic indicators should vary depending on Covid-19 policy measures imposed by authorities and/or the phasing out of state support. Unemployment rates are expected to rise but, in the Czech Republic and Hungary, should remain among the lowest in the EU. Inflation rates are forecast to decline in the Czech Republic and Slovakia while the other core markets are likely to see a slight acceleration. In most countries, sustained competitiveness should again result in solid and, in Slovakia and Romania, stronger current account balances. The fiscal situation should likewise improve again after the significant budget deficits posted in the year 2020. Public debt is projected to remain largely stable, albeit at a significantly elevated level.

Against this backdrop, Erste Group Bank AG expects net loan growth in the low to mid-single digit range. This performance should keep net interest income stable despite negative interest rates in the euro zone. The second most important income component – net fee and commission income – is expected to rise in low single digits. Positive momentum should come from fund management, the securities business and insurance brokerage. Given the average result seen in 2020, the net trading result is expected to come in higher. This, however, will depend substantially on the financial market environment. The remaining income components are forecast to remain, by and large, stable. Overall, operating income should increase again in 2021. Operating expenses are expected to rise slightly in 2021, partly due to re-emerging wage pressure across all Erste Group Bank AG markets. In addition, Erste Group Bank AG will continue to invest in IT in 2021, and thus strengthen its competitive position, with a focus on progressive IT modernisation, back-office digitalisation and expansion of the digital platform George. The rollout of George in Hungary and Croatia should be completed in 2021, as a result of which customers will be able to access George in the six largest core markets. Though faced with more challenges in a largely

unpredictable environment, Erste Group Bank AG is striving to make operating income grow faster than costs. This leads Erste Group Bank AG to project a rise in the operating result in 2021.

Based on the scenario described above, risks costs should decline again in 2021.

Erste Group Bank AG's CET1 ratio is expected to remain strong. The management board proposes to the annual general meeting in May – in line with ECB recommendation – a dividend for 2020 of EUR 0.5 per share. An additional EUR 1.00 per share has been reserved for potential payment later in the year.

Potential risks to the guidance are besides other than expected (geo)political, economic (monetary and fiscal policies) und regulatory measures and developments also global health risks or changes to the competitive environment. In addition, given the Covid-19 governmental measures and their impact on the economic development, financial forecasts are still subject to an elevated level of uncertainty. Erste Group Bank AG is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. Worse than expected economic development may put write-offs of participating interests and shares in affiliated companies at risk.

OWN SHARES

Month	Purchase/Sale	Portfolio as of	Purchase price	Selling price	Par value in share capital
January	Purchase	127,057	4,292,750		254,114
January	Sale	82.224		2,807,155	164,448
February	Purchase	97,685	3,200,279		195,370
February	Sale	119,048		3,836,456	238,096
March	Purchase	334,154	6,951,446		668,308
March	Sale	369,187		7,717,048	738,374
April	Purchase	253,094	4,485,732		506,188
April	Sale	280,122		4,814,454	560,244
May	Purchase	197,452	3,790,248		394,904
May	Sale	184,170		3,607,015	368,340
June	Purchase	265,151	5,861,141		530,302
June	Sale	894,696		19,577,352	1,789,392
July	Purchase	152,730	3,283,057		305,460
July	Sale	81,584		1,784,574	163,168
August	Purchase	111,175	2,282,902		222,350
August	Sale	474,538		9,510,956	949,076
September	Purchase	312,434	6,055,404		624,868
September	Sale	282,146		6,911,495	564,292
October	Purchase	255,162	4,568,326		510,324
October	Sale	219,595		3,875,773	439,190
November	Purchase	146,855	3,108,788		293,710
November	Sale	439,433		9,342,613	878,866
December	Purchase	650,666	16,246,053		1,301,332
December	Sale	111,645		2,787,218	223,290

The primary purpose of the transactions was market making and hedging of ATX positions. As of 31 December 2020, other liabilities include a short position in Erste Group Bank AG shares amounting to 857,356 units with a carrying amount of EUR 21,382,458.64 (prior year: 222,583 units, carrying amount EUR 7,469,887.01), which is covered by securities lending deals.

RESEARCH AND DEVELOPMENT

Erste Group Bank AG ´s business purpose is to provide banking services. The production process of a bank is therefore not connected with research and development in an industrial sense. However, development work impacts permanently the current business of the bank.

BRANCHES

Erste Group Bank AG maintains branches in London, New York, Hong Kong and Germany (Berlin and Stuttgart) that provide commercial lending to foreign banks, leasing companies and sovereign debtors as well as institutional sales. The London branch is expected to be closed in the financial year 2021.

SHARE, VOTING AND CONTROL RIGHTS

Investor information pursuant to section 243a (1) of the Austrian Commercial Code ("UGB")

With regard to the statutory disclosure requirements in the Management Report, special reference is made to the relevant information in the notes to the financial statements, in section C 22.

As of 31 December 2020, together with its syndicate partners, DIE ERSTE oesterreichische Spar-Casse Privatstiftung ("ERSTE Stiftung"), a foundation, controls approx. 31.17% (prior year: 30.39%) of the shares in Erste Group Bank AG and with 16.50% (prior year adjusted: 15.96%) is the main shareholder. The ERSTE Stiftung holds 5.90% (prior year: 6.37%) of the shares directly; the indirect participation of the ERSTE Stiftung amounts to around 10.60% (prior year adjusted: 9.59%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the ERSTE Stiftung. 1.67% (prior year adjusted: 1.43%) are held directly by savings bank foundations (Sparkassenstiftungen) respectively saving banks foundations acting together with the ERSTE Stiftung and affiliated with Erste Group Bank AG through the joint liability scheme/IPS fund. 9.92% (prior year: 9.92%) of the subscribed capital is controlled by the ERSTE Stiftung on the basis of a shareholder agreement with Caixabank S.A. 3.08% (prior year: 3.08%) are held by other partners to the shareholder agreement.

It should also be noted that in addition to the joint liability scheme in place since 2001, from 1.1.2014 onwards Erste Group Bank AG has formed a recognised institutional protection scheme (IPS) in accordance with article 113 (7) CRR together with the Austrian savings banks. The joint liability scheme complies with the requirements of article 4 (1) Z 127 CRR, whereby the required individual services of the individual members of the scheme are subject to an individual and general ceiling. Furthermore, starting in 2014 an IPS ex-ante fund was established and endowed for the following 10 years.

