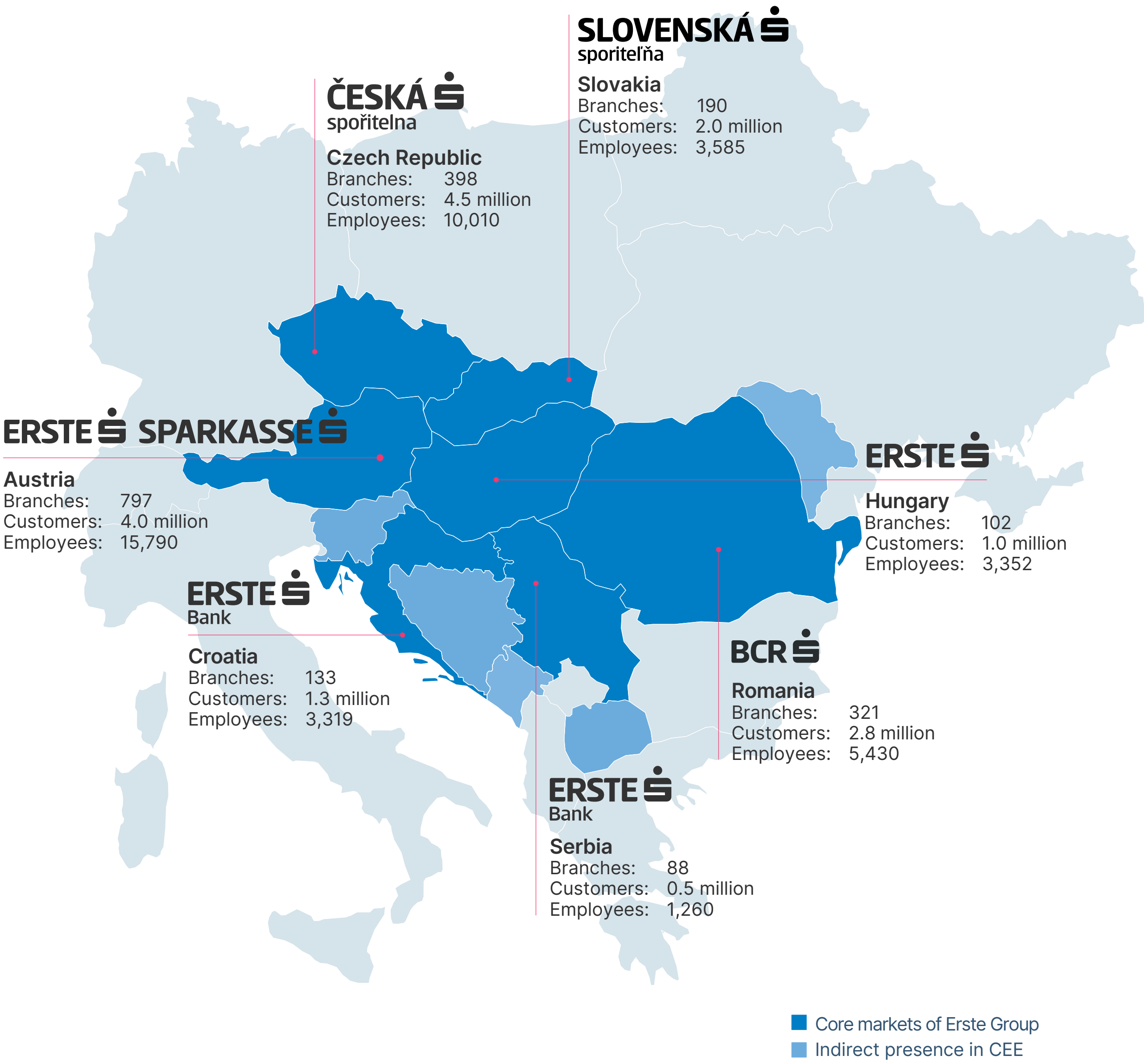
ERSTE Group

Annual Report 2022

Extensive presence in Central and Eastern Europe



Key financial and operating data

Income statement (in EUR million)	2018	2019	2020	2021	2022
Net interest income	4,582.0	4,746.8	4,774.8	4,975.7	5,950.6
Net fee and commission income	1,908.4	2,000.1	1,976.8	2,303.7	2,452.4
Net trading result and gains/losses from financial instruments at FVPL	193.7	293.8	199.5	231.8	-47.3
Operating income	6,915.6	7,255.9	7,155.1	7,742.0	8,570.6
Operating expenses	-4,181.1	-4,283.3	-4,220.5	-4,306.5	-4,574.9
Operating result	2,734.6	2,972.7	2,934.6	3,435.5	3,995.8
Impairment result from financial instruments	59.3	-39.2	-1,294.8	-158.8	-299.5
Other operating result	-304.5	-628.2	-278.3	-310.5	-398.5
Pre-tax result from continuing operations	2,495.0	2,329.7	1,368.0	2,933.4	3,222.4
Net result attributable to owners of the parent	**1,793.4**	**1,470.1**	**783.1**	**1,923.4**	**2,164.7**

Net interest margin (on average interest-bearing assets)	2.30%	2.18%	2.08%	2.05%	2.21%
Cost/income ratio	60.5%	59.0%	59.0%	55.6%	53.4%
Provisioning ratio (on average gross customer loans)	-0.03%	0.02%	0.78%	0.09%	0.15%
Tax rate	13.3%	18.0%	25.0%	17.9%	17.3%
Return on tangible equity	15.2%	11.2%	5.1%	12.7%	13.8%
Earnings per share (in EUR)	4.02	3.23	1.57	4.17	4.83

Balance sheet (in EUR million)	Dec 18	Dec 19	Dec 20	Dec 21	Dec 22
Cash and cash balances	17,549	10,693	35,839	45,495	35,685
Trading, financial assets	43,930	44,295	46,849	53,211	59,833
Loans and advances to banks	19,103	23,055	21,466	21,001	18,435
Loans and advances to customers	149,321	160,270	166,050	180,268	202,109
Intangible assets	1,507	1,368	1,359	1,362	1,347
Miscellaneous assets	5,382	6,012	5,830	6,090	6,456
Total assets	**236,792**	**245,693**	**277,394**	**307,428**	**323,865**
Financial liabilities held for trading	2,508	2,421	2,625	2,474	3,264
Deposits from banks	17,658	13,141	24,771	31,886	28,821
Deposits from customers	162,638	173,846	191,070	210,523	223,973
Debt securities issued	29,738	30,371	30,676	32,130	35,904
Miscellaneous liabilities	5,381	5,437	5,840	6,902	6,599
Total equity	18,869	20,477	22,410	23,513	25,305
Total liabilities and equity	**236,792**	**245,693**	**277,394**	**307,428**	**323,865**

Loan/deposit ratio	91.8%	92.2%	86.9%	85.6%	90.2%
NPL ratio	3.2%	2.5%	2.7%	2.4%	2.0%
NPL coverage ratio (based on AC loans, ex collateral)	73.4%	77.1%	88.6%	90.9%	94.6%
Texas ratio	24.5%	19.9%	20.3%	18.3%	16.4%
Total own funds (CRR final, in EUR million)	20,891	21,961	23,643	24,758	26,184
CET1 capital ratio (CRR final)	13.5%	13.7%	14.2%	14.5%	14.2%
Total capital ratio (CRR final)	18.1%	18.5%	19.7%	19.1%	18.2%

About the share	2018	2019	2020	2021	2022
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	426,696,221	426,565,097	426,324,725	426,246,662	427,019,261
Market capitalisation (in EUR billion)	12.5	14.4	10.7	17.8	12.9
High (in EUR)	42.38	37.07	35.6	41.95	44.98
Low (in EUR)	28.10	28.23	15.34	24.80	21.66
Closing price (in EUR)	29.05	33.56	24.94	41.35	29.90
Price/earnings ratio	7.0	9.8	13.7	9.2	5.9
Dividend per share (in EUR)	1.40	0.00	1.50	1.60	1.90
Payout ratio	35.1%	0.0%	96.4%	38.7%	39.6%
Dividend yield	4.8%	0.0%	6.0%	3.9%	6.4%
Book value per share (in EUR)	31.1	32.9	34.0	36.7	39.8
Price/book ratio	0.9	1.0	0.7	1.1	0.8

Additional information	Dec 18	Dec 19	Dec 20	Dec 21	Dec 22
Employees (full-time equivalents)	47,397	47,284	45,690	44,596	45,485
Branches	2,507	2,373	2,193	2,091	2,029
Customers (in million)	16.2	16.6	16.1	16.1	16.1

CRR: Capital Requirements Regulation

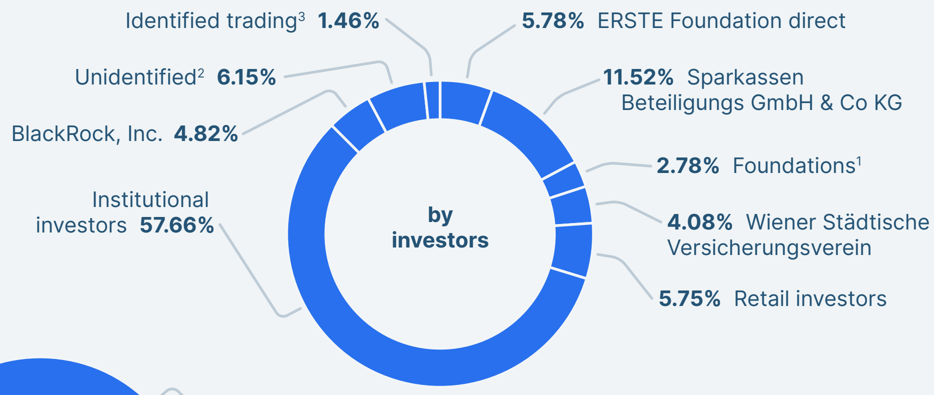
Shares outstanding include Erste Group shares held by savings banks that are members of the Haftungsverbund (cross-guarantee system).

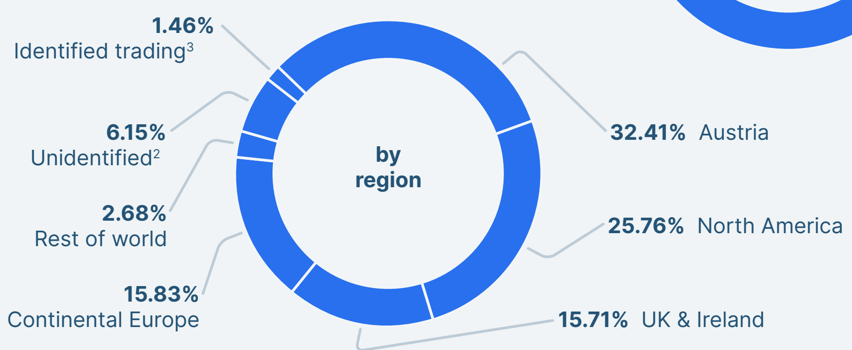
Financial data

Earnings per share
in €

Return on tangible equity, ROTE
in %

Shareholder structure as of 31 December 2022





[1] Erste Employee Foundation, syndicated savings banks foundations, own holdings of savings banks
[2] Unidentified institutional and retail investors
[3] Incl. market makers, prime brokerage, proprietary trading, collateral and stock lending positions which are visible through custodian banks.

Cost/income ratio
in %

Net interest margin
in %

Financial calendar

28 April	Results for the first quarter 2023
2 May	Record date Annual General Meeting
12 May	Annual General Meeting in Vienna
16 May	Ex-dividend day
17 May	Record date dividend
19 May	Dividend payment
31 July	Half-year financial report 2023
30 October	Results for the first three quarters 2023

Ratings as of 31 December 2022

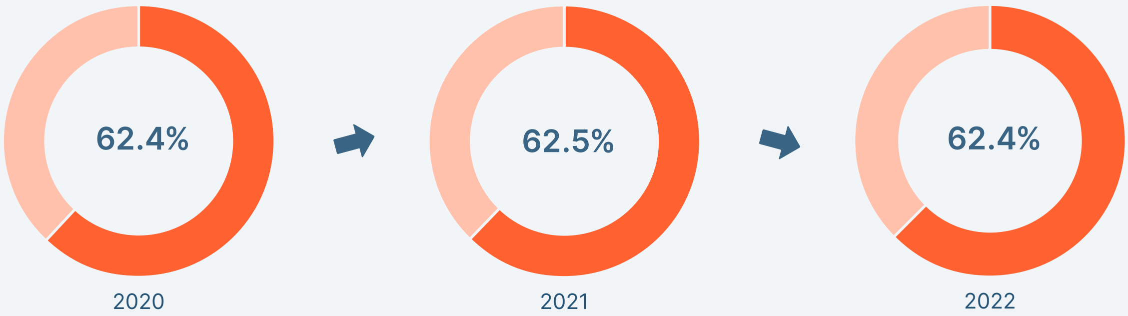
Fitch	
Long-term	A
Short-term	F1
Outlook	Stable
Moody´s	
Long-term	A2
Short-term	P-1
Outlook	Stable
Standard & Poor´s	
Long-term	A+
Short-term	A-1
Outlook	Stable

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

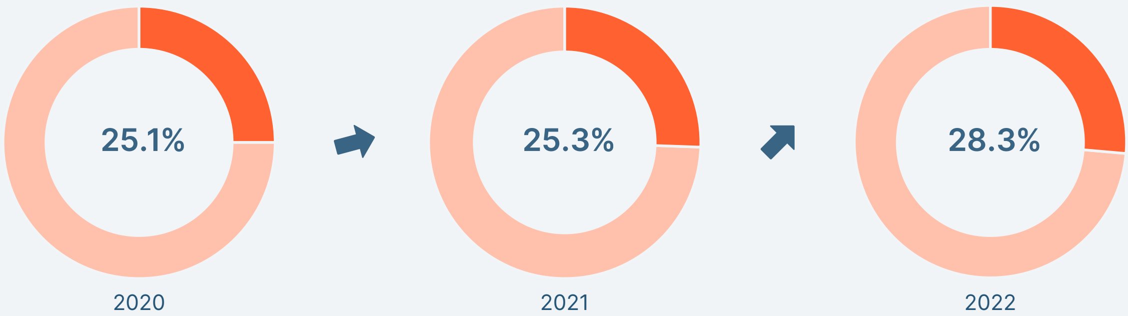
Non-financial data

Share of women

Female employees



Female top managers



Social Banking until 2022

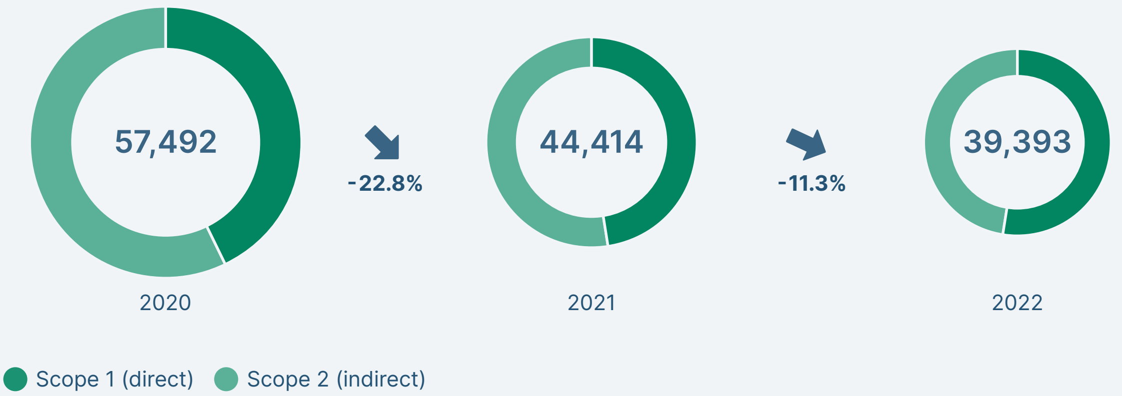
40,445
clients supported

€ 464 millions
disbursed loans

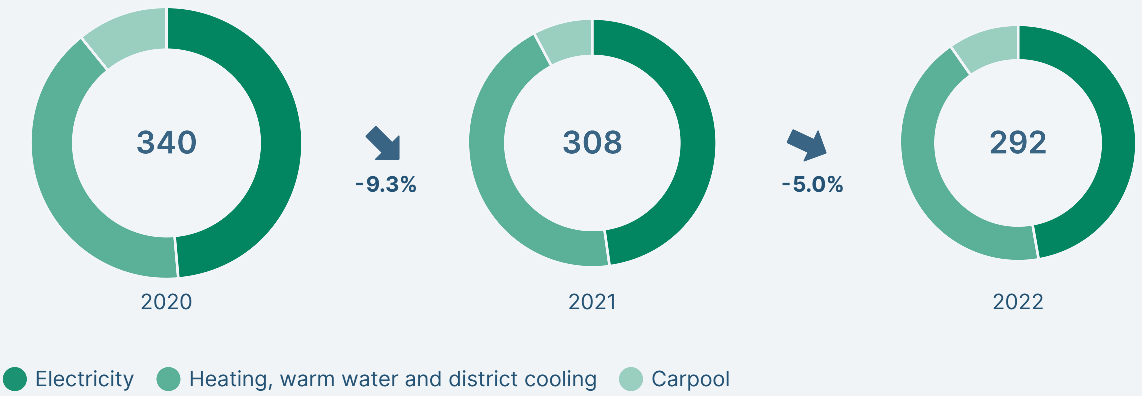
48,000
clients received education and mentoring

For the reported share of female top managers, the scope of consolidation corresponds to the Holding and the subsidiaries of Erste Group.
The number of clients supported corresponds to the number of clients in the areas of microfinance, start-up finance and financing of social organisations, as well as the number of supported clients in financial difficulties.

Operational greenhouse gas emissions
in tonnes CO_2e



Energy consumption
in GWh



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)

Highlights

Sustainable profitability
_ Net result of EUR 2,164.7 million
_ Local banks in all core markets are profitable
_ Dividend of EUR 1.9 per share proposed to AGM

Operating performance improves
_ Operating revenues increase by 10.7% driven by net interest income and net fee and commission income
_ Operating expenses increase amid inflationary environment by 6.2%
_ Cost/income ratio target set for 2024 already met in 2022, improves to 53.4%

Customer business drives balance sheet growth
_ Net loans increase by 12.1% to EUR 202.1 billion, primarily due to increasing demand from corporate customers
_ Solid deposit growth supported by all customer groups

Sound asset quality
_ NPL ratio improves to 2.0%, the lowest level since the IPO
_ NPL provision coverage at 94.6%
_ Risk costs of 15 basis points (on average gross customer loans)

Favourable capitalisation
_ CET1 ratio (CRR final) increases to 14.2%
_ Capital significantly above regulatory requirements and internal target

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 90.2%
_ All local banks successfully placed MREL-related issuances

Editorial deadline: 28 February 2023, unless stated otherwise

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Management board

Maurizio Poletto David O'Mahony Alexandra Habeler-Drabek

Stefan Dörfler Willi Cernko Ingo Bleier

Letter from the CEO

Dear shareholders,

On 1 July, I assumed responsibility for Erste Group as CEO with a sense of joy and momentum. It is a privilege to lead a bank with a tried-and-tested business model and a proven strategic positioning. Erste Group focuses on the financial needs and concerns of its retail and corporate customers, the provision of value-adding products and services and the delivery of adequate advisory services through traditional branch offices and, increasingly, digital channels. We believe in the people, in the businesses and in our region of Central and Eastern Europe. Since Erste Group's foundation more than 200 years ago, it has been our stated goal to help our customers achieve financial independence and build prosperity – regardless of status, nationality, faith, gender or age. As a leading banking group, we keep developing our offerings in line with our mission: from socially and ecologically responsible financial services to financial health and security. I am convinced of Erste Group's potential, its capacity for innovation and its resilience in the face of challenges of all kinds. Our readiness to engage in transformation and growth, our rigorous focus on the digital transition and the pursuit of the manifold facets of financial health make us fit for the future.

For 2022, Erste Group posted a very gratifying result – a net profit of EUR 2,164.7 million based on an excellent operating result and lower risk costs – and achieved all of the targets it had set itself. Erste Group's capital as well as liquidity and funding positions remain strong. At year-end, the common equity tier 1 ratio amounted to 14.2%.

Before going into the details of our economic performance I should like to briefly outline the environment in which we operated.

A year marked by crises and change

The economic environment changed fundamentally in the course of the year. Early in the year, our region showed signs of a solid recovery after the restrictions of the Covid-19 pandemic. Then, the war in Ukraine, the knock-on effects of the sanctions, uncertainty surrounding gas supplies from Russia and turmoil in the energy markets as well as continued international supply chain disruptions slowed the rebound of the economy. Governments implemented once again support programmes, this time to cushion the impact of soaring energy prices. The rise in inflation had an adverse impact on consumer spending and investment activity. In the first half of the year, the economy did better than originally expected, though, and so the 2022 growth forecasts for our core markets were nonetheless raised several times. Labour market stability was remarkable, with unemployment rates at historically low levels across all core markets. While the central banks of the Czech Republic, Hungary and Romania had reacted to accelerating inflation pressure by raising interest rates as early as 2021, the ECB implemented its first rate hike in a decade only in July. After the fifth rate hike of 16 March 2023, the euro zone's policy rate now stands at 3.5%.

Excellent operating result

How did this macroeconomic environment impact the performance of Erste Group? In a nutshell: both of our two key income components performed solidly. Net interest income rose almost 20% to EUR 5.95 billion on the back of robust loan growth in all core markets and rate hikes that, driven by inflation, came in higher than originally expected in both the CEE core markets and the eurozone. At the same time, net fee and commission income hit an all-time high at EUR 2.45 billion. The 6.5% rise is all the more remarkable as the baseline had already been elevated after years of dynamic growth. Especially payment services and asset management were very strong despite a clouded economic outlook and capital market volatility. Overall, Erste Group posted EUR 8.57 billion in operating income, up more than 10% year on year. At the same time, we maintained the cost discipline that we had already practiced for many years. In this context, I consider it particularly important to mention that we have not made any cuts to our digitalisation efforts whatsoever. Another set of costs that has been carefully monitored – regulatory costs typical of banks (payments to resolution funds and deposit insurance systems as well as banking and transaction taxes) – stood at around EUR 470 million. Overall, costs rose at a slower pace than income, by 6.2% to EUR 4.57 billion, despite the inflationary environment. The resulting cost/income ratio of 53.4% has enabled us to set an even more ambitious target of 52% for 2024.

Risk costs at low level

Asset quality improved once again in 2022. At year-end, Erste Group's NPL ratio was 2.0%, the best level since its 1997 IPO. While risk costs were up they remained, overall, low. Provisions for credit risks were mainly driven by updated forward looking economic indicators (FLIs) as well as stage overlays for cyclical industries and energy-intensive sectors. Overall, (net) provisions were set aside in the amount of approx. EUR 300 million in 2022, which is the equivalent of a provisioning ratio of 15 basis points of average gross customer loans.

Strong loan growth

Despite rate hikes and slower growth in the second half of the year, Erste Group saw extraordinary loan growth, with net loans up 12.1%. In the 2022 fiscal year, growth was particularly vigorous in the corporate segment, fuelled by brisk demand for working capital loans. In the retail segment, demand for housing loans declined visibly in the second half of the year, particularly in Austria and the Czech Republic, due partly to higher interest rates and partly to stricter regulatory standards.

Solid deposit base, low reliance on money and capital market funding

One of Erste Group's traditional strengths – a well diversified deposit base in all core markets – should not go unmentioned. The inflow of deposits remained strong in 2022, with customer deposits increasing by 6.4%. Because of its business model and solid market positions, Erste Group has a large proportion of granular retail customer deposits, which at year-end 2022 accounted for nearly 70% of all customer deposits. The loan-to-deposit ratio stood at 90.2%.

Digital progress

The expansion of our digital platform George was continued. The number of digital users and digital transactions increased continuously. Across the Group, nearly nine million clients were using George by year-end 2022. In the second half of 2022, products sold through digital channels already accounted for more than one third. Roll-out of George Business, our solution for corporate clients, was started in Austria. Additional areas of priority in IT modernisation have been the automation of transactions and processes and digital data analysis.

Solid capitalisation and dividend proposal

I would particularly like to highlight the strong capitalisation of Erste Group: in addition to sustainable profitability, a strong capital base is important as it is the precondition for the bank's ability to grow and pay dividends. At 14.2% at the end of December 2022, the common equity tier 1 ratio (final) was again excellent and substantially above our 13.5% target as well as far above the regulatory minimum requirement.

For the 2022 fiscal year, the management board will propose at the annual general meeting to pay a dividend of EUR 1.9 per share. In addition, Erste Group has applied for regulatory approval of a share buyback with a volume of up to EUR 300 million in 2023.

Sustainability and growth are no contradiction

Where sustainability is concerned, our strategic priorities are based on the conviction that the green transition and social inclusion are crucial to the long-term prosperity of our region.
Here, I should like to name a few of our ESG targets or significant milestones: as member of the Net Zero Banking Alliance we are planning for Erste Group's operations to achieve climate neutrality by year-and 2023 and net-zero emissions by 2030. Achieving a net-zero portfolio will take some more time, until 2050. Additional targets have been defined for social banking and the diversity of our staff.

Further information on Erste Group's targets and numerous sustainability initiatives as well as a wide range of ESG performance indicators are provided in the non-financial report, which again forms part of the Annual Report for fiscal year 2022. Going forward, we will brief you in even more depth on the ecological, social and governance themes that are of relevance to us.

Outlook for 2023

At this point, I should like to highlight a few key components of our outlook for 2023. In the current fiscal year, we expect loan growth to slow to about 5%. Combined with higher interest rates in the eurozone, this should result in net interest income growth of about 10%. Net fee and commission income is expected to rise by about 5%. Even with inflation running higher, operating expenses should increase in 2023 again less strongly than operating income by about 7 to 8%. The cost/income ratio target set for 2024 is more ambitious at around 52%. In view of strong employment, we do not expect risk costs to exceed 35 basis points in 2023. This should, finally, yield a continued solid return on tangible equity (ROTE) of 13 to 15%.

It is of special importance to me to thank the employees of Erste Group for their personal commitment. Our joint efforts and our conviction have helped us to further strengthen Erste Group's position in the CEE region. I would be pleased if, this year again, a large number of Erste Group employees took advantage of the employee share ownership programme, which enables them to participate in the future success of Erste Group like all of our shareholders.

Willi Cernko mp

Supervisory board

Karin Zeisel, Barbara Pichler, Markus Haag, Marion Khüny, Christine Catasta, Andreas Lachs,
Henrietta Egerth-Stadlhuber, Friedrich Rödler, Hikmet Ersek (f.l.t.r.)

Alois Flatz, Friedrich Santner, András Simor, Mariana Kühnel, Michèle F. Sutter-Rüdisser, Elisabeth Krainer Senger-Weiss, Regina Haberhauer, Maximilian Hardegg, Martin Grießer, Michael Schuster (f.l.t.r.); not in the picture: Jozef Pinter

Report of the supervisory board

Dear shareholders,

While in the previous years the Covid-19 pandemic had confronted us with new and unexpected challenges, the war in Ukraine was the world-shaking event that deeply moved and affected us in the 2022 fiscal year. From the very beginning, Erste Group took part in the effort to support Ukrainian refugees by providing financial and humanitarian aid. I should like to warmly thank all employees who, in innumerable initiatives and with support from the management board, lent a helping hand.

Apart from causing human suffering, this war has had a major impact on the development of the economy, not only in the countries involved, but world-wide: rising energy prices, inflation, supply bottlenecks, to name just a few. To date, Erste Group has dealt with these challenges quite well and has emerged stronger from the fiscal year ended. This shows that our banking group is built on good foundations and that the decisions taken in the past were the right ones.

The environment is changing quite generally: the accelerating digital transition and the potential uses of artificial intelligence are signalling the start of a new era. In the efforts to create a resource-efficient economy, banks are among the first that are forced to test their business models from ecological and social standpoints and to make adaptations, if necessary.

In the fiscal year ended, there was one change in the management board of Erste Group Bank AG: Bernd Spalt, who had steered Erste Group through the time of the Covid-19 pandemic as CEO, announced in May 2022 that he would not seek renewal of his management board mandate. The supervisory board thanks him very cordially for his many years of successful service for Erste Group, to whose development he has contributed in a wide range of functions. The supervisory board decided to appoint a highly experienced manager as his successor: Willi Cernko had already held the position of CEO of a major Austrian commercial bank and served in management board functions at Erste Group for several years. Since July 2022, he has been serving as chairman of Erste Group's successful management board team.

The supervisory board also extended David O'Mahony's management board mandate until 31 December 2026.

I am particularly pleased that in 2022 the supervisory board meetings increasingly returned from purely virtual or hybrid sessions to a form of communication that was marked by personal contact. The technical means of electronic communication that had been set up in the course of the pandemic were resorted to, though, whenever this was considered appropriate or beneficial.

In the 2022 fiscal year, there were also changes in the composition of the supervisory board: the mandate of 1st vice chair Jan Homan expired at the annual general meeting on 18 May 2022. Jan Homan had been a member of the supervisory board since 2004, and in this function, thanks to his ample experience and expertise, made a significant contribution to the development of Erste Group into a leading bank in Central Europe. We wish to thank him very warmly and are pleased that he will stay with us as a member of the supervisory board of Erste Bank Oesterreich and Slovenská sporiteľňa.

My own mandate as member of the supervisory board was extended at the 2022 annual general meeting. For this trust I wish to extend my most cordial thanks. This annual general meeting also decided to re-elect Henrietta Egerth-Stadlhuber, Marion Khüny and Michèle F. Sutter-Rüdisser. Hikmet Ersek, Alois Flatz, Mariana Kühnel and Christine Catasta were newly elected to the supervisory board, the last named effective 1 July 2022. The supervisory board then re-elected me as its chair, Maximilian Hardegg as 1st vice chair and Elisabeth Krainer Senger-Weiss as 2nd vice chair. Markus Haag was delegated to the supervisory board by the employees' council as of 18 May 2022, as was Martin Grießer as of 1 July 2022.

The supervisory board of Erste Group brings together members of diverse ages with a wide range of diverse theoretical and practical knowledge and skills gained in Austria and abroad as well as great professional experience. In this context I wish to point out that now almost as many women as men are holding mandates. I am looking forward to further cooperation.

As regards the composition and independence of the supervisory board, the criteria for its independence, its working procedures, the number and type 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 its separate report. In the course of a total of 47 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.

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 2022 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 2022 fiscal year.

PwC Wirtschaftsprüfung GmbH was also mandated with the voluntary audit of the (consolidated) corporate governance report for 2022 as well as with the audit of the (consolidated) non-financial report for 2022.

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 exceptional commitment, which enabled Erste Group to offer our customers the best possible support in a geopolitically and economically challenging environment and to post a highly satisfactory result for the year 2022.

For the supervisory board,
Friedrich Rödler mp, Chairman of the supervisory board
Vienna, March 2023

Report of the audit committee

Dear shareholders,

It is a great pleasure for me to be able to address you for the first time as chair of the audit committee. Last year saw a change in the membership of the audit committee due to the departure of Jan Homan, who left the supervisory board on reaching the age limit, as well as new members elected to the supervisory board. Up until the constituent meeting of the supervisory board on 18 May 2022, the audit committee had been chaired by Friedrich Rödler, followed by Michèle F. Sutter-Rüdisser until 30 June 2022 before the function was passed on to me when I started serving on the supervisory board of Erste Group Bank AG from 1 July 2022. I thank my two predecessors very warmly for their invaluable support and their dedicated work for Erste Group's supervisory board.

The audit committee is one of seven committees established by the supervisory board. Its mandate is derived from the law, the rules of the Austrian Code of Corporate Governance and its rules of procedure. As of 31 December 2022, the audit committee comprised six shareholder representatives and three members delegated by the employees' council.

In 2022, the audit committee met seven times and, in addition, held one informal meeting to prepare 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 chair of the audit committee and 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 supervisory board was informed on the committee's activities and the subject matters of its meetings and discussions at the respective subsequent supervisory board meetings.

2022 was challenging also for credit institutions. It was marked by the Russia-Ukraine conflict and the aftermath of the Covid-19 pandemic as well as by changes in the interest rate environment and new legal and regulatory requirements for Erste Group entities. All this had an impact on the work of the audit committee and was considered by the audit committee members with the required care and diligence in exercising their duties. Among other things, the supervisory board also tasked the audit committee with reviewing the (consolidated) non-financial report.

Preparatory to forthcoming changes in legislation including the Corporate Sustainability Reporting Directive (CSRD), the audit committee as well as the strategy and sustainability committee, newly created this year, decided to place a stronger focus on matters such as aligning financial and non-financial reporting, continuing improvements in data quality and new organisational measures at Erste Group.

In 2022, the audit committee specifically considered the following topics: after receipt of the auditors' report on the (Group) financial statements for 2021, 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 and distribution of a dividend as proposed by the management board. The additional report of the auditors pursuant to Article 11 of Regulation (EU) No 537/2014 was taken note of.

Key audit matters relating to subsidiaries were likewise discussed in depth and commented on with regard to their impact on the Group financial statements. In its additional function as audit committee of Erste Digital GmbH pursuant to Section 30g para 4a(3) GmbHG (Act on Limited Liability Companies), it recommended that the supervisory board of Erste Digital GmbH advise the shareholders' meeting of Erste Digital GmbH to approve the annual financial statements, give its consent to the management board's proposal for the appropriation of profit and take note of the management report of the shareholders' meeting of Erste Digital GmbH.

After on-site inspections conducted by supervisory authorities, the audit committee took note of the respective audit reports and the plan to address the supervisory authorities' findings and, where necessary, requested to be briefed on the current status of implementation. The joint supervisory team of the regulatory authorities was informed about the audit committee's work in a meeting with the chair of the audit committee and the chair of 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,
Christine Catasta mp

Erste Group on the capital markets

After two years that had been overshadowed by the coronavirus pandemic, 2022 was marked by Russia's invasion of Ukraine and the ensuing far-reaching consequences for the global economy. The significant rise in commodity prices combined with existing supply shortages in raw materials and intermediate products pushed inflation rates to historic highs such as 9.1% in the US in June and 10.6% in the eurozone in October 2022. The central banks responded to this environment by carrying out multiple significant rate hikes. Against the backdrop of continued high inflation, further tightening by the central banks, existing supply shortages and the energy crisis in Europe, the outlook for global economic growth clouded in the course of the year. While in the US the downturn was driven primarily by central bank intervention, the eurozone economy was facing additional pressure from the strong rise in energy prices and reduced natural gas supply. This was also reflected in the weakness of the euro, which temporarily fell below parity against the US dollar for the first time since 2002. Geopolitical uncertainty, elevated rates of inflation, the central banks' rate hikes and the slowdown of the global economy caused growing uncertainty among investors and led to repeated setbacks in the capital markets.

EQUITY MARKET REVIEW

A challenging year

After the strong performance of the previous year, the Russia-Ukraine war, uncertainty over energy supplies and changes in inflation and interest rates had an adverse impact on equity markets. Rising yields in the developed markets, high energy costs and inflation as well as expectations of an economic downturn clouded the outlook of a large number of companies and resulted in a continuous weakening of consensus estimates of revenues and earnings. Despite a slight easing of inflation rates, economic indicators and energy prices in the final quarter, the indices covered declined in most cases by double digits. In the US, the Dow Jones Industrial Average Index closed the reporting period at 33,147.25 points, down 8.8% year-on-year. The broader Standard & Poor's 500 Index declined by 19.4% to 3,839.50 points in the year ended, the Nasdaq technology index even by 33.1% to 10,466.48 points. In Europe, the Euro Stoxx 600 Index decreased by 12.9% year-on-year, ending the year 2022 at 424.89 points. The Austrian Traded Index (ATX) declined by 19.0%.

Central banks start turnaround in interest rates

Central banks have to cope with the trade-off – intensified by the ongoing geopolitical crisis – between fighting inflation and working to stabilise the economy, financial and public debt. To bring down persistently high inflation rates, the central banks issued clear signals and ended their previously expansionary monetary policies, tolerating in the process even adverse impacts on the economy. After rates had been raised in a number of CEE countries and in the United Kingdom, the US Federal Reserve (Fed) likewise started its rate-hike cycle in mid-March. Overall, the Fed raised its rates seven times in the course of the year. As of year-end, the interest rate is in the range of 4.25% to 4.50%. With some time lag, the European Central Bank (ECB) likewise ended its zero-interest-rate policy after more than six years in July by embarking on its first rate hike in 11 years. Overall, the ECB raised its benchmark rate four times to 2.5% at year-end. Both central banks said they would continue their rate-hike cycles to contain the high rates of inflation.

Economy growth slowing

The International Monetary Fund (IMF) has adjusted its global growth outlook. Global economic growth is expected to come in at 3.4% for 2022 and at 2.9% in 2023, with the forecast for the eurozone being 3.5% for 2022 and 0.7% for 2023.

Banking shares affected by inflation and economic outlook

In the given environment, bank shares also suffered – partly substantial – setbacks. Despite higher net interest income driven by rising interest rates, bank shares came under pressure because of concerns over a decline in loan demand and a potential rise in defaults. The Dow Jones Euro Stoxx Banks Index, which is composed of the leading European bank shares, declined by 4.6% to 95.86 points during the reporting period.

Vienna stock market down

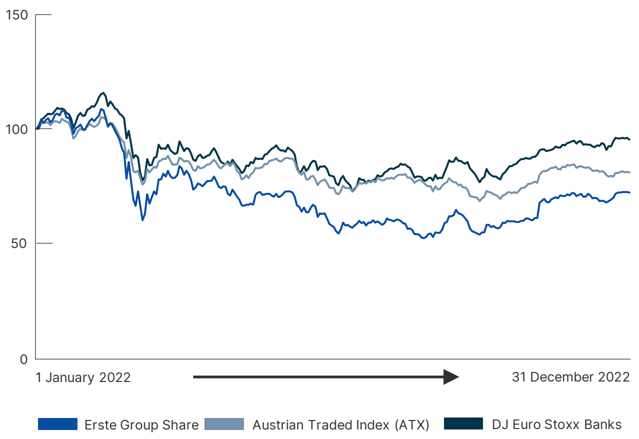
The Austrian stock market was hit harder than other markets due to its close relations with Eastern Europe. After posting gains of around 39% in the previous year, the ATX declined by 19.0% in 2022 in a market slide that was sharper than in 2020, the first year affected by the coronavirus (-12.8%). At year-end, the index stood at 3,126.39 points.

ERSTE GROUP SHARE

Challenging environment weighing on share price

After posting its second-highest gain last year since going public in 1997, the Erste Group share saw a strong start to the year, but then suffered significant losses in the wake of geopolitical events. Strong operating performance, solid asset quality and risk cost forecasts were not acknowledged by the market. The key themes were macroeconomic developments (specifically GDP growth, inflation and labour market data) and their impact on income components as well as the introduction of windfall profit taxes. It was only in the final quarter of the reporting period, after the release of better-than-expected results, including in particular net interest income, that the share recovered some of the ground previously lost. Despite such growth, the Erste Group share was down disproportionately versus the European banking index and, at its year-end closing price of EUR 29.90, was 27.7% lower than at year-end 2021. It marked its low at EUR 21.66 on 26 August and its high at EUR 44.98 on 9 February.

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



25th anniversary of Erste Group's IPO

25 years ago, on 4 December 1997, Erste Group went public in an IPO with a volume corresponding to EUR 510 million, at the time the largest-ever share issue in Austrian stock market history. The IPO laid the foundation for Erste Group's growth in Central and Eastern Europe. The funds raised also helped fund investments into technology and digital innovation. Together with later supplemental public offerings, the stock market listing played a key role in Erste's growth from a regional savings bank in Austria to being a leading financial services provider in Central and Eastern Europe servicing some 16 million customers in seven core markets.

Performance of the Erste Group share versus indices

	Erste Group share	ATX	DJ Euro Stoxx Banks Index
Since IPO (Dec 1997)	169.8%	145.0%	-
Since SPO (Sep 2000)	154.5%	167.6%	-72.7%
Since SPO (Jul 2002)	71.6%	156.3%	-61.9%
Since SPO (Jan 2006)	-33.6%	-19.8%	-74.7%
Since SPO (Nov 2009)	3.1%	20.0%	-57.9%
2022	-27.7%	-19.0%	-4.6%

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

Employee Share Programme

In the year ended, Erste Group started offering its employees the new employee share programme. By joining this programme, employees participate not only directly in the success of Erste Group, but also become co-owners of their company. In 2022, approximately 30,000 employees took part in this programme. This also strengthened Erste Mitarbeiterbeteiligung Privatstiftung (Erste Employee Foundation), in which the voting rights of the shares acquired under the employee share programme are combined and exercised in a uniform manner.

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 2022, Erste Group's market capitalisation stood at EUR 12.9 billion, 27.7% down on year-end 2021 (EUR 17.8 billion).

The Erste Group share is listed on the stock exchanges of Vienna, Prague and Bucharest. Its main stock exchange is Vienna, where in the year ended its trading volume averaged 820,277 shares per day.

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 Europe 120 Index. In addition, Erste Group has held prime status in the ISS ESG corporate ratings since 2018. MSCI has rated Erste Group with AA. Since February 2021, Sustainalytics has assessed Erste Group to be at low risk of experiencing material financial impacts from ESG factors. In 2022, Erste Group participated in the CDP (Carbon Disclosure Project) Rating; its sustainability measures were assessed with B.

DIVIDEND

Erste Group's dividend policy is guided by the Bank's profitability, growth outlook and capital requirements. We target a payout ratio in the range of 40-50%, based on reported net profit, net of AT1 coupons.

The 29th annual general meeting that took place on 18 May 2022 was again held virtually. The annual general meeting agreed to distribute a dividend of EUR 1.60 per share for the fiscal year 2021, which was paid out on 25 May 2022.

RATINGS OF ERSTE GROUP BANK AG

The ratings of Erste Group remained unchanged in 2022 despite geopolitical uncertainty. Standard & Poor's left its rating at A+/A-1, Moody's at A2/P-1 and Fitch at A/F1, all with a stable outlook.

FUNDING ACTIVITIES

2022 was characterised by innovations of Erste Group's capital market activities. With the dual issuance of a 6.5-year and a 15-year covered bond (EUR 750 million each) at the beginning of 2022, Erste Group opened up the European capital market for issuers from the financial sector. The two tranches were issued at extremely attractive terms at -3bps + midswap for the shorter tenor and +5bps for the longer one. At the end of the first quarter of 2022, a EUR 500 million Senior Preferred Benchmark with a 4-year tenor was issued. The fourfold oversubscription of the order book (priced at MS+55bps) confirmed our decision for a shorter tenor compared to previous transactions in a difficult market environment.

The market environment remained volatile. At the end of May 2022, however, at by and large stable conditions, we issued a EUR 500 million Tier2 bond (MS+255bps), which also generated high demand (order book over EUR 1.8 billion). The last benchmark bond followed in September, when we returned to the covered bond market with a EUR 750 million covered bond. The 8-year tenor served the untapped mid-tenor band and was issued at MS+16bps.

INVESTOR RELATIONS

Open and regular communication with investors and analysts

As Covid-induced restrictions were gradually lifted in the course of the year, banking and investor conferences were no longer held only virtually as phone or video conferences events but, starting from the second quarter, increasingly with in-person attendance. A large part of banking and investor conferences organised by Autonomous, Bank of America, BNP Paribas Exane, JP Morgan, Kepler Cheuvreux, Barclays, Morgan Stanley, PKO, Société Générale, Concorde, Pekao, HSBC, Deutsche Bank, mBank and Wood were held as in-person events. This also applied to the road show conducted with investors in Europe and North America in late May after the release of first-quarter results and the autumn road show held after the release of the third-quarter results in November, likewise in Europe and North America. The management and the investor relations team met with investors in a total of 250 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. 48 meetings were held to intensify the dialogue with bond investors. A large number of face-to-face meetings with analysts and portfolio managers were held at conferences, virtual road shows and investors' days hosted by the European Covered Bond Council (ECBC), Barclays, Bank of America, Citigroup, Danske Bank, Goldman Sachs, Morgan Stanley, ING and UBS. 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. These sites provide users with the latest news on Erste Group on the social web. More details on the social media channels, the news/reports subscription and reminder service are available at https://www.erstegroup.com/en/investors/ir-service.

Analyst recommendations

In 2022, 22 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, Barclays, BNP Paribas Exane, Carraighill, Citigroup, Concorde, Deutsche Bank, HSBC, JP Morgan, JT Banka, KBW, Kepler Cheuvreux, mBank, Mediobanca, Morgan Stanley, PKO, Pekao, RBI, Société Générale, UBS and Wood. As of the end of the year, 17 analysts had issued buy recommendations, four had rated the Erste Group share as neutral and one as underperform. The average year-end target price stood at EUR 40.00. The latest updates on analysts' estimates for the Erste Group share are posted at https://www.erstegroup.com/en/investors/share/analyst-estimates.

Strategy

We strive to be the leading retail and corporate bank in the eastern part of the European Union, including Austria. To achieve this goal, we aim to support our 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. Our business activities will continue to contribute to economic growth and financial stability and thus to prosperity in our region.

In all of our core markets in the eastern part of the European Union, we pursue a balanced business model focused on providing the best banking services to each of our customers. In this respect, digital innovations are playing an increasingly important role. Sustainability of the business model is reflected in our ability to fund customer loans by customer deposits, with most customer deposits being stable retail deposits. Sustainability of our strategy is reflected in long-term client trust, which underpins strong market shares in almost all of our 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, we pursue the banking business in a socially responsible manner and aim 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 our capital is tied up, where we generate most of our income and where we fund the overwhelming part of our core activities by drawing on our customers' deposits. The retail business represents our strength and is our top priority when developing products such as modern digital banking that enable us 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, we serve a total of approximately 16 million customers in seven core markets.

Our core activities also include advisory services and support for our 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, we also operate 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, we have 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 our subsidiaries, we hold considerable market positions in these countries. In Serbia, which has been assigned European Union candidate status, we maintain 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 our core markets, we also hold 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 regulatory interventions and also due to the pandemic in recent years. As a result, customer behaviour and customer expectations towards financial products have also changed significantly. We are 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 foster digital innovation. Intra-group, interdisciplinary teams are developing innovative solutions with the aim to digitalise banking products end-to-end including associated processes (e.g. onboarding of corporate customers).

Our digital strategy is based on our own digital platform, George, including digital marketplaces (ecosystem). It aims at providing customers access to personalised products from us 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 co-operations, whether with fintechs, start-ups or across industries, and can therefore help open up new markets and attract new customers.

The digital platform George was implemented for retail customers 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. In 2022, George reached another evolutionary level. George Business was implemented for corporate customers in Austria, and it will be rolled out in the local banking subsidiaries, by 2024 in Romania and the Czech Republic. It aims at offering group-wide an outstanding digital user experience across all customer segments on one platform.

Our omni-channel approach integrates 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.

It is our clear ambition to be the key contact for our customers. This means that we must also continue to focus on the prerequisites in order to meet this requirement. Two core areas are of particular importance:

_ Improving data analysis so that we can better understand the needs of our clients and offer appropriate solutions with pinpoint accuracy.
_ Further simplifying our digital offerings, with a focus on ensuring the perfect user journey, and also expanding these offerings to include new products.

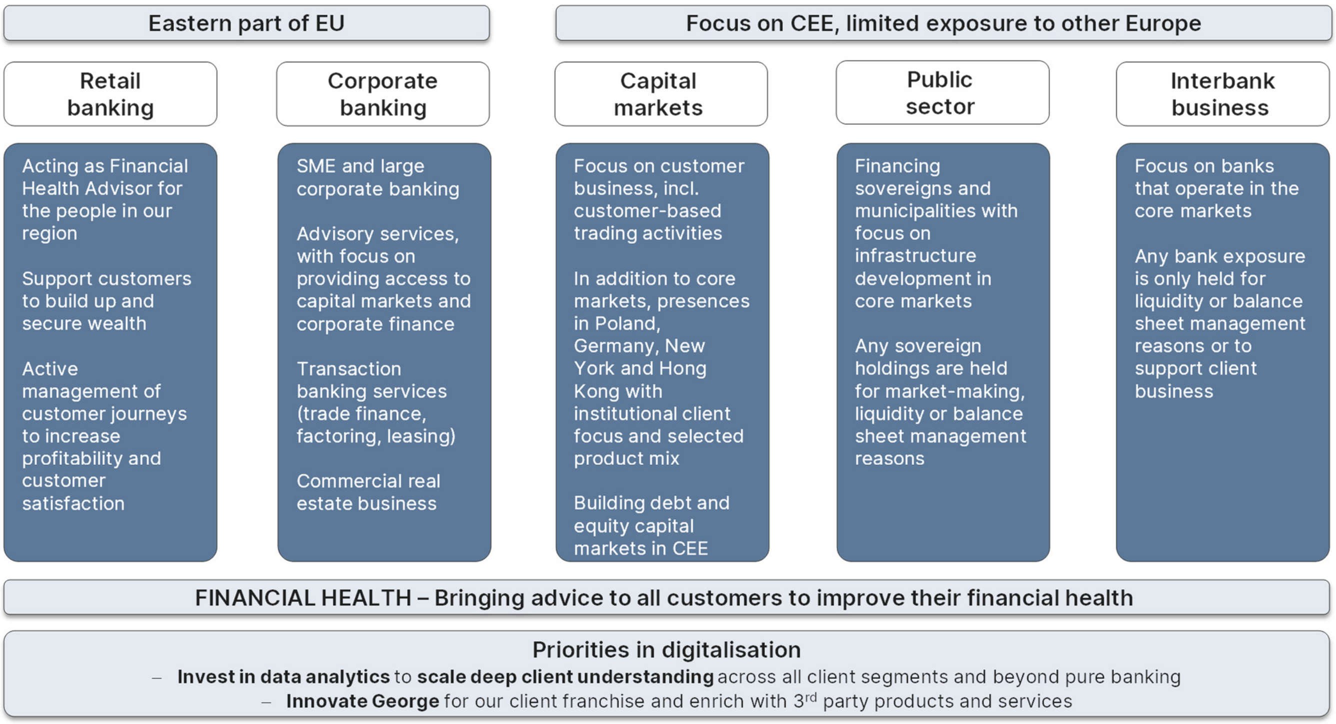
Focus on sustainability and profitability

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 our business activities, we value 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, we should benefit materially from operating in the region of Europe that offers the best structural growth opportunities for some time to come.

Banking leadership in Central and Eastern Europe



THE STRATEGY IN DETAIL

The basis of our 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 our customers' needs as effectively as possible.

Retail business

Our key business is the retail business, covering the entire spectrum from lending, deposit and investment products to current accounts and credit cards. Our 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, we serve a total of approximately 16 million customers in our markets and operate about 2,000 branches. Wealthy private clients, trusts and foundations are served by our private banking staff and benefit from services that are tailored to the needs of this target group.

In addition, we use and promote 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, our digital platform, is available in Austria, the Czech Republic, Slovakia, Romania, Croatia and Hungary. It will also be rolled out in Serbia.

Retail banking is attractive to us 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. We take advantage of these factors in all core markets and make best use of our 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, our 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 our earnings, is business with small and medium-sized enterprises, regional and multi-national groups and real estate companies. Our goal is to enhance relationships with our clients beyond pure lending business. Specifically, our goal is for SMEs and large corporate customers to choose Erste Group as their principal bank and also route their payment transfers through our 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, we serve 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 us to combine industry-specific and product expertise with an understanding of regional needs and the experience of our 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 we offer to our retail and corporate customers. The strategic significance of our 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 our customers with professional access to the financial markets. We, therefore, view our capital markets business as a link between financial markets and our customers. As a key capital markets player in the region, we also perform important functions such as market making, capital market research and product structuring.

The capital markets business serves the needs of our retail and corporate customers as well as those of government entities and financial institutions. Due to our strong network in the eastern part of the European Union, we have a thorough understanding of local markets and customer needs. In our capital markets business, too, we concentrate 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 Hong Kong and New York that offer these customers a tailor-made range of products.

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

Public sector business

Solid deposit business is one of the key pillars of our business model. Customer deposits surpass lending volume in many of our geographic markets. Our banking entities make a significant part of this liquidity available as financing to the region's public sector entities. In this way, we facilitate essential public sector investment. Our public sector customers are primarily municipalities, regional entities and sovereigns that we additionally support and advise in capital market issuance, infrastructure financing and project financing. Furthermore, we cooperate with supranational institutions. In terms of sovereign bond investments, we focus 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, we view 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 the 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 Covid-19 development plan (Next Generation EU). This temporary economic stimulus package will focus on the areas of digitalisation, climate policy and strengthening resilience.

Interbank business

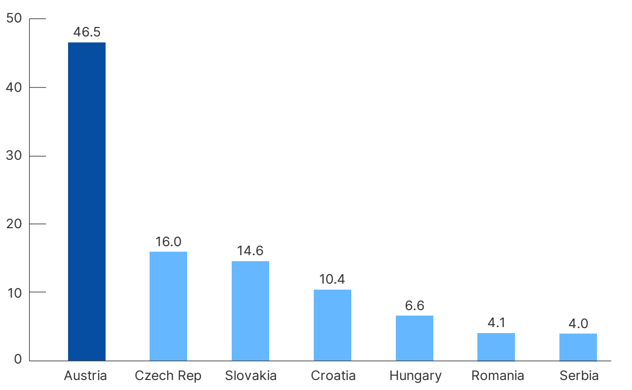
Interbank business is an integral part of our business model that performs the strategic function to ensure that the liquidity needs of our customer business are met. This involves, in particular, short-term borrowing and lending of liquid funds in the interbank market.

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 product. 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 of the Western welfare states in the long term 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, we still firmly believe 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 (2022) 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 ON 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 making financial services available for all segments of the population across 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, we are one of the largest banking groups and employers in Central and Eastern Europe. The trust that we and our local banks have been enjoying stems from the fact that we 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. We are one of these and have been benefitting from a high degree of brand awareness and trustworthiness.

Over the last years, we have transformed our brand communication from being category- and product-driven to having a purpose-driven approach. To this end, we have established a statement of purpose as the main group-wide pillar of our 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 us and our 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 we have been firmly committed for more than 200 years. #believeinyourself is more than a lead narrative. It encourages people to pursue their aspirations, to create something, and embodies our promise to assist them along the way.

Business overview

PERFORMANCE ANALYSIS

P&L 2022 compared with 2021; balance sheet as of 31 December 2022 compared with 31 December 2021

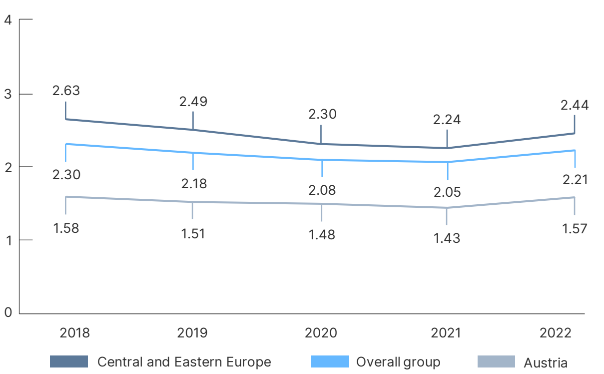
Profit and Loss Statement

in EUR million	2021	2022	Change
Net interest income	4,975.7	5,950.6	19.6%
Net fee and commission income	2,303.7	2,452.4	6.5%
Net trading result and gains/losses from financial instruments at FVPL	231.8	-47.3	n/a
Operating income	7,742.0	8,570.6	10.7%
Operating expenses	-4,306.5	-4,574.9	6.2%
Operating result	**3,435.5**	**3,995.8**	**16.3%**
Impairment result from financial instruments	-158.8	-299.5	88.6%
Other operating result	-310.5	-398.5	28.3%
Levies on banking activities	-73.5	-187.1	>100.0%
Pre-tax result from continuing operations	**2,933.4**	**3,222.4**	**9.9%**
Taxes on income	-525.2	-556.1	5.9%
Net result for the period	**2,408.1**	**2,666.3**	**10.7%**
Net result attributable to non-controlling interests	484.8	501.6	3.5%
Net result attributable to owners of the parent	**1,923.4**	**2,164.7**	**12.5%**

Net interest income

Net interest income rose significantly in both private and corporate business. The increase in retail business was due to higher market rates in the Czech Republic, Hungary, Romania, Austria and Slovakia as well as growth of loan volumes predominantly in the Czech Republic, Slovakia and Austria driven by housing loans. In the corporate business, it improved markedly on the back of continued loan growth in all markets and, most importantly, higher interest rates, in particular in the Czech Republic, Hungary and Romania. Group Market's net interest income also increased due to higher market interest rates, favourable market positioning in interest rate derivatives and higher volumes of money market placements.

Net interest margin in %

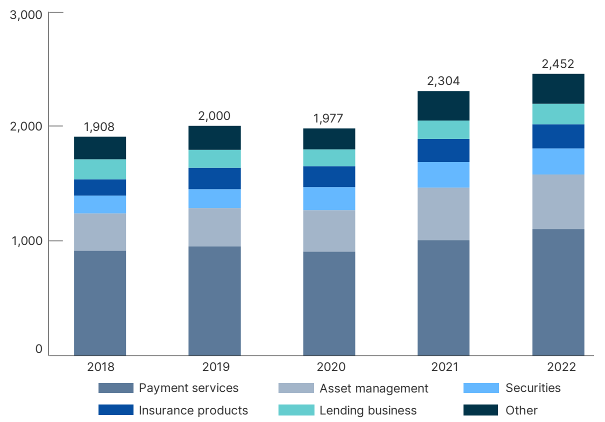


Despite one-off effects from the take-up of TLTRO III funds in the amount of EUR -123.2 million (EUR +93.0 million), net interest income was also up in Austria and Slovakia. The net interest margin (calculated as the annualised sum of net interest income, dividend income and net result from equity method investments over average interest-bearing assets) stood at 2.21% (2.05%).

Net fee and commission income

Growth was recorded across all core markets and nearly all fee and commission categories. In all markets, the strongest rises were seen in payment services (based on a higher number of transactions as well as price increases) and in asset management, most significantly in Austria and the Czech Republic.

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

Net trading result as well as the line item gains/losses from financial instruments measured at fair value through profit or loss (fair value result) are materially affected by the fair value measurement of debt securities issued. The related valuation is shown in the fair value result, while the valuation of corresponding hedges is shown in the net trading result.

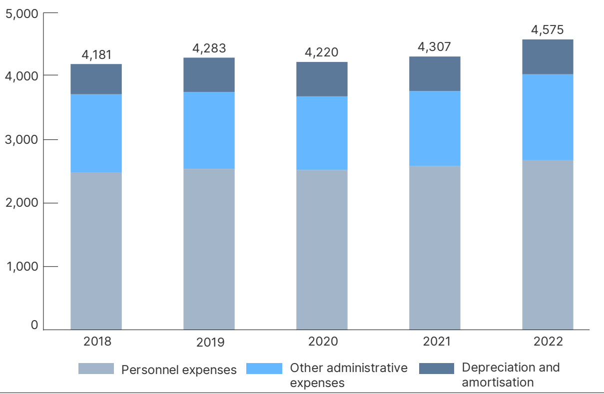
Due to valuation effects resulting from interest rate developments in the derivatives business, net trading result deteriorated to EUR 778.6 million (EUR 58.6 million). Gains/losses from financial instruments measured at fair value through profit or loss trended in the opposite direction and rose to EUR 731.3 million (EUR 173.2 million). With long-term interest rates up, losses from the valuation of the securities portfolio in Austria (in the Savings Banks segment) and the loan portfolio measured at fair value in Hungary were offset by significantly higher gains from the valuation of debt securities in issue.

General administrative expenses

in EUR million	2021	2022	Change
Personnel expenses	2,578.1	2,668.0	3.5%
Other administrative expenses	1,180.3	1,356.2	14.9%
Depreciation and amortisation	548.0	550.7	0.5%
General administrative expenses	**4,306.5**	**4,574.9**	**6.2%**

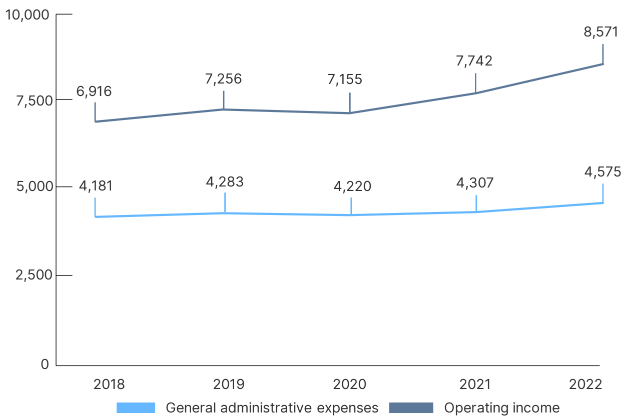
Personnel expenses increased most significantly in the Czech Republic, but also in Romania and Croatia. **Other administrative expenses** rose across all cost categories. In addition to markedly higher IT expenses in Austria on the back of continuing digitalisation efforts, expenses for office space were up in all core markets due to significantly higher energy costs. Contributions to deposit insurance systems increased to EUR 142.9 million (EUR 122.4 million). In Hungary, expenses rose to EUR 18.2 million (EUR 7.1 million) mainly due to a deposit insurance case (Sberbank Europe AG). In Romania, contributions increased to EUR 9.3 million (EUR 3.4 million), in Croatia to EUR 7.5 million (EUR 1.9 million). In Austria, contributions declined to EUR 79.7 million (EUR 85.5 million).

General administrative expenses, structure and trend, in EUR million



The **cost/income ratio** improved to 53.4% (55.6%).

Operating income and operating expenses in EUR million



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

Losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 75.3 million (EUR 32.8 million). This line item includes primarily losses from the sale of securities in the Czech Republic.

Impairment result from financial instruments

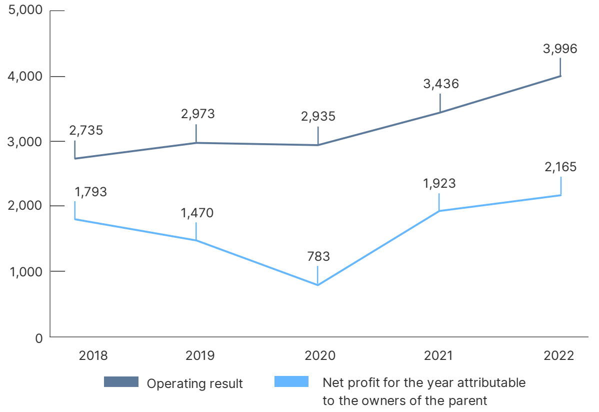
The impairment result from financial instruments amounted to EUR -299.5 million (EUR -158.8 million). Net allocations to provisions for loans and advances rose, primarily on the back of allocations in Austria, to EUR 336.4 million (EUR 119.1 million). Positive contributions came from continued high income from the recovery of loans already written off in all segments – primarily in the Czech Republic, Austria and Croatia – in the amount of EUR 82.1 million (EUR 90.8 million). Net allocations for commitments and guarantees declined to EUR 27.6 million (EUR 104.8 million). Net allocations to credit loss allowances were driven mainly by updated credit risk parameters based on the latest macro-scenarios (FLIs) as well as portfolio stage overlays for cyclical and energy intense industries. At the end of December, crisis-induced performing risk provisions stood at EUR 928 million.

Other operating result

Other operating result was largely affected by levies on banking activities in the amount of EUR 187.1 million (EUR 73.5 million). Banking levies payable in Austria were up at EUR 63.0 million (EUR 10.5 million). Half of this rise is due to a one-off effect in 2022. Regular Hungarian banking tax rose marginally to EUR 15.1 million (EUR 15.0 million). Together with financial transaction tax in the amount of EUR 59.1 million (EUR 47.9 million) and a new windfall profit tax of EUR 49.9 million based on the net revenues of the preceding year, banking levies in Hungary totalled EUR 124.1 million (EUR 63.0 million).

The balance of allocations/releases of other provisions improved to EUR 46.3 million (EUR 5.1 million). Legal risks relating to the Romanian building society resulted in expenses in the amount of EUR 46.9 million. In addition, a provision in the amount of EUR 20.1 million was set aside following the held-for-sale classification of a Romanian subsidiary. These negative effects in Romania were partly offset by the release of provisions in the amount of EUR 54.3 million for risks resulting from consumer protection claims. In addition, other operating result also reflects the annual contributions to resolution funds in the amount of EUR 139.1 million (EUR 108.6 million). Increases were recorded above all in Austria, to EUR 73.9 million (EUR 51.5 million), and in the Czech Republic, to EUR 39.2 million (EUR 31.9 million).

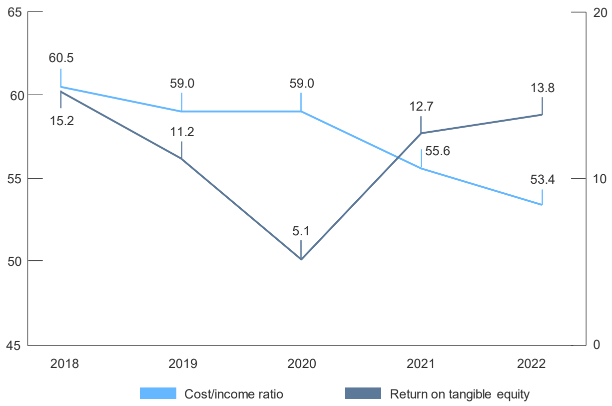
Operating result and net profit/loss for the year attributable to owners of the parent in EUR million



Cash earnings per share amounted to EUR 4.85 in 2022 (EUR 4.18). **Earnings per share** are EUR 4.83 (EUR 4.17).

The **cash return on equity**, i.e. the return on equity adjusted for non-cash expenses such as goodwill amortization and straight-line depreciation for the customer relationships, was 12.7% (**return on equity**: 12.6%) after 11.7% (return on equity: 11.6%) last year.

Key profitability ratios in %



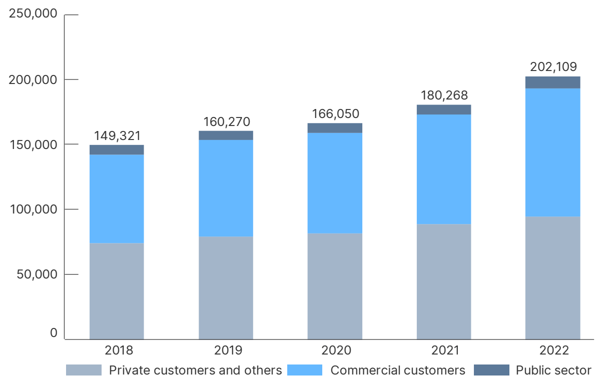
Balance sheet

in EUR million	Dec 21	Dec 22	Change
Assets			
Cash and cash balances	45,495	35,685	-21.6%
Trading, financial assets	53,211	59,833	12.4%
Loans and advances to banks	21,001	18,435	-12.2%
Loans and advances to customers	180,268	202,109	12.1%
Intangible assets	1,362	1,347	-1.1%
Miscellaneous assets	6,090	6,456	6.0%
Total assets	**307,428**	**323,865**	**5.3%**
Liabilities and equity			
Financial liabilities held for trading	2,474	3,264	31.9%
Deposits from banks	31,886	28,821	-9.6%
Deposits from customers	210,523	223,973	6.4%
Debt securities issued	32,130	35,904	11.7%
Miscellaneous liabilities	6,902	6,599	-4.4%
Total equity	23,513	25,305	7.6%
Total liabilities and equity	**307,428**	**323,865**	**5.3%**

Cash and cash balances declined to EUR 35.7 billion (EUR 45.5 billion), mostly due to the early repayment of TLTRO III funds. Trading and investment securities held in various categories of financial assets increased to EUR 59.8 billion (EUR 53.2 billion).

Loans and advances to banks (net), including demand deposits other than overnight deposits, declined to EUR 18.4 billion (EUR 21.0 billion). **Loans and advances to customers (net)** increased – primarily in Austria and the Czech Republic – to EUR 202.1 billion (EUR 180.3 billion).

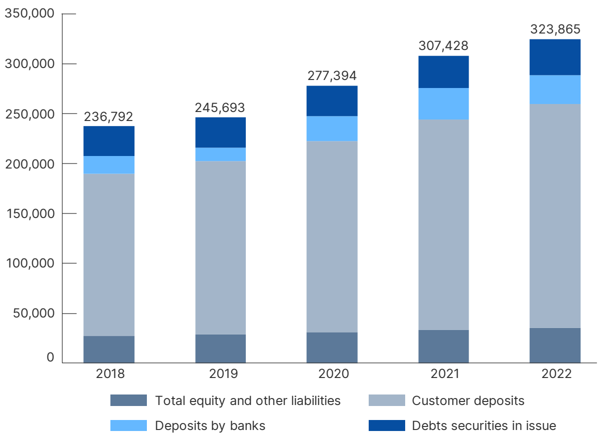
Loans and advances to customers, structure and trend, in EUR million



Loan loss allowances for loans to customers amounted to EUR 4.0 billion (EUR 3.9 billion). The **NPL ratio** – non-performing loans as a percentage of gross customer loans – improved to 2.0% (2.4%), the **NPL coverage ratio** (based on gross customer loans) rose to 94.6% (90.9%)

Financial liabilities – held for trading increased to EUR 3.3 billion (EUR 2.5 billion). The decline in **deposits from banks** to EUR 28.9 billion (EUR 31.9 billion) is primarily due to the early repayment of TLTRO III liabilities, the end-of-year carrying value of which was EUR 15.6 billion (EUR 20.9 billion). Deposits from customers rose to EUR 224.0 billion (EUR 210.5 billion), mostly on the back of strong growth in term deposits.

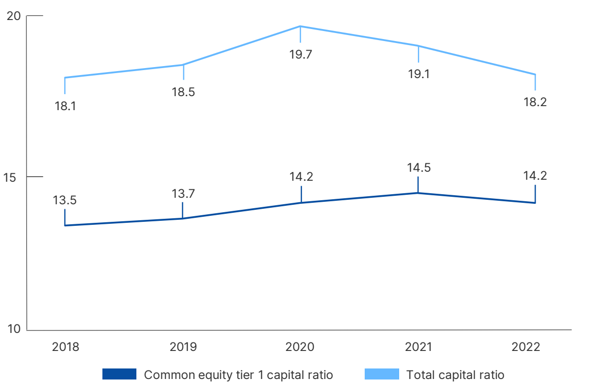
Balance sheet structure/liabilities and total equity in EUR million



The **loan-to-deposit ratio** stood at 90.2% (85.6%). Debt securities in issue increased to EUR 35.9 billion (EUR 32.1 billion).

Total assets rose to EUR 323.9 billion (EUR 307.4 billion). **Total equity** increased to EUR 25.3 billion (EUR 23.5 billion). This includes AT1 instruments in the amount of EUR 2.2 billion from four issuances (April 2017, March 2019, January 2020 and November 2020). After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) **common equity tier 1 capital** (CET1, CRR final) rose to EUR 20.4 billion (EUR 18.8 billion) as were **total own funds** (CRR final) to EUR 26.2 billion (EUR 24.8 billion). Total risk – **risk-weighted assets** including credit, market and operational risk (CRR final) – increased to EUR 143.9 billion (EUR 129.6 billion).

Total capital ratio and common equity tier 1 capital ratio in %



The **total capital ratio**, total eligible qualifying capital in relation to total risk (CRR final), declined to 18.2% (19.1%), but remained well above the legal minimum requirement. The **tier 1 ratio** stood at 15.8% (16.2%), the **common equity tier 1 ratio** stood at 14.2% (14.5%) (both ratios CRR final).

OUTLOOK

Erste Group's goal for 2023 is to achieve a return on tangible equity (ROTE) in the range of 13 to 15%. Four key factors will support achievement of this goal: firstly, positive economic growth in all core markets (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia) despite significant geopolitical and political risks, which, should they materialise, would likely negatively impact economic performance; secondly, an interest rate environment that is characterised by broadly stable central bank rates in such countries as the Czech Republic, Romania and Hungary, as well as eurozone interest rates that rise in line with market expectations (as per mid-February 2023); thirdly, a credit risk environment marked by low default rates as in 2022; and, finally, the continuous ability of Erste Group to innovate and successfully expand its digital offering. Assuming that these conditions are met, operating result and the cost/income ratio are projected to improve, putting Erste Group on a path to achieve its cost/income ratio target of approximately 52% by 2024.

The current expectation (as per mid-February 2023) by economists is for Erste Group's core markets to avoid recession in 2023 and, in fact, to post real GDP growth in the order of 0 to 3% in 2023. Inflationary pressures are expected to subside in 2023, following double digit-levels in 2022 as a result of exceptionally high energy prices. Continued strong labour markets should be supportive of economic performance in all of Erste Group's markets. Current account balances, which suffered significantly during 2022 on the back of exceptionally high energy prices, are expected to improve again in 2023 benefiting from a reversal in energy prices. Fiscal balances should likewise consolidate again after significant budget deficits in 2022. Public debt to GDP in all Erste Group markets is projected to be broadly stable, and hence remain materially below the eurozone average.

Against this backdrop, Erste Group expects net loan growth in the mid-single digits. Retail and corporate business should contribute in all markets of Erste Group towards the aim to grow in line with the banking markets. Loan growth as well as interest rate tailwinds, as detailed above, should result in an increase of net interest income of approximately 10%. The second most important income component – net fee and commission income – is expected to rise in the mid-single digits. As in 2022, positive growth momentum should again come from payment services and insurance brokerage fees, while additional contributions form asset management and securities business are dependent on a constructive capital markets environment. The net trading and fair value result, which suffered significantly in 2022 from negative valuation effects tied to strongly rising interest rates mostly in the CEE region but also in the eurozone, should normalise again in 2023 due to less steep interest rate increases in the eurozone. This, however, will depend substantially on the actual interest rate environment. The remaining income components are forecast to remain, by and large, stable. Overall, operating income should increase in 2023. Operating expenses are expected to rise by 7-8%, and thus at a lower level than operating income – although this is dependent on the foreign-currency developments in the CEE region – resulting in a further cost/income ratio improvement compared to 2022. Based on the robust macro outlook described above, risk costs should remain at a low level in 2023. While precise forecasting is hard at current low risk cost levels, Erste Group believes that in 2023 risk costs will be below 35 basis points of average gross customer loans. Other operating result is expected to remain by and large unchanged in the absence of significant one-off effects. Assuming an effective group tax rate of below 20% and similar minority charges as in 2022, Erste Group aims to achieve a ROTE in the range of 13 to 15%. Erste Group's CET1 ratio is expected to remain strong. Consequently, Erste Group will propose a dividend of EUR 1.90 per share for the 2022 fiscal year to the 2023 AGM. In addition, Erste Group targets a share buy-back in a volume of up to EUR 300 million in 2023, subject to regulatory approval.

Potential risks to the guidance include (geo)political and economic (including monetary and fiscal policy impacts) developments, regulatory measures as well as global health risks and changes to the competitive environment. The evolving Russia-Ukraine conflict does not impact Erste Group directly, as it has no operating presence in those countries. Indirect effects, such as financial market volatility, sanctions-related knock-on effects or the emergence of deposit insurance or resolution cases cannot be ruled out, though. 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.

Development in the core markets

This chapter provides an overview of the developments in our seven core markets (by segments). In addition to economic reviews we provide updates on the banking markets. Interviews with the CEOs of our local banks and board members of the Holding provide further insights to the respective business environment.

The descriptions of the core markets are complemented by financial and credit reviews. For more details, please see Note 1 Segment Reporting. Additional information is available in Excel format at www.erstegroup.com/en/investors/reports/financial-reports.

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 shown in the financial review tables. Net trading result and gains/losses from financial instruments measured at fair value through profit or loss are summarised 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.

Austria

Economic review

Austria's well diversified, open and developed economy continued to benefit from its high value-adding industrial base, well educated workforce and a strong tourism and service sector. In 2022, the country's economic performance was strong. Economic growth, visibly more pronounced in the first half of the year, was supported by almost all sectors, in particular hotels and hospitality, transportation, services and manufacturing. Most economic sectors reached or even exceeded pre-pandemic levels. Net trade was a key contributor to the expansion. Exports, with a share of 45% of the country's GDP, also benefitted from the depreciation of the euro against the US dollar and Swiss franc. Austria's well developed tourism sector continued to recover as travel restrictions significantly eased during the year. While private consumption remained strong in the first half of the year it slowed down in the third and fourth quarter due to the impact of high inflation on disposable income. Investments were also impacted by high inflation and the partly still existing supply chain disruptions. Austria's labour market remained strong, and the unemployment rate decreased to 4.8%. Overall, real GDP increased by 4.7%; GDP per capita amounted to EUR 51,300.

Austria's public finance improved with the general government deficit declining to 3.5% of GDP. Revenues increased on higher taxes, while expenses benefitted from the drop of Covid-19 related government subsidies. While most Covid-era measures expired, the government launched support packages aimed at easing the impact of the surging inflation. Measures included additional family allowances, tax benefits and one-off payments such as a climate bonus. The anti-inflation and climate-supporting measures alone accounted for more than EUR 4 billion in 2022. Public debt as a percentage of GDP decreased to 78.3%.

Surging energy prices, most notably for natural gas and electricity, led to inflation levels not seen in Austria for decades. Inflation peaked in October at 11.0%, while average inflation amounted to 8.6% in 2022. Core inflation, excluding food and energy prices, increased by 5.1%. The noticeable downward trend of both gas and oil prices combined with Austria's very high gas storage level and the introduction of price caps led to a slowdown of inflation in the last months of the year. Austria's monetary policy is set by the ECB, which hiked its key policy rate by 250bps in the second half of 2022. In addition, the ECB revised the conditions of the targeted longer-term refinancing operations (TLTROs). Furthermore, the ECB started to reduce its asset purchases, ending its economic stimulus scheme in the face of inflationary pressures.

The three main major rating agencies affirmed their credit ratings for Austria in 2022. Fitch and Standard & Poor's maintained their credit ratings at AA+ but changed their outlook from stable to negative. Both rating agencies cited high inflation as the reason for the weaker outlook. Moody's credit rating for Austria was kept unchanged at Aa1 with a stable outlook.

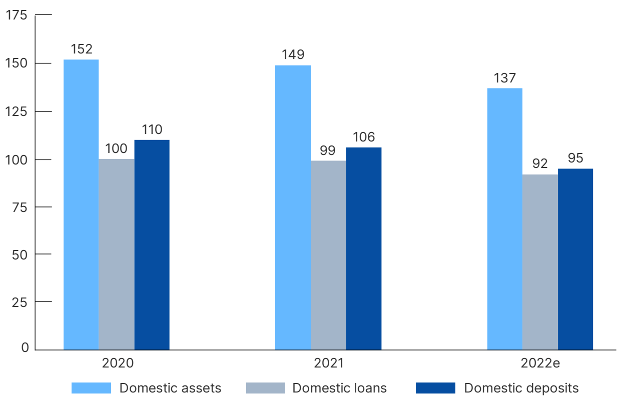
Key economic indicators – Austria	2019	2020	2021	2022e
Population (average, million)	8.9	8.9	9.0	9.1
GDP (nominal, EUR billion)	397.5	379.3	406.1	461.8
GDP/capita (in EUR thousand)	44.8	42.5	45.4	51.3
Real GDP growth	1.5	-6.7	4.6	4.7
Private consumption growth	0.7	-8.5	3.6	4.3
Exports (share of GDP)	42.7	40.5	42.6	44.4
Imports (share of GDP)	44.5	42.9	46.8	46.3
Unemployment (Eurostat definition)	4.8	6.1	6.2	4.8
Consumer price inflation (average)	1.5	1.4	2.8	8.6
Short term interest rate (3 months average)	-0.4	-0.4	-0.6	0.4
Current account balance (share of GDP)	2.1	1.9	0.4	0.5
General government balance (share of GDP)	0.6	-8	-5.9	-3.5

Source: Erste Group

Market review

Austria's highly competitive banking sector performed well and continued to significantly support the country's economy. Both retail and corporate lending activity remained strong ahead of the anticipated rise of interest rates. In 2022, loans to households expanded by 8.3% on the back of continued demand for housing loans while the volume of consumer loans remained relatively muted. The share of variable rate loans continued to decline. Reflecting the demand for housing loans, residential property prices increased further, in particular in the first half of the year, followed by a slowdown after the ECB started to raise interest rates. The demand for corporate loans was mainly driven by the financing needs for inventories and working capital. Growth was more pronounced in the first half of the year. Overall, corporate loans grew by 8.8%. At 1.4%, customer deposits increased significantly less than loans. The banking system's loan to deposit ratio increased to 96.4% by the end of 2022.

Financial intermediation – Austria (in % of GDP)



Source: Oesterreichische Nationalbank, Erste Group

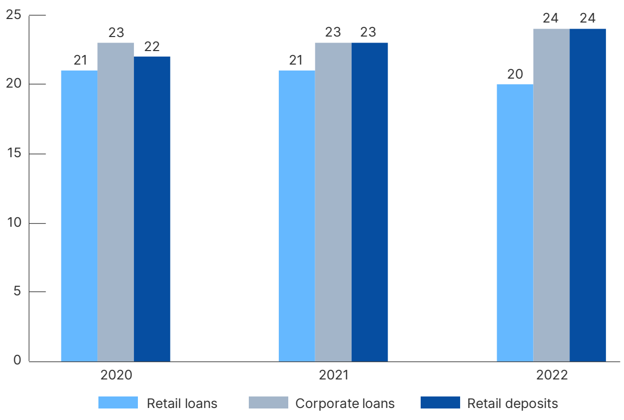
Stress test results, published by the Austrian National Bank annually, confirmed again that the domestic banking sector's risk-bearing capacity was adequate. Funding and liquidity profiles remained strong. The Austrian Financial Market Authority (FMA) issued new regulations for sustainable lending standards for residential real estate financing – including upper limits for loan-to-value ratios (90%), debt service-to-income ratios (40%) and a maximum tenor of 35 years. As of August 2022, these thresholds were applied to new mortgage lending to households exceeding EUR 50,000, visibly impacting new business volumes. In addition, the Systemic Risk (SRB) and the Other Systemically Important Institutions (OSII) buffers were increased by 50 basis points as of December 2022.

The Austrian banking sector's profitability increased further. Operating income, especially net interest income, was in particular supported by higher interest rates and volume growth. Net fee and commission income also grew dynamically. Rising personnel expenses and IT investments weighed on overall cost developments. Digital financial services and products were improved, and digital penetration increased further. Asset quality was strong, with the share of non-performing loans standing at below 2% at the end of the year. Risk provisions were low.

Following severe liquidity outflows in February 2022, the Single Resolution Board (SRB) decided to resolve Sberbank Europe AG. In May 2022, the Austrian FMA decided to prohibit Sberbank Europe AG's Austrian entity from continuing business operations. Several asset portfolios were sold to other banks. Following the resolution of the entity, deposit guarantee contributions increased temporarily in the first quarter of 2022. Austrian banks continued to pay banking tax.

Erste Bank Oesterreich and the savings banks defended their combined market shares both in retail and corporate business. Benefitting from their balanced business model, the market shares ranged from 20% to 24%. Market share in asset management increased to 28%. George, Erste Group's market-leading digital banking platform, continued to be very popular. In 2022, the number of clients using George grew by approximately 200,000. With 2.3 million users and more than 50 million monthly logins in the country, more than a third of the Austrian online banking customers used George.