The payments of the individual members are recognised in the balance sheet as a share in IPS GesbR, which manages the ex-ante fund and are accounted for as revenue reserve. Due to the contractual terms, this revenue reserve represents a blocked reserve. The writing off of this blocked reserve may only take place as a result of the mobilisation of the ex-ante fund due to a claim. This reserve can therefore not be utilised internally to cover losses and on member level does not qualify as capital according to the CRR; on a consolidated level, the ex-ante fund does qualify, however.

Furthermore, Erste Group Bank AG is the central institution for the associated Austrian savings banks, and together they form a cash pool pursuant to section 27a Austrian Banking Act (BWG). Where necessary, Erste Group Bank AG must supply liquidity to an associated savings bank in accordance with legal and contractual provisions.

Additional disclosures pursuant to section 243a (1) UGB

All restrictions on voting rights or the transfer of shares, even if they are included in agreements between shareholders, insofar as they are known to the Management Board pursuant to section 243a (1) no. 2 UGB:

In shareholder agreements ERSTE Stiftung agreed with its partners the following: concerning the appointment of the members of the supervisory board the partners are obliged to vote as required by ERSTE Stiftung. The partners can dispose of shares according to a predefined sale procedure and can purchase shares only within the quotas agreed with ERSTE Stiftung (of a maximum of 2% within 12 months in total); with this regulation an unwanted creeping-in according to takeover law shall be prevented. In addition, the partners have committed themselves not to make a hostile takeover bid, nor to participate in a hostile takeover bid nor to act together with a hostile bidder in any other way.

The Articles of Association contain no restrictions in respect of voting rights or the transfer of shares.

Pursuant to section 243a (1) no. 6 UGB not directly prescribed by the law regarding the appointment and dismissal of members of management and supervisory boards as well as on the amendment of the Articles of Association:

This concerns:

- Art. 15.1 of the Articles of Association, which provides that ERSTE Stiftung will be granted the right to nominate up to one third of the members of the Supervisory Board to be elected by the shareholders' meeting, as long as ERSTE Stiftung is liable or all present and future liabilities of the company in the case of its insolvency pursuant to Section 92 (9) Banking Act and
- Art. 15.4 of the Articles of Association, which provides that a three-quarter majority of valid votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal are required to pass a motion for removal of Supervisory Board members

- Art. 19.9 of the Articles of Association, which provides that the Articles of Association, in so far as they do not alter the business purpose, may be passed by simple majority of votes cast and simple majority of the subscribed capital represented at the meeting considering the amendment. Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Moreover, amendments to Art. 19.9 require a three-quarter majority of the votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal.

Pursuant to section 243a (1) no. 7 UGB, members of the Management Board have the right to issue or repurchase shares, where such a right is not prescribed by statutory law:

As per decision of the Annual General Meeting of 15 May 2019:

- the Management Board is entitled to purchase up to 10% of the subscribed capital in treasury shares for trading purposes according to section 65 (1) no. 7 Austrian Stock Corporation Act ("AktG"). However, the trading portfolio of these shares may not exceed 5% of the subscribed capital at the end of any calendar day. The consideration for the shares to be purchased must not be less than 50% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed 20% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase. This authorisation is valid for a period of 30 months, i.e. until 14 November 2021.
- the Management Board is entitled, pursuant to section 65 (1) no. 8 as well as (1a) and (1b) Stock Exchange Act and for a period of 30 months from the date of the resolution, i.e. until 14 November 2021, to acquire own shares of up to 10% of the subscribed capital, subject to approval by the Supervisory Board, with the option of making repeated use of the 10% limit, either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment. The authorisation may be exercised in whole or in part or in several instalments and in pursuit of one or several purposes. The market price per share must not be below EUR 2.00 or above EUR 120.00. Pursuant to section 65 (1b) in conjunction with sec. 171 Stock Corporation Act, the Management Board is authorised, from the date of the resolution, i.e. until 14 May 2024, on approval by the Supervisory Board, to sell or use the company's own shares, also by means other than the stock exchange or a public offering for any purpose allowed by the law, particularly as consideration for the acquisition and financing of the acquisition of companies, businesses, business divisions or shares in one or several businesses in Austria or abroad to the exclusion of the shareholders' proportional purchase option.
- The Management Board is authorised to redeem shares without further resolution at the Annual General Meeting with the approval of the Supervisory Board.
- According to section 65 (1) Z 4 as well as (1a) and (1b) Stock Exchange Act, the Management Board is authorised for the duration of 30 months following the date of resolution, hence until 14 November 2021, and with the approval of the Supervisory Board to purchase own shares at an amount equalling up to 10% of share capital of the company also under repeated utilisation of the 10% limit both via the stock market as well as off-market under exclusion of the pro rata tender rights of shareholders for the purpose of granting shares for free or at concessionary terms to Erste Mitarbeiterbeteiligung Privatstiftung, their beneficiaries, employees, executive employees and members of the board at Erste Group Bank AG as well as affiliated group companies or other companies according to section 4d (5) Z 1 Income Tax Act. The authorisation may be exercised in whole or in part or in several installments and in pursuit of one or several purposes. The value per share may neither be lower than the floor value of two Euros nor higher than the ceiling of 120 Euros.

All sales and purchases were carried out as authorised at the Annual General Meeting.

According to section 8.3 of the Articles of Association, the Management Board is authorized, until 24 May 2023 and with the approval of the Supervisory Board, to issue convertible bonds (including conditional compulsory convertible bonds according to section 26 Austrian Banking Act (BWG)), which grant subscription or conversion rights to the acquisition of company shares, while paying due consideration or excluding the subscription right of shareholders. The terms of issue can also set out a conversion obligation at the end of the term or at another point in time in addition or instead of subscription or conversion rights. The issue of convertible bonds may only take place to the extent that guarantees the fulfilment of agreed conversion or subscription rights and, in the case of a conversion obligation set out in the conditions of issue, the fulfilment of the corresponding conversion obligations from the conditional capital increase. The issue amount, conditions or issue and the exclusion of shareholders' subscription rights are to be determined by the Management Board with consent of the Supervisory Board.

Significant agreements to which the company is party, and which become effective, are amended or are rendered ineffective when there is a change in the control of the company as a result of a takeover bid, as well as their effects [section 243a (1) no. 8 UGB]:

Agreement in principle of the joint liability scheme

The agreement in principle of the joint liability scheme provides for the possibility of early cancellation for good cause. Good cause allowing the respective other contracting parties to cancel the agreement is deemed to exist if:

- one contracting party grossly harms the duties resulting from the present agreement
- the ownership structure of a party to the contract changes in such a way – particularly by transfer or capital increase – that one or more third parties from outside the savings bank sector directly and/or indirectly gain a majority of the equity capital or voting rights in the contracting party or
- one contracting party resigns from the savings bank sector irrespective of the reason.

The joint liability scheme's agreement in principle and supplementary agreement expire if and as soon as any entity that is not a member of the savings bank sector association acquires more than 25% of the voting power or equity capital of Erste Group Bank AG in any manner whatsoever and a member savings bank notifies the joint liability scheme's steering company and Erste Group Bank AG by registered letter within twelve weeks from the change of control that it intends to withdraw from the joint liability scheme.

Directors and Officers Insurance
Changes in control

In the event that any of the following transactions or processes occur during the term of the insurance policy (each constituting a "change in control") in respect of the insured:

- the insured ceases to exist as a result of a merger or consolidation, unless the merger or consolidation occurs between two insured parties, or
- another company, person or group of companies or persons acting in consent, who are not insured parties, acquire more than 50% of the insured's outstanding equity or more than 50% of its voting power (resulting in the right to control the voting power represented by the shares, and the right to appoint the Management Board members of the insured),

then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change in control took effect. However, no insurance cover is provided for claims relating to unlawful acts committed or allegedly committed after that time (unless the insured and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.

In the event that a subsidiary ceases to be a subsidiary during the insurance period, the insurance cover under this policy shall remain in full force and effect for that entity for the remainder of the insurance period or (if applicable) until the end of the extended discovery period, but only in respect of claims brought against an insured in relation to unlawful acts committed or alleged to have been committed by the insured during the existence of this entity as a subsidiary. No insurance cover is provided for claims brought against an insured in relation to unlawful acts committed or allegedly committed after this entity ceased to exist.

Co-operation between Erste Group Bank AG and Vienna Insurance Group (VIG)
Erste Group Bank and VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe ("VIG") are parties to a general distribution agreement (the "Agreement") concerning the framework of the cooperation of Erste Group and VIG in Austria and CEE with respect to bank and insurance products. Originally concluded in 2008 (between Erste Group Oesterreich and WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group), the Agreement was renewed and extended in 2018 until the end of 2033. The objective for the renewal and extension was in particular to adapt the Agreement to the corporate restructuring of the original parties, to amend some commercial parameters and to align the Agreement with recent developments in the legal framework. Already in the original Agreement the parties stipulated that both parties have the right to terminate the Agreement in case of a change of control of one of the parties. A change of control is defined, with respect to Erste Group Bank, as the acquisition of Erste Group Bank by any person/entity other than DIE ERSTE österreichische Spar-Casse Privatstiftung or Austrian savings banks of 50% plus one share of Erste Group Bank's voting shares, and with respect to VIG, as the acquisition of VIG by any person/entity other than Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group of 50% plus one share of VIG's voting shares. Apart from this regulation on the termination of the Agreement, the parties agreed in the renewal and extension of the Agreement for an additional termination for cause if based on new legal or regulatory provisions, the continuation of the Agreement is unreasonable for each or both of the parties.
Erste Group Bank and VIG are furthermore parties to an asset management agreement, pursuant to which Erste Group undertakes to manage certain parts of VIG's and its group companies' securities assets. In case of a change of control (as described above), each party has the termination right. The asset management agreement has been renewed and extended until 2033 concurrently with the renewal and extension of the Agreement outlined above.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM CONTROL RIGHTS FOR FINANCIAL REPORTING PROCEDURES

IKS Framework Requirements

The IKS policy provides the framework conditions for the internal control system (IKS) at Erste Group. It defines current standards concerning general tasks and responsibilities as well as minimum criteria for IKS documentation. In Erste Group, a top-down, risk adjusted and decentralised IKS approach is to be applied with a focus on the material risks identified within the framework of the ICAAP process.

The IKS process of Erste Group is based on the framework conditions and minimum criteria of the introduction of group-wide internal policies (Group Policy Framework – GPF). All key controls for the control and monitoring of group-wide material risks are laid down in specific internal policies that have to be implemented group-wide. The definition and documentation of key controls has to be duly carried out by traceable means by the policy owner on group level. The control of the roll-out of individual policies is part of the general GPF process.

The monitoring of the efficiency and effectiveness of the IKS is ensured and validated by regularly conducted monitoring activities (control indicators) and individual sample inspections. This is done in order to guarantee that the key controls fulfil their objectives, reduce the probability of other risks occurring and to keep the other remaining risks in line with the risk-return. The risk profile, which includes the current and target situation, is monitored by each individual risk function unit and is illustrated in the framework of the consolidated risk reporting (GRR) for the management or relevant risk committee.

Control environment

The control environment provides the framework for the introduction, implementation and monitoring of IKS principles, procedures and measures. The Management Board of Erste Group Bank AG is responsible for the establishment, structure and application of an appropriate internal control and risk management system that meets the company's needs in its accounting procedures.

Holding Finance & Accounting Competence Center, which are part of the Group Accounting & Group Controlling division, coordinate and verify the final accounts' compilation for Erste Group Bank AG. The assignment of powers, account responsibilities and the necessary control procedure are defined in the operating instructions.

Risk assessment

The main risk in the accounting procedures is that errors or deliberate action (fraud) prevent facts from adequately reflecting the company's financial position and performance. This is the case whenever the data provided in the financial statements and notes is essentially inconsistent with the correct figures, i.e. whenever, alone or in aggregate, they are able to influence the decisions made by the addressees on the basis of the final accounts. Such decision may cause serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

Controls

The relevant units are obliged to comply with the accounting and measurement principles that are applicable for capturing, posting and accounting transactions and laid out in the operating instructions relating to the UGB and in the IFRS Accounting Manual.