Market shares – Austria (in %)



Source: Oesterreichische Nationalbank, Erste Group

ERSTE BANK OESTERREICH & SUBSIDIARIES

Business review 2022 – interview with Gerda Holzinger-Burgstaller, CEO of Erste Bank Oesterreich

How did the competitive environment change?
Like the previous years, the first half of 2022 was again marked by strong demand for real estate finance along with intense pricing competition. In the second half of the year, however, the significant change in the macroeconomic environment, rate hikes by the ECB, rising inflation and the change in the regulatory framework affecting housing loans led to a marked decline in demand for retail housing loans.

The changed environment is also directly reflected in customer behaviour. While investment products such as bonds were significantly more in demand than in previous years on the back of the development of interest rates, momentum in deposits declined in the course of the year as a result of higher inflation.

Which ESG related topics were most relevant for you?
Environmental, social and economic sustainability remain core elements of our strategy. In 2022, the focus in environmental sustainability was not only on the decarbonisation of our loan portfolio and green financing in accordance with the EU Taxonomy, but also on preparations for the climate-neutral operation of our business from the end of next year onwards. Associated with that we defined CO_2 reduction targets for our large real estate portfolios – retail mortgage loans, commercial real estate and non-profit housing associations – and took some first concrete action.

We keep offering our customers a broad spectrum of green investment products and steadily expand our advisory services regarding sustainable funding plans. In our engagement with corporate customers, ESG is a key aspect. We complement our financial services by offering our clients targeted advice supporting them in their sustainable transformation, round table meetings with industry experts and products focusing on current key issues. Highlights in the context of social sustainability are clearly the Social Housing Initiative as well as the work of Zweite Wiener Vereins-Sparcasse.

How did you manage to successfully differentiate your business activities from those of your competition?
What we do is guided by our focus on our customers' financial health: we expanded our advisory approach as well as our portfolio of products and services to further enhance the financial well-being of our customers. We work continuously on showing our customers ways and means of monitoring and further improving their financial health. In addition, we also seek to offer financial education to all our customer segments. The consistent development of our omni-channel capability enables our customers to handle their daily banking needs digitally in a simple and efficient way while, at the same time, creating opportunities for high-quality advice on more complex financing and investment matters.

Looking back at the year, what major achievements or challenges were especially noteworthy?
We are very pleased to have grown our client base by 100,000 new customers. This confirms our strategy and what we do on a daily basis. We want to keep growing, addressing customer needs and increasing customer satisfaction by rigorously implementing our brand promise including, specifically, the themes of financial health, digitalisation and innovation leadership.

On the products side, one of the highlights in 2022 was the implementation of our new credit card portfolio. While steadily expanding our offerings and the customer experience, we are at the same time reducing complexity for our customers.

In addition, the successful launch of Google Pay underlines our innovative and pioneering position in the domestic market. We are pleased to be the first Austrian universal bank to offer our customers this modern banking service.

How did the cooperation with the savings banks develop, and what were the major achievements in this area?
2022 was the first year in which the Savings Banks Group served more than 4 million customers in Austria. The consistently large number of new customers is proof of the attractiveness of our services, the professional quality of customer service and the importance of a regional orientation.

Within the Savings Banks Group, the customer support models have been increasingly harmonised and expanded to include advanced technology solutions. Savings banks' customers, for example, can access full-scale customised services via video channels without having to visit a branch. Other approaches that have already been tested successfully at Erste Bank, such as team support, have been rolled out already in a number of savings banks.

The Savings Banks Group has been cooperating both cross-divisionally and cross-business. The aim is to develop cross-channel finance processes from a customer's perspective. These new processes are designed to offer our customers a choice of channels for different sections of their path to the fulfilment of their financing needs. At the same time, our modern IT architecture creates a maximum of synergies.

Financial review

in EUR million	2021	2022	Change
Net interest income	646.4	708.9	9.7%
Net fee and commission income	460.1	480.1	4.3%
Net trading result and gains/losses from financial instruments at FVPL	17.0	-0.8	n/a
Operating income	1,193.3	1,250.4	4.8%
Operating expenses	-702.7	-688.6	-2.0%
Operating result	490.6	561.7	14.5%
Cost/income ratio	58.9%	55.1%	
Impairment result from financial instruments	-31.5	-31.1	-1.3%
Other result	-34.8	-35.8	3.0%
Net result attributable to owners of the parent	306.6	320.1	4.4%
Return on allocated capital	16.4%	14.6%	

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

Net interest income increased due to higher loan volumes and higher market interest rates, partially off-set by a negative impact of one-off bookings in an amount of EUR -40.5 million related to TLTRO III refinancing with ECB (EUR 20.1 million). Net fee and commission income rose on the back of higher income from payment fees. The decrease in net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. The deconsolidation of a subsidiary was the main driver for the decline in rental income from investment properties & other operating leases. The deconsolidation led also to lower operating expenses, which was partially offset by higher IT and personnel costs. Deposit insurance contribution amounted to EUR 32.1 million (EUR 33.8 million). Overall, operating result went up and the cost/income ratio improved. Impairment result from financial instruments remained stable as the release of Covid-related provisions was offset by provisions related to geopolitical risks and macroeconomic deterioration. Other result deteriorated mainly due to higher banking tax of EUR 23.3 million (EUR 4.3 million) driven by a one-off effect of EUR 18.0 million and higher payments into the resolution fund of EUR 17.2 million (EUR 12.3 million), partially compensated by higher real estate selling gains. Overall, the net result attributable to owners of the parent increased.

Credit risk

Credit risk exposure in the Erste Bank Oesterreich & Subsidiaries segment rose to EUR 51.6 billion (+4.8%), customer loans increased to EUR 40.1 billion (+7.1%). This segment accounted for 19.4% (20.3%) of Erste Group's total loan portfolio. The share of retail customers in total loan volume declined to 37.2% (39.1%), while the share of corporates, including self-employed individuals and small businesses, significantly rose to 58.0% (55.6%). 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 slightly to EUR 2.0 billion (-2,5%), its proportion of the total loan portfolio is on a declining trend. Non-performing loans were slightly down and, as percentage of total loans to customers, remained low at 1.5% (1.5%). The development was slightly positive across all customer segments. The NPL coverage ratio based on loan loss provisions stood at 61,7% (62.0%).

SAVINGS BANKS

Financial review

in EUR million	2021	2022	Change
Net interest income	1,080.3	1,222.5	13.2%
Net fee and commission income	584.5	623.1	6.6%
Net trading result and gains/losses from financial instruments at FVPL	42.6	-53.4	n/a
Operating income	1,754.3	1,843.9	5.1%
Operating expenses	-1,108.8	-1,143.4	3.1%
Operating result	645.5	700.5	8.5%
Cost/income ratio	63.2%	62.0%	
Impairment result from financial instruments	23.8	-62.2	n/a
Other result	-15.9	-24.8	56.1%
Net result attributable to owners of the parent	83.2	56.9	-31.6%
Return on allocated capital	12.5%	9.8%	

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.

Net interest income increased due to higher interest rates, partially offset by customer deposit repricing and a negative impact of one-off bookings related to TLTRO III refinancing with ECB in an amount of EUR -17.1 million (EUR 13.6 million). Net fee and commission income increased mainly on the back of higher payment fees. The deterioration of net trading result and gains/losses from financial instruments at FVPL was primarily driven by valuation effects. Operating expenses increased mainly due to higher expenses for personnel, IT, marketing and office space. Payments into the deposit insurance fund decreased to EUR 47.6 million (EUR 51.6 million). Consequently, operating result increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated due to non-recurrence of the last year's recoveries and overlays applied for cyclical and energy industries leading to higher allocations. Other result worsened mainly due to the higher banking tax of EUR 17.7 million (EUR 5.1 million), driven by a one-off effect of EUR 12.0 million, and higher contributions to the resolution fund of EUR 14.9 million (EUR 11.2 million) partially compensated by lower provisions for legal issues. Overall, the net result attributable to the owners of the parent decreased.

Credit risk

Credit risk exposure in the Savings Banks segment increased at a steady pace during the year to EUR 79.4 billion (+5.7%), while loans to customers rose more dynamically to EUR 58.0 billion (+7.7%). Their share in Erste Group's total loans to customers slightly decreased to 28.1% (29.2%). Lending to private households registered slightly above-average growth, but its share in the Savings Banks' total customer loan portfolio decreased to 38.8% (39.8%). Loans to professionals, other self-employed persons and small businesses increased to EUR 6.7 billion (+3.5%). Despite a decline of its share to 11.6% (12.1%) of total loans, the share of this customer segment was again 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 different general structure of the Austrian economy, with a higher percentage of small and medium-sized businesses than in Central and Eastern Europe. Swiss franc-denominated foreign-currency loans decreased to EUR 1.1 billion (-11.7%). Although the government support provided amid the Covid-19 pandemic was ended, non-performing loans as a percentage of total loans to customers declined to 2.2% (2.4%). The NPL coverage ratio based on loan loss provisions increased to 73.6% (70.2%).

OTHER AUSTRIA

Business review 2022 – interview with Ingo Bleier, Chief Corporates and Markets Officer

How did the competitive environment change?
Last year was characterised by a quite dynamic interest rate and economic environment, volatile CEE currencies as well as geopolitical risks. While most central banks in the CEE region started to raise rates already in 2021, the ECB waited until July 2022 to do so. In the second half of 2022, the key rate in the euro area was raised from 0 to 2.5%. Corporate business saw a dynamic growth in the first half of the year, predominantly driven by an increase in working capital facilities and investment loans.

In January 2022, we opened up the European capital market for issuers from the financial sectors with a dual covered bond issuance of Erste Group Bank AG. Thanks to our superior rating, we benefited from significantly advantageous institutional funding throughout the year.

Last but not least, banks that are active or somewhat linked to Russia were exposed to substantial pressure to leave the country.

Which ESG related topics were most relevant for you?
Owing to ambitious target setting and increased awareness across our organisation, 2022 was the first year with a strong focus on ESG deal generation. At EUR 2.2 billion, our target of EUR 1.4 billion of new green investments in the corporate loan book was

substantially overachieved. ESG-related advisory services in the corporate banking front office were very well perceived by customers and together with many other efforts resulted in increases in customer satisfaction in our Corporate business.

While total funds under management decreased due to the market environment, the size of green funds pursuant to Art. 8 and 9 of the Sustainable Finance Disclosure Regulation (SFDR) grew by 4.2%. They amounted to EUR 15.0 billion by year-end, equalling 21.7% of all funds in Erste Asset Management.

How did you manage to successfully differentiate your business activities from those of your competition?
Our innovation focus is dedicated to digital. The strong brand and technology of George has been expanded to corporate customers. George Business was launched in Austria and will gradually be rolled out in our other markets in the future.

In addition, we believe that transparency in relationships is key for building trust. Consequently, we consider it important to show our clients their financial rating. Our analytical finance know-how will contribute to sustain the financial health of our customers in the long run. Both the concept and the offered solution of this approach have received positive customer feedback during pilots.

We are the only large player in our region that has launched end-to-end digital onboarding to businesses. In a first step, we are offering this service to simple company structures in some CEE regions and working on expanding the offer.

In general, we maintained a healthy appetite for organic growth of corporate banking, which is demonstrated by the strong loan book growth of 17.5% to EUR 74 billion (gross) at year-end.

Looking back at the year, what major achievements or challenges were especially noteworthy?
I am proud of the achievements made in every country and business line of corporates and markets. All of them were exceptional. We achieved extraordinary results in Group Markets Business, with an incredible operating income of EUR 841 million.

I mentioned already the organic growth of our loan portfolio. This was based on the solid base of our corporate banking client relationships backed by consistently improving customer satisfaction. In 2022, we succeeded to increase our CXI, the customer satisfaction index.

The launch of George Business in Austria was an important step in our digitalisation efforts. Also noteworthy is the business integration of Commerzbank in Hungary, an example for a successful bolt-on acquisition in our core markets.

Financial review

in EUR million	2021	2022	Change
Net interest income	417.2	634.3	52.1%
Net fee and commission income	301.3	293.1	-2.7%
Net trading result and gains/losses from financial instruments at FVPL	48.6	-21.7	n/a
Operating income	813.3	953.9	17.3%
Operating expenses	-352.0	-363.2	3.2%
Operating result	461.3	590.6	28.0%
Cost/income ratio	43.3%	38.1%	
Impairment result from financial instruments	3.4	-64.3	n/a
Other result	7.1	4.0	-42.9%
Net result attributable to owners of the parent	351.1	401.7	14.4%
Return on allocated capital	14.6%	15.7%	

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

Net interest income improved significantly on the back of interest rate hikes in several non-eurozone core markets, resulting in a significantly higher contribution of money market and interest related derivatives in Group Markets business of the Holding. In addition, the substantial increase in corporate loan volumes contributed positively. Net fee and commission income deteriorated due to lower fee income in Erste Group Immorent on the non-recurrence of the positive one-off effects and lower fees from origination activities in the Holding, compensated only partially by lending business related income in corporate business in the Holding. Net trading result and gains/losses from financial instruments at FVPL deteriorated on valuation effects. Although operating expenses increased, operating result improved notably as did the cost/income ratio. The impairment result from financial instruments deteriorated due to overlays in the corporate portfolio of Holding and a new corporate rating model, partially compensated by lower provisions in the Erste Group Immorent portfolio. Other result declined due to lower selling gains and higher provisions for legal expenses. Other result included the resolution fund contribution of EUR 8.4 million (EUR 8.0 million). Overall, the net result attributable to owners of the parent improved.

Credit risk

The credit risk exposure in the Other Austria segment, almost completely related to Holding and Erste Group Immorent business, increased substantially to EUR 50.7 billion (+26.4%). Its share in Erste Group's total credit risk exposure increased to 14.5% (12.8%). A large proportion of risk positions was accounted for by securities and cash balances held with other banks. Consequently, at EUR 21.4 million, the share of loans to customers in Erste Group's total loan portfolio was lower than its contribution to credit risk exposure. It rose to 10.4% (9.4%). Robust growth in total loans to customers was driven primarily by large corporates business, while lending to the public sector declined further. The decline in the NPL ratio (non-performing loans as a percentage of the total loan portfolio) to 2.0% (2.4%) was primarily attributable to a significantly reduced inflow of non-performing loans against the backdrop of substantial growth in business volume. Loan loss provisions stood at 72.2% (72.6%) of non-performing loans.

Czech Republic

Economic review

The Czech Republic is among the most open economies in the CEE region, with well-developed services and industry sectors. The country's economy posted a very strong performance in the first half of 2022 followed by a significant slowdown after the summer months. Although domestic demand faded in the second half of the year, it still proved to be the main driver of economic growth. Consumption was impacted by the deterioration of consumer and business sentiment and the impact of rising inflation on households. Investment activity picked up significantly in 2022, inflows of European Union structural funds and Recovery and Resolution Facility funds played an important role. Accumulation of inventories was substantial. Exports had a positive impact on economic growth. The automotive sector, one of the most important industries in the Czech Republic, employed 170,000 people and accounted for approximately 10% of the country's economy. Following three years of declines, the production of passenger vehicles increased by 10% due to a substantial volume of backlogs related to the Covid era. The unemployment rate decreased to 2.4% and remained the lowest among the European Union countries. Overall, real GDP increased by 2.5%, and GDP per capita amounted to EUR 26,300.

After parliamentary elections in October 2022, a new coalition government was formed, consisting of five political parties. Prudent fiscal policy was maintained throughout the year, and the Czech Republic's budget deficit declined to 3.5% of GDP. The decrease was mainly due to a gradual withdrawal of Covid related support measures, and inflation boosted tax revenues. Indexation of pensions and support measures to mitigate the impact of surging energy prices, however, contributed to the budget deficit. These measures altogether accounted for approximately 1% of GDP in 2022. At 44.5%, public debt as a percentage of GDP remained one of the lowest in the European Union.

Inflation in the Czech Republic increased significantly and substantially exceeded the 3% upper end of the central bank's tolerance range. Similar to other CEE countries, inflation was mainly driven by the rise in energy and food prices. Overall, average consumer price inflation reached 15.1%, while core inflation amounted to 13.2%. The Czech koruna appreciated against the euro to EUR/CZK 24.2 by the end of the year. To fight inflation, the Czech National Bank increased its policy rate in four steps in the first half of the year to 7.0%. It announced that further hikes would not be necessary.

Two of the three major rating agencies changed their outlook for the Czech Republic citing the negative impact of rising geopolitical tensions. In May 2022, Moody's and Fitch lowered their outlook from stable to negative, whilst affirming the rating at Aa3 and AA-, respectively. Standard and Poor's confirmed its ratings at AA- with a stable outlook.

Key economic indicators – Czech Republic	2019	2020	2021	2022e
Population (average, million)	10.7	10.7	10.5	10.5
GDP (nominal, EUR billion)	225.7	215.8	238.1	276.7
GDP/capita (in EUR thousand)	21.2	20.2	22.7	26.3
Real GDP growth	3.0	-5.5	3.5	2.5
Private consumption growth	2.6	-7.4	4.1	-0.5
Exports (share of GDP)	63.6	61.1	64.1	59.8
Imports (share of GDP)	61.1	57.9	64.2	60.2
Unemployment (Eurostat definition)	2.0	2.6	2.9	2.4
Consumer price inflation (average)	2.8	3.2	3.8	15.1
Short term interest rate (3 months average)	2.1	0.9	1.1	6.3
EUR FX rate (average)	25.7	26.5	25.6	24.6
EUR FX rate (eop)	25.4	26.2	24.9	24.2
Current account balance (share of GDP)	0.3	2.0	-0.8	-5.6
General government balance (share of GDP)	0.3	-5.8	-5.1	-3.5

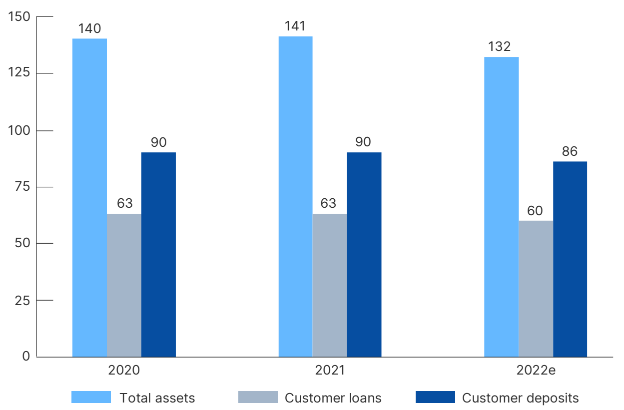
Source: Erste Group

Market review

The Czech banking sector performed well in 2022. Its resilience was confirmed by the central bank's stress test underlining the banking system's high capitalisation and robust profitability. In 2022, customer loans grew by 5.8%, mostly driven by corporate lending with investment-related and working capital loans being key factors. Retail loans – driven by housing loans – increased by 4.8%. As interest rates rose strongly, the demand for retail loans gradually decreased. The Czech central bank tightened rules on mortgage business (effective as of April 2022), contributing to the decline in retail lending. It set the debt-to-income ratio and the debt-service-to-income ratio for mortgage applicants to 8.5 and

45%, respectively. In addition, the upper limit on the loan-to-value ratio was reduced to 80%. The central bank also decided to increase the countercyclical capital buffer to 2.0% from January 2023 and to 2.5% from April 2023. Customer deposit inflows remained strong with a growth rate of 6.5%. Growth was almost equally distributed between retail and corporate business. Mutual funds were impacted by the general uncertainty and the decline of disposable income. The Czech banking market remained one of the most liquid in Central and Eastern Europe. At year-end, the banking sector's loan-to-deposit ratio stood at 69.5%. The solid fundamentals were confirmed by the sector's total capital ratio of above 20%.

Financial intermediation – Czech Republic (in % of GDP)

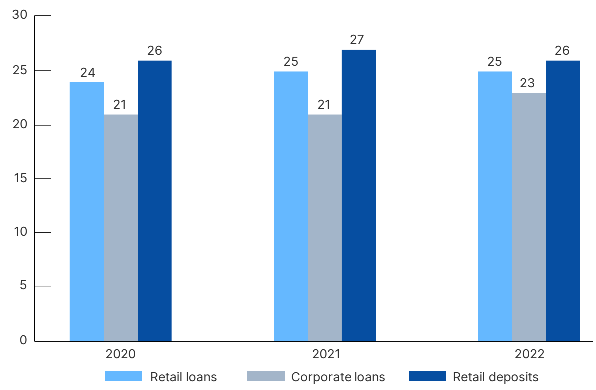


Source: Czech National Bank, Erste Group

Revenues, especially net interest income, significantly benefitted from loan growth and the rise in interest rates. Net fee and commission income was supported mainly by card transactions and insurance business. Cost management remained strict, with banks further reducing their number of branches. Asset quality remained very good, and low risk provisions also contributed to the banking system's profitability. The introduction of a new windfall tax for energy, oil and mining companies as well as banks was approved by the parliament in November 2022. The windfall tax will be paid in the years 2023 to 2025. Overall, the banking sector ended the year with a return on equity of 14.9%.

Consolidation of the banking sector continued. Česká spořitelna signed an agreement to purchase the loan portfolio of the Czech subsidiary of Sberbank Europe. The transaction was approved by the Czech National Bank and Antimonopoly Office. Among the smaller acquisitions, Raffeisenbank acquired Equabank while Creditas bought the local subsidiary of Expobank. Moneta Money Bank and PPF Group agreed to terminate the acquisition process of Air Bank and Home Credit's Czech and Slovak businesses. The termination agreement was prompted by macroeconomic changes which radically altered the parameters of the originally planned merger. The three largest banks have a combined market share of approximately 60% in customer loans and deposits.

Market shares – Czech Republic (in %)



Source: Czech National Bank, Erste Group

Česká spořitelna maintained its very strong market positions across all product categories. Retail lending market shares ranged from 25% to 26% while market shares in the corporate lending business rose to 23%. At 25%, the bank also retained the top position in consumer lending, including the credit card business. Česká spořitelna maintained its market leadership position in asset management products with a market share of 25.0%. George mobile banking was the most used banking app on the market in 2022, both in terms of number of users and transaction volume. The number of transactions increased by 27%, while the volume of payment transactions went up by 35%. Overall, Česká spořitelna's market share in terms of total assets stood at 18.3%.

Business review 2022 – interview with Tomáš Salomon, CEO of Česká spořitelna

How did the competitive environment change?
The Russian aggression against Ukraine, rising inflation and energy prices have put the Czech society and economy, and consequently Czech banks and the market, through a stress test. It is good news that banks have passed this test well and have managed to help both their clients and the economy. However, the economic crisis changes the perception of the role of banks and also the nature of the competitive environment. Banks have always liked to call themselves "the lifeblood of the economy", but now these proclamations are becoming real public expectations that might persist even once the economic slowdown and high inflation go away.

Customers and the public have started to compare interest rates on deposits, the rate of appreciation of their investment and pension assets. Banks are increasingly under scrutiny: how they are treating debtors, and how they are willing to help and finance companies from industries impacted by the economic crisis? All these changes and factors can and most likely will have a lasting impact on the competitive environment.

Which ESG related topics were most relevant for you?
Of course, Česká spořitelna offers a broad portfolio of specific ESG products, from environmentally friendly loans and mortgages for households and ESG investment products for retail investors to green transformation advisory for corporate clients.

But for us ESG isn't only a portfolio of specific products with that label. We are convinced that the common denominator of all ESG topics is sustainability. We thus see sustainability as the base and the ultimate goal of our strategy to strengthen the financial health of the Czech population and to lead the society towards prosperity.

How did you manage to successfully differentiate your business activities from those of your competition?
We started a new way to differentiate ourselves from other banks already in 2021, when we launched our financial health strategy. The aim of this long-term strategy is to re-position Česká spořitelna from merely "the biggest and the oldest" bank towards "the first company that takes care of financial health".

We further strengthened our differentiation in 2022 when we managed to react swiftly and offer help to clients, households and companies impacted by the economic crisis as well as to Ukrainian refugees.

Looking back at the year, what major achievements or challenges were especially noteworthy?
I can hardly find a better representation of our success than that 2022 was the fifth consecutive year in which not only the number of our primary clients rose, but also their satisfaction increased. The fact that our Net Promoter Score significantly improved in 2022 is another evidence that our strategy to become the first financial health company on the market is the right one.

Worth mentioning are also the domestic as well as international awards Česká spořitelna received. The one which I do cherish the most is our victory in the prestigious global Customer Centricity World Series Awards 2022. The competition was contested by 122 companies from 53 countries.

Financial review

in EUR million	2021	2022	Change
Net interest income	1,150.5	1,416.7	23.1%
Net fee and commission income	358.2	386.9	8.0%
Net trading result and gains/losses from financial instruments at FVPL	63.5	134.4	>100.0%
Operating income	1,589.9	1,952.3	22.8%
Operating expenses	-795.3	-868.5	9.2%
Operating result	794.6	1,083.8	36.4%
Cost/income ratio	50.0%	44.5%	
Impairment result from financial instruments	-69.4	-25.9	-62.7%
Other result	-75.9	-143.4	88.9%
Net result attributable to owners of the parent	504.1	758.5	50.5%
Return on allocated capital	16.6%	19.7%	

The Czech Republic segment comprises Česká spořitelna Group, the segment analysis is done on a constant currency basis. The CZK appreciated by 4.2% against the EUR in the reporting period. Net interest income increased due to significantly higher interest rates combined with higher business volumes partially offset by customer deposit repricing. The increase in net fee and commission income was mainly driven by higher lending and insurance brokerage fees. Higher income from foreign currency transactions as well as from bonds, money market instruments and interest rate derivatives resulted in a notably improved net trading result and gains/losses from financial instruments at FVPL. Operating expenses increased due to higher personnel, office space as well as marketing costs. Contributions into the deposit insurance fund rose to EUR 13.4 million (EUR 10.8 million). Overall, the operating result in-creased and the cost/income ratio improved. Impairment result from financial instruments improved notably on the back of fewer defaults and high income from the recovery of loans already written off. Other result deteriorated mainly on selling losses from bonds. Contributions to the resolution fund increased to EUR 39.2 million (EUR 31.9 million). Altogether, these developments led to a significant increase in the net result attributable to the owners of the parent.

Credit risk
Credit risk exposure in the Czech Republic segment rose to EUR 76.6 billion (+7.6%), while loans to customers increased to EUR 38.7 billion (+12.4%). The strong growth rates were supported by the appreciation of the Czech koruna against the euro. Retail business volume registered above-average growth mainly due to a vivid demand for mortgage loans. Large corporate business also expanded significantly. Customer loan volume as a percentage of Erste Group's total loans to customers increased marginally to 18.8% (18.7%). In terms of business volume, the Czech Republic is by far the second most important market for Erste Group after Austria. The quality of customer loans improved slightly and was again better than the average of Erste Group's core markets in Central and Eastern Europe. Non-performing loans as a percentage of total loans to customers declined to 1.9% (2.1%). Loan loss provisions amounted to 117.4% (111.3%) of non-performing loans.

Slovakia

Economic review
Slovakia is an open economy with one of the most developed industry sectors in the CEE region, characterised by strong automotive and services sectors. In 2022, economic growth was main-

ly driven by domestic demand, especially household consumption. Investment activity remained suppressed after the pandemic but rebounded significantly in the second half of the year and contributed to economic growth. European Union fund inflows were again significant in 2022. The industry-heavy export sector, however, remained adversely affected by some still existing supply-chain disruptions. The Slovak car industry produced around one million vehicles in 2022, down by 5% compared to 2021. Slovakia's labour market remained solid. The unemployment rate declined to 6.1% supported by government measures to secure jobs. Overall, real GDP increased by 1.7%, and GDP per capita amounted to EUR 19,700.

The general government deficit decreased to 4.0% of GDP in 2022, mainly driven by increasing tax revenues and lower pandemic related spending. Measures to mitigate higher energy prices, on the other hand, contributed to the deficit. Slovakia introduced compensation schemes for private individuals and corporates including price caps for electricity and gas and provided further aid for energy intensive businesses. These measures altogether amounted to EUR 3.5 billion in 2022. The country's public debt as a percentage of GDP decreased to 60.5%.

Slovakia experienced double-digit price increases in 2022. Inflation significantly accelerated in the second half of the year and reached a two-decade record high of 15% in the last month of the year. Similar to other countries in CEE, main drivers of inflation were energy and food prices. Overall, average consumer price inflation amounted to 12.8%. The ECB increased its key policy rate by 250 basis points between July and December and revised the terms of the targeted longer-term refinancing operations (TLTROs). The ECB also decided to reduce its asset purchases, putting an end to its economic stimulus scheme in the face of inflationary pressures.

All three major rating agencies changed their outlook for Slovakia due to the unfavourable macroeconomic backdrop. In May 2022, Standard and Poor's revised the outlook from stable to negative, citing a worry over the lower level of economic growth and post-pandemic fiscal consolidation, but kept Slovakia's long-term credit rating at A+. In August, Moody's and Fitch also changed their outlook for Slovakia to negative and affirmed their long-term credit rating at A2 and A, respectively.

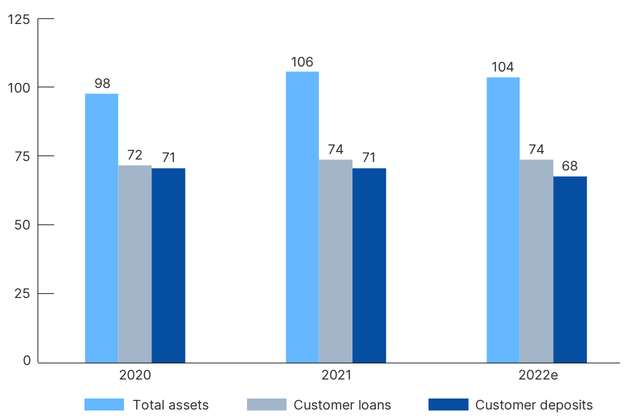
Key economic indicators – Slovakia	2019	2020	2021	2022e
Population (average, million)	5.5	5.5	5.5	5.5
GDP (nominal, EUR billion)	94.4	93.4	98.5	108.5
GDP/capita (in EUR thousand)	17.3	17.1	18.0	19.7
Real GDP growth	2.5	-3.4	3.0	1.7
Private consumption growth	2.6	-1.2	1.6	4.8
Exports (share of GDP)	80.0	74.9	82.7	87.9
Imports (share of GDP)	81.2	73.9	82.8	93.0
Unemployment (Eurostat definition)	5.8	6.7	6.8	6.1
Consumer price inflation (average)	2.7	1.9	3.2	12.8
Short term interest rate (3 months average)	-0.4	0.0	0.0	0.0
Current account balance (share of GDP)	-3.3	0.1	-1.9	-6.8
General government balance (share of GDP)	-1.3	-5.4	-6.1	-4.0

Source: Erste Group

Market review

The Slovak banking market performed well in 2022. Lending demand was visibly stronger ahead of the expected euro-zone interest rate hikes. Despite the higher interest rates, customer loan growth amounted to 10.4%. Retail and corporate loans grew at a similar pace, by 10.3% and 11.0%, respectively. Retail lending growth was mainly driven by housing loans while consumer loans increased only moderately. Investment and working capital loans played an important role in the double-digit increase of corporate lending. The National Bank of Slovakia maintained its macroprudential measures and left the debt-service-to-income (DSTI), debt-to-income (DTI) and loan-to-value (LTV) regulations unchanged throughout the year. The countercyclical buffer was kept at 1.00% and is set to increase by 50 basis points as of August 2023. At 6.0%, customer deposits grew significantly less than loans, mainly driven by corporate business. Asset management business was adversely affected by the uncertain market environment. The banking system's loan-to-deposit ratio increased to 108.7%, significantly higher than those of peer CEE countries.

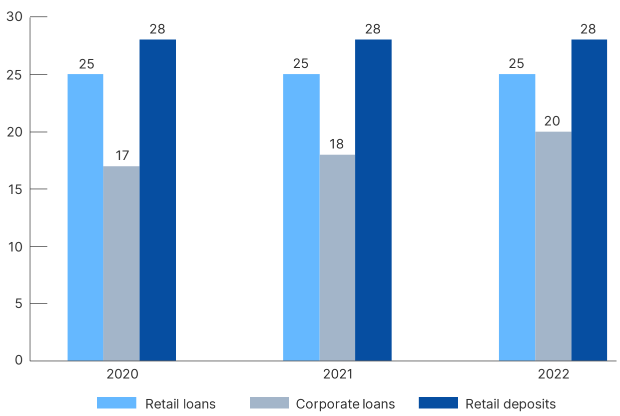
Financial intermediation – Slovakia (in % of GDP)



Source: National Bank of Slovakia, Erste Group

For the Slovak banking market, 2022 was its most profitable year ever. Operating income, especially net interest income, benefitted significantly from loan growth and the higher interest rate environment. In addition, TLTRO measures also supported net interest income. Fee and commission income performed well on higher payment and insurance-related fees. Despite increasing personnel expenses, operating costs remained under control. Banks continued to reduce their branch networks, although at a slower pace compared to previous years. Risk costs were low and asset quality remained very solid. The sector's NPL ratio decreased further to 1.9%, the NPL coverage ratio stood at 112.0%. Despite ongoing political discussions windfall taxes were not introduced in Slovakia in 2022. The banking sector remained well capitalised. Overall, the sector's return on equity stood at 8.2%.

Market shares – Slovakia (in %)



Source: National Bank of Slovakia, Erste Group

While there was no major acquisition in the banking market in 2022, consolidation of the industry is expected to continue. Slovenská sporiteľňa remained the country's largest bank. It still controls more than one fifth of the country's banking market in terms of total assets and led the market in retail loans and deposits. The bank continued to benefit from its solid asset management business, holding a 19% market share. Market shares were higher in the retail than in the corporate sector. In the retail business, the bank's market shares stood between 25% and 28%. Digitalisation remained one of the key strategic priorities of Slovenská sporiteľňa. This was confirmed by the increasing number of customers using George, up by 16% to 936,000.

Business review 2022 – interview with Peter Krutil, CEO of Slovenská sporiteľňa

How did the competitive environment change?
After years of extremely low interest rates, net interest income – most banks' most important revenue source – once again started to grow as the ECB reacted to high inflation in the eurozone. I admit, that at a first glance, this may be seen as an ideal situation for banks. But one must realise that there are forces in other directions as well. Apart from the direct impact of inflation through higher administrative costs, there are secondary pressures from increasing wages and higher risk costs. Since the macroeconomic situation worsened unexpectedly due to the Russian attack on Ukraine and the subsequent energy crisis banks had to create higher loan loss provisions. Uncertainty is simply much higher than in the pre-Covid era, but we are ready.

Which ESG related topics were most relevant for you?
A great deal of ESG related work has been done at Slovenská sporiteľňa. I would like to split it in three main areas: organisation within the bank, setting up of a strategy and business. Just a couple of years ago, the topic was virtually alien to us. Now, we have new people, a huge implementation project, new processes, and all is running as smooth as it is possible with such a complex topic.

We defined what we want to do as a bank and sketched a path of how to get there. And this is not just about our relatively small carbon footprint, but about our financed portfolio as well. All this would not make sense without direct support to the economy through loan products supporting the green transition and advisory to our clients. Last but not least, I am proud that Slovenská sporiteľňa was the first bank in Slovakia and in Erste Group to issue a green covered bond.

How did you manage to successfully differentiate your business activities from those of your competition?
Fully in line with our strategic priorities, we focused on the financial health of our customers as well as on digitalisation and innovations. An ideal example of the fusion of these topics is the new personal investment plan which guides a client through the investment process either via George or in a branch through the advisor's tablet.

The so called financial health index is a new tool for corporate clients: it shows the financial situation of a company plus a comparison to its peers on the advisor's tablet. Of course, many other improvements were implemented last year which led to an almost 30% share of sales made through digital channels. I would like to mention another special achievement I consider very important – we started an exceptional venture capital programme called Seed Starter.

Looking back at the year, what major achievements or challenges were especially noteworthy?
Slovenská sporiteľňa was awarded with two "Bank of the Year" awards from renowned magazines – global Euromoney and the local weekly Trend. 2022 was indeed successful for us in terms of financial and business results. Not only was net profit higher than ever in history, but the double-digit annual growth of operating income is a clear indication that we did a good job.

Looking at the market position, despite the turbulent environment and fierce competition, we managed to defend the leading position in retail lending with roughly 25% and to improve the market share in corporate above the magical threshold of 20%. This is an enormous achievement, as it was below 12% just six years ago.

Financial review

in EUR million	2021	2022	Change
Net interest income	434.9	449.5	3.4%
Net fee and commission income	174.3	192.2	10.3%
Net trading result and gains/losses from financial instruments at FVPL	9.0	25.9	>100.0%
Operating income	625.0	671.3	7.4%
Operating expenses	-292.4	-307.1	5.0%
Operating result	332.6	364.2	9.5%
Cost/income ratio	46.8%	45.8%	
Impairment result from financial instruments	-1.1	-32.1	>100.0%
Other result	-18.2	-11.9	-34.6%
Net result attributable to owners of the parent	237.9	249.3	4.8%
Return on allocated capital	18.6%	16.8%	

Net interest income in the Slovakia segment (comprising Slovenská sporitel'ňa Group) increased due to higher loan volumes and market interest rates, partially offset by negative one-off bookings of EUR -4,0 million (EUR 12.9 million) related to TLTRO III refinancing with ECB. Net fee and commission income increased on the back of higher income from payment, securities and insurance brokerage fees. Net trading result and gains/losses from financial instruments at FVPL went up due to valuation effects. The in-crease in operating expenses was due to higher IT and office space costs as well as higher personnel expenses. Contributions into the deposit insurance fund amounted to EUR 9.9 million (EUR 9.4 million). Consequently, operating result increased and the cost/income ratio improved. Impairment result from financial instruments worsened due to overlays for cyclical and energy industries as well as defaults in the corporate business. Despite a higher payment into the resolution fund of EUR 5.9 million (EUR 4.7 million), other result improved on lower provisions for legal expenses. Overall, the net result attributable to the owners of the parent increased.

Credit risk

Credit risk exposure in the Slovakia segment increased significantly to EUR 26.9 billion (+19.4%), while loans to customers rose to EUR 18.3 billion (+12,6%). Their share of Erste Group's total loan portfolio went up slightly to 8.9% (8.8%). Loan volume growth was driven mostly by retail customers and small and medium-sized businesses, while business growth of large corporates was more moderate. The share of loans to private households was again significantly larger in the Slovakia segment than in Erste Group's other core markets and accounted for 67.6% (66.8%) of total loans to customers. This customer mix with a substantial proportion of retail mortgage loans also explains the large share of secured business. At year-end it stood at 52.2% (57.2%) exceeding that of other Central and Eastern European core markets. The NPL ratio declined significantly to a new historically low level of 1.6% (1.8%). The positive trend was particularly notable in the Corporate business. Loan loss provisions exceeded non-performing loans significantly. The NPL coverage ratio increased to 121.3% (115.9%).

Romania

Economic review

In 2022, Romania achieved one of the highest economic growth rates in Central and Eastern Europe. The country's economy was mainly driven by household consumption, which was supported by tight labour market conditions and wage increases. Investments benefitted from European Union funds including inflows from the Multiannual Financial Framework and NextGeneration EU. In total, inflows from EU funds amounted to EUR 11 billion. Household consumption slowed down in the second half of the year, while investments accelerated visibly. Exports were partly affected by supply-chain disruptions and did not contribute to economic growth. Agriculture suffered from the extreme heat during the summer months. Romania's labour market proved its resilience, and the unemployment rate remained stable at 5.6%. Overall, real GDP grew by 4.8%, while GDP per capita increased to EUR 15,100.

Fiscal consolidation continued, and the budget deficit narrowed to 6.1% of GDP. State revenues benefitted from the stronger-than-expected nominal economic growth. On the expenditure side, public wages, social welfare and government-related purchases increased less than the nominal GDP. Net nominal wages increased by 11.3%, with a significantly faster growth rate in the private than in the public sector. Expenses were also impacted by the introduction of measures to mitigate the energy-related inflationary pressures. Public debt to GDP decreased to 46.8%.

Despite the introduction of government measures such as price caps and subsidies for energy, inflation in Romania increased to levels not seen in two decades. Consumer price inflation surged from 5.1% in 2021 to an average of 13.7%, mainly due to higher gas, electricity and fuel prices. The Romanian leu was relatively stable against the euro and traded between 4.80 and 4.95 throughout the year. In response to accelerating inflation, the National Bank of Romania increased its key policy rate eight times from 1.75% to 6.75% in 2022.

Key economic indicators – Romania	2019	2020	2021	2022e
Population (average, million)	19.4	19.3	19.2	19.0
GDP (nominal, EUR billion)	224.2	220.5	240.2	287.6
GDP/capita (in EUR thousand)	11.5	11.4	12.5	15.1
Real GDP growth	3.9	-3.7	5.8	4.8
Private consumption growth	3.3	-3.9	7.1	6.0
Exports (share of GDP)	30.8	28.2	31.1	32.0
Imports (share of GDP)	38.5	36.5	41.0	43.8
Unemployment (Eurostat definition)	4.9	6.0	5.6	5.6
Consumer price inflation (average)	3.8	2.7	5.1	13.7
Short term interest rate (3 months average)	3.1	2.4	1.8	6.2
EUR FX rate (average)	4.7	4.8	4.9	4.9
EUR FX rate (eop)	4.8	4.9	4.9	4.9
Current account balance (share of GDP)	-4.9	-4.9	-7.3	-9.2
General government balance (share of GDP)	-4.3	-9.3	-7.1	-6.1

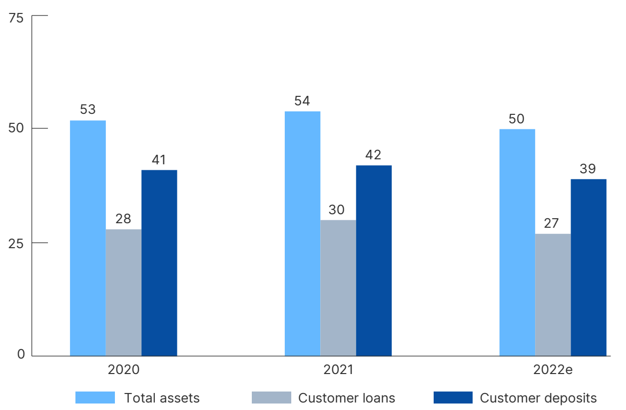
Source: Erste Group

All three major rating agencies affirmed their credit ratings for Romania in 2022. Moody's left its long-term credit rating unchanged at Baa3 with a stable outlook. Standard & Poor's and Fitch kept their credit ratings at BBB- with stable and negative outlook, respectively.

Market review

The Romanian banking market continued to expand in 2022. Customer loans increased by 11.8%, while customer deposits were up by 9.0%. The rise in customer deposits was mainly driven by the corporate sector. On the lending side, growth was driven by corporate loans, which expanded by 18.4%. Retail loans rose by 4.3% with housing loans advancing by 5.4%. The National Bank of Romania kept the thresholds for mortgage lending (namely debt-to-income, debt service-to-income and loan-to-value) unchanged. To strengthen the resilience of the banking sector, it raised the countercyclical capital buffer from 0.5% to 1% as of October 2023. Overall, the banking system's loan-to-deposit ratio increased marginally to 70.5%. The Romanian banking sector remained strongly capitalised, with a capital adequacy ratio of 21.7%.

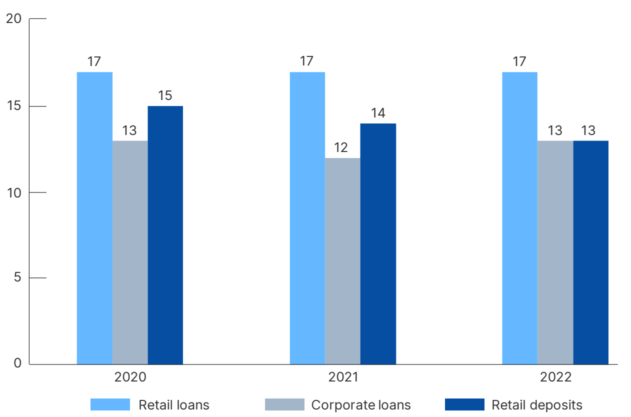
Financial intermediation – Romania (in % of GDP)



Source: National Bank of Romania, Erste Group

Net profit of the Romanian banking sector increased by 25%. Net interest income was supported by interest rate hikes and volume growth. Expenses were impacted by higher wages. Banks continued to reduce their branch networks and the number of employees in which rising digitalisation and mergers and acquisitions played an important role. Overall, the banking system's cost/income ratio improved further. While the cost/income ratio of large banks stood at about 50%, that of medium or smaller sized banks was approximately 70%. Asset quality improved further, and risk provisions were low. The banking sector's NPL ratio stood at 2.7%, compared to 3.4% at the end of the previous year. Overall, the Romanian banking sector achieved a return on equity of 16.6%.

Market shares – Romania (in %)



Source: National Bank of Romania, Erste Group

Banca Comercială Română remained the second largest bank in the country both in terms of customer loans and deposits. George, introduced in Romania in 2018, remained very popular and reached 1.6 million active users. The bank's customer loan market share stood at 14%, its retail loan market share at 17.0%, while in corporate lending it amounted to 13%. At 13.9%, Banca Comercială Română kept its second position in Romania in terms of total assets.

Business review 2022 – interview with Sergiu Manea, CEO of Banca Comercială Română

How did the competitive environment change?
Rising inflation was the main theme of last year, as it prompted central banks around the world, including the National Bank of Romania, to rapidly hike their policy rates. Higher interest rates and robust credit growth supported the sector's performance, while the NPL ratio declined further given prudent credit underwriting and tight macroprudential policies. Retail registered a slower mid-single digit advance, as consumer confidence weakened due to several shocks, from the war in Ukraine to the higher cost of living. Nevertheless, government backed programmes continued to support lending in 2022.

The competition between Romanian banks remained fierce. The digital transformation accelerated, while the challenge to attract human talent and high inflation put extra pressure on personnel expenditures. However, the Romanian banking system managed to withstand such headwinds and ended the year with a record bottom line.

Which ESG related topics were most relevant for you?
In 2022, we continued to get involved and increased our impact on communities by financing both ecological and social initiatives. We set up a dedicated Sustainability Department to coordinate all our ESG related actions. On the educational front, we introduced not only an online ESG course for our employees and dedicated courses for ESG specialists, but also roundtables as well as ESG dialogues with clients, NGOs, public authorities and academic community.

Our green mortgage product accounted for 42% of the bank's new mortgage volumes granted in 2022. In addition, we launched a new product dedicated to energy efficiency projects for microenterprises. Last year, our bank also issued its second green bond in the amount of RON 702 million and published the first allocation report for the previous green bond.

How did you manage to successfully differentiate your business activities from those of your competition?
We are innovation leaders, with data, technology and respect at the core of our strategy. Our aim is to provide advisory and in-depth personalisation throughout the client's financial lifecycle.

In June, we launched an advisory platform based on data analytics and one-to-one client interaction. By year-end, it generated over 35,000 financial diagnoses, and the number is expected to increase tenfold in 2023. This is a non-commercial tool, available free of charge to anyone who visits our branches. Our aim is to make financial life planning available to everyone.

Last year we also launched the first chatbot for retail and corporate clients on the local banking market called ADA, a game-changer in terms of virtual banking assistance. With over 40 financing programmes mapped in, ADA is an integrated part of George, our intelligent banking ecosystem, and so far has had over 500,000 client interactions.

Taking a step further, in 2022 we initiated a roadshow covering ten of Romania's largest cities, a series of consultative meetings with our customers on how they define financial health and how we can support them. On the same note, we continued to scale up our flagship financial literacy programmes. The Money School exceeded 600,000 people trained offline and online in the last six years, while BCR Business School, offering free online courses for entrepreneurs, reached 20,000 users in the last three years. Furthermore, the InnovX-BCR business accelerator that we started some years ago currently works with 152 companies.

Looking back at the year, what major achievements or challenges were especially noteworthy?
We all started 2022 facing a geopolitical crisis. Our bank was the first in Romania taking measures in support of Ukrainian refugees. We were the only bank to provide free hryvnia-leu cash exchange. We charged no fees for daily banking, deployed translators in our branches, set up dedicated support lines and made direct financial donations. An initiative we are particularly proud of is the development of the 'Jobs for Ukraine' platform.

On a different note, we digitised all retail operations and continue with the corporate core banking transformation. We reached 2.1 million internet and mobile banking users, of which 1.6 million are active George users. Over 130,000 companies have so far enrolled in George for Business (George Pro). In 2022, three in four new cash loans, credit cards and overdrafts were granted on a fully digital flow through George. Furthermore, we accounted for about 18% of the new mortgage market and about 6,500 companies creating over 360,000 jobs received financing from BCR.

Just like in most sectors, retaining young talent remains a challenge. In 2022, we continued to take measures to mitigate inflation and adjust salaries to current labour market realities. Nevertheless, BCR succeeded to further improve its cost/income ratio to 40.7%.

Last but not least, in 2022 Euromoney selected BCR as the "Best Bank in Romania" and EFFIE Awards Europe recognized us for our communication campaign "For a financially intelligent Romania".

Financial review

in EUR million	2021	2022	Change
Net interest income	432.6	530.0	22.5%
Net fee and commission income	176.4	191.5	8.6%
Net trading result and gains/losses from financial instruments at FVPL	77.9	127.8	63.9%
Operating income	710.9	867.9	22.1%
Operating expenses	-339.7	-381.2	12.2%
Operating result	371.2	486.7	31.1%
Cost/income ratio	47.8%	43.9%	
Impairment result from financial instruments	-46.4	-79.8	72.1%
Other result	-32.8	-37.3	13.7%
Net result attributable to owners of the parent	236.1	296.6	25.6%
Return on allocated capital	13.7%	16.5%	

The segment analysis is done on a constant currency basis. The RON depreciated by 0.2% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) was positively impacted by interest rate hikes combined with higher business volumes. Net fee and commission income improved mainly due to higher payment fees in retail and corporate business. Documentary and insurance brokerage fees went up as well. The increase of net trading result and gains/losses from financial instruments at FVPL was attributable to an improved contribution from FX business as well as higher income from bonds, money market instruments and interest rate derivatives. Operating expenses went up mainly due to a higher deposit insurance contribution of EUR 9.3 mil-lion (EUR 3.4 million) as well as higher personnel expenses, office space and business operations costs. Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated on rating downgrades, update of parameters and overlays for cyclical and energy industries. Provisions in the amount of EUR 46.9 million in relation to business activities of the local building society and the sale of another subsidiary were not entirely compensated by the release of provisions for legal expenses and led to a worsening of the other result.

Credit risk

Credit risk exposure in the Romania segment rose to EUR 21.7 billion (+14.9%). A key contribution to growth came from customer loans, which rose by EUR 1.5 billion to EUR 11.7 billion. Their share in Erste Group's total customer loan portfolio slightly increased to 5.7% (5.5%). An expansion of lending volume was seen primarily in the corporate business, specifically in large corporates and in the public sector. Non-performing loans significantly decreased to EUR 327 million (-18.3%), with declines registered across all customer segments. As a result of this development and the growth of the loan portfolio, non-performing loans as a percentage of total loans to customers decreased substantially to 2.8% (3.9%). Loan loss provisions increased to 171.4% (138.2%) of non-performing loans.

Hungary

Economic review

Hungary's economy performed well in 2022. It maintained strong momentum in the first half of the year, mainly driven by higher consumption. In the second half of the year, however, soaring food prices adversely affected disposable income, consequently impacting consumption. Exports contributed to growth with the automotive sector catching up with its significant backlogs. One third of the country's manufacturing output was produced by car producing companies. Investments, which depend on European Union funds, contributed to growth. Agriculture did not contribute to economic growth in 2022. The country's labour market remained tight. The unemployment rate decreased to 3.6%, low compared to many other European countries. Overall, real GDP increased by 4.6%, GDP per capita amounted to EUR 17,500.

The general government deficit decreased but remained relatively high at 6.1%. Public revenues benefitted from higher corporate and personal income tax as well as value-added tax. The government introduced sectoral windfall taxes. Public expenditure was impacted by the introduction of measures including various state subsidised retail and corporate loan programmes, a 15% pension increase and newly introduced family allowances. The public debt to GDP improved to 73.6%.

Inflation increased substantially due to higher energy and food prices. Regulated prices for energy and selected food items and a cap on fuel prices mitigated the price increase. Overall, average consumer prices rose by 14.5%. The Hungarian forint depreciated significantly against the euro and reached an all-time low of EUR/HUF 431 in October mainly due to the energy import-led deterioration of the foreign trade balance. The Hungarian National Bank increased its key policy rate ten times to 13% in 2022. The central bank also introduced a new one-day deposit facility, at year-end offering 18% interest payment. In addition, the upper end of the interest rate corridor was increased to 25%. Those central bank measures aimed at a reduction of the interbank liquidity and an increase of the effectiveness of the transmission mechanism.

Key economic indicators – Hungary	2019	2020	2021	2022e
Population (average, million)	9.8	9.8	9.8	9.7
GDP (nominal, EUR billion)	146.5	137.9	153.8	169.9
GDP/capita (in EUR thousand)	15.0	14.1	15.8	17.5
Real GDP growth	4.9	-4.5	7.1	4.6
Private consumption growth	4.5	-1.9	4.2	5.9
Exports (share of GDP)	63.2	64.3	67.1	73.4
Imports (share of GDP)	65.7	65.3	70.1	81.9
Unemployment (Eurostat definition)	3.3	4.1	4.1	3.6
Consumer price inflation (average)	3.4	3.3	5.1	14.5
Short term interest rate (3 months average)	0.2	0.7	1.4	10.0
EUR FX rate (average)	325.4	351.2	358.5	391.3
EUR FX rate (eop)	330.5	365.1	369.0	400.3
Current account balance (share of GDP)	-0.8	-1.1	-4.2	-7.8
General government balance (share of GDP)	-2.1	-7.8	-6.8	-6.1

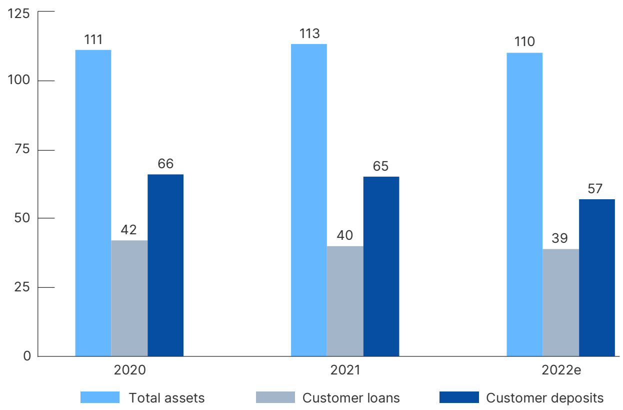
Source: Erste Group

Standard & Poor's affirmed Hungary's BBB sovereign rating, but revised the outlook from stable to negative. Moody's kept the country's long-term credit rating at Baa2 with a stable outlook. Fitch left the country's long-term credit rating unchanged at BBB with a stable outlook throughout the year.

Market review

Hungary's banking market performed well in 2022. Customer loans grew by 11.5%, mainly due to strong demand for corporate loans. Corporate loan growth amounted to 16.3%, driven by inventory building and working capital loans. The Széchenyi loan programme, a subsidised loan scheme for small companies, played an important role. At 6.3%, retail loans increased at a lower pace, mainly driven by housing loans. The demand for housing loans slowed down visibly due to rapidly rising interest rates. The baby-loan programme, which continued to be very popular, was extended until 31 December 2024. The government also extended its state guaranteed mortgage programme for families with children until 31 December 2024. Two other preferential loan programmes – the green home programme for new and highly energy-efficient residential real estate and another one for home renovation – were also very popular. The 5% preferential VAT rate for home construction was also extended until the end of 2024. The government extended the fixing of the reference interest rates for residential mortgage loans with floating interest rates until 30 June 2023 and extended the scope of the interest rate cap to non-interest-subsidized mortgage loan contracts with a 5 year interest period. This regulation limits the reference interest rate of qualifying mortgages at levels of 27 October 2021. The government also introduced an interest rate cap for SME loans for non-subsidized, forint-based credit to levels on 28 June 2022. The measure became effective on 15 November 2022 and runs until 30 June 2023. The government extended the moratoria on loan repayments for vulnerable borrowers until 31 December 2022. Corporate borrowers with a decline in revenue of at least 25% also remained eligible. In addition, a payment moratorium for agricultural enterprises was introduced between 1 September 2022 and 31 December 2023. Participation in the extended moratoria remained low, though. At 2.5%, customer deposits, mainly driven by corporate deposits, grew less than loans. Overall, the banking system's loan-to-deposit ratio stood at 68.0%.

Financial intermediation – Hungary (in % of GDP)

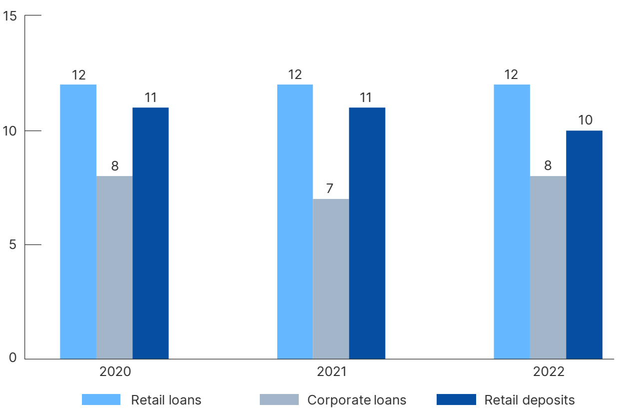


Source: National Bank of Hungary, Erste Group

The Hungarian banking sector remained profitable in 2022. Revenues were supported by rising interest rates, fee and commission income benefitted from asset management business. Administrative expenses remained under control, although the increase of personnel expenses was visible. Asset quality developed favourably, and risk costs were low. The profitability of the banking sector was impacted by one-offs such as loan moratoria and interest rate caps. Banks continued to pay banking and transaction taxes. In addition, a windfall tax was introduced for 2022 and 2023. For banks, the windfall tax was set at 10% of adjusted income in 2022 and 8% in 2023. Banks were also ordered to pay extraordinary additional fees into the National Deposit Insurance Fund due to the resolution of the local subsidiary of Sberbank Europe. The Hungarian National Bank increased the countercyclical capital buffer (for the first time since its introduction six years ago) to 0.5% from 1 July 2023. Overall, the banking sector's return on equity stood at 8.3%. The Hungarian banking sector continued to be well capitalised, with a capital adequacy ratio of around 18.2%.

The consolidation of the Hungarian banking market continued in 2022. Erste Bank Hungary has successfully integrated the clients and activities of Commerzbank's Hungarian subsidiary into its corporate business. The merger of Budapest Bank and MKB Bank was completed. This merger represents another milestone in the triple bank merger led by Hungarian Bank Holding which aims to be the second largest universal bank in Hungary by integrating Budapest Bank, MKB Bank and the Takarék Group.

Market shares – Hungary (in %)



Source: National Bank of Hungary, Erste Group

Erste Bank Hungary remained one of the major market players in the country. Erste Bank Hungary's market share in customer loans increased to 7%, with retail business remaining more dominant than corporate business. The customer deposit market share improved to 9%. Erste Bank Hungary significantly increased its market share in asset management to 22%. At 7%, Erste Bank Hungary's was the fifth-largest bank in the country in terms of total assets.

Business review 2022 – interview with Radován Jelasity, CEO of Erste Bank Hungary,

How did the competitive environment change?

The consolidation of the Hungarian banking market sped up. In December 2022, we successfully integrated Commerzbank's Hungarian subsidiary into our corporate business. As a result of the transaction, Erste Bank became Hungary's fifth-largest corporate lender. We are proud that during Erste Group's 25-year presence in Hungary, we have completed the 10th successful acquisition on the market, three of those during the last four years.

On 1 March 2022, the Single Resolution Board ordered the winding up of Sberbank Europe AG, the parent company of Sberbank Hungary. With the parent company declared insolvent, the Hungarian National Bank revoked the operating license of Sberbank Hungary and ordered its discontinuation. Sberbank Hungary's assets were acquired by MKB Bank. The creation of the new Hungarian Bankholding – by integrating Budapest Bank, MKB Bank and the Takarék Group – will substantially impact the future development of the Hungarian banking sector.

Which ESG related topics were most relevant for you?

Last year, we focused on the environmental issues of ESG. The aim was to increase our green lending and prepare the decarbonisation path of our portfolio. We made good progress. Our new green investments amounted to over EUR 80 million in the Commercial Real Estate segment only. In addition, we already have decarbonisation paths ready for more than half of our financed emissions to reach net zero in 2050, in particular for residential real estate, commercial estate and the energy sector, which together represent more than half of our bank's financed emissions.

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

George, Erste Group's digital banking platform introduced in Hungary in 2021, further strengthened our digital footprint, our end-to-end sales capabilities and servicing functionalities: 555 thousand customers, about two thirds of the retail clients, actively used George at the end of 2022. George outperforms the Hungarian competitors' digital solutions because of the wider range of Internet banking and mobile app functionalities as well as user experience features such as the Personal Finance Manager.

We are also very happy with the development of our wealth management. Supported by its segment-based, digital, data-driven approach, we extended our market share in mutual funds from 18% to 21% and security account penetration from 14% to 18%. In addition, 2022 brought a breakthrough in regular investment penetration. 5.7% of our total customers are also Erste Future customers, up from 3.5% last year.

A newly launched programme "We speak your language" promotes Erste Bank as the bank, communicating with customers in a clear, understandable and customer centric way. Erste Bank Hungary kept its high level of employee engagement score at 79%, maintained the high level of Customer Satisfaction Index (CXI) and retained its market leader position in micro and SME.

Looking back at the year, what major achievements or challenges were especially noteworthy?

In 2022, just after the pandemic crisis, we faced the war in Ukraine and related challenges like the high inflation. Supporting financial health became even more important, not only for our clients, but for our employees. Erste Group introduced an employee share programme that makes employees shareholders and enables them to directly benefit from the future economic success of Erste Group. Owing to this initiative Erste Bank Hungary was awarded the golden prize of HR KOMM Award in the category "Reward system based on employee life cycle". Supporting diversity also led to external acknowledgements, such as the Open Minded Companies Award and Diverse Workplace, 2nd place, by HR KOMM.

Financial review

in EUR million	2021	2022	Change
Net interest income	257.2	395.8	53.9%
Net fee and commission income	207.4	222.8	7.4%
Net trading result and gains/losses from financial instruments at FVPL	10.0	-72.5	n/a
Operating income	482.7	553.8	14.7%
Operating expenses	-230.7	-246.8	7.0%
Operating result	252.0	306.9	21.8%
Cost/income ratio	47.8%	44.6%	
Impairment result from financial instruments	-16.2	-18.4	14.0%
Other result	-56.9	-137.9	>100.0%
Net result attributable to owners of the parent	156.0	125.1	-19.9%
Return on allocated capital	13.0%	10.0%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 9.0% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased on the back of significantly higher interest rates supported by higher loan volumes and money market placements, despite the negative impact from modification losses related to the mortgage interest cap prolongation and the SME loans interest cap. Net fee and commission income rose on higher payment and securities fees. Net trading result and gains/losses from financial instruments at FVPL deteriorated due to by and large temporary valuation effects. Operating expenses went up on the back of higher personnel and IT costs as well as a substantially higher contribution into the deposit insurance fund of EUR 18.2 million (EUR 7.1 million). This increase was predominantly driven by the Sberbank Europe AG deposit insurance case. Overall operating result increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated on rating downgrades, update of parameters and impairments allocations related to the newly integrated Commerzbank portfolio. The worsening of the other result was predominantly driven by higher regulatory charges: the banking tax rose to EUR 65.0 million (EUR 15.0 million), it included the regular banking tax and a windfall profit tax of EUR 49.9 million. The transaction tax went up to EUR 59.1 million (EUR 47.9 million). The contribution to the resolution fund decreased to EUR 3.6 million (EUR 5.6 million). Consequently, the net result attributable to the owners of the parent declined.

Credit risk
Credit risk exposure in the Hungary segment rose to EUR 13.0 billion (+6.1%). This growth was mainly attributable to increased investments in the corporate business. Loans to customers grew to a lesser extent to EUR 5.9 billion (+12.7%). The share of the Hungary segment in Erste Group’s total loans to customers remained stable at 2.8%. While loans to private households decreased to EUR 2.8 billion (-6.5%), loans to corporates increased substantially and stood at EUR 3.0 billion (+39.5%). The acquisition of Commerzbank Hungary was a key driver for growth in this year. Non-performing loans as a percentage of total loans to customers decreased to 2.8% (3.7%). Loan loss provisions increased to 102.8% (92.4%) of non-performing loans.

Croatia

Economic review
Croatia was again one of the best performing economies in CEE in 2022. The country’s economic growth was broad based and similar to its peer countries, mainly driven by the excellent performance in the first half of the year. Booming exports, strong household consumption and the rebound of Croatia’s well-developed tourism were the main drivers of growth. Tourism, accounting for approximately one fifth of Croatia’s GDP, performed better than expected and almost returned to pre-Covid levels. Overnight stays increased by 28% compared to 2021. In addition, both public and private investments benefitted from European Union fund flows. External demand showed some weakening in the second half of the year. Croatia’s labour market remained very strong, and the unemployment rate declined to 6.8%. Overall, real GDP increased by 6.0%, and GDP per capita amounted to EUR 17,400.

Due to the economic growth and the phasing out of Covid support measures, the country’s general government deficit declined to 1.8% of GDP. On the revenue side, indirect tax grew significantly due to the robust economic performance and higher inflation. Direct taxes benefitted from rising employment and nominal wages. The government introduced anti-inflationary measures which amounted to EUR 2.8 billion. These measures included limits on electricity, gas and heating-related costs. The government continued the country’s green transition including renovation of buildings. In addition, waste and water management was improved by using available EU funds. A special one-off tax on companies’ windfall profits was introduced as a solidarity measure. Public debt as a percentage of GDP decreased significantly to 69.5%.

Despite being among the countries least dependent on Russian gas in CEE, Croatia’s inflation increased significantly. In November 2022, it reached 13.5% mainly due to rising energy and food prices and partly to some still existing supply chain disruptions. Average consumer prices increased by 10.7%, less than in many other CEE countries. The Croatian National Bank’s objective to preserve nominal exchange rate stability remained unchanged throughout the year. The Croatian kuna remained broadly stable against the euro trading close to the exchange rate mechanism parity throughout the year. As of 1 January 2023, Croatia became the 20th member of the eurozone and joined the Schengen area.

Rating agencies also acknowledged Croatia's euro adoption and raised their long-term credit ratings to investment grade. After the European Council's Economic and Financial Affairs Council approved Croatia's application to join the euro, all three major rating agencies upgraded their ratings in 2022. Fitch and Standard & Poor's raised Croatia's long-term credit rating to BBB+, Moody's to Baa2, all of them with a stable outlook.

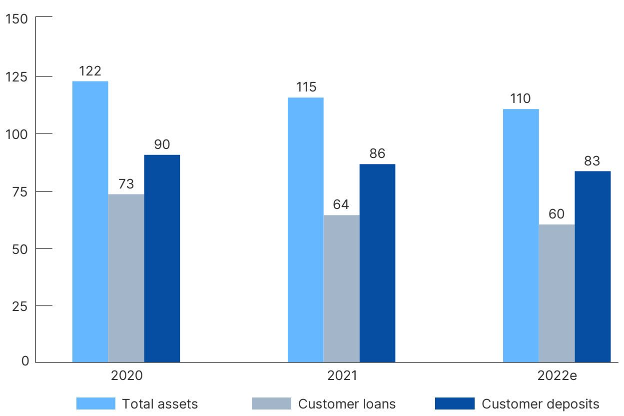
Key economic indicators – Croatia	2019	2020	2021	2022e
Population (average, million)	4.1	4.1	4.0	3.9
GDP (nominal, EUR billion)	54.8	50.5	58.2	67.4
GDP/capita (in EUR thousand)	13.4	12.4	14.4	17.4
Real GDP growth	3.4	-8.6	13.1	6.0
Private consumption growth	4.0	-5.1	9.9	5.8
Exports (share of GDP)	23.4	23.8	25.4	30.5
Imports (share of GDP)	42.6	41.4	45.0	56.8
Unemployment (Eurostat definition)	6.6	7.5	7.6	6.8
Consumer price inflation (average)	0.8	0.1	2.6	10.7
Short term interest rate (3 months average)	0.5	0.0	0.0	0.0
EUR FX rate (average)	7.4	7.5	7.5	7.5
EUR FX rate (eop)	7.4	7.6	7.5	7.5
Current account balance (share of GDP)	2.9	-0.5	1.8	-2.0
General government balance (share of GDP)	0.2	-7.3	-2.6	-1.8

Source: Erste Group

Market review

In 2022, the single most important development in the Croatian banking system was the preparation for the adaption of the euro. Financial institutions made major adjustments in their IT systems, and ATM networks and prepared for the imminent conversion of the local currency. In addition, clients converted their cash reserves denominated in kuna into euro. Starting with September 2022, dual-price listings started and are to remain mandatory throughout 2023.

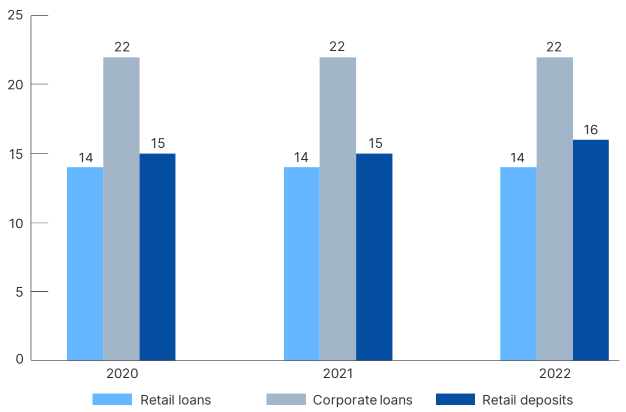
Financial intermediation – Croatia (in % of GDP)



Source: National Bank of Croatia, Erste Group

Reflecting the country's outstanding economic growth, the Croatian banking market grew dynamically in 2022. Consolidation of the banking sector continued with the state-owned Croatian Postal Bank (HPB) acquiring the local subsidiary of Sberbank Europe. Customer loans grew by 8.3%, mainly driven by corporate loans, which increased by 20.2%. Corporate loan volume picked up significantly following the strong demand after the Covid related impact. At 5.5%, retail loans grew significantly less. Demand for housing loans was substantially stronger than that of consumer loans. On the deposit side, growth was very strong ahead of the euro adoption. Customer deposits increased by 11.9%, thereof retail deposits grew by 9.7% and corporate deposits by 13.9%. The Croatian National Bank increased the countercyclical capital buffer by 50 basis points to 1.0% as of 1 January 2023. At year-end, the banking system's loan-to-deposit ratio stood at 71.8%.

Market shares – Croatia (in %)



Source: National Bank of Croatia, Erste Group

Profitability of the Croatian banking system increased mainly on rising revenues and low risk provisions. Revenues benefitted from rising interest margins and volume growth. Operating expenses remained under control, and the banking system's cost/income ratio stood at 52.5%. Non-performing loans as a percentage of total customer loans decreased to 3.0%, the coverage ratio stood at 67.0%. The Croatian government introduced a one-off windfall tax of 33% on the corporate sector. The tax is calculated on the arithmetic average of the historical tax bases for the years 2018 to 2021, increased by 20%. Banks had to pay their share in the last quarter of 2022. The capital adequacy ratio of the banking system remained robust at 24.6%. Overall, the country's banking sector achieved a return on equity of 8.2%.

Erste Bank Croatia remained among the three largest banks in the country. In terms of total assets, the bank had a market share of 18%. It continued to benefit from its very strong brand and the digital platform George which was introduced in 2020. In addition to George, the digital platform KEKS Pay reached more than 320,000 users, of which 75% were not customers of Erste Bank Croatia. The bank's customer loan and customer deposit market shares stood at 18.0% and 17.8%, respectively. The bank's market share in asset management stood at 16.7%. The bank's loan-to-deposit ratio amounted to 74.2%.

Business review 2022 – interview with Christoph Schöfböck, CEO of Erste Bank Croatia,

How did the competitive environment change?
After a prolonged period of gradual decline in interest rates, this trend turned in 2022, influenced by inflationary developments, consequences of monetary policy stance and global geopolitical developments. However, the benefits of the Croatian integration into the monetary union, such as the practical elimination of currency risk, have to some extent mitigated the increase in interest rates in Croatia, compared to some other European countries, especially non-euro ones.

Which ESG related topics were most relevant for you?
Being part of Erste Group, one of the largest providers of financial services in Central and Eastern Europe, Erste Bank Croatia benefits from a sustainable business model as a ground pillar of its operations. We have identified nine fundamental Sustainable Development Goals to which we want to contribute: No poverty (SDG 1), Good health and well-being (SDG 3), Quality education (SDG 4), Gender equality (SDG 5), Clean water and sanitation (SDG 6), Affordable and clean energy (SDG 7), Sustainable cities and communities (SDG 11), Responsible consumption and production (SDG 12) and Climate action (SDG 13).

Apart from an almost 20% market share in renewable energy financing and other green incentives, it is to be highlighted that, in cooperation with Erste Group, we have launched a financial health tool, designed to support our corporate clients in reaching an improved financial balance by giving them access to transparent and understandable information about their current financial situation. Last but not least, we have continued with our free-of-charge financial literacy programme, School of Smart Finance, with more than 11,500 attendees in total so far.

How did you manage to successfully differentiate your business activities from those of your competition?
We are satisfied with the results achieved in 2022 in all business segments, with special emphasis on the growth of total loans, a steady growth of deposits, the influx of new clients, continued leading customer satisfaction position on the market and the increase in the number of users of digital solutions, George online banking and KEKS Pay applications.

With further developments of these digital solutions, we reached one of our strategic goals: to be a leader in digital innovation. As such, we have further positioned our digital strategy as the trademark of the Erste brand in Croatia. The George online banking platform recorded a total of nearly 425 thousand users at the end of 2022, which is an increase of 24% compared to year-end 2021, and the KEKS Pay app recorded an increase of 37%.

Looking back at the year, what major achievements or challenges were especially noteworthy?
The final preparation of Croatia's entry into the European monetary union was certainly one of the most important events in 2022. Joining the eurozone will lead to further integration of the Croatian economy into the European financial and economic flows, positively increasing its competitiveness and attractiveness to investors, which will ultimately ensure further intensification of the process of convergence. At the same time, the demanding criteria that Croatia had to fulfil as part of the euro adoption process will positively contribute to the achievement of the basic objective – a high-quality and long-term sustainable position of the Croatian economy based on solid foundations.

When it comes to Erste Bank Croatia, we are glad that our solid operating and financial performance was awarded with two prestigious prizes. Firstly, our bank was chosen as the "Bank of the Year 2022" in Croatia by the renowned The Banker magazine. Furthermore, we won the award for the most successful bank in Croatia, sponsored by the Croatian Chamber of Commerce. Consequently, our main goal stays the same: to foster the prosperity of our employees, our clients and the entire Croatian society.

Financial review

in EUR million	2021	2022	Change
Net interest income	269.5	284.7	5.6%
Net fee and commission income	107.5	117.2	9.1%
Net trading result and gains/losses from financial instruments at FVPL	30.0	37.9	26.5%
Operating income	416.9	448.7	7.6%
Operating expenses	-217.8	-239.6	10.0%
Operating result	199.1	209.2	5.1%
Cost/income ratio	52.2%	53.4%	
Impairment result from financial instruments	-22.2	42.2	n/a
Other result	5.3	-27.0	n/a
Net result attributable to owners of the parent	103.7	120.4	16.1%
Return on allocated capital	14.1%	14.2%	

The segment analysis is done on a constant currency basis. The HRK remained largely stable against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased due to higher income from securities and lower refinancing costs, while the impact from loan growth was offset by the lower interest rate environment. Net fee and commission income went up mainly due to higher payment fees. Securities, documentary and insurance brokerage fees increased as well. Net trading result and gains/losses from financial instruments at FVPL improved driven by a higher result from foreign currency transactions. Operating expenses went up due to higher personnel and IT costs. Contribution into the deposit insurance fund rose to EUR 7.5 million (EUR 1.9 million). While the operating result improved, the cost/income ratio went up. The significant improvement of the impairment result from financial instruments was a consequence of releases due to rating upgrades and recoveries. Other result worsened mainly due to provisions for legal expenses and the higher resolution fund contribution of EUR 4.6 million (EUR 3.4 million). Overall, the net result attributable to the owners of the parent increased.

Credit risk

In the Croatia segment, credit risk exposure significantly rose to EUR 14.1 billion (+16.1%), while loans to customers increased by EUR 1 billion to EUR 8.6 billion (+13.0%). Customer loan volume as a percentage of Erste Group's total loans to customers increased moderately to 4.2% (4.1%). The change in the composition of the loan portfolio by business segments continued. The share of retail loans decreased to 41.7% (44.2%), while the share of corporate loans increased to 58.1% (55.6%). There are significant changes in the currencies of the portfolio. At year-end, loans denominated in Croatian kuna accounted for 31.0% (38.4%) of total loans to customers while loans denominated in euro sharply rose to 68.7%. Croatia joined the eurozone as of 1 January 2023. In line with the trend seen in recent years, loan quality improved further. The NPL ratio decreased to 3.6% (5.5%). The NPL coverage ratio based on loan loss provisions increased to 105.9% (102.5%).

Serbia

Economic review

Serbia's economic growth slowed in 2022. After a strong performance in the first half of the year, the impact of persistent high inflation on real disposable income and the slowdown of Serbia's main trading partners dampened economic growth. Exports contributed to growth only marginally due to the country's rising import needs driven by the energy crisis. Private consumption, on the other hand, maintained a supportive role in economic expansion, albeit at a slower pace in the second half of the year. Production benefitted from the continued strong performance of the services sector. Investments had a neutral contribution to growth due to high public investment in the previous year. Agricultural output was weak due to the very dry summer months. The country's unemployment rate decreased to 9.4%, but remained among the highest in Central and Eastern Europe. Overall, real GDP increased by 2.3%, and GDP per capita amounted to EUR 8,900.

General parliamentary elections were held in April 2022, a new government was formed in October. Serbia's general government deficit decreased to 3.1% of GDP mainly due to relatively low investment spending and strong revenues. High capital transfers to state owned enterprises and increased financing needs to gas and electricity imports, on the other hand, contributed to the deficit. The Serbian government introduced several decrees to mitigate the impacts of high inflation including caps on fuel, selected food items, and electricity and gas prices. Furthermore, the government banned the export of certain items, most notably fuel and natural gas. Public debt as a percentage of GDP decreased slightly to 55.1%.

Inflationary pressure intensified and stood at 15.1% in the last quarter of the year. Surging prices were due to some still existing supply chain constraints and higher energy and food prices. Overall, average consumer prices increased by 11.9%. The Serbian dinar was among the most stable currencies in CEE, trading around EUR/RSD 117 throughout the year. The National Bank of Serbia continued to tighten its monetary policy and raised its policy rate in nine steps from 1.0% to 5.0% in 2022. It also increased the average repo rate.

Key economic indicators – Serbia	2019	2020	2021	2022e
Population (average, million)	7.0	6.9	6.8	6.8
GDP (nominal, EUR billion)	46.0	46.8	53.3	60.7
GDP/capita (in EUR thousand)	6.6	6.8	7.8	8.9
Real GDP growth	4.3	-0.9	7.5	2.3
Private consumption growth	3.7	-1.9	7.8	3.8
Exports (share of GDP)	38.2	36.4	40.5	44.7
Imports (share of GDP)	51.9	49.0	53.6	62.4
Unemployment (Eurostat definition)	11.2	9.0	11.0	9.4
Consumer price inflation (average)	1.9	1.6	4.0	11.9
Short term interest rate (3 months average)	2.5	1.2	0.9	2.5
EUR FX rate (average)	117.9	117.6	117.6	117.5
EUR FX rate (eop)	117.6	117.6	117.6	117.3
Current account balance (share of GDP)	-6.9	-4.1	-4.2	-6.8
General government balance (share of GDP)	-0.2	-8.0	-4.1	-3.1

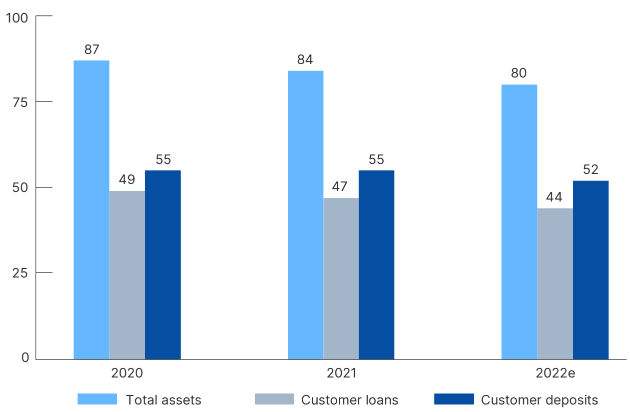
Source: Erste Group

Rating agencies affirmed Serbia's long-term credit ratings. Standard & Poor's left its rating at BB+ and maintained a positive outlook. Moody's kept the country's long-term credit rating at Ba2, Fitch at BB+, both with a stable outlook.

Market review

Serbia's banking market continued to perform well in 2022. Customer loan growth stood at 7.1% and was almost equally driven by corporate and retail lending. Corporate lending benefitted from the high demand for working capital and investment loans. Retail loans grew by 6.1% and were mainly driven by housing loans, while demand for consumer loans remained relatively subdued. At 7.0%, customer deposit growth was in line with that of customer loans, driven mainly by corporate business. Overall, the banking system's loan to deposit ratio remained almost unchanged and stood at 86.2%.

Financial intermediation – Serbia (in % of GDP)

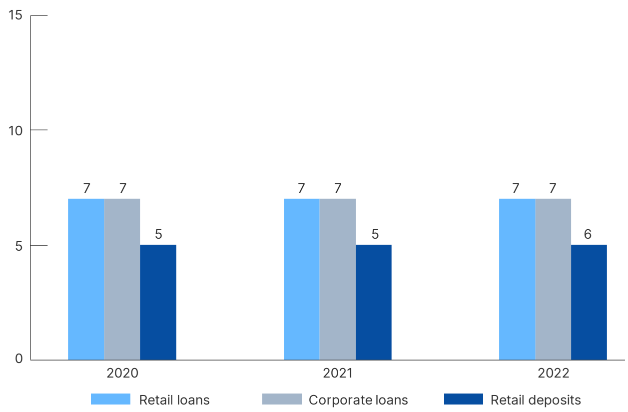


Source: National Bank of Serbia, Erste Group

Serbia's banking system continued to be profitable. Operating revenues were mainly driven by volume growth and rising interest rates. Operating expenses remained under control despite rising personnel expenses. The number of branches declined further. Digitalisation was boosted significantly due to the banks' continuous efforts to migrate customers to digital channels. Asset quality trends remained favourable, and risk costs were low. The National Bank of Serbia introduced a 6 to 12 months payment moratorium for agricultural producers as of October 2022. Eligible clients are allowed to submit their request until April 2023. The National Bank of Serbia did not change capital requirements throughout the year and kept the countercyclical buffer at 0%. The banking system's capital adequacy remained strong at 19.5%, its return on equity improved to 10.6%.