The basic components of the internal control system (IKS) at Erste Group Bank AG are:

- Controlling as a permanent financial/business analysis (e.g. comparison of target and actual data between Accounting and Controlling) and control of the company and/or individual corporate divisions.
- Systemic, automatic control systems and measures in the formal procedure and structure e.g. programmed controls during data processing.
- Principles of functional separation and the four-eye principle.
- Internal Audit – as a separate organisational unit – is charged with monitoring all corporate divisions in an independent yet proximate manner, particularly with regard to the effectiveness of the internal control system. The functionality of the Internal Audit unit is monitored by quality assurance measures (self-assessments, peer reviews, external quality assessments) by the Management Board, the Audit Committee/Supervisory Board and by external parties (e.g. bank auditor, bank supervisor).

Information and communication

In accordance with Austrian Commercial Code (UGB) / Austrian Banking Act (BWG), the final accounts are prepared in a standardised format and in compliance with the control measures described above. Before being passed on to the Audit Committee of the Supervisory Board, the financial statements to be published are submitted to the managers and CFO for approval. During the year the UGB-result is presented to the responsible board member (CFO) on a quarterly basis.

Reporting is nearly fully automated using input systems and automatic interfaces. This warrants that the data for controlling, (segment) and earnings accounting as well as other evaluations are always up to date. The information used by the accounting department is derived from the same database and reconciled monthly for reporting. Close collaboration between Accounting and Controlling ensures that target and actual data are constantly compared, allowing for effective control and harmonization.

Responsibilities of Internal Audit

Internal Audit is in charge of auditing and evaluating all areas of the bank at appropriate intervals based on legally required and on risk oriented planned audits (according to the annual audit plan as approved by the Management Board and reported to the Audit Committee). The main focus of audit reviews is to monitor the functionality of the internal control system. Internal Audit reports its findings to the Group's Management Board and Audit Committee several times a year.

According to section 42 BWG, Internal Audit is a control body that is directly subordinate to the Management Board. It serves the exclusive purpose of ongoing and comprehensive reviews of the legal compliance, appropriateness and suitability of the banking business and banking operation. The mandate of Internal Audit is therefore to support the Management Board in its efforts to secure the bank's assets and promote economic and operational performance and thus in the Management Board's pursuit of its business and operating policy. The activities of Internal Audit are guided in particular by the the law, guidelines and minimum standards of the authority, by the professional standards for internal audits and their policy, which is checked regularly and adapted if necessary.

Audit activities of Internal Audit

In its auditing activities, Internal Audit puts a special focus on:

_ operating and business areas of the bank;
_ operating and business processes of the bank;
_ internal bank standards (policies, guidelines, operating instructions), also with regard to their compliance and up-to-dateness;
_ audit areas stipulated by the law, as they inter alia result from the rules of the Austrian Banking Act (BWG) and the Capital Requirement Regulation (CRR).

RISK MANAGEMENT

Comments on the risk profile of Erste Group Bank AG

In light of the business strategy of Erste Group Bank AG, besides participation risk, the main risks included credit risk, market risk, interest-change risk in the banking book, liquidity risk and non-financial risks. In addition, a risk materiality assessment is undertaken on an annual basis. It is ensured that all relevant material risks are covered by Erste Group Bank AG’s control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of the group. The main types of risk can be summarised as follows:

_ *Credit risk:* is the risk of loss from the potential collapse of counterparties, particularly of borrowers in the conventional lending business, and any related credit losses.
_ *Market risk:* describes the risk of loss from unfavourable price changes in marketable and traded products, such as shares, fixed-income securities and derivatives, as well as from interest and foreign exchange volatility and fluctuations in raw material prices.
_ *Interest rate risk in the banking book, including net interest income risk:* is the risk of an adverse change in the market value of financial instruments or in net interest income due to market interest rate movements. This type of risk arises due to differences in maturities, interest rate linkages, and interest rate reset periods between assets and liabilities including derivatives.
_ *Liquidity risk:* describes the risk of the bank's insufficient liquidity or inability to make funds available in a timely manner to service its debts.
_ *Non-financial risk:* includes reputational and operational risks. Operational risks are risks of losses due to mistakes or failures linked to internal processes, people and systems, or external events.

Participation Risks

Participation risks are risks of potential value losses from providing equity, as current-value write-offs, capital losses from sales, omissions of dividends or decline of hidden reserves as well liability risks from letters of comfort or capital payment commitments. The majority of direct and indirect participations are fully consolidated in the group balance sheet and thus these risks are recorded ascertained. Consequently potential risks of investments are usually covered by other types of risks and correspondingly considered in their monitoring and control methods.

The participations entered into by Erste Group Bank AG took place in line with the strategic objective to invest in retail banking whereby own experience and expertise could be contributed. In order to participate more in growth markets, geographic diversification was increased by investing in central and eastern European states. In order to reduce the political, legal and economic risks, the management focuses on countries within the EU or on potential EU candidate countries.

Risk management objectives and methods

Taking risks in a conscious and selective manner and to manage such risks professionally is one of the core functions of a bank. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success.

Erste Group has developed a risk management framework that is forward-looking and tailored to its business and risk profile. This framework is based on a clear risk strategy that sets out general principles according to which risk taking must be performed across the group. The risk strategy is consistent with the business strategy and incorporates the expected impact of external environment on the planned business and risk development.

The risk strategy describes the current risk profile, defines the principles of risk management, the strategic goals as well as initiatives for the most important types of risk and sets strategic limits for the significant types of financial and non-financial risk, which are considered in the risk materiality assessment. The risk strategy is implemented within the framework of a clearly defined governance structure. This also serves to observe the risk appetite and complementary measures as well as for the escalation of exceeded limits.

In the year 2020, the COVID-19 pandemic became a global issue, therefore the management of loan portfolios, including the active management of non-performing loans, was continued in order to further strengthen the risk profile. For Erste Group Bank AG and at group level, the prognoses were adapted to this crisis situation and significant risk provisions carried out to deal with the expected distinct decrease in credit quality.

For credit risk, by far the most important risk category, Erste Group Bank AG has been using the internal ratings-based (IRB) approach according to the Capital Requirements Regulation (CRR) and adopts this approach also for the assessment of economic capital requirements according to Pillar 2. Furthermore, all methods and processes affiliated with and necessary for this approach are applied. At Erste Group Bank AG, the internal models are validated annually and revised if necessary, whereby both observations made by the supervisory authorities and foreseeable future amendments to the legal requirements are taken into consideration.

The market risks in the trading book are backed by equity capital on the basis of an internal model. In order to hedge the market risk from balance sheet assets (bonds, repurchase agreements on the asset side) and liabilities (own issues), the bank uses interest swaps, currency swaps, credit derivatives and options as hedging instruments in micro-hedge relationships. Together with the hedged underlying transaction, these hedging instruments are recorded in the balance sheet as a valuation unit based on section 201 Commercial Code (UGB). A fair view of the impacts of the continuing low level of interest rates is provided in the "Outlook" chapter.

The requirements for the generation of valuation units are fulfilled by the fair value hedge accounting processes which are applied at Erste Group Bank AG. Details on these processes are presented in the notes to the financial statement, section C note 31.

In accordance with the Advanced Measurement Approach (AMA), operational risk for Erste Group Bank AG is backed by equity.

In order to provide a comprehensive overview of current and future risk and the cover pools of the Bank, the bank's risk-bearing capacity is determined by the Internal Capital Adequacy Assessment Process (ICAAP). The risk-bearing capacity provides regular updates on the risk profile and capital adequacy, forming the basis for defining and implementing any measures that may be necessary.

Erste Group Bank AG defines its risk strategy and risk appetite within the framework of the annual strategic planning process, during which adequate orientation of the risk, capital and results and earnings targets is ensured. Strategic limits and principles are defined for all types of risk on the basis of the RAS in the risk strategy. These limits and principles support the implementation of the medium and

long-term risk decisions. Risk Management governance ensures the comprehensive overview of all risk decisions and the proper execution of the risk strategy. Risk-reducing measures are carried out as part of the ordinary risk management process in order to make sure that the Group acts in accordance with the defined risk appetite.

Risk management organization

Risk control and risk steering are performed based on the business strategy and the risk appetite approved by the Management Board. Together with the chief risk officers of the subsidiaries, the chief risk officer of Erste Group Bank AG (Group CRO) is responsible for implementation of and adherence to the risk control and risk management strategies across all risk types and business lines.

Committees with explicit strategic and operative controlling functions have been set up to ensure the Bank's effective and optimal management. At the top of the risk committee hierarchy within Erste Group Bank AG is the Risk Committee of the Supervisory Board. It is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the Management Board according to the internal approval authority policies. Furthermore, it is charged with granting approval to large exposures pursuant to Article 392 CRR, if such a claim is equal or exceeds 10% of the eligible capital of a credit institution. Within the competence assigned to it, the Committee may grant advance approvals to the extent permitted by law.

The Management Board and in particular, the Group CRO ensure the availability of appropriate infrastructure and staff as well as methods, standards and processes. The actual identification, measurement, assessment, approval, monitoring, steering and limit setting for the relevant risks are performed at the operating entity level within Erste Group Bank AG. The management board is supported by several divisions established to perform operating risk control functions and exercise strategic risk management responsibilities.

At the beginning of 2020, the management boards of Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG (EBOe) decided to consolidate the risk management structures of Erste Group Bank AG and EBOe in order to improve further processes and collaboration within Erste Group. In April 2020, the common structure was implemented for the operative credit risk management comprising the Corporate Risk Management, Retail Risk Management and Credit Risk Portfolio divisions.

As of 1 October 2020, Erste Group Bank AG and EBOe merged their strategic risk management units and also formed a uniform compliance function. The reorganisation included the merger of the enterprise-wide risk management functions and security risk management units as well as the merger of the credit risk methods and models. This step will improve the cooperation and ensures coordinated processes and standards being implemented. In addition, the new structure will enable a standardised data collection and processing and target a harmonized IT infrastructure.

The staff unit Group Sustainability Office was transferred to the area of responsibility of the Chief Executive Officer and the new staff unit Cyber Risk Management was created.

The following risk management functions report directly to the Group CRO:
- Group Liquidity and Market Risk Management;
- Enterprise wide Risk Management;
- Credit Risk Methods;
- Retail Risk Management:
- Credit Risk Portfolio;
- Corporate Risk Management;
- Group Compliance;
- Group Legal;
- Cyber Risk Management.

The division Group Liquidity and Market Risk Management comprises all market and liquidity risk functions in Erste Group. This division is responsible for steering, measuring, and controlling liquidity and market risk. It covers both banking book and trading book and ensures the development and validation of liquidity and market risk models for regulatory as well as for internal steering purposes.

Enterprise wide Risk Management (ERM) focuses on holistic risk management and ensures comprehensive cross-risk group-wide risk portfolio steering, monitoring, analysis, and reporting. ERM drives key strategic initiatives to establish greater cohesion between risk strategy (including risk appetite and limit steering) and operational execution. It includes the preparation of recovery and wind-down plans as well as the management of non-financial risks.

The responsibilities of Credit Risk Methods comprise the development, maintenance and validation of credit risk models in accordance with the regulatory requirements for the internal ratings-based approach. A dedicated organisational unit takes care of model risk governance and the strategic planning of model changes.

Retail Risk Management covers the operational credit decisions and the collection and workout activities for retail clients of EBOe. In order to ensure the sustained profitability of the retail loan portfolio in Erste Group, Retail Risk Management defines group-wide framework conditions and requirements for lending within the Group's risk/return profile.

Credit Risk Portfolio monitors the development of the overall loan portfolio in Erste Group Bank AG with a specific focus on non-retail clients. Active steering ensures the operative implementation of the Group's credit risk strategies. The division is also in charge of continuously improving underwriting processes as well as for corporate and retail risk management projects with a particular focus on digital initiatives.

Corporate Risk Management is responsible for credit underwriting and restructuring (including sales of non-performing loans) for corporate and real estate clients, financial institutions, sovereigns and municipalities in EBOe and Erste Group Bank AG as well as group-wide for local customers if their local credit limits are exceeded.

In line with Austrian and European Union legislations, Group Compliance ensures the implementation and steering of measures to prevent money laundering, terrorism financing and fraud. Furthermore, it is responsible for standards and measures to comply with financial sanctions and embargoes. Another central task consists in the implementation and enforcement of regulatory provisions for insider trading, market manipulation and other misconduct in securities business.