The Serbian banking market continued to consolidate, with significant changes among the top 10 players which now hold almost 90% of total assets. The Slovenian banking group Nova Ljubljanska Banka completed its merger with Serbian Komercijalna Banka. Raiffeisen acquired the Serbian subsidiary of Crédit Agricole and is expected to merge its two banks in the first half of 2023. AIK Banka acquired Sberbank's subsidiary in the resolution process.

Market shares – Serbia (in %)



Source: National Bank of Serbia, Erste Group

Erste Bank Serbia remained among the ten largest banks in the country. At 6.3% in terms of total assets, the bank further strengthened its market position. Its market share in customer loans was unchanged at 7.1%. At 7.2%, the bank's market share in retail loans was marginally higher than in corporate loans. The bank's customer deposit market share increased to 6.4%. The bank's euro denominated deposits significantly outgrew that of deposits in Serbian dinar. Overall, the bank's loan-to-deposit ratio stood at 98.1%.

Business review 2022 – interview with Jasna Terzić, CEO of Erste Bank Serbia

How did the competitive environment change?
Following two pandemic years filled with various challenges, 2022 threw in even more uncertainty with the disastrous effects of the Russian invasion of Ukraine. After the war started, the Serbian market faced domestic currency liquidity issues. High interest rates paid for deposits denominated in dinar were challenging throughout the year. However, at the end of the year, we saw a stabilisation. Rising inflation and higher interest rates (the key policy rate was increased from 1% to 5%) led to a change in customer behaviour. That impacted loan demand, fixed interest rates became popular again as well as term savings. Last but not least, we saw, in general, overall credit standards tightening.

Owing to the consolidation on the market competition increased, but this development should support more rational behaviour in terms of pricing and marketing of banking products.

Which ESG related topics were most relevant for you?
Last year was extremely dynamic in terms of ESG. We established a manual for green investment reporting, introduced a green asset check tool for screening deals related to renewable energy and cooperated with consultants for screening real estate.

For the first time KPIs for ESG were implemented for the local management board. We are recognising the significance of the ESG topics, so we have put a focus on governance and responsibility and hired an expert to oversee this matter.

The most relevant ESG topics in retail were related to the promotion of energy efficiency and energy crisis loans as well as social banking activities. We are strategically committed to preserving the environment, and in cooperation with EBRD, we financed procuring and installing energy-efficient technologies for households. We are one of three banks in Serbia that offers these loans. Currently, we are in the final stage of loans for financing housing associations for the purchase of energy-efficient equipment and materials. We will be a pioneer in this field as the first bank giving financial support to housing communities.

Overall, ESG is still low on the agenda in Serbia and not widely recognised. We regard this as an opportunity to position ourselves as a leading advisor for ESG in the years to come.

How did you manage to successfully differentiate your business activities from those of your competition?
We managed to improve our customer satisfaction position, moving to the first place. We have introduced and applied a new segmentation for customers which enables us to even better understand our clients' needs and future goals, and based on that to offer suitable customised solutions.

Improvements in the card business help us stay competitive. We have expanded the self-service zones and increased the ATM network. We are known in the market for our focus on our clients and their needs, trying to provide solutions for their financial problems and not just selling products.

Looking back at the year, what major achievements or challenges were especially noteworthy?
We successfully continued to grow as a lender to both retail and corporate customers. Our loan-to-deposit ratio stood at 98% due to stronger growth of customer deposits by more than 9%.

Our efforts have been duly recognised, resulting in several noteworthy achievements. To name a few, the Association of Economic Journalists of Serbia (UEPS) awarded a bronze medal in the financial sector and services category for the campaign "Our Heroines". VISA recognised Erste Bank for exceptional growth and overachieved targets, and we won the award as the second most gender-sensitive company in Serbia, awarded by the Association of Business women in Serbia.

Financial review

in EUR million	2021	2022	Change
Net interest income	72.8	83.0	13.9%
Net fee and commission income	20.2	23.0	14.1%
Net trading result and gains/losses from financial instruments at FVPL	4.7	5.6	19.3%
Operating income	97.9	111.9	14.4%
Operating expenses	-65.4	-74.4	13.7%
Operating result	32.4	37.5	15.8%
Cost/income ratio	66.9%	66.5%	
Impairment result from financial instruments	-8.2	-20.0	>100.0%
Other result	-5.8	-2.9	-50.3%
Net result attributable to owners of the parent	13.9	11.2	-18.9%
Return on allocated capital	6.7%	4.7%	

The segment analysis is done on a constant currency basis. The Serbian Dinar (RSD) remained largely stable against the EUR in the reporting period. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased due to higher loan volumes and market interest rates. Net fee and commission income went up on higher payment fees. The net trading result and gains/losses from financial instruments at FVPL improved driven by a higher result from foreign currency transactions. Operating expenses rose mainly due to higher personnel, IT as well as legal and consultancy costs. The deposit insurance contribution rose to EUR 4.8 million (EUR 4.3 million). Overall, operating result increased, and the cost/income ratio improved. Impairment result from financial instruments worsened on rating downgrades and parameters update in corporate business. Other result improved mainly due to lower 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 significantly and stood at EUR 3.6 billion (+23.6%). The customer loan portfolio recorded an upward trend as well. Loans to customers increased to EUR 2.1 billion (+9.0%), whereas retail loans grew at a slower pace than corporate loans. Non-performing loans stood at 2.4% (2.1%) of total loans to customers. Loan loss provisions slightly declined to 119.8% (124.4%) of non-performing loans.

(Consolidated) non-financial report

Table of contents

ABOUT THIS REPORT

Erste Group has decided to prepare its non-financial statement as a separate non-financial report (option pursuant to section 267a para 6 / section 243b para 6 of the Austrian Commercial Code; UGB) and to combine the non-financial report for Erste Group Bank with the consolidated non-financial report for the group. The scope of consolidation is shown in Note 46 of the 2022 consolidated financial statements. As a matter of principle, information in this report relates to entities in the said scope of consolidation. Where this is not the case, this is indicated in the text.

We report annually about our strategy, goals, achievements, opportunities and risks in the area of sustainability in conformity with GRI Standards 2021 and follow the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). The information below covers the reporting period from 1 January to 31 December 2022.

Group ESG Office has drawn up this report and compiled information and data from all group divisions and units. The report was completed by the management board as of the date of its execution and will be reviewed by the Supervisory Board prior to publication. As commissioned by the Supervisory Board's Audit Committee, PwC Wirtschaftsprüfung GmbH, one of the two external accountants tasked with auditing Erste Group Bank AG's single-entity financial and consolidated financial statements for the 2022 fiscal year, conducted a limited assurance engagement in accordance with ISAE 3000; the report provided is released on 31 March 2023.

1. Sustainability at Erste Group

The foundation of Erste Group is its belief in people, their ideas and plans for the future, their skills and potential for personal development as well as a promise to disseminate and secure prosperity throughout the region.

"No age, no gender, no social class, or nationality shall be excluded from the benefits that Spar-Casse offers every depositor." This excerpt from the founding charter of 1819 summarises the underlying idea that applies today as it did back then.

1.1 ESG STRATEGY

GRI 2-22, 2-24, 2-29

Our promise to key stakeholders

For us, it is important that our sustainability efforts are perceived as a clear promise of value to our most important stakeholder groups and that these efforts meet their expectations.

Our goal is to secure our **customers'** prosperity through our advisory and sustainable financial products. The products are developed and promoted with due care in terms of accessibility, security, transparency and responsibility for the environment. Erste Group guarantees data protection and security in all relevant services.

We want our **employees** to benefit from our services and participate in the company's success, which has been achieved through sustainable and efficient service to our customers. We care about the development of talents, a work-life balance and proper working conditions and will not tolerate any discrimination.

To ensure that our **shareholders** receive a reasonable and, in the long run, sustainable return, we pursue an inclusive growth strategy and ensure resilient company value. We build our sustainable growth and our resilience on the long-term success of our customers and on the support of their transition to a resource-efficient and emission-free business model.

"Sustainability and growth are no contradiction"

Willi Cernko, CEO

We firmly believe that Erste Group's economic success in our region can be sustainable only if the green transition is successful and social justice is advanced. These two dimensions of the long-term prosperity of the region are perfectly aligned with the significance and historical role of Erste Group.

We strive to be a role model and a leader in the **green transition** by mobilising resources for climate action, investment in the preservation of clean water and the transition to a circular economy. We believe that the green transition will be an opportunity for people in the CEE region. We also believe in a fair transition for all and therefore help our customers to secure their personal prosperity. The bank's efforts towards **inclusiveness in society** are as relevant today as they were 200 years ago. The social cohesion of our societies creates a strong and reliable basis for a well-functioning socio-economic environment that will bring prosperity to many. We therefore launch effective initiatives to promote financial inclusion, social banking, financial education, affordable housing and gender equality.

These are, therefore, our **strategic priorities** in the pursuit of sustainability:

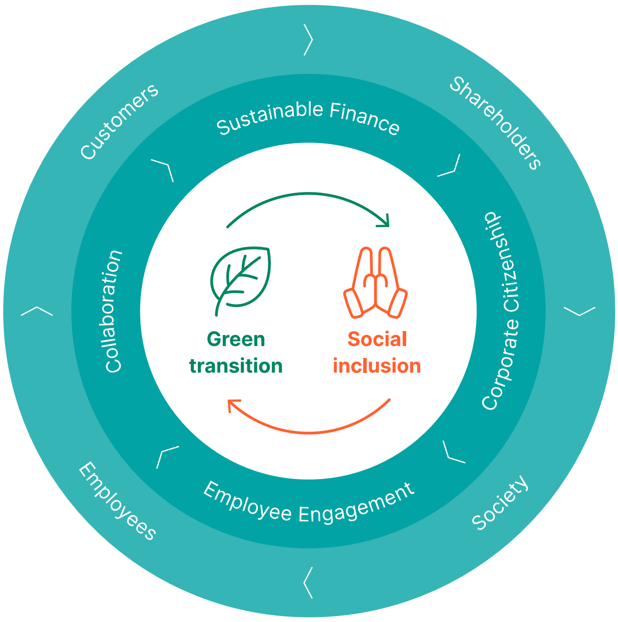
Green transition – leading finance company

_ Strengthening our leading position in green finance in CEE and the region to secure growth opportunities for the future.
_ Creating the foundations for achieving climate neutrality of our portfolio by 2050 – our contribution to climate protection and at the same time the prerequisite and basis of the long-term resilience of our customers and our investments.
_ Being a role model for effective climate action: climate neutrality of our banking operations by 2023.

Social inclusion – social cohesion through integration

_ Promoting financial inclusion through our social banking activities, thereby strengthening social cohesion and a civil society.
_ Helping our customers and the younger generation to gain financial health and a financial education.
_ Investing in affordable housing and contributing to the well-being of the lower-middle class, including in particular young professionals, young families and civil servants.
_ Promoting gender diversity as a significant element of a healthy corporate culture.

We take this responsibility very seriously. To secure long-term survival and create value for customers, investors, employees and society as a whole, it is our responsibility in managing the bank to resolve conflicting targets such as profitability and the environmental and social impacts of our activities in a positive manner and to take advantage of the enormous opportunities that arise in these times of transformation and change.



Baselines of our sustainability strategy

Green transition

Our long-term strategic considerations regarding the financial resilience of Erste Group's business model while taking into account sustainability-related risks are based on a comprehensive analysis of climate-induced challenges and the legislative and economic impacts of climate change in our region ("Climate Change House View"). The European Climate Law, the EU's Green Deal and the Fit for 55 Package form the setting for future changes in EU strategy and legislation. All countries of the region will have to align with these European goals, manage their impact on their economies and adapt their investment and consumer expectations.

The investment need is enormous:

Climate Action
€ 459 bn

Needed to achieve EU targets on energy saving, green energy ambitions (32%), emission reduction (40%).

Key investment areas
- Energy grid
- Renewable energy sources
- Building renovations
- Changing heating appliances
- Electrification of railways

Source: National Energy and Climate Plans 2019

Clean Water
€ 12 bn

Needed to comply with Urban Waste Water Treatment Directive requirements.

Key investment areas
- Urban waste water collection systems
- Water treatment plants
- Sewerage sludge processing (energy and biogas recuperation, fertilizer production)
- Rainwater capture and reuse infrastructure

Source: EU 10th technical assessment on Urban Waste Water Treatment Directive implementation 2018.

Recycling
€ 2.8 bn

Needed to achieve targets of EU Waste Framework Directive. Further investments assumed to meet tightening landfill and waste separation quotas 2025-2030.

Key investment areas
- Separated waste collection
- Material recovery and reprocessing plants
- Energy recuperation
- Biowaste treatment

Source: EUMONIA Study on investment needs in the waste sector and on the financing of municipal waste management in Member States 2019

An essential portion of these funds will be provided by the EU or local sovereign funds as shown in the national recovery and resilience plans and national energy and climate plans. Until 2030, however, public funds will need to be supplemented by the private sector in an expected amount of approximately EUR 30 billion per year. In this effort, Erste Group is seeking to play a leading role.

Social inclusion

Since the last financial crisis, the risk of poverty and social exclusion has been declining in all of our markets, but there is persistently high and little improvement in working poverty (as many people work for minimal wages, partly compensated by income from the shadow economy). The rise in the cost of living across the region has also had an adverse impact on satisfaction with living standards. A low supply of new affordable housing and the near absence of a social housing sector is leading to substantial overcrowding in CE, as many young people cannot afford to move out of their parents' homes. As property prices have risen over the past decade, not only the young and those on low incomes are barely able to afford to buy homes in larger cities, but even the middle class. Energy poverty (inability to pay for fuel), which still affects some 10% of the population, underlines the strong need for energy efficiency action and refurbishment of old buildings.

Concrete measurable targets

Our short and medium-term targets are derived from these analyses:

Leading the **green transition** in the region and strengthening **social cohesion** through inclusivity. These are our goals!

€ 1 bn Social Banking
financing till 2030

200,000 jobs
created or preserved through Social Banking by 2030

15,000 affordable housing units
to be established till 2030

25% of corporate book as green investments
in 2026

15% share of green housing mortgages
in 2027

17 Ecolabel funds
offered to our clients by 2023 to promote investment opportunities

2050 Net Zero Portfolio
interim targets established in 2022 for at least 50% of financed emissions

2030 Net Zero Operations

Climate Neutral Operations
by end of 2023

90% green electricity
by 2023

40% share of women
in other management positions (B-2 & B-3) by 2025

37% share of women in top management
(Board & B-1) by 2025

Our path to net zero

As member of the **Net-Zero Banking Alliance**, Erste Group firmly believes that decarbonisation is possible and necessary. Erste Group is convinced that the development of a forward-looking strategy leading towards net zero will not only produce important insights into the future development of the market and visibility of emerging risks but will also create opportunities. This knowledge allows us to be one step ahead and it will support growth and resilience in the future.

As planned, we have set ambitious milestones for this path in early 2023. We have designed the planning process in such a way that we have been able to develop plausible targets that are based on science and are endorsed by the management across all of our markets.

Based on the calculation of financed CO_2e emissions for each portfolio (see chapter 2.2 "Limiting financing in high-emission sectors"), we have defined sectors such as energy, retail mortgage lending and commercial real estate as priority areas. These sectors account for around 50% of our financed Scope 1+2 CO_2e emissions and, against the backdrop of available technologies, regulatory standards and market experience, offer good potential for emission reductions.

Target identification and forecasts rely on existing and projected customer data, scientific scenarios and data from the International Energy Agency. The results have been used as inputs in our strategic financial planning.

Sector	Target
Housing Mortgages	1.75 °C*
Commercial Real Estate	1.75 °C*
Electricity production	1.50 °C*
Heat production	1.75 °C*

*aligned Scenario

Cement	planned for 2024
Auto manufacturing	planned for 2024
Oil & Gas	planned for 2024
Steel	planned for 2024
Agriculture	planned
Coal	not planned: phase-out by 2030
Aluminium	not planned: not material

1.2 GOVERNANCE

GRI 2-5, 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-15, 2-17, 2-18, 2-19, 2-20, 2-21

Erste Group is committed to responsible and transparent corporate governance and, since 2003, to applying the rules of the Austrian Code of Corporate Governance (Austrian CCG). The principles of the corporate constitution, the selection, collaboration and composition of its management bodies are described in detail in the (consolidated) corporate governance report.

Integrated sustainability governance

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. It describes the company's values and goals in concrete terms and lays down the corporate strategy with due regard to sustainability aspects and the associated opportunities and risks in respect of the environment, social concerns and corporate governance. It defines the sustainability strategy and is responsible for the ESG framework, priorities and goals. In addition, it ensures implementation of the sustainability strategy by allocating adequate resources and controls and is periodically informed on the current status and milestones achieved. These tasks are implemented through the **Group Sustainability Board**, an integrated sub-committee of the management board. In 2022, these bodies were briefed nine times by means of presentations held by the Group ESG Office on climate- and environment-related matters.

Group ESG Office, which reports to the CEO, promotes Erste Group's sustainability strategy and acts as the main advisor to the management board on ESG strategy, targets and priorities. It develops key ESG policies, secures in-house expertise on climate, environmental, social and governance objectives, defines the ESG governance framework and financing rules and selectively intervenes in single transactions. In addition, it ensures transparency on Erste Group's sustainability impact and works with investors, ESG rating agencies, NGOs and regulatory and public bodies. It facilitates co-ordination with local ESG Offices. The ESG Office manages cross-divisional and group-wide co-ordinating bodies, the ESG Core Team and the Group Sustainable Finance Committee.

The **ESG Core Team** is a collaboration platform on which senior managers from various areas – business, finance, risk management, data management and other support functions – work together to develop ESG objectives and initiatives. It agrees and co-ordinates initiatives, timelines and other matters for implementation by the relevant internal stakeholders. Meetings are held bi-weekly.

The main task of the **Group Sustainable Finance Committee** is the co-ordinated development of fundamental ESG methods for steering instruments such as portfolio limits, pricing and the ESG Factor Heatmap (graphical representation of ESG risk factors by industry segment). The Committee is chaired by Erste Group's Sustainability Officer, who is supported by senior risk and business unit managers with voting rights. The Committee is responsible for Erste Group's Sustainable Finance Framework, group-wide criteria for the classification of sustainable assets, asset allocation and reporting obligations. The committee's recommendations are submitted to the relevant decision makers for adoption within the usual governance structures. The committee is organised by the Group ESG Office and convenes on demand. In 2022, ten meetings were held on topics including selection criteria for green assets for financing purposes and changes in the calculation of financed emissions.

The **supervisory board's** core duties include approving the management board's fundamental decisions on strategy and hence also the sustainability strategy and the ESG framework. The supervisory board oversees their implementation. In 2022, the supervisory board set up its own **Strategy and Sustainability Committee** for this purpose; its activities are described in the (consolidated) corporate governance report. Reviewing the (consolidated) non-financial report prepared by the management board is the responsibility of the **Audit Committee**. In 2022, these bodies were briefed on climate- and environment-related matters eleven times in presentations by the Group ESG Office. In addition, two scientific lectures were organised for the supervisory board on the economic impact of climate change and the relevance of ESG aspects for our customers in our core markets. These presentations were also attended by Erste Group's management board.

Risk management

These bodies are hence also tasked with monitoring and managing the environmental risks arising from Erste Group's operations, i.e. essentially financed emissions (see chapter 2.2 "Limiting financing in high-emission sectors"). How Erste Group identifies and mitigates climate-related risks as part of its risk management is described in detail in the consolidated financial reports, Notes 32 and 36. This also comprises the materiality assessment, the application of quantification methods and the resulting duties of care.

Sustainability-related remuneration

Erste Group Bank AG is committed to effective and sustainable shareholder engagement on the topic of pay (Say on Pay). Pursuant to the Austrian Stock Corporation Act (AktG), we invite the annual general meeting to take a non-binding vote on the remuneration policy for the management board and the supervisory board as well as on any significant change in this policy at least every four years.

The 2021 annual general meeting approved the remuneration policy for the Management Board and the Supervisory Board with a vote of 99.08%. The remuneration report for 2021 was adopted by the 2022 annual general meeting with a vote of 91.31%.

The remuneration policy for the management board is consistent with the strategy of Erste Group and is designed to motivate management board members to promote a sustainable and positive development of the company. The remuneration of management board members of Erste Group Bank AG consists of two components: fixed and variable remuneration.

Fixed remuneration is granted regardless of performance and comprises the basic salary as well as contributions to the company's pension scheme (pension fund), insurance benefits and other benefits in kind. It is based on each board member's respective area of responsibility, taking into account the strategic and operational scope of their duties. Variable remuneration is always performance-linked. Variable remuneration is granted and paid on the basis of specific, measurable performance criteria that are aligned with Erste Group Bank AG's business strategy and long-term development. Both group and single-entity level targets and individual targets are taken into account. When defined minimum performance criteria are not met, variable remuneration is not granted or paid out. Variable remuneration is partly paid out upfront and partly as deferred remuneration, spread out over several years. This way, variable remuneration is strongly aligned with shareholder interests and a long-term view. Group performance is measured at group level based on the annual weighted achievement of performance targets. At least half of the up-front and deferred remuneration is settled in the form of a non-cash instrument, the other portion is paid out in cash. It is awarded in the year following the performance period.

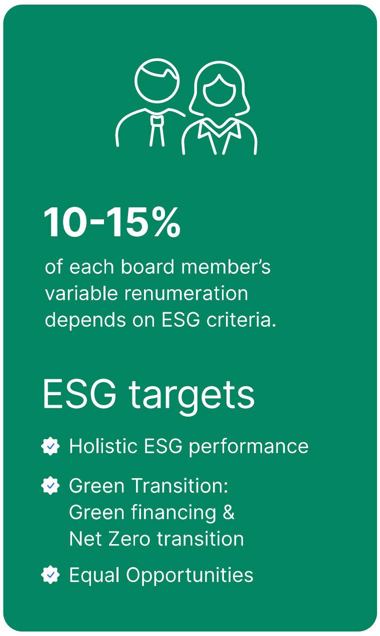
The remuneration policy also includes malus and clawback provisions in accordance with EBA guidelines.

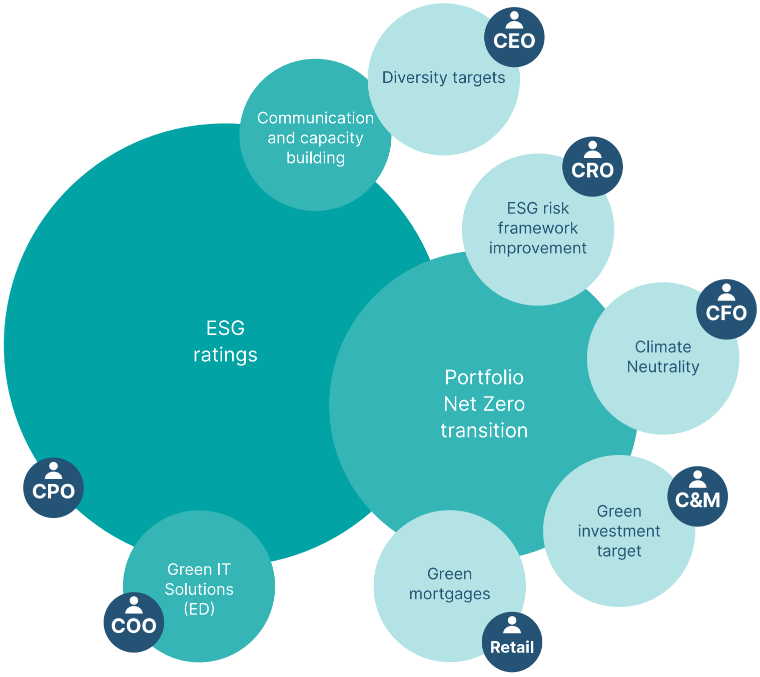
Remuneration of board members

Type/ component	Elements	Method of payments	Feature
Fixed remuneration			
Base Salary		Cash	- consideration of the area of responsibility of the respective board member - promoting cooperation with the board
Other remuneration	Pension fund	Assumption of contributions by the company	- defined contribution pension plan via an external pension fund - severance fund (Mitarbeitervorsorgekasse)
	Insurances	Assumption of contributions by the company	- risk insurance against occupational disability and in case of death - risk accident insurance
	Benefits in kind	Various	- any annual leave payments - possible one-time sign-on - benefits in kind, e.g. company car incl. driver and parking space, employee shares
Variable remuneration			
Upfront remuneration (40%)	Upfront cash payments (50% of the upfront part)	Cash payment in the subsequent fiscal year	- alignment with the fulfilment of certain comprehensible performance criteria aligned with business strategy and long-term development of Erste Group - consideration of goals on group or individual institute level as well as consideration of individual goals
	Upfront non-cash component	Share-based settlement in the second following fiscal year (1-year holding period)	
Deferrals (60%)	Deferral cash payments (50% of deferrals)	Cash payment from the third following fiscal year in 3 annual tranches	
	Deferral non-cash component (50% of deferral)	Share-based settlement after expiry of the deferral period and the holding period	

The key criterion determining the variable remuneration of management board members is the overall financial performance of Erste Group.

In 2022, the ESG targets of the management board members were as follows:





Each area corresponds to 5% of the variable remuneration

The remuneration of management board members is set by the supervisory board. Remuneration consultants are not involved in determining remuneration. Leadership performance is assessed by the supervisory board annually, taking into account non-financial performance goals including specifically criteria concerning sustainable corporate governance and corporate social responsibility (ESG criteria) of Erste Group Bank AG. The supervisory board of Erste Group Bank AG has set up an independent Remuneration Committee pursuant to legal requirements, which prepares the supervisory board's resolutions on remuneration. For further details on the remuneration governance process, please see the chapter on "Procedure" in the remuneration policy of Erste Group Bank AG. The work of the Remuneration Committee in 2022 is described in the section on Supervisory Board Committees and their decision-making powers in the (consolidated) corporate governance report.

By resolution dated 24 May 2018, the annual general meeting granted the supervisory board members an annual remuneration for the fiscal year 2017 and subsequent years (unless otherwise decided by a future annual general meeting) as follows: in accordance with this resolution, the chair of the supervisory board will receive a remuneration of EUR 150,000, the first vice chair EUR 90,000, the second vice chair EUR 80,000 and ordinary members of the supervisory board EUR 60,000 each. Chairs of the Risk, Audit and IT Committees will each receive additional remuneration of EUR 10,000, chairs of the Remuneration and Nomination Committees EUR 5,000. Supervisory board members delegated by the employees' council receive neither remuneration nor attendance fees.

Annual remuneration ratio

Erste Group shows the income distribution within the company by comparing the annual fixed remuneration of the highest-paid employee with the median annual fixed remuneration of all employees in Austria, the Czech Republic, Slovakia, Hungary, Romania, Croatia, Serbia and all other countries in which Erste Group has subsidiaries. All salaries are calculated as annual salaries on the basis of full-time equivalents. The remuneration ratio for the 2022 fiscal year is 36.8.

It is calculated by means of the following formula. Annual fixed remuneration of the highest-paid employee of Erste Group (CEO) divided by the median annual fixed remuneration of all employees of the organisation with the exception of the highest-paid person.

Limitations. The only partial availability of data in a number of entities in Romania, Hungary, Slovenia, Croatia, Montenegro, North Macedonia and Moldova reduced overall population size, as a result of which the ratio shown is not representative of the entire Erste Group.

In addition, the salary differences among the European markets in which we operate are substantial, which has an impact on the median calculated.

1.3 STAKEHOLDER ENGAGEMENT

GRI 2-29

It is important to us to engage in an open dialogue with our stakeholders. This is what is required by our Code of Conduct and this is what we do. A few examples:

_ Our customer relationship managers are in continuous personal contact with our **customers** – in advisory sessions, at events and seminars. We also receive feedback through our customer experience programme. For details, see Customer Satisfaction and Ethical Conduct/Complaints Management.
_ In addition to periodic employee and feedback talks as part of our talent management programme, our **employees** have manifold opportunities for participation, ranging from institutionalised upward feedback for managers to a major crowdsourcing project on corporate culture and values conducted in the past year, which, in a digital, dynamic approach, invited all employees to contribute their views, review and assess colleagues' contributions and express their perspectives on the future. Employees' representation is in conformity with the respective local laws and represents employees' interests vis-à-vis the employer. For details, see chapter 3 "Our Employees".
_ We communicate with **investors** and **analysts** by means of investor presentations and webcasts, at road shows and conferences.
_ We conduct a permanent, pro-active dialogue with national and European **supervisory and regulatory authorities**. Working with the European Central Bank, we successfully concluded a thematic review on climate and environmental risks in 2022.
_ We conduct content-driven debates with **academic institutions** as well as **environmental and social NGOs** (non-government organisations). Here, the focus is on climate change, physical risks and other key social concerns.

1.4 MATERIAL TOPICS

GRI 3-1, 3-2

Our report on Erste Group's contribution to sustainable development focuses on the most significant impacts that the business activities of Erste Group have on the economy, the environment and people and how sustainability themes impact its operations (risks & opportunities). For this purpose we identified and assessed actual and potential impacts and selected the most material topics for reporting ("material topics").

Identification of material topics

Impact analysis

The identification and assessment of actual and potential negative and positive impacts that Erste Group's business activities have on the economy, the environment and people was comprehensively updated in 2021. For this purpose, the ESG Office organised a survey among its in-house and external experts and consulted with institutional investors of Erste Group.

In 2022, we conducted a critical review of the results in light of current developments such as geopolitical tensions, volatile energy markets and supply, new scientific findings on the impacts of climate change, including the Sixth Assessment Report of the IPCC (Intergovernmental Panel on Climate Change), and observable climate phenomena and came to the conclusion that our assessment continues to be valid. This was taken note of by the Audit Committee.

Materiality analysis

In 2021, we conducted telephone surveys among customers and online surveys among employees, investors, NGOs, academics and supervisory board members to prioritise material topics for reporting purposes. Overall, participants included 1,524 employees and 1,639 customers from Erste Group's seven core markets as well as 60 representatives of investors and NGOs, academics and supervisory board members. The topics were subsequently ranked on this basis. We report on the 12 most material topics.

For the reporting year 2022, we re-evaluated the weighting of topics against the backdrop of the climate crisis and in this report have therefore placed the focus on environmental themes.

Material topics & classification in the report

The table below shows the final material topics that resulted from the materiality analysis.

Material topics	Chapter in the report
Sustainability criteria in financing and investment	2. Climate and environment
Limit financing of high emission sectors	
Ecological impact of banking operations	
Diversity and equal opportunity	3. Our employees
Employee health & work-life balance	
Talent attraction	
Customer satisfaction	4. Our customers
Data security	
Access to banking products for the socially excluded	5. Our social responsibility
Financial literacy	
Ethical conduct of employees in banking operations	6. Business ethics
Anti-corruption measures	

GRI 3-2

2. Climate and environment

Climate change has undoubtedly become the most prominent challenge we need to face in order to secure a future worth living in our region of the world. We are committed to the Paris Agreement and prepared to make a contribution towards limiting global warming to 1.5 degrees. As a financial service provider, Erste Group's focus is not only on transforming its own operations, but above all on the effects climate change has on our investment and finance activities.

To be able to meet this challenge, we aim for a net zero portfolio by 2050, following clear-cut sustainability criteria for investment and finance. A key focal point in this context are high-emission sectors. We regard the EU Taxonomy Regulation as an opportunity and strive to increase our investment in sustainable business activities. Last, but not least, we are also taking the necessary measures in our own business activities, aiming to make our banking operations climate neutral by the end of 2023.

2.1 SUSTAINABLE FINANCE AND INVESTMENT

GRI 3-3

Supporting the transition of our customers' activities and investments towards net zero emissions is the most effective way in which we can have a positive impact on sustainable transformation in our region. This is why our sustainability strategy (see chapter 1.1 "ESG Strategy") sets out a strategic priority in this respect, which is to strengthen our leading position in sustainable finance in the CEE region to ensure growth for the future.

Risks / impact

As our in-depth analysis of climate-related challenges and of the legislative and economic effects of climate change in our region (Climate Change House View) has revealed, finance for, and investment in, businesses exposed to physical and transitional climate risks present a major exposure for our core business in the medium to long term. It is above all in customer investment and advisory processes that we would also have to face consequences should products advertised as "sustainable" not stand up to regulatory scrutiny. Such "greenwashing" would entail fines as well as reputational damage.

Another aspect is the potential for adverse impacts on the environment and on society resulting from financing for, or investment in, businesses whose operations are harmful to the environment and that fail to respect fundamental human rights or the principles of good governance. By contrast, setting out sustainability criteria will ensure that we avoid relationships with businesses that have adverse impacts on sustainability, with funds being directed instead to businesses and activities that make a contribution towards transformation.

Opportunities

The transition towards a sustainable economy requires massive investment. This holds business opportunities for Erste Group, provided we are able to offer the requisite expertise along with customised products. Given the plethora of funding programmes available and the advanced technical standards for sustainable economic activities defined in the EU taxonomy, our customers need advice tailored to their specific needs. Demand for sustainable investment products – by businesses, institutional investors and private individuals – keeps growing. Taking advantage of this trend, we can secure new sources of income while at the same time making a valuable contribution towards a sustainable future.

Targets

Erste Group has set itself two targets: reducing financed emissions along the net zero pathway (see chapter 2.1 "Sustainable Finance and Investment"), and significantly increasing the share of sustainable finance and investment over the short and medium term:

						Targets			
		Baseline		Actual		short term		mid term	
	Metric	Year	Value	Year	Value	Year	Target	Year	Target
Corporate banking	% of credit exposure	-	-	-	-	-	-	2026	25%
Retail housing	% of credit exposure	-	-	-	-	-	-	2027	15%
Ecolabel funds	# of funds offered	2021	11	2022	16	2023	17		

The proportion of sustainable lending to businesses is set to reach 25% by 2026, supporting our pathway towards net zero emissions. In the retail segment, we aim to attain a share of 15% of mortgage loans serving to finance sustainable buildings and structures by 2027. The range of sustainable investment funds ("Article 9 funds" under the EU's Sustainable Finance Disclosure Regulation) will be expanded in 2023 and beyond.

Our sustainable financing activities take guidance from the criteria set out in the EU taxonomy. In addition, we have defined clear rules as to which sectors or projects we will abstain from financing for ethical reasons.

Governance / responsibility

Responsibility for reaching the targeted "sustainable" proportion in our retail mortgage loan portfolio lies with the Chief Retail Officer. Responsibility for reaching the corresponding targets in our corporate customer and investment portfolios lies with the Chief Corporates and Markets Officer. Our financing targets have been broken down to the level of individual business segments and geographical regions, both for corporates and retail customers.

Measures and key performance indicators

	Austria	Hungary	Czech Republic	Slovakia	Romania	Croatia	Serbia
Increase share of renewable energy project and high quality real estate financing	●	●	●	●	●	●	
Support corporate client transition by offering sustainability linked loans	●						
Increase retail mortgage financing with high EPC labels	●	●	●	●	●	●	
Raise marketing budgets for ESG topics & products	●						

Ethical exclusion criteria for business loans and our banking book

The Group Responsible Financing Policy sets out exclusion criteria for specified economic activities, defining harmful socio-ecological activities that are to be excluded from finance and banking services. The focus of the policy is on climate action, which includes an alignment of Erste Group's energy finance activities with the Paris Agreement, the limitation of global warming, the prevention of extensive environmental degradation, and measures to preserve biodiversity through refraining from financing arctic oil and gas exploration and unconventional mining practices, while investing in hydropower projects only on a highly selective basis. In addition, the policy aims to limit the impact of socially harmful activities such as those found, for instance, in the weapons and defence industry.

In response to the energy crisis in Europe, Erste Group adapted its Responsible Financing Policy while remaining committed to its target of exiting the coal sector by no later than 2030. Mindful of our responsibility towards society, we decided to grant our customers time until the end of 2025 to define their plans for a coal phase-out. We believe that this will be a sufficient timeframe for them to draw up credible phase-out plans. Given the current energy crisis, we recognise nuclear energy as a necessary transition technology. With our responsibility for the region in mind, we support only projects offering the highest standards of safety as well as solutions for long-term nuclear waste management, as set out in the EU taxonomy.

Specialised advisory services for corporates

Erste Group has, in some instances, set up dedicated teams – such as Sustainable Finance Corporates in Austria – for corporates in its core markets. In general, the first item on the agenda with corporate customers is a sector and customer-specific analysis of relevant ESG issues and, where applicable, links to the EU Taxonomy Regulation. The next step involves selecting and implementing the necessary finance instruments in conformity with the customers' sustainability and finance strategies.

Investment banking

Outcome-oriented investment has been playing a key role on the market for responsible investment, especially since the 21st UN Climate Conference in Paris in 2015. On the financial institutions and sovereign/supra/agency debt capital markets side, both social bonds and green bonds saw an increase in issuance volumes in 2022. Investor interest in social bonds likewise recorded a significant rise in the reporting year. In 2022, Erste Group Bank again acted as bookrunner for a large number of such bonds and arranged a total volume of EUR 8.2 billion of green/social/ sustainable bond issuances for corporates, governments and supranational organisations.

The sustainable corporate debt market is no longer dominated just by green bonds issued by utility companies but has already become well-diversified, offering a broader variety of instruments from issuers across various industries. Transactions include green bonds in the real estate segment, ESG rating-linked Schuldscheindarlehen for the packaging industry and a combination of KPI-linked and green structure in the utility segment. Erste Group was again very active in the sustainable finance market and arranged transactions at a combined volume of more than EUR 3 billion for corporate issuances in 2022.

The Group's Sustainable Finance Framework defines rules for bond issuances in conformity with the ICMA Green Bond Principles. When it comes to buildings and energy, we look to the EU taxonomy's technical screening criteria for guidance.

Ethical exclusion criteria for investment products

rste Group's retail investment products (investment funds, bonds, structured bonds) are governed by the Sustainable Retail Investment Framework. All third-party-issued investment products actively marketed to retail customers by Erste Group must likewise meet the sustainability standards. The four issuers represented on Zertifikate Forum Austria (ZFA) – Erste Group Bank AG among them – have developed uniform product and transparency standards for structured products based on sustainable investment criteria. This means that structured investment products are sustainable both from the perspective of the issuer and at the underlying level.

Sustainable investment and real estate funds

Erste Group's capital investment company, Erste Asset Management (Erste AM), became a signatory of the Principles for Responsible Investment (PRI) in 2009.

Erste AM has long been offering a broad range of funds and investment services that take account of ESG factors:

- **Impact Investing.** The investment strategy is focused exclusively on sustainable investment ("dark green" funds). Such funds are in conformity with Article 9 of the EU's Sustainable Finance Disclosure Regulation (SFDR).
- **Responsible Investing.** The investment strategy takes account of environmental, social and governance data, which enter into an ESG rating specifically introduced by EAM for business evaluation purposes ("light green funds"). Such funds are in conformity with Article 8 SFDR.
- **Integration.** Integration means integrating ESG criteria in the investment process in view of their potential positive impacts. Businesses with a high level of ESG exposure will be excluded, for instance. Such funds are likewise in conformity with Article 8 SFDR.
- **Discretionary Portfolio Management (DPM).** Portfolio management is based on a broad interpretation of sustainability. The use of proprietary sustainability approaches by the management company promotes both environmental and social characteristics in accordance with Article 8 of EU Regulation 2019/2088.

Erste AM's integrated approach combines exclusion criteria, positive screening, a best-in-class approach based on an ESG analysis, corporate dialogue and voting as well as investment decisions made in line with the desired impact and an assessment of the sustainable yield thus achieved. Furthermore, Erste AM offers tailor-made solutions to its institutional customers.

The Ethics Advisory Board, a body consisting 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 (European Sustainable Investment Forum), FNG (forum for sustainable investment), and CRIC (Corporate Responsibility Interface Center).

In 2022, sixteen funds were awarded the 3-star FNG label. The FNG label is the quality standard for responsible investment in the German-speaking countries and was first awarded by Forum Nachhaltige Geldanlagen (FNG) in 2015. In addition, 16 funds have been awarded the Austrian Ecolabel for sustainable financial products, most of them for many years in a row.

Erste AM is a leading provider of sustainable investment funds in Austria and the CEE region. At year-end 2022, Erste AM managed assets worth approximately EUR 69.4 billion. The internally managed assets of investment funds that promote ecological and/or social characteristics, categorised as ESG Impact, ESG Responsible and ESG Integration, including sustainable real estate assets that promote environmental and/or social characteristics, amounted to EUR 15.03 billion, held in a total of 90 investment funds, divided into mutual funds, special funds and individual mandates.

Green Consumption Pledge

In June 2021, Erste Group was the first financial institution to accede to the European Commission's Green Consumption Pledge to accelerate its contribution to a sustainable economic recovery. Erste Group is committed to ensuring the availability of sustainable investment products and to promoting sustainable investment to facilitate the participation of consumers in the green transition. Erste Asset Management (Erste AM), Erste Group's investment fund and asset management subsidiary, is tasked with implementing this pledge.

Since becoming a signatory of the Green Consumption Pledge in June 2021, Erste AM has increased the number of investment funds awarded the Austrian Ecolabel from 11 to 16. There are plans to launch another fund that will meet the Ecolabel's stringent sustainability criteria by the end of 2023.

Erste AM has also committed to raising the share of its marketing budget dedicated to ESG topics and products to at least 25% by the end of 2023.

Three or four times a year, the ESG investment team issues a specialised ESG publication – Erste Responsible Return – The ESG Letter on Environmental, Social and Governance Issues. The publication discusses special ESG aspects in detail, for instance, most recently, the social aspects of financial investment. In addition, blog articles on ESG topics are published regularly, addressing, for instance, topics such as addressing sustainability in advisory settings.

In 2022, Erste AM offered webinars for retail sales advisors of Erste Bank Oesterreich and the savings banks reaching more than 1,000 participants. With quarterly webinars and its annual outlook scenario analysis that includes more and more ESG topics, Erste AM attracts an increasing number of institutional investors as well as distribution partners. At the end of April, Erste AM hosted a sustainability conference for institutional investors at Erste Campus in Vienna, with climate change and climate politics the top items on the agenda.

Since 2022, Erste AM has been providing regular and standardised reporting on the United Nations Sustainable Development Goals (SDGs), with quarterly updates available on Erste AM's website.

Structured retail bonds

Sustainable ESG products that promote environmental and/or social characteristics are subjected to an ESG rating based on a predefined methodology, respecting ESG exclusion criteria (e.g. weapons, child labour) to avoid social, environmental and financial risks. The ESG portion of structured products issued by Erste Group in Austria in 2022 came to far in excess of 70% (2021: 50%), which is a year-on-year increase of approx. 40%.

Sustainable lending

Sustainable lending is lending made available exclusively to fund or refinance, in whole or in part, eligible new and/or existing "green" projects with a focus on achieving or ensuring some form of environmentally sustainable impact. In the case of "social projects", the focus is on achieving or ensuring social and/or governance-related impacts.

Sustainable finance

in EUR million	2022
New corporate financing of environmental objectives, total committed amount	**2,172.6**
Construction and real estate	1,372.5
Renewable energy	427.2
Transportation	259.6
Other Corporate[1]	113.3
Green retail mortgages[2] (Austria only), total outstanding amount	**4,283.1**

[1] Loans to corporate customers: These figures represent new business under all corporate lending in the core market (Erste Group Bank AG including CE subsidiaries, Erste Bank der oesterreichischen Sparkassen AG) in fiscal year 2022

[2] Retail mortgages: These figures represent the total of all housing loans at Erste Bank der oesterreichischen Sparkassen AG and all savings banks as of 31 December 2022

Sustainable investment

in EUR million		2022	2021	2020
SFDR	**Erste Asset Management - ESG-assets (funds, portfolio management, insourcing-mandates)**	**15,039.5**	**15,421.9**	**13,454.0**
Article 9	ESG Impact	1,799.4	1,956.4	1,317.5
Article 8	Responsible & Ethics	7,924.0	7,687.1	7,381.8
	ESG Integration	4,744.7	5,778.3	4,754.7
	ESG DPM	571.5	0.0	0
	ESG-assets - in % of total	**21.7%**	**20.1%**	**19.7%**

In 2022, the proportion of ESG assets rose to 21.7%, up 1.6% year-on-year.

Under Article 9 of EU Regulation 2019/2088, the following tools are applied to investment funds which promote or rate environmental or social characteristics or a combination thereof: exclusion criteria, norm-based screening (conformity with specified international standards and norms), best-in-class, integration (reduction of ESG risks) and theme funds.

Some Erste AM funds were awarded certifications under the sustainability standards currently applicable on the financial market, such as the FNG seal or the Austrian Ecolabel. Investment funds under Article 9 of EU Regulation 2019/2088 which have sustainable investment as their objective must, in addition, achieve a focused sustainability impact.

2.2 LIMITING FINANCING IN HIGH-EMISSION SECTORS

GRI 3-3

Key steps along the path toward a decarbonisation of our portfolio include the measuring of financed greenhouse gas (GHG) emissions and – based on the outcome – effective steering measures for the portfolio. Erste Group laid the necessary foundations by joining the Partnership for Carbon Accounting Financials (PCAF) and conducting a first-time evaluation of financed emissions in 2021. In 2022, further asset classes were included in the calculation, and first specific decarbonisation targets were set for four sectors. At the same time, we are working to reduce our risk exposure in high-emission sectors.

Risks, impact and opportunities

The financing of high-emission sectors comes with both adverse effects on the climate and the environment and risks and opportunities for Erste Group.

Targets

In a bid to reach the zero net emissions target for our portfolios by 2050, we have set ourselves the following ambitious interim targets:

				Baseline		Targets			
	Metric	Methodology	Scenario/Pathway	Year	Value	2030	% reduction	2050	% reduction
Mortgages	$kgCO_2e/m^2$	SBTi SDA	IEA B2DS	2022	53.3	30.5	-43%	0.8	-98%
Commercial real estate	$kgCO_2e/m^2$	SBTi SDA	IEA B2DS	2022	50.9	25.7	-50%	1.0	-98%
Electricity production	$kgCO_2e$ /MWh	PACTA	IEA NZE2050	2022	421.4	215.6	-49%	24.9	-94%
Heat & steam production	thousand tCO_2e	SBTi AC	IEA B2DS	2022	1,382	801	-42%	138	-90%

Governance / responsibility

Overall responsibility at Erste Group for managing financed emissions and aligning our portfolio with the goals of the Paris Agreement lies with the management board. The net zero transition strategy is a strategic initiative managed by the Group ESG Office, with operational implementation being ensured by Group Enterprise Risk Management and Group Credit Risk Portfolio Management. The business units of Erste Group Bank AG (Holding) and of the subsidiaries are in charge of developing and implementing the specific measures to be taken. In a first step, our objectives will be implemented in our CEE countries, at the Holding, Erste Bank Oesterreich & subsidiaries. The savings banks segment (members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector in which Erste Group does not hold a majority stake but which it fully controls in accordance with IFRS 10) will implement the target agreement in a second step, in line with the Group implementation policy. The savings banks segment's targets are approved on a dedicated platform by the board member in charge of strategy.

Measures and KPIs

To be able to take measures to limit financing in high-energy-use sectors, it is first of all necessary to identify such sectors and, using the PCAF accounting standard, to arrive at an estimate of the emissions contained in our portfolios (assets).

Depending on the intended purpose, different metrics may apply for the steering of financed emissions. While the metrics for determining the financed portfolio are expressed in EUR million, in metric tonnes of carbon dioxide equivalent or as the ratio between the former and the latter, business goal metrics are in most cases expressed as physical activity-based emission intensities per sector (e.g. $kgCO_2e$ per MWh of electrical power). The advantage of goals based on physical activity-based emission intensities is that they reference the relevant decarbonisation of the financed sector, while targets expressed in absolute emission figures can potentially be achieved also by cutting down on the portfolio. What is more, the business goal metrics are the ones applied throughout the fiscal year to control the development of business internally and are therefore of more practical relevance to our sales teams. The table below provides a sample overview of these parameters:

Portfolio measures	Financed emissions	Target setting	Business KPIs
Credit exposure, EUR million	Absolute measure, tCO_2e,	Production metrics: $kgCO_2e/m2$, $kgCO_2e/MWh$	share of green financing in critical sector in %
	Relative measure $gCO_2e/€$	Emission metric: tCO_2e	absolute green financing per sector in EUR million

Financed emissions – PCAF reporting

Erste Group used PCAF methodology (version 2022) to account for its financed emissions. We included the following PCAF-defined asset classes in our calculation: corporate bonds, business loans, commercial real estate, project finance, and mortgages. The corporate bond asset class was included in this report for the first time. Amounting to EUR 2.1 billion, the credit exposure for corporate bonds corresponded to approx. 1.2% of the total quantified portfolio (EUR 178.3 billion). In 2022, Erste Group also newly added the portfolios of the subsidiaries in Serbia, Montenegro, North Macedonia, Bosnia & Herzegovina, and Slovenia, as well as the micros portfolio, with a corresponding total credit exposure of EUR 11.2 billion, or 6.3% of the total quantified portfolio.

Overall, the 2022 financed emissions calculation covered already 89% of total customer loans (i.e. credit exposure excluding off-balance-sheet positions, central banks, governments and credit institutions). The difference of about 11% is mainly due to the large number of consumer loans, for which PCAF does not yet provide a specific calculation methodology.

Two out of the seven currently existing PCAF calculation methodologies have not been included in the calculation yet. Given its low volume, the motor vehicles asset class has so far not been a priority, and the sovereign debt asset class was officially adopted in the PCAF standard only at the end of 2022.

Share of the portfolio covered by the calculation

	Credit exposure in EUR million	covered by financed emissions in EUR million	%	not covered by financed emissions in EUR million	%
Off-balance sheet exposures and derivatives HfT	65,670	-	0%	65,670	100%
Central banks	16,656	-	0%	16,656	100%
Central governments	51,434	-	0%	51,434	100%
Credit institutions	15,146	-	0%	15,146	100%
Other financial corporations	7,125	5,638	79.1%	1,487	20.9%
Non-financial corporations	97,043	94,048	96.9%	2,994	3.1%
Households	96,092	78,632	81.8%	17,460	18.2%
Total	**349,166**	**178,319**	**51.1%**	**170,847**	**48.9%**

Methodology
We used our in-house customer segmentation by sectors for the purpose of PCAF measuring and disclosure.

In the case of business loans, corporate bonds and project finance, we followed the PCAF methodology by relying either on emissions reported by the businesses or on estimates based on finance data and emission factors drawn from the PCAF database. In the case of commercial real estate and mortgages, our emission estimates were based on building data (energy performance certificates (EPCs) and floor area) or on national averages and national emission factors. In the case of renewable energy projects (wind, solar, geothermal), we assume zero emissions.

We relied on PCAF methodology for scoring **data quality**, where the scale ranges from a score of DQ 1 (= highest data quality) to DQ 5 (= lowest data quality).

The data quality of our calculations reflects the high dependence on sectoral emission factors, as relevant customer information was not widely available. However, our increased efforts at data collection have helped us to successfully improve our data quality levels.

Sectors were classified as high-emission sectors based on company revenue-based emission intensity. Everything above 6 kg of CO_2e/EUR of revenue was classified as high emissions sector, while everything from 1 to 6 kg of CO_2e/EUR of revenue was classified as critical emissions sector.

2022 brought the introduction of a number of significant changes in methodology, which impacted the outcomes in terms of financed emissions. The most important change related to the new second edition of the PCAF standard (2022), which, by comparison with the first one, provides for additional sectors where Scope 3 emissions must be included in the calculations. At Erste Group, this impacted above all finance in manufacturing, i.e. in typical industrial operations, and, to a smaller extent, also the construction and transportation sectors. Overall, this change resulted in an increase of financed Scope 3 emissions by 14.3 million tCO_2e, which was 49% of total financed emissions (29.4million tCO_2e).

Other changes or new features in PCAF methodology concerned (i) the newly added asset class of corporate bonds, which accounted for 0.3 million tCO_2e, (ii) portfolios which provide no relevant information other than exposure – measurement based on average values or the remaining portfolio in 2021 was changed in the first half of 2022 to measurement based on PCAF emission factors, causing financed emissions to rise by 0.5 million tCO_2e at the time –, and (iii) the energy mix for mortgages and commercial real estate, the granularity of which was increased in the first half of 2022, requiring a subsequent update of related emission factors and resulting in an overall reduction of financed emissions by 0.9 million tCO_2e.

Outcomes
Altogether, the portfolio's financed emissions came to 29.4 million tCO_2e (prior year: 11.1 million tCO_2e), of which Scope 1 and Scope 2 emissions accounted for 14.3 million tCO_2e and Scope 3 emissions for 15.1 million tCO_2e. Financed emission intensity stood at 165.1 tCO_2e/EUR million (prior year: 79.0 tCO_2e/EUR million).

The weighted average data quality of the quantified portfolio was 3.9. Weighted average data quality was first measured in the first half of 2022, when it amounted to 4.3, which indicates that data quality registered a significant improvement.

Financed Emissions

	Credit exposure in EUR million	Credit exposure covered by emissions calculation in EUR million	Financed emissions, thousand tCO_2e Scope 1 + Scope 2	Scope 3	Emission intensity tCO_2e/EUR mln	Weighted data quality High = 1, Low = 5
2021	**312,439**	**140,200**	**11.0531**		**79,0** [1]	**4,3** [2]
2022						
by PCAF asset class						
Corporate bonds		2,073	313	441	363.6	3.9
Business loans		74,270	9,990	14,648	331.7	4.1
Project finance		2,295	349	27	164.2	3.1
Mortgages		72,632	2,987	0	41.1	3.9
Commercial real estate		27,050	689	0	25.5	3.6
Total	**349,166**	**178,319**	**14,329**	**15,116**	**165.1**	**3.9**
by sector						
Natural resources & commodities	13,881	9,046	3,093	2,418	609.2	3.9
Energy	14,912	8,000	3,644	525	521.1	3.3
Construction	16,111	7,393	1,192	2,026	435.4	4.0
Automotive	7,715	5,624	389	4,755	914.6	3.8
Cyclical consumer goods	9,314	4,311	143	220	84.3	3.8
Non-cyclical consumer goods	9,947	5,575	454	483	167.9	4.0
Machinery	6,188	6,873	588	2,134	395.9	3.6
Transportation	7,394	3,322	279	1,636	576.6	4.1
TMT	7,487	4,043	298	572	215.2	3.9
Healthcare & Services	11,123	7,478	355	102	61.1	4.2
Hotels and Leisure	9,487	7,637	241	31	35.7	4.1
Real estate [3]	43,208	36,986	932	214	31.0	4.0
Public sector	66,994	365	2	-	4.5	4.1
Financial institutions	28,074	3,090	37	-	11.8	4.2
Private customers	96,992	68,545	2,682	-	39.1	3.9
Other sectors	339	32	1	-	19.0	4.9
Total	**349,166**	**178,319**	**14,329**	**15,116**	**165.1**	**3.9**
by carbon intensity of corporate clients						
High (1 - 6 $kgCO_2e$/EUR revenue)		3,371	2,661	950	1,071	3.6
Critical (>6 $kgCO_2e$/EUR revenue)		410	1836	10	4,500	3.1

[1] In the prior year, financed emissions had been shown only in the aggregate, for Scope 1, Scope 2 and Scope 3 combined.

[2] It was not until the first half of 2022 that weighted data quality was first calculated; the figure shown represents the corresponding value from the first half of 2022.

[3] The loans granted to large real estate management companies (NACE L68) are included in the PCAF business loans asset class as long as the finance purpose cannot be unambiguously assigned to one or more commercial real estate properties. As the PCAF database provides only very low emission intensity figures for these exposures, we replaced them with the higher emission intensities found for the commercial real estate asset class. In doing so, we proceeded on the conservative assumption that a large part of the funds granted to real estate management companies will *de facto* be used to finance the relevant buildings, even if the loan agreements as such contain no evidence thereof.

The aggregate level of financed emissions benefited from a favourable balance between the low financed emission intensity of real estate and the marginal share of the high-emission heavy industry and energy sectors.

The sector posting the highest financed emission intensity, at 915 tCO_2e/EUR million, was the automotive industry, with an exposure of EUR 7.7 billion.

Altogether, high and critical emission categories made up EUR 3.7 billion in exposure, or 2.1% of the quantified loans-to-customers portfolio of EUR 178.3 billion. This constituted an increase over the prior year, where such exposure came to EUR 2.5 billion, or about 1.4% of the quantified portfolio, such increase being attributable primarily to the new PCAF standard 2.0 and the related rise in financed Scope 3 emissions.

Corporate bonds. This year saw the first-time inclusion of corporate bonds in an amount of EUR 2.1 billion in financed emissions accounting. Financed emissions were measured at 0.7 million tCO_2e, with emission intensity coming to 364 tCO_2e / EUR million.

Business loans. Business loans in the amount of EUR 74.3 billion were a major source of financed emissions, both in absolute terms (24.6 million tCO_2e) as well as in terms of financed emission intensity (332 tCO_2e/EUR million). Business loans comprise financing granted to large international and national corporates, small and medium-sized enterprises as well as micro entrepreneurs (non-financial corporates).

Project finance. The project finance portfolio had a moderate exposure of EUR 2.3 billion and 0.4 million tCO_2e of financed emissions, or an emission intensity of 164 gCO_2e/EUR million.

Commercial real estate. Commercial real estate accounted for an exposure of EUR 27.1 billion, with emissions of 0.7 million tCO_2e and a financed emission intensity of 26 tCO_2e/EUR million. Although buildings are among the highest contributors of absolute emissions in Erste Group's markets, they have a low financed emission intensity.

Mortgages. Retail mortgages with an exposure of EUR 72.6 billion were the second largest contributor of absolute emissions with 3.0 million tCO_2e, but had a low financed emission intensity of 41 tCO_2e/EUR.

Portfolio net zero transition by 2050 (Net Zero Banking Alliance Reporting)

Having committed to transitioning our loan and investment portfolios to net zero emissions, we have become keenly aware of the future shift in quality needed in terms of financed assets, customer activities or market-driven technological progress. We believe in technology driven progress. We also believe that the forward-looking knowledge gives us the possibility to build step-by-step portfolio decarbonization.

Our objectives are linked to specific measures and forward-looking business strategies. The first such measure, which was implemented in 2021, was to tighten our policy for lending in the critical energy and coal sectors (see chapter 2.1 "Sustainable Finance and Investment").

Methodology

Our methodology must bridge the gap between general scientific scenarios and portfolio- or customer-specific attributes. With this in mind, we developed an approach that combines bottom-up portfolio modelling with scientifically informed top-down objectives. Our bottom-up models take account of factors such as energy demand, energy source and floor area in the case of financed buildings, and of the technology mix used in financed electricity or heat generation in the energy sector. National energy and climate plans, which are aligned with long-term scenarios at EU level, inform the assumptions underlying our scenarios for future technological change in our region. Our top-down models for real estate are based on the methodologies developed by the Science Based Target initiative (SBTi), while in the energy sector context we rely on the methodology of the Paris Agreement Capital Transition Assessment (PACTA).

Scenarios, objectives and offsets

We used recognised benchmark climate scenarios to ensure our portfolio is aligned with the temperature goals of the Paris Agreement. These scenarios served as upper limits for both medium-term (2030) and long-term (2050) planning. In selecting relevant benchmark scenarios, we made sure that, apart from meeting the Paris Agreement requirements as a minimum target, we will also achieve a level of decarbonisation which is in line with the bottom-up model outcomes, i.e. which is likely to be achieved under the national energy and climate plans. The scenarios we exclusively relied upon were all well-documented and had been drawn up by widely recognised institutions. Our objectives for the selected sectors included solely scenarios supplied by the International Energy Agency (IEA). Generation of electricity and heat & steam are benchmarked against the IEA Net Zero Energy 2050 (NZE2050) scenario meeting the 1.5 degrees objective. When it comes to buildings, both commercial real estate and mortgages for housing real estate were, at this stage, compared against the IEA Beyond Two Degree (B2DS) scenario, which assumes that the global rise in temperature can be limited to 1.75 degrees. We are aware that we must step up our efforts and mobilise this segment to achieve our ambitious 1.5-degrees target. To have a realistic chance of achieving this target, we need the support of a broad group of stakeholders and, in particular, the understanding and support of political decision-makers in all the countries where Erste Group operates.

We acknowledge that the EU Commission's initiative on certifying carbon removals is laying the legal foundations, and thus creating incentives, for investing in carbon removal technologies. At present, however, we have only very limited insights into how these technologies can be scaled and industrialised, which is why our scenario assumptions are conservative as to the extent such technologies will be available and applicable.

Governance

The only way to achieve the net zero transition is for us to combine effective measures, longterm management commitment, and KPIs aligned with the net zero pathway. Consequently, our objectives are integrated in Erste Group's strategic planning process, which means that our targets are aggregated from commitments of our local banks and business units. The Group targets are discussed and reviewed by the management board and approved by the Group Sustainability Board. Final approval is given by our Supervisory Board based on the review and recommendation of Strategy and Sustainability Committee. Our performance KPIs on Board and senior management levels are aligned with the Net Zero targets.

2.3 FINANCING OF ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES

Managing the transition towards a low-carbon and resource-efficient economy and achieving the objective of a climate-neutral Europe by 2050 will require the channelling of private investment towards sustainable investments alongside public expenditure. This is why the European Union adopted the Taxonomy Regulation (Regulation (EU) 2020/852) to serve as guidance to investors and other sponsors or donors, by highlighting which economic activities contribute to achieving the EU climate objectives. Its aim is to channel finance streams in the EU towards sustainable investment.

To be considered environmentally sustainable, economic activities must substantially contribute to at least one of six defined environmental objectives without, at the same time, causing significant harm for the other objectives. The six environmental objectives are:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

The assessment as to whether or not an economic activity qualifies as environmentally sustainable within the meaning of the EU taxonomy is linked to it meeting specified technical screening criteria, which are set out in the Delegated Acts adopted in accordance with the Taxonomy Regulation (Delegated Regulation (EU) 2021/2139 and/or Delegated Regulation (EU) 2022/1214). The taxonomy also requires that environmentally sustainable activities respect minimum social safeguards.

Since the fiscal year 2022, real economy businesses are under an obligation to disclose the respective portion of taxonomy-aligned activities. The rule for all businesses is that such disclosures are, at present, mandatory only for the environmental objectives of climate change mitigation and climate change adaptation. The criteria for the remaining objectives were still pending finalisation at the end of the reporting period.

As of the fiscal year 2023, credit institutions will have to disclose the extent to which they are financing, or investing in, taxonomy-aligned economic activities. The share of such exposures in the overall assets of an institution is referred to as the Green Asset Ratio. In the fiscal year 2022, credit institutions still benefited from transitional exemptions (cf. Delegated Regulation (EU) 2021/2178, Article 10(3)). Credit institutions had to disclose their financing of and investment in taxonomy-eligible economic activities only as a proportion of their total assets. Taxonomy-eligible economic activities differ from taxonomy-aligned economic activities in that they, while still covered by the EU Taxonomy, do not meet all of the defined technical screening criteria.

Credit institutions had to disclose the following key performance indicators for the fiscal year 2022:

_ The proportion in their total assets of exposures to taxonomy non-eligible and taxonomy-eligible economic activities.
_ The proportion in their total assets of exposures to governments, central banks and supranational issuers.
_ The proportion in their total assets of derivatives.
_ The proportion of exposures to undertakings not subject to the obligation to prepare a non-financial statement or non-financial report under the EU's Non-Financial Reporting Directive (NFRD).
_ The proportion in their total assets of their trading portfolio.
_ The proportion in their total assets of on-demand inter-bank loans.

The exposures listed under the first item cover the following accounting categories for financial assets, including loans and advances, debt securities, equity holdings and repossessed collaterals: (a) financial assets at amortised cost, (b) financial assets at fair value through other comprehensive income, (c) investments in subsidiaries, (d) joint ventures and associates, (e) financial assets designated at fair value through profit or loss, and non-trading financial assets mandatorily at fair value through profit or loss, (f) real estate collaterals obtained by credit institutions by taking possession in exchange for the cancellation of debts.

The disclosure of taxonomy-eligible assets requires only such businesses to be included as are themselves subject to the EU's Non-Financial Reporting Directive (NFRD). Generally, these are listed companies meeting certain size criteria and having an average number of employees per year in excess of 500 as well as banks and insurance companies having more than 500 employees. No comparable size criteria apply to private households and local government entities. As for the assets described in items 2 to 6 above, there is no legal obligation to disclose the taxonomy-eligible or taxonomy non-eligible proportion thereof. The scope of prudential consolidation as set out in Regulation (EU) No. 575/2013 applies to all such disclosures.

KPI development

In 2022, the proportion of taxonomy-eligible assets declined by 30.6% as compared against the prior year. This decline is attributable mainly to changes in the calculation method used, where sector-based estimates were replaced with identification of assets with clear financing purpose.

Taxonomy-related disclosure (Del.Reg.(EU) 2021/2178, Article 10)

Mandatory taxonomy-related disclosure

	2022	2021
Central governments, central banks, supranational issuers and derivates / total assets [1]	29.8%	32.3%
Derivative / total assets	0.1%	
SMEs and NFCs not subject to NFRD disclosure obligations / total assets [2]	28.6%	12.9%
Trading portfolio / total assets	2.4%	2.2%
On-demand interbank loans / total assets	0.2%	0.3%
Taxonomy-eligible activities / total assets [3]	30.6%	51.2%
Non-eligible taxonomy activities / total assets [3]	69.4%	26.7%

[1] In contrast to the prior year, derivatives were included in the numerator of this KPI.
[2] In contrast to the prior year, customers which are subject to the NFRD were included based on customer level identification.
[3] In contrast to the prior year, a stricter approach was applied to taxonomy-eligible activities, with taxonomy-eligible finance purposes known to us being the sole selection criterion. Furthermore, the denominator of this KPI was changed to the balance sheet total.

Voluntary disclosure

	2022	2021
Estimated taxonomy-aligned activities / total GAR assets	7,1%	6,0%

KPI calculation
The taxonomy figures were based on all on-balance sheet exposures under CRR consolidation (balance sheet total as shown in table) in the amount of EUR 316.0 billion and were used to form the denominator. Pursuant to Annex V, Delegated Act (EU) 2021/2178, they comprise the accounting categories of financial assets, including loans and advances, debt securities, equity holdings and repossessed collaterals, as well as investments in subsidiaries, joint ventures and associates.

According to the interpretation published by the European Commission in its FAQs in December 2021, the disclosure of taxonomy-eligible exposures should be based on actual information provided by the relevant – financial or non-financial – undertaking. To arrive at a calculation of taxonomy-eligible assets, we included lending for specified purposes in the fields of commercial real estate finance, non-profit housing, private mortgages (including for refurbishment and renovation projects), renewable energies as well as other project finance with a clearly defined environmentally sustainable finance purpose.

In the case of lending and debt securities not tied to specific purposes as well as equity instruments of customers subject to the NFRD, we determined whether they were taxonomy-eligible or not based on the revenue-related taxonomy eligibility indicators published in their non-financial reports. We identified customers subject to the NFRD based on the above-mentioned size criteria and reviewed their respective non-financial reports.

Repossessed real estate collaterals held for sale were taken into account in the aggregate. Loans extended by financial institutions to other businesses were not included in the calculation, as we were unable, based on the disclosures reported in 2022, to review these assets and loans for conformity with the taxonomy (weighting of taxonomy KPIs).

All other assets were classified as taxonomy-non-eligible.

In 2023, we plan to gradually include other areas (such as car leasing, project finance for municipalities and local communities as well as debt securities issued for defined purposes) into the calculation of taxonomy eligibility or alignment.

Activities in the nuclear and natural gas sectors
In 2022, the EU's Delegated Regulation 2022/1214 added activities in the nuclear and gas sectors to the list of taxonomy-eligible economic activities.

However, corporate customers for whom this may potentially be relevant will not be obligated to disclose such information until 2023. Our in-house evaluations showed that Erste Group had no direct exposures to nuclear activities 2 (new nuclear installations), not least because of its current Nuclear Finance Policy. While nuclear activities 1 (research) and 3 (safe operation) are acceptable under the Responsible Financing Policy, information on direct or indirect exposure was not gathered at this level of detail and was therefore not available.

Information on gas activities (1-3) was gathered, but not at the level of granularity required for the taxonomy, which is why we are unable to publish any relevant figures here. Data collection for the gas sector is a manual process at Erste Group, carried out to the best of our knowledge, as no pertinent customer information is available in the public domain.

As a consequence, we are unable to disclose exposures relating to any of these topics (gas and nuclear).

Voluntary disclosure
For the purposes of voluntary disclosure we tried to provide estimates on taxonomy alignment by applying NACE-code-based coefficients (TACs) as published in the European Commission's taxonomy alignment tool 2020. Economic activities not assigned to any NACE code were not taken into account, with the exception of retail mortgages, to which we assigned the real estate sector TAC. Applying the methodology described above, we arrived at a portion of estimated taxonomy-aligned finance of 7.1%.

The role of the EU taxonomy in corporate strategy
Providing finance for the green transition is one of Erste Group's top priorities. The taxonomy provides the basis for checking the finance policies as laid down in the Group's Sustainable Finance Framework (SFF) and the in-house Sustainable Finance Guidelines (SFG) for conformity.

2.4 ECOLOGICAL IMPACT OF BANKING OPERATIONS
GRI 3-3, GRI 302-1, 302-3, 302-4, GRI 305-1, 305-2, 305-3, 305-4, 305-5

There can be no doubt that the most significant impact a credit institution has on the environment and the climate are the emissions attributable to its finance portfolio. Of course it is equally important to lead by example and reduce the greenhouse gas (GHG) emissions caused by our own operations to a minimum. We intend to achieve climate neutrality in our own operations by the end of 2023.

The information provided below refers to Erste Group's Scope 1, Scope 2 and Scope 3 GHG emissions. Financed emissions (Scope 3, category 15) are discussed in the chapter 2.2 "Limiting finance in high-emission sectors".

Risks / impact

Non-mitigated GHG emissions caused by banking operations have adverse effects on the environment, even if they are less significant than financed GHG emissions. Conversely, a high level of emissions or a degradation of the ecological footprint may present a reputational risk for Erste Group, undermining its credibility as a pioneer of sustainability.

Opportunities

Reducing our GHG emissions will strengthen Erste Group's profile as a sustainable full-service bank, contribute directly to ecological change and have a positive effect on its attractiveness as an employer.

Targets

We have defined quantitative targets in different fields for Erste Core Group (Erste Holding, Erste Bank Oesterreich and CEE subsidiaries):

_ We intend to achieve climate neutrality in our own operations by the end of 2023. This target refers to Erste Core Group's Scope 1, Scope 2 and Scope 3 GHG emissions.
_ We aim to reduce our Scope 1 and Scope 2 emissions by 80% as compared to 2017 (base year) by 2030. Interim goals are a 55% reduction by 2023 and a 60% reduction by 2025.
_ We aim to raise the share in our total electricity consumption of power from renewable sources (green electricity) to 90% by 2023.
_ The proportion of electric vehicles in our fleet is set to amount to 100% by 2030.

		Baseline		Actual		Targets short term		Targets mid term	
	Metric	Year	Value	Year	Value	Year	Target	Year	Target
Total Scope 1 + Scope 2 emissions	tCO_2e	2017	72,433	2022	30,047	2025	28,973	2030	14,487
Share of green electricity	% of green electricity	-	-	2022	83%	2023	90%		
Electric fleet	% of e-cars in total carfleet	-	-	2022	4%	2025	25%	2030	100%

We chose 2017 as our base year because the scope of consolidation for reporting purposes had been enlarged at the time to such an extent that it is comparable to the present one. What is more, 2017, as the year following the adoption of the Paris Agreement, saw renewed efforts and high expectations at global level with respect to the fight against global warming, to which we also want to contribute.

As compared to the base year 2017, we reduced our Scope 1 and Scope 2 emissions by 58%, from 72,154 down to 30,047 tCO_2e. Scope 1 emissions fell from 25,733 to 20,707 tCO_2e, Scope 2 emissions from 46,421 to 18,686 tCO_2e. The proportion in total electricity consumption of green electricity stood at 83%, which is already a high level. We also achieved progress in transforming our vehicle pool, attaining a share of 4% of electrical vehicles in the Core Group.

Governance / responsibility and participation

Overall responsibility for energy and climate protection matters in the Group lies with the management board, while the Group ESG Office is tasked with implementation. Our subsidiaries are in charge of developing and implementing the specific measures to be taken. All the targets mentioned above were adopted by Erste Core Group. The savings bank sector in Austria will conduct a separate approval process during the course of 2023.

Measures and success indicators

Reduction of GHG emissions

The most significant GHG reduction potential for Erste Group lies in switching to renewable electricity sources, in improving the energy efficiency of the premises it uses and in raising the share of e-vehicles in its vehicle pool. For this reason, 2022 saw further efforts at increasing the proportion of low-emission electricity, for instance by switching providers in Slovakia and Romania. Another positive factor was the installation of PV systems on Erste Group's office buildings, which produced 1,192 MWh of electricity in 2022. The share of e-vehicles in the vehicle fleet came to 6% in 2022, and the new Group Car Policy will, once implemented, result in a steady rise in the number of e-vehicles. There are also plans to support employees on the pathway towards sustainable mobility by offering a ramped-up car sharing programme.

The continuous reduction of GHG emissions from Erste Group's operations is a testament to how successful these measures have been. To establish how effective the implemented measures were, it was particularly important to compare the figures to those of the prior reporting period, with 2021 being used as the basis for comparison. As compared to the prior year, Erste Group reduced its Scope 1 and Scope 2 emissions by 11%, from 44,414 tCO_2e down to 39,393 tCO_2e in 2022. As the share of green electricity across the Group rose from 66% in 2021 to 82% in 2022, market-based Scope 2 emissions from purchased electricity concurrently fell by 26%, from 13,671 tCO_2e to 10,093 tCO_2e.

Reduction of energy consumption

Although the rate of employees working from home had declined again after the COVID-19 restrictions were lifted, aggregate group-wide energy consumption decreased by 5% or 15,549 MWh as efficiency-enhancing measures taken in Erste Group's office buildings and branches resulted in energy savings. Electricity consumption was down 6%, and heat consumption was down 8% on the prior year. An increase in employee mobility resulted in an 18% rise in consumption in Erste Group's vehicle pool.

As energy consumption at all our locations is measured individually and recorded in the UL360 system, we are able to track and analyse year-on-year changes at high granularity. 2021 was chosen as the comparison base year for showing the effects of the energy efficiency measures we implemented.

Environmental data 2022

	Measure	Erste Group	Austria	Czech Republic	Slovakia	Romania	Hungary	Croatia	Serbia
Full-time equivalents (FTE)	Number	45,311	16,411	10,010	3,613	5,484	3,409	3,178	1,261
Net floor area	m²	1,535,141	622,823	303,838	133,398	266,363	75,365	64,904	23,949
Total energy consumption	MWh	292,487	107,747	59,675	24,398	50,340	15,217	18,467	5,787
Change compared to previous year	MWh	-15,549	-4,124	-3,805	-2,312	-4,781	-839	-677	857
Consumption of non-renewable fuels	MWh	88,368	25,973	9,954	13,151	27,083	4,564	4,782	1,159
Diesel for cars and emergency generators	MWh	21,101	5,189	4,179	1,269	4,634	1,771	2,267	790
Gasoline	MWh	6,755	1,079	2,903	531	986	656	0	67
Natural gas	MWh	56,993	16,650	2,871	11,351	21,209	2,137	2,382	303
LPG	MWh	109	28	0	0	77	0	0	0
Heating oil	MWh	3,411	3,027	0	0	177	0	133	0
Consumption of renewable fuels	MWh	0	0	0	0	0	0	0	0
Purchased electricity, heating and cooling energy	MWh	202,927	80,658	49,721	11,247	23,257	10,653	13,610	4,628
Purchased electricity	MWh	137,563	51,583	25,477	10,896	20,334	7,517	11,967	2,663
District heating	MWh	62,827	26,539	24,244	351	2,923	3,136	1,643	1,965
District cooling	MWh	2,536	2,536	0	0	0	0	0	0
Self-generated electricity	MWh	1,192	1,115	0	0	0	0	74	0
Average electricity consumption per m²	kWh/m²	90	84	84	82	76	100	185	111
Average heating energy usage per m²	kWh/m²	82	78	89	88	92	70	64	95
Total internal energy consumption per FTE	kWh/FTE	6	7	6	7	9	4	6	5
Share of green electricity	%	82%	95%	83%	86%	72%	100%	85%	16%
Share of e-cars in carpool	%	6%	18%	2%	2%	6%	2%	3%	2%
Total waste production	t	8,830	2,883	1,209	469	426	140	442	149
Total copy paper	t	956	270	117	63	209	74	88	57

Environmental data 2021

	Measure	Erste Group	Austria	Czech Republic	Slovakia	Romania	Hungary	Croatia	Serbia
Full-time equivalents (FTE)	Number	44,424	16,023	9,861	3,680	5,381	3,298	3,023	1,199
Net floor area	m²	1,634,277	667,680	293,720	136,965	331,239	71,756	64,737	23,540
Total energy consumption	MWh	308,036	111,871	63,480	26,710	55,121	16,056	19,144	4,930
Average electricity consumption per m²	kWh/m²	90	84	97	87	63	110	193	96
Average heating energy usage per m²	kWh/m²	84	75	101	98	87	82	74	83
Total internal energy consumption per FTE	MWh/FTE	7	7	6	7	10	5	6	4
Share of green electricity	%	66%	94%	78%	0%	16%	88%	85%	71%
Share of e-cars in carpool	%	4%	12%	1%	1%	6%	1%	3%	0%

GRI 302-1 and 302-3.

FTE: full-time equivalent, defined as an employee in active employment times his/her hours-worked factor. Green electricity is defined as electricity from renewable sources.

Operational Emissions 2022

	Measure	Erste Group	Austria	Czech Republic	Slovakia	Romania	Hungary	Croatia	Serbia
Scope 1 + 2 - total	**tCO_2e**	**39,393**	**8,858**	**8,953**	**3,030**	**7,797**	**1,764**	**1,732**	**2,357**
Scope 1 + 2 - total change YoY	**tCO_2e**	**-5,021**	**-225**	**-534**	**-2,530**	**-2,195**	**-148**	**-322**	**1,368**
Scope 1 - total	**tCO_2e**	**20,707**	**6,182**	**2,833**	**2,761**	**5,873**	**1,082**	**1,147**	**304**
Heating	tCO_2e	12,435	4,153	581	2,296	4,355	432	518	61
Carpool	tCO_2e	6,739	1,480	1,729	439	1,368	594	547	207
Cooling agents and fuel for emergency generators	tCO_2e	1,533	549	523	26	150	56	83	35
Scope 2 (market based) - total	**tCO_2e**	**18,686**	**2,676**	**6,120**	**269**	**1,923**	**682**	**585**	**2,054**
Electricity (market based)	tCO_2e	10,093	278	1,981	209	1,424	147	304	1,718
District heating and cooling	tCO_2e	8,593	2,398	4,139	60	499	535	281	335
Scope 3 - total	**tCO_2e**	**54,578**	**18,133**	**13,926**	**3,793**	**7,007**	**3,355**	**3,755**	**1,745**
3.1. Purchased goods and services	tCO_2e	3,369	633	1,185	283	716	95	175	137
3.2. Capital goods	tCO_2e	470	61	210	58	62	15	22	16
3.3. Fuel- and energy related activities	tCO_2e	9,359	2,514	2,173	591	1,906	398	431	403
3.4. Upstream transportation and distribution	tCO_2e	9,440	2,103	2,447	527	470	2,037	1,322	163
3.5. Waste generated in operations	tCO_2e	760	53	189	79	175	29	84	66
3.6. Business travel	tCO_2e	7,339	3,254	2,091	357	742	187	81	315
3.7. Employee commuting	tCO_2e	23,841	9,514	5,632	1,898	2,936	593	1,639	645
Scope 1 + 2 + 3 - total	**tCO_2e**	**93,971**	**26,991**	**22,880**	**6,823**	**14,803**	**5,119**	**5,487**	**4,103**
Scope 1 + 2 + 3 per employee	**tCO_2e/FTE**	**2.1**	**1.6**	**2.3**	**1.9**	**2.7**	**1.5**	**1.7**	**3.3**

Operational Emissions 2021

	Measure	Erste Group	Austria	Czech Republic	Slovakia	Romania	Hungary	Croatia	Serbia
Scope 1 - total	tCO_2e	21,530	6,082	2,199	3,040	6,881	1,071	1,399	273
Scope 2 (market based) - total	tCO_2e	22,884	3,001	7,289	2,520	3,110	841	655	716
Scope 1 + 2 - total	tCO_2e	44,414	9,083	9,488	5,560	9,991	1,912	2,054	989
Scope 1 + 2 per employee	tCO_2e/FTE	1.00	0.57	0.96	1.51	1.86	0.58	0.68	0.83

GRI 305-1, 305-2, 305-3 and 305-4.

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

Climate neutrality by 2023

With a view to reaching the goal of climate neutrality in Erste Core Group's banking operations by year-end 2023, we defined reduction targets for operational Scope 1 and Scope 2 emissions. Reducing our Scope 1+2 emissions by 80% compared to the base year 2017, we should be able to achieve net zero status for emissions from operations by 2030. Net zero means the reduction of all operational emissions to the extent that is technically feasible at the given time. A lack of technical solutions or non-availability of renewable energy at given locations might prevent us from reaching our goals. Our operational Scope 3 emissions are to a large extent driven by employee behaviour, for instance in the context of mobility. In this respect, we plan to induce changes in behaviour in a bid to set out a roadmap for reducing our Scope 3 emissions.

Implementation of climate neutrality measures at local level

	Austria	Hungary	Czech Republic	Slovakia	Romania	Croatia	Serbia
Green electricity sourcing	●	●	●	●	●	●	●
PV system installed	●					●	
E-cars in carfleet	●	●	●	●	●	●	●
Car sharing offer for employees	●	●	●	●		●	
Erste Green community established	●	●					
Volunteering day offered		●	●	●	●	●	●

How climate neutrality measures help reduce our climate risk

Our transition-related risks are driven mainly by emissions. The three most important sources of emissions are heating, electricity and transportation, the latter above all due to employee mobility. Within the scope of our plans to achieve climate neutrality and a net zero status for our emissions, the following measures will be particularly important:

_ Increased switching to electricity-powered heating and to biogas, in combination with measures aimed at reducing consumption
_ Purchase of green electricity and in-house electricity generation based on PV systems
_ Promotion of the use of sustainable means of transport for business travel and commuting

"Erste Green" communities

A key success factor for Erste Group's climate neutrality goal is employee commitment and training. "Erste Green" communities are to be established in all of Erste Group's core markets to serve as a platform for sharing information on sustainability among interested parties. Project teams will be set up to jointly implement sustainability initiatives at our locations, for instance to provide more infrastructure for bike use or to include more vegan dishes on in-house catering menus. The first "Erste Green" community was established already back in 2016, by staff members of Erste Bank Hungary. In 2022, it was enlarged to also include Austria.

Notes on how KPIs are measured

GHG emissions caused by Erste Group's operations are calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Calculations cover Scope 1, Scope 2 and Scope 3 emissions, each measured in CO_2 equivalents (CO_2e), which are the sum of all greenhouse gas emissions, i.e. carbon dioxide, methane and nitrogen oxide (Global Warming Potential (GWP-20) CO_2 = 1, CH4 (fossil) = 82.5 und N2O = 273). In 2022, the reporting scope of environmental data covered the whole consolidation scope of Erste Group entities following the financial control approach.

The aggregate data shown for Erste Group in the tables encompass all values measured for Erste Group. 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 KPIs for 2022 comprise 45.311 FTEs.

Erste Group uses the UL360 software programme from UL solutions to gather Scope 1 and Scope 2 environmental data. Energy consumption at approximately 2,500 business locations is individually recorded and evaluated. For conversion to greenhouse gas equivalents (CO_2e), UL360 uses emission factors from DEFRA (UK Department for Environment, Food & Rural Affairs) and the IEA (International Energy Agency).

In 2022, Scope 3 emissions were added to the Group's operational GHG emissions (with the exception of Scope 3.15, financed emissions) based on a comprehensive materiality analysis and the development of a suitable calculation methodology under the GHG Protocol. Further targeted measures were taken to identify the main emission sources.

3. Our employees

GRI 2-7 2-30

Erste Group's employees are a key asset in the successful transformation of our organisation, corporate culture and competences. 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 the business success of Erste Group. 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, as well as challenging tasks in a flexible organisation. In 2022 reporting period, Erste Group had 48,303 employees, broken down as follows:

Headcount

2022	Total		< 30 years		30-50 years		>50 years	
	Women	Men	Number	in %	Number	in %	Number	in %
Erste Group	**30,134**	**18,169**	**7,685**	**16%**	**28,412**	**59%**	**12,206**	**25%**
thereof Holding	946	1,010	251	13%	1,164	60%	541	28%
Austria incl.Holding	9,799	8,600	3,141	17%	9,406	51%	5,852	32%
Hungary	2,206	1,308	526	15%	2,383	68%	605	17%
Czech Republic	6,947	3,491	1,717	16%	6,082	58%	2,639	25%
Slovakia	2,503	1,150	463	13%	2,304	63%	886	24%
Romania	4,182	1,506	960	17%	3,500	62%	1,228	22%
Croatia	2,296	1,065	420	12%	2,443	73%	498	15%
Serbia	930	351	224	17%	868	68%	189	15%
Others	1,271	698	234	12%	1,426	72%	309	16%

GRI 2-7

2022	Total		Full-time employees		Part-time employees		Temporary employees		Permanent employees	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Erste Group	**30,134**	**18,169**	**23,918**	**17,127**	**6,269**	**989**	**2,494**	**1,299**	**27,640**	**16,870**
therof Holding	946	1,010	658	913	288	97	99	140	847	870
Austria incl. Holding	9,799	8,600	5,078	7,834	4,778	709	576	579	9,223	8,021
Hungary	2,206	1,308	1,931	1,228	275	80	108	59	2,098	1,249
Czech Republic	6,947	3,491	6,124	3,411	820	83	561	241	6,386	3,250
Slovakia	2,503	1,150	2,408	1,137	94	14	339	124	2,164	1,026
Romania	4,182	1,506	3,918	1,413	264	93	351	85	3,831	1,421
Croatia	2,296	1,065	2,282	1,063	14	2	293	130	2,003	935
Serbia	930	351	927	350	3	1	150	26	780	325
Others	1,271	698	1,250	691	21	7	116	55	1,155	643

GRI 2-7

Staff indicators refer to the end of the reporting period as per 31 December 2022. Data are reported in headcounts (one person = one headcount, irrespective of the number of hours worked). Altogether, 87.5% of all employees of Erste Group are covered by collective bargaining schemes. The remaining 12.5%, who are employed with Erste Bank Hungary, are subject to agreements with the employees' council (based on the respective Working Time Act).

3.1 EMPLOYEE INVOLVEMENT AND REPRESENTATION

In accordance with legal requirements, Erste Groups involves its employees in management decisions via representative bodies, in particular in matters that directly affect them.

Under the Austrian Works Constitution Act, the employees' council is the permanent employee representation body. Its main tasks are:

- Monitoring adherence to laws relating to employees, payment of wages/ salaries, occupational health and safety, etc.
- Intervention to ensure compliance with employee related legislation, improving working conditions, setting up/organising in-company training, etc.
- Two-way information: from the management board to the employees' council and from the employees' council to the employees, and vice versa.
- Employee counselling, but also consultations with the employer on current matters. In addition, management is required to hold quarterly talks with the employees' council.

The performance of these duties culminate in the conclusion of works agreements and in participation in the work of the executive bodies of the employer (1/3 of the members of the Supervisory Board are employee representatives).

In Austria, the trade union of private sector employees, GPA, represents the interests of employees working in finance (banks, savings banks, etc.) and also negotiates collective agreements, including the special payments customarily referred to as holiday and Christmas remuneration. Many employees' council bodies are members of GPA and therefore part of the negotiating body. They provide advice on labour-law issues and general support to the employee representatives.

Representation of employees in the subsidiary banks (CEE)

The subsidiary banks in CEE (Central and Eastern Europe) have differing forms of employee representation. In BCR (Romania), employee interests are represented through trade unions, which are installed at company level. They inform employees about their rights and about current issues, either through e-mail or through ad-hoc meetings. The trade unions are in direct contact with the Management Board and Human Resources. Collective bargaining is conducted between the trade union associations and government bodies.

Erste Bank Hungary has an employees' council in place which regularly consults with management primarily on social benefits for employees. The eligibility criteria for social benefits (e.g. annual leave allowance, gift packages for children of employees) are laid down in a works agreement. Employees are informed about current issues through various channels such as the intranet, e-mail or postings.

In the Czech Republic, the Labour Code provides for employees to be represented primarily by trade unions. At Česká spořitelna, a.s., 46 trade union organisations are united in one single All-Company Committee of *ČS Trade Unions*. This committee coordinates trade union activities and is the trade union body competent to engage in collective bargaining. The collective bargaining agreement is in force until 30 June 2026. Trade unions represent employees in labour-law matters. Three members of the Supervisory Board of Česká spořitelna, a.s. are directly elected by the bank's employees; two of these members are currently trade union representatives.

At Slovenská sporiteľňa, employee interests are represented by trade unions at company level. The collective bargaining agreement is renegotiated each year with the Management Board. In addition to pay rises, the agreement offers all employees various benefits in excess of what is prescribed by applicable law.

Erste Bank Croatia is continuously working on improving cooperation with employee representation bodies and arranges regular meetings between the Management Board and the employees' council to achieve this. The latter is responsible for collective bargaining. Concluded in 2006, the relevant agreement has since been renewed every time it has expired.

3.2 DIVERSITY AND EQUAL OPPORTUNITY

GRI 3-3, 405-1, 406-1

Gender diversity, anti-discrimination, and accessibility feature high on our agenda, and we have adopted specific measures in this respect.

Risks / impacts

Sustainable human resources management encompasses effective diversity and inclusion management. The absence of such measures increases the potential for financial and operational risks arising due to a drain of talent and skilled labour as well as due to potentially negative media coverage.

Opportunities

A work environment which fosters diversity and integration leads to higher workforce satisfaction and has a positive impact on staff loyalty. Different perspectives and approaches can be expressed and translated into practice only in a work environment that encourages diversity. Implementing the relevant measures and initiatives to the best of our abilities, we strive to provide such an environment and to harness the resultant opportunities as best we can, such as Erste Group being perceived as an attractive employer.

Targets

The scope of consolidation to which the defined goals apply are the local parent banks. The following institutions are considered parent banks: Česká spořitelna, Erste Holding, Erste Bank Oesterreich, Slovenská sporiteľňa, Banca Comercială Română, Erste Bank Hungary, Erste Bank Croatia, and Erste Bank Serbia. Accordingly, the goals apply only to the above-mentioned institutions, i.e. the parent banks, and not to their subsidiaries.

		Baseline		Actual		Short term targets	
	Metric	Year	Value	Year	Value	Year	Target
Women in top management (Board & B-1)	%-share of women	2021	25%	2022	28%	2025	37%
Women in other managerial positions (B-2, B-3)	%-share of women	2021	51%	2022	52%	2025	40-60%

Here, the scope of consolidation is the parent banks.
Top management positions cover all board and board-1 positions (positions reporting directly to the board).

Governance / responsibility

People and Culture and the Health Centre are responsible for all matters relating to diversity, equal opportunity, and inclusion. An Anti-Discrimination Officer provides advice and mediation services in cases of harassment, discrimination or bullying. Advice for employees is confidential and if required a structured conflict solution process will be initiated. Drafted by the Anti-Discrimination Officer, the anonymised discrimination report covers all reported cases of discrimination and is communicated to the management board, Human Resources, and the employees' council.

Policies &works agreement (discrimination)

Diversity and Inclusion Policy

The Diversity and Inclusion Policy was revised and newly adopted in 2021. It is binding on all local companies. A key element of the Diversity and Inclusion Policy is defining a target for the proportion of women in management positions, which is to be attained by the end of 2025, at the level of the local parent banks. The specific targets defined for each local parent bank in Central and Eastern Europe are monitored at least twice a year by Group Diversity Management.

Status of target achievement at a glance

	Share of women in top management		Share of women in other managerial positions	
	2022	2021	2022	2021
Erste Group	**28.3%**	**25.3%**	**52.4%**	**51.0%**
thereof Holding	17.7%	17.7%	31.6%	31.0%
Austria incl. Holding	23.4%	20.3%	36.2%	35.7%
Hungary	32.3%	27.8%	46.7%	48.0%
Czech Republic	19.6%	15.4%	52.4%	44.0%
Slovakia	29.0%	27.6%	58.9%	60.0%
Romania	32.1%	32.1%	56.7%	56.0%
Croatia	35.7%	33.3%	63.9%	66.0%
Serbia	41.7%	42.9%	54.3%	53.0%

Here, the scope of consolidation is the parent banks.
Top management positions cover all board and board-1 positions (positions reporting directly to the board).
Other managerial positions cover all board-2, board-3 and board-4 positions.

The targets were defined back in 2020 and will be reviewed in 2023 when a policy update is due. Possible steps to attain the interim targets and the 2025 targets are already under consultation.

Works agreement (Anti-Discrimination and Respectful Behaviour in the Workplace)

The works agreement enshrines Erste Group's efforts to create 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, family obligations, sexual orientation, religion, political affiliation, nationality, skin colour, social or ethnic background, and any other aspects unrelated to their employment. The works agreement defines the procedure to be followed when cases of discrimination are reported. As a general principle, the least-escalation approach is chosen and a solution that suits both sides will be sought. All employees have the right to demand that an internal conciliation body be convened. Involving relevant stakeholders, its task is to handle and resolve cases of discrimination, the respective process being also laid down in the works agreement.

Measures

Gender pay gap

A survey on the Gender Pay Gap in Austria carried out by the Vienna University of Economics for Erste Group clearly shows the importance of diversity in management. The study reveals that female managers tend to motivate women to also seek a career in management and to pay fairer wages and salaries to their employees. Erste Group Bank AG is planning to close the unaccountable gender pay gap in all countries by the end of 2027. To this end, Erste Women's Hub – the Erste Group women's network – offers special coaching that proactively addresses female talent. For the medium term, Erste Group has set itself the aim of at least one female candidate being shortlisted for each job recruitment.

Anti-discrimination

Experience obtained from conflict situations is perceived as an opportunity to continually develop corporate culture. Awareness-building and prevention measures implemented by the Anti-Discrimination Officer in cooperation with management are instrumental to achieving that aim. The primary focus is on raising awareness and improving processes, behaviour and organisational issues for both management and employees. No cases of discrimination were reported in 2022.

Accessibility and inclusion

Erste Group defines accessibility as designing real-world environments as well as information and product offers in such a way that people with disabilities can use them without the need for additional assistance. Programmes are being implemented in all countries to ensure that customers with disabilities can easily access all Erste Group services and products.

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 George Go, its digital platform: zoom, contrast adjustment, extra-large fonts, and speech output. The barrier-free functions were developed in cooperation with blind persons and persons with a variety of visual impairments.

Moreover, Erste Group is preparing for the EU Accessibility Directive. A pilot study will be commissioned in 2023, involving the ErsteABILITY employee network as well as ombudspersons for the disabled as experts. In Austria, this pilot study will be made available to local diversity managers for the purpose of a group-wide roll-out of accessibility measures.

	Austria	Hungary	Czech Republic	Slovakia	Romania	Croatia	Serbia
Developing Women's Hub, education & networking for women leadership	●	●	●	●	●	●	●

Key performance indicators

Women in top management and other managerial positions

	Share of women in top management		Share of women in other managerial positions		Number of employees with health disability	
	2022	2021	2022	2021	2022	2021
Erste Group	**24.1%**	**22.8%**	**43.8%**	**41.8%**	**706**	**717**
thereof Holding	17.6%	17.6%	31.6%	30.7%	20	22
Austria incl. Holding	17.2%	16,2%2	26.7%	25.7%	343	364
Hungary	26.5%	23.9%	44.5%	47.2%	12	12 1
Czech Republic	19.8%	16.1%	51.5%	43.7%	90	130
Slovakia	26.2%	22.2%	58.6%	59.4%	161	152
Romania	37.3%	34.0%	60.2%	57.4%	53	37
Croatia	29.3%	27.7%	61.7%	63.9%	36	15
Serbia	33.3%	35.5%	54.1%	52.5%	2	1
Others	42.2%	41.1%	48.3%	48.3%	9	6

GRI 405-1

Please note that this table does not lend itself to comparison with the table in the Diversity Inclusion Policy section, as the scopes of consolidation differ. The table in the Diversity and Inclusion Policy section refers to the parent banks, while this table refers to each country as a whole.

[1] In 2021, there were 12 (147) employees with a disability in Hungary. In 2021, two subsidiaries reported employees with a disability, though without a degree of disability being specified.

[2] Institutions must have more than 250 employees to reach the defined threshold where board-1 is included in the calculation for top management. In 2021, board-1 functions were included under top management in subsidiaries with less than 250 employees. This adjustment led to a change from 23.3% to 16.2% in Austria, and from 25.8% to 22.8% across the Group.

Women in other managerial positions and age structure

2022		<30 years		30-50 years		>50 years	
	Number	Number	in %	Number	in %	Number	in %
Erste Group	**1,984**	**46**	**1.0%**	**1,421**	**31.3%**	**517**	**11.4%**
thereof Holding	59	1	0.5%	44	23.5%	14	7.5%
Austria incl. Holding	459	20	1.2%	293	17.0%	146	8.5%
Hungary	186	2	0.5%	138	33.0%	46	11.0%
Czech Republic	369	13	1.8%	240	33.5%	116	16.2%
Slovakia	163	1	0.4%	103	37.1%	59	21.2%
Romania	296	9	1.8%	236	48.0%	51	10.4%
Croatia	287	0	0.0%	222	47.7%	65	14.0%
Serbia	98	1	0.6%	81	44.8%	16	8.8%
Others	126	0	0.0%	108	41.4%	18	6.9%

GRI 405-1 Data by age groups were recorded for the first time in 2022 (only for B-2,3,4).

Partnerships and awards

Diversity Charter. Erste Group enjoys an excellent international reputation also for its support of the Diversity Charter. Under the Charter, Erste Group commits to establish for its employees an inclusive working culture regardless of gender, ethnicity, religion, age, disability, sexual orientation, and other characteristics.

Orange the World. In 2022, Erste Group was for the third time a main partner of the United Nations Orange the World initiative. The purpose of the campaign is to raise awareness for violence against women and support women globally in leading a life free from all forms of violence. Moreover, Erste Group became a signatory of Aids Hilfe Österreich's #positivarbeiten initiative in 2022, supporting the discrimination-free treatment of HIV-positive employees and job candidates.

equalitA quality seal. The equalitA quality seal is awarded by the Austrian Federal Ministry of Labour and Economy in recognition of efforts undertaken by companies to promote women with a view to ensuring gender diversity and equal opportunity. Criteria include fair pay, women in management positions, general positions of women in the company, compatibility of work and family, professional development for women, etc.

3.3 EMPLOYEE HEALTH AND WORK-LIFE BALANCE

GRI 3-3, 401-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7

Erste Group accords high priority to the health of its employees, mindful that the contribution, knowledge, qualifications, and skills of each individual employee are valuable, and that every employee is special. A sound work-life balance is essential for maintaining and promoting health. Given the tight labour markets in our region, it is just as essential for our ability to recruit and retain employees with the required high-level qualifications and experience.

Risks / impacts

Prevailing working conditions may be harmful to the health of employees. While the risk of physical health hazards is low in our field of business, not least because of exacting statutory requirements as to occupational safety (in Austria, e.g., the Occupational Health and Safety Act), we cannot generally preclude health hazards related to stress and other mental factors. As we are seeing an increase in lifestyle-related and chronic illnesses also affecting Erste Group employees, this may lead to an increase in sick days, especially long-term sick leave, which may translate into higher costs in banking operations as well as higher operational risk.

Social framework conditions which make it more difficult to reconcile private and family life with work (e.g. lack of child-care facilities) may prevent people from starting or continuing to work for us – even if they have all the assets and talents Erste Group needs for a successful future. In combination with demographic developments which have caused a shortage of labour that will last for years to come, this may give rise to a serious risk for Erste Group.

Opportunities

The workplace offers an ideal setting for raising health-awareness among large groups of people, thus making occupational health an important contributor to public health. A work environment that fosters employee health and allows to reconcile life and work is not only quintessential for Erste Group's attractiveness as an employer and for the commitment of our staff, but also has, as we firmly believe, a positive impact on society as a whole.

Targets

Erste Group is committed to proactively assisting its employees in identifying and preventing health risks. The focus here is on mental health, as well on preventing chronic illnesses, which account for 50% to 80% of all healthcare costs. Reintegrating employees into work life after lengthy periods of illness is one of our key priorities.

We have a set of measures in place to ensure that working times can be adjusted to individual needs. In Austria, we want to encourage fathers to fully harness the potentials of parental leave.

Governance / responsibility and participation

Overall responsibility in the Group lies with People and Culture, which reports to the CEO. As labour-law and health policy frameworks vary widely between individual countries, it is mainly at country level that initiatives are coordinated and information sharing is promoted; the specific measures are then designed and implemented in our subsidiary banks. Employees are involved in the development of new offers via the respective employee representation bodies (employees' councils).

Measures and success indicators

Growing flexibility in terms of working time and leave models

Mindful of the high priority of this issue, Erste Group offers a whole range of family-friendly measures which are regularly adapted to the needs of our employees. With family-friendly flexitime and work-from-home schemes, Erste Group enables its employees to reconcile parental time and work. In addition, Erste Campus has a company kindergarten where fully qualified educators provide full-day care for 120 children. Our offer is complemented by nursing-care leave, sabbaticals, parental leave, and summer programmes for children at primary school age. Executive-level staff may opt to have interim managers substitute for them during periods of leave and then resume their management position on their return. The scope of these measures varies from country to country.

The certification issued by the Austrian Federal Ministry for Education, Science and Research under the *berufundfamilie* (work and family) audit scheme, which we obtained in 2021, is a testament to how successful our efforts in this respect have been. One of the key outcomes of the certification audit in Austria was the need for effective interim management models ("bridging models") for periods of parental leave, so that career gaps can be organised flexibly and with a clear focus on continued professional development during such leave. In 2022, Erste Group further pursued an initiative designed to encourage men to make full use of the possibilities available under the parental leave schemes for fathers. In general, all employees (women and men) are entitled to take parental leave.

Parental leave

2022	Parental leave				Return to work after parental leave			
	Women		Men		Women		Men	
	Number	in %	Number	in %	Number	in %	Number	in %
Erste Group	**1,816**	**92.0%**	**158**	**8.0%**	**1,113**	**80.6%**	**172**	**96.6%**
thereof Holding	37	61.7%	23	38.3%	40	97.6%	20	100.0%
Austria incl. Holding	551	84.4%	102	15.6%	324	90.0%	115	100.0%
Hungary	86	100.0%	0	0.0%	80	80.8%	3	100.0%
Czech Republic	423	99.5%	2	0.5%	174	63.3%	0	0.0%
Slovakia	327	92.6%	26	7.4%	103	60.6%	27	84.4%
Romania	201	96.6%	7	3.4%	125	83.9%	6	85.7%
Croatia	107	83.6%	21	16.4%	228	100.0%	21	100.0%
Serbia	61	100.0%	0	0.0%	41	95.3%	0	0.0%
Others	60	0.0%	0	0.0%	38	66.7%	0	0.0%

GRI 401-3 b), c), d) and e

Erste Group Health Centre

Issues addressed in preventive health care include, amongst others, lifestyle, work-life balance, mental health, stress prevention and nutrition counselling. A multi-professional team of occupational physicians, workplace psychologists and physiotherapists assist Erste Group's employees in all matters of health and well-being. The processes for designing and reviewing the programmes offered and the measures being implemented are participatory and evidence-based and ensure ongoing consultation with employees. (Talks with the employees' council and the ombudsperson for employees with disabilities are held at regular intervals). Internal communication channels (intranet) are used to inform employees about health issues.

The Erste Group Health Centre, which is located at Erste Campus in Vienna and caters to Erste Group Bank AG, Erste Bank der österreichischen Sparkassen, and 30 subsidiaries in Austria, focuses first and foremost on the mental health of employees, a factor which is taking on an ever more important role on the labour market. Employees have access to workplace psychologists and to an external service to help them with issues such as childcare, school, domestic and other problems, as well as caring for elderly family members. This service is available either online or by telephone, and every other week also for in-person consultations on-site. A free-of-charge hotline at Erste Campus Vienna provides anonymous counselling by qualified experts. In compliance with the Labour Relations Act, youth ombudspersons have been appointed to act as peer contacts.

Another focus of the Erste Group Health Centre is the prevention of chronic illnesses, which account for 50% to 80% of all healthcare costs. Erste Group has implemented a range of different measures designed to prevent chronic illnesses or at least mitigate their effects. These include health screenings, melanoma screenings, the prevention and early detection of intestinal cancer, prevention of cardio-vascular diseases through nutrition counselling and fitness offers, as well as blood pressure checks and other check-ups. Close cooperation with local health service providers such as rehabilitation centres ensures that our employees have ready access to treatment.

Personalised reintegration after long-term illness

A works agreement on reintegration ensures that employees can return to work gradually after a lengthy period of illness. Erste Group is one of the few companies which has concluded such an agreement, which has brought about a significant decline in extremely long sick leaves in recent years.

Acquiring health literacy

Moreover, our employees regularly attend training events on health literacy, nutrition, mental health, or infection protection.

Average number of sick leave days per employee

Sick leave is a type of leave that is either paid for by the employer or by social insurance or is unpaid; the cause for such leave is illness or incapacity (health problems). Sick leave is to be calculated in workdays from the first day of leave. The total duration of illness-related absences from work is to be calculated based on the total number of days of leave attributable to sickness or incapacity for the given period.

Sick leave days per employee

	2022	2021
Erste Group	**10**	**10**
thereof Holding	6	3
Austria incl. Holding	9	6
Hungary	7	9
Czech Republic	11	19
Slovakia	11	10
Romania	10	9
Croatia	15	17 [1]
Serbia	10	9
Others	9	10

[1]Social insurance-funded sick leave days have been included in the report as from the 2022 reporting period. By analogy, the figure for 2021 increases from 5 to 17 days.

3.4 TALENT ATTRACTION AND RETENTION

GRI 3-3, 401-1, 404-1, 404-2, 404-3

Erste Group is convinced that its current and future success in business can be ensured only by investing in people, developing their potential, and enabling them to deliver in alignment with Erste Group's vision for the future. Erste Group's special focus lies on two areas: education, and employer branding & recruiting.

Risks / impacts

Erste Group needs to be attractive both for its employees and for potential jobseekers. Demographic transformation and changing values have brought in their wake an extremely tight labour market in our entire region, which we expect to remain that way in the foreseeable future. For the high-quality financial services we offer, we depend on specialised expertise and experienced staff so we can deliver on our goal of top-level customer satisfaction (see chapter 4.1 "Customer satisfaction"). Staff turnover and quiet quitting harbour operational risks and come with high recruitment and training costs.

Opportunities

Erste Group wants to play a part in shaping tomorrow's banking world. To be able to do that, we need innovative ideas as well as people with commitment, passion and empathy. Erste Group will be able to harness its full innovative potential only by being an employer that attracts new talent while also proactively investing in leveraging existing employee potential.

Targets

Erste Group wants to be perceived as an attractive employer and intends to improve further in this area year on year. Our two-fold aim is to recruit new talent, from job starters to experienced professionals, all while fostering existing talent among our staff.

At the same time, we accord high priority to a time-efficient recruiting process. In 2022, we achieved an average time to fill (i.e. the time between when a job requisition is approved and when a job offer is made to the final candidate) of 62 days, the initial target having been set at 70 days or less.

Governance / responsibility and participation

Responsibility for attracting talent lies with Group People & Culture, which centrally coordinates all training programmes. The department closely interacts with the business units on the (further) development of training programmes so that educational offers can be dovetailed to their specific needs.

Measures and success indicators

Erste Group's measures in respect of talent attraction come under two separate headings: education, and employer branding & recruitment.

Learning, talent management, leadership and competence development

Erste Group strives to develop the professional and interpersonal skills of its employees. Erste Group continuously develops and aligns group-wide training programmes for professionals and managers.

Specialised courses are offered covering corporates &markets, finance including controlling, asset/liability management, accounting and data excellence. The Risk Management College programmes take account of changes in regulatory frameworks and impart knowledge in various areas of risk management.

Accessibility was further expanded by a massive roll-out of digital learning formats. Cooperation with renowned institutions such as IESE Business School, IMD Lausanne, WU Executive Academy in Vienna and Ashridge Executive Education underscore the high quality of the training programmes being offered.

Through cooperation agreements with international business schools, Erste Group in 2022 acquired quotas for continued professional development programmes to make available to our management-level staff. It is our aim to take full advantage of the annually budgeted quota and to attain a 100% graduation rate. In 2022, Erste Group succeeded in fully using the available quota for management training programmes.

Talent management is driven by constructive feedback, a fair and transparent assessment of individual potential, and high-quality development activities in partnership with internationally renowned institutions. Each year, all employees are invited to an employee appraisal interview with their line managers to define goals for the current year and come up with development plans to assist employees in their further personal development. In 2022, appraisal talks were held with 98.6% of all employees of Erste Group Bank AG, of whom 49.3% were women and 50.7% men, and 11.7% were management-level staff and 88.3% employees without management responsibility.

Employer branding and recruiting

Erste Group focuses on a comprehensive offer of development opportunities in a bid to attract young talent and remain attractive as an employer. The goal of the annual Group Graduate Programme for university graduates is to attract top international graduates and provide them with fundamental banking and risk management skills over a period of 18 months. The share of women in the current programme cycle is 70%. The next Group Graduate Programme is scheduled for autumn 2023.

Moreover, 2022 saw new measures being added to the Recruiting & Employer Branding portfolio. An initiative was launched to expand direct sourcing, i.e. directly contacting potential new employees. We have been able to massively strengthen our employer brand through a variety of partly sponsored campaigns on various social media channels (e.g. LinkedIn, XING, Facebook). In a bid to boost its name recognition and employer credentials, Erste Group also presented itself at various off- and online events, trade fairs, as well as selected universities.

In 2022, Erste Group's employees completed on average 32.3 hours of professional development (as against 24.5 hours in 2021) (women 34.1 hours (as against 24.3 hours) and men 29.3 hours (as against 24.7 hours)). Employees in management positions completed an average of 43.3 training hours (prior year 28.5 hours). The significant increase in training hours completed is due to the fact that many non-consumed training courses were made up for once Covid-19 restrictions had been lifted.

For 2023, Erste Group will step up investment in employee training, adjusting, expanding, and newly designing programmes so as to live up to its reputation as a top employer, both internally and externally.

Country-specific personalised development and career-building measures are in place with a view to maintaining staff employability. This includes all professional education and development measures which ensure that our staff have the skills and competences they need to face new tasks and challenges. These programmes can be directly accessed and booked through the Learning Management System.

In Austria, each institution has different measures in place to facilitate retirement from work. This covers various pre-retirement schemes that make it easier for employees to retire (e.g. flexible transition based on part-time work agreements), as well as individual support measures to help staff to regain a foothold on both the internal and the external job market (e.g., applications for jobs on the internal job market, reintegration after lengthy periods of illness, outplacement foundations, or counselling on reorientation on the labour market).

New hires

2022	Women		Men		<30 years		30-50 years		>50 years	
	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Erste Group	**4,162**	**63.7%**	**2,372**	**36.3%**	**3,208**	**49.1%**	**2,958**	**45.3%**	**368**	**5.6%**
thereof Holding	112	44.1%	142	55.9%	154	60.6%	89	35.0%	11	4.3%
Austria incl. Holding	1,235	56.2%	961	43.8%	1,213	55.2%	848	38.6%	135	6.1%
Hungary	360	64.3%	200	35.7%	214	38.2%	294	52.5%	52	9.3%
Czech Republic	1,001	63.3%	580	36.7%	700	44.3%	787	49.8%	94	5.9%
Slovakia	321	70.1%	137	29.9%	226	49.3%	213	46.5%	19	4.1%
Romania	636	75.0%	212	25.0%	481	56.7%	341	40.2%	26	3.1%
Croatia	193	62.1%	118	37.9%	147	47.3%	157	50.5%	7	2.3%
Serbia	210	74.5%	72	25.5%	126	44.7%	137	48.6%	19	6.7%
Others	206	69.1%	92	30.9%	101	33.9%	181	60.7%	16	5.4%

GRI 401-1 a)

The percentages refer to the total number of newly hired employees.

Fluctuation incl. retirement & using the Schlüter formula

2022	Women		Men		<30 years		30-50 years		>50 years	
	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Erste Group	**3,958**	**11.7%**	**2,075**	**10.3%**	**1,791**	**29.7%**	**3,144**	**52.1%**	**1,098**	**18.2%**
thereof Holding	101	9.8%	103	9.3%	97	47.5%	86	42.2%	21	10.3%
Austria incl. Holding	1,148	10.5%	865	9.2%	762	37.9%	744	37.0%	507	25.2%
Hungary	396	15.9%	214	14.3%	163	26.7%	372	61.0%	75	12.3%
Czech Republic	927	11.9%	393	10.1%	292	22.1%	785	59.5%	243	18.4%
Slovakia	377	13.1%	118	9.3%	147	29.7%	284	57.4%	64	12.9%
Romania	625	13.3%	217	13.0%	293	34.8%	444	52.7%	105	12.5%
Croatia	151	6.4%	82	7.2%	48	20.6%	156	67.0%	29	12.4%
Serbia	140	12.3%	70	16.5%	39	18.6%	140	66.7%	31	14.8%
Others	194	13.0%	116	14.4%	47	15.2%	219	70.6%	44	14.2%

GRI 401-1 b)

This table presents the number of employees who left Erste Group (including retirement) during the fiscal year. It does not include employees on parental leave, internal transfers within Erste Group, or departing trainees and interns. Fluctuation in % is calculated using the Schlüter formula. Fluctuation at Erste Group (total of men and women) stood at 11.2%, unchanged in a year-on-year comparison.

Awards for Erste Group

Erste Group's efforts to remain an attractive employer for new talent are reflected in a number of awards bestowed upon the bank in the reporting year. In 2022, Erste Group won several Best Employer awards reflecting its strong position on the employer market. In a ranking of 40,000 Austrian employers carried out by the Leading Employers Institute, Erste Bank attained the top position in banking and came second in the overall ranking. In 2022, Forbes Magazine ranked Erste Group as number 103 in the "World's Best Employers" category. The Universum platform (which focuses on employer attractiveness for students) ranks Erste Bank among the top 20 for business students. Erste Group scored among the top 10 of 200 businesses in Austria in the Quality Awards evaluated by Market Institut. "Kununu", an Austrian employer rating platform, awarded Erste Bank the Top Company label, currently the most widely known employer label in Austria. Recognising role-model companies providing apprenticeship training, the Austrian Federal Economic Chamber (WKÖ) awarded Erste Group the Vienna Quality Label as a top apprenticeship provider. *Familie & Beruf* certified Erste Group as a family- friendly employer.

4. Our customers

Being a financial services provider, it is in our DNA to manage and increase the wealth of our customers. Thanks to our unique expertise, which derives from our network of local savings banks and our regional activities as Erste Group, we are well placed to take excellent care of the specific needs of our corporate and retail customers. Our strength and our good reputation are rooted to a large extent in the trust which many long-standing customers place in us. To be able to live up to their expectations in the future, we are constantly working on improving customer satisfaction, all while optimising our security measures, especially in view of digital transformation scenarios.

4.1 CUSTOMER SATISFACTION

GRI 3-3

The long-term success of a credit institution largely rests on its customer relations. We can maintain our competitive edge only if our customers place their trust in us and are satisfied with our products and services. This is why we are continuously striving to improve our services by making them not only better, but also more relevant and more accessible.

Risks, impacts and opportunities
Outdated products and services and poor customer service may be the root cause for customers being dissatisfied. If we fail to adequately address these risks, we jeopardise the long-term success of our business. On the other hand, high levels of customer satisfaction breed customer loyalty, which in turn is reflected in an ever-growing customer base and market leadership.

Targets
Erste Group has set itself the goal of remaining and/or becoming, in each single market in which it operates, the market leader in customer satisfaction, a factor we measure through our Customer Experience Index (CXI).

Policies / Governance
The CXI is determined by Group Customer Experience, which is part of Group Brand Management & Communication, which in turn reports to the Chief Executive Officer. The Chief Retail and/or Corporate Officer are responsible for goal achievement.

Measures
To be better able to cater to a broad variety of customer requirements and provide customer-centric advisory, we have taken specific steps to address customer satisfaction in different areas, such as in digital banking, in the branches, in the Contact Centre, in product design as well as in sales.

Moreover, we can rely on our Customer Experience Framework to obtain feedback on customers' interactions with the bank, a valuable input to inform work on further improving Erste Group's products and services.

Digital banking
At Erste Group, digital banking means not only making all banking transactions easy to handle and verify, but also providing appropriate remote advice.

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 an ecosystem of products and services provided both by the bank and by third parties (e.g. Erste Group's strategic partner Vienna Insurance Group) in a secure IT environment and use the platform for managing their finances.

At year-end 2022, George was available to a total of 9 million people in their local language in almost all the countries in which Erste Group operates. Roll-out in Serbia has been scheduled for early 2024.

Set up in November 2022, Let's do Business, George! is the digital banking platform for businesses. Compared to retail-focused George, it features additional services and products, such as the Messenger or Financial Health functionalities, which are designed to make day-to-day banking for businesses simpler and easier.

Branches
Direct contact with customers through branches remains a key element of customer satisfaction, especially for more complex customer needs. Branch interiors and infrastructures are being upgraded to enable customers to handle their banking business in the branches quickly and easily. In doing so, Erste Group relies on a group-wide branch concept featuring new technologies (e.g. video walls, digital onboarding in George) and allowing more space for person-to-person advisory services. At year-end 2022, more than 330 branches operated under the new concept in Erste Group's core markets in Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia, and Serbia.

Contact Center
Erste Group's Contact Center is the first port of call for instant customer support. It is available 24/7 and can be contacted by telephone, e-mail or chat. Trained employees not only answer questions regarding products and services and assist users with the operation of self-service terminals, but also help potential customers navigate digital product acquisition processes. If necessary, they also handle customer complaints or respond to emergencies such as requests to block credit cards and debit cards. If permitted under applicable regulations, the Contact Centre will also provide assistance with end-to-end digital banking services, such as unsecured loans, insurance, credit cards or online banking.

Product design and sales
The development and approval of new products and services is based on a structured process which is informed by strategic goals (identified customer needs and market opportunities) and guarantees comprehensive quality assurance. Products and services are designed for flexibility, life-cycle changes, simplicity, security, transparency and ease of use.

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

Success indicators and customer satisfaction
In the retail segment, a representative survey called the Banking Market Monitor is carried out on a quarterly basis. 2,400 telephone interviews (with customers and non-customers) are conducted annually across Erste Group's markets. In the corporate customer segment, an extensive survey with at least 1,500 companies per country is carried out once a year.

These analyses are conducted by an external market research institute and provide data for a performance comparison both within Erste Group and with its top three competitors.

Based on these surveys, our customer relations are rated in five categories (dissatisfied, non-engaged, simply satisfied, loyal and advocate) and successful improvement of customer service is measured using the CXI (Customer Experience Index).

The CXI is an index value that is derived from the evaluation of satisfaction ratings, referrals, readiness to switch to another bank, customer effort score and the repurchase rate of the main customers of the individual banks. This value is put in relation to the three best competitors in each country and in each segment and is used to determine the strengths and weaknesses of the local banks as compared to the market leaders.

The CXI index is of great relevance for the bank as it is also part of the bonus assessment for members of the management board of Erste Group, individual local banks and all other employees.

Development of the CXI

in relation to the top three competitors 2021-2022 per segment

	Retail clients	Micro	SME	**Total**
Erste Group Bank AG	o	+	o	o
Erste Bank Oesterreich	o (best result)	+ (best result)	+	+
Česká spořitelna	+	+	o (best result)	+
Slovenská sporiteľňa	–	o (better than top 3 average)	+ (best result)	o
Banca Comercială Română	o	+	o	o
Erste Bank Hungary	+ (better than top 3 average)	o (better than top 3 average)	o (best result)	+
Erste Bank Croatia	o (best result)	– (best result)	o (best result)	o
Erste Bank Serbia	o (best result)	o	+	o

+ positive development o stable development – negative development

best result of all banks in the segment in the country 2022 (Austria includes the Sparkassen)

better than the average of the top 3 banks in the segment in the country 2022

GRI 3-3

In 2022, Erste Group again succeeded in maintaining the excellent customer satisfaction ratings of the previous year, or even improving its score in relation to the top three banks of the respective countries. Looking at the development of the CXI in the individual countries by comparison with 2021, Erste Bank Oesterreich, Česká spořitelna and Erste Bank Hungary reported better results in relation to the top three banks of these countries. All other banks showed stable figures.

4.2 DATA SECURITY

GRI 3-3, 418-1

Personal information is key in today's financial services. The data of Erste Group's customers must be protected at all times and therefore call for a particularly high standard of security. At European Union level, data privacy requirements are defined by the General Data Protection Regulation (GDPR), which we have fully implemented.

Risks / impacts

Any loss of customer data such as identity theft, fraud, financial loss etc. may have a negative impact, first and foremost on the customers affected. As for Erste Group as a business enterprise, successful IT attacks may lead to data losses and even business interruptions, and may entail legal consequences. Unreliability in connection with data protection harms the reputation of Erste Group and may adversely affect both customer retention and our ability to win new customers in the long term.

Opportunities

Ultimately, high customer satisfaction goes hand in hand with data security. The security of customer data is therefore a key prerequisite for long-term success in the banking industry.

Targets

Our aim here is to not only maintain the high level of security achieved so far, but to also implement additional technical and organisational measures in response to mounting challenges. Preserving our customers' trust as the process of digitalisation continues is a top priority.

Governance / responsibility

By continuously sharing information and best practices across all markets, the Group Data Protection Office, which reports to the Chief Risk Officer, ensures a consistently high level of data protection throughout Erste Group. In 2022, a new Data Privacy and Security Management was set up, substantially improving the way data protection is organised. With a headcount of ten staff members, this department acts as a first line of defence, assisting the bank's business units in complying with data privacy regulations. In addition, the data protection officer carried out a multitude of monitoring measures required under Article 39 GDPR, both at local and at international level.

Measures

The data security measures adopted by Erste Group meet the highest standards. Technically, Erste Group has a number of defence mechanisms in place at different levels, from the network to the application level. We use different systems and technologies, such as an intrusion prevention system or data leak prevention, to identify and prevent data leakages.

For the purposes of cyber-physical security, we apply additional internal rules for the protection of properties and valuables to complement the European EN 50600 standard for the protection of IT infrastructure in data centre facilities. This standard sets out requirements for the planning, construction and operation of data centre facilities and cloud infrastructures. When it comes to outsourcing information and communication technology (ICT), Erste Group is certified under international certification standard ISO 27001 and the International Standard on Assurance Engagements ISAE 3402.

Organisationally, a large number of security policies govern security-relevant requirements for systems, infrastructure and employees. Compliance with these policies is mandatory for all banking subsidiaries of Erste Group. A security maturity assessment currently featuring about 150 controls is used to record any non-compliance with these policies, to document measures taken to resolve such non-compliance and to regularly evaluate the progress made in implementing relevant solutions. Moreover, all employees of Erste Group undergo mandatory training in respect of the same uniform requirements on a regular basis. Our cooperation partners are contractually held to meet these requirements as well.

At the operational level, security KPIs (key performance indicators) have been implemented to inform monitoring, control and decision-making by the Chief Security Officers and the relevant board members at Erste Group.

To earn trust, you need to ensure transparency: Erste Group puts great emphasis on providing customers with clear and understandable information about how their personal data are being processed. Where necessary, we obtain prior consent to the processing of personal data.

Performance indicators

An internal message chain will be activated if, in spite of all our precautionary measures, a data breach (loss, modification or unauthorised transmission of personal data or unauthorised access to personal data) does occur. All internal and external reports are centrally collected and evaluated. A report will be filed with the competent data protection authority if, based on such evaluation, we come to the conclusion that the data breach compromises the rights and freedoms of any natural persons affected.

In 2022, there were 8 data breach reports (none of which for Erste Group Bank AG). Should a data breach result in a high level of risk, the persons affected will also be notified. In 2022, 2 such notifications were issued (none of which for the Holding).

5. Our social responsibility

Erste Group's commitment to society has never been limited to business activities alone. By providing funding or in some cases staff and expertise, we support institutions, initiatives and projects as well as communities in social, arts and culture, education, sports and ecological activities in all core markets. We consider financial literacy, access to banking products for financially excluded groups, community involvement and volunteering as areas where we can generate a significant positive impact on society.

As needs and interests vary 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 ExtraVALUE programme, which is characterised by a regional focus, cross-thematic initiatives and cooperation. The guiding principle is to support personal development and help people to meet their social and cultural needs. Erste Group's ExtraVALUE programme is therefore a visible sign of how committed the bank is to its responsibility towards society and the individual. The sponsoring policy governs all actions taken under this heading.

5.1 ACCESS TO BANKING PRODUCTS FOR DISADVANTAGED GROUPS

GRI 3-3

More than 14 million people in Erste Group's core markets 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. The cost of living is on the rise in the region, and affordable housing is becoming harder to find. These developments present a significant danger for inclusive and socially sustainable societies and encourage economic disparity.

Risks / impact

By making basic financial products available to disadvantaged groups, Erste Group contributes to fighting poverty and increasing prosperity. A decline in social stability and economic development presents a risk for our business model, which depends on these very factors to succeed.

Opportunities

Assuming societal and social responsibility is not only in line with Erste Group's strategy but also enriches the brand. Opportunities include the potential for building a loyal and prospering customer base as well as benefits from a positive image transfer to the brand, increasing the brand's emotional appeal as well as employee identification with the brand.

Targets

To achieve our goal of promoting social cohesion, our Social Banking programme defines four targets:

		Baseline		Actual		Targets			
						short term		mid term	
	Metric	Year	Value	Year	Value	Year	Target	Year	Target
Affordable housing	# of built housing units (cumulative)	-	-	2022	500	2025	3,300	2030	15,000
Social banking financing	in EUR million, cumulative	2017	115	2022	464	2025	650	2030	1,000
Financial literacy participants [1]	# in thousand, cumulative	2017	7	2022	48	2025	-	2030	80
Job creation and retention	# in thousand, cumulative	2017	20	2021	78	2025	-	2030	200

[1] The goal describes the total number of persons participating in educational activities organised or initiated by Group Social Banking.

Goal achievement may be jeopardised over the medium term if the amount of bad loans substantially exceeds expected and reasonable limits. A special Group Social Banking Risk Policy sets out the key requirements for managing credit risk related to social banking at Erste Group. This policy applies to social banking activities concerning private individuals, micros and new entrepreneurs, social organisations and special social projects. It provides a framework adapted to local needs and local legal regulations. In a bid to reduce the risk related to the funding of social organisations, Erste Group Social Banking availed itself, until year-end 2022, of the portfolio guarantee under the EU Programme for Employment and Social Innovation (EaSI). To be able to continue to offer preferential terms and loans to social entrepreneurs and new entrepreneurs, Erste Group Social Banking applied for a portfolio guarantee under the new InvestEU programme.

Governance / responsibility and participation

Overall responsibility for access to banking products for financially disadvantaged groups lies with the Group ESG Office and with Social Banking, which report to the CEO. Responsibility for the Austrian market lies with the CEO of Erste Bank Oesterreich, including, among other things, the microfinance programme. In addition, we cooperate with Erste Social Finance Holding, a joint venture between Erste Stiftung and Erste Group Bank AG. Our employees are involved in the development of new initiatives and projects to facilitate access to banking products for financially disadvantaged groups on an ongoing basis via their respective representatives (works council).

Measures and success indicators

Erste Group's social banking initiatives focus on financially excluded or vulnerable individuals (people at risk of poverty or social exclusion), start-ups and micro entrepreneurs and social organisations (non-profit sector, non-governmental organisations and social enterprises), offering them fair access to financial products, sound financial advice, as well as business training and mentoring.

	Austria	Hungary	Czech Republic	Slovakia	Romania	Croatia	Serbia
Establishment of local project team and foundation of local affordable housing entity if needed	●	●	●	●	●	●	
Identification of pilot projects, interested municipalities	●	●	●	●	●	●	
Development and operation of affordable rental apartments	●			●			
Scaling Social Banking programmes	●	●	●	●	●	●	●
Financial education programmes for young generation	●	●	●	●	●	●	●

Zweite Sparkasse

Since its foundation in 2006, Zweite Sparkasse has helped a total of 22,433 people in financial difficulties in Austria and currently serves 8,098 customers. Working with its network of social organisations in an effort to relieve the cost pressure experienced by vulnerable groups, Zweite Sparkasse has developed a finance product which covers rent deposits and basic home furnishings and equipment for vulnerable groups.

Affordable housing initiative

Making affordable housing available is fraught with more and more challenges. Young people and lower-income groups fail to earn enough to be able to afford adequate living quarters despite having a paid job. Erste Group Social Banking's Affordable Housing initiative was launched to generate as much support as possible for those affected to strengthen their autonomy. Rent in our projects is typically 20% lower than the average on the respective regional market. In Vienna, Erste Bank Social Banking provides the equity portion needed for affordable homes made available by partner organisations such as Neunerhaus, Volkshilfe and others. In the Czech Republic, a subsidiary called Dostupne byvanie (Affordable Housing) specifically set up for this purpose has already brought first affordable housing projects onto the market. In Slovakia, Slovenská sporiteľňa cooperated with the Slovak Investment Holding and the Slovenská Sporiteľňa Foundation in 2020 to found Dostupný Domov, an organisation which selectively purchases apartments on the primary and secondary markets to then rent them out at below-market-value prices to social organisations that care for marginalised groups. A special programme was launched in Slovakia in 2018 to help socially marginalised individuals and communities (primarily of Roma ethnicity) to finance and build suitable family homes on their own.

Erste Bank Oesterreich's microfinance programme

It is not only socially marginalised groups who may be faced with financial problems – the same holds for entrepreneurs as well. One of the most difficult tasks for new entrepreneurs is raising finance to start their business. Small entrepreneurs provide not only income for themselves and their families, but often create new jobs in their communities when they expand their business operations. Erste Group offers access to start-up micro loans, business training, e-learning tools, mentoring sessions and networking to these customers.

In Austria, the microfinance programme offered by Erste Bank Oesterreich and the Austrian Federal Ministry of Social Affairs, Health, Care and Consumer Protection provides support mainly to unemployed and vulnerable individuals who intend to set up a business of their own and have either limited access or no access at all to start-up finance. The term of this initiative, which was launched ten years ago, has been extended until 2025. An increase in the maximum loan amount to EUR 15,000, with a term of five years, is expected to lead to hundreds of new businesses being set up. With help from the European Investment Fund, a similar initiative was launched for Ukrainian refugees planning to set up a business of their own and gain a foothold in the Austrian business world. In conformity with the currently applicable Council Implementing Decision (EU) 2022/382 introducing temporary protection for displaced persons from Ukraine, microloans are being offered with a maximum term of two years. Overall, Erste Group financed 371 new entrepreneurs with a total volume of EUR 6.4 million in 2022.

Microfinance in Romania

Very often, even a small working capital loan can be sufficient to scale micro businesses and successfully fight poverty. BCR Social Finance was established in 2009 as an enterprise with a social inclusion mission that ploughs any profits it makes back into its operations. It provides microfinance products to micro-businesses, small agricultural producers and freelancers in both rural and urban areas in Romania. In 2022, BCR Social Finance granted more than 1,533 loans to Romanian micro-entrepreneurs, paying out a total EUR 20 million, and at the same time added education loans to its product range, which are offered to students as well as to individuals who either want to change jobs or upgrade their skills for the jobs they already hold.

Debt counselling in Slovakia

In Slovakia, Slovenská sporiteľňa's Social Banking continued its debt counselling programme, assisting some 10,900 low-income customers in taking control of their debts and improving their household finances management skills.

Support for social organisations

Erste Group's social banking experts and mentors offer professional advice and financial solutions to support social organisations and new entrepreneurs. For these customers, Erste Group offers working capital loans, bridging loans and investment loans. In 2022, Erste Foundation provided Erste Group Social Banking with a new guarantee which enables the bank to finance social organisations not covered by other EU guarantees. In 2022, Erste Group financed 183 social organisations, NGOs and social entrepreneurs in a total amount of EUR 23.4 million.

Erste Social Finance Holding extended its impact investment programme, which offers quasi-equity for the social sector, and added sustainable enterprises to its scope. With help from the European Union, it was also possible to offer free non-financial support, such as bespoke counselling, mentoring, training and technical support for social and sustainable entrepreneurs. These services are provided by the social innovation incubator Impact Hub Vienna and its partner organisations. Quasi-equity is equity provided in the form of a qualified subordinated loan, which contributes to strengthening customers' equity positions, enabling them to grow and expand their social impact. This type of equity is made available to social enterprises, non-profit and non-governmental organisations in Austria, the Czech Republic, Slovakia, Serbia, Croatia, and Romania.

Social Banking Financing

	2022	2021	2020	2019	2018	2017	till 2017
New Social Banking financing in EUR million	49.8	39.8	52.3	120.8	85.7	41.2	74.1
Microfinance and start-up finance in EUR million	26.4	24.0	38.0	91.0	68.7	20.5	64.9
Microfinance and start-up finance in number of new financed clients	1,087	1,018	1,259	3,108	2,317	1,075	6,136
Social organisation finance in EUR million	23.4	15.8	14.3	29.8	17.0	20.7	9.2
Social organisation finance in number of new financed clients	183	141	98	123	183	166	111
Number of supported private clients in financial difficulties (cumulative)	23,440	22,288	21,240	19,433			
Number of education participants	13,323	6,679	4,372	9,811	6,349	6,151	1,160
Number of preserved and created jobs (cumulative)		77,536		44,897		19,892	

Stand with Ukraine

The Stand with Ukraine movement provided us with an opportunity to demonstrate how seriously we take our responsibility to give all people in the region access to basic financial products – we opened a total of 15,567 free-of-charge accounts for Ukrainian refugees in Austria and arranged for more than 4,500 wire transfers to Ukraine at no cost. Banca Comercială Română (BCR) also responded promptly to the outbreak of the war, taking measures to provide refugees with access to banking services (currency exchange, wire transfers, cash withdrawal, free-of-charge accounts).

5.2 FINANCIAL EDUCATION

GRI 3-3

In line with its corporate goal of spreading and securing 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. In accordance with the 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 helps young people to acquire the confidence they need to actively participate in economic life and to understand how the financial system works.

Risks / impact

Financial literacy is essential for creating equal opportunities, economic well-being and social inclusion. Conversely, a lack of financial literacy may limit what people are able to achieve in life. By participating in financial education and financial literacy initiatives and projects in all our core markets, Erste Group makes a valuable contribution to preventing poverty and fostering a strong and stable financial system. Customers who lack sufficient financial literacy are more likely to be exposed to financial risk that may lead to loss both for the customers and the bank.

Opportunities

Where customers are able to make well-informed decisions, they are also more willing to take control of their finances. The result: better investment and finance decisions for customers, higher earnings and lower risk for the bank. Also, customers showing more confidence in their own financial decisions means fewer complaints and higher customer satisfaction ratings.

Targets

Our goal is to offer financial education with a sustainable effect.

Governance / responsibility and participation

Responsibility for the business and financial education strategy and the Financial Life Park (FLiP) lies with the Innovation Hub (Erste HUB), which reports to the Chief Platform Officer in organisational terms. As needs and interests vary across Erste Group's markets, depending on local circumstances, specific projects and initiatives for financial education are determined and managed by the respective local management boards and supervisory boards.

Measures

Erste Group's financial education efforts are geared primarily towards offering increased scalability while maintaining or even raising existing quality levels. For this reason, Erste Group subjects its financial education projects to constant evaluation and makes continuous efforts to identify potentials for improvement for the various projects in the countries of the region.

FLiP. FLiP is a financial education project that offers a broad range of options aiming to promote self-responsibility, counteract over-indebtedness and thus prevent poverty. FLiP guided tours make the importance of finance for people's personal lives tangible. Since FLiP opened its doors in October 2016, more than 67,000 visitors from all types of schools and all age groups have taken part in the interactive tours offered in Vienna. Supported by Erste Bank Oesterreich and the regional savings banks, FLiP2Go, the mobile version of FLiP launched in April 2019, has attracted more than 21,300 visitors on its tour all over Austria. The demand for FLiP's digital offerings, such as FLiP Challenges, FLiP Digi Tours and online-teaching resources, continued to grow in 2022 as well. Under the overarching theme of "Geld im Griff" (Take Control of Your Money), FLiP has partnered up with the NGO The Connection to develop teaching resources to be used in German-language courses for young people with a migrant background with the aim of building financial, consumer and language skills. Under a cooperation agreement with Danube University Krems, a workshop was held – for the second time in a row – to provide young people with a migrant background with information on how to set up a business and how to manage their finances. Since its inception, FLiP has reached out to an audience of more than 250,000, mainly children and young people.

In 2022, conceptual work was started on a "FLiP to Metaverse" project under which a digital platform would ensure that the services offered by FLiP become accessible to an even wider audience.

Money School. Banca Comercială Română continued its Money School programme in 2022, organising both online and offline training courses for over 64,000 participants (children and adults alike). In April, it hosted EduFinFest, a "living library" series of 100 events throughout the country in which 10,000 young people and 100 BCR staff-members-turned-trainers took part. October 2022 was declared Financial Literacy Month, with training opportunities being organised for 15,000 participants. The Money School platform www.scoaladebani.ro also launched two new online courses (1. Green finance guidelines – how to be a responsible consumer, and 2. Responsible shopping – how to avoid impulse buying).

FinQ. It was their shared interest in improving financial education in Slovakia that motivated the Slovenská sporiteľňa foundation and the Národná banka foundation to establish FinQ Centrum. The work of this not-for-profit organisation is centred around FinQ, an innovative and highly successful programme for financial education and the promotion of financial literacy at schools.The programme is open to all teachers interested in integrating its approach and content into classroom teaching. A further 100 schools joined the 25 schools that had taken part in the pilot project, bringing the number of pupils and students who have taken the financial literacy exam up to 11,264 in 2022.

ČSF. The Česká spořitelna Foundation (ČSF) ranks among the top three corporate foundations in the Czech Republic. It makes the case for societies becoming stronger and more sustainable if they can rely on financially literate and confident individuals and enterprises. Its main task is to provide active support for skills development in children and young people and to encourage teachers and school administrators to align classroom teaching with a skills-based approach to education. In 2022, the foundation made a record sum of more than CZK 150 million available to its partner organisations. It was also in 2022 that ČSF launched its first proprietary programme called "Volunteers for Schools", which aims to bring knowledgeable volunteers from the business world together with primary and secondary schools. More than 12,000 children benefited from the programme in its first year. Teachers are able to reach over 650 volunteers from a range of different fields.

ABC of Money. Česká spořitelna's "ABC of Money" initiative is the largest financial education programme in the Czech Republic. The programme is free of charge and targets not only children, parents and teachers but also older people, who are invited to develop their digital skills. In 2022, 70,000 children at 750 schools in the Czech Republic participated in the programme. A similar Ukrainian-language programme was made available for Ukrainian children.

EBH Social Banking. Erste Bank Hungary's financial literacy activities in 2022 focused on disadvantaged groups in society. The bank's Financial Literacy Education Programme was launched in 2019, working together with several NGOs. Its target groups include children from educationally disadvantaged backgrounds as well as students from vocational schools in Budapest, Roma students and people with limited cognitive abilities. So far the programme has reached more than 3,500 participants. Since autumn 2022, EBH Social Banking has placed a special focus on providing financial education to children living under state care as well as to poor and often indebted families in which at least one parent grew up in a state care facility.

Smart Finance School. Erste Bank Croatia not only continued its Smart Finance School online workshops in 2022, but also started to hold live workshops in its branches in several Croatian cities (Rijeka, Split, Osijek, and Zagreb). In a bid to make the financial education programme accessible to as many young people as possible, the bank also organised more than 40 workshops for primary schools, grammar schools and colleges, attracting nearly 1,000 attendees. Overall, more than 90 workshops were offered between the start of 2022 and the end of November, with over 2,200 participants. The number of workshop participants since the beginning of 2019 comes to more than 11,000.

#ErsteZnali. Erste Bank Serbia further developed its financial education programme #ErsteZnali, adding new content in 2022. The programme, which also comprises the #ErsteZnali platform providing online financial education to the public at large since 2019, focused on activities for the younger generation in 2021 and 2022. These included a mobile phone game for 7 to 10-year-olds ("Guardians of the Dragon's Treasure"), Money School – an initiative to promote financial literacy in primary schools organised in cooperation with the Ministry of Education, workshops for young adults, and an interactive theatre play based on the theme of the "Guardians of the Dragon's Treasure" app.

6. Business ethics

GRI 2-23

As an institution, we place the same importance on ethical conduct as our stakeholders do. Our Statement of Purpose reaffirms and states in more detail Erste Group's aim of promoting and securing 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. Every employee has to consider a "third question" that arises from the Statement of Purpose: "Is it the right thing to do?".

Building on this Statement of Purpose, our Code of Conduct (which was approved by the management board in 2015 and last updated in 2021) defines binding rules and ethical principles applicable in day-to-day 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.

Under the UN Global Compact, we commit ourselves to meeting our responsibilities with respect to human rights, labour standards and the fight against corruption. The principles which are included within our strategy derive from the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the United Nations Convention Against Corruption, amongst others.

6.1 ETHICAL CONDUCT OF EMPLOYEES IN BANKING OPERATIONS

GRI 3-3, 2-25, 2-26, 2-27

Our basic rules are respect, trust, fairness and integrity, which define our self-image that we display in our activities.. To achieve these targets, we rely on a corporate culture characterised by responsibility, on a clear-cut compliance framework and on employees who have the appropriate qualifications.

Our focus is on measures designed to prevent money laundering, financial crime, terrorism financing and fraud and to ensure compliance with financial sanctions and embargoes, data protection rules, securities compliance and good conduct compliance (which also includes conflict of interest, anti-bribery and anti-corruptionagendas).

Risks / impacts

Unethical behaviour can harm all our key stakeholders and can also impair Erste Group's corporate value through reputational damage and criminal proceedings.

Opportunities

Consistently implementing ethical behaviour enables us to make a positive contribution towards continued trust in the financial sector, which has a stabilising impact in both economic and social terms. A high level of ethical integrity translates into fewer customer complaints, increased customer satisfaction and less misconduct by employees.

Targets

Zero tolerance for any violation of our compliance rules.

Governance / responsibility

Responsibility for compliance matters lies with Compliance, which is assigned to the Chief Risk Officer in organisational terms but reports directly to the management board.

Policies & memberships

The Code of Conduct provides the primary guidance for Erste Group's staff and defines binding rules for our day-to-day business. Together with national and international laws and standards, it forms the basis for the compliance management system, which ensures conduct in compliance with laws and standards. Erste Group is a member of Transparency International (TI), and Erste Group's chairman of the supervisory board is a board member of TI.

Measures

Compliance systems and processes

The systems we use to monitor money laundering, financial crime and terrorism financing, financial sanctions and embargoes, fraud, data protection, securities compliance and good conduct compliance are subject to ongoing critical review and improvement.

Comprehensive training efforts

Erste Group has introduced a compliance training programme which includes targeted policies, guidelines and training initiatives defining rules and principles for its staff. To ensure compliance with all laws and regulations, policies and processes are continuously evaluated and reviewed across the Group. Compliance training is mandatory for all employees and includes awareness building as well as an introduction to the prevention of compliance risks, including corruption. Additional compliance training is mandatory for staff in selected business areas, in line with the respective risk assessment.

Communication of measures and policies

Erste Group's compliance programme has laid the basis for a common understanding of values within the Group. The programme and the reporting channels being provided ensure that staff is informed pro-actively on the intranet, through training, and by managers.

"Erste Integrity Line" – whistleblowing

Erste Group is legally required to offer its staff a mechanism for reporting incidents of non-compliance. "Erste Integrity" – the in-house reporting office – is a cornerstone of the programme. It is the contact point for employees to report suspicious incidents or ask questions about what actions might constitute non-compliance.

"Erste Integrity" reviews all reports submitted to it in line with a standardised process. The Whistleblowing Committee then decides on the further steps to take in each individual case. The further processing of such reports is confidential and subject to the need-to-know principle. All reports were appropriately investigated, and the necessary measures were taken as and when required.

Zero tolerance

Where non-compliance with our rules has been verified, disciplinary action will follow without exception, up to and including termination of employment or dismissal for cause as measures of ultimate resort.

Conflicts of interest

Conflicts of interest between customers, Erste Group and its staff are governed by clear internal rules. Policies, training and organisational measures have been implemented to identify, avoid or manage various types of conflicts of interest that are relevant to Erste Group's business, including confidentiality of information, treatment of related-party relationships, secondary activities and accepting and awarding benefits, to name a few. Specific legal provisions apply with respect to information barriers, employee transactions, investor protection and research disclaimers. Erste Group's Corporate Governance Report provides further information on conflicts of interest concerning management board and supervisory board members.

Tax compliance

Based on Erste Group's General Code of Conduct, the Tax Code of Conduct sets out clear principles of conduct and action in respect of tax matters. Under the Tax Code of Conduct, our employees undertake to comply with tax laws, rules, regulations as well as reporting and disclosure requirements in all the countries in which Erste Group operates. This includes of course paying taxes on time. In all dealings with tax authorities, our focus is on pursuing a pro-active and transparent approach.

Each year, a review of the Tax Code of Conduct is submitted to Erste Bank Group AG's CFO for approval. All subsidiaries in Austria and abroad agree to the Tax Code of Conduct in their own processes, which creates a uniform understanding of tax strategy across the Group. Every six months, tax experts from all major abroad consolidated entities come together to share information and ensure uniform standards in tax matters across the Group.

Ombuds office

Both our customers and stakeholders can address complaints to Erste Group's central ombuds office in Vienna. Complaints Management, which reports to the Chief Risk Officer, coordinates and monitors the handling of complaints. The ombuds office's aim is to settle complaints within 30 days. Complaints which are not settled within 30 days entail legal risks, which is why it is particularly important to keep the number of such complaints to a minimum.

Performance indicators

With the aim of monitoring complaints handling and providing an early-warning system for potential problems, the central ombuds office reviews the operations of local ombuds offices across the Group based on two key risk indicators (KRIs):

- Complaint ratio, which is the number of complaints received per 1,000 active customers. The purpose of this indicator is to show how well the individual banks cope with registering complaints and how openly they handle them.
- Number of complaints settled within 30 days.

The complaint ratio and non-settled complaints indicators are further broken down by critical products and critical processes. Should the number of cases rise, Operational Risk will carry out an in-depth analysis.

The results for 2022 were good, with KRIs to be rated positive even in countries where stricter statutory requirements apply. While the situation in 2022 was challenging for some banks, steps were taken to improve it. Česká spořitelna, for instance, will promptly refund amounts up to a defined threshold when there are complaints regarding card chargebacks, thus settling complaints faster and improving customer satisfaction in the process. A dedicated automated complaints processing system has been introduced to ensure customers will receive a response to complaints about fee increases as quickly as possible.

6.2 ANTI-CORRUPTION MEASURES

GRI 3-3, 2-16, 205-1, 205-3

Reliability and conformity with laws and regulations are cornerstones of financial transactions, which is why the fight against corruption is a key aspect of everything Erste Group does.

Risks / impacts

Corruption undermines the rule of law, the stability of political institutions, and, as a consequence, the economic, political and social development of any country, while at the same time promoting an unequal distribution of both resources and opportunities.

The mere suspicion of corruption can cause drastic financial penalties for Erste Group as well as damage to our reputation. This may result in the loss of business. In addition, personal liability may be imposed on the part of members of the management board, senior management, and the supervisory board.

Opportunities
Having effective measures in place to prevent and fight corruption not only contributes to a well-functioning and sustainable society, but also strengthens Erste Group's reputation as a reliable partner for current and future customers. In addition, it protects our employees on an individual level from possible inadvertent misconduct as to what constitutes proper conduct. Consistently applying anti-corruption measures helps to ensure our bank's resilience.

Targets
Erste Group's highly ambitious target is to have no incidents of bribery and corruption in its organisation. To reach this target, it is crucial for our detection and disciplinary measures in this area to work without fail.

In 2022, a group-wide policy on conflicts of interest and anti-bribery and anti-corruption measures was revised, with no material changes being made. By the end of 2022, about 90% of our staff had already completed a multilingual e-learning programme set up for this purpose.

Our aim is to reach a 100% completion rate in 2023, which also requires all new hires to complete the programme as quickly as possible. Another project for 2023 is the group-wide roll-out of our new reporting tool.

Governance / responsibility
Responsibility for compliance matters lies with Compliance, which is assigned to the Chief Risk Officer in organisational terms but reports directly to the management board. Conduct Compliance is the department in charge of anti-corruption matters.

Policies
Erste Group promotes zero-tolerance towards any form of bribery and corruption. A group-wide Policy on Conflicts of Interest and Anti-Bribery & Corruption ensures that everyone in Erste Group is familiar with the material rules and minimum standards – such as key national provisions, e.g. the Austrian Criminal Code, as well as the impact of the UK Bribery Act and the US Foreign Corrupt Practices Act (FCPA) – and knows how to apply them. The policy, which constitutes the minimum standard for all employees, was thoroughly revised in 2021 and rolled out, on a step-by-step basis, for implementation by all relevant Group entities (roughly 40) in 2022.

Controls

Risk assessment
All relevant risk drivers are assessed as part of the risk assessment process. This assessment relates both to the evaluation of corruption risk drivers and to the general conflicts of interest that can potentially occur in a financial institution.
- Governance
- Organisational conflicts of interest
- Related party conflicts of interest
- Secondary activities conflicts of interest
- Sponsoring, cooperative ventures, donations
- Confidentiality
- Remuneration conflicts of interest
- Procurement management conflicts of interest
- Accepting and awarding benefits, anti-corruption measures

Risk assessment was launched in Erste Holding, Erste Bank Oesterreich and Erste Digital in 2022, with preliminary results already subjected to evaluation. Risk assessment for the CEE banks is to be completed by the end of 2022, so the risk results for the separate and consolidated levels will be available in the first quarter of 2023 (retroactively for 2022). Based on the outcome, new in-house controls will be set up for processes identified as particularly risk exposed.

Training and awareness building
Our multilingual e-learning programme on conflicts of interest and anti-corruption measures, which was first introduced across the Group in 2022, helps the management board, senior management and staff members to implement our policy in the course of day-to-day business.

In April 2022, completion of the e-learning programme was made mandatory for all employees and managers. What is more, the e-leaning contents were translated into the respective CEE languages in 2022, and the programme will be rolled out for implementation on a step-by-step basis to further relevant Erste Group entities (banks and non-banks) in Austria and in the CEE region on the strong recommendation of Group Compliance. Central monitoring of e-learning implementation and taking action in cases of non-compliance also lies with Group Compliance.

In higher-risk business units (e.g. those dealing with large and international clients and public officials, sponsoring units, procurement, top management) specific awareness-building initiatives, training events and frequent sharing of information are offered in addition to e-learning.

Reporting
Our staff members have to meet a variety of reporting duties, including reporting on accepting or awarding benefits, both in the public and the private sectors as well as benefits received from or awarded to third parties within the meaning of MiFID II. While direct line managers represent the first line of defence to assess

benefits offered or accepted and awarded, staff can contact Compliance when questions arise in connection with corruption prevention or in cases of doubt. This can be done through various channels, such as e-mail, conflict of interest reporting tools (as are currently being used in some Austrian entities) or anonymously (whistleblowing). More information on whistleblowing can be found in the chapter 6.1 “Ethical conduct of employees in banking operations”.

Management of consequences

All suspicious cases are reviewed, and disciplinary action is taken as necessary. Misreporting or failure to abide by the anti-bribery and corruption policies and procedures leads to disciplinary consequences, regardless of any civil and criminal law consequences as might be applicable. The management of consequences is assigned to People & Culture; the relevant processes are set out in a works agreement.

Performance indicators

Critical conflicts of interest, including those that are indicators of corruption, are reported to the Group’s management and supervisory boards every quarter or as the need arises. Ad-hoc reporting on “critical conflicts of interest” is submitted to Group Compliance, Group Internal Audit as well as the management board and the supervisory board.

In 2022, a quarterly report included two cases of conflicts of interest, both of which were successfully resolved. Otherwise, no critical conflicts of interest or improper awarding of benefits were registered in 2022.

7. GRI Index

Statement of use	Erste Group Bank AG has reported in accordance with the GRI Standards for the period 1 January 2022 to 31 December 2022
GRI 1	GRI 1: Foundation 2021

GRI Standard	DISCLOSURE	LOCATION	OMISSION			REMARKS
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2 **General disclosures 2021**	2-1 Organizational details	Management Report a) General information“ in the notes to the group financial statements of Erste Group b) Chapter „Capital, share, voting and control rights and associated agreements” in the group management report c) Chapter „ Business performance and economic situation” in the group management report d) Note 1 „segment reporting“ in the notes to the group financial statements of Erste Group				a) Erste Group Bank AG c) Am Belvedere 1, Wien 1100
	2-2 Entities included in the organization’s sustainability reporting	Note 59.				
	2-3 Reporting period, frequency and contact point	Imprint				1.1.2022 to 31.12.2022 annually
	2-4 Restatements of information					No significant changes in the organisation (neither in terms of size, structure nor in the supply chain
	2-5 External assurance	p. 109				
	2-6 Activities, value chain and other business relationships	Management Report 2022 Chapter: Co-operation between Erste Group Bank AG and Vienna Insurance Group (VIG); Part consolidation in Annex (Commerzbank)				Partnership with Vienna Insurance Group; Co-operation with Commerzbank
	2-7 Employees	p. 70	2-7 iii) non-guaranteed hours employees	Not applicable	Does not apply to Erste Group..	
	2-8 Workers who are not employees			Not applicable	Workers who are not employees do not perform a significant portion of organization’s activities.	
	2-9 Governance structure and composition	CG Report				TCFD:Governance
	2-10 Nomination and selection of the highest governance body	CG Report	2-10 i Consideration of views of Stakeholder (inc. Shareholder) for the nomination of the highest governance body members	Not applicable	Syndicat members are subordinated to the Erste Foundation	
	2-11 Chair of the highest governance body	CG Report				

GRI Standard	DISCLOSURE	LOCATION	OMISSION			REMARKS
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 2: General Disclosures 2021	2-12 Role of the highest governance body in overseeing the management of impacts	p. 53 and CG Report				TCFD: Governance
	2-13 Delegation of responsibility for managing impacts	p. 53-54				TCFD: Governance
	2-14 Role of the highest governance body in sustainability reporting	p. 53-54 and CG Report				TCFD: Governance
	2-15 Conflicts of interest	CG Report				
	2-16 Communication of critical concerns	p. 87-88				
	2-17 Collective knowledge of the highest governance body	CG Report and p. 53-54				TCFD: Governance
	2-18 Evaluation of the performance of the highest governance body	p. 54-55				
	2-19 Remuneration policies	p. 54-55				
	2-20 Process to determine remuneration	p. 54-55				
	2-21 Annual total compensation ratio	p. 55				
	2-22 Statement on sustainable development strategy	p. 50-52				
	2-23 Policy commitments for responsible business conduct	p. 86				Code of Conduct: https://www.erstegroup.com/de/ueber-uns/nachhaltigkeit-esg
	2-24 Embedding policy commitments for responsible business conduct	p. 50-52				
	2-25 Processes to remediate negative impacts	p. 86-87				
	2-26 Mechanisms for seeking advice and raising concerns	p. 87				

			OMISSION			
GRI Standard	**DISCLOSURE**	**LOCATION**	**REQUIREMENT(S) OMITTED**	**REASON**	**EXPLANATION**	**REMARKS**
GRI 2: General Disclosures 2021	2-27 Compliance with laws and regulations					In 2022, there were neither significant fines nor non-monetary sanctions for non-compliance with laws and/or regulations in the social, economic and environmental area.
	2-28 Membership 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 (Bankwissenschaftliche Gesellschaft Österreich), WIFO (Wirtschaftsforschungsinstitut Österreich), Österreichische Industriellenvereinigung, respACT (Austrian Business Council for Sustainable Development), Transparency International, UNEP FI, Net Zero Banking Alliance, PCAF;UN GC participant 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
	2-29 Approach to stakeholder engagement	p. 50, 56				
	2-30 Collective bargaining agreements	p. 71				
Material topics						
GRI 3: Material topics2021	3-1 Process to determine material topics	p. 56				
	3-2 List of material topics	p. 56				

GRI Standard	DISCLOSURE	LOCATION	OMISSION			REMARKS
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Climate and environment - Sustainability risks in financing and investment						
GRI 3: Sustainability risks in financing and investment	3-3 Management of material topics	p. 57-60				
Climate and environment - Limit financing of high emission sectors						
GRI 3: Limit financing of high emission sectors	3-3 Management of material topics	p. 60-64				
Climate and environment -Ecological impact of banking operations						
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 66-70				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	p. 66-69	d. in joules, watt-hours, or multiples of units, the total(s): i. electricity sold ii. heat sold iii. cooling energy sold iv. steam sold	Not applicable	Erste Group does not generate revenues from the sale of electricity, heat, steam or cooling energy	TCFD Metrics and Targets;
	302-2 Energy consumption outside of the organization			Information unavailable / incomplete	Data on energy consumption outside the organization is not available, but is included in the Group's Socpe 3 emissions using a spend-based calculation approach. Next year, data collection will be extended to include the energy consumption of external data centers.	
	302-3 Energy intensity	p. 66-69				
	302-4 Reduction of energy consumption	p. 66-69				TCFD Metrics and targets
	302-5 Reductions in energy requirements of products and services			Not applicable	Our products are intangible and thereforedo not consume energy.	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	p. 66-69	c. Biogenic CO2 emissions in metric tons of CO2 equivalent	Not applicable	No biogenic emissions are emitted	TCFD Metrics and Targets
	305-2 Energy indirect (Scope 2) GHG emissions	p. 66-69			Scope 2 - location based: 44.593 tCO2e Scope 2 - market based: 18.686 tCO2e Scope 2 - marktbasiert: 18.686 tCO2e	TCFD Metrics and Targets
	305-3 Other indirect (Scope 3) GHG emissions	p. 66-69	c. Biogenic CO2 emissions in metric tons of CO2 equivalent	Not applicable	No biogenic emissions are emitted	
	305-4 GHG emissions intensity	p. 66-69				
	305-5 Reduction of GHG emissions	p. 66-69				
	305-6 Emissions of ozone-depleting substances (ODS)			Not applicable	Due to the nature of our business not applicable	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions			Not applicable	Due tot he nature of our business not applicable.	

GRI Standard	DISCLOSURE	LOCATION	OMISSION			REMARKS
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Our employees - Diversity and equal opportunity						
GRI 3: Material topics 2021	3-3 Management of material topics	p. 70-78				
GRI 3: 405 Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	p. 72-74	ii) Age group iii) Other indicators of diversity where relevant (such as minority or vulnerable groups).	ii) Not applicable iii) Information partly unavailable	ii) Age group: figures were not collected for B0 and B-1..	
GRI 3: 405 Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men			Information unavailab-le/incomplete	Process for data collection is not available	
GRI 406 Anti-discrimination 2016	406-1 Non discrimination	p. 72-74				
Our employees -Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 74-76				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	p. 74-76				
	403-2 Hazard identification, risk assessment, and incident investi-gation	p. 74-76				
	403-3 Occupational health services	p. 74-76				
	403-4 Worker participation, consultation, and communication on occupational health and safety	p. 75				
	403-5 Worker training on occupa-tional health and safety	p. 76				
	403-6 Promotion of worker health	p. 74-76				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by busi-ness relationships	p. 74-76				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by busi-ness relationships			Information unavailab-le/incomplete	No central data collection system	
	403-9 Work-related injuries		403-9	Not applicable	Due to the nature of our business this indicator can only be dis-closed partially	In the Holding there was 1 work-related injury.in 2022.
	403-10 Work-related ill health			Not applicable	Due to the nature of our business disclosure of this indicator is not possible	

GRI Standard	DISCLOSURE	LOCATION	OMISSION: REQUIREMENT(S) OMITTED	OMISSION: REASON	OMISSION: EXPLANATION	REMARKS
Our employees -Talent attraction						
GRI 3: Material topics 2021	3-3 Management of material topics	p. 76-78				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	p. 78				pursuant to Schlüter formula: (total of employees leaving) / (number of employees at the beginning of the year + total of newly hired employees)
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees			Not applicable	Benefits are provided for all employees.	
	401-3 Parental leave	p. 76				There is no dismissal protection after return from parental leave.in Serbia, Czech Rebublic, Slovakia.
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	p. 77				
	404-2 Programs for upgrading employee skills and transition assistance programs	p. 77				
	404-3 Percentage of employees receiving regular performance and career development reviews	p. 77	404-3	Information unavailable/ incomplete	Data on Group level is not available. Nor the changes to last year.	

GRI Standard	DISCLOSURE	LOCATION	OMISSION			REMARKS
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Our customers- Customer satisfaction						
GRI 3: Material topics 2021	3-3 Management of material topics	p. 78-80				
Our customers- Data security						
GRI 3: Material topics 2021	3-3 Management of material topics	p. 80-81				
GRI 418: Customer Privacy 2016	Data on Group level is not available. Nor the changes to last year.	p. 80				
Social commitment - Access to banking products for the socially excluded						
GRI 3Material topics 2021	3-3 Management of material topics	p. 81-83				
FS 14 of GRI G4	Initiatives to improve access to financial services for disadvantages people	p. 81-83				Old GRI which cannot be replaced by a new one as Sector Standards for banks hve not been published yet.
Social commitment - Financial literacy						
GRI 3: Material topics 2021	3-3 Management of material topics	p. 84-85				
FS 14 of GRI G4	Initiatives to improve access to financial services for disadvantages people	p. 84-85				Old GRI which cannot be replaced by a new one as Sector Standards for banks hve not been published yet.
Business ethics Anti corruption						
GRI 3 Material topics 2021	3-3 Management of Material topics					
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption		205-1 a)Total number and percentage of operations assessed for risks related to corruption	Confidentiality constraints		Analysis was not available until the editorial deadline.
	205-2 Communication and training about anti-corruption policies and procedures			Information unavailable/incomplete		Data is currently not available according to GRI requirements.
	205-3 Confirmed incidents of corruption and actions taken					In 2022, Erste Group did not recorded any incident of corruption.
Business Ethics						
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices					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 three such cases. One of these cases got resolved in 2022 by imposing a fine by the respective Competition Authority, which is already paid. Two cases remain pending. We do not expect these cases to lead to any fines or sanctions that would have a material effect on Erste Group.

8. Principles for Responsible Banking Reporting

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Erste Group aims to be the leading bank for retail and corporate customers in the CE region, including Austria. In all of its core markets, Erste Group pursues a well-balanced business model that is designed to offer each customer the best banking services. Today, Erste Group serves approx. 15.9 million customers in Austria (market share up to 25%), the Czech Republic (20%), Slovakia (25%), Romania (13.9%), Hungary (7%), Croatia (17%) and Serbia (7%).

Erste Group's main business segment is the retail business, which accounts for 46% of total operating income and covers the entire spectrum from lending, deposit and investment products to current accounts and credit cards. In addition to Erste Group's traditional strength in serving retail customers, its core activities also include advisory services and support for corporate and SME clients. This accounts for 45% of total operating income in the areas of financing, investment including access to international capital markets, public sector funding and interbank market transactions.

Through public sector finance, Erste Group provides funding for major infrastructure projects in the CE region.

Innovation and digitalisation are key pillars of Erste Group's business strategy, which seeks to offer customers access to personalised products of Erste Group and third parties via application programming interfaces (APIs) in the secure IT environment of the financial platform. The digital platform George was launched in Austria in 2015 and supports access to digitally available products and services of Erste Group at any time and from any place. At this point, George has also been rolled out in the Czech Republic, Slovakia, Romania, Croatia and Hungary.

Chapters:
Strategy, Business Overview and Erste Group Website

1.2 Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?
☑ **Yes** ○ **No**

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

○ UN Guiding Principles on Business and Human Rights
○ International Labour Organization fundamental conventions
☑ UN Global Compact
○ UN Declaration on the Rights of Indigenous Peoples
○ None of the above

Erste Group's ESG strategy is based on the conviction that consideration of social and environmental responsibility, climate action and strong corporate governance in its operations will support not only the bank's main goal – to disseminate prosperity – but will also secure the bank's financial stability. Our two strategic pillars – advancing the transition to a green economy in our region and promoting social inclusion – have been aligned with the priorities and expectations of our main stakeholders.

Erste Group strives to act as a role model in the course of the green transition and to provide resources for a technology-based transition, the conservation of clean water and a more efficient use of materials, as this provides a major opportunity for citizens in CEE (SDGs 6, 13, 12).

As our most important contribution to climate action and as a member of the Net-Zero Banking Alliance, we are transitioning our portfolio towards net zero in a manner that is consistent with the goals of the Paris Agreement and takes account of technological progress in the sectors concerned, thereby creating added value for both the bank and its customers.

Erste Group's efforts to promote social inclusion are reflected in our activities in social banking, financial education, affordable housing and promotion of gender equality (SDGs 1, 4, 5, 11). All of these themes are as relevant today as they were when we were founded 200 years ago.

Chapters:
1.1 ESG strategy and
1.4 Material topics

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

a. Scope
What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

For the impact analysis we included our most important corporate and retail business activities covering all our Core Markets and amounting to 91% of the group's operating income.

For the corporate business we applied an exposure threshold per industry sector of EUR 1 billion, which allowed us to focus on the most impacting financed economic activities. With that we reached a coverage of our corporate lending book of 93%.

We did not consider investment banking, capital markets and third-party asset management that we offer to our clients as a service. However, these areas do not represent our mainstream banking activities.