Group Legal acts as the central legal department of Erste Group Bank AG. This division provides legal support and counsel for the management board, the business units and the central functions, and mitigates legal risk. It also attends to legal sourcing and to dispute resolution and litigation.

Cyber Risk Management is a risk control unit segregated from IT and security operations, responsible for managing and overseeing cyber risks as well as for monitoring and controlling adherence to cyber risk management framework.

Statements concerning value adjustments for credit risks can be found in Annex section C note 33 and concerning off-balance sheet risk items in Annex section C note 34 of this financial statement. Litigations are dealt with in Annex section A (Ongoing legal cases).

CORPORATE GOVERNANCE

Compliance with laws and international initiatives against bribery and corruption is a matter of fact. Erste Group Bank AG places particular emphasis on continuous training of employees. A particular point of focus is on the strict requirements regarding whether gifts may be accepted at all from customers, or where appropriate the size of the gift. Another such point is the whistleblowing office. The Erste Integrity Line promotes lawful and fair behaviour, enabling all employees to report suspicious events. A detailed corporate governance report can be found in the annual report of Erste Group. This is published on the website of Erste Group at www.erstegroup.com/ir.

Erste Group Bank AG decided to prepare and publish a separate non-financial report – integrated in the annual report– in line with an option provided for in the Austrian Sustainability and Diversity Improvement Act (NaDiVeG).
With regard to non-financial risks related to the topics environment, social and employee matters, respect for human rights and measures against corruption and bribery, reference is made to the respective sections in the non-financial report; these are summarised under opportunities and risks arising from material topics.
Upcoming new regulations on sustainability disclosures and risk management obligations: the EU Taxonomy Regulation (EC 2020/852) Sustainability Disclosure Regulation (EC 2019/2088), EBA Guideline on Loan Origination and Monitoring, ECB Guide on climate-related and Environmental Risks are properly taken into account and will be integrated with due care into the business model of Erste Group Bank AG.

CLAIM PURSUANT TO SECTION 243B COMMERCIAL CODE (UGB)

Non-financial reporting for Erste Group Bank AG pursuant to Section 243b of the Commercial Code (UGB) is published together with the Group's separately consolidated non-financial report in the financial statement of Erste Group. The separate non-financial report is disclosed in the financial statement on the homepage at www.erstegroup.com/ir.

GLOSSARY

Operating Income
Sum of net interest income, net commissions income, income from securities and participating interests, net profit or loss on financial operations and other operating income.

Operating Expenses
Sum of general administrative expenses, value adjustments in respect of assets items 9 and 10 as well as other operating expenses.

Operating Result
Operating income less operating expenses.

CEE (Central and Eastern Europe)
English abbreviation also commonly used in German applied to the economic area of Central and Eastern Europe. Includes the new EU member states from expansion in 2004 and 2007 as well as the successor states to Yugoslavia and the Soviet Union and Albania.

Total Capital Ratio
The total eligible own capital according to Article 72 CRR expressed in % of the total risk amount according to Article 92 (3) CRR.

Forbearance
Concessions to the debtor due to financial difficulties.

Return on Assets
The annual net profit before allocation to reserves divided by the average balance sheet total (average of the last 5 quarterly cut-off dates).

Common Equity Tier 1 Capital Ratio
Common Equity Tier 1 capital (CET1) according to Article 50 CRR expressed in % of the total risk amount according to Article 92 (3) CRR.

Tier 1 Capital Ratio
Tier 1 Capital according to Article 25 CRR in % of the total risk amount according to Article 92(3) CRR.

Cost-Income Ratio
Operating expenses as a % of the operating income.

Risk Appetite Statement (RAS)
The RAS is a strategic explanation that describes the maximum risk that a company is prepared to take to achieve its goals.

Vienna, 26 February 2021

Management board

Bernhard Spalt mp
Chairman

Ingo Bleier mp
Member

Stefan Dörfler mp
Member

Alexandra Habeler-Drabek mp
Member

David O'Mahony mp
Member

Maurizio Poletto mp
Member

Thomas Schaufler mp
Member

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

V. Auditors' Report

REPORT ON FINANCIAL STATEMENTS

Audit opinion

The Sparkassen-Prüfungsverband (Prüfungsstelle) and PwC Wirtschaftsprüfung GmbH, Vienna, – hereinafter referred to as "we" – have audited the financial statements of Erste Group Bank AG, Vienna, which comprise the balance sheet as at December 31, 2020, the income statement for the fiscal year then ended, and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance for the fiscal year then ended in accordance with the Austrian Company Code and the special legal requirements.

Basis for opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with Austrian Generally Accepted Accounting Principles, the provisions of the Austrian Banking Act and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:
_ Description
_ Audit approach
_ Reference to related disclosures

1. Loss allowances for Loans and Advances to Customers (expected credit losses)

Description

Loss allowances represent management's best estimate of the credit losses expected with respect to the loan portfolio at balance sheet date.

The calculation of impairments is carried out in line with the FMA (Finanzmarktaufsicht – FMA) and AFRAC`s common position paper concerning the subsequent valuation in credit institutions by using the IFRS 9 model in the Commercial Code (UGB).

For loans and advances to customers in the amount of EUR 38 billion Erste Group Bank AG has recognised as of 31. December 2020 credit loss allowances in the amount of EUR 0.3 billion. Due to the underlying assumptions and estimates, determining of expected credit losses is inherently subject to substantial judgement applied by management.

Erste Group has implemented internal guidelines and specific processes to identify significant increases in credit risk as well as loss events. These processes rely significantly on quantitative criteria and involve management judgement.

The following methods are applied to determine the level of loss allowances using scenario-based discounted cash flow methods as required by IFRS 9:

- For non-defaulted loans, loss allowances are generally determined collectively and measured at an amount equal to 12-month expected credit loss. If a significant increase in credit risk has occurred, loss allowances are measured as lifetime expected credit losses. Similarly, the lifetime expected credit losses are measured for those non-defaulted loans and advances whose credit risk at initial recognition could not be determined due to missing data at the IFRS 9 first-time adoption.
- The collectively measured loan loss allowances are calculated considering the probability of default, the impact of forward-looking information and parameters that reflect the expected cash flows as well as the expected proceeds from the realisation of collateral. The applied parameters are estimated based on statistical models.
- For defaulted loans considered to be significant at customer level, loss allowances are determined on a case-by-case basis. These loss allowances are calculated considering scenario probabilities, expected cash flows as well as expected proceeds from the realisation of collateral. This process involves significant judgement and management estimates.

The models used for determining loss allowances are specific to the types of loan portfolios. There are country-specific features both with regard to products and economic environment that are relevant to the respective loss estimate resulting in heightened complexity of models and input factors.

The uncertainty which is inherent to estimating expected credit losses significantly increased due to the imponderability of economic consequences of the Covid-19 pandemic.

To reduce the adverse economic consequences of the Covid-19 pandemic, numerous states have introduced relief programs in a variety of forms (e.g. moratoria, deferral options, support programs, hardship funds etc.). Those programs complicate a timely reflection of a potential deterioration of the loan portfolio and result in artificially low observed default rates. This has a negative effect on the predictive power of statistically determined default rates and the perceptibility of a significant increase in credit risk.

Erste Group Bank AG therefore introduced additional criteria on the basis of which customer groups were identified that potentially were specifically affected by the economic consequences of the pandemic, and individually assessed the customers within those groups as to whether a significant increase in credit risk occurred (Post Model Adjustment). Method and impacts of this portfolio stage transfer due to the Covid-19 pandemic are presented in note 34 of the consolidated financial statements.

With respect to the forward-looking information used for modelling expected credit losses, the heightened uncertainty about the future economic developments that results from the pandemic was reflected by using up-to-date macroeconomic assumptions and adapting the relative weight of the scenarios applied.

In addition to the adjustment of forward looking information, further adjustments to the estimation methodology applied for estimating credit risk parameters were required in Erste Group Bank AG's view with respect to the Covid-19 pandemic and the state relief packages.

Due to

- the substantial judgement to be applied by management in defining of the Post Model Adjustments and determining and weighting macro-economic future scenarios,
- a high degree of uncertainty due to the economic impact of the Covid-19 pandemic which led toa high degree of the auditor judgement,
- the complexity of models and interdependent assumptions and the resulting audit effort and
- the significance of credit loss allowances

we identified this area to be a key audit matter.

Audit approach

To assess the appropriateness of the expected credit losses, we:

- updated our understanding of the Expected Credit Loss calculation methodology applied by Erste Group Bank AG based on policies, documentation and interviews and re-assessed its compliance with the requirements of IFRS 9. We focused on adjustments to methods and processes made in order to capture the increased uncertainties of the present and future environment due to the Covid-19 pandemic in expected credit losses.

- evaluated control activities in credit risk management and lending business processes and tested key controls, notably with respect to the approval of loans, ongoing monitoring and early warning, especially the changes of processes made by management with respect to the early identification of defaults as well as the assessment of unlikeness to pay.
- evaluated control activities and tested key controls in the area of rating models and collateral valuation.
- evaluated model governance and validation processes and critically reviewed the information brought to the attention of the management. We have evaluated, with the help of our credit risk modelling experts, the model governance and validation processes as well as the results of back-testing and model validations.
- evaluated the adequacy of credit risk parameters and models taking into consideration possible distortions of currently observed data due to state or private relief programs (e.g. low default rates due to payment moratoria) and local specifics, and critically assessed the plausibility of expectations and estimates, that have been introduced due to aforementioned distortions in order, to identify significant increases in credit risk of single customers or customer groups.
- assessed the correctness of the stage allocation for a sample of loans based on applicable policies.
- analyzed impacts of accounting specific model aspects.
- evaluated whether the data for calculating expected credit losses are correctly incorporated in the impairment calculation by performing audit procedures on key controls and interfaces.
- assessed the appropriateness and reasonableness of forward-looking information incorporated in the estimates. In this context, we have specifically compared the underlying macro-economic forecasts with external sources of information and critically assessed the individual weights attribute to scenarios.
- tested, on a sample basis, whether default events have been identified in accordance with applicable policies and evaluated whether events occurred that significantly affect the borrower's ability to repay loans and advances. Furthermore, we tested, on a sample basis, the adequacy of individual loan loss allowances assessing the scenarios adopted and the estimates of expected cash flows made.

Reference to related disclosures:

For further details regarding the process of determining loss allowances as well as regarding the design of the models involved we refer to the management board's disclosures under item B. Credit Loss Allowances.

2. Total recoverability of deferred tax assets

Description

Erste Group Bank AG, together with its major domestic subsidiaries, forms a corporate tax group in accordance with Section 9 of the Corporate Income Tax Act (KStG). Erste Group Bank AG makes use of the option to capitalize deferred taxes on tax loss carry-forwards. The deferred tax assets as of December 31, 2020 consist of deferred tax assets for future claims from tax loss carry-forwards in the amount of EUR 32.6 million and temporary book value differences of EUR 47.2 million.

To determine the value of deferred tax assets, tax planning calculations, which are largely based on assumptions and estimates for the future development of the corporate tax group's tax results, are prepared together with the entities in the group.

The assumptions and estimates made in the context of preparing the budget are determined by future developments. The uncertainties inherent in the estimates when determining the recoverability of the deferred tax assets have increased significantly due to the uncertainties of the economic implications of the Covid-19 pandemic.

Due to

- management's discretion in determining which future scenarios flow into the budget,
- the complexity of determining the tax results at the level of the Austrian corporate tax group and the manual steps and adjustments involved, and
- the high level of uncertainty due to the economic effects of the Covid-19 pandemic, which involves a high degree of auditor judgment,

we have identified this area as a key audit matter.

Audit approach

In order to assess the appropriateness of the recognition of deferred tax assets of Erste Group Bank AG, we have used tax specialists with the necessary industry knowledge and

_ verified the changes (additions and disposals) of group members in the tax group.
_ assessed the completeness of the main group members in the summarized tax plan.
_ identified and assessed the process for determining the temporary differences between the corporate and tax balance sheets from which the deferred tax assets / liabilities arise.
_ analyzed the timing of the reversal of the identified temporary differences.
_ reconciled the profit-and-loss forecasts on which the above-mentioned impairment considerations are based for all material companies in the corporate tax group with budgets approved by the responsible oversight bodies and analyzed the assumptions and significant influencing factors regarding future developments underlying these forecasts , by means of benchmarking in order to judge the appropriateness and feasibility of the budget.
_ reviewed the process and the documentation for reviewing historical adherence to budgets and the resulting adjustments of future budgets for selected companies.
_ analyzed, understood, and critically assessed the adjustments made to the budget for tax planning.
_ retraced book-to-tax calculation between the planned UGB and tax results.
_ analyzed the recognition of losses incurred before the tax group was established for individual group members.
_ critically assessed and reconciled the determination of the recoverable deferred tax assets with the calculation documents.
_ reconciled the determined recoverable deferred tax assets with posted values.
_ assessed the appropriateness and accuracy of the presentations and explanations of deferred taxes in the notes.