Chapter:
Business Overview

b. Portfolio composition Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or ii) by products & services and by types of customers for consumer and retail banking portfolios. If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.	
In the analysis of our corporate customer portfolio we focused on the main industries in our portfolio, namely (in percent of exposure) real estate activities (37.6%), trade and commerce (10.4%), manufacturing (8.1%), energy (4.3%), leisure and hotel services (3.9%) and transport (2.4%). We identified the group of relevant sectors by applying the NACE code classification. In addition, we also included the most emission-intensive sectors, which we identified by means of the PCAF (Partnership for Carbon Accounting Financials) method for the calculation of financed emissions. For our analysis of the retail business, we used the total exposure of all products offered by Erste Group. Our assessment of the relevance of products and services is based on the number of customers per type of product, which showed the most important categories to be current accounts (42.4%), savings accounts (24.6%), consumer loans (23.2%), credit cards (6.7%) and mortgage loans (3.1%). Even though mortgage loans represent only a small number of customers, they account for a significant portion of volume outstanding (31.4%).	Chapters: Business Overview and 2.2 Limiting financing in high-emission sectors
c. Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. *This step aims to put your bank's portfolio impacts into the context of society's needs.*	
For a large part of society, affordability of essential goods and services as well as access to affordable housing have become a major concern. Inflation and the continuing energy crisis are accelerating these developments. At the same time, climate action and the reduction of CO_2e emissions are becoming more urgent. Lack of action at both the national and international levels is already leading to a noticeable increase in extreme weather events in our region, such as droughts, flooding and heat waves. In the assessment of the social-environmental priorities of the CE region we included contributions from researchers, external experts and stakeholders: • **Erste Group's in-house research team** publishes reports that provide insights into current economic and societal developments in both the CE region and internationally. • The **members of our management board** regularly take part in a variety of national and international high-level stakeholder groups to assess Europe's current political environment. • The **European Council's recommendation to our Member States** on their convergence programmes and the Commission's supporting working papers within the framework of the European Semester offer an important perspective on the economic situation and progress in achieving the SDGs in our core markets. In addition, our decision on the most important challenges and priorities has been influenced by **EU SDG monitoring and National Energy and Climate Plans.**	Chapters: Business Overview, Development in the core markets and 7. GRI Index

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

By using the Context Module provided by UNEP FI we were able to make a first high-level assessment of the main priorities in all our core markets. Availability, accessibility, affordability & quality of resources and services, as well as Climate stability and Circularity were identified as common fields of priority for all seven countries. Based on the statistical data provided by UNEP FI improvement is needed with regard to access to good quality food, affordable housing and the countries' health security and capabilities. In addition to social concerns, more attention also needs to be given in our core markets to the environment, specifically the avoidance of climate risks, resource intensity and waste recycling.

Both the Institutional and the Consumer Banking modules have shown us how the main priorities of our core markets can be translated into the most important positive and negative impact areas of Erste Group by considering our actual business activities in the corporates and retail business. As a conclusion from these findings we classified financial health and inclusion as well as climate change mitigation as those two relevant impact areas in which we want to set targets within the framework of our Principles for Responsible Banking commitment.

d. For these (min. two prioritized impact areas): Performance measurement
Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Measuring our impact on Climate Change:
To measure the impact of our business activities on climate change we performed a detailed calculation of our financed emissions using the PCAF methodology. The calculation helped us to identify the most emission intensive sectors we are financing and to benchmark ourselves compared to our peers. Understanding our financed emissions was the basis for our Net-Zero commitment by 2050 and our membership in the Net-Zero Banking Alliance. The first set of decarbonization targets have already been defined for the real estate, mortgage, and energy sectors.

Identifying our contribution to Financial Health and Inclusion:
To measure our impact on society through our financial health and inclusion efforts such as social banking loans and financial education we regularly perform an impact assessment. We support financially excluded or vulnerable private individuals, start-up and micro entrepreneurs and social organisations by offering them fair access to financial products, sound financial advice and business training, and mentoring. In the published impact and annual reports, we document how the services provided by Erste Group support job creation and preservation, financial and housing stability and expansion of our customers' businesses' impact.

Chapters:
1.2 Governance,
5.1 Access to banking products for disadvantaged groups and
5.2 Financial education

Self-assessment summary
Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope	☑ Yes	○ In progress	○ No
Portfolio composition	☑ Yes	○ In progress	○ No
Context	☑ Yes	○ In progress	○ No
Performance measurement	☑ Yes	○ In progress	○ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?
Climate change mitigation and financial health & inclusion

How recent is the data used for and disclosed in the impact analysis?

○ Up to 6 months prior to publication
☑ Up to 12 months prior to publication
○ Up to 18 months prior to publication
○ Longer than 18 months prior to publication

2.2 Target Setting

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a. Alignment
Which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.
You can build upon the context items under 2.1.

When setting our decarbonization targets we strive to align our portfolio with a below 2-degree global warming scenario as defined in the Paris Agreement. At the same time, we want to ensure that the sector-by-sector decarbonization approach is realistic, implementable, and supported by society, and in line with the strategic priorities we have set ourselves according to the UN Sustainable Development Goals.

Financial Literacy and Financial Health remain a main limitation of the wellbeing of many in the region. Our main objective through social banking is to make financing accessible for the currently non-banked population and to support them with financial education and knowledge building. With this aspiration we are contributing to the EU goal of reducing poverty by 50% by 2030 as well as to progress on the UN SDGs.

Chapters:
1.1 ESG Strategy, 2.2 Limiting financing in high-emission sectors and 5.1 Access to banking products for disadvantaged groups

b. Baseline

Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

For our impact area of climate mitigation, we aligned the structure of our reporting with the requirements set by the NZBA and have therefore included the following indicators:

Impact area	Indicator code	Response / Chapter
Climate change mitigation	A.1.1 – Climate Strategy	Yes
	A.1.2 – Paris Alignment Target	Yes + Chapter 2.2
	A.1.3 – Policy and Process and Climate Relationships	Yes
	A.1.4 – Portfolio Analysis	Yes + Chapter 2.2
	A.1.5 – Business Opportunities	Yes + Chapter 2.1
	A.2.1 – Client Engagement	Yes + Chapter 2.1
	A.2.2 – Absolute Financed Emissions	Total GHG emissions or CO2e + Chapter 2.2
	A.2.3 – Sector specific Emission Intensity	Chapter 2.2
	A.2.4 – Proportion of Financed Emissions covered by Decarbonization targets	Chapter 2.2
	A.3.1 – Financial Volume of Green Assets	Chapter 2.1 and 2.3
	A.3.2 – Financial Volume lent to/invested in Carbon intensive sectors and activities	Chapter 2.2
	A.4.2 – Portfolio Alignment	Chapter 2.2

Financial Health and Inclusion is especially important for the most vulnerable groups of society. Therefore, we have defined our indicators on the contribution to promote Financial Literacy, job creation and access to finance for these marginalized groups. The group-wide establishment of our Social Banking activities in 2017 mark the baseline for our target setting. In the first year our Social Banking provided EUR 75 million in loans, ensured the creation and preservation of 200.000 jobs and supported 6.000 people with Financial Literacy education organized by Social Banking.

Chapters:
5.1 Access to banking products for disadvantaged groups and Financial education

c. SMART targets (incl. key performance indicators (KPIs))
Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

To align our portfolio with the Paris Agreement objectives and to reach net-zero financed emissions by 2050 we have put forward the first set of interim 2030 decarbonization targets for commercial real estate (reduction of emission intensity by 50%), mortgages (-43%), electricity production (-49%) and commercial heat production (reduction of absolute emissions by 42%). We build prosperity through Financial Health and Inclusion by 2030 through providing EUR 1 billion Social Banking loans, preserving or creating 200,000 jobs, arranging 15,000 affordable housing units and reaching 80,000 beneficiaries with our financial education.	Chapters: 2.2 Limiting financing in high-emission sectors, 5.1 Access to banking products for disadvantaged groups and 5.2 Financial education

d. Action plan
Which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analyzed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

We believe in the net-zero transition through investments in green technologies and not divestments. Therefore, our ambition is to reach 25% green investments in our corporate lending by 2026, ensuring our alignment with the set decarbonization trajectories. Similarly, to transition our financed mortgage assets we want to reach 15% of green investments in our housing loan portfolio by 2027. Going forward we aim to increase the portfolio coverage of our decarbonization targets to include additional emission intensive sectors. Sectors include automotive, metal and cement as well as oil and gas. We continue to engage with clients in high emission sectors to support their net-zero transition. In Social Banking we are monitoring the success of our activities bi-annually by conducting a group-wide impact assessment. The most important performance indicator for in this regard is how many clients were able to improve their economic situation or could start and expand their business activities due to our involvement. We are also monitoring the satisfaction rate for the education we offer to our clients. In addition, we are putting efforts into constant product innovation to help our clients become financially healthy and integrate into society.	Chapters: 2.1 Sustainable finance and investments, 2.2 Limiting financing in high-emission sectors, 5.1 Access to banking products for disadvantaged groups and 5.2 Financial education

Self-assessment summary
Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your areas of most significant impact.

	Climate Change Mitigation			Financial Health & Inclusion		
Alignment	☑ Yes	○ In progress	○ No	☑ Yes	○ In progress	○ No
Baseline	☑ Yes	○ In progress	○ No	☑ Yes	○ In progress	○ No
SMART targets	☑ Yes	○ In progress	○ No	☑ Yes	○ In progress	○ No
Action plan	☑ Yes	○ In progress	○ No	☑ Yes	○ In progress	○ No

2.3 Target implementation and monitoring

For each target separately
Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only)
Describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Since this is the first time reporting under the Principles for Responsible Banking we will show Erste Group's progress towards the set targets in next year's report.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?
☑ Yes ○ In progress ○ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?
☑ Yes ○ In progress ○ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see Principle 2).

Erste Group believes that sustainable finance benefits from public and entrepreneurial awareness, commitment and specific knowledge. We set up a dedicated team for corporate clients across our core markets. Typically, the process 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.

One concrete example for how we actively engage with our clients to support them on their green transition is defined in our responsible financing policy. To fulfil our commitment to phase out all coal financing by 2030 we seek in depth discussions with clients until the end of 2025 to set the respective transition plans and support their transition efforts to disengage from the thermal coal sector.

Chapter:
2.1 Sustainable finance and investments

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

We have developed sustainable products and solutions on our most important customer sectors, and we refer to the chapter on Sustainable Finance Investments in this report.	Chapter: 2.1 Sustainable finance and investments

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

☑ Yes ○ In progress ○ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

We regularly engage with various stakeholders that are relevant for implementing the Principles for Responsible Banking:

- **Memberships**: Within the PCAF (Partnership for Carbon Accounting Financial) we participate on further developing methodologies and validating the database of emission factors for the CEE region. As members of the Net-Zero Banking Alliance we are engaging in awareness building and mobilization of necessary investments together with like-minded peers. We have contributed to developing a set of common indicators for the Commitment for Financial Health and inclusion as a founding signatory member.
- **Clients**: Erste Group regularly performs surveys among the population in our core markets. Some of these specifically address ESG factors and how important they are perceived as being by our clients. In addition, we organize regional client events on specific ESG relevant topics (e.g energy transition).
- **Employees**: We inform and engage with employees on ESG topics via the Intranet, educational events and by setting up "Erste Green" communities to give employees the chance to participate in and actively contribute to sustainability projects in our offices and beyond.
- **Management and supervisory board**: Our management is engaged in all ESG related strategy decisions and target achievements.

Chapters:
1.2 Governance,
1.3 Stakeholder Engagement and
7 GRI Index

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?
☑ Yes ○ In progress ○ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

The fulfilment of our Principles for Responsible Banking commitment as well as our ESG strategy lies with the Sustainability Board and the Strategy & Sustainability Committee, consisting of Board and Supervisory Board members. Meetings take place twice a year. For details we refer to the Governance Chapter in the report.	Chapter: 1.2 Governance

5.2 Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Our approach to foster a culture of responsible banking builds on awareness raising, experiences and motivation. To create awareness for the importance of sustainability in our daily business ESG trainings and events are mandatory for client advisors and are offered to all employees to provide information themselves about Erste Group's ESG strategy and ongoing initiatives. To drive green change in the Erste family by sharing and implementing ideas together and inspiring other colleagues the Erste Green Community was established and gives employees the opportunity to actively support change initiatives. The institution-wide implementation of sustainability and responsible banking principles is supported by ESG key performance indicators defined, not only on board level, but also cascaded to senior and lower management levels.	Chapter: 1.2 Governance and 2.4 Ecological impact of banking operations

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

For our exclusion policies please refer to chapter "Sustainable Financing and Investments" in the report. For our Diversity and Inclusion Policy please refer to the chapter "Diversity and Equal Opportunities". Details on our Whistleblower Policy can be found in the "Ethically correct behavior of employees in banking operations" chapter of this report. Our ESG Risk Definition Policy can be found on the Erste Group ESG website.	Chapters: 2.1 Sustainable Finance and Investments, 3.2 Diversity and equal opportunities and 6.1 Ethical conduct of employees in banking operations

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?
☑ Yes ○ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?
☑ Yes ○ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?
☑ Yes ○ In progress ○ No

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?
☑ Yes ○ Partially ○ No

If applicable, please include the link or description of the assurance statement.

The details of the limited assurance provided for this reporting can be found in the Assurance Report.	Chapter 9 Independent limited assurance report

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- ☑ GRI
- ☐ SASB
- ☑ CDP
- ☐ IFRS Sustainability Disclosure Standards (to be published)
- ☑ TCFD

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

In the next 12 months we plan to complete the following steps to further progress on the fulfilment of our Principles for Responsible Banking commitment and the targets we have set ourselves (a) Extend our decarbonization targets, (b) define business measure to implement net-zero transition targets, (c) extend our Responsible Financing policy to include exclusion rules on activities harming biodiversity and (d) include financial health indicators in our target setting.	Chapters: 1.1 ESG Strategy, 2.1 Sustainable Finance and Investments and 2.2 Limiting financing in high-emission sectors

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question)

- ☐ Embedding PRB oversight into governance
- ☐ Gaining or maintaining momentum in the bank
- ☐ Getting started: where to start and what to focus on in the beginning
- ☐ Conducting an impact analysis
- ☐ Assessing negative environmental and social impacts
- ☐ Choosing the right performance measurement methodology/ies
- ☐ Setting targets
- ☐ Other: …
- ☐ Customer engagement
- ☐ Stakeholder engagement
- ☑ Data availability
- ☐ Data quality
- ☑ Access to resources
- ☐ Reporting
- ☐ Assurance
- ☑ Prioritizing actions internally

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

Vienna, 28 February 2023

We draw attention to the fact that the English translation of this report is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Independent Limited Assurance Report on the (Consolidated) Non-financial Report as at December 31, 2022

(Translation)

We performed a limited assurance engagement on the (consolidated) non-financial report of Erste Group Bank AG, Vienna, as at December 31, 2022.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the (consolidated) non-financial report as at December 31, 2022, is not prepared, in all material aspects, in accordance with section 243b and section 267a UGB as well as Article 8 of Regulation (EU) 2020/852 ("EU Taxonomy Regulation") and the Delegated Acts issued thereon.

Management's Responsibility

Management is responsible for the preparation of the (consolidated) non-financial report in accordance with section 243b and section 267a UGB as well as the EU Taxonomy Regulation and the Delegated Acts issued thereon.

Management's responsibility includes the selection and application of appropriate methods to prepare the report as well as making assumptions and estimates about specific disclosures which are reasonable in the circumstances, including the interpretation of the wording and terms used in the EU Taxonomy Regulation and its Delegated Acts. Management is responsible for such internal control as management determines is necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion based on our procedures performed and evidence obtained as to whether anything has come to our attention that causes us to believe that the (consolidated) non-financial report as at December 31, 2022, is not prepared, in all material aspects, in accordance with section 243b and section 267a UGB as well as Article 8 of Regulation (EU) 2020/852 ("EU Taxonomy Regulation") and the Delegated Acts issued thereon.

We performed 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. These standards require that we plan and perform our procedures to be able to express a limited assurance conclusion based on the assurance obtained. We do not, however, provide a separate conclusion for each disclosure. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The selection of the procedures lies in the sole discretion of the auditor.

In the course of our engagement, we performed, amongst others, the procedures and other activities below:

- Interviewing employees to gain an understanding of the structure of the sustainability organization
- Interviewing employees responsible for performing the materiality analysis regarding the approach for identifying material topics and involving stakeholders
- Interviewing employees involved in preparing the non-financial report on the preparation process, on the internal control system related to this process as well as on the relevant matters and the data basis for the disclosures in the (consolidated) non-financial report
- Assessment of risks of material misstatements in the (consolidated) non-financial report

_ Gaining an understanding of the approach to environmental, social and employee matters, respect for human rights and combatting corruption and bribery, including the due diligence processes implemented and risks

_ Comparing selected qualitative disclosures in the (consolidated) non-financial report with appropriate evidence such as group guidelines, minutes and handbooks

_ Performing analytical procedures and checking samples of selected quantitative disclosures in the (consolidated) non-financial report for their plausibility

_ Comparing selected disclosures with corresponding data in the consolidated financial statements and the consolidated management report

_ Evaluating the presentation and the completeness of the relevant disclosures based on the implemented framework pursuant to section 243b para. 5 UGB and section 267a para. 5 UGB (GRI standards 2021)

_ Interviewing employees and inspecting documentation to gain an understanding of the methodology applied for estimating financed emissions

_ Interviewing employees to gain an understanding of the methodology for identifying the share in total assets of risk exposures from taxonomy-eligible and taxonomy-non-eligible economic activities

_ Evaluating the process for identifying the share in total assets of risk exposures from taxonomy-non-eligible and taxonomy-eligible economic activities and the corresponding disclosures in the (consolidated) non-financial report

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Ensuring the Auditor's independence and quality

We are independent of the Company in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities, in particular the requirements for quality assurance, in accordance with these requirements.

Restriction of Use

This report is addressed to the Supervisory Board of the Company and is intended solely to inform the Supervisory Board of the result of the engagement. The report may therefore not be suitable for any other purpose than the purpose named above and is not intended to serve as basis for any (investment) decisions by third parties. Therefore, no legal claims of third parties can be derived from it.

General Conditions of Contract

Our report is issued based on the engagement agreed upon with you and is governed by the General Conditions of Contract for the Public Accounting Professions (AAB 2018) dated April 18, 2018, enclosed to this report, which also apply towards third parties. Deviating from item 7 para. 2 AAB 2018, our liability in case of gross negligence is limited to a total of EUR 2 million.

Vienna
February 28, 2023

PwC Wirtschaftsprüfung GmbH

Dorotea-E. Rebmann
Austrian Certified Public Accountant

signed

(Consolidated) corporate governance report

COMMITMENT TO CORPORATE GOVERNANCE CODE

Since 2003 Erste Group Bank AG has been committed to complying with the rules of the Austrian Code of Corporate Governance (Austrian CCG – see http://www.corporate-governance.at) and hence to responsible and transparent corporate governance. In addition, the management board adopted a Statement of Purpose in 2015. This statement states in more detail and reaffirms 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 the day-to-day business.

This Corporate Governance Report has been prepared in accordance with sections 243c and 267b of the Austrian Commercial Code (UGB) 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. For the financial year 2022, the management board has also prepared a (consolidated) non-financial report in accordance with sections 243b and 267a of the Austrian Commercial Code. Information on the total remuneration of individual members of the management board and the supervisory board and the principles governing the remuneration policy are disclosed in a separate remuneration report pursuant to section 78e Austrian Stock Corporation Act (AktG).

In the 2022 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 three exceptions – all C-Rules (Comply-or-Explain – deviations are permitted, but must be described and explained) of the Austrian CCG. The permitted deviations were as follows:

_ 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. the company may only issue shares that 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), the shareholder 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 annual general meeting as long as it is liable for all present and future liabilities of Erste Group Bank AG in case of its insolvency pursuant to section 92 para 9 of the Austrian Banking Act. The Privatstiftung has not exercised this right to date.

_ Pursuant to C-Rule 27 CCG, care must be taken to ensure that for the variable remuneration components for management board members, measurable performance criteria shall be fixed in advance as well as maximum limits for amounts or as percentage of the fixed remuneration components. One deviation concerns the treatment of the deferred variable remuneration for management board members of Erste Group Bank AG, the share-based portion of which is treated as a long-term incentive (LTI) in the form of performance share units (PSUs). The number of PSUs is initially calculated at the time of the granting and adjusted according to the average group performance at the end of the deferral period (vesting). The performance criteria used to measure group performance are defined by the supervisory board annually in advance, as a result of which there are no fixed performance criteria for the duration of the deferral period. The approach chosen by Erste Group Bank AG corresponds, however, most closely to a risk-based variable remuneration that is in line with Erste Group's long-term performance and regulatory requirements. For more details see the remuneration policy adopted by the annual general meeting of Erste Group Bank AG pursuant to section 78a of the Austrian Stock Corporation Act see www.erstegroup.com/de/rechtliches/corporate-governance.

_ Pursuant to C-Rule 52a of the Austrian CCG, the number of supervisory board members (without employees' representatives) shall be ten at most. In 2022, the supervisory board of Erste Group Bank AG comprised up to thirteen 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 has to 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.

CORPORATE CONSTITUTION

Erste Group Bank AG is a stock corporation established under Austrian law and has a two-tier management system comprising a management board and a supervisory board. 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. The supervisory board supervises and advises the management board, in particular when taking decisions of fundamental importance, but without engaging in any operational management tasks itself. The supervisory board appoints members of the management board. The supervisory board members being shareholder representatives are elected by the annual general meeting of Erste Group Bank AG, with due regard to the right of nomination granted to shareholder DIE ERSTE österreichische Spar-Casse Privatstiftung under the articles of association. The employees' council of Erste Group Bank AG has the right to nominate one employees' representative for every two shareholder representatives to the supervisory board. If the number of shareholder representatives is an odd number, then one more member is appointed as an employees' representative.

COMPOSITION AND WORKING PROCEDURE OF THE CORPORATE BODIES

Selection and assessment of members of corporate bodies

The qualification requirements for members of the corporate 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 the internal framework for the selection and assessment of members of the corporate bodies taking into account relevant national and EU legal provisions for banks and exchange-listed stock corporations such as section 5 para 1 nos 6 to 13 of the Austrian Banking Act, section 28a of the Austrian Banking Act, ESMA and EBA guidelines for assessing the suitability of members of the management body and key function holders (EBA/GL/ 2021/06), the ESMA and EBA guidelines on internal governance pursuant to Directive (EU) 2019/2034 (EBA/GL/2021/05), the ECB's guide to fit and proper assessments as well as the FMA circular on the assessment of suitability of executive directors, non-executive directors and key function holders. The assessment of proposed and appointed members of corporate 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.

Continuing development of members of corporate bodies

To maintain an appropriate level of professional qualification and continuing development of members of the corporate 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 hosted, for example, by Wiener Börse AG, KPMG Alpen-Treuhand GmbH and the Vienna University of Economics and Business. In 2022, the in-house training programme for members of the management and supervisory boards covered, for example, the following topics and included debates and discussions with experts: crypto-currencies as well as digital currencies in general, the law on banking supervision and other acts of law of relevance to banks, cyber-security and other IT matters. Training sessions were also held on a range of sustainability-related topics. These covered in depth not only the three sustainability criteria – environmental, social and governance – but also explored and analysed the role and relevance of sustainability for credit institutions in general and Erste Group Bank AG in particular in accordance with current studies, regulatory and legal requirements and potential future developments. Erste Group's sustainability strategy was explained and expectations of customers, employees and Erste Group entities discussed in detail. Members of the supervisory board of Erste Group Bank AG also attended professional meetings organised by Sparkassenverband. In addition, a comprehensive on-boarding process was conducted with the members newly elected to the supervisory board at the annual general meeting held on 18 May 2022.

Measures taken 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, members of the management and supervisory boards receive internal guidelines on how to deal with conflicts of interest (Suitability Policy). These internal guidelines are based on Article 83 of the ESMA and EBA guidelines for assessing the suitability of members of the management body and key function holders (EBA/GL/2021/06) and Chapter 3.3.2 of the ECB's guide to fit and proper assessments as well as additional legal requirements (section 28 of the Austrian Banking Act, section 95 para 5 no 12 of the Austrian Stock Corporation Act, section 95a para 1 of the Austrian Stock Corporation Act) and, among other things, describe the appropriate procedure for identifying and avoiding conflicts of interest, the contents of the report, responsibilities and documentation requirements. As soon as members of the management board and the supervisory board identify (potential) conflicts of interest, these shall be reported by them proactively to the chair of the nomination committee; if this reporting obligation concerns the chair of the nomination committee himself, the chair must inform their deputy thereof.
The nomination committee will subsequently decide whether the conflict of interests is material and what measures need to be taken (abstention from voting on resolutions, ban on attendance at meetings, voting ban, changing the duties of the body concerned, termination of the mandate of the management board or supervisory board member concerned). The conflict of interest will be disclosed in the relevant bodies and, if required, to the supervisory authority. In individual cases, the (potential) conflict of interest will be monitored by the Compliance function or Group Audit. Furthermore, new members of the management board and the supervisory board receive comprehensive information regarding the avoidance of conflicts of interest when taking up their board functions.

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 and 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.

MANAGEMENT BOARD

In 2022, the management board consisted of six members.

Management board member	Year of birth	Date of initial appointment	End of current period of office
Willibald Cernko (Chairman since 1 July 2022)	1956	1 July 2022	31 December 2024
Bernhard Spalt (Chairman until 30 June 2022)	1968	1 July 2019	30 June 2022
Ingo Bleier	1970	1 July 2019	30 June 2026
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 2026
Maurizio Poletto	1973	1 January 2021	31 December 2023

Bernhard Spalt resigned from his mandate as of 30 June 2022. On 15 June 2022, the supervisory board appointed Willibald Cernko to the management board of Erste Group Bank AG and as chairman of the board. David O'Mahony's management board mandate was extended until 31 December 2026.

Management board member	Areas of responsibility
Willibald Cernko (since 1 July 2022), Bernhard Spalt (until 30 June 2022)	Group Secretariat, Group Audit, Group Brand Management & Communications, Group Investor Relations, Group Strategy, Group Corporate Affairs & Stakeholder Management, Group People and Culture, Group Legal (since 1 November 2022), Group Retail Development Financial Health (since 1 July 2022, formerly Group Retail Strategy)
Ingo Bleier	Group Corporates, Group Commercial Real Estate, Group Markets, Group Product and Business Management C. and M., Group Research, Group Retail Strategy (until 30 June 2022)
Stefan Dörfler	Group Balance Sheet Management, Group Data Management, Group Accounting, Group Performance Management
Alexandra Habeler-Drabek	Group Compliance, Credit Risk Methods, Retail Risk Management, Credit Risk Portfolio, Group Legal (until 31 October 2022), Corporate Risk Management, Enterprise wide Risk Management, Group Liquidity and Market Risk Management
David O'Mahony	CIO Group Functions, Banking Services, Group Security, Governance and Steering
Maurizio Poletto	Strategic Innovations, Platform Governance

The internal rules of the management board of Erste Group Bank AG do not provide for the establishment of committees from among its ranks. In addition to holding senior management positions at Erste Group, management board members, however, also serve as members of committees on a wide variety of matters at Erste Group Bank AG. For more details on such committees see in particular the (consolidated) non-financial report (Group Sustainable Finance Committee) and the notes to the annual financial statements (Note 32: Coordination of risk management activities at group level).

The expertise of management board members is reflected specifically, but not exclusively in their respective current areas of responsibility. As part of the individual suitability assessment conducted prior to the appointment of each management board member, the supervisory board of Erste Group Bank AG carefully evaluates their expertise based on the standards applicable to credit institutions. For additional details see the curricula vitae of management board members at www.erstegroup.com. Short profiles are provided below.

Willibald Cernko has held a wide range of management and executive positions in credit institutions since 1985, including a seven-year term as CEO of UniCredit Bank Austria AG. Prior to his appointment as CEO/chairman of the board he had served as Chief Risk Officer of Erste Group Bank AG and as Chief Corporates Officer and, at the same time, vice chairman of the management board of Erste Bank der oesterreichischen Sparkassen AG.

Ingo Bleier (background in law and commercial sciences) had been entrusted with management tasks in corporate banking, project finance and loan syndication first at Creditanstalt and then at UniCredit Bank Austria AG before assuming management functions in Corporate and Acquisition Finance, Investment Banking and Group Corporates at Erste Group Bank AG in 2008.

Stefan Dörfler (background in technical mathematics) started his career as interest rate derivatives trader at GiroCredit Bank AG; after holding various management positions, most recently as Head of Group Markets and Capital Markets, he served as chairman of the management board of Erste Bank der oesterreichischen Sparkassen AG from 2016 to June 2019.

Alexandra Habeler-Drabek (background in commercial sciences) held various management positions at Creditanstalt (later UniCredit Bank Austria AG) in the fields of credit risk, restructuring and workout. Among the positions she had held at Erste Group were, among others, Head of Operative Risk Management of Erste Bank der oesterreichischen Sparkassen AG, Head of Group Enterprise-wide Risk Management at Erste Group Bank AG and Chief Risk Officer of Slovenská sporiteľňa, a.s..

David O'Mahony (background in computer science and mathematics) worked for credit institutions in Ireland, Great Britain and the Czech Republic, among them Unicredit S.p.A., where he served as Head of Department Global Banking Services Business Partner CEE and Sberbank Europe AG, where he was Chief

Operating Officer and Chief IT Officer. At Erste Group he served as Head of COO Group Governance and Head of Holding IT.

Maurizio Poletto (background in design) initially gathered experience working for companies as designer and art director before he successfully started his own business in 2003, holding the position of Creative Director. At Erste Group Bank AG, Maurizio Poletto started the in-house fintech (George Labs GmbH) and over the approximately last ten years has been engaged in the development and expansion of George.

Management positions in subsidiaries

Willibald Cernko
Erste Bank der oesterreichischen Sparkassen AG,
Member of the management board (Chief Corporates Officer) (until 31 August 2022)

Stefan Dörfler
Erste Bank der oesterreichischen Sparkassen AG,
Member of the management board (Chief Finance Officer)

Alexandra Habeler-Drabek
Erste Bank der oesterreichischen Sparkassen AG,
Member of the management board (Chief Risk Officer)

David O'Mahony
Erste Digital GmbH,
Member of the managing board (since 6 December 2022)

Mandates on supervisory boards and similar functions
As of 31 December 2022, 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 *).

Willibald Cernko
Česká spořitelna, a.s.*, Chair
Erste & Steiermärkische Bank d.d.* (Erste Bank Croatia), Chair
TIROLER SPARKASSE Bankaktiengesellschaft Innsbruck*, Chair

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

Stefan Dörfler
Banca Comercială Română S.A.*, Vice Chair
Česká spořitelna ,a.s.*, Member
Erste Digital GmbH*,(Chair since 23 Dec. 2022, previously Member)
Sparkassen-Haftungs GmbH*, Member
Wiener Börse AG, Member

Alexandra Habeler-Drabek
Erste Bank Hungary Zrt.*, Member
Oesterreichische Kontrollbank Aktiengesellschaft, 2nd Vice Chair

David O'Mahony
Erste Digital GmbH*, Chair (until 5 Dec. 2022)
Erste Bank a.d. Novi Sad*, Member
Slovenská sporiteľňa, a.s.*, Chair

Maurizio Poletto
Česká spořitelna, a.s.*, Member
Erste Bank Hungary Zrt.*, Member
Erste Digital GmbH*, Member

As of 31 December 2022, Bernhard Spalt (management board member until 30 June 2022) did not hold any supervisory board mandates or similar functions in domestic or foreign companies or in material subsidiaries of Erste Group Bank AG.

SUPERVISORY BOARD

In the 2022 financial year, the following persons were members of the supervisory board:

Position	Name	Gender	Year of birth	Nationality	Date of initial appointment	End of the current period of office
Chairman	Friedrich Rödler	male	1950	Austria	4 May 2004	AGM 2025
1st Vice Chairman (until 18. May 2022)	Jan Homan	male	1947	Austria	4 May 2004	AGM 2022
1st Vice Chairman (since 18. May 2022)	Maximilian Hardegg	male	1966	Austria	12 May 2015	AGM 2025
2nd Vice Chairwoman (since 18. May 2022)	Elisabeth Krainer Senger-Weiss	female	1972	Austria	21 May 2014	AGM 2024
Member	Christine Catasta	female	1958	Austria	18 May 2022	AGM 2026
Member	Henrietta Egerth-Stadlhuber	female	1971	Austria	26 June 2019	AGM 2026
Member	Hikmet Ersek	male	1960	Austria	18 May 2022	AGM 2026
Member	Alois Flatz	male	1966	Austria	18 May 2022	AGM 2026
Member	Marion Khüny	female	1969	Austria	17 May 2017	AGM 2022
Member	Mariana Kühnel	female	1983	Austria	18 May 2022	AGM 2025
Member	Friedrich Santner	male	1960	Austria	10 November 2020	AGM 2023
Member	Michael Schuster	male	1980	Austria	19 May 2021	AGM 2024
Member	András Simor	male	1954	Hungary	10 November 2020	AGM 2023
Member	Michèle F. Sutter-Rüdisser	female	1979	Switzerland	15 May 2019	AGM 2026
Delegated by the employees' council:						
Member	Martin Grießer	male	1969	Austria	26 June 2019	until further notice
Member	Markus Haag	male	1980	Austria	21 November 2011	until further notice
Member	Regina Haberhauer	female	1965	Austria	12 May 2015	until further notice
Member	Andreas Lachs	male	1964	Austria	9 August 2008	until further notice
Member	Barbara Pichler	female	1969	Austria	9 August 2008	until further notice
Member	Jozef Pinter	male	1974	Slovakia	25 June 2015	until further notice
Member	Karin Zeisel	female	1961	Austria	9 August 2008	until further notice

In 2022, the composition of the supervisory board changed as follows: the supervisory board mandate of Jan Homan expired as of the end of the annual general meeting on 18 May 2022 and was not extended due to the age limit for supervisory board members specified in the articles of association of Erste Group Bank AG.

At the annual general meeting on 18 May 2022, Friedrich Rödler, Henrietta Egerth-Stadlhuber, Marion Khüny and Michèle F. Sutter-Rüdisser were re-elected and Hikmet Ersek, Alois Flatz, Mariana Kühnel and Christine Catasta were newly elected to the supervisory board, the last named effective 1 July 2022.

From 18 May 2022, Maximilian Hardegg served as 1st Vice Chair (previously 2nd Vice Chair), Elisabeth Krainer Senger-Weiss as 2nd Vice Chair (previously as member). The employees' council delegated Markus Haag as of 18 May 2022 and Martin Grießer as of 1 July 2022 to the supervisory board.

Expertise of supervisory board members

The table below provides an overview of the core expertise and selected specific qualifications of members of the supervisory board of Erste Group Bank AG. It is by no means exhaustive but intends to highlight the expertise and qualifications of supervisory board members that were considered relevant at the time they were elected as members of the supervisory board or that are of particular significance for their current work.

Expertise is assessed on the basis of education and training as well as relevant professional experience. The table does not include the employees' representatives delegated to the supervisory board by the employees' council of Erste Group Bank AG, whose suitability was assessed and confirmed exclusively by the employees' council in accordance with applicable fit & proper requirements.

		Core competences						Specific competences		
	Occupation	Banking and finance	Industry	Advisory	Directors/ senior management	Accounting/ auditing/ risk management	Regulatory/ public domain	IT/ digitalisation/ innovation	Corporate acquisitions/ reorganisation/ capital market	Sustainability topics
Friedrich Rödler	Auditor and tax advisor	x		x	x	x	x		x	x
Maximilian Hardegg	Entrepreneur		x		x	x		x		x
Elisabeth Krainer Senger-Weiss	Lawyer		x	x			x		x	x
Christine Catasta	Auditor and tax advisor		x	x	x	x			x	
Henrietta Egerth-Stadlhuber	Managing director		x	x	x		x	x		
Hikmet Ersek	Investor	x			x	x		x	x	
Alois Flatz	Investor	x		x	x			x	x	x
Marion Khüny	Consultant	x		x	x	x			x	
Mariana Kühnel	Deputy secretary general, Austrian Federal Economic Chamber	x	x		x		x	x		
Friedrich Santner	Entrepreneur	x	x		x	x		x	x	
Michael Schuster	Investor	x		x	x			x	x	
András Simor	Governor, Central Bank of Hungary,ret	x			x	x	x		x	
Michèle F. Sutter-Rüdisser	Professor	x		x	x	x	x		x	x

In addition to the table above: Directors (Geschäftsleiter) are those natural persons who under the law or the articles of association are tasked with the management of the affairs of a company, including in particular the definition of the strategy, goals and overall policies as well as with the representation of the company in its external relations. Senior management are those natural persons who in an entity perform management tasks (e.g. personnel-related tasks) or executive activities and are responsible and accountable to the directors for the day-to-day business.

Mandates on supervisory boards or similar functions

As of 31 December 2022, 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

Maximilian Hardegg

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

Elisabeth Krainer Senger-Weiss

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

Christine Catasta (since 1 July 2022)

Erste Bank der oesterreichischen Sparkassen AG*, Member (since 1 Feb. 2022)
Banca Comercială Română S.A.*, Member (since 30 Dec. 2022)
Austrian Airlines AG*, Member
ÖLH Österreichische Luftverkehrs-Holding-GmbH, Member
Bundesimmobiliengesellschaft m.b.H., Chair
Telekom Austria Aktiengesellschaft**, Member
VERBUND AG**, 2nd Vice Chair

Henrietta Egerth-Stadlhuber

NÖ Kulturwirtschaft GesmbH, Member

Alois Flatz (since 18 May 2022)
CEBS AG, Member
Crate.io, Inc., Member
Inyova AG, Member (until 31 December 2022)

Marion Khüny
Valiant Bank AG**, Member

Friedrich Santner
Steiermärkische Bank und Sparkassen AG*, Chair
Styria Media Group AG, Chair
SAG Immobilien AG, Chair

Michèle F. Sutter-Rüdisser
Helsana Versicherungen AG, Member
Graubündner Kantonalbank AG**, Member

As of 31 December 2022, Hikmet Ersek (since 18 May 2022), Mariana Kühnel (since 18 May 2022), Michael Schuster and András Simor did not hold any supervisory board mandates or similar functions in other domestic or foreign companies.

The supervisory board member who left after the annual general meeting 2022:

Jan Homan
Erste Bank der oesterreichischen Sparkassen AG*, Vice Chair
Slovenská sporiteľňa, a.s.*, Vice Chair
Bausparkasse der österreichischen Sparkassen AG*, Member (since 29 March 2022)
FRAPAG Beteiligungsholding AG, Vice Chair
Loparex International Holding B.V., 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 (since 1 July 2022), Markus Haag (until 11 January 2022, and then again since 18 May 2022), Jozef Pinter and Karin Zeisel did not hold any supervisory board mandates or similar functions in other 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 to the supervisory board from among its ranks for every two supervisory board members elected 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 employees' representative.

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 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 corporate 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 (until 18 May 2022). Friedrich Rödler has been serving and Jan Homan had 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 2022, two members of the supervisory board (Maximilian Hardegg and Barbara Pichler) served on a managing body of DIE ERSTE österreichische Spar-Casse Privatstiftung, which holds more than 10% of the shares of Erste Group Bank AG.

Independence and membership in supervisory board committees

Supervisory board members of credit institutions exchange-listed in Austria are required to meet different types of independence requirements, which may also vary depending on the committee and function concerned.

The tables below show both the membership of the committees as well as the independence of committee members as defined in the C-Rule 53 of the Austrian CCG in conjunction with Annex 1 of the Austrian CCG – this rule is also in line with the concept of independence of the ICGN Global Governance Principles 2021 – as well as pursuant to section 28 para 5b of the Austrian Banking Act.

The chair of the audit committee and the financial expert have to meet the definition of independence pursuant to section 63a para 4 of the Austrian Banking Act, the chair of the remuneration committee and the remuneration expert that of section 39c para 3 of the Austrian Banking Act. Friedrich Rödler qualifies as independent in accordance with these legal requirements.

The proportion of independent members is stated for the supervisory board and for those committees (nomination committee, audit committee, risk committee, remuneration committee) for which independence criteria are also specified by law.

Employees' representatives are not included in the calculation of the independence ratio for the supervisory board as a whole or for the committees. When calculating the gender quota pursuant to section 86 para 9 AktG, employees' representatives are included, substitute members do not count.

In 2022 there were numerous changes in the composition of the supervisory board and the committees. Supplementary information is on the presentation in the tables: Markus Haag was a member of the risk committee (until 11 January 2022, then again from 18 May 2022) and a substitute member of both the remuneration committee and the IT committee. Barbara Pichler was a substitute member of the risk committee from 11 January 2022 to 18 May 2022. Regina Haberhauer was a substitute member until 11 January 2022, a member until 18 May 2022, and a substitute member again from 18 May 2022, in each case in the risk committee. From 11 January 2022 to 18 May 2022, Regina Haberhauer was also a substitute member of the remuneration committee and the IT committee. Since his reappointment to the supervisory board as of 1 July 2022, Martin Grießer has been a member of the audit committee, remuneration committee and IT committee, and a substitute member of each of the executive committee, nomination committee, risk committee, and strategy and sustainability committee. Jozef Pinter was a substitute member of the executive committee, nomination committee, remuneration committee, IT committee and strategy and sustainability committee until 30 June 2022 and has been a substitute member of the audit committee since 1 July 2022. From 1 January to 30 June 2022 Karin Zeisel was a member of the remuneration committee and a substitute member of both the audit committee and the risk committee; since 1 July 2022, she has been a substitute member of the remuneration committee and the IT committee. The composition of the shareholder representatives on the committees changed in 2022 following the elections to the supervisory Board. In addition, Michèle Sutter-Rüdisser was a member of the remuneration committee until 18 May 2022, and then a member of the nomination committee. Elisabeth Krainer Senger-Weiss has been a member of the remuneration committee since 18 May 2022. Maximilian Hardegg was a member of the audit committee until 18 May 2022, thereafter substitute member. Marion Khüny was a substitute member of the audit committee until 18 May 2022, after which she became a member.

At the beginning of her office term on 1 July 2022, Christine Catasta took over her committee functions and, in particular, the chairmanship of the audit committee. Prior to her, Friedrich Rödler (1 January to 18 May 2022) and Michèle Sutter-Rüdisser (18 May to 30 June 2022) held this position.

The chairmanship of the strategy and sustainability committee, which was newly established as of 18 May 2022, was held by Friedrich Rödler (deputy Maximilian Hardegg) until 15 September 2022, before he handed it over to Alois Flatz (new deputy Friedrich Rödler, Maximilian Hardegg now a full member).

Share of independent members

	Supervisory board		Committees						
	Pursuant to Austrian CCG	Pursuant to Austrian Banking Act	Executive committee	Nomination committee	Audit committee	Risk committee	Remuneration committee	IT-committee	Strategy and sustainability committee
31 Dec 2022	92%	92%	n.a.	83%	100%	83%	100%	n.a.	n.a.
1 Jan 2022	80%	80%	n.a.	50%	100%	67%	100%	n.a.	-

Membership of the supervisory board and its committees

	Supervisory board (independency)		Committees (function of the supervisory board member)						
	Pursuant to Austrian CCG	Pursuant to Austrian Banking Act	Executive committee	Nomination committee	Audit committee	Risk committee	Remuneration committee	IT-committee	Strategy and sustainability committee
31 Dec 2022									
Friedrich Rödler	dependent	dependent	Chair	Chair	Deputy, Financial expert	Deputy	Chair, Remuneration expert	Deputy	Vice Chair
Maximilian Hardegg	independent	independent	Deputy	Deputy	Substitute	Chair	Deputy	Chair	Member
Elisabeth Krainer Senger-Weiss	independent	independent	Member	Member	-	Member	Member	Substitute	Substitute
Christine Catasta	independent	independent	Member	Member	Chair	Member	Substitute	-	-
Henrietta Egerth-Stadlhuber	independent	independent	-	-	-	Member	-	Member	Member
Hikmet Ersek	independent	independent	-	Member	-	-	Member	-	Member
Alois Flatz	independent	independent	-	Substitute	-	-	Member	-	Chair
Marion Khüny	independent	independent	-	-	Member	Member	-	Member	-
Mariana Kühnel	independent	independent	-	-	Member	-	-	Member	-
Friedrich Santner	independent	independent	-	-	Member	-	-	-	-
Michael Schuster	independent	independent	-	-	-	-	-	Member	Substitute
András Simor	independent	independent	-	-	-	-	Member	-	Member
Michèle F. Sutter-Rüdisser	independent	independent	-	Member	Member	-	-	-	-
Delegated by the employees council:									
Martin Grießer	n.a.	n.a.	Substitute	Substitute	Member	Substitute	Member	Member	Substitute
Markus Haag	n.a.	n.a.	-	-	-	Member	Substitute	Substitute	-
Regina Haberhauer	n.a.	n.a.	-	Substitute	Member	Substitute	-	-	Substitute
Andreas Lachs	n.a.	n.a.	Substitute	Member	Substitute	Member	Member	Member	Member
Barbara Pichler	n.a.	n.a.	Member	Member	Member	-	Member	Member	Member
Jozef Pinter	n.a.	n.a.	-	-	Substitute	Member	-	-	-
Karin Zeisel	n.a.	n.a.	Member	Member	-	-	Substitute	Substitute	Member

1 January 2022									
Friedrich Rödler	dependent	dependent	Chair	Chair	Chair Financial expert	Member	Chair Remuneration expert	Deputy	-
Jan Homan	dependent	dependent	Deputy	Deputy	Member	Deputy	Deputy	-	-
Maximilian Hardegg	independent	independent	Member	Member	Deputy	Chair	Member	Chair	-
Henrietta Egerth-Stadlhuber	independent	independent	-	-	-	Member	-	Member	-
Marion Khüny	independent	independent	-	-	Substitute	Member	-	Member	-
Elisabeth Krainer Senger-Weiss	independent	independent	Member	Member	-	Member	-	Substitute	-
Friedrich Santner	independent	independent	-	-	Member	-	Substitute	-	-
Michael Schuster	independent	independent	-	-	-	-	-	Member	-
András Simor	independent	independent	-	-	-	-	Member	-	-
Michèle F. Sutter-Rüdisser	independent	independent	-	-	Member	-	Member	-	-
Vom Betriebsrat entsandt:									
Markus Haag	n.a.	n.a.	-	-	-	Member	Substitute	Substitute	-
Regina Haberhauer	n.a.	n.a.	-	-	Member	Substitute	-	-	-
Andreas Lachs	n.a.	n.a.	Substitute	Substitute	Substitute	Member	Member	Member	-
Barbara Pichler	n.a.	n.a.	Member	Member	Member	-	Member	Member	-
Jozef Pinter	n.a.	n.a.	Substitute	Substitute	Member	Member	Substitute-	Substitute	-
Karin Zeisel	n.a.	n.a.	Member	Member	Substitute	Substitute	Member	Member	-

Share of the underrepresented gender

	Supervisory board	Executive committee	Nomination committee	Audit committee	Risk committee	Remuneration committee	IT-committee	Strategy and sustainability committee
31 December 2022	45%	33%	44%	33%	44%	22%	44%	33%
1 January 2022	44%	50%	50%	38%	33%	38%	50%	-

Self-evaluation of the supervisory board

At its meetings of 16 February 2022 and 22 March 2022, the nomination committee performed an evaluation of the activities of the supervisory board and its committees for 2021 and of its collective suitability. It discussed, for example, the supervisory board members' attendance at supervisory board and committee meetings in 2021, assessed the efficiency of the supervisory board's activities, organisation and working practices 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 discussed. Taking into account the reports from nomination committee meetings, the supervisory board, at its meeting of 7 April 2022, concluded its evaluation pursuant to C-Rule 36 of the Austrian CCG for 2021 with a positive assessment. In addition, the supervisory board discussed its collective suitability with the current committee memberships also in the course of its strategy retreats on 23 June 2022 and 14 September 2022. At its meeting of 20 February 2023, 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 2022.

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

No contracts have been entered into that would require approval pursuant to section 95 para 5 no 12 of the Austrian Stock Corporation Act.

SUPERVISORY BOARD COMMITTEES AND THEIR DECISION-MAKING POWERS

The supervisory board has set up seven committees: the risk committee, the executive committee, the audit committee, the nomination committee, the remuneration committee, the IT committee and the strategy and sustainability 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 tasks of the risk committee are governed in particular by section 39c para 2 of the Austrian Banking Act and the internal rules of the 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 and risk management. 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 every large loan as defined in section 28b of the Austrian Banking Act. The supervisory board has delegated to the risk committee the right of consent to the granting of special statutory power of attorney (Prokura) or commercial power (Handlungsvollmacht) for all business operations. The tasks of the risk committee include the acknowledgement of reports on legal disputes. 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. The risk committee is also tasked with taking note of reports on activities relating to Erste Group's resolution planning and resolvability.

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 tasks of the audit committee result, among others, from section 63a para 4 of the Austrian Banking Act and section 92 para 4a no 4 of the Austrian Stock Corporation Act as well as from the internal rules of the audit committee. The audit committee is responsible for overseeing the accounting process; monitoring the implementation of accounting policies; 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 qualification and independence of the auditor (Group auditor) in particular with respect to the additional services rendered to the audited company or group company; submitting a report on the results of the annual audit to the supervisory board and explaining how the annual audit contributes to the reliability of financial reporting and the role of the audit committee in doing so; reviewing the annual financial statements and preparing their approval; reviewing the proposal for the allocation of profits, the management report, the (consolidated) corporate governance report and the (consolidated) non-financial report and submitting the 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 a report on the results of the review to the supervisory board; carrying out the procedure for the selection of the auditor (group auditor); recommending the renewal of the auditor's (group auditor's) mandate to the supervisory board; acknowledging the additional report of the auditor (report pursuant to Art. 11 Regulation (EU) No. 537/2014), acknowledging 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; acknowledging the internal auditors' report on the audit areas and material audit findings and the activity report pursuant to Article 25 para 3 in conjunction with Article 24 of the Delegated Regulation (EU) 565/2017; in the case of on-site inspections conducted by supervisory authorities acknowledging the inspection report, the report on the contents of the plan to address identified findings. 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. The audit committee is furthermore tasked with monitoring the effectiveness of Erste Group Bank AG's internal quality control with regard to resolution-relevant information. Pursuant to section 92 para 4a no 3 of the Austrian Stock Corporation Act and section 30g para 4a no 3 of the Austrian Limited Liability Companies Act (GmbHG), the audit committee may also take on the tasks and other duties of the audit committee for subsidiaries in which Erste Group Bank AG directly or indirectly holds an interest of at least 75%.

Nomination committee
The tasks of the nomination committee are governed in particular by section 29 of the Austrian Banking Act and the internal rules of the nomination committee. The nomination committee submits proposals to the supervisory board for filling management board mandates that become vacant and deals with issues of succession planning. 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 and assesses the fit and properness of the candidates. 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 periodically assesses the management board's and the supervisory board's structure, size, composition and performance. In addition, the nomination committee must conduct periodic assessments of the expertise, skills and experience of both the management board members and 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 support the supervisory board in making recommendations to the management board.

Remuneration committee
The tasks of the remuneration committee result, among others, from section 39c para 2 of the Austrian Banking Act (BWG), the Guidelines on sound remuneration under Directive 2013/36/EU and the internal rules of the remuneration committee. The remuneration committee prepares resolutions on remuneration matters. The remuneration committee approves the general principles of remuneration policy, reviews them regularly and is 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. The committee approves material 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. In addition, it approves the identification of employees having a significant impact on the company's risk profile. The remuneration committee prepares the principles for the remuneration of management and supervisory board members pursuant to sections 78a and 98a of the Austrian Stock Corporation Act (AktG) (Remuneration Policy according to Austrian Stock Corporation Act). In addition, it is responsible for preparing the report on the remuneration of members of the management and supervisory boards pursuant to sections 78a and 98a of the Austrian Stock Corporation Act (Remuneration Report according to Austrian Stock Corporation Act), reviewing it and, subsequently, reporting the audit findings to the supervisory board.

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 reports from the IT department; monitoring the operating continuity and crisis management of data security and taking note of critical changes in the organisational structure and responsibilities of the IT department.

Strategy and sustainability committee
The committee advises the management board on the definition of principles of business strategy as well as with regard to the definition of business strategies for a sustainable development of Erste Group. The strategy and sustainability committee also supports the supervisory board in performing its oversight function regarding the implementation of the business strategy and ESG (environment, social, governance) strategy, takes note of reports on the business strategy and the sustainability strategy, advises on the definition of sustainability goals and assesses opportunities and risks in the field of ESG; it supports the remuneration committee in defining ESG goals for the management board and reviews the achievements of these goals.

MEETINGS OF THE SUPERVISORY BOARD AND REPORT ON PRINCIPAL ACTIVITIES

Eight meetings of the supervisory board were held in 2022. 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 exposure; 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 2022 were reports of management board members on matters concerning their respective areas of responsibility, on the geopolitical situation including the Russia-Ukraine war and its impact on Erste Group as well as on 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 24 March 2022, the 2021 financial statements and management report, the 2021 consolidated financial statements and management report, the 2021 (consolidated) corporate governance report as well as the 2021 (consolidated) non-financial report were extensively discussed and reviewed; the auditors' reports and the audit committee's report pursuant to section 63a para 4 no 5 of the Austrian Banking Act were discussed and the 2021 financial statements were adopted in accordance with the recommendation of the audit committee. It was also decided to propose PwC Wirtschaftsprüfung GmbH to the annual general meeting 2022 as an additional auditor of the (consolidated) financial statements for the 2023 financial year. The supervisory board's report pursuant to section 96 of the Austrian Stock Corporation Act was discussed in detail and approved. The report on the assessment of the effectiveness of risk management was submitted to the supervisory board by the chairman of the audit committee and the list prepared pursuant to C-Rule 82a of the Austrian CCG was taken note of. 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 approved. The meeting was also attended by members of the supervisory authorities' Joint Supervisory Team, who gave presentations and answered questions raised by supervisory board members.

At the meeting of 7 April 2022, 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. In addition, a report on Erste Group's capital market activities was discussed and the Česká spořitelna's headquarters project was considered. Reports of management board members on their respective areas of responsibility were taken note of. In addition, resolutions were passed on the implementation of the new employee share programme. The resolutions proposed for the annual general meeting in May 2022 were discussed and approved. The management board's variable remuneration and the remuneration report prepared for the 2022 financial year pursuant to the Austrian Stock Corporation Act were adopted. In addition, the supervisory board took note of the report on the evaluation of the supervisory board and the management board prepared by the nomination committee pursuant to section 29 of the Austrian Banking Act and completed its self-evaluation pursuant to C-Rule 36 of the Austrian CCG.

At the constituent meeting of 18 May 2022 held after the annual general meeting, Friedrich Rödler was re-appointed chairman of the supervisory board; Maximilian Hardegg was elected as 1st vice chair and Elisabeth Krainer Senger-Weiss as 2nd vice chair. In addition, it was decided to appoint new members to the supervisory board committees.

At the meeting of 15 June 2022, note was taken of the resignation of Bernhard Spalt as CEO and Willibald Cernko was appointed CEO. David O'Mahony's management board mandate was extended. Both decisions were made in accordance with recommendations of the nomination committee.

At the meeting held on 23 June 2022, the new allocation of duties and the representation rules of the management board from 1 July 2022 were approved and a framework programme for the buy-back of own shares was adopted.

At the meeting of 15 September 2022, the supervisory board was given an update on the strategy of Erste Group. The general situation in the capital market was analysed and discussed and a resolution was passed on a capital increase in a subsidiary. The supervisory board furthermore elected Alois Flatz as chair of the strategy and sustainability committee and Friedrich Rödler as his deputy.

At the meeting of 17 November 2022, an extensive report on the economic development of Erste Group was discussed and taken note of. At the meeting of 15 December 2022, Erste Group's (ESG) strategy was presented, discussed in detail and approved, taking into account the recommendation of the strategy and sustainability committee. In addition, the supervisory board adopted Erste Group's capital plan for the 2023 to 2027 period as well as the budget, the investment plan and the capital plan of Erste Group Bank AG for 2023 to 2027 and a resolution on the implementation of a new employee share programme. An anticipatory resolution was made pursuant to section 95 para 5 no 12 of the Austrian Stock Corporation Act and a resolution was adopted on long-term funding activities in the 2023 financial year.

At strategy retreats held on 23 June 2022 and 14 September 2022, the supervisory board, supported by an external consultant, considered its activities extensively and in detail, with a particular focus on its organisation, work practices and contribution to the company's strategic orientation.

MEETINGS OF THE COMMITTEES AND REPORT ON ACTIVITIES

The risk committee held seventeen meetings in 2022, 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 (Prokura). 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, on compliance matters at single-entity and group levels, business continuity management and crisis management, cyber risk management, the impact of non-financial standards on lending and the situation of specific sectors and industries, including the resulting impact on the risk strategy. Further items on the agenda were audits by supervisory authorities, internal risk models, an update on the Graben project 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. A strong focus was also on the economic fallout of the Covid-19 pandemic, the Russia-Ukraine war and the sanctions imposed on Russia.

The executive committee did not meet in 2022.

The audit committee met seven times in 2022 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 2021, and the audit committee subsequently conducted the final discussion. The financial statements and the management report, the consolidated financial statements and the management report, the (consolidated) corporate governance report as well as 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 Regulation (EU) No 537/2014 was taken note of. The head of the internal audit department reported on the audit subjects and material audit findings for the year 2021 and, on an ongoing basis, about audit-relevant matters in the group and explained the audit plan for 2022. The internal audit department presented its reports pursuant to section 42 para 3 of the Austrian Banking Act, on the quality assurance programme as well as a report pursuant to Article 25 para 3 in conjunction with Article 24 of the Delegated Regulation (EU) 565/2017. 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 2023 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 2024 financial year to the supervisory board. The auditors provided information about the preliminary audit of the single-entity and consolidated financial statements for 2022. In addition, reports were delivered on the development of participations and the half-year report as of 30 June 2022 and a discussion was held on the 2021 management letter. 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 no 4 of the Austrian Banking Act. Among other things, the audit committee gave pre-approval to permissible non-audit services rendered by the (group) auditor and received reports on their current status. The audit committee's report on activities included in the 2021 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 2022. The head of internal audit was also evaluated by the audit committee. The annual report of Group Regulatory Compliance was taken note of. Pursuant to section 30g para 4 no 3 of the Austrian Limited Liabilities Companies Act (GmbHG), the audit committee performed the tasks and duties of the audit committee for the subsidiary Erste Digital GmbH.

The nomination committee held nine meetings in 2022. At one of these meetings the resignation of Bernhard Spalt as of 30 June 2022 was discussed and the required resolutions were passed. The nomination committee was closely involved in succession planning for the positions of both CEO and Chief Retail Officer. It conducted a suitability assessment of Willibald Cernko for his appointment as member and chairman of the management board of Erste Group Bank AG and recommended his appointment to the supervisory board. One of the meetings reviewed whether the requirements for the extension of the contract and early re-appointment of David O'Mahony had been met. As the result was positive, a recommendation to this effect was made to the supervisory board. The dual function of Alexandra Habeler-Drabek as a member of the management boards of both Erste Group Bank AG and Erste Bank Oesterreich was successfully re-evaluated. The nomination committee conducted fit and proper assessments of potential candidates for the elections to the supervisory board at the annual general meeting of Erste Group Bank AG on 18 May

2022. 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 and section 29 nos 6 and 7 of the Austrian Banking Act and considered, in particular, potential conflicts of interest and the supervisory board members' attendance at meetings. 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 in general, 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 five times in 2022. It prepared the supervisory board's resolutions on the variable remuneration of the management board as well as the resolution on the remuneration report pursuant to section 78e of the Austrian Stock Corporation Act. In addition, various remuneration topics concerning 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 as well as the question of which employees are subject to these rules. Supervisory board remuneration was discussed and assessed as comprehensively as that of the management board. In addition, changes to the internal remuneration policy of Erste Group Bank AG and Erste Group were approved. 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 remuneration committee also considered the implementation of the 2022 employee share programme. It furthermore discussed the launch of another employee share programme.

The IT committee met four times in 2022. The main topics were periodic updates on IT projects of Erste Group Bank AG and within Erste Group, priorities of IT activities in 2022, the timeline set for their implementation and their impacts on ongoing processes. 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 presented on strategic priorities for 2022 and individual projects were explained in detail. Two major subsidiary banks provided updates on their IT development. Discussions were held on IT security, cloud services and the strategy concerning use of data, the handling of data and digitalisation. Reports were also delivered on the current status of various projects. In addition, the IT budget and IT costs were discussed and the impacts of the current geopolitical situation were considered.

The strategy and sustainability committee was created in 2022 and met on 29 November 2022. This meeting considered and discussed the (ESG) strategy in detail and recommended its adoption by the supervisory board. The committee also reported on and discussed the inclusion of ESG and strategy targets in the management board's key performance indicators.

Attendance of meetings

In 2022, all members of the supervisory board attended in person more than half of the supervisory board 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 2022, the ordinary members attended in person, by videoconferencing or teleconferencing at least 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 attendance of meetings by ordinary members without accounting for the attendance of substitute members. In the exceptional circumstances caused by Covid-19 in 2022, members attending virtual meetings only via acoustic channels are still considered to be in regular attendance under an ordinance issued by the Federal Ministry of Justice.

Meeting attendance

Name	Supervisory board (8 meetings)	Nomination committee (9 meetings)	Audit committee (7 meetings)	Risk committee (17 meetings)	Remuneration committee (6 meetings)	IT committee (4 meetings)	Strategy and sustainability committee (1 meeting)
Friedrich Rödler	100%	100%	100%	100%	100%	100%	100%
Jan Homan	100%	100%	67%	100%	100%		
Maximilian Hardegg	100%	100%	100%	100%	80%	100%	100%
Elisabeth Krainer Senger-Weiss	88%	100%		100%	100%		
Christine Catasta	100%	100%	100%	100%			
Henrietta Egerth-Stadlhuber	100%			76%		100%	100%
Hikmet Ersek	100%	100%			100%		100%
Alois Flatz	100%				100%		100%
Marion Khüny	100%		100%	100%		100%	
Mariana Kühnel	100%		100%			100%	
Friedrich Santner	100%		86%				
Michael Schuster	100%					100%	
András Simor	100%				100%		100%
Michèle F. Sutter-Rüdisser	100%	100%	100%		100%		
Vom Betriebsrat entsandt:							
Martin Grießer	67%		67%		50%	50%	
Markus Haag	83%			90%			
Regina Haberhauer	75%		57%	57%			
Andreas Lachs	100%	75%		71%	100%	75%	100%
Barbara Pichler	100%	75%	100%		80%	100%	100%
Jozef Pinter	88%		100%	82%			
Karin Zeisel	100%	63%			100%	100%	100%

PROMOTING WOMEN ON MANAGEMENT BOARDS, SUPERVISORY BOARDS AND IN MANAGING POSITIONS

General information as well as details on the promotion of women on the management board, the supervisory board and in managing positions is provided in the (consolidated) non-financial report. In addition, it is noted that with Alexandra Habeler-Drabek serving as CRO on the management board of Erste Group Bank in 2022, the share of women on the six-member management board of Erste Group Bank AG was 16.7%. Pursuant to section 86 para 7 of the Austrian Stock Corporation Act, the supervisory board of Erste Group Bank AG must include at least 30 percent women and at least 30 percent men.

At year-end 2022, women accounted for 45% of the Holding's supervisory board members (2021: 38.9%). As of 31 December 2022, the share of women in managing positions as defined in section 80 of the Austrian Stock Corporation Act stood at 27.12%. Erste Group Bank AG and its affiliated companies are committed to achieving the target of 37% women in top management (board and board-1) by 2025. The target corridor of 40 to 60% that had been adopted for all management positions has already been reached by Erste Group.

PROMOTING DIVERSITY

General information as well as details on diversity are provided in the (consolidated) non-financial report. For the sake of completeness it is noted that the Diversity and Inclusion Policy takes full account of the diversity concept applicable in appointing management board and supervisory board members with regard to age, gender, education and professional career. In selecting proposed candidates for supervisory board mandates, the focus must be on a well-balanced composition of the board and diversity within the board in terms of educational background and professional expertise.

Diversity must be observed in particular with regard to the representation of both genders and age structure. International experience represented on the supervisory board by supervisory board members of different nationalities or persons with a long international track record is to be maintained.

In addition, in assessing the qualifications, composition and independence of the supervisory board, the criteria defined by Erste Group Bank AG's supervisory board pursuant to Rule 53 of the Austrian CCG must be taken into account. In setting up supervisory board committees, special care must be taken to ensure that each committee will always have adequate expertise as required for its work (e.g. the remuneration committee must have expert knowledge and practical experience in the area of remuneration policy (section 39c para 3 of the Austrian Banking Act), the risk committee must have the expertise and experience necessary for monitoring the implementation of the bank's risk strategy (Article 39d para 3 of the Austrian Banking Act), the audit committee must possess specific expertise and practical experience in banking finance and accounting (section 63a para 4 of the Austrian Banking Act), etc.).

EXTERNAL EVALUATION

Under C-Rule 62 of the Austrian CCG, Erste Group Bank AG commissioned external evaluations of its compliance with the C-Rules of the Code of Corporate Governance 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. Deviations from the C-Rules of the Code were described and explained. Summary reports on these evaluations are available on the website of Erste Group Bank AG.

SHAREHOLDERS' RIGHTS

It is noted that 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 to 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 the 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 the 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 the 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	
Willibald Cernko mp, Chairman	Ingo Bleier mp, Member
Stefan Dörfler mp, Member	Alexandra Habeler-Drabek mp, Member
David O'Mahony mp, Member	Maurizio Poletto mp, Member

Vienna, 28. February 2023

AUDITED FINANCIAL REPORTING

28 February 2023

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, 2022, 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 Bank AG.

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, 2022, 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 64 BWG and 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

Impairments of Loans and Advances to Customers (expected credit losses)

Description

Impairments of Loans and Advances 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 198 billion, measured at amortized cost, Erste Group Bank AG has recognized credit loss allowances in the amount of EUR 3.8 billion as of December 31, 2022. Due to the underlying assumptions and estimates, determining expected credit losses is inherently subject to substantial judgement applied by management.

Erste Group Bank AG has implemented internal guidelines and specific processes to estimate expected credit losses. These processes rely significantly on quantitative and qualitative 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:

Collectively assessed impairments

- For non-defaulted loans, impairments are determined collectively and, provided no significant increase in credit risk has occurred, correspond to the expected credit losses in the event of default within the next 12 months. In the event of a significant increase in the credit risk of non-defaulted loans, impairments are determined in the amount of the expected loss over the remaining maturity. Similarly, expected losses over the remaining maturity are determined for those non-impaired loans and advances to which no credit risk could be assigned at the time of initial recognition due to missing data at the time of IFRS 9 transition (2018).
- For defaulted loans and advances with a comparable risk profile that are considered not to be individually significant, expected credit losses are collectively assessed as well.

_ The collectively assessed expected credit losses are calculated considering default probabilities, forward-looking information and parameters that reflect the expected cash flows as well as the expected proceeds from the realization of collateral. The parameters are estimated based on statistical models.

Impairments not collectively assessed
_ For defaulted loans and advances considered to be significant at customer level, expected credit losses are determined on a case-by-case basis. These impairments are calculated considering scenario probabilities, expected cash flows as well as expected proceeds from the realization of collateral.

The models used for determining loss allowances are specific to the types of loan portfolios. There are country-specific and forward-looking 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 inherent in the estimation of impairments of loans and advances, in particular the consideration of future economic conditions, have increased significantly due to the geopolitical and economic developments of 2022. By the end of the financial year, effects of these developments are not reflected in the model results to the extent that can be expected.

Erste Group Bank AG has taken this into account on two levels:
_ On the one hand, customer groups that are potentially particularly affected by the negative economic developments were identified based on expert-based criteria. For these customer groups, it is examined whether there has been a significant increase in credit risk (overlays). Details on the methodology of the applied overlays are presented in Note 40.
_ In the case of forward-looking information included in the modelling of expected credit losses, Erste Group Bank AG takes into account the increased uncertainty about future economic developments by adjusting the macroeconomic assumptions and giving a high weighting to the downside scenario used, as further detailed in note 40.

Due to
_ the substantial judgement to be applied by the management in designing the overlays and determining and weighting macro-economic future scenarios,
_ a high degree of uncertainty of future economic developments, which led to a high degree of the auditor judgement,
_ the complexity of models and interdependent assumptions and the resulting audit effort and
_ the volume of risk provisions
we identified this area to be a key audit matter.

Audit Approach
To assess the appropriateness of impairments of loans and advances to customers, we:
_ updated our understanding of the Expected Credit Loss calculation methodology applied by Erste Group Bank AG based on policies, documentation and interviews and 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 in expected credit losses.
_ evaluated the control activities in credit risk management and lending business processes and tested key controls, in particular with respect to the approval of loans, ongoing monitoring and the early warning system as well as the processes around the early identification of default, as well as understood and evaluated the assessment of unlikeness to pay (“UTP”).
_ 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 evaluated, with the support from our credit risk modelling experts, the results of back-testing and model validations.
_ examined and critically assessed the appropriateness of credit risk parameters and models, taking into account possible structural breaks in the observable data, and assessed the plausibility of expectations and estimates made on the basis of such biases, to identify significant increases in the credit risk of individual customers or groups of customers.
_ assessed the correctness of the stage allocation for selected portfolios based on applicable policies.
_ analyzed sensitivities and impacts of IFRS 9 specific model aspects.
_ evaluated whether key components of the calculation of expected credit losses are correctly incorporated in the models by performing walkthroughs and reviewing steering tables.
_ assessed the correctness of the expected credit loss calculation for selected portfolios.
_ evaluated the adequacy and plausibility of forward-looking information integrated into the estimates. In particular, we have compared the underlying macro-economic forecasts with external sources of information and critically assessed the individual weights attributed 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 estimation 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's disclosures in section significant accounting policies point c) Significant judgements, assumptions and estimates and Note 37. Measurement of expected credit loss.

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 as well as the consolidated non-financial report according to Section 267a UGB prior to the date of this auditor`s report, all other parts of the annual report are 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 64 BWG and 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 19, 2021 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 2022 and, subsequently, was engaged by the supervisory board. At the ordinary general meeting dated May 18, 2022 PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2023 and, subsequently, 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 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. Herwig Hierzer, 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 UGB (Austrian Company Code) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Vienna, February 28, 2023

Sparkassen-Prüfungsverband

(Prüfungsstelle)
(Bank Auditor)

Herwig Hierzer
Austrian Certified Public Accountant

Gregor Seisser
Austrian Certified Public Accountant

PwC Wirtschaftsprüfung GmbH

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

BUSINESS PERFORMANCE AND ECONOMIC SITUATION

Economic environment

After a robust rebound in 2021 economic growth slowed markedly in 2022 primarily on the energy supply shock resulting from the Russia-Ukraine war, fiscal measures to curb inflation and China's ongoing Covid restrictions. Inflation soared to multidecade highs leading to monetary policy tightening across the world. In addition, Covid remained a headwind to growth, even after most countries lifted restrictions on economic and social activities in the course of the year. Supply chain issues continued to impact the recovery of manufacturing production, albeit to a diminishing extent. Labour markets, on the other hand, remained robust. Overall, global real GDP increased by 3.4%, at the beginning of 2022 it had been forecast at 4.4%.

Among the world's advanced economies, both the United States and the euro zone saw declining real GDP growth rates. Economic effects of Russia's invasion of Ukraine, a short-lived hit from the Omicron wave, tighter financing conditions, declining real disposable income driven by fiscal normalisation and high inflation all had an impact on the global economic performance.

The military conflict between Russia and Ukraine and resulting sanctions disrupted exports from the region for commodities like metals, food, oil and gas, pushing up inflation to levels not seen in decades. Against the backdrop of the high dependency of Austria and some core markets on Russian gas natural gas prices declined after summer due to high levels of gas storage and reduced supply from Russian gas. As a response to high inflation non euro central banks already started monetary tightening in 2021, the European Central Bank (ECB) followed in 2022. In addition, governments implemented measures such as price caps, subsidies and tax cuts. Similar to other advanced economies, labour markets in the euro zone remained very strong with unemployment rates declining in most countries. Overall, the euro area economy grew by 3.5%.

Central banks have to cope with the trade-off – intensified by the ongoing geopolitical crisis – between fighting inflation and working to stabilise the economy, financial and public debt. To bring down persistently high inflation rates, the central banks issued clear signals and ended their previously expansionary monetary policies. After rates had been raised in a number of CEE countries and in the United Kingdom, the US Federal Reserve (Fed) likewise started its rate-hike cycle in mid-March. With some time lag, the European Central Bank (ECB) likewise ended its zero-interest-rate policy after more than six years in July by embarking on its first rate hike in 11 years. Overall, the ECB raised its benchmark rate four times to 2.5% at year-end and revised the terms of the targeted longer-term refinancing operations (TLTROs). Rising interest rates and higher volumes in its markets had a positive impact on Erste Group's net interest income. The revised terms and conditions of TLTRO resulted in an adverse impact on net interest income.

Austria's economic performance was better than expected during the year, it outperformed the European Union average. Economic growth, visibly more pronounced in the first half of the year, was supported by almost all sectors of the economy, in particular transportation, hospitality, services and manufacturing. In most sectors pre-pandemic levels were reached or even exceeded. Austria's well developed tourism sector continued to recover as travel restrictions significantly eased. Trade was also a key contributor to this development. The second half of the year, however, saw an economic slowdown in Austria. Growth was significantly impacted by a decline in disposable income due to high inflation. In addition, supply chain disruptions had a negative impact on investments and industrial activity. While most Covid related measures expired during the year, the government launched support packages aimed at easing the effects of surging inflation. Measures included in particular tax benefits and one-off payments, such as climate bonuses. Austria's gas storage level increased rapidly and was among the highest in the European Union by the start of the winter. Inflation peaked in October at 11.0% while average inflation amounted to 8.6% in 2022. The Austrian labour market proved its resilience once again, the unemployment rate stood at 5.8% and the number of registered long-term unemployed people by the end of 2022 was the lowest since 2014. Overall, the Austrian economy grew by 4.7%.

The Central and Eastern European economies also performed better than expected. Growth expectations were upgraded during the year including countries with – prior to the Russian-Ukrainian war – heavy dependencies from Russian gas, such as the Czech Republic, Slovakia or Hungary. Romania and Croatia, on the other hand, which rely significantly less on Russian natural gas, achieved highest growth rates in the region. Household consumption, which was one of the main drivers of the economic growth, slowed down visibly in the second half of the year. Despite supply chain disruptions, exports grew dynamically. The automotive sector, with its significant volume of backlogs, contributed visibly to economic growth. Croatia was supported by the rebound of its tourism sector.

Inflation rates continued to climb throughout the year with many of the CEE countries exceeding 15% in autumn. In response to soaring prices, central banks moved forward with monetary tightening. Key interest rates went up by more than 3% points in the Czech Republic, almost 5% points in Romania and Poland and 15% points in Hungary. Monetary conditions were also affected through other tools such as reduction of balance via FX intervention in case of the Czech Republic or stricter liquidity management and higher reserve requirements in case of Hungary. Labour markets remained very robust in the region, with unemployment rates at or close to historically low levels in most of the CEE countries. Czech Republic and Hungary were among the countries with the lowest unemployment rates in the European Union.

CEE governments introduced a range of measures to support households and businesses. These measures included a cap on electricity prices or direct energy subsidies. Windfall profits taxes were also introduced in a number of CEE countries, such as Hungary and Croatia. As for the currency market, the Hungarian forint clearly underperformed regional peers, weakening more than 10% in 2022. Other CEE currencies, such as the Romanian leu or the Czech korona remained broadly stable against the euro. On 1 January 2023, Croatia became the 20th member of the eurozone. Overall, CEE economies achieved GDP growth rates ranging from 1.7% in Slovakia to 6.0% in Croatia in 2022.

Analysis of performance

In the group management report P&L data of 2022 is compared with data of 2021, balance sheet data as of 31 December 2022 is compared to data as of 31 December 2021. The entire development is presented in detail in the notes to the consolidated financial statements.

Profit and Loss Statement

in EUR million	2021	2022	Change
Net interest income	4,975.7	5,950.6	19.6%
Net fee and commission income	2,303.7	2,452.4	6.5%
Net trading result and gains/losses from financial instruments at FVPL	231.8	-47.3	n/a
Operating income	7,742.0	8,570.6	10.7%
Operating expenses	-4,306.5	-4,574.9	6.2%
Operating result	**3,435.5**	**3,995.8**	**16.3%**
Impairment result from financial instruments	-158.8	-299.5	88.6%
Other operating result	-310.5	-398.5	28.3%
Levies on banking activities	-73.5	-187.1	>100.0%
Pre-tax result from continuing operations	**2,933.4**	**3,222.4**	**9.9%**
Taxes on income	-525.2	-556.1	5.9%
Net result for the period	**2,408.1**	**2,666.3**	**10.7%**
Net result attributable to non-controlling interests	484.8	501.6	3.5%
Net result attributable to owners of the parent	**1,923.4**	**2,164.7**	**12.5%**

Net interest income

Net interest income rose significantly in both private and corporate business. The increase in retail business was due to higher market rates in the Czech Republic, Hungary, Romania, Austria and Slovakia as well as growth of loan volumes predominantly in the Czech Republic, Slovakia and Austria driven by housing loans. In the corporate business it improved markedly on the back of continued loan growth in all markets and, most importantly, higher interest rates in particular in the Czech Republic, Hungary and Romania. Group Market's net interest income also increased due to higher market interest rates, favorable market positioning in interest rate derivatives and higher volumes of money market placements.

Despite one-off effects from the take-up of TLTRO III funds in the amount of EUR -123.2 million (EUR +93.0 million), net interest income was also up in Austria and Slovakia. 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 2.21% (2.05%).

Net fee and commission income

Growth was recorded across all core markets and nearly all fee and commission categories. In all markets, the strongest rises were seen in payment services (based on a higher number of trans-actions as well as price increases) and in asset management, most significantly in Austria and the Czech Republic.

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

Net trading result as well as the line item gains/losses from financial instruments measured at fair value through profit or loss (fair value result) are materially affected by the fair value measurement of debt securities issued. The related valuation is shown in the fair value result, while the valuation of corresponding hedges is shown in the net trading result.

Due to valuation effects resulting from interest rate developments in the derivatives business, net trading result deteriorated to EUR 778.6 million (EUR 58.6 million). Gains/losses from financial instruments measured at fair value through profit or loss trended in the opposite direction and rose to EUR 731.3 million (EUR 173.2 million). With long-term interest rates up, losses from the valuation of the securities portfolio in Austria (in the Savings Banks segment) and the loan portfolio measured at fair value in Hungary were offset by significantly higher gains from the valuation of debt securities in issue.

General administrative expenses

in EUR million	2021	2022	Change
Personnel expenses	2,578.1	2,668.0	3.5%
Other administrative expenses	1,180.3	1,356.2	14.9%
Depreciation and amortisation	548.0	550.7	0.5%
General administrative expenses	**4,306.5**	**4,574.9**	**6.2%**

Personnel expenses increased most significantly in the Czech Republic but also in Romania and Croatia. General administrative expenses rose across all cost categories. In addition to markedly higher IT expenses in Austria on the back of continuing digitalisation efforts, expenses for office space were up in all core markets due to significantly higher energy costs. Contributions to deposit insurance systems increased to EUR 142.9 million (EUR 122.4 million). In Hungary, expenses rose to EUR 18.2 million (EUR 7.1 million) mainly due to a deposit insurance case (Sberbank Europe AG). In Romania, contributions increased to EUR 9.3 million (EUR 3.4 million), in Croatia to EUR 7.5 million (EUR 1.9 million). In Austria, contributions declined to EUR 79.7 million (EUR 85.5 million). The cost/income ratio improved to 53.4% (55.6%).

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

Losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 75.3 million (EUR 32.8 million). This line item includes primarily losses from the sale of securities in the Czech Republic.

Impairment result from financial instruments

The impairment result from financial instruments amounted to EUR -299.5 million (EUR -158.8 million). Net allocations to provisions for loans and advances rose, primarily on the back of allocations in Austria, to EUR 336.4 million (EUR 119.1 million). Positive contributions came from continued high income from the recovery of loans already written off in all segments – primarily in the Czech Republic, Austria and Croatia – in the amount of EUR 82.1 million (EUR 90.8 million). Net allocations for commitments and guarantees declined to EUR 27.6 million (EUR 104.8 million). Net allocations to credit loss allowances were driven mainly by updated credit risk parameters based on the latest macro-scenarios (FLIs) as well as portfolio stage overlays for cyclical and energy intense industries. At the end of December, crisis-induced performing risk provisions stood at EUR 928 million.

Other operating result

Other operating result was largely affected by levies on banking activities in the amount of EUR 187.1 million (EUR 73.5 million). Banking levies payable in Austria were up at EUR 63.0 million (EUR 10.5 million). Half of this rise is due to a one-off effect in 2022. Regular Hungarian banking tax rose marginally to EUR 15.1 million (EUR 15.0 million). Together with financial transaction tax in the amount of EUR 59.1 million (EUR 47.9 million) and a new windfall profit tax of EUR 49.9 million based on the net revenues of the preceding year, banking levies in Hungary totalled EUR 124.1 million (EUR 63.0 million).

The balance of allocations/releases of other provisions improved to EUR 46.3 million (EUR 5.1 million). Legal risks relating to the Romanian building society resulted in expenses in the amount of EUR 46.9 million. In addition, a provision in the amount of EUR 20.1 million was set aside following the held-for-sale classification of a Romanian subsidiary. These negative effects in Romania were partly offset by the release of provisions in the amount of EUR 54.3 million for risks resulting from consumer protection claims. In addition, other operating result also reflects the annual contributions to resolution funds in the amount of EUR 139.1 million (EUR 108.6 million). Increases were recorded above all in Austria, to EUR 73.9 million (EUR 51.5 million), and in the Czech Republic, to EUR 39.2 million (EUR 31.9 million).

Balance sheet

in EUR million	Dec 21	Dec 22	Change
Assets			
Cash and cash balances	45,495	35,685	-21.6%
Trading, financial assets	53,211	59,833	12.4%
Loans and advances to banks	21,001	18,435	-12.2%
Loans and advances to customers	180,268	202,109	12.1%
Intangible assets	1,362	1,347	-1.1%
Miscellaneous assets	6,090	6,456	6.0%
Total assets	**307,428**	**323,865**	**5.3%**
Liabilities and equity			
Financial liabilities held for trading	2,474	3,264	31.9%
Deposits from banks	31,886	28,821	-9.6%
Deposits from customers	210,523	223,973	6.4%
Debt securities issued	32,130	35,904	11.7%
Miscellaneous liabilities	6,902	6,599	-4.4%
Total equity	23,513	25,305	7.6%
Total liabilities and equity	**307,428**	**323,865**	**5.3%**

Cash and cash balances declined to EUR 35.7 billion (EUR 45.5 billion), mostly due to the early repayment of TLTRO III funds. Trading and investment securities held in various categories of financial assets increased to EUR 59.8 billion (EUR 53.2 billion).