Reference to further information

We refer to the management board's disclosure under III.C.13 in the notes.

3.Recoverability of participating interests and shares in affiliated companies

Description

As of December 31, 2020, the book value of participating interests and shares in affiliated companies (hereinafter referred to as "participating interests") amounted to EUR 7.5 billion, with historical acquisition costs amounting to EUR 11.1 billion. The recoverability of these participations depends on expectations of the economic development of the respective companies as well as on the assumptions and parameters used in the measurement of the participating interests. Valuation results may lead to write-downs and write-ups.

Annual impairment tests are carried out to check the recoverability of existing book values.

When determining the current value using the discounted cash flow model - which is the predominantly used model - the future distributable profits are calculated based on planned results (budgets) approved by the relevant supervisory bodies of the associated companies, considering compliance with regulatory capital requirements. The existing uncertainties in the estimation of valuation of participating interests have increased significantly due to the imponderables of the economic implications of the Covid-19 pandemic.

Due to

_ the discretion of the management in determining the future scenarios that flow into the budget,
_ the high level of uncertainty due to the economic effects of the Covid-19 pandemic, which is accompanied by a high degree of auditing judgment,
_ the complexity of the models and interdependent assumptions and the associated testing effort and
_ the volume of participating interests

we have identified this area as a key audit matter.

Audit approach

In order to assess the appropriateness of the book values of participating interests and shares in affiliated companies of Erste Group Bank AG, we have with the support of valuation specialists with the necessary industry knowledge and regional expertise

_ examined the key business processes in participation management. This also included the budget planning process at Erste Group Bank AG, Vienna, and major subsidiaries
_ inquired and evaluated the internal process for approval and review of the valuation model parameters (e.g. risk-free interest rate, market risk premium, beta factors) as well as the valuations

- tested, on a sample basis, the valuation method used with regard to its technical and mathematical correctness to determine whether the valuation method used is in line with the business model of the affiliated company and the information available to Erste Group Bank AG, Vienna.
- Evaluated, on a sample basis, a summary of planning data for the three budget scenarios (base, best and worst case) that were used as a basis for the calculation of the appraised value,
  - understood and assessed the steps that were carried out to ensure the mathematical accuracy of budget data;
  - analyzed the key assumptions in the business plan and
    - verified plausibility of the derivation of key value drivers (by means of benchmarking),
    - compared the macroeconomic assumptions used for the future with independent economic forecasts,
    - reviewed the planning accuracy for past planning periods by comparing plan vs. actual values and interviewing employees responsible for variance analyses.
  - critically assessed probability weighting of the three scenarios.
- examined the derivation of key valuation model parameters as well as their up-to-dateness and checked their appropriateness using our own independently determined benchmarks by making an independent estimate of the base interest rate, the beta factor, the market risk premium, the country risk premium and the inflation differential.
- compared, on a sample basis, the appropriateness of planning figures and model parameters used in the valuation model with the approved budget figures and model parameters. Our focus here was particularly on the assumptions related to the perpetuity (especially growth rate and retention).
- reconciled determined impairments or appreciation in value with the posted write downs or write-ups, taking care that the acquisition cost principle is observed in the case of write-ups.
- evaluated the appropriateness and accuracy of the representations and explanations in the notes.

Reference to related disclosures

We refer to the management board's disclosure under III.B. and C.43 in the notes.

Other Information

Management is responsible for other information. Other information comprises any information included in the annual report, but does not include the financial statements, the management report and the auditor's report.

We obtained the corporate governance report in accordance with Section 243c UGB prior to the date of this auditor`s report, the rest of the annual report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover other information and we will not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Austrian Company Code and the special legal requirements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.
We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Company

Pursuant to the Austrian Company Code, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code and the special legal requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and the obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Additional Information in accordance with Article 10 of the EU Regulation

Pursuant to Sections 23 and 24 Austrian Savings Bank Act (SpG), the Sparkassen-Prüfungsverband (Prüfungsstelle) is the statutory auditor of Erste Group Bank AG, Vienna.

At the ordinary general meeting dated May 15, 2019 and pursuant to Section 1 (1) of the Auditing Rules for Savings Banks, Annex to Section 24 SpG, PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2020 and, subsequently, was engaged by the supervisory board. At the ordinary general meeting dated November 10, 2020 PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2021 and was engaged by the supervisory board. Since 2017 PwC Wirtschaftsprüfung GmbH, Vienna, has constantly been appointed as additional auditor.

We confirm that the audit opinion in the "Report on the Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement are Mr. Gerhard Margetich, Austrian Certified Public Accountant (Sparkassen-Prüfungsverband (Prüfungsstelle)), and Ms. Dorotea-E. Rebmann, Austrian Certified Public Accountant (PwC Wirtschaftsprüfung GmbH, Vienna).

Vienna, 26 February 2021

Sparkassen-Prüfungsverand
(Prüfungsstelle)

(Bank Auditor)

Gerhard Margetich mp
Austrian Certified Public Accountant

Stephan Lugitsch mp
Austrian Certified Public Accountant

PwC Wirtschaftsprüfung GmbH

Timo Steinmetz mp
Austrian Certified Public Accountant

Dorotea-E. Rebmann mp
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. For deviating versions, the provisions of Section 281 (2) UGB apply.

VI. Statements of all members of the management board

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 26 February 2021

Management board

Bernhard Spalt mp
Chairman

Ingo Bleier mp
Member

Stefan Dörfler mp
Member

Alexandra Habeler-Drabek mp
Member

David O'Mahony mp
Member

Maurizio Poletto mp
Member

Thomas Schaufler mp
Member