Loans and advances to banks (net), including demand deposits other than overnight deposits, declined to EUR 18.4 billion (EUR 21.0 billion). Loans and advances to customers (net) increased – primarily in Austria and the Czech Republic – to EUR 202.1 billion (EUR 180.3 billion). Loan loss allowances for loans to customers amounted to EUR 4.0 billion (EUR 3.9 billion). The NPL ratio – non-performing loans as a percentage of gross customer loans – improved to 2.0% (2.4%), the NPL coverage ratio (based on gross customer loans) rose to 94.6% (90.9%)

Financial liabilities – held for trading increased to EUR 3.3 billion (EUR 2.5 billion). The decline in de-posits from banks to EUR 28.9 billion (EUR 31.9 billion) is primarily due to the early repayment of TLTRO III liabilities, the end-of-year carrying value of which was

EUR 15.6 billion (EUR 20.9 billion). Deposits from customers rose to EUR 224.0 billion (EUR 210.5 billion), mostly on the back of strong growth in term deposits. The loan-to-deposit ratio stood at 90.2% (85.6%). Debt securities in issue increased to EUR 35.9 billion (EUR 32.1 billion).

Total assets rose to EUR 323.9 billion (EUR 307.4 billion). Total equity increased to EUR 25.3 billion (EUR 23.5 billion). This includes AT1 instruments in the amount of EUR 2.2 billion from four issuances (April 2017, March 2019, January 2020 and November 2020). After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) common equity tier 1 capital (CET1, CRR final) rose to EUR 20.4 billion (EUR 18.8 billion) as were total own funds (CRR final) to EUR 26.2 billion (EUR 24.8 billion). Total risk – risk-weighted assets including credit, market and operational risk (CRR final) – increased to EUR 143.9 billion (EUR 129.6 billion).

The total capital ratio, total eligible qualifying capital in relation to total risk (CRR final), declined to 18.2% (19.1%), but remained well above the legal minimum requirement. The tier 1 ratio stood at 15.8% (16.2%), the common equity tier 1 ratio stood at 14.2% (14.5%) (both ratios CRR final).

Cash earnings per share amounted to EUR 4.85 in 2022 (EUR 4.18). Earnings per share are EUR 4.83 (EUR 4.17).

The cash return on equity, i.e. the return on equity adjusted for non-cash expenses such as goodwill amortization and straight-line depreciation for the customer relationships, was 12.7% (return on equity: 12.6%) after 11.7% (return on equity: 11.6%) last year.

Branches

Erste Group Bank AG maintains branches in 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.

EXPECTED DEVELOPMENT AND RISKS OF THE GROUP

Long-term growth trends in Central and Eastern Europe

In line with growing economic performances disposable income have risen significantly, in particular in the Czech Republic. In addition, most countries of Central and Eastern Europe have human resources that are at least equivalent to those of Western European countries 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 the gap that exists between these markets. Private debt levels, and particularly household debt, are substantially lower than in the advanced economies. Erste Group 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.

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.

Customer banking in Central and Eastern Europe

The of Erste Group's banking business are essentially the business segments of retail business, corporate business and the capital markets business. For further information on the business segments, we refer to Note 1 in the consolidated financial statements.

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 some 16.1 million customers in its markets and operates about 2,100 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. George, Erste Group’s digital platform, is already available in Austria, the Czech Republic, Slovakia, Romania, Croatia and Hungary. 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. Erste Group’s omni-channel approach 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.

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 develop-ment, 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 prod-uct 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 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.

Outlook

Erste Group's goal for 2023 is to achieve a return on tangible equity (ROTE) in the range of 13 to 15%. Four key factors will support achievement of this goal: firstly, positive economic growth in all core markets (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia) despite significant geopolitical and political risks, which, should they materialise, would likely negatively impact economic performance; secondly, an interest rate environment that is characterised by broadly stable central bank rates in such countries as the Czech Republic, Romania and Hungary, as well as euro zone interest rates that rise in line with market expectations (as per mid-February 2023); thirdly, a credit risk environment marked by low default rates as in 2022; and, finally, the continuous ability of Erste Group to innovate and successfully expand its digital offering. Assuming that these conditions are met, operating result and the cost/income ratio are projected to improve, putting Erste Group on a path to achieve its cost/income ratio target of approximately 52% by 2024.

The current expectation (as per mid-February 2023) by economists is for Erste Group's core markets to avoid recession in 2023 and, in fact, to post real GDP growth in the order of 0 to 3% in 2023. Inflation-ary pressures are expected to subside in 2023, following double digit-levels in 2022 as a result of exceptionally high energy prices. Continued strong labour markets should be supportive of economic performance in all of Erste Group's markets. Current account balances, which suffered significantly during 2022 on the back of exceptionally high energy prices, are expected to improve again in 2023 benefiting from a reversal in energy prices. Fiscal balances should likewise consolidate again after significant budget deficits in 2022. Public debt to GDP in all Erste Group markets is projected to be broadly stable, and hence remain materially below the euro zone average.

Against this backdrop, Erste Group expects net loan growth in the mid-single digits. Retail and corporate business should contribute in all markets of Erste Group towards the aim to grow in line with the banking markets. Loan growth as well as interest rate tailwinds, as detailed above, should result in an increase of net interest income of approximately 10%. The second most important income component – net fee and commission income – is expected to rise in the mid-single digits. As in 2022, positive growth momentum should again come from payment services and insurance brokerage fees, while additional contributions form asset management and securities business are dependent on a constructive capital markets environment. The net trading and fair value result, which suffered significantly in 2022 from negative valuation effects tied to strongly rising interest rates mostly in the CEE region but also in the eurozone, should normalise again in 2023 due to less steep interest rate increases in the eurozone. This, however, will depend substantially on the actual interest rate environment. The remaining income components are forecast to remain, by and large, stable. Overall, op6,1erating income should increase in 2023. Operating expenses are expected to rise by 7-8%, and thus at a lower level than operating income – although this is dependent on the foreign-currency developments in the CEE region – resulting in a further cost/income ratio improvement compared to 2022.

Based on the robust macro outlook described above, risk costs should remain at a low level in 2023. While precise forecasting is hard at current low risk cost levels, Erste Group believes that in 2023 risk costs will be below 35 basis points of average gross customer loans.

Other operating result is expected to remain by and large unchanged in the absence of significant one-off effects. Assuming an effective group tax rate of below 20% and similar minority charges as in 2022, Erste Group aims to achieve a ROTE in the range of 13 to 15%. Erste Group's CET1 ratio is expected to remain strong. Consequently, Erste Group will propose a dividend of EUR 1.90 per share for the 2022 fiscal year to the 2023 AGM. In addition, Erste Group targets a share buy-back in a volume of up to EUR 300 million in 2023, subject to regulatory approval.

Potential risks to the guidance include (geo)political and economic (including monetary and fiscal policy impacts) developments, regulatory measures as well as global health risks and changes to the competitive environment. The evolving Russia-Ukraine conflict does not impact Erste Group directly, as it has no operating presence in those countries. Indirect effects, such as financial market volatility, sanctions-related knock-on effects or the emergence of deposit insurance or resolution cases cannot be ruled out, though. 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.

Risk management

With respect to the explanations on substantial 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 provided in the Notes 27, 32, 34 et seq, 45, 46, 47 and 55 of the consolidated financial statements.

RESEARCH AND DEVELOPMENT

Digitalisation

The pace of digital transformation has accelerated considerably as a result of technological changes, demographic developments, regulatory interventions and also due to the pandemic 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 with the aim to digitalise banking products end-to-end including associated processes (e.g. onboarding of corporate customers).

Erste Group's digital strategy is based on its own digital platform, George, including digital market places (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 co-operations, whether with fintechs, start-ups or across industries, and can therefore help open up new markets and attract new customers.

The digital platform George was implemented for retail customers in Austria in 2015. In the meantime, it is also running in the Czech Republic, Slovakia, Romania, Croatia and Hungary and is actively used by almost 9 million customers. 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. In 2022, George reached another evolutionary level. George Business was implemented for corporate customers in Austria, and it will be rolled out in the local banking subsidiaries, by 2024 in Romania and the Czech Republic. It aims at offering group-wide an outstanding digital user experience across all customer segments on one platform.

In 2022, software development costs of EUR 42 million (EUR 51 million) were capitalised.

REPORTING ON MATERIAL CHARATERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE ACCOUNTING PROCESS

Internal Control System Framework Requirements

The internal control system (ICS) is an essential element of the corporate governance system of Erste Group contributing to the safeguarding of shareholders' investments and company's assets. Erste Group's ICS plays a key role in identifying risks associated with the respective internal processes.

The ICS policy provides the framework conditions for the internal control system at Erste Group. It defines current standards concerning general tasks and responsibilities as well as minimum criteria for ICS documentation. In Erste Group, a top-down, risk oriented, decentralised ICS approach is applied, designed based on the local process map, which promotes adequacy by focusing on all material risks. This means, that all material risks identified must be mitigated by key controls which are involved in the ICS process. The following criteria are applied for an adequate ICS:

- Completeness: The process landscape as well as policies and procedures issued within the Group Policy Framework ensure that all identified risks and potential risk scenarios are considered, regulated and managed, aiming to set up a comprehensive and integrated control environment throughout the entity. All material risks must be covered with key controls, to demonstrate the importance at local level.
- Effectiveness and traceability: The functionality of key controls are regularly checked, the optimal control environment is reviewed and challenged during monitoring activity of risk appetite/tolerance.
- Comprehensibility: The process landscape together with local policies and procedures constitute documentation of identified key controls, which ensures that relevant employees are aware of all key controls and their role in the internal control process is transparent and accountable within the entire local entity.

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 Code of Conduct provides orientation for all employees of Erste Group, defines mandatory rules for day-to-day business life, describes the corporate values, affirms the obligation to act responsibly as a company and ensures compliance with legal provisions and internal guidelines (compliance).

The awareness of potential compliance issues and a sustainable risk culture enable risks to be identified quickly and well-considered decision-making when dealing with existing regulations. The main component of the risk culture are internal guidelines and, above all, open communication in order to create the broadest possible awareness of all employees for all risks that Erste Group is confronted with.

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.

Erste Group's IFRS Accounting Manual provides a comprehensive methodological basis for the preparation and submission of the monthly, quarterly and annual IFRS Group Reporting Packages by Erste Group's subsidiaries.

The management in each subsidiary is responsible for implementing group-wide instructions. Compliance with group rules is monitored as part of the audits performed by group and local auditors.

Group Accounting and Group Controlling are responsible for preparing the consolidated financial reporting. Both divisions are assigned to the CFO of Erste Group. The preparation of the consolidated financial statements is the responsibility of the Group Accounting department. The assignment of competencies, the process description and the necessary control procedures are defined in the working instructions.

Risk assessment and controls measures

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 if the data provided in the financial statements and notes is materially deviating from the correct figures, i.e. whenever, alone or in aggregate, they could 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 volatile business environment bear the risk of significant financial reporting errors.

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 in subsidiaries have to be recorded, posted and accounted for in accordance with the accounting and measurement methods set out in this manual.

The basic components of the internal control system (ICS) within Erste Group are:
_ 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)
_ 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
_ highly automated data validation in the group consolidation process

The areas of responsibility assigned to the individual positions are documented and are continuously updated. Special attention is paid to a functioning deputy regulation in order not to jeopardize the ability to meet deadlines if one person is absent.

Group consolidation
The individual financial statements reported by the subsidiaries in the consolidation system are checked by the person responsible for the individual financial statements in Group Accounting as part of the data release process, which provides for extensive, largely automated check routines, and - if necessary - adjustments to the individual financial statements are made in coordination with the individual entities or the auditors. The subsequent consolidation steps are then performed using the consolidation system. These include consolidation of capital, expense and income consolidation, and debt consolidation, any intragroup gains are eliminated. At the end of the consolidation process, the notes to the consolidated financial statements are prepared in accordance with IFRS and BWG/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
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 information is presented to senior managers and the CFO 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.

In addition, when introducing new core banking systems and implementing new products, accounting is in contact with the relevant departments in order to provide information at an early stage on accounting-specific aspects and implications for new product launches.

Monitoring
In order to monitor and at the same time support strong governance and risk management, Erste Group applies three lines of defence to review the structures and processes that enable the achievement of the objectives for their effectiveness.

The first line of defence includes the business lines in which the department heads are responsible for monitoring including internal controls of their business areas. This line is in constant dialogue with the business areas and reports on planned, actual and expected results in connection with the goals of the organisation as well as on risks.

The role of the second line of defence is covered by specific areas of expertise, in addition to providing expertise, support, monitoring and risk management tasks. At Erste Group, these activities are carried out by the departments Risk Management, BWG Compliance, WAG Compliance, Anti Money Laundering Prevention, Group Data and Reporting Governance and Group Security. Above all, the departments should support the business lines in the control steps, validate the actual controls, bring state-of-the-art practices into the organisation and cover tasks related to risk management.

The third line of defence is responsible for providing independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. 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.

Internal Audit is according to section 42 Austrian Banking Act (BWG) 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.

HOLDINGS, PURCHASE AND SALE OF OWN SHARES

Holdings of own shares

Portfolio as of	Dec 21	Dec 22
Holding	-339,293	-650,932
Affiliates	1,623,493	1,568,971
thereof pledged	0	0.00

As of 31 December 2022, retained earnings include a short position in Erste Group Bank AG shares amounting to 650,932 units with a carrying amount of EUR 19.5 million (prior year: 339,293 units, carrying amount EUR 14,0 million), which is covered by securities lending deals.

The presentation of purchases and sales of own shares follows the disclosure requirements in accordance with the Austrian Stock Corporation Act (AktG).

Purchase of own shares

	Erste Group Bank AG				Affiliates of Erste Group Bank AG			
	Number of shares	Par value of the share capital EUR million	Purchase price in EUR million	Purpose of transaction	Number of shares	Par value of the share capital EUR million	Purchase price in EUR million	Purpose of transaction
January	29,621	0.06	1.28	trading				
February					310,000	0.62	10.78	principal shareholder program
February	147,363	0.29	5.32	trading				
March					427,833	0.86	12.26	principal shareholder program
March	283,266	0.57	8.65	trading				
April					22,000	0.04	0.67	principal shareholder program
April	85,302	0.17	2.75	trading				
May					797,681	1.60	22.46	principal shareholder program
May	892,100	1.78	26.78	trading				
June					99,587	0.20	2.69	principal shareholder program
June	130,650	0.26	3.47	trading				
July	86,900	0.17	2.09	trading				
August					127,500	0.26	3.10	principal shareholder program
August	107,426	0.21	2.54	trading				
August	1,419,948	2.84	33.59	employee share program				
September					20,000	0.04	0.50	principal shareholder program
September	886,946	1.77	22.60	trading				
September	98,792	0.20	2.17	employee share program				
October	104,120	0.21	2.57	trading				
November					270,000	0.54	7.63	principal shareholder program
November	186,383	0.37	5.29	trading				
December					49,000	0.10	1.38	principal shareholder program
December	105,640	0.21	2.99	trading				
Total	**4,564,457**				**2,123,601**			

The purpose of trading was in particular "market making" and hedging positions in the Austrian Stock Exchange Index (ATX).

The aim of the principal shareholder program is to strengthen the group structure and cooperation with the savings banks.

For further details on the employee share program, we refer to Note 62 Share-based payments.

Sale of own shares

	Erste Group Bank AG			Affiliates of Erste Group Bank AG		
	Number of shares	Par value of the share capital EUR million	Selling price in EUR million	Number of shares	Par value of the share capital EUR million	Selling price in EUR million
January	112,944	0.23	4.84			
February	196,320	0.39	6.80			
March	917,816	1.84	27.73			
April	29,588	0.06	0.96			
May	57,631	0.12	1.68	887,833	1.78	26.97
June	1,126,468	2.25	30.64			
July	102,987	0.21	2.46			
August	39,685	0.08	0.94	761,000	1.52	19.14
September	1,942,437	3.88	44.15			
October	61,258	0.12	1.48			
November	127,021	0.25	3.55			
December	161,941	0.32	4.67	529,290	1.06	15.42
Total	**4,876,096**			**2,178,123**		

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS AND ASSOCIATED AGREEMENTS

For details in respect of capital structure, class of shares and treasury shares please refer to Note 56 of the consolidated financial statements. The mandatory disclosure requirements of Section 243a (1) UGB are met as follows:

1. Capital structure and class of shares

As of 31 December 2022, together with its syndicate partners (savings banks, Anteilsverwaltungssparkassen, savings banks foundations and Wiener Städtische Versicherungsverein), DIE ERSTE oesterreichische Spar-Casse Privatstiftung ('ERSTE Stiftung'), a foundation, controls 24.16% (prior year: 22.25%) of the shares in Erste Group Bank AG and with 17,30% (prior year: 16.50%) is the main shareholder. The ERSTE Stiftung holds 5.78% (prior year: 5.90%) of the shares directly; the indirect participation of the ERSTE Stiftung amounts to around 11.52% (prior year: 10.60%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the ERSTE Stiftung. 2.78% (prior year: 1.67%) are held directly by savings bank foundations, savings banks and Erste Mitarbeiter-beteiligung Privatstiftung acting together with the ERSTE Stiftung. 4.08% (prior year: 4.08%) are held by the syndicate partner Wiener Städtische Versicherungsverein.

The Erste Group Bank AG forms a joint liability scheme (Haftungsverbund), together with the Austrian savings banks, in accordance with article 4 (1) Z 127 CRR as well as an institutional protection scheme (IPS) approved by the supervisory authority pursuant to article 113(7) CRR. The required individual services of the individual members of the scheme are in case of an occasion subject to an individual and general ceiling. The applicable amounts are determined by joint liability scheme's steering company and made known to the paying members.

The payments of the individual members in the IPS Ex-Ante Fund established for support measures are recognised in the financial statements as a share in IPS GesbR, which manages the ex-ante fund and are accounted for as retained earnings. Due to the contractual terms, these retained earnings represent a blocked reserve. The release of this blocked reserve may only take place as a result of the utilisation 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 own funds according to the CRR; on a consolidated level, the ex-ante fund does qualify, however. For details, please refer to the section scope of consolidation and Note 33.

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.

2. Restrictions of voting rights and of the transfer of shares

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 3% per calendar year); 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, neither 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.

3. Direct or indirect shareholdings amounting at least 10 %

Apart from ERSTE Foundation, the Management Board is not aware of any other direct or indirect shareholdings that amount to at least 10%.

4. Special rights of control associated with holding shares

There are no shareholders with special control rights.

5. Voting rights control in the case of capital participation of employees

The voting rights of shares of employees of corporate employers according to section 4d (5) (1) Income Tax Act (EStG) participating in employee share programs held in trust or by proxy by the Erste Mitarbeiterbeteiligung Privatstiftung are exercised by the Board of Directors of Erste Mitarbeiterbeteiligung Privatstiftung. The members of the Board of Directors are appointed and dismissed by the Advisory Board through resolution with simple majority. Both Erste Group Bank AG as well as the statutory employee representatives of Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG jointly are entitled to appoint a person of their choice to the board of directors. A further member of the Board of Directors to be appointed by the Advisory Board shall be a former member of the management board or a former (freelance) employee of the corporate employers pursuant to section 4d (5) (1) Income Tax Act (EStG). The Advisory Board of Erste Mitarbeiterbeteiligung Privatstiftung comprises of up to five members.

6. Special control rights, bodies and amendments 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 for 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 shareholders 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.

7. Powers of the Management Board to issue and repurchase shares

As per decision of the Annual General Meeting of 19 May 2021:

_ 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) (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 the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase by more the 20%. This authorisation is valid for a period of 30 months, i.e. until 18 November 2023.

_ the Management Board is entitled, pursuant to section 65 (1) (8) as well as (1a) and (1b) Stock CorporationAct and for a period of 30 months from the date of the resolution, i.e. until 18 November 2023, 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 18 May 2026, 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) (4) as well as (1a) and (1b) Stock Corporation Act, the Management Board is authorised for the duration of 30 months following the date of resolution, hence until 18 November 2023, 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 either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment 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 or of an affiliated undertaking or of any other undertaking pursuant to section 4d (5) (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 authorised, 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.

8. Significant agreements which become effective, are amended or are rendered ineffective when there is a change in the control of the company and their effects

Cross-guarantee scheme agreement

The agreement in principle of the cross-guarantee scheme (Haftungsverbund) 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 cross-guarantee scheme's (Haftungsverbund) 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 cross-guarantee scheme's (Haftungsverbund) 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 cross-guarantee scheme (Haftungsverbund).

Directors & 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 Bank der österreichischen Sparkassen AG and Vienna Insurance Group der WIENER STÄDTISCHE Versicherung AG), the Agreement was renewed and extended in 2018 until the end of 2033. The objective for the renewal and extension in particular was 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. In case of change of control of Erste Group Bank AG, VIG has the right to terminate the Agreement. In case of change of control of VIG, Erste Group Bank AG has the reciprocal right. A change of control is defined, with respect to Erste Group Bank AG, as the acquisition of Erste Group Bank AG 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 AG's shares or voting rights. In respect to VIG, the aforementioned provisions apply analogously, except for share purchases by Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group.

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 a termination right. The asset management agreement has been renewed and extended until 2033 concurrently with the renewal and extension of the Agreement outlined above.

9. Indemnification agreements

There are no indemnification agreements in accordance with § 243a (1) Z 9 UGB.

NON-FINANCIAL DECLARATION

The consolidated non-financial declaration of Erste Group is issued as separate consolidated non-financial report and contains the information required according to § 243b UGB and according to the Sustainability and Diversity Improvement Act (NaDiVeG) according to § 267a UGB. The consolidated non-financial report of Erste Group is disclosed and published on the website of Erste Group (www.erstegroup.com/investor-relations).

SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

For events of particular importance after balance sheet date, we refer to the disclosures in Note 67 in the consolidated financial statements.

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

Vienna, 28 February 2023

Group Consolidated Financial Statements 2022 (IFRS)

Consolidated statement of income

in EUR million	Notes	1-12 21	1-12 22
Net interest income	2	4,975.7	5,950.6
Interest income	2	5,108.9	8,622.7
Other similar income	2	1,476.5	2,617.6
Interest expenses	2	-483.8	-2,569.2
Other similar expenses	2	-1,125.9	-2,720.5
Net fee and commission income	3	2,303.7	2,452.4
Fee and commission income	3	2,722.1	2,888.7
Fee and commission expenses	3	-418.5	-436.3
Dividend income	4	33.2	29.1
Net trading result	5	58.6	-778.6
Gains/losses from financial instruments measured at fair value through profit or loss	6	173.2	731.3
Net result from equity method investments		15.4	18.0
Rental income from investment properties & other operating leases	7	182.3	167.8
Personnel expenses	8	-2,578.1	-2,668.0
Other administrative expenses	8	-1,180.3	-1,356.2
Depreciation and amortisation	8	-548.0	-550.7
Gains/losses from derecognition of financial assets measured at amortised cost	9	-7.6	-52.0
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	10	-25.2	-23.3
Impairment result from financial instruments	11	-158.8	-299.5
Other operating result	12	-310.5	-398.5
Levies on banking activities	12	-73.5	-187.1
Pre-tax result from continuing operations		**2,933.4**	**3,222.4**
Taxes on income	13	-525.2	-556.1
Net result for the period		**2,408.1**	**2,666.3**
Net result attributable to non-controlling interests		484.8	501.6
Net result attributable to owners of the parent		**1,923.4**	**2,164.7**

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 56 Total equity). The difference between the weighted average number of outstanding shares and the weighted average diluted number of outstanding shares results from share-based payment transactions with employees. For information on share-based payments please refer to Note 62.

		1-12 21	1-12 22
Net result attributable to owners of the parent	in EUR thousand	1,923,380	2,164,718
Dividend on AT1 capital	in EUR thousand	-147,807	-100,456
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	1,775,573	2,064,261
Weighted average undiluted number of outstanding shares		426,246,662	427,019,261
Earnings per share	**in EUR**	**4.17**	**4.83**
Weighted average diluted number of outstanding shares		426,246,662	427,492,890
Diluted earnings per share	**in EUR**	**4.17**	**4.83**

Consolidated statement of comprehensive income

in EUR million	1-12 21	1-12 22
Net result for the period	**2,408.1**	**2,666.3**
Other comprehensive income		
Items that may not be reclassified to profit or loss	**116.1**	**240.2**
Remeasurement of defined benefit plans	28.6	99.3
Fair value reserve of equity instruments	20.4	-33.1
Own credit risk reserve	82.3	239.3
Income tax relating to items that may not be reclassified	-15.3	-65.3
Items that may be reclassified to profit or loss	**-122.2**	**-359.5**
Fair value reserve of debt instruments	-188.3	-560.4
Gains/losses during the period	-191.2	-586.2
Reclassification adjustments	4.8	24.7
Credit loss allowances	-1.9	1.0
Cash flow hedge reserve	-298.4	9.9
Gains/losses during the period	-295.3	63.3
Reclassification adjustments	-3.1	-53.4
Currency reserve	271.0	79.0
Gains/losses during the period	271.0	79.0
Income tax relating to items that may be reclassified	93.5	112.5
Gains/losses during the period	94.2	107.2
Reclassification adjustments	-0.6	5.2
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.0	-0.4
Total other comprehensive income	**-6.1**	**-119.3**
Total comprehensive income	**2,402.0**	**2,547.0**
Total comprehensive income attributable to non-controlling interests	475.9	426.7
Total comprehensive income attributable to owners of the parent	**1,926.1**	**2,120.3**

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 21	Dec 22
Assets			
Cash and cash balances	15	45,495.4	35,684.8
Financial assets held for trading	21, 22	6,473.0	7,765.6
Derivatives	21	2,263.4	1,718.7
Other financial assets held for trading	22	4,209.6	6,046.9
Pledged as collateral	29	372.7	94.4
Non-trading financial assets at fair value through profit or loss	23	3,124.4	2,735.3
Pledged as collateral	29	0.0	0.0
Equity instruments	23	331.9	346.6
Debt securities	23	1,974.7	1,549.3
Loans and advances to banks	23	9.9	0.0
Loans and advances to customers	23	808.0	839.3
Financial assets at fair value through other comprehensive income	19, 20	8,881.2	9,559.5
Pledged as collateral	29	130.2	698.5
Equity instruments	20	132.4	99.2
Debt securities	21	8,748.8	9,460.4
Financial assets at amortised cost	16	229,641.2	253,360.0
Pledged as collateral	29	1,232.4	1,760.9
Debt securities	16	35,550.8	40,611.7
Loans and advances to banks	16	20,991.4	18,435.5
Loans and advances to customers	16	173,099.1	194,312.8
Finance lease receivables	51	4,208.5	4,552.9
Hedge accounting derivatives	27	78.6	158.7
Fair value changes of hedged items in portfolio hedge of interest rate risk	27	-3.9	-37.8
Property and equipment	48	2,645.2	2,618.0
Investment properties	48	1,344.2	1,372.2
Intangible assets	49	1,362.3	1,347.1
Investments in associates and joint ventures	59	210.9	208.6
Current tax assets	13	135.1	108.9
Deferred tax assets	13	562.1	628.7
Assets held for sale	64	73.0	167.2
Trade and other receivables	17	2,152.5	2,403.7
Other assets	50	1,044.6	1,231.6
Total assets		**307,428.2**	**323,865.0**

in EUR million	Notes	Dec 21	Dec 22
Liabilities and equity			
Financial liabilities held for trading	21, 24	2,473.7	3,263.7
Derivatives	21	1,623.8	2,626.5
Other financial liabilities held for trading	24	849.9	637.2
Financial liabilities at fair value through profit or loss	25	10,464.1	10,814.5
Deposits from customers	25	494.7	1,352.8
Debt securities issued	25	9,778.4	9,310.4
Other financial liabilities	25	190.9	151.2
Financial liabilities at amortised cost	18	265,415.5	278,932.5
Deposits from banks	18	31,885.6	28,820.8
Deposits from customers	18	210,028.7	222,619.7
Debt securities issued	18	22,351.7	26,593.4
Other financial liabilities		1,149.4	898.5
Lease liabilities	52	588.1	662.1
Hedge accounting derivatives	27	309.4	372.5
Provisions	54	1,985.9	1,676.0
Current tax liabilities	13	143.6	127.3
Deferred tax liabilities	13	18.7	15.6
Liabilities associated with assets held for sale	64	0.0	114.9
Other liabilities	53	2,515.9	2,581.3
Total equity	56	**23,513.4**	**25,304.7**
Equity attributable to non-controlling interests	56	5,516.0	5,957.1
Additional equity instruments	56	2,236.2	2,236.2
Equity attributable to owners of the parent	56	15,761.2	17,111.4
Subscribed capital	56	859.6	859.6
Additional paid-in capital	56	1,477.7	1,477.7
Retained earnings and other reserves	56	13,423.9	14,774.1
Total liabilities and equity		**307,428.2**	**323,865.0**

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 2022	**859.6**	**1,477.7**	**14,932.5**	**-205.6**	**114.8**	**-207.3**	**-672.5**	**-538.1**	**15,761.2**	**2,236.2**	**5,516.0**	**23,513.4**
Changes in treasury shares	0.0	0.0	11.0	0.0	0.0	0.0	0.0	0.0	11.0	0.0	0.0	11.0
Dividends paid	0.0	0.0	-753.6	0.0	0.0	0.0	0.0	0.0	-753.6	0.0	-90.7	-844.2
Capital increase/decrease	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.0	-2.0
Changes in scope of consolidation and ownership interest	0.0	0.0	-24.0	0.0	0.0	0.0	0.0	0.0	-24.0	0.0	113.7	89.8
Reclassification from other comprehensive income to retained earnings	0.0	0.0	-5.1	0.0	0.1	3.4	0.0	0.0	-1.6	0.0	-7.1	-8.7
Share based payments	0.0	0.0	-1.3	0.0	0.0	0.0	0.0	0.0	-1.3	0.0	0.0	-1.3
Other changes	0.0	0.0	-0.6	0.0	0.0	0.0	0.0	0.0	-0.6	0.0	0.5	-0.2
Total comprehensive income	0.0	0.0	2,164.7	9.0	-379.0	180.0	78.9	66.8	2,120.3	0.0	426.7	2,547.0
Net result for the period	0.0	0.0	2,164.7	0.0	0.0	0.0	0.0	0.0	2,164.7	0.0	501.6	2,666.3
Other comprehensive income	0.0	0.0	0.0	9.0	-379.0	180.0	78.9	66.8	-44.4	0.0	-74.9	-119.3
Change from remeasurement of defined benefit plans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	66.8	66.8	0.0	15.6	82.4
Change in fair value reserve	0.0	0.0	0.0	0.0	-379.0	0.0	0.0	0.0	-379.0	0.0	-93.1	-472.1
Change in cash flow hedge reserve	0.0	0.0	0.0	9.0	0.0	0.0	0.0	0.0	9.0	0.0	0.0	8.9
Change in currency reserve	0.0	0.0	0.0	0.0	0.0	0.0	78.9	0.0	78.9	0.0	0.1	79.0
Change in own credit risk reserve	0.0	0.0	0.0	0.0	0.0	180.0	0.0	0.0	180.0	0.0	2.5	182.4
As of 31 December 2022	**859.6**	**1,477.7**	**16,323.7**	**-196.6**	**-264.1**	**-23.9**	**-593.6**	**-471.4**	**17,111.4**	**2,236.2**	**5,957.1**	**25,304.7**

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 2021	**859.6**	**1,477.7**	**13,773.0**	**35.9**	**238.8**	**-290.3**	**-941.4**	**-549.1**	**14,604.2**	**2,733.0**	**5,073.1**	**22,410.3**
Changes in treasury shares	0.0	0.0	-3.7	0.0	0.0	0.0	0.0	0.0	-3.7	0.0	0.0	-3.7
Dividends paid	0.0	0.0	-756.0	0.0	0.0	0.0	0.0	0.0	-756.0	0.0	-40.0	-795.9
Capital increase/decrease	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-496.8	1.4	-495.4
Changes in scope of consolidation and ownership interest	0.0	0.0	-4.7	0.0	0.0	0.0	0.0	0.0	-4.7	0.0	-10.9	-15.6
Reclassification from other comprehensive income to retained earnings	0.0	0.0	5.3	0.0	-10.3	4.9	0.0	0.0	0.0	0.0	0.0	0.0
Share based payments	0.0	0.0	16.0	0.0	0.0	0.0	0.0	0.0	16.0	0.0	0.0	16.0
Other changes	0.0	0.0	-20.8	0.0	0.0	0.0	0.0	0.0	-20.8	0.0	16.5	-4.3
Total comprehensive income	0.0	0.0	1,923.4	-241.5	-113.7	78.0	268.9	11.0	1,926.1	0.0	475.9	2,402.0
Net result for the period	0.0	0.0	1,923.4	0.0	0.0	0.0	0.0	0.0	1,923.4	0.0	484.8	2,408.1
Other comprehensive income	0.0	0.0	0.0	-241.5	-113.7	78.0	268.9	11.0	2.7	0.0	-8.9	-6.1
Change from remeasurement of defined benefit plans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.0	11.0	0.0	13.1	24.1
Change in fair value reserve	0.0	0.0	0.0	0.0	-113.7	0.0	0.0	0.0	-113.7	0.0	-22.5	-136.2
Change in cash flow hedge reserve	0.0	0.0	0.0	-241.5	0.0	0.0	0.0	0.0	-241.5	0.0	-0.1	-241.5
Change in currency reserve	0.0	0.0	0.0	0.0	0.0	0.0	268.9	0.0	268.9	0.0	2.1	271.0
Change in own credit risk reserve	0.0	0.0	0.0	0.0	0.0	78.0	0.0	0.0	78.0	0.0	-1.5	76.5
As of 31 December 2021	**859.6**	**1,477.7**	**14,932.5**	**-205.6**	**114.8**	**-207.3**	**-672.5**	**-538.1**	**15,761.2**	**2,236.2**	**5,516.0**	**23,513.4**

Consolidated statement of cash flows

in EUR million	Notes	1-12 21	1-12 22
Net result for the period		**2,408.1**	**2,666.3**
Non-cash adjustments for items in net profit/loss for the year			
Depreciation, amortisation and net impairment of non-financial assets	48, 49	606.6	593.8
Net allocation of credit loss allowances and other provisions	12	219.7	323.6
Gains/losses from measurement and derecognition of financial assets and financial liabilities	9, 10	210.6	533.1
Other adjustments		83.1	105.1
Changes in assets and liabilities from operating activities after adjustment for non-cash components			
Financial assets held for trading	21, 22	-120.2	-1,336.0
Non-trading financial assets at fair value through profit or loss	23		
Equity instruments	23	15.4	-14.8
Debt securities	23	75.0	285.3
Loans and advances to banks	23	-9.9	9.9
Loans and advances to customers	23	-154.5	-77.6
Financial assets at fair value through other comprehensive income: debt securities	19	-476.2	-1,115.9
Financial assets at amortised cost	16		
Debt securities	16	-5,977.9	-4,991.7
Loans and advances to banks	16	501.4	2,581.9
Loans and advances to customers	16	-13,336.3	-21,214.3
Finance lease receivables	51	-70.1	-325.9
Hedge accounting derivatives	27	-114.9	-71.2
Other assets from operating activities	17, 50	-1,025.5	-580.3
Financial liabilities held for trading	21, 24	-537.3	-416.3
Financial liabilities at fair value through profit or loss	25	-1,341.2	1,470.0
Financial liabilities measured at amortised cost	18		
Deposits from banks	18	7,114.3	-3,097.6
Deposits from customers	18	19,170.0	11,977.6
Debt securities issued	18	3,331.9	4,241.7
Other financial liabilities		631.6	-250.9
Hedge accounting derivatives	27	120.7	63.1
Other liabilities from operating activities	53	78.9	-174.4
Cash flow from operating activities		**11,403.7**	**-8,815.4**
Proceeds of disposal			
Financial assets at fair value through other comprehensive income: equity instruments	20	2.5	18.7
Investments in associates and joint ventures	59	-21.4	17.9
Property and equipment and intangible assets	48, 49	97.2	151.7
Investment properties	48	56.5	56.5
Acquisition of			
Financial assets at fair value through other comprehensive income: equity instruments	20	0.0	-0.7
Property and equipment and intangible assets	48, 49	-548.0	-478.6
Investment properties	48	-63.0	-100.7
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		-7.2	102.1
Cash flow from investing activities		**-483.4**	**-233.1**
Capital increase	56	1.4	-2.0
Capital decrease	56	-496.8	0.0
Changes in ownership interests that do not result in a loss of control	56	-15.6	89.8
Dividends paid to equity holders of the parent	56	-756.0	-753.6
Dividends paid to non-controlling interests	56	-40.0	-90.7
Cash flow from financing activities		**-1,306.9**	**-756.5**
Cash and cash equivalents at the beginning of the period	15	**35,838.5**	**45,495.4**
Cash flow from operating activities		11,403.7	-8,815.4
Cash flow from investing activities		-483.4	-233.1
Cash flow from financing activities		-1,306.9	-756.5
Effect of currency translation		43.4	-5.7
Cash and cash equivalents at the end of period	15	**45,495.4**	**35,684.8**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)		4,055.5	5,217.5
Payments for taxes on income	13	-391.1	-548.5
Interest received	2	6,899.9	11,286.0
Dividends received	4	33.2	29.1
Interest paid	2	-2,486.5	-5,549.1

Cash and cash equivalents are equal to the amount in the balance sheet line item ’Cash and cash balances’.

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 (23 March 2023) and the annual general meeting (12 May 2023) 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. This is also applicable to the majority of the individual financial statements, which are relevant for the calculation of own funds.

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 2022 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. 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) 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 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'.

c) 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)
- Financial liabilities stemming from the TLTRO programme of the ECB (Chapter Financial instruments – Significant accounting policies, Note 18 Financial liabilities at amortised cost)
- Fair value of financial instruments (Note 26 Fair value of financial instruments)
- Impairment of financial instruments (Chapter Financial instruments – Significant accounting policies, Note 37 Measurement of expected credit losses and Note 40 Scenarios used in forward looking information and crises effects)
- Impairment of non-financial assets (Chapter Non-current assets and other investments)
- Provisions (Note 54 Provisions)
- Defined employees benefit plans (Note 54 Provisions)
- Control of subsidiaries (Note 58 Subsidiaries)
- Significant influence in associates and joint control in joint ventures (Note 59 Investments in associates and joint ventures)
- Interest in structured entities (Note 60 Unconsolidated structured entities)

In 2022 the war in Ukraine, the energy crisis, inflation and interest rates developments brought additional uncertainties for Erste Group's financial performance and position. In 2021 such additional uncertainties resulted from the Covid-19 pandemic. The potential effects include significant impacts on expected credit losses, on operating income as well as potential impacts on goodwill and other non-financial assets impairment assessments. Erste Group follows the developments closely and recognises the effects in the financial statements as a reasonable information supporting their recognition is available.

The impairment loss in the line item 'Impairment result from financial instruments' in the amount of EUR 299.5 million was affected by a release of impairment in the amount of EUR 183.5 million which is directly attributable to full release of the Covid-19 pandemic overlays due to diminishing of those risks during 2022. The impairment loss directly attributable to the changing macro environment and overlays reflecting additional risk in relation with current geopolitical situation – mainly the war in Ukraine and its effects on economy – amounted to EUR 377.7 million. In 2021, changes in macro environment and management actions to identify mostly affected portfolios due to Covid-19 pandemic resulted in an impairment release of EUR 39.1 million. Overall, the incremental loss allowances in the balance sheet for performing credit risk exposures which are attributable to the macro-environment and geopolitical development amount to EUR 927.8 million in 2022 (EUR 733.6 million in 2021). Details about these impacts on the expected credit losses estimation are described in Note 40 Scenarios used in forward looking information and crises effects.

The market capitalisation of Erste Group at year-end 2022 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. This analysis did not reveal any need for impairment in addition to the amounts recognised as part of the standard impairment assessment (see Note 48 Property, equipment and investment properties, Note 49 Intangible assets and note 59 Investments in associates and joint ventures).

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 49 Intangible assets.

d) 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 2022. 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 2022 and have been endorsed by the EU:

- Annual Improvements to IFRSs 2018-2020 Cycle (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

Application of the above mentioned amendments in 2022 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. All of them are endorsed by the EU:

- IFRS 17: Insurance contracts
- Amendments to IAS 1: Disclosure of Accounting Policies
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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. 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.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments to IAS 12 were issued In March 2021 and are effective for annual periods beginning on or after 1 January 2023. The amendments specify that the initial recognition exemption stipulated in IAS 12.15(b) and IAS12.24 does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Performance / Return

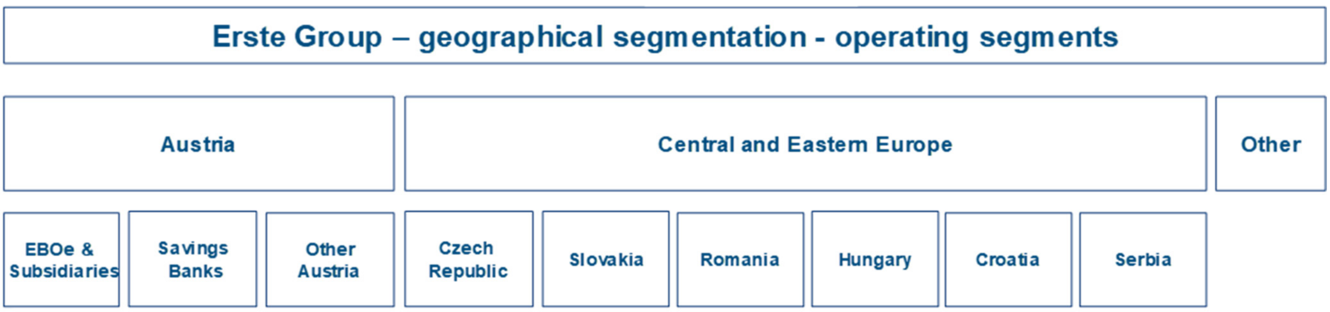
1. Segment reporting

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. intragroup eliminations, dividend eliminations) are also part of the segment Other. Intragroup eliminations are equal to the Intragroup eliminations shown in the business segmentation view (see the table 'Business segments (2)').

Business segmentation

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

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

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

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

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

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

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

Intragroup Elimination. Intragroup Elimination (IC) is not defined as a segment but is the reconciliation to the consolidated accounting result. It includes intragroup eliminations between participations of Erste Group (e.g. intragroup funding, internal cost charges). Intragroup eliminations within partial groups are disclosed in the respective segments. Dividend elimination between Erste Group Bank AG and its fully consolidated subsidiaries is performed in Group Corporate Center. Consolidation differences arising between the segments, which are eliminated over the lifespan of the underlying transaction, are part of Group Corporate Center.

Measurement

The profit and loss statement of the segment report is based on the measures reported to the Erste Group management board for the purpose of allocating resources to the segments and assessing their performance. Management reporting as well as the segment report of Erste Group are based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the consolidated financial statements of accounting. Interest revenues are not reported separately from interest expenses for each reportable segment. Those measures are reported on the net basis within the position 'Net interest income' as interest revenues and interest expenses are neither included into the measure of segment profit or loss reviewed by the chief operating decision maker nor otherwise regularly provided to the chief operating decision maker. Chief operating decision maker relies solely on net interest income to assess the performance of the segments and make decisions about resources to be allocated to the segments. Net fee and commission income and Other operating result are reported on a net basis according to the regular reporting to the chief operating decision maker. Capital consumption per segment is regularly reviewed by the management of Erste Group to assess the performance of the segments. The average allocated capital is determined by the credit risk, market risk, operational risk and business strategic risk. According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated capital are disclosed per segment. Total average allocated capital for the Group equals average total equity of the Group. For measuring and assessing the profitability of segments within Erste Group, such key measures as return on allocated capital and cost/income ratio are used. Return on allocated capital is defined as net result for the period before minorities in relation to the average allocated capital of the respective segment. Cost/income ratio is defined as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, net result from equity method investments, rental income from investment properties and other operating lease).

Operating segments: Geographical segmentation – overview

in EUR million	Austria		Central and Eastern Europe		Other		Total Group	
	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22
Net interest income	2,143.9	2,565.7	2,617.5	3,159.7	214.3	225.2	4,975.7	5,950.6
Net fee and commission income	1,345.9	1,396.3	1,043.9	1,133.6	-86.1	-77.5	2,303.7	2,452.4
Dividend income	14.4	18.3	7.9	4.3	10.9	6.6	33.2	29.1
Net trading result	33.9	-127.5	226.7	325.8	-201.9	-976.9	58.6	-778.6
Gains/losses from financial instruments at FVPL	74.3	51.6	-31.6	-66.8	130.5	746.5	173.2	731.3
Net result from equity method investments	-0.6	2.9	10.8	7.1	5.2	8.0	15.4	18.0
Rental income from investment properties & other operating leases	149.3	140.9	48.1	42.3	-15.1	-15.4	182.3	167.8
General administrative expenses	-2,163.5	-2,195.2	-1,941.3	-2,117.6	-201.7	-262.0	-4,306.5	-4,574.9
thereof depreciation and amortization	-175.0	-159.7	-267.2	-277.4	-105.9	-113.5	-548.0	-550.7
Gains/losses from derecognition of financial assets at AC	-0.8	-0.6	-7.0	-50.5	0.2	-1.0	-7.6	-52.0
Other gains/losses from derecognition of financial instruments not at FVPL	-21.7	-0.3	-1.9	-25.0	-1.5	2.0	-25.2	-23.3
Impairment result from financial instruments	-4.3	-157.6	-163.5	-134.1	9.0	-7.8	-158.8	-299.5
Other operating result	-21.1	-55.8	-175.4	-284.8	-114.0	-58.0	-310.5	-398.5
Levies on banking activities	-9.6	-41.1	-63.0	-124.1	-0.9	-21.9	-73.5	-187.1
Pre-tax result from continuing operations	**1,549.5**	**1,638.7**	**1,634.2**	**1,994.0**	**-250.3**	**-410.3**	**2,933.4**	**3,222.4**
Taxes on income	-377.6	-417.7	-330.9	-375.5	183.3	237.1	-525.2	-556.1
Net result for the period	**1,171.9**	**1,221.0**	**1,303.3**	**1,618.4**	**-67.0**	**-173.2**	**2,408.1**	**2,666.3**
Net result attributable to non-controlling interests	431.0	442.2	51.5	57.3	2.2	2.0	484.8	501.6
Net result attributable to owners of the parent	**740.9**	**778.8**	**1,251.7**	**1,561.1**	**-69.3**	**-175.2**	**1,923.4**	**2,164.7**
Operating income	3,760.9	4,048.1	3,923.3	4,605.9	57.8	-83.4	7,742.0	8,570.6
Operating expenses	-2,163.5	-2,195.2	-1,941.3	-2,117.6	-201.7	-262.0	-4,306.5	-4,574.9
Operating result	**1,597.5**	**1,852.9**	**1,982.0**	**2,488.3**	**-143.9**	**-345.4**	**3,435.5**	**3,995.8**
Risk-weighted assets (credit risk, eop)	58,570	62,673	47,178	53,151	2,711	3,458	108,459	119,282
Average allocated capital	8,348	9,712	8,573	9,913	6,308	4,660	23,229	24,284
Cost/income ratio	57.5%	54.2%	49.5%	46.0%	>100%	>100%	55.6%	53.4%
Return on allocated capital	14.0%	12.6%	15.2%	16.3%	-1.1%	-3.7%	10.4%	11.0%
Total assets (eop)	199,308	204,979	134,082	142,554	-25,962	-23,669	307,428	323,865
Total liabilities excluding equity (eop)	161,679	166,197	121,281	129,479	954	2,884	283,915	298,560
Impairments	**-9.1**	**-157.3**	**-216.2**	**-196.1**	**-3.9**	**-24.0**	**-229.1**	**-377.4**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	34.9	-159.1	-109.5	-93.3	20.6	-19.5	-54.1	-272.0
Net impairment loss on commitments and guarantees given	-39.2	1.5	-54.0	-40.7	-11.6	11.7	-104.8	-27.6
Impairment of goodwill	0.0	0.0	0.0	-5.4	0.0	0.0	0.0	-5.4
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	-3.9	-5.9	-9.8	-14.7	-13.7	-20.6
Net impairment on other non-financial assets	-4.8	0.4	-48.8	-50.7	-3.1	-1.5	-56.7	-51.8

Operating segments: Geographical area Austria

	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
in EUR million	**1-12 21**	**1-12 22**	**1-12 21**	**1-12 22**	**1-12 21**	**1-12 22**	**1-12 21**	**1-12 22**
Net interest income	646.4	708.9	1,080.3	1,222.5	417.2	634.3	2,143.9	2,565.7
Net fee and commission income	460.1	480.1	584.5	623.1	301.3	293.1	1,345.9	1,396.3
Dividend income	6.2	6.5	5.2	8.5	2.9	3.3	14.4	18.3
Net trading result	-19.4	-58.2	-8.6	-69.7	61.8	0.4	33.9	-127.5
Gains/losses from financial instruments at FVPL	36.4	57.3	51.1	16.4	-13.3	-22.1	74.3	51.6
Net result from equity method investments	-0.1	3.3	0.0	0.0	-0.5	-0.4	-0.6	2.9
Rental income from investment properties & other operating leases	63.7	52.4	41.7	43.1	43.9	45.3	149.3	140.9
General administrative expenses	-702.7	-688.6	-1,108.8	-1,143.4	-352.0	-363.2	-2,163.5	-2,195.2
thereof depreciation and amortization	-55.7	-42.2	-82.1	-85.1	-37.2	-32.5	-175.0	-159.7
Gains/losses from derecognition of financial assets at AC	-2.0	-0.7	1.2	0.2	0.0	0.0	-0.8	-0.6
Other gains/losses from derecognition of financial instruments not at FVPL	-0.5	0.1	-0.8	0.5	-20.4	-0.9	-21.7	-0.3
Impairment result from financial instruments	-31.5	-31.1	23.8	-62.2	3.4	-64.3	-4.3	-157.6
Other operating result	-32.2	-35.1	-16.3	-25.5	27.4	4.9	-21.1	-55.8
Levies on banking activities	-4.3	-23.3	-5.2	-17.7	-0.1	-0.1	-9.6	-41.1
Pre-tax result from continuing operations	**424.3**	**494.8**	**653.4**	**613.6**	**471.8**	**530.3**	**1,549.5**	**1,638.7**
Taxes on income	-97.3	-139.7	-167.8	-157.2	-112.4	-120.8	-377.6	-417.7
Net result for the period	**326.9**	**355.1**	**485.6**	**456.4**	**359.3**	**409.6**	**1,171.9**	**1,221.0**
Net result attributable to non-controlling interests	20.3	34.9	402.4	399.5	8.2	7.9	431.0	442.2
Net result attributable to owners of the parent	**306.6**	**320.1**	**83.2**	**56.9**	**351.1**	**401.7**	**740.9**	**778.8**
Operating income	1,193.3	1,250.4	1,754.3	1,843.9	813.3	953.9	3,760.9	4,048.1
Operating expenses	-702.7	-688.6	-1,108.8	-1,143.4	-352.0	-363.2	-2,163.5	-2,195.2
Operating result	**490.6**	**561.7**	**645.5**	**700.5**	**461.3**	**590.6**	**1,597.5**	**1,852.9**
Risk-weighted assets (credit risk, eop)	15,206	15,454	26,903	27,280	16,461	19,939	58,570	62,673
Average allocated capital	1,995	2,433	3,891	4,665	2,462	2,615	8,348	9,712
Cost/income ratio	58.9%	55.1%	63.2%	62.0%	43.3%	38.1%	57.5%	54.2%
Return on allocated capital	16.4%	14.6%	12.5%	9.8%	14.6%	15.7%	14.0%	12.6%
Total assets (eop)	59,824	59,249	78,539	80,471	60,945	65,259	199,308	204,979
Total liabilities excluding equity (eop)	57,324	56,574	72,828	74,399	31,527	35,223	161,679	166,197
Impairments	**-31.5**	**-30.8**	**23.0**	**-61.9**	**-0.6**	**-64.5**	**-9.1**	**-157.3**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-25.8	-33.8	45.5	-67.4	15.2	-57.8	34.9	-159.1
Net impairment loss on commitments and guarantees given	-5.7	2.7	-21.7	5.3	-11.8	-6.5	-39.2	1.5
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	0.3	-0.8	0.3	-4.0	-0.2	-4.8	0.4

Operating segments: Geographical area Central and Eastern Europe

in EUR million	Czech Republic 1-12 21	Czech Republic 1-12 22	Slovakia 1-12 21	Slovakia 1-12 22	Romania 1-12 21	Romania 1-12 22	Hungary 1-12 21	Hungary 1-12 22	Croatia 1-12 21	Croatia 1-12 22	Serbia 1-12 21	Serbia 1-12 22	Central and Eastern Europe 1-12 21	Central and Eastern Europe 1-12 22
Net interest income	1,150.5	1,416.7	434.9	449.5	432.6	530.0	257.2	395.8	269.5	284.7	72.8	83.0	2,617.5	3,159.7
Net fee and commission income	358.2	386.9	174.3	192.2	176.4	191.5	207.4	222.8	107.5	117.2	20.2	23.0	1,043.9	1,133.6
Dividend income	6.5	2.7	0.6	0.6	0.7	0.8	0.1	0.2	0.1	0.0	0.0	0.0	7.9	4.3
Net trading result	67.5	152.2	9.8	23.6	77.4	123.3	37.9	-18.4	29.4	39.5	4.7	5.6	226.7	325.8
Gains/losses from financial instruments at FVPL	-4.0	-17.8	-0.8	2.3	0.5	4.5	-27.9	-54.1	0.6	-1.6	0.0	0.0	-31.6	-66.8
Net result from equity method investments	3.0	3.0	5.9	2.7	0.7	0.2	0.0	0.0	1.1	1.0	0.1	0.2	10.8	7.1
Rental income from investment properties & other operating leases	8.3	8.5	0.3	0.4	22.7	17.8	8.1	7.6	8.7	7.9	0.1	0.2	48.1	42.3
General administrative expenses	-795.3	-868.5	-292.4	-307.1	-339.7	-381.2	-230.7	-246.8	-217.8	-239.6	-65.4	-74.4	-1,941.3	-2,117.6
thereof depreciation and amortization	-106.1	-110.8	-33.4	-34.6	-43.8	-52.1	-45.0	-41.3	-33.1	-32.6	-5.9	-5.9	-267.2	-277.4
Gains/losses from derecognition of financial assets at AC	-9.3	-49.7	0.0	0.0	0.0	0.0	2.4	-0.4	0.0	0.0	-0.1	-0.3	-7.0	-50.5
Other gains/losses from derecognition of financial instruments not at FVPL	-0.2	-25.8	-2.6	-0.5	0.0	0.0	0.8	1.1	0.1	0.1	0.0	0.0	-1.9	-25.0
Impairment result from financial instruments	-69.4	-25.9	-1.1	-32.1	-46.4	-79.8	-16.2	-18.4	-22.2	42.2	-8.2	-20.0	-163.5	-134.1
Other operating result	-66.5	-67.9	-15.5	-11.4	-32.8	-37.3	-60.2	-138.6	5.2	-27.1	-5.6	-2.5	-175.4	-284.8
Levies on banking activities	0.0	0.0	0.0	0.0	0.0	0.0	-63.0	-124.1	0.0	0.0	0.0	0.0	-63.0	-124.1
Pre-tax result from continuing operations	**649.3**	**914.4**	**313.3**	**320.2**	**292.0**	**369.6**	**178.9**	**150.6**	**182.2**	**224.4**	**18.4**	**14.7**	**1,634.2**	**1,994.0**
Taxes on income	-145.1	-155.9	-75.4	-70.9	-55.6	-72.7	-22.9	-25.6	-30.9	-49.9	-1.0	-0.6	-330.9	-375.5
Net result for the period	**504.2**	**758.6**	**237.9**	**249.3**	**236.4**	**297.0**	**156.0**	**125.1**	**151.3**	**174.5**	**17.4**	**14.1**	**1,303.3**	**1,618.4**
Net result attributable to non-controlling interests	0.1	0.1	0.0	0.0	0.3	0.3	0.0	0.0	47.6	54.1	3.6	2.8	51.5	57.3
Net result attributable to owners of the parent	**504.1**	**758.5**	**237.9**	**249.3**	**236.1**	**296.6**	**156.0**	**125.1**	**103.7**	**120.4**	**13.9**	**11.2**	**1,251.7**	**1,561.1**
Operating income	1,589.9	1,952.3	625.0	671.3	710.9	867.9	482.7	553.8	416.9	448.7	97.9	111.9	3,923.3	4,605.9
Operating expenses	-795.3	-868.5	-292.4	-307.1	-339.7	-381.2	-230.7	-246.8	-217.8	-239.6	-65.4	-74.4	-1,941.3	-2,117.6
Operating result	**794.6**	**1,083.8**	**332.6**	**364.2**	**371.2**	**486.7**	**252.0**	**306.9**	**199.1**	**209.2**	**32.4**	**37.5**	**1,982.0**	**2,488.3**
Risk-weighted assets (credit risk, eop)	19,634	22,374	8,105	9,232	7,319	8,529	4,272	5,116	6,168	6,071	1,680	1,829	47,178	53,151
Average allocated capital	3,034	3,848	1,282	1,488	1,723	1,800	1,205	1,248	1,071	1,232	259	297	8,573	9,913
Cost/income ratio	50.0%	44.5%	46.8%	45.8%	47.8%	43.9%	47.8%	44.6%	52.2%	53.4%	66.9%	66.5%	49.5%	46.0%
Return on allocated capital	16.6%	19.7%	18.6%	16.8%	13.7%	16.5%	13.0%	10.0%	14.1%	14.2%	6.7%	4.7%	15.2%	16.3%
Total assets (eop)	66,045	68,002	23,157	23,752	18,238	19,972	11,569	12,717	12,262	14,980	2,812	3,132	134,082	142,554
Total liabilities excluding equity (eop)	60,284	62,292	21,104	21,566	16,273	17,738	10,339	11,601	10,792	13,519	2,489	2,763	121,281	129,479
Impairments	**-92.6**	**-71.7**	**-3.5**	**-35.8**	**-68.8**	**-85.9**	**-15.6**	**-24.2**	**-27.4**	**41.4**	**-8.2**	**-20.0**	**-216.2**	**-196.1**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-57.2	-29.6	7.3	-35.8	-34.1	-66.7	-16.5	-14.4	-1.0	70.5	-8.0	-17.3	-109.5	-93.3
Net impairment loss on commitments and guarantees given	-12.2	3.7	-8.4	3.7	-12.3	-13.1	0.4	-4.1	-21.2	-28.3	-0.2	-2.7	-54.0	-40.7
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-5.4	0.0	0.0	0.0	0.0	0.0	-5.4
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	-3.9	-5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.9	-5.9
Net impairment on other non-financial assets	-23.2	-45.8	1.5	2.2	-22.4	-6.0	0.6	-0.4	-5.2	-0.7	0.0	0.0	-48.8	-50.7

Business segments (1)

in EUR million	Retail		Corporates		Group Markets		ALM&LCC	
	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22
Net interest income	2,102.4	2,643.0	1,190.7	1,541.8	205.8	526.3	223.2	-282.6
Net fee and commission income	1,206.6	1,270.2	332.5	369.9	289.9	289.0	-85.6	-84.0
Dividend income	0.4	0.0	0.5	0.0	0.1	2.7	16.1	11.4
Net trading result	121.6	158.1	100.5	149.2	120.2	55.7	-206.2	-914.9
Gains/losses from financial instruments at FVPL	-30.9	-58.6	-0.7	3.7	-10.1	-33.4	179.8	818.3
Net result from equity method investments	7.0	3.4	0.0	3.3	0.0	0.0	3.1	3.2
Rental income from investment properties & other operating leases	24.0	5.7	109.6	111.1	0.4	0.4	24.7	26.1
General administrative expenses	-2,111.8	-2,227.1	-543.7	-592.4	-237.3	-245.9	-124.1	-122.3
thereof depreciation and amortization	-270.0	-259.2	-63.8	-69.1	-17.5	-13.5	-9.2	-10.8
Gains/losses from derecognition of financial assets at AC	-2.6	-1.7	0.2	0.0	0.0	0.0	-4.3	-50.0
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.6	0.8	-0.1	-0.2	-28.0	-26.1
Impairment result from financial instruments	-122.4	-135.0	-60.0	-105.0	-5.6	0.7	-2.3	6.3
Other operating result	-55.6	-100.9	-12.5	-56.9	-27.5	-34.3	-105.5	-155.1
Levies on banking activities	-41.0	-80.1	-23.2	-39.2	-4.9	-10.1	1.7	-18.1
Pre-tax result from continuing operations	**1,138.7**	**1,557.1**	**1,117.7**	**1,425.6**	**335.8**	**561.1**	**-109.0**	**-769.6**
Taxes on income	-217.6	-306.2	-214.9	-280.6	-70.5	-112.6	-27.0	125.2
Net result for the period	**921.1**	**1,251.0**	**902.8**	**1,145.0**	**265.4**	**448.5**	**-136.0**	**-644.4**
Net result attributable to non-controlling interests	31.3	33.2	44.4	62.5	4.8	4.6	-0.4	-0.2
Net result attributable to owners of the parent	**889.7**	**1,217.7**	**858.4**	**1,082.5**	**260.6**	**443.9**	**-135.6**	**-644.2**
Operating income	3,431.1	4,021.8	1,733.1	2,179.1	606.3	840.7	155.1	-422.3
Operating expenses	-2,111.8	-2,227.1	-543.7	-592.4	-237.3	-245.9	-124.1	-122.3
Operating result	**1,319.3**	**1,794.7**	**1,189.4**	**1,586.7**	**369.0**	**594.8**	**31.0**	**-544.6**
Risk-weighted assets (credit risk, eop)	21,808	22,458	47,329	55,858	3,305	3,600	6,704	7,269
Average allocated capital	3,641	3,791	5,330	5,841	1,104	1,102	4,420	5,917
Cost/income ratio	61.5%	55.4%	31.4%	27.2%	39.1%	29.2%	80.0%	-29.0%
Return on allocated capital	25.3%	33.0%	16.9%	19.6%	24.0%	40.7%	-3.1%	-10.9%
Total assets (eop)	71,408	74,941	64,742	76,016	47,772	47,665	84,054	84,692
Total liabilities excluding equity (eop)	111,352	113,825	36,989	41,625	41,902	44,638	60,682	65,218
Impairments	**-121.6**	**-154.0**	**-83.8**	**-121.1**	**-5.6**	**0.7**	**-36.8**	**-20.5**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-123.7	-148.4	5.7	-44.5	0.1	1.5	-0.8	3.0
Net impairment loss on commitments and guarantees given	1.4	13.4	-65.7	-60.5	-5.8	-0.8	-1.5	3.2
Impairment of goodwill	0.0	-5.0	0.0	0.0	0.0	0.0	0.0	-0.4
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	-0.2	0.2	-0.1	0.0	0.0	-4.1	-5.6
Net impairment on other non-financial assets	0.8	-13.9	-24.0	-16.0	0.0	0.0	-30.4	-20.7

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22
Net interest income	1,080.3	1,222.5	100.5	137.7	72.7	161.8	4,975.7	5,950.6
Net fee and commission income	584.5	623.1	5.9	12.4	-30.1	-28.3	2,303.7	2,452.4
Dividend income	5.2	8.5	10.9	6.6	0.0	0.0	33.2	29.1
Net trading result	-8.6	-69.7	-11.9	-17.0	-57.1	-140.0	58.6	-778.6
Gains/losses from financial instruments at FVPL	51.1	16.4	-15.9	-15.1	0.0	0.0	173.2	731.3
Net result from equity method investments	0.0	0.0	5.2	8.0	0.0	0.0	15.4	18.0
Rental income from investment properties & other operating leases	41.7	43.1	-17.7	-17.9	-0.4	-0.8	182.3	167.8
General administrative expenses	-1,108.8	-1,143.4	-904.2	-963.9	723.4	720.1	-4,306.5	-4,574.9
thereof depreciation and amortization	-82.1	-85.1	-126.6	-134.3	21.1	21.3	-548.0	-550.7
Gains/losses from derecognition of financial assets at AC	1.2	0.2	1.2	-0.4	-3.4	-0.1	-7.6	-52.0
Other gains/losses from derecognition of financial instruments not at FVPL	-0.8	0.5	0.0	1.6	3.2	0.1	-25.2	-23.3
Impairment result from financial instruments	23.8	-62.2	7.7	-4.3	0.0	0.0	-158.8	-299.5
Other operating result	-16.3	-25.5	615.2	687.0	-708.3	-712.8	-310.5	-398.5
Levies on banking activities	-5.2	-17.7	-0.9	-21.9	0.0	0.0	-73.5	-187.1
Pre-tax result from continuing operations	**653.4**	**613.6**	**-203.3**	**-165.3**	**0.0**	**0.0**	**2,933.4**	**3,222.4**
Taxes on income	-167.8	-157.2	172.6	175.2	0.0	0.0	-525.2	-556.1
Net result for the period	**485.6**	**456.4**	**-30.7**	**9.9**	**0.0**	**0.0**	**2,408.1**	**2,666.3**
Net result attributable to non-controlling interests	402.4	399.5	2.2	2.0	0.0	0.0	484.8	501.6
Net result attributable to owners of the parent	**83.2**	**56.9**	**-32.9**	**7.9**	**0.0**	**0.0**	**1,923.4**	**2,164.7**
Operating income	1,754.3	1,843.9	76.9	114.7	-14.8	-7.3	7,742.0	8,570.6
Operating expenses	-1,108.8	-1,143.4	-904.2	-963.9	723.4	720.1	-4,306.5	-4,574.9
Operating result	**645.5**	**700.5**	**-827.3**	**-849.1**	**708.5**	**712.8**	**3,435.5**	**3,995.8**
Risk-weighted assets (credit risk, eop)	26,903	27,280	2,411	2,818	0	0	108,459	119,282
Average allocated capital	3,891	4,665	4,843	2,968	0	0	23,229	24,284
Cost/income ratio	63.2%	62.0%	>100%	>100%	>100%	>100%	55.6%	53.4%
Return on allocated capital	12.5%	9.8%	-0.6%	0.3%			10.4%	11.0%
Total assets (eop)	78,539	80,471	3,597	5,464	-42,684	-45,385	307,428	323,865
Total liabilities excluding equity (eop)	72,828	74,399	2,903	4,281	-42,741	-45,426	283,915	298,560
Impairments	**23.0**	**-61.9**	**-4.4**	**-20.5**	**0.0**	**0.0**	**-229.1**	**-377.4**
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	45.5	-67.4	19.1	-16.2	0.0	0.0	-54.1	-272.0
Net impairment loss on commitments and guarantees given	-21.7	5.3	-11.4	11.8	0.0	0.0	-104.8	-27.6
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-5.4
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	-9.8	-14.7	0.0	0.0	-13.7	-20.6
Net impairment on other non-financial assets	-0.8	0.3	-2.3	-1.5	0.0	0.0	-56.7	-51.8

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. Negative interest on financial liabilities also includes fees which are charged on deposits from corporate customers based on a specific percentage of outstanding balances.

'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 21	1-12 22
Financial assets at AC	4,939.8	8,378.4
Financial assets at FVOCI	169.0	244.3
Interest income	5,108.9	8,622.7
Non-trading financial assets at FVPL	58.0	65.6
Financial assets HfT	1,005.0	2,344.8
Hedge accounting derivatives, interest rate risk	-19.8	-118.7
Other assets	116.7	130.9
Negative interest from financial liabilities	316.5	194.9
Other similar income	1,476.5	2,617.6
Interest and other similar income	**6,585.4**	**11,240.3**
Financial liabilities at AC	-483.8	-2,569.2
Interest expenses	-483.8	-2,569.2
Financial liabilities at FVPL	-272.6	-257.3
Financial liabilities HfT	-785.0	-2,367.2
Hedge accounting derivatives, interest rate risk	121.8	38.1
Other liabilities	-19.1	-30.2
Negative interest from financial assets	-170.9	-103.9
Other similar expenses	-1,125.9	-2,720.5
Interest and other similar expenses	**-1,609.7**	**-5,289.7**
Net interest income	**4,975.7**	**5,950.6**

An amount of EUR 99.9 million (2021: EUR 80.2 million) relating to impaired financial assets is included in interest income.

The amounts disclosed in the line items 'Negative interest from financial liabilities' and 'Negative interest from financial assets' largely relate to the interbank business, deposits and refinancing with central banks.

In 2022 interest expense on financial liabilities at AC includes catch-up loss from TLTRO III in the amount of EUR 129.3 million. In 2021 negative interest from financial liabilities at AC includes catch-up gains from TLTRO III in the amount of EUR 93.0 million. For more details refer to Note 18 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. Fee and commission income is measured based on the consideration specified in the contract with a customer. Erste Group recognises revenue when it transfers a promised 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, premiums received for financial guarantees and other fees from lending business, commission income from asset management, custody and other management and advisory fees. Services provided over a period of time also include certain payment services 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. Transaction based services also include certain payment services 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. For example, loan servicing fees agreed in a loan contract that are not integral to the effective interest rate of a financial instrument are included in the net fee and commission income.

	1-12 21		1-12 22	
in EUR million	Income	Expenses	Income	Expenses
Securities	282.2	-57.0	281.6	-56.1
Issues	37.8	-5.4	47.2	-1.3
Transfer orders	229.6	-40.1	216.7	-42.8
Other	14.8	-11.5	17.7	-12.0
Clearing and settlement	1.6	-3.6	1.9	-4.4
Asset management	508.0	-52.9	524.3	-48.8
Custody	133.0	-14.6	123.4	-16.0
Fiduciary transactions	1.3	0.0	1.3	0.0
Payment services	1,212.7	-205.3	1,340.1	-236.5
Card business	351.2	-133.5	406.4	-157.8
Other	861.6	-71.8	933.7	-78.7
Customer resources distributed but not managed	261.9	-8.1	274.1	-8.3
Collective investment	29.1	-2.1	24.2	-1.9
Insurance products	201.2	-1.3	210.7	-0.7
Foreign exchange transactions	29.2	-2.0	36.5	-2.9
Other	2.4	-2.7	2.7	-2.8
Structured finance	1.0	0.0	0.5	0.0
Servicing fees from securitization activities	0.0	-2.0	0.4	-1.1
Lending business	206.2	-46.3	218.2	-38.2
Guarantees given, guarantees received	79.1	-2.4	93.8	-3.4
Loan commitments given, loan commitments received	40.0	-1.0	42.9	-1.3
Other lending business	87.1	-42.9	81.5	-33.4
Other	114.0	-28.6	123.0	-26.9
Total fee and commission income and expenses	**2,722.1**	**-418.5**	**2,888.7**	**-436.3**
Net fee and commission income	**2,303.7**		**2,452.4**	

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 584.1 million (2021: EUR 574.8 million). Net fee and commission income above include income of EUR 1,085.7 million (2021: EUR 979.1 million) relating to financial assets and financial liabilities not measured at FVPL.

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 21	1-12 22
Financial assets HfT	1.4	2.9
Non-trading financial assets at FVPL	23.0	17.5
Financial assets at FVOCI	8.7	8.6
Dividend income	**33.2**	**29.1**

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 and gains and losses from their derecognition. 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) '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 21	1-12 22
Securities and derivatives trading	-227.6	-853.3
Foreign exchange transactions	297.0	86.2
Result from hedge accounting	-10.8	-11.5
Net trading result	**58.6**	**-778.6**

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 own credit risk of the liability are recognised in OCI.

in EUR million	1-12 21	1-12 22
Result from measurement/sale of financial assets designated at FVPL	-11.0	-18.8
Result from measurement/repurchase of financial liabilities designated at FVPL	207.8	939.6
Result from financial assets and liabilities designated at FVPL	**196.7**	**920.8**
Result from measurement/sale of financial assets mandatorily at FVPL	-23.5	-189.5
Gains/losses from financial instruments measured at fair value through profit or loss	**173.2**	**731.3**

In the reporting period, a loss of EUR 4.4 million (2021: EUR 6.6 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 21	1-12 22
Investment properties	104.9	113.4
Other operating leases	77.4	54.4
Rental income from investment properties & other operating leases	**182.3**	**167.8**

8. General administrative expenses

Personnel expenses

Personnel expenses include wages and salaries, expenses for variable remuneration, 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.

Information about remuneration of management including performance-linked remuneration can be found in Note 61 Related-party transactions. Information about share-based payments to the management board and to employees can be found in Note 62 Share-based payments.

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.

General administrative expenses

in EUR million	1-12 21	1-12 22
Personnel expenses	**-2,578.1**	**-2,668.0**
Wages and salaries	-1,960.5	-2,049.1
Compulsory social security	-483.3	-487.9
Long-term employee provisions	-14.0	0.5
Other personnel expenses	-120.4	-131.5
Other administrative expenses	**-1,180.3**	**-1,356.2**
Deposit insurance contribution	-122.4	-142.9
IT expenses	-433.0	-487.8
Expenses for office space	-156.3	-186.2
Office operating expenses	-121.8	-151.7
Advertising/marketing	-167.5	-192.9
Legal and consulting costs	-118.4	-125.6
Sundry administrative expenses	-60.8	-69.1
Depreciation and amortisation	**-548.0**	**-550.7**
Software and other intangible assets	-193.3	-192.4
Owner occupied real estate	-150.0	-160.6
Investment properties	-30.4	-29.3
Customer relationships	-7.6	-7.3
Office furniture and equipment and sundry property and equipment	-166.8	-161.2
General administrative expenses	**-4,306.5**	**-4,574.9**

Personnel expenses include expenses of EUR 47.9 million (2021: EUR 44.1 million) for defined contribution plans.

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

	1-12 21	1-12 22
Austria	**15,829**	**15,686**
Erste Group Bank AG, Erste Bank Oesterreich and subsidiaries	8,726	8,561
Savings banks	7,103	7,125
Outside Austria	**29,305**	**29,271**
Česká spořitelna Group	9,742	9,846
Banca Comercială Română Group	5,480	5,303
Slovenská sporiteľňa Group	3,701	3,618
Erste Bank Hungary Group	3,228	3,272
Erste Bank Croatia Group	3,287	3,240
Erste Bank Serbia Group	1,205	1,212
Savings banks subsidiaries	1,464	1,523
Other subsidiaries and foreign branch offices	1,197	1,257
Total	**45,134**	**44,957**

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 21	1-12 22
Gains from derecognition of financial assets at AC	10.7	0.3
Losses from derecognition of financial assets at AC	-18.3	-52.4
Gains/losses from derecognition of financial assets measured at amortised cost	**-7.6**	**-52.0**

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 21	1-12 22
Sale of financial assets at FVOCI	-4.8	-24.2
Derecognition of financial liabilities at AC	-20.4	0.9
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**-25.2**	**-23.3**

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 21	1-12 22
Financial assets at FVOCI	2.1	-1.1
Financial assets at AC	-70.0	-292.6
Net allocation to credit loss allowances	-130.8	-355.0
Direct write-offs	-11.8	-8.8
Recoveries recorded directly to the income statement	88.3	78.8
Modification gains or losses	-15.7	-7.6
Finance lease receivables	13.9	21.8
Net allocation to credit loss allowances	11.7	18.6
Direct write-offs	-0.3	-0.2
Recoveries recorded directly to the income statement	2.5	3.3
Credit loss allowances for loan commitments and financial guarantees given	-104.8	-27.6
Impairment result from financial instruments	**-158.8**	**-299.5**

In the following table, the change of the credit loss allowance recognised in balance sheet is compared to the impairment result from financial instruments.

	Changes of credit loss allowances			
in EUR million	Impairment result of financial instruments	Other changes through profit or loss	Changes not affecting profit or loss	Total
Credit loss allowances Jan 22				**-4,447.1**
Net allocation to credit loss allowances	-378.9			-378.9
Increase due to passage of time (unwinding correction)		-91.2		-91.2
Derecognition due to sales			43.7	43.7
Write-offs			380.6	380.6
Changes in scope of consolidation			-1.9	-1.9
Foreign exchange differences		-10.7		-10.7
Other		-0.7		-0.7
Credit loss allowances Dec 22				**-4,506.2**
Impairment gains or losses on POCIs without CLA	13.8			
Direct write-offs	-8.9			
Recoveries recorded directly to the income statement	82.1			
Modification gains or losses	-7.6			
Impairment result from financial instruments	**-299.5**			

	Changes of credit loss allowances			
in EUR million	Impairment result of financial instruments	Other changes through profit or loss	Changes not affecting profit or loss	Total
Credit loss allowances Jan 21				**-4,446.5**
Net allocation to credit loss allowances	-241.7			-241.7
Increase due to passage of time (unwinding correction)		-70.7		-70.7
Derecognition due to sales			62.0	62.0
Write-offs			295.6	295.6
Changes in scope of consolidation			-15.5	-15.5
Foreign exchange differences		-31.5		-31.5
Other		1.2		1.2
Credit loss allowances Dec 21				**-4,447.1**
Impairment gains or losses on POCIs without CLA	19.9			
Direct write-offs	-12.1			
Recoveries recorded directly to the income statement	90.8			
Modification gains or losses	-15.7			
Impairment result from financial instruments	**-158.8**			

12. Other operating result

The other operating result reflects all other income and expenses not directly attributable to Erste Group's ordinary activities.

It includes expenses for allocations to and income from release of provisions in scope of IAS 37. Further, impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment, investment property and intangible assets are presented as other operating result. Any impairment losses on goodwill are also included in this line item.

In addition, the other operating result encompasses the following: resolution fund contributions, expenses for other taxes as well as 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 EUR million	1-12 21	1-12 22
Other operating expenses	**-392.8**	**-520.2**
Allocation to other provisions	-198.0	-176.0
Levies on banking activities	-73.5	-187.1
Banking tax	-25.5	-128.0
Financial transaction tax	-48.0	-59.2
Other taxes	-12.7	-12.5
Resolution fund contributions	-108.6	-139.1
Impairment of goodwill	0.0	-5.4
Other operating income	**203.1**	**222.3**
Release of other provisions	203.1	222.3
Result from properties and equipment, investment properties and other intangible assets	-24.3	-18.6
Result from other operating expenses/income	-96.5	-81.9
Other operating result	**-310.5**	**-398.5**

The increase in banking taxes is due to a new windfall profit tax of EUR 49.9 million in Hungary, which is based on the net revenues of the preceding year, as well as aperiodic effects in Austria.

Operating expenses (including repair and maintenance) for investment properties held for rental income totalled to EUR 36.0 million (2021: EUR 36.1 million).

Income from reversal of impairment for assets held for sale in the amount of EUR 0.0 million (2021: EUR 1.4 million) is recognised under 'Result from other operating expenses/income'.

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. In Austria, tax rates are considered substantively enacted when they have been decided by the National Assembly. 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 21	1-12 22
Current tax expense/income	-545.3	-577.9
current period	-520.7	-569.2
prior period	-24.6	-8.8
Deferred tax expense/income	20.1	21.8
current period	15.5	16.3
prior period	4.5	5.5
Total	**-525.2**	**-556.1**

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 21	1-12 22
Pre-tax result from continuing operations	2,933.4	3,222.4
Income tax expense for the financial year at the Austrian statutory tax rate (25%)	-733.3	-805.6
Impact of different foreign tax rates	149.0	161.4
Impact of tax-exempt earnings of investments and other tax-exempt income	127.8	178.5
Tax increases due to non-deductible expenses, additional business tax and similar elements	-170.9	-216.0
Impact on deferred taxes from topics on Group level	-171.8	13.4
Current period's recognition through P&L of DTA from tax losses, assessed non-recoverable at the end of the prior period	313.4	107.8
Current period's impairment of DTA recognized in prior periods through P&L	-2.4	0.0
Current period's recognition through P&L of DTA from temporary differences, assessed non-recoverable at the end of the prior period	0.2	71.6
Impact of current non-recoverable fiscal losses and temporary differences for the year	-6.8	-3.1
Tax expense/income not attributable to the reporting period	-20.0	-3.2
Tax expense/income from changes of the tax rate or the imposition of new taxes	0.0	-21.4
Tax expense/income attributable to other effects	-10.4	-39.5
Total	**-525.2**	**-556.1**

The adverse impact of EUR -21.4 million reported in the above effective tax reconciliation table for the financial year 2022 as ‘tax expense/income from changes of the tax rate or the imposition of new taxes’ (2021: EUR 0 million) is triggered by the upcoming decreases in the corporate income tax rate in the Austrian jurisdiction, as legally enacted in January 2022. Thus, in accordance with the related legislative amendments to the Austrian Fiscal Code, the Austrian corporate income tax rate of 25%, which has continued to apply for the fiscal year 2022, is reduced to 24% for the fiscal year 2023 and further reduced to 23% from the fiscal year 2024 onwards. Consequently, the deferred tax income and expenses related to temporary differences arising during the financial year 2022 at the level of the Group entities that are fiscal subjects of the Austrian jurisdiction - as well as the deferred tax positions already recognized by these entities at the end of the year 2021 and expected to become tax effective starting with the year 2023 onwards - have been calculated - and respectively recalculated - using the newly applicable tax rates accordingly. The main reason why the combined ensuing effect is adverse despite the decreasing applicable tax rates consists of the fact that the combined deferred tax position of Group’s Austrian entities at the end of the year 2021 was a deferred tax asset that was downwards adjusted based on the newly applicable future tax rates, mostly 23%.

The main contributing factor to the increase in the adverse impact of the ‘tax expense attributable to other effects’ from EUR -10.4 million (2021) to EUR -39.5 million (2022) is the ‘windfall tax’ on ‘excess-profit’ applicable in the Croatian jurisdiction for the fiscal year 2022 (EUR -12.1 million). There has also been a significant increase in the amount of the local business and innovation tax charged in the Hungarian jurisdiction (from EUR -11.9 million in 2021 to EUR -15.8 million in 2022). The total amount of the ‘tax expense attributable to other effects’ for 2022 additionally includes an adverse effect of EUR -5.6 million arising from the internal offsetting of the single-level current and prior taxable results of the Austrian member entities of the tax group headed by Erste Group Bank AG.

The following table shows the income tax effects relating to each component of other comprehensive income:

in EUR million	1-12 21 Pre-tax amount	1-12 21 Income tax	1-12 21 Net-of-tax amount	1-12 22 Pre-tax amount	1-12 22 Income tax	1-12 22 Net-of-tax amount
Fair value reserve of equity instruments	20.4	-5.0	16.4	-33.1	8.5	-24.6
Fair value reserve of debt instruments	-188.3	36.6	-151.6	-560.4	113.4	-447.0
Own credit risk reserve	82.3	-5.7	76.5	239.3	-56.9	182.4
Cash flow hedge reserve	-298.4	56.9	-241.5	9.9	-0.9	8.9
Remeasurement of defined benefit plans	28.6	-4.5	24.1	99.3	-16.9	82.4
Currency reserve	271.0	0.0	271.0	79.0	0.0	79.0
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.0	0.0	0.0	-0.4	0.0	-0.4
Other comprehensive income	**-84.4**	**78.3**	**-5.2**	**-166.5**	**47.2**	**-119.3**

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

in EUR million	Tax assets Dec 22	Tax assets Jan 22	Tax liabilities Dec 22	Tax liabilities Jan 22	Net variance 2022 Total	Net variance 2022 Profit or loss	Net variance 2022 Other comprehensive income
Temporary differences related to the following items:							
Financial assets and liabilities HfT and non-trading financial assets and liabilities at FVPL	219	202	-317	-233	-68	-11	-57
Financial assets at FVOCI	115	4	-6	-61	167	44	123
Financial assets at AC and finance lease receivables	636	273	-211	-149	301	299	0
Hedge accounting derivatives	80	120	-51	-32	-58	-57	-1
Property, plant and equipment	22	20	-114	-111	-2	-2	0
Equity Investments in subsidiaries, associates and joint-ventures	47	28	-3	-8	23	23	0
Financial liabilities at AC	274	201	-395	-31	-290	-290	0
Long-term employee provisions (tax valuation different)	114	130	-3	-3	-16	0	-17
Other provisions (tax valuation different)	58	72	-2	-2	-14	-14	0
Customer relationships, brands and other intangibles	3	3	-78	-86	8	8	0
Other	146	227	-47	-53	-75	-74	0
Non-recoverable tax position from temporary differences	-94	-147	0	0	53	53	0
Deferred tax position from accumulated tax loss carried forward after recoverability considerations	219	178	0	0	42	42	0
Effect of netting according IAS 12.71	-1,211	-750	1,211	750	0	0	0
Total deferred taxes	**629**	**562**	**-16**	**-19**	**70**	**22**	**48**
Current taxes	**109**	**135**	**-127**	**-144**	**-10**	**-578**	**0**
Total taxes	**738**	**697**	**-143**	**-162**	**60**	**-556**	**48**

in EUR million	Tax assets Dec 21	Tax assets Jan 21	Tax liabilities Dec 21	Tax liabilities Jan 21	Net variance 2021 Total	Net variance 2021 Profit or loss	Net variance 2021 Other comprehensive income
Temporary differences related to the following items:							
Financial assets and liabilities HfT and non-trading financial assets and liabilities at FVPL	202	319	-233	-305	-45	-37	-8
Financial assets at FVOCI	4	0	-61	-62	4	-31	32
Financial assets at AC and finance lease receivables	273	314	-149	-119	-71	-73	0
Hedge accounting derivatives	120	87	-32	-48	49	-8	57
Property, plant and equipment	20	27	-111	-112	-6	-5	0
Equity Investments in subsidiaries, associates and joint-ventures	28	45	-8	-8	-17	-17	0
Financial liabilities at AC	201	214	-31	-38	-6	-7	0
Long-term employee provisions (tax valuation different)	130	148	-3	-3	-19	-14	-5
Other provisions (tax valuation different)	72	104	-2	-2	-32	-32	0
Customer relationships, brands and other intangibles	3	4	-86	-88	1	2	0
Other	227	134	-53	-60	101	101	0
Non-recoverable tax position from temporary differences	-147	-161	0	0	14	12	2
Deferred tax position from accumulated tax loss carried forward after recoverability considerations	178	48	0	0	129	129	0
Effect of netting according IAS 12.71	-750	-823	750	823	0	0	0
Total deferred taxes	**562**	**460**	**-19**	**-20**	**103**	**20**	**78**
Current taxes	**135**	**175**	**-144**	**-58**	**-125**	**-545**	**0**
Total taxes	**697**	**635**	**-162**	**-79**	**-21**	**-525**	**78**

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 increase of EUR 70 million (2021: increase EUR 103 million) an amount of EUR 22 million (2021: EUR 20 million) is reflected as deferred tax income in the Group’s income statement for the year 2022, whilst an income amount of EUR 48 million (2021: EUR 78 million) represents the impact in the Group’s other comprehensive income for the year. Furthermore, deferred tax income in the amount of EUR 1.0 million (2021: EUR 1.6 million) representing accumulated OCI in respect of deferred tax recognised 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.

The Group's consolidated deferred tax asset position in amount of EUR 629 million as of 31 December 2022 (2021: EUR 562 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 10 million as of 31 December 2022 (2021: EUR 12 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 recognised for temporary differences relating to investments in subsidiaries with an amount of EUR 2,545 million (2021: EUR 2,467 million), as they are not expected to reverse in the foreseeable future. As of 31 December 2022, no deferred tax assets were recognised for tax loss carry-forward and deductible temporary differences with a total amount of EUR 2,926 million (2021: EUR 3,839 million), of which EUR 1,385 million (2021: EUR 2,032 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 1,125 million (2021: EUR 1,218 million) representing temporary differences in connection with investments in subsidiaries no deferred tax assets have been recognised 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 0 million will expire (2021: EUR 1 million) and in later periods EUR 5 million (2021: EUR 3 million), EUR 307 million (2021: EUR 493 million) will not expire.

14. Appropriation of profit

In the reporting period, Erste Group Bank AG posted a post-tax profit of EUR 1,591.2 million under the Austrian accounting regulations, which increased its distributable capital accordingly (2021: EUR 1,782.3 million).

The management board of Erste Group Bank AG will propose a 2022 dividend of EUR 1.90 per share to the 2023 Annual General Meeting (2021: EUR 1.60 per share).

Financial instruments – Significant accounting policies

Accounting and measurement methods for financial instruments

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IFRS 9, 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 of financial assets and financial liabilities is subject to two primary measurement methods: at amortised cost and fair value.

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.

For further details refer to part 'Significant accounting judgements, assumptions and estimates' in this chapter.

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 18 Financial liabilities at amortised costs and Note 25 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 or which are subject to the 'low credit risk exemption' allowed by IFRS 9. The impairment is measured in the amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. 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 (and the 'low credit risk exemption' does not apply). Stage 2 also includes trade receivables without significant financing component to which the 'simplified approach' is applied mandatorily based on IFRS 9 requirements. 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). 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.

Financial instruments in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, Erste Group adopted the approach of aligning it with the regulatory concept of 'default' in accordance with guidelines of the European Banking Authority EBA/GL/2016/07 and Commission Delegated Regulation (EU) 2018/171. Erste Group generally applies a customer view for the default definition, which leads to Stage 3 classification of all transactions with the customer 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 all the transactions with the customer cease to be impaired. The impairment of financial instruments in Stage 3 is measured in the amount of the 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).

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.

Measurement of expected credit losses includes cash flows expected from collateral and those financial guarantees held by Erste Group which are 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. Premiums paid for integral financial guarantees and other credit enhancements are considered in the EIR of the related financial assets.

Reimbursement assets from financial guarantees which are not considered integral are recognised 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'.

More detailed information about identification of significant increases in credit risk including collective assessment and estimation techniques used to measure 12-month and lifetime expected credit losses is provided in Note 34 Credit risk. For further information on the definition of default refer to Note 37 Measurement of expected credit loss.

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'.

Information about the development of the expected credit loss of the respective financial instruments is provided in Note 37 Measurement of expected credit loss.

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'.

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 financial assets 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); or
- 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;
_ change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months); or
_ altering a floating interest rate into a fixed interest rate or vice versa for the entire remaining life of the financial asset.

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. 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). For more information on Forbearance please refer to Note 41 Restructuring, renegotiation and forbearance.

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.

iv. 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. Derecognition can also result from a substantial modification of the terms of an existing financial liability or from exchanging debt instruments with substantially different terms between Erste Group and the lender. In this respect the

substantially modified / substantially different threshold is met when the present value of the cash flows under the new terms discounted using the original EIR is at least 10 per cent different to the carrying amount of the liability before the modification / exchange.

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 financial assetes in the business of Erste Group, significant areas of judgement are prepayment fees, project financing loans and interest rate adjustments based on the fulfilment of certain ESG-related targets.

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.

In the last years financial assets whose interest is adjusted based on meeting certain ESG-linked targets by the borrowers (e.g. meeting specified CO_2 emission targets) became part of Erste Group's business. No specific guidance currently exists in IFRS 9 for assessing the SPPI compliance of such features. Erste Group has concluded that ESG-related interest adjustments have a de minimis effect on the cotractual cash flows of the existing loan portfolio. As a result, they do not affect the SPPI assessment.

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 and estimation techniques used to measure 12-month and lifetime expected credit losses are provided in Note 34 Credit risk. For further information on the definition of default refer to Note 37 Measurement of expected credit loss. The development of loan loss provisions is described in Note 39 Development of credit loss allowances.

iv. Financial liabilities stemming from the TLTRO programme of the ECB

Regarding assessments of whether the TLTRO III liabilities contain government grants, how the effective interest rate is determined and how changes in estimated cash flows based on expected fulfillment of eligibility conditions are considered see Note 18 Financial liabilities at amortised cost.

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 18 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 3,989.7 million (2021: EUR 6,355.4 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 21	Dec 22
Cash on hand	9,781	3,796
Cash balances at central banks	34,682	31,167
Other demand deposits at credit institutions	1,033	722
Cash and cash balances	**45,495**	**35,685**

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

	Gross carrying amount				Credit loss allowances				
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Carrying amount
Dec 22									
Central banks	15	0	0	15	0	0	0	0	15
General governments	32,880	8	0	32,889	-9	0	0	-9	32,880
Credit institutions	6,505	91	0	6,596	-3	-2	0	-5	6,591
Other financial corporations	263	36	1	300	0	-1	-1	-2	298
Non-financial corporations	669	161	3	834	-1	-3	-2	-6	828
Total	**40,333**	**296**	**4**	**40,633**	**-13**	**-5**	**-3**	**-22**	**40,612**
Dec 21									
Central banks	13	0	0	13	0	0	0	0	13
General governments	29,887	3	0	29,890	-8	0	0	-8	29,882
Credit institutions	4,707	0	0	4,707	-3	0	0	-3	4,705
Other financial corporations	175	1	0	176	0	0	0	0	176
Non-financial corporations	725	54	0	778	-1	-3	0	-4	774
Total	**35,508**	**57**	**0**	**35,565**	**-12**	**-3**	**0**	**-15**	**35,551**

There are no POCI assets in this balance sheet item as of 31 December 2022 (31 December 2021).

For information about the development of credit loss allowances refer to Note 39 Development of credit loss allowances.

Loans and advances to banks

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	Carrying amount
Dec 22									
Central banks	13,514	0	0	13,514	0	0	0	0	13,513
Credit institutions	4,859	69	0	4,928	-5	0	0	-6	4,922
Total	**18,373**	**69**	**0**	**18,441**	**-6**	**0**	**0**	**-6**	**18,435**
Dec 21									
Central banks	16,429	0	0	16,429	-1	0	0	-1	16,428
Credit institutions	4,509	60	0	4,569	-5	-1	0	-5	4,563
Total	**20,938**	**60**	**0**	**20,998**	**-6**	**-1**	**0**	**-6**	**20,991**

There are no POCI assets in this balance sheet item as of 31 December 2022 (31 December 2021).

For information about the development of credit loss allowances refer to Note 39 Development of credit loss allowances.

Loans and advances to customers

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 22											
General governments	8,456	642	10	2	9,110	-4	-28	-1	0	-32	9,078
Other financial corporations	4,160	1,017	101	10	5,288	-8	-20	-37	0	-64	5,224
Non-financial corporations	63,081	24,039	2,084	238	89,443	-162	-773	-1,043	-65	-2,043	87,401
Households	80,691	11,821	1,689	100	94,301	-161	-594	-913	-22	-1,690	92,611
Total	**156,388**	**37,519**	**3,885**	**350**	**198,143**	**-335**	**-1,415**	**-1,994**	**-86**	**-3,830**	**194,313**
Dec 21											
General governments	6,356	730	2	3	7,091	-4	-20	-2	0	-27	7,065
Other financial corporations	3,671	482	45	11	4,209	-10	-14	-16	0	-40	4,169
Non-financial corporations	57,224	17,486	2,039	201	76,950	-211	-666	-1,069	-61	-2,007	74,944
Households	75,926	10,700	1,851	112	88,589	-158	-504	-979	-26	-1,667	86,922
Total	**143,177**	**29,398**	**3,937**	**327**	**176,839**	**-383**	**-1,203**	**-2,066**	**-88**	**-3,740**	**173,099**

For information about the development of credit loss allowances refer to Note 39 Development of credit loss allowances.

17. Trade and other 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 22											
Central banks	2	0	0	0	2	0	0	0	0	0	2
General governments	48	15	0	0	63	0	0	0	0	0	63
Credit institutions	43	2	0	0	44	0	0	0	0	0	44
Other financial corporations	87	8	0	0	95	0	0	0	0	0	95
Non-financial corporations	1,364	720	42	1	2,127	-7	-6	-31	-1	-45	2,082
Households	100	23	15	0	137	-2	-5	-12	0	-19	118
Total	**1,643**	**768**	**57**	**1**	**2,469**	**-9**	**-11**	**-44**	**-1**	**-65**	**2,404**
Dec 21											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	75	33	0	0	107	0	0	0	0	-1	107
Credit institutions	21	2	2	0	25	0	-1	-1	0	-2	23
Other financial corporations	28	3	0	0	31	0	0	0	0	0	31
Non-financial corporations	937	950	61	0	1,949	-9	-3	-50	0	-62	1,887
Households	90	19	18	0	126	-2	-5	-15	0	-22	104
Total	**1,151**	**1,007**	**81**	**0**	**2,239**	**-12**	**-9**	**-66**	**0**	**-87**	**2,152**

For information about development of credit loss allowances refer to Note 39 Development of credit loss allowances.

18. 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.

In general, the TLTRO interest rate is reduced if banks reach certain lending thresholds over an observation period. 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. Subsequently, unless the observation period is over, Erste Group reassesses how the eligibility conditions will be met. The scenario which is considered more likely is used both for the original effective interest rate calculation and for the subsequent reassessment. Any 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 2021 Erste Group recognised a catch-up adjustment gain in the amount of EUR 93.0 million. This resulted from the assessment that it will meet the 0% lending threshold as the qualifying condition for the interest rate reduction by 50bp in the period between June 2021 and June 2022.

Erste Group treats TLTRO as floating rate instruments in respect of changes in the ECB key rates which are the deposit facility rate (DFR) and the main refinancing operation rate. Whenever the ECB changes the key rates the effective interest rate of the TLTRO is recalculated assuming that the current ECB rate will apply until the end of the respective TLTRO tranche life. If the ECB brings any unconditional changes to the TLTRO interest rate other than changes in the key rates, they are treated as catch-up adjustments and presented in the net interest income. This also includes changes in the calculation of interest rates.

In October 2022 the ECB announced a change in the method for applying the key ECB rates for TLTRO III tranches. For Erste Group this means that the current DFR applies from 23 November 2022 (instead of the average DFR calculated over the entire 3-year life of the TLTRO III tranches). This resulted in a recognition of a catch-up loss in the amount of EUR 129.3 million in 2022. Early redemptions of the tranches in November 2022 resulted in a positive catch up effect amounting to EUR 6.1 million.

The carrying amount of the TLTRO III liabilities was EUR 15,567 million at the end of 2022 (2021: EUR 20,920 million). The main reason for the decrease in 2022 were early redemptions of TLTRO III tranches in the nominal amount of EUR 5,675 million. At 2022 year end Erste Group considered that additional early redemptions are not likely.

In 2022 the interest expense recognised for TLTRO III financial liabilities was EUR 141.2 million. It includes mainly the catch-up adjustment loss in the amount of EUR 129.3 million. The negative interest expense related to the period of the year when the effective interest rate was negative amounted to EUR 91.1 million, including the positive catch up effect of EUR 6.1 million from early redemtpions (2021: EUR 208.1 million, including the catch up adjustment gain of EUR 93.0 million).

Deposits from banks

in EUR million	Dec 21	Dec 22
Overnight deposits	1,765	1,951
Term deposits	29,163	25,066
Repurchase agreements	958	1,803
Deposits from banks	**31,886**	**28,821**

Deposits from customers

in EUR million	Dec 21	Dec 22
Overnight deposits	**167,738**	**171,576**
Savings deposits	43,669	46,558
Other financial corporations	173	222
Non-financial corporations	1,985	2,050
Households	41,511	44,286
Non-savings deposits	124,069	125,018
General governments	6,963	7,070
Other financial corporations	7,530	7,991
Non-financial corporations	37,916	37,420
Households	71,660	72,537
Term deposits	**41,662**	**49,646**
Deposits with agreed maturity	34,986	43,331
Savings deposits	21,974	21,312
Other financial corporations	742	1,056
Non-financial corporations	1,409	1,813
Households	19,824	18,444
Non-savings deposits	13,012	22,019
General governments	2,970	3,967
Other financial corporations	1,843	4,605
Non-financial corporations	3,265	6,924
Households	4,934	6,523
Deposits redeemable at notice	6,676	6,315
General governments	9	5
Other financial corporations	120	118
Non-financial corporations	294	278
Households	6,253	5,913
Repurchase agreements	**628**	**1,398**
General governments	1	12
Other financial corporations	627	1,386
Deposits from customers	**210,029**	**222,620**
General governments	9,942	11,054
Other financial corporations	11,037	15,378
Non-financial corporations	44,868	48,485
Households	144,182	147,702

Debt securities issued

in EUR million	Dec 21	Dec 22
Subordinated debt securities issued	1,943	2,945
Senior non-preferred bonds	1,474	1,667
Other debt securities issued	18,935	21,981
Bonds	8,146	7,308
Certificates of deposit	1,264	4,008
Other certificates of deposits/name certificates	148	121
Mortgage covered bonds	9,377	10,544
Debt securities issued	**22,352**	**26,593**

In 2022, 132 new bonds (2021: 9) with a total volume of approximately EUR 2,075 million (2021: EUR 110 million) were issued under the Debt issuance Programme (DIP).

Furthermore, 122 (2021:163) new bonds with a total volume of EUR 299 million (2021: EUR 495 million) were issued out of the Structured Notes Programme. Out of the Covered Bonds Programme 4 (2021: 1) new bonds with a total volume of EUR 2.3 billion (2021:

EUR 2.0 billion) were issued in 2022. In June 2019, the Capital Guaranteed Structured Notes Programme was implemented, under which 82 (2021: 34) new bonds with a total volume of EUR 305 million (2021: EUR 103 million) were issued in 2022. In December 2019, the Multi Issuer EMTN Notes Programme was implemented, under which 2 (2021: 7) new bonds with a total volume of EUR 1.0 billion (2021: EUR 2.3 billion) were issued in 2022. Furthermore, senior unsecured registered notes ('Namensschuldverschreibungen'), were issued with a volume of EUR 225 million (2021: EUR 46 million).

The Euro Commercial Paper and Certificates of Deposit Programme was updated in 2022 with an unlimited total volume. In total, 530 issues (2021: 310) amounting to EUR 145.0 billion (2021: EUR 65.2 billion) were placed in 2022. Issues totaling approximately EUR 144.0 billion (2021: EUR 64.0 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 2022 of the Dollar Certificate of Deposit Program of the New York branch amounted to EUR 18.9 million (USD 20.0 million) and as of 31 December 2021 to EUR 17.5 million (USD 20.0 million). The Dollar Commercial Paper Program of Erste Finance Delaware LLC has a maximum issuance volume of EUR 6.7 billion (USD 7.6 billion), with a total balance as of 31 December 2022 of EUR 2.8 billion (USD 3.0 billion) and EUR 1.4 billion (USD 1.6 billion) as of 31 December 2021.

Financial assets at fair value through other comprehensive income

19. Financial assets at fair value through other comprehensive income – debt instruments

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.

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 22											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	7,079	242	0	7,321	-4	-7	0	-10	7,311	-295	7,016
Credit institutions	1,293	18	0	1,311	-2	0	0	-3	1,308	-60	1,249
Other financial corporations	197	99	1	297	0	0	-1	-2	295	-11	285
Non-financial corporations	548	449	2	1,000	-1	-8	-1	-10	990	-79	911
Total	**9,117**	**808**	**3**	**9,929**	**-7**	**-16**	**-1**	**-24**	**9,904**	**-444**	**9,460**
Dec 21											
Central banks	6	0	0	6	0	0	0	0	6	0	6
General governments	6,493	92	0	6,585	-3	-4	0	-7	6,578	60	6,638
Credit institutions	867	0	0	867	-2	0	0	-2	865	25	890
Other financial corporations	164	92	0	256	0	-2	0	-3	253	7	260
Non-financial corporations	536	405	0	941	-1	-10	0	-11	930	24	955
Total	**8,066**	**589**	**0**	**8,655**	**-7**	**-16**	**0**	**-23**	**8,632**	**117**	**8,749**

There are no POCI assets in this balance sheet item as of 31 December 2022 (31 December 2021).

For information about the development of credit loss allowances refer to Note 39 Development of credit loss allowances.

20. Financial assets at fair value through other comprehensive income – equity instruments

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'.

The carrying amount of Erste Group's equity instruments at FVOCI as at 31 December 2022 amounts to EUR 99.2 million (2021: EUR 132.4 million), the cumulative fair value change for equity instruments FVOCI before taxes recognised in other comprehensive income amounted to EUR 55.6 million (2021: EUR 88.5 million). During the year 2022, the sales of such instruments amounted to EUR 0.0 million (2021: EUR 17.7 million) and were triggered by strategic business decisions. The cumulative loss (net of tax) that was transferred from accumulated other comprehensive income into retained earnings upon derecognitions of equity instruments at FVOCI amounted to EUR 0.2 million (2021: gain EUR 14.8 million).

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 not yet finalized 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 23 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 23 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 in more detail in Note 21 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 21 Derivative financial instrument, Note 24 Other financial liabilities held for trading and Note 25 Financial liabilities at fair value through profit or loss.

21. 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, the majority of non-closely related embedded derivatives relates to bonds issued for which fair value option has been applied. 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

	Dec 21			Dec 22		
in EUR million	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**197,734**	**3,477**	**3,623**	**244,708**	**6,490**	**6,607**
Interest rate	136,122	2,801	2,876	178,235	5,788	5,508
Equity	491	7	6	669	10	10
Foreign exchange	60,305	638	717	64,992	686	1,084
Credit	598	14	24	551	5	5
Commodity	16	0	0	9	0	0
Other	201	17	0	253	1	1
Derivatives held in the banking book	**21,210**	**919**	**310**	**25,626**	**554**	**1,003**
Interest rate	15,442	776	231	19,178	374	850
Equity	1,236	74	34	1,334	57	80
Foreign exchange	4,168	66	44	4,769	122	68
Credit	223	3	1	155	1	1
Other	141	0	0	190	0	4
Total gross amounts	**218,943**	**4,396**	**3,933**	**270,334**	**7,045**	**7,610**
Offset		-2,132	-2,309		-5,326	-4,983
Total		**2,263**	**1,624**		**1,719**	**2,626**

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.

22. Other financial assets held for trading

in EUR million	Dec 21	Dec 22
Equity instruments	84	70
Debt securities	4,125	5,977
Central banks	0	3,045
General governments	3,207	1,575
Credit institutions	699	1,133
Other financial corporations	127	160
Non-financial corporations	92	64
Other financial assets held for trading	**4,210**	**6,047**

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

	Dec 21		Dec 22	
in EUR million	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	332	0	347
Debt securities	476	1,499	327	1,223
General governments	36	161	35	170
Credit institutions	435	111	286	119
Other financial corporations	5	1,054	5	864
Non-financial corporations	0	173	0	70
Loans and advances to banks	0	10	0	0
Credit institutions	0	10	0	0
Loans and advances to customers	0	808	1	839
General governments	0	1	0	1
Other financial corporations	0	21	0	26
Non-financial corporations	0	48	1	33
Households	0	737	0	779
Financial assets designated and mandatorily at FVPL	476	2,648	328	2,408
Non-trading financial assets at fair value through profit or loss		**3,124**		**2,735**

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 6.1 million (2021: EUR 19.0 million) cumulatively and EUR -0.7 million (2021: EUR 11.9 million) for the reporting period.

24. 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 21	Dec 22
Short positions	785	585
Equity instruments	84	129
Debt securities	702	456
Debt securities issued	64	52
Other financial liabilities held for trading	**850**	**637**

25. 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 21**	**Dec 22**	**Dec 21**	**Dec 22**	**Dec 21**	**Dec 22**
Deposits	495	1,353	464	1,356	31	-3
Debt securities issued	9,778	9,310	9,509	10,268	270	-958
Other financial liabilities	191	151	191	151	0	0
Financial liabilities at FVPL	**10,464**	**10,814**	**10,163**	**11,775**	**301**	**-960**

Fair value changes that are attributable to changes in own credit risk

	For reporting period		Cumulative amount	
in EUR million	**1-12 21**	**1-12 22**	**Dec 21**	**Dec 22**
Deposits	0	-4	0	-3
Debt securities issued	-82	-234	269	31
Financial liabilities at FVPL	**-82**	**-238**	**269**	**27**

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 21	Dec 22
Subordinated debt securities issued	3,419	1,991
Other debt securities issued	6,360	7,319
Bonds	4,098	5,416
Other certificates of deposits/name certificates	824	815
Mortgage covered bonds	1,272	962
Public sector covered bonds	165	126
Debt securities issued	**9,778**	**9,310**

Financial instruments – other disclosure matters

26. Fair value of financial instruments

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

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Using of unobservable inputs is particularly relevant for models used for valuations of loans and unquoted equity investments. Disclosures on valuation models, the fair value hierarchy and fair values of financial instruments can be found subsequently.

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

Financial instruments carried at fair value

Description of valuation models and parameters

Erste Group uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently. For financial instruments which have been converted to the new alternative refernce rates (see Note 69 Interest Rate Benchmark Reform), the new interest rates are considered for the calculation of fair values.

Loans. Not SPPI (solely payments of principal and interest) compliant loans are to be valued at fair value. The methodology to compute fair value of these loans corresponds to the basic present value technique . The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer's probability of default and loss given default. These adjusted cash flows are then discounted by a yield curve which consists of a risk free rate and a funding spread for senior unsecured issues.

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

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

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

The dividend discount model assumes that the price of equity instruments issued by an entity equals the present value of all its expected future dividends in perpetuity. Similar to the dividend discount model, the simplified income approach estimates the fair value based on the future income. However, it can be used also when only one year planned income is available. The simplified income approach and the dividend discount model discount future income and dividends using the cost of equity. The cost of equity is dependent on the risk-free rate, the market risk premium, the levered beta and the country risk premium. The levered beta is derived from the industry classification which is published and maintained by Damodaran.

In rare cases, techniques for non-trading equity instruments may also include comparable company multiple methods. These are valuation techniques that use prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee's equity or enterprise value can be inferred.

Liabilities. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined based on quoted prices in active markets, if available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. Significant input factors for the spread adjustment of Erste Group's own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investments banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. In case of issued securities with structured features, optionality is taken into account as well when calculating the fair value

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

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

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

According to the described methodology the accumulated CVA-adjustments amounted to EUR 11.4 million (2021: EUR 14.5million) and the total DVA-adjustment amounted to EUR 21.0 million (2021: EUR 4.4 million).

Based on an analysis carried out by Erste Group it was decided that for the valuation of OTC derivatives no Funding Value Adjustment (FVA) would be considered.

Validation and control

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

Fair value hierarchy

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

Level 1 of the fair value hierarchy

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

Level 1 measurements include exchange traded derivatives (options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy

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

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

Level 3 of the fair value hierarchy

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

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

- Derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- Illiquid bonds, shares, participationsand funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.
- Loans which do not comply with the contractual cash flow criteria.
- Fund units issued by investment funds fully consolidated by Erste Group as well as own issues, if price updates are not provided on a regular basis
- Collateralized mortgage obligation (CMO)

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

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

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

	Dec 21				Dec 22			
in EUR million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets HfT	1,984	4,443	46	6,473	1,829	5,624	313	7,766
Derivatives	5	2,231	27	2,263	10	1,677	32	1,719
Other financial assets HfT	1,979	2,212	18	4,210	1,820	3,947	281	6,047
Non-trading financial assets at FVPL	1,670	281	1,173	3,124	1,337	200	1,198	2,735
Equity instruments	40	9	283	332	37	33	277	347
Debt securities	1,630	272	72	1,975	1,300	167	82	1,549
Loans and advances	0	0	818	818	0	0	839	839
Financial assets at FVOCI	7,604	807	470	8,881	7,878	1,284	398	9,560
Equity instruments	1	0	131	132	1	0	98	99
Debt securities	7,603	807	339	8,749	7,877	1,283	300	9,460
Hedge accounting derivatives	0	79	0	79	0	155	3	159
Total assets	**11,258**	**5,610**	**1,689**	**18,557**	**11,044**	**7,263**	**1,912**	**20,219**
Liabilities								
Financial liabilities HfT	774	1,690	9	2,474	585	2,667	12	3,264
Derivatives	5	1,609	9	1,624	8	2,608	11	2,626
Other financial liabilities HfT	769	81	0	850	578	59	1	637
Financial liabilities at FVPL	325	9,894	245	10,464	0	10,663	151	10,814
Deposits from customers	0	495	0	495	0	1,353	0	1,353
Debt securities issued	325	9,399	54	9,778	0	9,310	0	9,310
Other financial liabilities	0	0	191	191	0	0	151	151
Hedge accounting derivatives	0	307	2	309	0	372	0	372
Total liabilities	**1,100**	**11,891**	**256**	**13,247**	**585**	**13,702**	**163**	**14,451**

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

Valuation process for financial instruments categorised as Level 3

The valuation of financial instruments categorized as Level 3 involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking for similar transactions, among others. This involves estimation and expert judgment. Further details regarding input parameters used and the results of the sensitivity analysis are disclosed in the sub-chapter Unobservable inputs and sensitivity analysis for Level 3 measurements below.

Changes in volumes of Level 1 and Level 2

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

	Dec 21		Dec 22	
in EUR million	Level 1 to Level 2	Level 2 to Level 1	Level 1 to Level 2	Level 2 to Level 1
Financial assets HfT	**131**	**15**	**34**	**49**
Bonds	131	15	33	48
Funds	0	0	0	0
Shares	0	0	1	1
Non-trading financial assets at FVPL	**22**	**2**	**15**	**9**
Bonds	21	2	15	6
Funds	1	0	0	2
Shares	0	0	0	1
Financial assets at FVOCI	**105**	**91**	**407**	**93**
Bonds	105	91	407	93
Total	**258**	**108**	**456**	**151**

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

Movements in Level 3

Development of fair value of financial instruments in Level 3

in EUR million		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 22											**Dec 22**
Assets												
Financial assets HfT	46	-27	0	270	-1	0	0	0	42	-17	0	313
Derivatives	27	-22	0	0	0	0	0	0	42	-16	0	32
Other financial assets HfT	18	-5	0	270	-1	0	0	0	0	-1	0	281
Non-trading financial assets at FVPL	1,173	-61	0	862	-42	-671	12	0	23	-39	-58	1,198
Equity instruments	283	-12	0	32	-9	-3	12	0	0	-27	1	277
Debt securities	72	-2	0	12	-3	-10	0	0	23	-11	1	82
Loans and advances	818	-46	0	817	-30	-658	0	0	0	-1	-60	839
Financial assets at FVOCI	470	0	-43	34	-2	-26	0	0	109	-147	3	398
Equity instruments	131	0	-33	0	0	0	0	0	0	0	0	98
Debt securities	339	0	-10	34	-2	-26	0	0	109	-147	3	300
Hedge accounting derivatives	0	3	0	0	0	0	0	0	0	0	0	3
Total assets	**1,689**	**-84**	**-43**	**1,165**	**-46**	**-697**	**12**	**0**	**174**	**-203**	**-55**	**1,912**
Liabilities												
Financial liabilities HfT	9	2	0	3	-2	0	0	0	0	0	0	12
Derivatives	9	2	0	0	0	0	0	0	0	0	0	11
Other trading financial liabilities	0	0	0	3	-2	0	0	0	0	0	0	1
Financial liabilities at FVPL	245	-28	0	85	-95	-1	0	0	0	-55	0	151
Debt securities issued	54	0	0	1	0	0	0	0	0	-55	0	0
Other financial liabilities	191	-28	0	84	-95	-1	0	0	0	0	0	151
Hedge accounting derivatives	2	-2	0	0	0	0	0	0	0	0	0	0
Total liabilities	**256**	**-28**	**0**	**88**	**-97**	**-1**	**0**	**0**	**0**	**-55**	**0**	**163**
	Jan 21											**Dec 21**
Assets												
Financial assets HfT	85	-14	0	17	-1	0	0	0	1	-42	0	46
Derivatives	75	-14	0	0	0	0	0	0	0	-34	0	27
Other financial assets HfT	10	0	0	17	-1	0	0	0	1	-8	0	18
Non-trading financial assets at FVPL	1,046	-33	0	408	-181	-52	0	0	6	-13	-8	1,173
Equity instruments	282	-8	0	25	-13	0	0	0	2	-6	2	283
Debt securities	77	9	0	3	-15	-3	0	0	4	-5	2	72
Loans and advances	687	-33	0	380	-153	-49	0	0	0	-2	-12	818
Financial assets at FVOCI	376	-2	20	50	-20	-24	0	0	136	-70	5	470
Equity instruments	129	0	20	0	-18	0	0	0	0	0	0	131
Debt securities	248	-2	0	50	-3	-24	0	0	135	-70	5	339
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**1,508**	**-49**	**20**	**475**	**-202**	**-77**	**0**	**0**	**143**	**-126**	**-3**	**1,689**
Liabilities												
Financial liabilities HfT	2	7	0	0	0	0	0	0	0	0	0	9
Derivatives	2	7	0	0	0	0	0	0	0	0	0	9
Other trading financial liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities at FVPL	336	3	1	67	-55	-6	0	0	11	-113	0	245
Debt securities issued	155	0	1	0	0	-1	0	0	11	-113	0	54
Other financial liabilities	180	3	0	67	-55	-5	0	0	0	0	0	191
Hedge accounting derivatives	0	2	0	0	0	0	0	0	0	0	0	2
Total liabilities	**338**	**12**	**1**	**67**	**-55**	**-6**	**0**	**0**	**11**	**-113**	**0**	**256**

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

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

in EUR million	1-12 21	1-12 22
Assets		
Financial assets HfT	-13.7	-25.0
Derivatives	-13.3	-20.0
Other financial assets HfT	-0.4	-5.0
Non-trading financial assets at FVPL	-31.6	-51.0
Equity instruments	-9.3	-8.0
Debt securities	11.2	3.2
Loans and advances	-33.5	-46.2
Financial assets at FVOCI	-2.8	-3.4
Debt securities	-2.8	-3.4
Hedge accounting derivatives	0.0	3.4
Total	**-48.0**	**-76.1**
Liabilities		
Financial liabilities HfT	-6.8	-0.6
Derivatives	-6.8	-0.6
Other financial liabilities held for trading	0.0	0.0
Financial liabilities at FVPL	-2.2	25.1
Deposits from customers	0.0	0.0
Debt securities issued	1.4	0.0
Other financial liabilities	-3.5	25.1
Hedge accounting derivatives	-2.3	2.4
Total	**-11.2**	**26.9**

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Range of unobservable valuation parameters used in Level 3 measurement

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Dec 22					
Positive fair value of derivatives	Forwards, swaps, options	34.5	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.05%-9.81% (5.84%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	7.5	Discounted cash flow	Credit Spread	0.17%-2.25% (0.37%)
	Loans	839.3	Discounted cash flow	PD	0.09%-5.95% (2.17%)
				LGD	0%-25.79% (5.16%)
Financial assets at FVOCI	Fixed and variable coupon bonds	237.7	Discounted cash flow	Credit Spread	0.17%-8.95% (3.22%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	198.6	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.07-1.10 Recreation 1.02-1.03 Real Estate (General/Diversified) 0.89-0.90 Real Estate (Development) 0.81 Financial Svcs. (Non-bank & Insurance) 0.4-1.05 Business & Consumer Services 1.09 Health Resort & Gesundheitszentrum GmbH 0.76 Transportation 1.05-1.06
				Country risk premium	Austria 0.34%-0.49%, Croatia 2.13%, Czech Republic 0.72%, Romania 1.87-2.64%, Slovakia 1.02%, Hungary 1.62%, North Macedonia 3.06% Resulting cost of equity based on above inputs: 6.28%-13.53%
		127.6	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		0.03	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
Dec 21					
Positive fair value of derivatives	Forwards, swaps, options	59.6	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.17%-100% (5.34%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	16.6	Discounted cash flow	Credit Spread	0.45%-2.93% (0.51%)
	Loans	817.8	Discounted cash flow	PD	0.09%-7.27% (3.10%)
				LGD	0%-46.22% (13.62%)
Financial assets at FVOCI	Fixed and variable coupon bonds	443.7	Discounted cash flow	Credit Spread	0.01%-6.52% (0.90%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	249.3	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.04-1.10 Recreation 0.96 Real Estate (General/Diversified) 0.78 Real Estate (Operations & Services) 0.63 Financial Svcs. (Non-bank & Insurance) 0.91-1.06 Banks (Regional) 0.57 Health Resort & Gesundheitszentrum GmbH 0.66
				Country risk premium	Croatia 2.21%, Austria 0.33%-0.35%, Czech Republic 0.53%, Romania 1.95%, Russia 1.82%, Slovakia 0.75%, Hungary 1.95%, North Macedonia 2.97% Resulting cost of equity based on above inputs: 5.48% 13.03%
		147.9	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		0.03	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.

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

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

Sensitivity analysis using reasonably possible alternatives per product type

	Dec 21		Dec 22	
	Fair value changes		Fair value changes	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	3.1	-5.3	2.9	-3.4
Income statement	3.1	-5.3	2.9	-3.4
Debt securities	21.6	-28.8	10.0	-13.3
Income statement	3.3	-4.4	2.4	-3.2
Other comprehensive income	18.3	-24.4	7.6	-10.1
Equity instruments	106.6	-70.4	64.8	-49.8
Income statement	58.0	-43.8	42.9	-35.4
Other comprehensive income	48.6	-26.6	21.9	-14.4
Loans and advances	17.9	-45.7	15.7	-46.4
Income statement	17.9	-45.7	15.7	-46.4
Total	**149.2**	**-150.2**	**93.4**	**-112.9**
Income statement	**82.3**	**-99.2**	**63.9**	**-88.4**
Other comprehensive income	**66.9**	**-51.0**	**29.5**	**-24.5**

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 22					
Assets					
Financial assets at AC	253,360	240,268	31,703	3,699	204,867
Loans and advances to banks	18,435	18,138	0	0	18,138
Loans and advances to customers	194,313	186,501	0	0	186,501
Debt securities	40,612	35,630	31,703	3,699	228
Finance lease receivables	4,553	4,499	0	0	4,499
Trade and other receivables	2,404	2,389	0	0	2,389
Liabilities					
Financial liabilities at AC	278,932	276,200	12,875	12,293	251,032
Deposits from banks	28,821	28,290	0	0	28,290
Deposits from customers	222,620	221,224	0	0	221,224
Debt securities issued	26,593	25,789	12,875	12,293	621
Other financial liabilities	899	898	0	0	898
Financial guarantees and commitments					
Financial guarantees	n/a	47	0	0	47
Loan commitments	n/a	529	0	0	529
Dec 21					
Assets					
Financial assets at AC	229,641	231,575	30,887	3,922	196,766
Loans and advances to banks	20,991	21,193	0	0	21,193
Loans and advances to customers	173,099	175,356	0	0	175,356
Debt securities	35,551	35,026	30,887	3,922	217
Finance lease receivables	4,209	4,214	0	0	4,214
Trade and other receivables	2,152	2,158	0	0	2,158
Liabilities					
Financial liabilities at AC	265,415	265,141	10,447	11,262	243,432
Deposits from banks	31,886	31,807	0	0	31,807
Deposits from customers	210,029	209,704	0	0	209,704
Debt securities issued	22,352	22,481	10,447	11,262	772
Other financial liabilities	1,149	1,149	0	0	1,149
Financial guarantees and commitments					
Financial guarantees	n/a	4	0	0	4
Loan commitments	n/a	998	0	0	998

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

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

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

The fair value of issued securities and subordinated liabilities measured at amortized cost is determined based on quoted prices in active markets, if available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. Significant input factors for the spread adjustment of Erste Group's own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investments banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. Moreover optionality is taken into account when calculating the fair value.

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

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 for so called 'bottom layer' hedges. More details are discussed in part 'Hedges of interest rate risk' below. The change in the fair value of the hedged items attributable to the hedged interest risk in portfolio fair value hedges 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 over the 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, USD 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.

For cash flow hedges of deposits with central banks (disclosed under the line 'Interbank loans/repos' below) no forward looking curve over the hedging period exists for the hedged interest rates (such as DFR of the ECB or two-week repo rate of the CNB). In such cases the hedged risk is replicated by another rate for which the forward-looking curve exists (such as €STR swap curve or 1M PRIBOR swap curve). A proof of a strong correlation between the rates is necessary.

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.

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

Notional amounts of hedged items - hedges of interest rate risk

		Notional amount	
in EUR million	Type of hedged items	Dec 21	Dec 22
Fair value hedges			
Assets	Portfolios of client loans	240	243
Assets	Single loans	303	294
Assets	Bonds at FVOCI	983	1,005
Assets	Bonds at AC	1,064	1,107
Liabilities	Issued bonds	12,931	16,563
Liabilities	Other liabilities/repos	50	47
Cash flow hedges			
Assets	Interbank loans/repos	1,337	1,947
Assets	Client loans	1,721	1,764

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 the balance sheet line item ‘Financial assets measured at amortised cost’, with a carrying amount of EUR 599.6 million (2021: EUR 523.7 million).

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 bonds and loans with notional amount of EUR 1,616 million (2021: EUR 946 million) are hedged in cash flow hedges by using cross currency swaps as hedging instruments. FX swaps with notional amount of EUR 151 million (2021: EUR 0.0 million) are used as hedging instrument in hedges of interest accruals on financial assets in foreign currency.

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 2022 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: Assets	Carrying amount: Liabilities	Change in FV for the period used for calculating hedge ineffectiveness	Notional	Timing of the nominal amounts of the instruments: ≤ 3 m	> 3 m and ≤ 1 y	> 1 y and ≤ 5 y	> 5 y
Dec 22								
Fair value hedges	**403**	**2,073**	**-1,600**	**19,662**	**869**	**79**	**9,903**	**8,811**
Interest rate risk	403	2,073	-1,600	19,662	869	79	9,903	8,811
Cash flow hedges	**94**	**175**	**70**	**5,113**	**176**	**497**	**4,171**	**269**
Interest rate risk	7	175	36	3,670	0	339	3,331	0
Foreign exchange risk	87	0	34	1,443	176	158	840	269
Total gross amounts	**497**	**2,248**	**-1,529**	**24,776**	**1,045**	**576**	**14,074**	**9,080**
Offset	-338	-1,876						
Total	**159**	**372**	**-1,529**	**24,776**	**1,045**	**576**	**14,074**	**9,080**
Dec 21								
Fair value hedges	**319**	**344**	**-232**	**15,988**	**1,012**	**17**	**6,647**	**8,312**
Interest rate risk	319	344	-232	15,988	1,012	17	6,647	8,312
Cash flow hedges	**6**	**183**	**-305**	**4,003**	**182**	**77**	**3,280**	**464**
Interest rate risk	0	149	-234	3,057	182	60	2,685	129
Foreign exchange risk	6	35	-71	946	0	16	594	335
Total gross amounts	**325**	**527**	**-537**	**19,991**	**1,195**	**94**	**9,927**	**8,776**
Offset	-246	-218	0	0	0	0	0	0
Total	**79**	**309**	**-537**	**19,991**	**1,195**	**94**	**9,927**	**8,776**

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 22				
Financial assets at FVOCI				
Interest rate risk	915	-79	-134	8
Financial assets at AC				
Interest rate risk	1,807	-303	-324	16
Financial liabilities at AC				
Interest rate risk	15,370	-1,892	2,047	73
Dec 21				
Financial assets at FVOCI				
Interest rate risk	1,040	53	-37	12
Financial assets at AC				
Interest rate risk	2,036	19	-100	19
Financial liabilities at AC				
Interest rate risk	13,636	90	365	96

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 22			
Interest rate risk	-36	-29	-207
Foreign exchange risk	-55	4	-10
Total	**-91**	**-25**	**-217**
Dec 21			
Interest rate risk	217	-156	-12
Foreign exchange risk	66	-85	0
Total	**282**	**-240**	**-12**

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 22				
Fair value hedges				
Interest rate risk	-11	0	0	0
Cash flow hedges				
Interest rate risk	0	37	-98	0
Foreign exchange risk	0	34	46	0
Total	**-11**	**71**	**-52**	**0**
Dec 21				
Fair value hedges				
Interest rate risk	-4	0	0	0
Cash flow hedges				
Interest rate risk	-7	-228	-3	0
Foreign exchange risk	-1	-70	0	0
Total	**-11**	**-298**	**-3**	**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 for hedge accounting

Interest rate benchmark reform and its impact on Erste Group are described in Note 69 Interest Rate Benchmark Reform. Regarding hedge accounting, Erste Group considers that it is exposed to uncertainties resulting from the reform in respect of its hedges of USD LIBOR interest risk. Hedging instruments with nominal amount USD 50 million (EUR 47 million) (2021: USD 50 million (EUR 44 million)) designated in fair value hedges of bonds acquired and nominal amount USD 150 million (EUR 141 million) (2021: USD 150 million (EUR 132 million)) designated in fair value hedges of debt securities issued are affected. Their hedging period reaches beyond the cessation date of the respective LIBOR rates (30 June 2023 for USD LIBOR 1M, 3M, 6M and 12M tenors).

When it comes to the replacement of USD LIBOR rates, the interest rate swap hedging instruments will be affected both by replacements of the reference rate used for their floating legs USD (3-month LIBOR rate changed into 3-month term SOFR) and the change in the discounting curve. On the hedged items side, the hedged benchmark interest rate risk portion will be affected by change in the discounting curve (LIBOR-based discounting curve changed into overnight SOFR-based discounting curve).

As a result of these uncertainties, Erste Group applies the requirements of IAS 39 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 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 USD LIBOR-based cash flows of the hedging instruments and the hedged benchmark interest rate risk portion.

CHF LIBOR rates ceased to be published at the end of 2021 and have been replaced by SARON rates. Hedging instruments with nominal amount of CHF 200 million (EUR 194 million) designated in fair value hedges of debt securities issued were affected by the replacement. In line with 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 designation and documentation of these hedges was updated and all the impacts from the valuation changes were recognised immediately in profit or loss in 2021 without terminating the hedges.

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.

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.

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 and liabilities subject to offsetting and potential offsetting agreements

				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial assets/liabilities (gross)	Amounts offset (gross)	Financial assets/liabilities in balance sheet (net)	Financial instruments	Cash collateral received/ pledged	Other financial collateral received/ pledged	Net amount after potential offsetting
Dec 22							
Assets							
Derivatives	7,542	5,664	1,877	1,111	461	0	305
Variation margin assets	1,448	1,448	0	0	0	0	0
Reverse repurchase agreements	15,169	0	15,169	0	73	15,056	40
Total	**24,158**	**7,112**	**17,046**	**1,111**	**535**	**15,056**	**345**
Liabilities							
Derivatives	9,858	6,859	2,999	1,111	242	192	1,454
Variation margin liabilities	257	253	3	0	0	0	3
Repurchase agreements	3,201	0	3,201	0	8	3,160	33
Total	**13,316**	**7,112**	**6,204**	**1,111**	**250**	**3,352**	**1,490**

				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial assets/liabilities (gross)	Amounts offset (gross)	Financial assets/liabilities in balance sheet (net)	Financial instruments	Cash collateral received/ pledged	Other financial collateral received/ pledged	Net amount after potential offsetting
Dec 21							
Assets							
Derivatives	4,721	2,379	2,342	1,127	729	0	487
Variation margin assets	332	328	4	0	0	0	4
Reverse repurchase agreements	16,777	0	16,777	0	8	16,492	276
Total	**21,829**	**2,707**	**19,123**	**1,127**	**737**	**16,492**	**767**
Liabilities							
Derivatives	4,460	2,527	1,933	1,127	251	70	486
Variation margin liabilities	181	180	1	0	0	0	1
Repurchase agreements	1,586	0	1,586	0	2	1,584	0
Total	**6,227**	**2,707**	**3,520**	**1,127**	**253**	**1,654**	**487**

Compared to the 2021 financial statements the tables were amended and the information about the variation margin assets and liabilities which was previously disclosed in the text is provided directly in the tables.

The impact of offsetting is shown in the column 'Amounts offset (gross)'.

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 gross asset and liability derivative positions. The net derivative position is further offset with variation margin amounts. As a result, the offsetting of derivatives has to be viewed in relation to the variation margin assets and liabilities balances. The sum of the amounts offset in the lines 'Derivatives' and 'Variation margin assets' in the table for financial assets equals the sum of the amounts offset in the lines 'Derivatives' and 'Variation margin liabilities' in the table for financial liabilities. The variation margin assets are presented under the balance sheet items 'Cash and cash balances'. The variation margin liabilities are presented under the balance sheet item 'Financial liabilities measured at amortised cost ', sub-item 'Deposits from banks'.

Erste Group employs master netting agreements and repurchase 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 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 re-transfer, 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 21		Dec 22	
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	**753**	**739**	**1,882**	**1,650**
Financial assets at AC	573	559	1,455	1,219
Trading assets	50	50	38	39
Financial assets at FVOCI	130	130	390	392
Securities lendings	**982**	**0**	**671**	**0**
Financial assets at AC	659	0	306	0
Trading assets	323	0	57	0
Financial assets at FVOCI	0	0	309	0
Total	**1,735**	**739**	**2,554**	**1,650**

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 21			Dec 22		
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	572	559	13	1,297	1,221	76
Trading assets	50	50	0	38	39	-1
Financial assets at FVOCI	130	130	0	390	392	-2
Total	**752**	**739**	**13**	**1,724**	**1,651**	**73**

30. Financial assets pledged as collaterals

Carrying amount of financial assets pledged as collaterals

in EUR million	Dec 21	Dec 22
Financial assets at AC	41,386	43,141
Trading assets	380	99
Non-trading financial assets at FVPL	0	25
Financial assets at FVOCI	488	932
Total	**42,254**	**44,196**

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 16,431.5 million (2021: EUR 18,500.3 million). Collateral with fair value of EUR 3,410.0 million (2021: EUR 1,122.8 million) was resold or repledged. The bank is obliged to return the resold and repledged collateral.

31. Securities

	Dec 21					Dec 22				
			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	**35,551**	**4,125**	**1,499**	**476**	**8,749**	**40,612**	**5,977**	**1,223**	**327**	**9,460**
Listed	33,027	1,841	701	98	6,832	38,587	1,779	614	52	7,714
Unlisted	2,524	2,284	798	379	1,917	2,025	4,198	609	275	1,747
Equity-related securities	**0**	**84**	**332**	**0**	**132**	**0**	**70**	**347**	**0**	**99**
Listed	0	76	113	0	56	0	64	132	0	41
Unlisted	0	9	219	0	77	0	6	215	0	58
Total	**35,551**	**4,210**	**1,830**	**476**	**8,881**	**40,612**	**6,047**	**1,569**	**327**	**9,560**

Investment funds units are reported within bonds and other interest bearing securities.

Risk and capital management

32. Financial risk management

Risk policy and strategy

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 and targeted 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.

Erste Group 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.

In 2022 the only organizational change on B-1 level in the CRO area was the transfer of the Group Legal division to the CEO area in order to bundle all legal/regulatory responsibilities within one board area. Other than that, the structure established in 2020 was continued and strengthened.

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 (until end of October 2022);
- Cyber Risk Management;
- Local Chief Risk Officers.

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.
_ Risk Committee of the Supervisory Board;
_ CRO Board;
_ Holding Credit Committee;
_ Market Risk Committee;
_ Operative Market Risk Committee;
_ Strategic Risk Executive Committee;
_ Strategic Risk Management Committee;
_ Stress Testing Committee;
_ Group Resolution Committee;
_ United States Risk Committee;
_ Regional Operational Conduct Committee;
_ Group IT Risk & Security Committee;
_ Group Asset/Liability Committee;
_ Operational Liquidity Committee;
_ Banking Book 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 management of the bank in managing the risk portfolios as well as the coverage potential and 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

Risk appetite defines the maximum level of risk Erste Group is willing to accept in pursuing its business goals. The overall approach includes a risk appetite statement, risk limits, and the roles and responsibilities of those overseeing the implementation and monitoring of the risk appetite framework. Limit framework (i.e., risk appetite framework) of Erste Group includes risk limits set in Risk Appetite Statement and Risk Strategy, industry limits, maximum lending limits and operational limits.

The Group Risk Appetite Statement (Group RAS) represents a strategic statement that expresses the maximum level of risk it is willing to accept in order to deliver its business objectives. 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 and the risk committee of the supervisory board and acknowledged by the supervisory board. It is integrated and embedded into Erste Group's structural processes; including business and risk strategy, budgeting process, capital and liquidity planning, recovery plan, stress testing and remuneration framework. The Group RAS consists of a set of core risk metrics (capital, liquidity, risk/earnings) 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 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 cascaded to 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 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 2022was approved by the management board and the risk committee of the supervisory board and acknowledged by the supervisory board in the last quarter of 2021.

ESG risks are embedded in the Risk Appetite Statement and in the risk strategy and are also part of Erste Group's Risk Materiality Assessments. They are integrated into Erste Group's risk taxonomy as transversal risks (risk types that have impact and are reflected through more than one key risk category) and are included in the relevant risk categories credit, market, liquidity and operational risk. Erste Group's definition of ESG risk is part of the Group ICAAP guideline and covers a wide range of risks arising from environmental, social and governance factors.

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 aware-ness 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. RMA is an annual process with the purpose of systematic identification of new and assessment of all risks for the Group. Senior management may require to perform RMA on ad hoc basis in addition, in order to address changing operating environment or emerging risks (e.g., interim RMA performed in the second semester due to Russia-Ukraine war). As such, the RMA is an integral part of the ICAAP and serves as a steering tool for 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.

In 2022, Erste Group participated in the ECB's first Climate Stress Test, part of the wider "Climate roadmap". Participation in this stress test was an important learning experience. Following the conclusion of this first climate stress test, Erste Group has taken steps to integrate climate risk into the internal stress testing framework. In particular, both physical risk and transition risk from projected climate change are now included in the internal stress testing framework.

Results from Erste Group's internal stress tests are analysed in order to decide on appropriate measures and inform the bank steering. The internal comprehensive stress tests performed in 2022 indicated no breach of stressed RAS triggers after the application of scenario contingent measures in the final two years 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 normative (regulatory) view of Pillar 1, referring to the Group's ability to fulfil all of its capital-related regulatory and supervisory requirements and demands, 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. The RCC determines whether the Group has sufficient internal capital for covering all (regulatory and economic) risks it is exposed to. Economic and normative perspectives at Erste Group are set in a way to mutually inform each other and are integrated into all material business steering activities and decisions. In addition, with applied Pillar 1+ approach the Group increases efficiency and ensures comparability with the Pillar 1 calculation. Based on the results of the RMA, the 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 in trading book, FX in banking book and operational risks), interest rate risk in the banking book, 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 its 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 72.3% of total economic capital requirements at the end of 2022.

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 (Pillar 2 adjustments) necessary to come to the internally available capital deemed as risk-bearing and loss absorbing from the economic view (e.g. exclusion of Additional Tier 1 and Tier 2 capital instruments, Pillar 2 IRB expected loss excess/shortfall add-on, year-to-date profit, if not already considered in Pillar 1 capital, 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 2021, the economic capital adequacy was at 65.9%, fully in line with group RAS.

The management board and supervisory board (including risk committee of 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), port-folio 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.

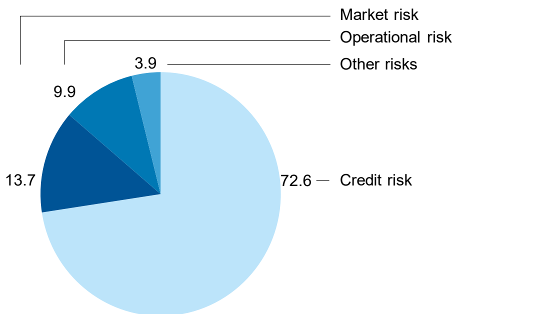
Capital allocation

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.

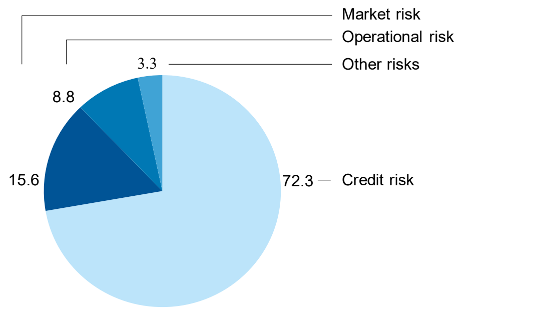
Erste Group's aggregate capital requirements by risk type

The following diagrams present the composition of the economic capital requirements according to type of risk:

Economic capital allocation (in %)
31 December 2021



Economic capital allocation (in %)
31 December 2022



Other risks include business risk.

Recovery and resolution plans

The Directive (EU) 2014/59 as amended (Bank Recovery and Resolution Directive – BRRD) has been implemented in Austria into national law by the Austrian Recovery and Resolution Act ("Sanierungs- und Abwicklungsgesetz – BaSAG"). On 7 June 2019 a legislative package (EU Banking Package) was published in the Official Journal of the EU. The EU Banking Package comprises the Directive (EU) No 2013/36 (CRD IV), and the Regulation (EU) No 575/2013 (CRR) as well as the BRRD and the Regulation (EU) No 806/2014 as amended (SRMR). The EU Banking Package entered into force on 27 June 2019 and was amended into national legislation in AT on 28 June 2021.

Recovery Planning. In compliance with the current Austrian Banking Recovery and Resolution Law ("Bundesgesetz über die Sanierung und Abwicklung von Banken – BaSAG"), Erste Group annually submits a Group Recovery Plan to Joint Supervisory Team (JST). The Group Recovery Plan is regularly assessed by ECB. The Group Recovery Plan identifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of severe scenarios including both idiosyncratic and market-wide stress. The Recovery Framework is mainly reconciled with the Risk Appetite Framework across indicators and indicator thresholds, ensuring comprehensive enterprise-wide risk management. 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 in order to be able to recover back into the recovery green zone. The recovery governance described in the plan ensures timely identification and proper management of a recovery situation of Erste Group. Furthermore, the assessment of the Group Recovery Plan and the assessment of the overall recovery capacity are part of the Supervisory Review and Evaluation Process (SREP) assessment.

Resolution Planning. Erste Group collaborates with the resolution authorities in the drawing up of resolution plans as required by BaSAG and EU Regulation No 806/2014 establishing the Single Resolution Mechanism (SRM Regulation). The legislative framework allows for a multiple-point-of-entry (MPE) or a single-point-of-entry (SPE) resolution strategy. The Resolution Authorities formed a joint decision in the resolution college for Erste Group which defines the MPE approach forming six separate resolution groups with Erste Group's core CEE subsidiaries and Austria, but with SPE approaches on country level. This results in having resolution groups in AT, CZ, HR, HU, RO and SK. Under the MPE strategy, a group has more than one Resolution Entity Level which is the entry point for resolution. The resolution plans (including resolution strategy and MREL decisions) are regularly updated by the Resolution Authorities and subject to Joint Decision formed in a resolution college by Resolution College Members.

MREL. The Bank Recovery and Resolution Directive (BRRD) introduced the Minimum Requirement for Own Funds and Eligible Liabilities (MREL). MREL notifications are provided by the national resolution authorities on the level of resolution groups and relevant individual subsidiaries of resolution entities, reflecting the resolution strategy, based on the MREL joint decision taken by the resolution college. MREL requirements are expressed as a percentage of the total risk exposure amount (TREA) as well as leverage ratio exposure (LRE).

Based on the MREL joint decisions taken, the National Resolution Authorities provided their legal notifications. In May 2022, Erste Group received Joint Decision determining the minimum requirement for own funds and eligible liabilities for its resolution groups and some non-resolution entities (i.e., subsidiaries of resolution entities). The requirement is set including binding intermediate requirements as of 1 January 2022 and binding requirements as of 1 January 2024. Information on MREL targets have been published on the local entities' website based on legal notifications released by the relevant national resolution authorities. MREL metric is integrated into the RAS and Recovery Framework of Erste Group.

33. Own funds and capital requirements

Regulatory Requirements

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

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

Furthermore Erste Group also fulfils capital requirements determined in the Supervisory Review and Evaluation Process (SREP).

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.

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. The definition pursuant to CRR differs from the scope of consolidation according to IFRS, which also includes insurance companies and other entities, that are subject to full consolidation.

Erste Group Bank AG is a member of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. As of the balance sheet date Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG as well as Bausparkasse der österreichischen Sparkassen AG and all Austrian savings banks form this cross-guarantee system. Based on the cross-guarantee contract these entities are included as subsidiaries in Erste Group´s regulatory scope of consolidation.

Furthermore, Erste Group Bank AG together with the Haftungsverbund entities form an institutional protection scheme (IPS) according to Art. 113 para 7 CRR. Disclosure requirements for the institutional protection scheme according to Art. 113 para 7 e CRR are met by the publication of the consolidated financial statements, which cover all entities included in the institutional protection scheme.

Consolidated own funds

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

The items of own funds as disclosed are also used for internal capital management purposes, except AT1 and T2 capital instruments. Erste Group fulfilled the capital requirements throughout the reporting period.

Beside the regulatory minimum capital ratios also capital buffers according to ABA and regulations of the Financial Market Authority (FMA) need to be considered.

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[1] Both CRD IV and CRR have been amended since the entry into force in 2014 inter alia with directive (EU) 2019/878 (CRD V) as well as regulations (EU) 2019/876 (CRR 2) and (EU) 2020/873 (CRR Quick Fix).

[2] CRDV has been transposed by an amendment of the ABA (BGBl I 2021/98; BWG-Novelle) which entered into force on 31 May 2021.

In addition to minimum capital ratios and capital buffer requirements, institutions also have to fulfil capital requirements determined in the Supervisory Review and Evaluation Process (SREP). As a result of the 2021 SREP process performed by the European Central Bank (ECB) Erste Group applies a Pillar 2 requirement (P2R) of 1.75% as of 31. December 2022.

Following the SREP 2021, Erste Group is expected to meet a Pillar 2 Guidance (P2G) of 1.0% with CET1, valid as of 1 January 2022 onwards.

Overview of capital requirements and capital buffers

	Dec 21	Dec 22
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)	**4.68%**	**4.91%**
Capital conservation buffer	2.50%	2.50%
Countercyclical capital buffer	0.18%	0.41%
Systemic risk buffer	1.00%	1.00%
O-SII capital buffer	1.00%	1.00%
Minimum CET 1 requirement (incl.CBR)	9.18%	9.41%
Minimum Tier 1 requirement (incl.CBR)	10.68%	10.91%
Minimum Own Funds requirement (incl.CBR)	12.68%	12.91%
Pillar 2	**1.75%**	**1.75%**
Minimum CET1 requirement	0.98%	0.98%
Minimum T1 requirement	1.31%	1.31%
Minimum Own Funds requirement	1.75%	1.75%
Total CET 1 requirement for Pillar 1 and Pillar 2	**10.16%**	**10.40%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**11.99%**	**12.23%**
Total Capital requirement for Pillar 1 and Pillar 2	**14.43%**	**14.66%**

Capital structure

	Dec 21		Dec 22	
in EUR million	Phased-in	Final	Phased-in	Final
Common equity tier 1 capital (CET1)				
Capital instruments eligible as CET1	2,337	2,337	2,337	2,337
Retained earnings	14,156	14,156	15,425	15,425
Accumulated other comprehensive income	-1,706	-1,706	-1,820	-1,820
Minority interest recognised in CET1	5,219	5,219	5,866	5,866
Common equity tier 1 capital (CET1) before regulatory adjustments	**20,006**	**20,006**	**21,808**	**21,808**
Own CET1 instruments	-263	-263	-87	-87
Prudential filter: cash flow hedge reserve	206	206	197	197
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	207	207	23	23
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-4	-4	-21	-21
Value adjustments due to the requirements for prudent valuation	-86	-86	-104	-104
Securitizations with a risk weight of 1,250%	-33	-33	-31	-31
Goodwill	-550	-550	-556	-556
Other intangible assets	-392	-392	-386	-386
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-178	-178	-219	-219
CET1 capital elements or deductions – other	-109	-109	-180	-180
Common equity tier 1 capital (CET1)	**18,804**	**18,804**	**20,443**	**20,443**
Additional tier 1 capital (AT1)				
Capital instruments eligible as AT1	2,236	2,236	2,236	2,236
Instruments issued by subsidiaries that are given recognition in AT1	7	7	6	6
Additional tier 1 capital (AT1) before regulatory adjustments	**2,243**	**2,243**	**2,243**	**2,243**
Own AT1 instruments	-1	-1	-1	-1
Additional tier 1 capital (AT1)	**2,241**	**2,241**	**2,241**	**2,241**
Tier 1 capital = CET1 + AT1	**21,045**	**21,045**	**22,684**	**22,684**
Tier 2 capital (T2)				
Capital instruments eligible as T2	3,065	3,065	2,782	2,782
Instruments issued by subsidiaries recognised in T2	173	173	195	195
Transitional adjustments due to grandfathered T2 instruments	50	0	0	0
IRB excess of provisions over expected losses eligible	522	522	575	575
Tier 2 capital (T2) before regulatory adjustments	**3,811**	**3,760**	**3,552**	**3,552**
Own T2 instruments	-47	-47	-51	-51
Tier 2 capital (T2)	**3,763**	**3,713**	**3,500**	**3,500**
Total own funds	**24,808**	**24,758**	**26,184**	**26,184**
Capital requirement	**10,196**	**10,372**	**11,343**	**11,514**
CET1 capital ratio	**14.8%**	**14.5%**	**14.4%**	**14.2%**
Tier 1 capital ratio	**16.5%**	**16.2%**	**16.0%**	**15.8%**
Total capital ratio	**19.5%**	**19.1%**	**18.5%**	**18.2%**

The column “Phased-in” shows the amounts considered according to CRR phase-in regulations considering the transitional provisions. The column “Final” discloses the amounts under full implementation of the CRR.

The position CET1 elements or deduction – others includes the development of unaudited risk provisions during the year (EU No 183/2014) and 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.

Risk structure

	Dec 21		Dec 22	
in EUR million	Total risk (phased-in)	Capital requirement (phased-in)	Total risk (phased-in)	Capital requirement (phased-in)
Total Risk Exposure Amount	127,448	10,196	141,793	11,343
Risk weighted assets (credit risk)	105,869	8,470	116,730	9,338
Standardised approach	18,869	1,510	20,945	1,676
IRB approach	86,994	6,959	95,780	7,662
Contribution to the default fund of a CCP	7	1	5	0
Settlement Risk	0	0	11	1
Trading book, foreign FX risk and commodity risk	3,671	294	7,027	562
Operational Risk	14,786	1,183	14,831	1,187
Exposure for CVA	390	31	418	33
Other exposure amounts (incl. Basel 1 floor)	2,730	218	2,775	222

	Dec 21		Dec 22	
in EUR million	Total risk (final)	Capital requirement (final)	Total risk (final)	Capital requirement (final)
Total Risk Exposure Amount	129,647	10,372	143,926	11,514
Risk weighted assets (credit risk)	108,068	8,645	118,863	9,509
Standardised approach	19,809	1,585	21,942	1,755
IRB approach	88,252	7,060	96,916	7,753
Contribution to the default fund of a CCP	7	1	5	0
Settlement Risk	0	0	11	1
Trading book, foreign FX risk and commodity risk	3,671	294	7,027	562
Operational Risk	14,786	1,183	14,831	1,187
Exposure for CVA	390	31	418	33
Other exposure amounts (incl. Basel 1 floor)	2,730	218	2,775	222

The position Other exposure amounts includes a RWA-add-on in view of the calculation of risk-weighted assets for credit risk in Banca Comercială Română (BCR). 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 (expected in 2023).

Furthermore it consideres a RWA add-on linked to the limitation related to the group-wide PD estimation methodology.

34. Credit risk: credit risk review and monitoring

Credit risk strategy

In 2022, management attention was dedicated to the evolving Russia-Ukraine conflict, which poses serious threats to the European but also global economy. Erste Group is not directly impacted, as it has no operating presence in geopolitical region of Russia or Ukraine and also direct exposure to these two markets is immaterial. Still, a number of ad hoc risk management activities was undertaken in order to evaluate, actively steer and mitigate indirect impact on the capital position and risk profile. All stress scenarios, including ”no gas from Russia”, would have manageable impact on the Group risk profile, keeping all capital ratios above the limits.

ESG Risk management

Environmental, Social and Governance (ESG) risks remained one of the top priorities also in 2022.

Erste Group integrates ESG factors in its risk management and industry strategy framework. In the first place, the Erste Group ESG Factor Heatmap is used as a screening instrument to identify certain segments (out of the existing segmentation) that may be exposed to ESG risk factors and determine those industries which are more vulnerable to ESG risks. Erste Group establishes industry strategies and lending standards to support the steering of the portfolio under considerations of ESG risks; both are the basis for decisions, which determine which clients and transactions fit into the Group's portfolio.

Secondly, the Group has established an ESG risk framework for the assessment of material ESG factors, related risks and appropriateness of the mitigating strategies in the credit and rating processes. In this manner, the Group takes ESG risk criteria into account, when making credit decisions.

For large corporate, commercial real estate and commercial residential real estate transactions, the Group conducts a systemic ESG analysis via an internal digital ESG Assessment questionnaire. The questionnaire is a mandatory prerequisite in the loan origination and monitoring process. Through this assessment, the Group is able to determine to which extent a client's ESG strategy is aligned with Erste Group's respective industry strategies. By providing a comprehensive ESG risk assessment, Erste Group is able to determine how certain ESG factors may have a positive or negative impact on the financial performance of clients. The questionnaire enables the Group to identify clients' ESG risks or opportunities. Questions cover various dimensions, such as greenhouse gas emissions, impact of carbon prices on profitability, transition related CAPEX, waste, water consumption, biodiversity, physical risk impact, workers and human rights, as well as governance topics, to name a few. For clients that are identified as high ESG risk, a deep-dive assessment is triggered to understand the nature and severity of the risks to which the client is exposed. The questionnaire forms an integral part of the credit application and is updated at least annually, allowing Erste Group to understand the client's business model in the context of carbon transition.

Furthermore, ESG relevant data is collected for certain types of collateral, as defined in the Group Collateral Management Policy for real estate collateral valuations, documentation and reporting purposes. Environmental aspects which affect the value of the collateral have to be included in the real estate valuations, which can lead to a higher or lower valuation result. Moreover, any risks arising from social (e.g., location and transportation, mass urbanisation – being indicators for easy accessibility for people) and governance factors (such as bribery or legal proceedings) have to be considered as well. For commercial real estate assets, the questionnaire additionally includes an assessment of the building's environmental footprint, providing an internal Technical Object Rating, as well as an assessment of the location sustainability based on ESG relevant criteria.

Regarding internal models a respective project to define and collect relevant climate risk drivers for all rating systems has started in 2022 to ensure the explicit consideration of climate risks in future model development initiatives. For the LGD models, climate risk is indirectly reflected via the collateral value.

Erste Group recognizes additional challenges caused by the ESG (environmental, social and governance) risks. The bank is in the process of analyses how these risks can be incorporated into ECL measurement. In the Risk Materiality Assessment, climate and environment-related risks are overall assessed as medium. This assessment is driven by the "Transition Risk" analysis as a small percentage of the portfolio still has high greenhouse gas emissions and would therefore be exposed to increased risk in the event of a disorderly transition scenario. Disorderly transition scenario was considered in the FLI downside (please see description of comprehensive stress test scenario in the "Measurement of expected credit loss" chapter). Erste Group further analyses if ESG overlays are necessary in the future. Consideration through FLI scenario was deemed sufficient for ECL measurement as of 31 December 2022.

Among the industries presented in the table "Credit risk exposure by industry and risk category" below in this chapter, Erste Group identified in the first step, as part of the strategic climate initiative for the Net Zero Banking Alliance, the Real Estate industry, Private Households (Mortgage Portfolio) and parts of the Energy sector (energy production and heat production) as important levers for setting the interim emission targets for 2030. Further sectors where Erste Group is exposed to high greenhouse gas emissions (due to either the credit risk exposure or its emission intensity) will be subject to the target setting process 2023, thus supporting the migration of "Transition Risk" in Erste Group financed portfolio.

Methods of credit risk management

Credit risk arises from Erste Group's traditional lending and investment businesses.

Operative credit decisions are made by the credit risk management units in each subsidiary locally and by Corporate Risk Management at the group level.

Credit risk related to retail and SME loan portfolios is managed at the 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.

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 at a minimum on an annual basis and adjusted if necessary. 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 credit 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 credit 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, where applicable, 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 credit 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 continuously improve internal rating models and risk parameters in cooperation with risk managers. All Pillar 1 and 2, as well as IFRS9 models are subject of an annual review of their estimates, considering the inclusion of most recent data in the estimation of risk parameters, as well as a regular cycle of full model review. 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 Model Validation department 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 Pillar 1, material Pillar 2 and IFRS9 models are subject to an annual validation, while for non-material ones a regular validation cycle is implemented. 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, in case of IRB models, shared with the regulatory bodies. In addition to the validation process, the group applies a regular monitoring process on the performance of IRB models, reflecting developments in new defaults and early delinquencies.

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). In this context, the following committees are established: Strategic Risk Executive Committee and Strategic Risk Management Committee.

Ultimate responsibility for all models used within the Group (at consolidated level) lies with the Group CRO. All model governance, development, validation, data management and monitoring 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.

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.

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 is used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series are applied.

In 2022, the method of assigning the external customer ratings to the internal PDs was reviewed. The main adjustments were the update of the one one-year default rates for the agency ratings and the redefinition of the internal PD assignment for the different rating methods, 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 2021, the adjusted methodology results in a decrease of the portfolio share of the "Low risk" category by 2.6 percentage points, as of 31 December 2021. The "Management attention" and "Substandard" categories increase by 2.2 and 0.4 percentage points. The "Non-performing" risk category was not affected by the adjustment of the methodology.

Credit risk review and monitoring

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.

35. Credit risk exposure

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

_ cash and cash balances - demand deposits to credit institutions;
_ instruments (derivatives and debt securities) held for trading (HfT);
_ non-trading debt instruments at fair value through profit or loss (FVPL);
_ debt instruments at fair value through other comprehensive income (FVOCI);
_ debt instruments at amortised cost (AC), other than trade and other receivables;
_ trade and other receivables (for disclosure purposes in the tabular summaries below, any contract assets are also included in this category);
_ finance lease receivables;
_ debt instruments held for sale in disposal groups;
_ positive fair value of hedge accounting derivatives;
_ off-balance sheet 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 2021 and 31 December 2022, the credit risk exposure increased from EUR 312,439 million to EUR 349,166 million. This is an increase of 11.8% or EUR 36,727 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 22				
Cash and cash balances - demand deposits to credit institutions	723	-1	0	722
Instruments HfT	7,695	0	0	7,695
Non-trading debt instruments at FVPL	2,389	0	0	2,389
Debt securities	1,549	0	0	1,549
Loans and advances to banks	0	0	0	0
Loans and advances to customers	839	0	0	839
Debt instruments at FVOCI	9,929	-24	-444	9,460
Debt securities	9,929	-24	-444	9,460
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	257,217	-3,857	0	253,360
Debt securities	40,633	-22	0	40,612
Loans and advances to banks	18,441	-6	0	18,435
Loans and advances to customers	198,143	-3,830	0	194,313
Trade and other receivables	2,469	-65	0	2,404
Finance lease receivables	4,639	-86	0	4,553
Debt instruments held for sale in disposal groups	154	-4	0	150
Positive fair value of hedge accounting derivatives	159	0	0	159
Off-balance sheet exposures	63,792	-534	0	-
Financial guarantees	7,643	-177	0	-
Loan commitments	48,434	-292	0	-
Other commitments	7,716	-65	0	-
Total	**349,166**	**-4,572**	**-444**	**280,892**
Dec 21				
Cash and cash balances - demand deposits to credit institutions	1,033	-1	0	1,033
Instruments HfT	6,389	0	0	6,389
Non-trading debt instruments at FVPL	2,793	0	0	2,793
Debt securities	1,975	0	0	1,975
Loans and advances to banks	10	0	0	10
Loans and advances to customers	808	0	0	808
Debt instruments at FVOCI	8,655	-23	94	8,749
Debt securities	8,655	-23	94	8,749
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	233,402	-3,761	0	229,641
Debt securities	35,565	-15	0	35,551
Loans and advances to banks	20,998	-6	0	20,991
Loans and advances to customers	176,839	-3,740	0	173,099
Trade and other receivables	2,239	-87	0	2,152
Finance lease receivables	4,319	-111	0	4,209
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	79	0	0	79
Off-balance sheet exposures	53,529	-544	0	-
Financial guarantees	6,796	-180	0	-
Loan commitments	40,593	-284	0	-
Other commitments	6,141	-80	0	-
Total	**312,439**	**-4,527**	**94**	**255,044**

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

Breakdown of credit risk exposure

On the following pages the credit risk exposure is presented according to different segmentation criteria.

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 22					
Natural Resources & Commodities	9,808	3,103	691	279	13,881
Energy	12,869	1,802	191	49	14,912
Construction and building materials	11,481	3,681	637	311	16,111
Automotive	5,836	1,316	228	335	7,715
Cyclical Consumer Products	6,189	2,465	353	307	9,314
Non-Cyclical Consumer Products	7,618	1,780	388	161	9,947
Machinery	4,688	1,019	324	157	6,188
Transportation	4,656	2,352	273	113	7,394
TMT; Telecommunications, Media, Technology	6,104	970	249	165	7,487
Healthcare & Services	8,662	1,831	407	224	11,123
Hotels & Leisure	6,614	2,019	429	425	9,487
Real Estate	36,434	5,459	844	471	43,208
Public Sector	66,263	602	119	10	66,994
Financial Institutions	26,373	1,274	390	36	28,074
Private Households	85,577	6,955	3,004	1,456	96,992
Other	251	39	44	5	339
Total	**299,423**	**36,667**	**8,570**	**4,505**	**349,166**
Dec 21					
Natural Resources & Commodities	9,129	2,056	435	333	11,953
Energy	7,700	988	111	89	8,888
Construction and building materials	10,481	1,889	373	364	13,106
Automotive	5,043	650	149	295	6,136
Cyclical Consumer Products	5,389	1,156	264	304	7,113
Non-Cyclical Consumer Products	7,161	1,068	286	186	8,701
Machinery	4,174	772	135	131	5,212
Transportation	4,104	1,538	245	184	6,071
TMT; Telecommunications, Media, Technology	4,779	710	82	90	5,661
Healthcare & Services	7,895	1,572	248	169	9,884
Hotels & Leisure	5,919	2,464	520	472	9,375
Real Estate	31,940	6,172	906	425	39,443
Public Sector	64,103	735	194	0	65,032
Financial Institutions	20,652	1,156	141	31	21,980
Private Households	84,829	4,808	2,046	1,552	93,234
Other	534	47	64	3	648
Total	**273,833**	**27,781**	**6,199**	**4,626**	**312,439**

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 21					
Agriculture and forestry	2,317	944	221	134	3,616
Mining	644	75	10	21	750
Manufacturing	17,211	2,763	644	687	21,306
Energy and water supply	4,525	850	96	48	5,519
Construction	10,455	2,780	316	306	13,856
Development of building projects	5,356	1,218	60	79	6,713
Trade	12,550	2,628	479	456	16,112
Transport and communication	6,880	1,473	299	182	8,834
Hotels and restaurants	3,341	1,673	404	332	5,750
Financial and insurance services	39,654	1,406	168	87	41,316
Holding companies	3,911	433	66	42	4,452
Real estate and housing	29,170	5,277	880	347	35,674
Services	13,962	1,904	362	418	16,646
Public administration	47,115	621	173	1	47,909
Education, health and art	3,108	629	105	61	3,903
Households	82,492	4,725	1,974	1,546	90,736
Other	410	34	67	0	511
Total	**273,833**	**27,781**	**6,199**	**4,626**	**312,439**

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

With 85,8%, the low risk exposure has the highest share in total credit risk exposure, while management attention represents 10.5%. The substandard exposure contributes 2.5% and the non-performing category 1.3%.

From industry and financial instrument point of view, the highest exposure is represented by households in loans and advances to customers with EUR 84,825 million, representing 24.3% from total exposure, followed by real estate and housing in loans and advances to customers with an exposure of EUR 37,007 million representing 10.6% from total and public sector in debt securities with an exposure of EUR 30,814 million representing 8.8% from total.

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 operating segments of Erste Group.

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 22					
Core markets	**254,254**	**33,625**	**7,531**	**3,968**	**299,379**
Austria	119,508	12,861	2,599	1,994	136,962
Czech Republic	66,699	6,641	1,304	762	75,406
Slovakia	23,572	4,640	1,514	308	30,034
Romania	19,615	3,041	579	348	23,582
Hungary	12,276	2,417	973	181	15,847
Croatia	9,146	3,398	462	325	13,332
Serbia	3,439	627	100	51	4,217
Other EU	**26,629**	**1,471**	**548**	**349**	**28,997**
Other industrialised countries	**13,023**	**215**	**131**	**41**	**13,409**
Emerging markets	**5,517**	**1,357**	**360**	**147**	**7,382**
Southeastern Europe/CIS	3,158	1,015	243	119	4,537
Asia	1,918	87	21	17	2,043
Latin America	137	58	3	9	207
Middle East/Africa	304	196	93	2	595
Total	**299,423**	**36,667**	**8,570**	**4,505**	**349,166**
Dec 21					
Core markets	**238,499**	**24,809**	**5,538**	**4,049**	**272,894**
Austria	112,060	11,775	1,674	1,866	127,375
Czech Republic	62,361	4,528	1,131	736	68,756
Slovakia	22,793	1,721	1,085	308	25,906
Romania	18,097	1,846	334	428	20,705
Hungary	12,972	1,272	617	204	15,065
Croatia	7,180	3,268	600	466	11,514
Serbia	3,035	400	97	41	3,574
Other EU	**22,884**	**1,444**	**305**	**329**	**24,962**
Other industrialised countries	**6,973**	**394**	**42**	**68**	**7,477**
Emerging markets	**5,477**	**1,134**	**314**	**180**	**7,105**
Southeastern Europe/CIS	3,021	806	186	139	4,152
Asia	1,999	97	30	29	2,155
Latin America	158	15	5	11	189
Middle East/Africa	299	215	93	2	609
Total	**273,833**	**27,781**	**6,199**	**4,626**	**312,439**

The credit risk exposure increased by EUR 9,586 million, or 7.5% in Austria, and by EUR 16,898 million, or 11.6% in the CEE core markets. In the other EU member states (EU 27 excluding core markets), the credit risk exposure increased by EUR 4,034 million, or 16.2%, while in other industrialised countries the increase in exposure amounted to EUR 5,932 (79.3%). The emerging markets registered an increase of EUR 276 million or 3.9%. In total, Erste Group's core markets and the EU accounted for 94.0% (2021: 95.3%) of credit risk exposure. At 2.1% (2021: 2.3%), the share of emerging markets remained of minor importance.

Credit risk exposure by reporting segment and risk category

The reporting of operating segments of Erste Group conforms to the internal management and control structure and is based on geographical segments in order to provide more comprehensive information the segmental reporting also comprises business segments.

Credit risk exposure by geographical operating segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 22					
Austria	**160,368**	**15,346**	**3,442**	**2,490**	**181,647**
EBOe & Subs.	44,860	4,991	1,111	624	51,585
Savings Banks	67,138	9,036	1,806	1,380	79,360
Other Austria	48,370	1,319	526	486	50,702
CEE	**127,463**	**21,286**	**5,128**	**1,997**	**155,874**
Czech Republic	67,470	6,927	1,402	798	76,597
Slovakia	20,409	4,622	1,576	299	26,906
Romania	17,674	3,083	577	356	21,690
Hungary	9,483	2,353	968	178	12,982
Croatia	9,567	3,696	513	317	14,092
Serbia	2,860	606	91	50	3,607
Other	**11,592**	**35**	**1**	**17**	**11,645**
Total	**299,423**	**36,667**	**8,570**	**4,505**	**349,166**
Dec 21					
Austria	**145,492**	**14,367**	**2,142**	**2,426**	**164,428**
EBOe & Subs.	44,404	3,646	558	602	49,210
Savings Banks	63,498	9,009	1,215	1,387	75,109
Other Austria	37,589	1,712	370	438	40,109
CEE	**120,294**	**13,369**	**4,056**	**2,183**	**139,901**
Czech Republic	64,315	4,884	1,230	767	71,197
Slovakia	19,538	1,607	1,097	297	22,539
Romania	16,352	1,729	334	458	18,872
Hungary	10,287	1,139	612	200	12,238
Croatia	7,402	3,627	687	421	12,139
Serbia	2,399	382	96	40	2,917
Other	**8,048**	**45**	**0**	**17**	**8,110**
Total	**273,833**	**27,781**	**6,199**	**4,626**	**312,439**

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 22					
Retail	65,536	10,167	3,280	1,381	80,364
Corporates	92,938	16,584	3,131	1,694	114,347
Group Markets	18,785	533	193	0	19,511
ALM & LCC	54,899	318	160	32	55,409
Savings Banks	67,138	9,036	1,806	1,380	79,360
GCC	127	30	1	17	175
Total	**299,423**	**36,667**	**8,570**	**4,505**	**349,166**
Dec 21					
Retail	67,049	5,674	2,458	1,507	76,689
Corporates	75,274	12,318	2,359	1,693	91,644
Group Markets	18,398	392	23	2	18,815
ALM & LCC	49,356	359	144	19	49,878
Savings Banks	63,498	9,009	1,215	1,387	75,109
GCC	258	29	0	17	304
Total	**273,833**	**27,781**	**6,199**	**4,626**	**312,439**

36. Use of 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 topics, 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 processes stipulated for assigning the acceptable collateral assets to the categories available.

Main types of credit collateral

Mostly, 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.

Real estate valuation may only be performed by qualified valuators who are independent of the credit decision process. The valuation is to be made according to international, European or national standards and has to follow valuation methods defined by the bank. Internal guidelines define criteria of qualification and requirements of independence for the selection of valuators. A valuator may only perform two sequential valuations of the same asset, any further valuation has to result in the rotation of the valuator. For quality assurance purposes, real estate valuators and real estate valuations are supervised 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 the recoveries under consideration of foreseeable developments (like expected real estate price changes).

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, or when defined triggers are exceeded. Particularly real estate collateral assets in development, showing problems like significant cost or time overrun, as well as assets, collateralizing loans with lower credit quality, are monitored or revalued with higher frequencies.

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 2022, the carrying value of these assets obtained during the reporting period amounted to EUR 4 million (2021: EUR 4 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 financial instrument to the allocated collateral which corresponds to the accepted value after internal haircuts capped by the exposure amount.

Credit risk exposure by financial instrument and collateral

in EUR million	Total credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	IFRS 9 impairment relevant: Neither past due nor credit impaired	IFRS 9 impairment relevant: Past due but not credit impaired	IFRS 9 impairment relevant: Credit impaired
Dec 22									
Cash and cash balances - demand deposits to credit institutions	723	81	0	0	81	642	694	29	0
Instruments HfT	7,695	171	171	0	0	7,525	0	0	0
Non-trading debt instruments at FVPL	2,389	832	662	169	1	1,557	0	0	0
Debt instruments at FVOCI	9,929	587	587	0	0	9,341	9,917	9	3
Debt instruments at AC	257,217	135,090	11,794	101,418	21,878	122,127	250,718	2,584	4,070
Debt securities	40,633	1,629	1,629	0	0	39,004	40,625	4	4
Loans and advances to banks	18,441	16,654	1,854	0	14,801	1,787	18,441	0	0
Loans and advances to customers	198,143	116,807	8,311	101,418	7,077	81,336	191,651	2,580	4,066
Trade and other receivables	2,469	62	43	1	18	2,407	1,545	866	58
Finance lease receivables	4,639	2,679	72	215	2,392	1,960	4,350	201	88
Debt instruments held for sale in disposal groups	154	0	0	0	0	154	0	0	0
Positive fair value of hedge accounting derivatives	159	0	0	0	0	159	0	0	0
Off-balance sheet exposures	63,792	7,426	230	3,781	3,415	56,366	51,932	453	202
thereof other commitments	7,716	1,199	0	163	1,036	6,517	0	0	0
Total	**349,166**	**146,928**	**13,559**	**105,584**	**27,785**	**202,238**	**319,156**	**4,141**	**4,421**
Dec 21									
Cash and cash balances - demand deposits to credit institutions	1,033	106	0	0	106	928	1,015	18	0
Instruments HfT	6,389	97	96	1	0	6,292	0	0	0
Non-trading debt instruments at FVPL	2,793	796	614	174	8	1,996	0	0	0
Debt instruments at FVOCI	8,655	666	666	0	0	7,989	8,657	0	0
Debt instruments at AC	233,402	121,873	10,865	88,142	22,866	111,529	227,157	2,144	4,101
Debt securities	35,565	1,596	1,596	0	0	33,969	35,566	0	0
Loans and advances to banks	20,998	17,670	1,379	0	16,291	3,328	20,997	0	0
Loans and advances to customers	176,839	102,607	7,891	88,142	6,574	74,233	170,594	2,144	4,101
Trade and other receivables	2,239	75	61	1	13	2,165	1,532	622	82
Finance lease receivables	4,319	2,467	57	227	2,182	1,852	4,034	134	151
Debt instruments held for sale in disposal groups	0	0	0	0	0	0	0	0	0
Positive fair value of hedge accounting derivatives	79	0	0	0	0	79	0	0	0
Off-balance sheet exposures	53,529	6,567	191	3,518	2,857	46,963	47,178	27	185
thereof other commitments	6,141	976	2	139	834	5,165	0	0	0
Total	**312,439**	**132,646**	**12,551**	**92,064**	**28,031**	**179,793**	**289,573**	**2,946**	**4,519**

The collateral attributable to exposures that are credit-impaired as of 31 December 2022 amounts to EUR1,986 million (2021: EUR 2,075 million).

37. Measurement of expected credit loss

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, as described in the chapter "Financial instruments – Significant accounting policies", in the section "Impairment of financial instruments"

Significant increase in credit risk determination

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

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

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

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

Relative thresholds for SICR assessment by geographical operating segment

	Threshold interval (x times)	
	Min	Max
Dec 22		
Austria	**1.13**	**2.60**
EBOe & Subs.	1.13	2.60
Savings Banks	1.13	2.60
Other Austria	1.13	2.60
CEE	**1.03**	**4.08**
Czech Republic	1.13	3.59
Slovakia	1.13	4.08
Romania	1.13	3.37
Hungary	1.13	3.21
Croatia	1.13	3.13
Serbia	1.03	3.47
Total	**1.03**	**4.08**
Dec 21		
Austria	**1.13**	**2.37**
EBOe & Subs.	1.13	2.37
Savings Banks	1.13	2.37
Other Austria	1.13	2.37
CEE	**1.03**	**4.08**
Czech Republic	1.13	3.59
Slovakia	1.13	4.08
Romania	1.13	3.37
Hungary	1.13	3.21
Croatia	1.13	3.13
Serbia	1.03	3.47
Total	**1.03**	**4.08**

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

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

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

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

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

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

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

Erste Group has introduced additional portfolio level SICR assessment criteria due to the war in Ukraine (implemented in 2022) and related economic impacts. Similarly, from 2020 till Q3-2022 portfolio assessment due to the Covid-19 pandemic was established. For more details refer to "Collective assessment" in the next chapter.

Considering the war in Ukraine, Erste Group started with a portfolio screening in local entities to identify customers affected by the secondary effects of the geopolitical risk (Erste Group has only very limited exposure towards the affected region, therefore no significant primary effects recognized). In combination with an early warning classification, "Watch" and "Intensified", these customers are transferred into Stage 2 and lifetime ECL are calculated. As of 31 December 2022, the corresponding groupwide exposure to these customers amounted to EUR 349 million, with EUR 16 million of allocated credit loss allowances (a significant part is overlapping with stage overlays defined in the "Collective assessment" chapter).

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

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

As of 31 December 2022, 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 15.3 billion (2021: EUR 14.2 billion) with PDs interval of 0.01%-0.4%. In Banca Comercială Română, the respective exposure amounted to EUR 6.2 billion (2021: EUR 5.1 billion) with PD 0.1%.

Measuring ECL – explanation of inputs and measurement

Credit loss allowances are calculated individually or collectively.

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

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

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

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

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

Life-time parameters

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

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

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

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

38. Credit risk exposure according to IFRS 9 Stage and ECL

Credit risk exposure: overview of IFRS 9 treatment by region

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 22							
Core markets	**236,852**	**44,711**	**3,724**	**361**	**285,649**	**13,730**	**299,379**
Austria	106,644	25,306	1,944	54	133,948	3,014	136,962
Czech Republic	62,388	7,644	688	46	70,766	4,639	75,406
Slovakia	25,640	3,294	292	125	29,352	682	30,034
Romania	17,501	4,060	307	58	21,925	1,657	23,582
Hungary	11,768	1,510	146	47	13,472	2,375	15,847
Croatia	9,943	2,453	299	29	12,724	608	13,332
Serbia	2,967	444	48	2	3,462	755	4,217
Other EU	**22,010**	**3,956**	**330**	**10**	**26,306**	**2,691**	**28,997**
Other industrialised countries	**7,769**	**1,618**	**40**	**11**	**9,438**	**3,971**	**13,409**
Emerging markets	**4,880**	**1,301**	**143**	**1**	**6,325**	**1,056**	**7,382**
Southeastern Europe/CIS	2,978	933	115	1	4,028	509	4,537
Asia	1,354	144	17	0	1,515	528	2,043
Latin America	181	15	9	0	205	2	207
Middle East/Africa	366	209	2	0	577	18	595
Total	**271,511**	**51,587**	**4,237**	**383**	**327,718**	**21,448**	**349,166**
Dec 21							
Core markets	**226,304**	**32,447**	**3,839**	**349**	**262,938**	**9,956**	**272,894**
Austria	103,493	18,810	1,831	42	124,176	3,199	127,375
Czech Republic	61,074	5,411	679	41	67,206	1,550	68,756
Slovakia	22,553	2,347	299	113	25,312	595	25,906
Romania	16,133	2,628	388	57	19,206	1,499	20,705
Hungary	11,202	1,283	163	66	12,714	2,351	15,065
Croatia	8,996	1,684	440	28	11,148	366	11,514
Serbia	2,853	283	38	2	3,177	397	3,574
Other EU	**18,699**	**2,879**	**290**	**11**	**21,879**	**3,083**	**24,962**
Other industrialised countries	**5,391**	**848**	**47**	**11**	**6,297**	**1,180**	**7,477**
Emerging markets	**4,890**	**855**	**178**	**1**	**5,924**	**1,181**	**7,105**
Southeastern Europe/CIS	3,020	516	137	1	3,675	477	4,152
Asia	1,273	168	29	0	1,470	685	2,155
Latin America	156	19	9	0	184	5	189
Middle East/Africa	442	152	2	0	595	14	609
Total	**255,284**	**37,029**	**4,352**	**373**	**297,038**	**15,400**	**312,439**

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

The defaulted part of POCI amounted to EUR 184 million (2021: EUR 167 million), the non-defaulted part to EUR 199 million (2021: EUR 206 million).

Credit risk exposure and IFRS 9 treatment by geographical operating segment

	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 22												
Austria	**135,236**	**32,407**	**2,430**	**66**	**11,508**	**-169**	**-772**	**-996**	**-1**	**2.4%**	**41.0%**	**0.9%**
EBOe & Subs.	43,281	7,179	614	12	499	-43	-169	-210	0	2.4%	34.2%	0.0%
Savings Banks	61,345	14,565	1,336	54	2,060	-91	-434	-579	-1	3.0%	43.3%	1.1%
Other Austria	30,611	10,663	480	0	8,949	-36	-170	-207	0	1.6%	43.3%	0.0%
CEE	**124,821**	**19,079**	**1,790**	**317**	**9,868**	**-300**	**-975**	**-1,181**	**-93**	**5.1%**	**66.0%**	**29.4%**
Czech Republic	63,049	8,032	714	54	4,748	-99	-332	-466	-20	4.1%	65.4%	36.3%
Slovakia	22,712	3,062	286	126	720	-49	-122	-168	-37	4.0%	58.7%	28.9%
Romania	15,924	3,771	311	58	1,626	-71	-314	-236	-11	8.3%	75.8%	19.3%
Hungary	9,986	1,250	143	47	1,556	-30	-62	-89	-12	4.9%	62.5%	25.1%
Croatia	10,670	2,612	290	29	491	-37	-127	-192	-13	4.9%	66.1%	46.0%
Serbia	2,479	352	47	2	727	-15	-18	-30	0	5.2%	64.4%	22.6%
Other	**11,454**	**100**	**17**	**0**	**72**	**-4**	**-3**	**-12**	**0**	**2.8%**	**69.1%**	**0.0%**
Total	**271,511**	**51,587**	**4,237**	**383**	**21,448**	**-474**	**-1,750**	**-2,190**	**-94**	**3.4%**	**51.7%**	**24.5%**
Dec 21												
Austria	**127,109**	**24,314**	**2,360**	**55**	**10,590**	**-221**	**-663**	**-1,007**	**-1**	**2.7%**	**42.7%**	**1.7%**
EBOe & Subs.	40,962	7,070	597	6	574	-48	-157	-218	0	2.2%	36.5%	0.2%
Savings Banks	59,909	11,496	1,355	48	2,300	-135	-349	-595	-1	3.0%	43.9%	1.9%
Other Austria	26,238	5,748	408	0	7,715	-38	-157	-194	0	2.7%	47.5%	0.0%
CEE	**120,208**	**12,699**	**1,975**	**318**	**4,700**	**-327**	**-823**	**-1,288**	**-99**	**6.5%**	**65.2%**	**31.1%**
Czech Republic	63,519	5,610	697	52	1,318	-118	-288	-435	-20	5.1%	62.3%	38.0%
Slovakia	19,402	2,130	291	113	602	-49	-119	-167	-33	5.6%	57.3%	29.4%
Romania	14,675	2,337	396	57	1,407	-69	-220	-304	-14	9.4%	76.7%	23.7%
Hungary	10,069	928	159	66	1,016	-24	-65	-86	-17	7.0%	54.5%	25.9%
Croatia	10,156	1,535	395	28	24	-55	-118	-273	-15	7.7%	69.0%	52.8%
Serbia	2,387	159	37	2	332	-13	-13	-24	0	8.2%	64.7%	21.4%
Other	**7,966**	**16**	**17**	**0**	**111**	**-2**	**0**	**-16**	**0**	**0.3%**	**91.9%**	**0.0%**
Total	**255,284**	**37,029**	**4,352**	**373**	**15,400**	**-550**	**-1,486**	**-2,311**	**-100**	**4.0%**	**53.1%**	**26.7%**

Credit risk exposure and IFRS 9 treatment by business segment

	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 22												
Retail	67,843	10,180	1,339	91	911	-162	-627	-796	-23	6.2%	59.4%	25.7%
Corporates	77,131	26,181	1,513	238	9,285	-180	-677	-786	-70	2.6%	52.0%	29.3%
Group Markets	10,398	250	0	0	8,862	-20	-3	0	0	1.1%	54.7%	60.3%
ALM & LCC	54,711	409	32	0	257	-19	-10	-16	0	2.5%	51.5%	21.3%
Savings Banks	61,345	14,565	1,336	54	2,060	-91	-434	-579	-1	3.0%	43.3%	1.1%
GCC	83	2	17	0	72	-2	0	-12	0	5.6%	69.1%	0.0%
Total	**271,511**	**51,587**	**4,237**	**383**	**21,448**	**-474**	**-1,750**	**-2,190**	**-94**	**3.4%**	**51.7%**	**24.5%**
Dec 21												
Retail	65,736	8,584	1,458	105	806	-175	-515	-839	-28	6.0%	57.5%	27.0%
Corporates	68,263	16,615	1,501	220	5,045	-207	-613	-841	-71	3.7%	56.1%	32.1%
Group Markets	11,738	206	2	0	6,868	-17	-3	-1	0	1.6%	49.5%	0.0%
ALM & LCC	49,443	126	19	0	290	-15	-5	-19	0	4.2%	99.7%	0.0%
Savings Banks	59,909	11,496	1,355	48	2,300	-135	-349	-595	-1	3.0%	43.9%	1.9%
GCC	195	2	17	0	90	-1	0	-16	0	1.9%	91.9%	0.0%
Total	**255,284**	**37,029**	**4,352**	**373**	**15,400**	**-550**	**-1,486**	**-2,311**	**-100**	**4.0%**	**53.1%**	**26.7%**

39. Development of credit loss allowances

The following tables give an overview over the development of credit loss allowances per balance sheet line item.

In column ‘Additions’ increases of CLA due to the initial recognition of financial instruments during the current reporting period are disclosed. Releases of CLA following the derecognition of the related financial instruments 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 financial instruments from Stage 1 (at 1 January 2022 or initial recognition date) to Stages 2 or 3 at 31 December 2022 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 recognised 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)'.

Financial instruments held at amortised cost

Movement in credit loss allowances – debt securities

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 22						Dec 22
Stage 1	-12	-6	4	2	-2	1	-13
Stage 2	-3	0	0	-6	3	0	-5
Stage 3	0	0	0	-1	-2	0	-3
Total	**-15**	**-6**	**4**	**-5**	**-1**	**1**	**-22**
	Jan 21						Dec 21
Stage 1	-11	-5	3	2	-1	0	-12
Stage 2	-3	0	0	-2	2	0	-3
Stage 3	-2	0	1	0	0	0	0
Total	**-15**	**-5**	**5**	**0**	**1**	**0**	**-15**

The year-end total GCAs of AC debt securities that were initially recognised (purchased) during the year 2022 and not fully derecognised by 31 December 2022 amounts to EUR 9,135.7 million (2021: EUR 9,631.6 million.) The GCA of AC debt securities that were held at 1 January 2022 and derecognised during the year 2022 amounts to EUR 3,987.1 million (2021: EUR 3,356.2 million).

Movement in credit loss allowances – loans and advances to banks

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 22						Dec 22
Stage 1	-6	-17	12	0	5	0	-6
Stage 2	-1	0	2	0	-2	0	0
Stage 3	0	0	0	0	0	0	0
Total	**-6**	**-17**	**15**	**0**	**3**	**0**	**-6**
	Jan 21						Dec 21
Stage 1	-3	-17	18	0	-3	0	-6
Stage 2	0	0	3	-2	-2	0	-1
Stage 3	0	0	0	0	0	0	0
Total	**-3**	**-18**	**21**	**-1**	**-5**	**0**	**-6**

The year-end total GCA of AC loans and advances to banks that were initially recognised during the year 2022 and not fully de-recognised by 31 December 2022 amounts to EUR 15,641.1 million (2021: EUR 19,475.4 million). The GCA of AC loans and advances to banks that were held as of 1 January 2022 and fully de-recognised during the year 2022 amounts to EUR 18,259.8million (2021: 20,901.7 million).

Movement in credit loss allowances – loans and advances to customers

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
	Jan 22							Dec 22
Stage 1	**-383**	**-320**	**77**	**643**	**-348**	**0**	**-5**	**-335**
General governments	-4	-3	1	4	-1	0	0	-4
Other financial corporations	-10	-12	4	18	-7	0	0	-8
Non-financial corporations	-211	-201	49	328	-128	0	1	-162
Households	-158	-103	23	293	-211	0	-5	-161
Stage 2	**-1,203**	**-143**	**183**	**-1,055**	**799**	**1**	**4**	**-1,415**
General governments	-20	-8	2	-12	11	0	0	-28
Other financial corporations	-14	-1	3	-30	24	0	-1	-20
Non-financial corporations	-666	-113	113	-553	442	0	2	-773
Households	-504	-20	65	-460	322	1	3	-594
Stage 3	**-2,066**	**-27**	**213**	**-124**	**-356**	**375**	**-9**	**-1,994**
General governments	-2	0	0	0	0	1	0	-1
Other financial corporations	-16	0	1	0	-20	4	-5	-37
Non-financial corporations	-1,069	-16	115	-64	-228	223	-3	-1,043
Households	-979	-10	97	-60	-108	148	-1	-913
POCI	**-88**	**0**	**8**	**0**	**-12**	**4**	**0**	**-86**
General governments	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	-61	0	6	0	-12	3	0	-65
Households	-26	0	2	0	0	1	1	-22
Total	**-3,740**	**-490**	**482**	**-536**	**83**	**381**	**-9**	**-3,830**
	Jan 21							Dec 21
Stage 1	**-335**	**-305**	**78**	**462**	**-276**	**0**	**-9**	**-383**
General governments	-4	-2	1	1	0	0	0	-4
Other financial corporations	-8	-13	4	21	-14	0	0	-10
Non-financial corporations	-186	-190	51	175	-58	0	-3	-211
Households	-136	-100	23	265	-204	0	-6	-158
Stage 2	**-1,171**	**-140**	**171**	**-710**	**651**	**1**	**-5**	**-1,203**
General governments	-4	-2	1	-7	0	0	-6	-20
Other financial corporations	-38	-1	3	-21	40	0	2	-14
Non-financial corporations	-657	-110	106	-275	278	0	-7	-666
Households	-472	-27	61	-406	333	1	6	-504
Stage 3	**-2,201**	**-46**	**250**	**-80**	**-290**	**292**	**8**	**-2,066**
General governments	-2	0	0	0	0	0	0	-2
Other financial corporations	-6	0	1	-1	-20	10	0	-16
Non-financial corporations	-1,172	-26	123	-35	-108	130	18	-1,069
Households	-1,021	-20	126	-44	-162	152	-10	-979
POCI	**-125**	**0**	**15**	**0**	**18**	**4**	**1**	**-88**
General governments	-1	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	-92	0	11	0	17	2	1	-61
Households	-33	0	4	0	1	1	0	-26
Total	**-3,831**	**-490**	**514**	**-328**	**103**	**297**	**-4**	**-3,740**

CLAs recognised 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. They also reflect deals for which the CLA initial recognition in accounting occurred after those deals having been already assigned to Stage 2 as a result of applying the SICR collective assessment overlays further described in Note 40.

The column 'Other changes in credit risk (net)' 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 89.6 million (2021: EUR 68.8 million) cumulatively for the year 2022, which also reflects the unrecognised interest income out of the related AC loans and advances to customers throughout the year.

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 2022 to a different stage compared to 1 January 2022 (or to the initial recognition date, if originated during the year) are summarized below:

in EUR million	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
	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 22								
General governments	389	497	10	0	0	0	0	0
Other financial corporations	883	303	14	0	30	0	0	0
Non-financial corporations	14,882	6,722	404	133	357	6	5	8
Households	6,105	3,379	301	182	198	40	3	6
Total	**22,259**	**10,901**	**728**	**315**	**585**	**46**	**8**	**15**
Dec 21								
General governments	461	39	0	0	0	0	0	0
Other financial corporations	321	375	32	0	2	0	0	0
Non-financial corporations	6,757	4,837	400	45	187	5	6	1
Households	4,598	2,716	363	177	216	55	2	7
Total	**12,137**	**7,966**	**794**	**223**	**405**	**60**	**8**	**9**

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 recognised during the reporting period and not fully de-recognised by 31 December 2022 amounts to EUR 51,949.0 million (2021: EUR 45,011.4 million). The GCA of the AC loans and advances to customers that were held at 1 January 2022 and fully de-recognised during the reporting period amounts to EUR 18,338.3 million (2021: EUR 17,982.5 million).

The undiscounted amount of the lifetime expected credit losses considered in the initial measurement of the AC loans and advances to customers initially recognised and identified as POCI during the year 2022 amounted to EUR 107.4 million (2021: EUR 54.4 million).

Movement in credit loss allowances – trade and other receivables

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
	Jan 22							**Dec 22**
Stage 1	-12	-13	9	1	6	0	0	-9
Stage 2	-9	-1	2	-2	-3	1	1	-11
Stage 3	-66	0	22	-1	-5	7	0	-44
POCI	0	0	0	0	-1	0	0	-1
Total	**-87**	**-14**	**33**	**-2**	**-3**	**7**	**1**	**-65**
	Jan 21							**Dec 21**
Stage 1	-6	-12	6	2	2	0	-2	-12
Stage 2	-10	0	3	-1	-1	0	1	-9
Stage 3	-47	0	7	-1	-9	7	-23	-66
POCI	0	0	0	0	0	0	0	0
Total	**-64**	**-13**	**16**	**0**	**-8**	**8**	**-24**	**-87**

Financial assets at fair value through other comprehensive income – debt instruments

Movement in credit loss allowances – debt instrument financial assets

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 22						**Dec 22**
Stage 1	-7	-5	1	4	-1	0	-7
Stage 2	-16	0	0	-4	5	0	-16
Stage 3	0	0	0	-1	0	0	-1
Total	**-23**	**-5**	**2**	**-2**	**4**	**0**	**-24**
	Jan 21						**Dec 21**
Stage 1	-9	-2	2	5	-2	0	-7
Stage 2	-16	-1	1	-5	6	0	-16
Stage 3	0	0	0	0	0	0	0
Total	**-25**	**-3**	**2**	**-1**	**3**	**0**	**-23**

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 2022 to a different stage compared to 1 January 2022 (or to the initial recognition date, if purchased during the year) are summarized in the table below:

Transfers between Stage 1 and Stage 2 – debt instrument financial assets

in EUR million	Dec 21	Dec 22
Transfers between Stage 1 and Stage 2		
To Stage 2 from Stage 1	149	370
To Stage 1 from Stage 2	157	185
Transfers between Stage 1 and Stage 3		
To Stage 3 from Stage 1	0	3

Finance lease receivables

Movement in credit loss allowances – finance lease receivables

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
	Jan 22							**Dec 22**
Stage 1	-17	-7	1	7	-1	0	0	-17
Stage 2	-27	0	2	-9	6	0	0	-28
Stage3	-67	0	4	-5	20	7	0	-41
POCI	0	0	0	0	0	0	0	0
Total	**-111**	**-7**	**7**	**-7**	**25**	**7**	**0**	**-86**
	Jan 21							**Dec 21**
Stage 1	-17	-7	1	7	-1	0	0	-17
Stage 2	-12	0	10	-10	-11	0	-4	-27
Stage3	-78	0	8	-4	16	5	-14	-67
POCI	0	0	0	0	0	0	0	0
Total	**-108**	**-7**	**19**	**-7**	**4**	**5**	**-18**	**-111**

The column 'Other changes in credit risk (net)' 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 1.1 million (2021: EUR 1.9 million) cumulatively for the year 2022, which also reflects the unrecognised interest income out of the related finance lease receivables throughout the year.

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 2022 to a different stage compared to 1 January 2022 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages – finance lease receivables

in EUR million	Dec 21	Dec 22
Transfers between Stage 1 and Stage 2		
To Stage 2 from Stage 1	155	322
To Stage 1 from Stage 2	146	89
Transfers between Stage 2 and Stage 3		
To Stage 3 from Stage 2	10	10
To Stage 2 from Stage 3	3	53
Transfers between Stage 1 and Stage 3		
To Stage 3 from Stage 1	15	16
To Stage 1 from Stage 3	12	2

The year-end total GCA of the finance lease receivables that were initially recognised during the reporting period and not fully de-recognised by 31 December 2022 amounts to EUR 1,103.8 million (2021: EUR 1,085.9 million). The GCA of the finance lease receivables that were held at 1 January 2022 and fully de-recognised during the year 2022 amounts to EUR 446.9 million (2021: EUR 410.7 million).

Loan commitments and financial guarantees

Movement in credit loss allowances – 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 22						Dec 22
Stage 1	113	229	-80	-191	9	0	81
Stage 2	228	0	-93	285	-142	-4	274
Stage 3	111	0	-20	12	-3	7	107
POCI	12	1	-1	0	-5	0	6
Total	**464**	**229**	**-193**	**106**	**-141**	**3**	**469**
	Jan 21						Dec 21
Stage 1	83	202	-76	-127	35	-5	113
Stage 2	211	0	-74	169	-75	-4	228
Stage 3	102	0	-13	30	-6	-1	111
POCI	2	0	-10	0	19	0	12
Total	**399**	**202**	**-173**	**71**	**-26**	**-10**	**464**

The column 'Other changes in credit risk (net)' 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 2022 to a different stage compared to 1 January 2022 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages – loan commitments and financial guarantees

in EUR million	Dec 21	Dec 22
Transfers between Stage 1 and Stage 2	**4,050**	**10,631**
To Stage 2 from Stage 1	1,969	7,907
To Stage 1 from Stage 2	2,081	2,724
Transfers between Stage 2 and Defaulted	**86**	**71**
To Defaulted from Stage 2	55	52
To Stage 2 from Defaulted	31	19
Transfers between Stage 1 and Defaulted	**61**	**68**
To Defaulted from Stage 1	30	66
To Stage 1 from Defaulted	31	2

The year-end nominal amounts of unused off-balance commitments and financial guarantees that were initially recognised during the year 2022 and not fully de-recognised by 31 December 2022 amounts to EUR 18,050.6 million (2021: EUR 19,193.5 million). The nominal amounts of unused off-balance commitments or financial guarantees that were held at 1 January 2022 and fully de-recognised during the year 2022 amounts to EUR 11,360.4 million (2021: EUR 10,130.0 million).

40. Scenarios used in forward looking information and Crises Effects

Overview on scenarios used in forward-looking information

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 weights of scenario outcome, as a deviation from baseline forecasts. The baseline forecasts are, with a few exceptions, internally determined by Erste Group's research department. Given multiple scenarios, the "neutral" PDs (and, with a few exceptions, also LGDs) are adjusted using macro models that link relevant macroeconomic variables with risk drivers. The same macro-shift models as for external and internal stress test are used. Forward-looking information is incorporated for first three years of ECL measurement. Measurement of the parameters for the remaining lifetime returns to through-the-cycle observations immediately in year four.

Thus, the unbiased scenario weighted ECL considering FLI is derived using the weights representing the outcome of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. The main indicator of the estimated economic development and basis for alternative scenario derivation is the GDP. In addition, economic effects of the war in Ukraine came along with the increases of the inflation and/or the interest rates. Erste Group adjusted macro-shift models to reflect expected effects of those into credit risk parameters. In the tables below we are disclosing expected development of the GDP for all regions, all scenarios and scenario weights, as main indicator of the macro-economic situation. Additionally, we are disclosing explanatory variables for the main models and regions with the most significant portfolios, share in expected credit loss and the biggest impact of the forward-looking information. Disclosures are based on the relevancy in the macro-shift model.

Erste Group reviewed the FLI in the fourth quarter of 2022 according to the disclosed forecasts for baseline, downside, and upside scenarios. Erste Group decided to assign 40% scenario weight to baseline forecast and added assumptions from comprehensive stress test scenario to downside scenario design. These model adjustments took place to address the increased uncertainty of the macro-economic forecasts, higher downside risks and effects of those on ECL resulting from the unstable geopolitical situation – war in Ukraine. The main assumptions of the baseline scenario as well risks and assumption of the comprehensive stress test scenario, that was added to the modelled downside, are described in the corresponding chapters below. Scenario weights are disclosed in the table below per each region.

In December 2021, the specific situation of the Covid-19 pandemic was addressed in FLI via the lagging of the macroeconomic variables in credit risk parameters, i.e., variables of 2020 and 2021 were included as additional predictors for future values of credit risk parameters. Considering the improvement of the situation, Erste Group decided to update FLI based on the forecasts for years 2023-2025, i.e., no lagging is applied; however GDP' historical development was adjusted for the Covid-19 period (2020-2021) in order to reflect compensatory effect of the state support measures.

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

Baseline scenario

Erste Group expects the Eurozone economy to bottom out in the first quarter 2023 followed by a gradual recovery of the economy from the second quarter 2023. The main factor supporting the constructive baseline outlook for the Eurozone in 2023 and 2024 is easing inflationary pressures on a domestic and as well as on global level. European gas- and electricity prices have dropped substantially and easing pressures from global supply chains are expected to ease inflationary pressures in the coming months even further. Erste Group forecasts that in this environment we will see a gradual acceleration of consumption and investments as the year progresses. In this environment Erste Group expects the ECB to gradually slow down its pace of monetary tightening in the course of the year.

Risks to the baseline scenario and comprehensive stress test scenario as considerations added to downside scenario

The fast rise of interest rates is a threat for the investment activity of companies and consumers and could lead to lower investments than currently anticipated for our base case scenario. If Europe fails to secure enough liquefied natural gas for the next winter, we could see another spike of electricity and gas prices harming industrial activity and hurting the consumers purchasing power. The war in Ukraine remains significant risk factor. If it escalates further this could potentially harm the sentiment of global investors vs the Eurozone with potential dampening effects on growth. Russia could cut off gas supply to an increased number of "unfriendly" countries. Energy security becomes a priority for EU policymakers who regard the momentum to become less dependent from Russian commodities and to accelerate the transition to a low carbon economy. This goal triggers an energy policy shock, whereby the price of CO2 emissions skyrocket in the first year, crystalizing a disorderly transition risk. The energy policy shock exacerbates the increase in energy/consumer prices and de anchors inflation expectations; prompting the ECB to tighten monetary policy aggressively (affecting the entire yield curve) to keep inflation under control. Higher Harmonized Index of Consumer Prices (HICP), especially electricity/gas bills, reduces disposable income and contracts consumption. Given the high debt inherited from the pandemic, increasing military spending and expansive fiscal policies to mitigate higher energy prices/influx of refugees make investors to question debt sustainability.

Macro-shift FLI models are recalibrated regularly to reflect the most relevant macro-variables. Recalibration is performed by the local entities, and variables with the highest statistical relevance are included. Below we are summarizing the most relevant variables for the macro-shift model in the most significant regions. Additionally, baseline and weighted scenario outcome for the major variables is disclosed in the tabular format for the years 2023-2025.

Austria, Czech Republic, Slovakia, and Romania are presented as they have the highest share of credit risk exposure, expected credit loss and the highest share of FLI component in the expected credit loss measurement.

Macro-shift models are calibrated for the three main sub-portfolios: private individuals, micro enterprises, and other corporate business. Models' calibration and variables disclosed below are incorporated into expected credit loss measurement as of 31 December 2022.

Baseline, upside and downside scenarios of GDP growth by geographic region

	Scenario	Scenario weights 2023-2025	GDP growth in % -	2023	2024	2025
Dec 22						
Austria	Upside	1%		2.9	3.5	3.9
	Baseline	40%		0.6	1.2	1.6
	Downside	59%		-4.6	-1.9	0.1
Czech Republic	Upside	1%		3.4	6.2	5.9
	Baseline	40%		0.9	3.7	3.4
	Downside	59%		-4.9	-0.3	0.9
Slovakia	Upside	1%		3.6	4.7	4.1
	Baseline	40%		1.5	2.6	2.0
	Downside	59%		-4.6	-2.2	1.1
Romania	Upside	1%		5.7	8.3	7.8
	Baseline	40%		2.7	5.3	4.8
	Downside	59%		-3.0	0.2	2.8
Hungary	Upside	1%		2.7	6.7	5.9
	Baseline	40%		0.2	4.2	3.4
	Downside	59%		-6.5	0.5	1.8
Croatia	Upside	1%		3.2	4.7	6.1
	Baseline	40%		1.0	2.5	2.5
	Downside	59%		-3.9	-1.0	0.4
Serbia	Upside	1%		4.7	5.7	5.8
	Baseline	40%		3.0	4.0	4.1
	Downside	59%		-2.7	0.1	2.4
Dec 21		**2021-2023**	**2020**	**2021**	**2022**	**2023**
Austria	Upside	1%	-6.2	5.9	6.1	3.8
	Baseline	40%	-6.2	4.4	4.6	2.3
	Downside	59%	-6.2	-1.7	2.0	0.1
Czech Republic	Upside	11%	-5.8	4.1	5.7	6.4
	Baseline	40%	-5.8	2.4	4.0	4.7
	Downside	49%	-5.8	-2.3	0.5	1.8
Slovakia	Upside	17%	-4.8	4.9	6.1	5.6
	Baseline	40%	-4.8	3.0	4.2	3.7
	Downside	43%	-4.8	-2.5	-0.0	0.8
Romania	Upside	14%	-3.7	9.0	6.6	7.6
	Baseline	40%	-3.7	6.4	4.0	5.0
	Downside	46%	-3.7	-1.7	-0.5	2.0
Hungary	Upside	6%	-5.0	7.8	5.8	5.6
	Baseline	40%	-5.0	6.7	4.7	4.5
	Downside	54%	-5.0	0.1	1.3	2.3
Croatia	Upside	1%	-8.0	12.4	10.8	9.9
	Baseline	40%	-8.0	8.7	4.8	4.5
	Downside	59%	-8.0	-1.0	-1.2	1.0
Serbia	Upside	9%	-1.0	8.6	6.1	6.1
	Baseline	40%	-1.0	7.0	4.5	4.5
	Downside	51%	-1.0	0.4	1.1	2.5

Baseline and scenario weighted values of the main variables in the most significant regions

	Baseline scenario			Scenario weighted outcome		
	2023	2024	2025	2023	2024	2025
Dec 22						
Austria						
GDP growth	0.6	1.2	1.6	-2.4	-0.6	0.7
Inflation	5.2	2.8	2.0	6.3	3.5	2.3
Yields_10Y	2.2	2.2	2.2	2.6	3.0	3.3
Czech Republic						
Unemployment Rate	3.3	3.4	3.4	3.8	4.5	4.4
Inflation (PPI)	144.2	146.6	149.6	146.2	148.7	151.7
Slovakia						
Unemployment Rate	6.5	6.5	6.3	7.6	7.9	7.6
Inflation	9.3	4.5	3.5	10.5	5.9	4.3
Romania						
GDP growth	2.7	5.3	4.8	-0.6	2.3	3.7
Interest Rate (ROBOR 3M)	7.3	6.0	4.5	9.3	8.9	8.1
Inflation (CPI)	10.5	5.8	3.4	11.8	7.6	4.2

Collective assessment

As of December 2022, in addition to standard SICR assessment, Erste Group applied collective SICR assessment ("stage overlays"), i.e., transfer into Stage 2 based on pre-defined portfolio characteristics, due to the uncertainty caused by the war in Ukraine and the energy crisis. This approach was aligned with all affected entities and business lines and approved by the respective governance bodies of Erste Group. It requires, after the assessment of the outliers from the common portfolio characteristics, to have exemptions from the collective SICR assessment, if properly documented why they would behave differently than the rest of the portfolio.

Until the fourth quarter of 2022, Erste Group had in place overlays addressing Covid-19 as well. Improved pandemic situation over 2022 enabled discontinuation of Covid-19 related overlays, resulting in the release of EUR 184 million during 2022.

War in Ukraine and energy crisis

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

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

In addition to cyclical industries, from September 2022 Erste Group has introduced additional Energy stage overlay due to the current distortions in the energy market with implications on gas/energy availability and price. Two-folds effects were identified. Effects of gas rationing/shortage on clients either due to energy intensive production processes or relying on gas as a primary input in their business processes. Vulnerability is driven by gas dependency, (limited) substitution possibilities and implications of a substitution on financials, hedging and price mechanisms. Within the industry Natural Resources and Commodities, Metals and Chemical subindustries were identified as being most affected. All companies belonging to the Energy sector as the whole industry can potentially be affected by the massive shortages and distortions in the current energy market: price volatility, margin calls, price caps, weaknesses of the European energy infrastructure, fixed off-take contracts (putting off-takers at risk when stopped and/or limiting producers of renewable energy profiting from the higher prices), etc. All customers belonging to these industries/sub-industries were migrated to Stage 2. However, certain business models in the energy sector rather benefit from the current situation and, thus, do not match the overall portfolio characteristics as energy sector is widely defined. Such entities, are, in line with the requirements of IFRS 9 B.5.5.5, excluded.

Out of the overall credit risk exposure of EUR 349 billion (2021: EUR 312 billion) portfolio under collective staging assessment represents:
_ EUR 90.6 billion of cyclical industries, out of which EUR 17.4 billion is in Stage 2;
_ EUR 22.2 billion of energy intensive industries, out of which EUR 17.9 billion is in Stage 2.

In the Czech Republic and Croatia, local risk management assessed that the re-calibration of private individuals' macro shift FLI model did not bring feasible results and therefore does not sufficiently address current situation. Therefore, the additional SICR collective assessment on Private individual side was introduced, triggering additional migration of the exposure of EUR 1.6 billion to Stage 2 as of 31 December 2022. This resulted in EUR 21 million ECL increase.

Effect on expected credit loss

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

The discontinuation of Covid-19 related overlays in fourth quarter of 2022 led to the zero additional transfers into Stage 2 (EUR 10,726 million in December 2021) and ECL allocation (EUR 184 million in December 2021) due to Covid-19.

Exposure in Stage 2 due to the application of the rules for Ukraine war collective SICR assessment stood at for cyclical industries EUR 7,092 million in December 2022 and EUR 17,345 million for energy overlays in December 2022, with additional ECL allocated in the amount of EUR 184 million for cyclical industries and EUR 150 million for energy overlays.
As described above, FLI were re-assessed based on the latest macro-scenarios in the fourth quarter of 2022. Effects of the macro-environment development compensated for the Covid-19 crisis year lagging. Therefore, Stage 2 exposure due to FLI increased slightly to EUR 5,554 million as of December 2022 (EUR 5,203 million in December 2021). The increase of the Stage 2 exposure and PD levels affected the level of ECL allocated in Stage 2 due to FLI: EUR 572 million as of December 2022 versus EUR 550 million as of December 2021.

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

The incorporation of 100% baseline scenario instead of the currently applied weighted scenario outcome would lead to a decrease of Stage 2 exposure by EUR 3,771 million (2021: EUR 4,239 million), resulting in an ECL drop by EUR 296 million (2021: EUR 334 million).

The downside scenario would lead to additional EUR 3,121 million of exposure migration to Stage 2 in comparison with scenario weighted FLI (2021: EUR 4,612 million), resulting in ECL increase of EUR 238 million (2021: EUR 315 million).

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

Forward looking information (FLI) and stage overlays due to the Covid-19 pandemic and the war in Ukraine

Impact on credit risk exposure by geographical operating segment

	Current status - parameters (FLI shifted)								Simulations - difference to FLI shifts effect		
				Stage 2 impact by							
				Collective assessment due to							
in EUR million	Stage 1	Stage 2	Total	Covid-19	UA war - Cyclical	UA war - Energy	UA war - PI	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
Dec 22											
Austria	**135,236**	**32,407**	**167,643**	**+0**	**+4,976**	**+11,352**	**+0**	**+3,489**	**-3,727**	**-2,598**	**+1,889**
EBOe & Subs.	43,281	7,179	50,460	+0	+927	+1,340	+0	+828	-883	-632	+363
Savings Banks	61,345	14,565	75,910	+0	+3,906	+2,440	+0	+1,578	-1,716	-1,073	+964
Other Austria	30,611	10,663	41,273	+0	+143	+7,571	+0	+1,083	-1,128	-893	+562
CEE	**124,821**	**19,079**	**143,900**	**+0**	**+2,116**	**+5,993**	**+1,628**	**+2,065**	**-1,905**	**-1,173**	**+1,232**
Czech Republic	63,049	8,032	71,081	+0	+851	+2,109	+1,286	+715	-601	-269	+261
Slovakia	22,712	3,062	25,774	+0	+283	+1,129	+0	+18	-121	-114	+212
Romania	15,924	3,771	19,695	+0	+311	+1,138	+0	+1,104	-1,012	-669	+558
Hungary	9,986	1,250	11,236	+0	+224	+677	+0	+157	-113	-77	+69
Croatia	10,670	2,612	13,282	+0	+427	+767	+342	+12	-3	-2	+4
Serbia	2,479	352	2,831	+0	+19	+174	+0	+61	-55	-42	+128
Other	**11,454**	**100**	**11,555**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Total	**271,511**	**51,587**	**323,098**	**+0**	**+7,092**	**+17,345**	**+1,628**	**+5,554**	**-5,632**	**-3,771**	**+3,121**
Dec 21											
Austria	**127,109**	**24,314**	**151,423**	**+8,179**	**+0**	**+0**	**+0**	**+3,291**	**-4,734**	**-3,486**	**+3,382**
EBOe & Subs.	40,962	7,070	48,032	+2,405	+0	+0	+0	+654	-1,076	-712	+826
Savings Banks	59,909	11,496	71,405	+4,197	+0	+0	+0	+1,333	-2,086	-1,467	+1,694
Other Austria	26,238	5,748	31,986	+1,577	+0	+0	+0	+1,304	-1,572	-1,306	+862
CEE	**120,208**	**12,699**	**132,908**	**+2,548**	**+0**	**+0**	**+0**	**+1,912**	**-1,226**	**-753**	**+1,230**
Czech Republic	63,519	5,610	69,129	+716	+0	+0	+0	+872	-416	-323	+354
Slovakia	19,402	2,130	21,532	+823	+0	+0	+0	+57	-277	-151	+414
Romania	14,675	2,337	17,012	+241	+0	+0	+0	+851	-442	-214	+364
Hungary	10,069	928	10,997	+245	+0	+0	+0	+76	-30	-16	+19
Croatia	10,156	1,535	11,691	+439	+0	+0	+0	+29	-41	-33	+63
Serbia	2,387	159	2,546	+82	+0	+0	+0	+26	-20	-16	+16
Other	**7,966**	**16**	**7,982**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Total	**255,284**	**37,029**	**292,313**	**+10,726**	**+0**	**+0**	**+0**	**+5,203**	**-5,960**	**-4,239**	**+4,612**

Impact on credit loss allowances by geographical operating segment

	Current status - parameters (FLI shifted)								Simulations - difference to FLI shifts effect		
				Out of which:							
				Collective assessment due to							
in EUR million	Stage 1	Stage 2	Total	Covid-19	UA war - Cyclical	UA war - Energy	UA war - PI	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
Dec 22											
Austria	**-169**	**-772**	**-942**	**+0**	**-104**	**-85**	**+0**	**-205**	**+201**	**+129**	**-98**
EBOe & Subs.	-43	-169	-211	+0	-19	-10	+0	-50	+49	+32	-21
Savings Banks	-91	-434	-525	+0	-83	-29	+0	-105	+104	+66	-48
Other Austria	-36	-170	-206	+0	-2	-46	+0	-49	+48	+32	-29
CEE	**-296**	**-975**	**-1,271**	**+0**	**-80**	**-65**	**-21**	**-368**	**+280**	**+166**	**-140**
Czech Republic	-99	-332	-431	+0	-33	-14	-16	-87	+59	+24	-20
Slovakia	-49	-122	-171	+0	-11	-9	+0	-15	+12	+8	-5
Romania	-67	-314	-381	+0	-14	-16	+0	-198	+171	+110	-93
Hungary	-30	-62	-91	+0	-5	-3	+0	-38	+27	+17	-12
Croatia	-37	-127	-164	+0	-18	-19	-6	-21	+3	+2	-1
Serbia	-15	-18	-33	+0	-0	-4	+0	-8	+7	+5	-7
Other	**-4**	**-3**	**-7**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Total	**-470**	**-1,750**	**-2,220**	**+0**	**-184**	**-150**	**-21**	**-572**	**+481**	**+296**	**-238**
Dec 21											
Austria	**-221**	**-663**	**-883**	**-97**	**+0**	**+0**	**+0**	**-233**	**+361**	**+234**	**-189**
EBOe & Subs.	-48	-157	-204	-30	+0	+0	+0	-45	+76	+48	-39
Savings Banks	-135	-349	-484	-58	+0	+0	+0	-112	+178	+114	-96
Other Austria	-38	-157	-195	-10	+0	+0	+0	-76	+107	+72	-54
CEE	**-327**	**-823**	**-1,151**	**-86**	**+0**	**+0**	**+0**	**-317**	**+158**	**+99**	**-126**
Czech Republic	-118	-288	-406	-18	+0	+0	+0	-108	+22	+16	-19
Slovakia	-49	-119	-168	-16	+0	+0	+0	-20	+36	+22	-30
Romania	-69	-220	-289	-11	+0	+0	+0	-128	+56	+27	-48
Hungary	-24	-65	-88	-6	+0	+0	+0	-30	+9	+5	-5
Croatia	-55	-118	-173	-32	+0	+0	+0	-24	+31	+28	-22
Serbia	-13	-13	-26	-4	+0	+0	+0	-6	+4	+2	-3
Other	**-2**	**0**	**-2**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Total	**-550**	**-1,486**	**-2,036**	**-184**	**+0**	**+0**	**+0**	**-550**	**+520**	**+334**	**-315**

41. 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. 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.

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.

Forbearance concession triggers the performing forbearance classification and 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;
- activation of embedded forbearance clause of the contract;
- any waiver of a material financial or non-financial covenant.

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.

Performing forborne exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum two years:

_ the contract modification involves total or partial cancellation of the debt by (partial) write-off;
_ 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 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.

Credit risk exposure, forbearance exposure and credit loss allowances

in EUR million	Loans and advances	Debt securities	Other positions	Loan commitments	Total
Dec 22					
Gross exposure	**224,531**	**52,111**	**24,090**	**48,434**	**349,166**
thereof gross forborne exposure	4,088	0	1	128	4,218
Performing exposure	220,309	52,104	23,961	48,287	344,661
thereof performing forborne exposure	2,524	0	0	89	2,613
Credit loss allowances for performing exposure	-1,849	-41	-152	-246	-2,288
thereof credit loss allowances for performing forborne exposure	-105	0	0	-3	-109
Non-performing exposure	4,222	8	129	146	4,505
thereof non-performing forborne exposure	1,564	0	1	39	1,605
Credit loss allowances for non-performing exposure	-2,139	-5	-95	-46	-2,284
thereof credit loss allowances for non-performing forborne exposure	-675	0	-1	-20	-696
Dec 21					
Gross exposure	**205,213**	**46,195**	**20,437**	**40,593**	**312,439**
thereof gross forborne exposure	3,786	0	0	119	3,904
Performing exposure	200,843	46,195	20,311	40,464	307,813
thereof performing forborne exposure	2,141	0	0	79	2,220
Credit loss allowances for performing exposure	-1,677	-38	-172	-214	-2,101
thereof credit loss allowances for performing forborne exposure	-100	0	0	-3	-103
Non-performing exposure	4,371	0	126	129	4,626
thereof non-performing forborne exposure	1,644	0	0	40	1,684
Credit loss allowances for non-performing exposure	-2,267	0	-89	-69	-2,426
thereof credit loss allowances for non-performing forborne exposure	-763	0	0	-28	-791

Types of forbearance exposure

in EUR million	Gross forborne exposure	Modification in terms and conditions	Refinancing
Dec 22			
Loans and advances	4,088	3,771	317
Debt securities	0	0	0
Loan commitments	128	113	15
Total	**4,216**	**3,885**	**332**
Dec 21			
Loans and advances	3,786	3,519	267
Debt securities	0	0	0
Loan commitments	119	102	17
Total	**3,904**	**3,620**	**284**

Loans and advances also include lease, trade and other receivables.

Impact of non-significant contractual modifications of debt instruments AC assigned to Stage 2 and 3

	Dec 21		Dec 22	
in EUR million	Amortised cost before the modification	Net modification gains/losses	Amortised cost before the modification	Net modification gains/losses
Loans and advances				
General governments	15	0	16	0
Other financial corporations	201	0	95	0
Non-financial corporations	3,381	-1	1,545	1
Households	1,754	-11	862	-11
Total	**5,350**	**-12**	**2,518**	**-10**

As of 31 December 2022, 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 2022 amounted to EUR 1,606 million (2021: EUR 1,366 million).

42. 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 102.1% (2021: 98.4%) of the reported non-performing on-balance and off-balance credit risk exposure.

During 2022, the non-performing credit risk exposure decreased by EUR -121 million, or -2.6%, while the credit loss allowances for loans and advances together with credit loss allowances for loan commitments and financial guarantees slightly increased (EUR 61 million or 1.4%). This development resulted in a moderate increase of 3.6 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 2022 and 31 December 2021. 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 geographical operating 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 22												
Austria	**2,490**	**2,473**	**181,647**	**170,139**	**-1,939**	**1,245**	**1,244**	**1.4%**	**1.5%**	**78.4%**	**50.0%**	**50.3%**
EBOe & Subs.	624	624	51,585	51,086	-421	378	378	1.2%	1.2%	67.5%	60.6%	60.6%
Savings Banks	1,380	1,370	79,360	77,299	-1,104	738	737	1.7%	1.8%	80.6%	53.5%	53.8%
Other Austria	486	480	50,702	41,753	-413	129	129	1.0%	1.1%	86.2%	26.6%	26.8%
CEE	**1,997**	**1,928**	**155,874**	**146,007**	**-2,549**	**739**	**736**	**1.3%**	**1.3%**	**132.2%**	**37.0%**	**38.2%**
Czech Republic	798	760	76,597	71,849	-917	239	239	1.0%	1.1%	120.6%	29.9%	31.4%
Slovakia	299	297	26,906	26,186	-375	147	147	1.1%	1.1%	126.4%	49.2%	49.5%
Romania	356	338	21,690	20,064	-632	120	120	1.6%	1.7%	187.0%	33.6%	35.5%
Hungary	178	173	12,982	11,426	-192	77	74	1.4%	1.5%	111.5%	43.4%	43.1%
Croatia	317	314	14,092	13,601	-370	145	145	2.2%	2.3%	117.9%	45.7%	46.1%
Serbia	50	47	3,607	2,880	-64	11	11	1.4%	1.6%	135.8%	23.2%	24.5%
Other	**17**	**14**	**11,645**	**11,572**	**-19**	**9**	**6**	**0.2%**	**0.1%**	**132.4%**	**51.3%**	**41.0%**
Total	**4,505**	**4,416**	**349,166**	**327,718**	**-4,507**	**1,992**	**1,986**	**1.3%**	**1.3%**	**102.1%**	**44.2%**	**45.0%**
Dec 21												
Austria	**2,426**	**2,391**	**164,428**	**153,838**	**-1,891**	**1,259**	**1,258**	**1.5%**	**1.6%**	**79.1%**	**51.9%**	**52.6%**
EBOe & Subs.	602	600	49,210	48,635	-422	349	349	1.2%	1.2%	70.4%	58.1%	58.2%
Savings Banks	1,387	1,383	75,109	72,809	-1,080	747	746	1.8%	1.9%	78.1%	53.8%	54.0%
Other Austria	438	408	40,109	32,394	-389	163	162	1.1%	1.3%	95.3%	37.2%	39.7%
CEE	**2,183**	**2,112**	**139,901**	**135,201**	**-2,538**	**818**	**812**	**1.6%**	**1.6%**	**120.2%**	**37.5%**	**38.5%**
Czech Republic	767	745	71,197	69,878	-860	220	220	1.1%	1.1%	115.5%	28.6%	29.5%
Slovakia	297	297	22,539	21,936	-368	152	152	1.3%	1.4%	124.1%	51.2%	51.2%
Romania	458	419	18,872	17,465	-606	141	141	2.4%	2.4%	144.8%	30.8%	33.7%
Hungary	200	191	12,238	11,222	-192	110	104	1.6%	1.7%	100.4%	55.0%	54.4%
Croatia	421	421	12,139	12,114	-461	186	186	3.5%	3.5%	109.3%	44.2%	44.2%
Serbia	40	39	2,917	2,586	-50	9	9	1.4%	1.5%	128.6%	23.0%	23.3%
Other	**17**	**14**	**8,110**	**7,999**	**-18**	**8**	**6**	**0.2%**	**0.2%**	**122.7%**	**48.4%**	**38.6%**
Total	**4,626**	**4,517**	**312,439**	**297,038**	**-4,446**	**2,085**	**2,075**	**1.5%**	**1.5%**	**98.4%**	**45.1%**	**45.9%**

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 22												
Retail	1,381	1,375	80,364	79,453	-1,609	564	561	1.7%	1.7%	117.0%	40.8%	40.8%
Corporates	1,694	1,624	114,347	105,062	-1,713	675	674	1.5%	1.5%	105.5%	39.8%	41.5%
Group Markets	0	0	19,511	10,648	-22	0	0	0.0%	0.0%	>500.0%	6.2%	13.9%
ALM & LCC	32	32	55,409	55,152	-45	7	7	0.1%	0.1%	142.8%	22.2%	22.3%
Savings Banks	1,380	1,370	79,360	77,299	-1,104	738	737	1.7%	1.8%	80.6%	53.5%	53.8%
GCC	17	14	175	103	-14	9	6	10.0%	14.0%	95.4%	51.3%	41.0%
Total	**4,505**	**4,416**	**349,166**	**327,718**	**-4,507**	**1,992**	**1,986**	**1.3%**	**1.3%**	**102.1%**	**44.2%**	**45.0%**
Dec 21												
Retail	1,507	1,501	76,689	75,882	-1,557	616	610	2.0%	2.0%	103.7%	40.9%	40.6%
Corporates	1,693	1,598	91,644	86,598	-1,732	712	711	1.8%	1.8%	108.4%	42.1%	44.5%
Group Markets	2	2	18,815	11,947	-22	2	2	0.0%	0.0%	>500.0%	88.2%	88.4%
ALM & LCC	19	19	49,878	49,588	-40	0	0	0.0%	0.0%	207.5%	0.0%	0.0%
Savings Banks	1,387	1,383	75,109	72,809	-1,080	747	746	1.8%	1.9%	78.1%	53.8%	54.0%
GCC	17	14	304	214	-17	8	6	5.6%	6.7%	116.9%	48.4%	38.6%
Total	**4,626**	**4,517**	**312,439**	**297,038**	**-4,446**	**2,085**	**2,075**	**1.5%**	**1.5%**	**98.4%**	**45.1%**	**45.9%**

43. Detailed analysis of 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 and advances 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 geographical operating segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Dec 22						
Austria	**111,966**	**0**	**2,027**	**2,930**	**2,543**	**119,466**
EBOe & Subs.	39,117	0	871	44	34	40,066
Savings Banks	55,657	0	1,110	54	1,151	57,972
Other Austria	17,193	0	46	2,832	1,358	21,429
CEE	**37,491**	**47,552**	**12**	**133**	**87**	**85,274**
Czech Republic	6,424	32,193	1	62	64	38,744
Slovakia	18,246	0	0	7	23	18,275
Romania	3,482	8,186	0	40	0	11,708
Hungary	1,857	4,008	0	6	0	5,873
Croatia	5,913	2,668	10	15	0	8,607
Serbia	1,568	496	0	3	0	2,067
Other	**1,274**	**36**	**4**	**8**	**27**	**1,349**
Total	**150,731**	**47,589**	**2,043**	**3,070**	**2,657**	**206,090**
Dec 21						
Austria	**101,287**	**0**	**2,300**	**2,913**	**1,972**	**108,472**
EBOe & Subs.	36,283	0	999	69	58	37,409
Savings Banks	51,407	0	1,257	38	1,114	53,816
Other Austria	13,597	0	43	2,806	800	17,246
CEE	**30,885**	**44,491**	**18**	**153**	**75**	**75,621**
Czech Republic	4,377	29,978	0	58	47	34,459
Slovakia	16,204	0	0	4	27	16,236
Romania	3,011	7,123	0	71	0	10,204
Hungary	1,245	3,960	1	5	0	5,211
Croatia	4,665	2,922	16	11	0	7,614
Serbia	1,384	509	0	3	0	1,897
Other	**33**	**42**	**4**	**5**	**0**	**84**
Total	**132,205**	**44,533**	**2,322**	**3,071**	**2,047**	**184,177**

"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.).

Loans and advances to customers by geographical operating segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 22					
Austria	**101,474**	**12,717**	**2,947**	**2,328**	**119,466**
EBOe & Subs.	34,092	4,426	960	587	40,066
Savings Banks	47,599	7,468	1,602	1,304	57,972
Other Austria	19,783	823	385	437	21,429
CEE	**64,138**	**15,209**	**4,052**	**1,876**	**85,274**
Czech Republic	32,167	4,655	1,188	735	38,745
Slovakia	13,177	3,526	1,281	290	18,275
Romania	8,975	1,993	413	327	11,708
Hungary	3,151	1,861	694	167	5,873
Croatia	5,120	2,757	423	307	8,607
Serbia	1,548	417	52	49	2,067
Other	**1,324**	**8**	**0**	**17**	**1,349**
Total	**166,936**	**27,934**	**7,000**	**4,220**	**206,090**
Dec 21					
Austria	**92,988**	**11,371**	**1,826**	**2,286**	**108,472**
EBOe & Subs.	33,266	3,074	501	568	37,409
Savings Banks	44,147	7,290	1,070	1,309	53,816
Other Austria	15,575	1,008	255	409	17,246
CEE	**59,613**	**10,456**	**3,487**	**2,065**	**75,621**
Czech Republic	28,806	3,854	1,078	722	34,459
Slovakia	13,647	1,353	941	295	16,236
Romania	8,340	1,172	292	400	10,204
Hungary	3,572	917	529	194	5,211
Croatia	3,830	2,816	553	415	7,614
Serbia	1,418	345	94	39	1,897
Other	**43**	**23**	**0**	**17**	**84**
Total	**152,645**	**21,851**	**5,313**	**4,368**	**184,177**

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 22					
Retail	57,514	9,391	3,007	1,362	71,274
Corporates	59,381	10,975	2,217	1,512	74,084
Group Markets	939	6	45	0	990
ALM & LCC	1,471	89	129	26	1,715
Savings Banks	47,599	7,468	1,602	1,304	57,972
GCC	33	6	0	17	56
Total	**166,936**	**27,934**	**7,000**	**4,220**	**206,090**
Dec 21					
Retail	57,845	5,036	2,285	1,489	66,655
Corporates	49,866	9,466	1,859	1,549	62,740
Group Markets	698	8	3	0	709
ALM & LCC	60	41	96	4	201
Savings Banks	44,147	7,290	1,070	1,309	53,816
GCC	28	10	0	17	55
Total	**152,645**	**21,851**	**5,313**	**4,368**	**184,177**

In the following tables, the non-performing loans and advances to customers divided by segments 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 geographical operating 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 22												
Austria	**2,328**	**2,321**	**119,466**	**119,405**	**-1,637**	**1,223**	**1,221**	**1.9%**	**1.9%**	**70.5%**	**52.5%**	**52.6%**
EBOe & Subs.	587	587	40,066	40,059	-362	370	370	1.5%	1.5%	61.7%	63.0%	63.0%
Savings Banks	1,304	1,303	57,972	57,968	-959	723	723	2.2%	2.2%	73.6%	55.5%	55.5%
Other Austria	437	431	21,429	21,378	-316	129	129	2.0%	2.0%	73.2%	29.6%	29.8%
CEE	**1,876**	**1,873**	**85,274**	**84,497**	**-2,331**	**719**	**716**	**2.2%**	**2.2%**	**124.5%**	**38.3%**	**38.2%**
Czech Republic	735	735	38,744	38,744	-863	228	228	1.9%	1.9%	117.4%	31.0%	31.0%
Slovakia	290	290	18,275	18,275	-352	147	147	1.6%	1.6%	121.3%	50.5%	50.5%
Romania	327	327	11,708	11,708	-560	116	116	2.8%	2.8%	171.4%	35.5%	35.5%
Hungary	167	164	5,873	5,096	-172	76	73	2.8%	3.2%	104.6%	45.3%	44.5%
Croatia	307	307	8,607	8,607	-325	142	142	3.6%	3.6%	105.9%	46.1%	46.1%
Serbia	49	49	2,067	2,067	-59	11	11	2.4%	2.4%	119.8%	23.2%	23.2%
Other	**17**	**14**	**1,349**	**1,349**	**-14**	**9**	**6**	**1.3%**	**1.1%**	**96.3%**	**52.0%**	**41.7%**
Total	**4,220**	**4,208**	**206,090**	**205,251**	**-3,981**	**1,951**	**1,944**	**2.0%**	**2.1%**	**94.6%**	**46.2%**	**46.2%**
Dec 21												
Austria	**2,286**	**2,256**	**108,472**	**108,400**	**-1,568**	**1,233**	**1,232**	**2.1%**	**2.1%**	**69.5%**	**53.9%**	**54.6%**
EBOe & Subs.	568	568	37,409	37,400	-353	344	344	1.5%	1.5%	62.0%	60.5%	60.5%
Savings Banks	1,309	1,309	53,816	53,809	-918	726	726	2.4%	2.4%	70.2%	55.5%	55.5%
Other Austria	409	379	17,246	17,191	-297	163	162	2.4%	2.2%	78.2%	39.8%	42.7%
CEE	**2,065**	**2,059**	**75,621**	**74,888**	**-2,352**	**802**	**796**	**2.7%**	**2.7%**	**114.2%**	**38.8%**	**38.7%**
Czech Republic	722	722	34,459	34,459	-804	213	213	2.1%	2.1%	111.3%	29.5%	29.5%
Slovakia	295	295	16,236	16,236	-342	152	152	1.8%	1.8%	115.9%	51.4%	51.4%
Romania	400	400	10,204	10,204	-553	137	137	3.9%	3.9%	138.2%	34.4%	34.4%
Hungary	194	188	5,211	4,477	-179	107	102	3.7%	4.2%	95.4%	55.4%	54.1%
Croatia	415	415	7,614	7,614	-426	184	184	5.5%	5.5%	102.5%	44.2%	44.2%
Serbia	39	39	1,897	1,897	-49	9	9	2.1%	2.1%	124.4%	23.4%	23.4%
Other	**17**	**14**	**84**	**81**	**-17**	**8**	**6**	**20.4%**	**17.6%**	**116.1%**	**48.4%**	**38.6%**
Total	**4,368**	**4,330**	**184,177**	**183,369**	**-3,936**	**2,043**	**2,034**	**2.4%**	**2.4%**	**90.9%**	**46.8%**	**47.0%**

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

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

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

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

in EUR million	Non-performing Total	Non-performing AC	Customer loans Total	Customer loans AC	Loan loss allowances AC	Collateral for NPL Total	Collateral for NPL AC	NPL ratio Total	NPL ratio AC	NPL coverage ratio AC	NPL collateralisation ratio Total	NPL collateralisation ratio AC
Dec 22												
Retail	1,362	1,359	71,274	70,496	-1,560	559	556	1.9%	1.9%	114.8%	41.0%	40.9%
Corporates	1,512	1,506	74,084	74,028	-1,429	652	652	2.0%	2.0%	94.9%	43.1%	43.3%
Group Markets	0	0	990	990	-2	0	0	0.0%	0.0%	>500.0%	28.8%	28.8%
ALM & LCC	26	26	1,715	1,715	-18	7	7	1.5%	1.5%	67.5%	27.0%	27.0%
Savings Banks	1,304	1,303	57,972	57,968	-959	723	723	2.2%	2.2%	73.6%	55.5%	55.5%
GCC	17	14	56	55	-13	9	6	31.0%	25.9%	94.0%	52.0%	41.7%
Total	**4,220**	**4,208**	**206,090**	**205,251**	**-3,981**	**1,951**	**1,944**	**2.0%**	**2.1%**	**94.6%**	**46.2%**	**46.2%**
Dec 21												
Retail	1,489	1,483	66,655	65,921	-1,505	612	606	2.2%	2.2%	101.5%	41.1%	40.9%
Corporates	1,549	1,520	62,740	62,675	-1,488	697	696	2.5%	2.4%	97.9%	45.0%	45.8%
Group Markets	0	0	709	709	-2	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	4	4	201	201	-6	0	0	2.2%	2.2%	129.1%	0.1%	0.1%
Savings Banks	1,309	1,309	53,816	53,809	-918	726	726	2.4%	2.4%	70.2%	55.5%	55.5%
GCC	17	14	55	53	-17	8	6	30.8%	26.9%	116.1%	48.4%	38.6%
Total	**4,368**	**4,330**	**184,177**	**183,369**	**-3,936**	**2,043**	**2,034**	**2.4%**	**2.4%**	**90.9%**	**46.8%**	**47.0%**

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

in EUR million	Loans to customers Stage 1	Loans to customers Stage 2	Loans to customers Stage 3	Loans to customers POCI	Loans to customers Not subject to IFRS 9 impairment	Loan loss allowances Stage 1	Loan loss allowances Stage 2	Loan loss allowances Stage 3	Loan loss allowances POCI	Coverage ratio Stage 2	Coverage ratio Stage 3	Coverage ratio POCI
Dec 22												
Austria	**92,420**	**24,642**	**2,277**	**65**	**61**	**-123**	**-603**	**-910**	**-1**	**2.4%**	**40.0%**	**0.9%**
EBOe & Subs.	33,461	6,008	577	12	7	-33	-139	-190	0	2.3%	32.9%	0.0%
Savings Banks	44,419	12,227	1,269	53	4	-71	-360	-527	-1	2.9%	41.5%	1.1%
Other Austria	14,539	6,408	431	0	50	-19	-103	-193	0	1.6%	44.8%	0.0%
CEE	**68,048**	**14,428**	**1,734**	**287**	**777**	**-237**	**-851**	**-1,156**	**-87**	**5.9%**	**66.6%**	**30.3%**
Czech Republic	31,524	6,478	688	54	1	-80	-307	-456	-20	4.7%	66.2%	36.4%
Slovakia	15,628	2,267	280	100	0	-44	-111	-166	-32	4.9%	59.2%	31.8%
Romania	8,759	2,593	301	54	0	-54	-266	-230	-10	10.3%	76.4%	17.7%
Hungary	4,007	908	134	47	777	-20	-54	-86	-12	5.9%	63.8%	25.1%
Croatia	6,443	1,851	283	29	0	-28	-96	-188	-13	5.2%	66.4%	46.0%
Serbia	1,687	331	47	2	0	-11	-18	-30	0	5.3%	64.5%	22.6%
Other	**1,327**	**4**	**17**	**0**	**1**	**-2**	**0**	**-12**	**0**	**2.9%**	**68.6%**	**0.0%**
Total	**161,795**	**39,074**	**4,029**	**352**	**839**	**-361**	**-1,454**	**-2,078**	**-87**	**3.7%**	**51.6%**	**24.8%**
Dec 21												
Austria	**85,834**	**20,286**	**2,227**	**54**	**72**	**-152**	**-488**	**-927**	**-1**	**2.4%**	**41.6%**	**1.5%**
EBOe & Subs.	30,887	5,942	565	6	10	-33	-118	-201	0	2.0%	35.6%	0.0%
Savings Banks	42,784	9,696	1,282	47	7	-99	-273	-546	-1	2.8%	42.6%	1.7%
Other Austria	12,163	4,648	379	0	55	-21	-96	-180	0	2.1%	47.3%	0.0%
CEE	**62,150**	**10,541**	**1,923**	**274**	**734**	**-259**	**-750**	**-1,256**	**-87**	**7.1%**	**65.3%**	**31.8%**
Czech Republic	29,306	4,428	674	52	0	-98	-264	-422	-20	6.0%	62.6%	38.2%
Slovakia	13,924	1,951	290	72	0	-43	-111	-166	-22	5.7%	57.3%	30.6%
Romania	7,865	1,907	377	55	0	-54	-198	-288	-13	10.4%	76.4%	24.4%
Hungary	3,413	844	155	66	734	-16	-61	-85	-17	7.2%	54.9%	25.9%
Croatia	5,940	1,257	389	28	0	-37	-104	-270	-15	8.3%	69.4%	52.6%
Serbia	1,702	155	37	2	0	-11	-13	-24	0	8.4%	64.7%	21.4%
Other	**49**	**15**	**17**	**0**	**2**	**-1**	**0**	**-16**	**0**	**0.3%**	**91.9%**	**0.0%**
Total	**148,033**	**30,842**	**4,167**	**327**	**808**	**-412**	**-1,238**	**-2,198**	**-88**	**4.0%**	**52.8%**	**26.8%**

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 181 million (2021: EUR 165 million), the non-defaulted part to EUR 172 million (2021: EUR 162 million).

Loans and advances to customers at AC 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 22												
Retail	59,702	9,385	1,321	88	779	-151	-598	-788	-23	6.4%	59.7%	26.1%
Corporates	55,126	17,294	1,397	211	56	-135	-494	-736	-64	2.9%	52.7%	30.3%
Group Markets	836	153	0	0	0	-1	-1	0	0	0.8%	38.0%	60.3%
ALM & LCC	1,675	14	26	0	0	-1	-1	-15	0	7.7%	58.3%	21.3%
Savings Banks	44,419	12,227	1,269	53	4	-71	-360	-527	-1	2.9%	41.5%	1.1%
GCC	36	2	17	0	1	-1	0	-12	0	6.9%	68.6%	0.0%
Total	**161,795**	**39,074**	**4,029**	**352**	**839**	**-361**	**-1,454**	**-2,078**	**-87**	**3.7%**	**51.6%**	**24.8%**
Dec 21												
Retail	56,634	7,746	1,440	101	734	-160	-488	-830	-28	6.3%	57.6%	27.6%
Corporates	47,819	13,255	1,423	178	65	-151	-475	-802	-59	3.6%	56.4%	33.2%
Group Markets	580	129	0	0	0	-1	-1	0	0	0.9%	18.5%	0.0%
ALM & LCC	183	14	4	0	0	-1	-1	-4	0	5.5%	99.5%	0.0%
Savings Banks	42,784	9,696	1,282	47	7	-99	-273	-546	-1	2.8%	42.6%	1.7%
GCC	34	2	17	0	2	-1	0	-16	0	2.3%	91.9%	0.0%
Total	**148,033**	**30,842**	**4,167**	**327**	**808**	**-412**	**-1,238**	**-2,198**	**-88**	**4.0%**	**52.8%**	**26.9%**

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 2022, which is still subject to enforcement activity, totals EUR 113 million (2021: EUR 157 million).

44. Securitisations

As of 31 December 2022, Erste Group held a further reduced residual portfolio of investment-grade rated securitisations; there were no new investments undertaken. The carrying amount of Erste Group's securitisation portfolio totalled EUR 1.9 million.

45. 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) methodology. 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 VaR calculation for the trading book is based on the methodology of historical 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 for the trading book 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).

The VaR calculation for banking book positions (BB-VaR) is based on the methodology used for ICAAP calculation of Erste Group where 250.000 historical scenarios (starting with 2010) 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.

A known limitation of the VaR approach is that on the one hand, that it estimates losses only up to the confidence level , and on the other hand, the model considers only those market scenarios observed within the look-back period to calculate the VaR for the current position of the bank. To address this limitation and 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: for the trading book, a 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 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 stressed 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 risk 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 "Covid-19 crisis" or "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 Market Risk Committee within the scope of the regular market risk reporting. Banking book positions are considered in the comprehensive stress test.

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 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.

In Banking Book, limits are implemented top-down from Group to individual entity covering change in economic value and in net interest income as well as limits on market risk Pillar 2 RWA. Limit monitoring is done by respective local risk management and Group Banking Book Risk Management. Dedicated escalation procedure is in place in case of limit breaches.

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. The figures do not cover exposures which are accounted for in the standardized approach (e.g., FX risks in the banking book, specific position risk):

Value at Risk of banking book and trading book

in EUR thousand	Total	Interest	Credit spread	Currency	Shares	Commodity	Volatility
Dec 22							
Erste Group	**85,976**	**87,202**	**16,356**	**980**	**1,583**	**211**	**1,064**
Banking book	81,705	82,929	16,356	-	-	-	-
Trading book	4,271	4,273	-	980	1,583	211	1,064
Dec 21							
Erste Group	**52,336**	**51,925**	**16,431**	**1,140**	**2,216**	**247**	**1,012**
Banking book	47,130	48,119	16,431	-	-	-	-
Trading book	5,206	3,806	-	1,140	2,216	247	1,012

The table above is adjusted compared to the annual report of 2021. It is due to change in representation of VaR for the banking book as it is now showing worst case result per Risk sub component. It is with the same confidence interval of 99% and 1 day holding period as the Total VaR for which the representation remains unchanged. With this approach it is aligned with the representation of the Trading Book VaR results. Therefore, the December 2021 figures were restated in order to be comparable.

In 2021 the model multiplier for Erste Group was increased from 3.0 to 3.25 by the ECB based on the observation that until first quarter 2021 Erste Group did not have a systematic process for capturing Risks Not In The Model (RNIME). A regulatory compliant framework was implemented starting with June 2021. In February 2022 Erste Group received regulatory approval to reduce the multiplier back to 3.0 based on the implemented RNIME framework. As of year-end 2022 the number of VaR backtesting outliers is 6 and hence the regulatory multiplier has a value of 3.5. Three of the outliers were clustered in late February and early March and were related to market reaction to the war in the Ukraine. The remaining three outliers were caused by sharp market moves related to central bank intervention or market expectations regarding inflation and interest rates.

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.

In order to reflect newest data, behavioural models for on-demand deposits and loan prepayments have been reviewed and updated for major entities (Erste Bank Österreich, Sparkassen, Ceska Sporitelna, Slovenska Sporitelna) during 2022.

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). With increasing yield curves, especially in EUR, USD and CZK, these embedded floors have become less relevant.

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 (including structural FX positions for 2022, excluding positions in HRK due to Croatia joining the eurozone as of 1st of January 2023). The inclusion of structural FX positions in the table below as of 2022 is in line with the EBA guideline on the treatment of structural FX (EBA/GL/2020/09) which requires banks to calculate own funds for FX positions resulting from participations in foreign subsidiaries. The inclusion of structural FX positions leads to overall significantly higher open positions in the core market currencies:

Open foreign currency positions

in EUR thousand	Open position
Dec 22	
Czech Koruna (CZK)	2,940,118
Romanian Leu (RON)	1,346,093
Hungarian Forint (HUF)	530,802
Serbian Dinar (RSD)	376,336
Macedonian Denar (MKD)	227,258
Bosnia and Herzegovina Convertible Mark (BAM)	181,863
US Dollar (USD)	84,819
Polish Zloty (PLN)	25,771
British Pound (GBP)	9,020
Swiss Franc (CHF)	6,093
Dec 21	
US Dollar (USD)	41,318
Croatian Kuna (HRK)	25,591
Czech Koruna (CZK)	12,442
Serbian Dinar (RSD)	11,298
Hungarian Forint (HUF)	11,123
Polish Zloty (PLN)	10,676
Romanian Leu (RON)	4,368
Japanese Yen (JPY)	3,984
Swiss Franc (CHF)	-3,687
British Pound (GBP)	2,981

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. Balance Sheet Management Division (BSM) is responsible for the interest rate risk management of the banking book and respective hedging actions. ALCO committee is informed by BSM on a regular basis about the interest rate risk of the banking book and required approvals (e.g., for strategic positions, the BSM strategy, pouvoir for investments, etc.) by the members of the ALCO committee.

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.

46. Liquidity risk

Recent Developments

In 2022, Erste Group further developed and enhanced its liquidity risk calculation and reporting system in the new technical environment. With these improvements, all liquidity metrics are now well established on this technical environment.

The implementation of some of these liquidity metrics was accompanied by a re-design of these metrics. So have the long-term Structural Liquidity Ratio (STRL) and the Stress-Testing metric Survival Period Analysis (SPA) been reviewed in the process of the implementation and certain re-designs and improvements have been implemented as well.

Liquidity strategy

In 2022, customer deposits remained the primary source of funding for Erste Group. The growth in loan volume surpassed inflows of customer deposits, leading to the reduction of short term placements.

With regards its own issuance, Erste Group Bank AG issued EUR 6.1 billion in bonds in 2022 (2021: EUR 3.1 billion) which in net terms was approx. EUR 2.1 billion above the original plan at the beginning of the year due to pre-funding activities. EUR 3.4 billion (2021: EUR 2.6 billion) was collected by issuing senior preferred bonds, of which EUR 0.5 billion (2021: 0.5 billion) was printed via a benchmark sized transaction. Tier 2 subordinated debt issuance amounted to EUR 0.5 billion (2021: EUR 0.5 billion). This was offset by repurchases of EUR 70 million (2021: EUR 37 million). The average tenor of all new issues in 2022 is approximately 6.3 years (2021: 7.0 years).

Erste Group's total TLTRO participation in 2022 decreased to EUR 15.5 billion (2021: 21.2 billion).

Liquidity Metrics and Reports

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 Regulation (EU) No 575/2013 (CRR), Regulation (EU) 2015/61 and the Council and the "Kreditinstitute-Risikomanagement-Verordnung - KI-RMV" in their current versions. 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.

The regulatory liquidity ratios LCR and NSFR are well implemented in Erste Group which uses the above-mentioned technical environment to calculate the LCR accordingRegulation (EU) No 2015/61 as well as the NSFR according to the Regulation (EU) No 575/2013 in their currently valid versions.

Erste Group calculates LCR on a daily basis on solo and group level and reports it on a monthly basis to the authorities. 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%. 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.

The NSFR is calculated on a monthly basis on solo and group level and is reported on a quarterly basis to the authorities. Same as the LCR, the NSFR is part of the internal RAS and limits are defined in the RAS targeting to be well above the regulatory requirement of 100%

Short-term insolvency risk is monitored by calculating the survival period analysis (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. It is calculated on a monthly basis at entity and group level.

Structural liquidity is monitored with the internal Structural Liquidity Ratio (STRL), depicting the going concern maturity mismatches of the subsidiaries and the group as a whole. The STRL is calculated on a monthly basis both on solo entity level and on group level.

All above mentioned reports (LCR, NSFR, SPA and STRL) are reported to the Operational Liquidity Committee (OLC) as well as to the management board during the Group Asset and Liability Committee (Group ALCO).

Additionally, 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

Apart from the reporting of liquidity metrics to the OLC and the Group ALCO, another important instrument for managing the liquidity risk within Erste Group 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.

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. 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).

Erste Group has continued to actively reduce surplus liquidity which results in a lower LCR ratio in comparison to previous year. However, Erste Group is still having a comfortable buffer well above internal and external limits.

Liquidity coverage ratio

in EUR million	Dec 21	Dec 22
Liquidity buffer	71,566	72,877
Net liquidity outflow	40,361	52,825
Liquidity coverage ratio	177.3%	138.0%

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.

In order to reflect newest data and significant changes in many yield curve levels, behavioural models for on-demand deposits have been reviewed and updated for all major entities during 2022 same as for interest rate risk in the banking book.

The figures for December 2022 in the tables below (structural liquidity gap) are extracted from the new technical environment as described in the section 'recent developments' whereas the figures for December 2021 are based on the old technical environment which was still in use back then. Increase in assets is partially mitigated by increase of liabilities in the first time band resulting in a decreased gap of 10 bn EUR mostly due to updates of behavioural model and the therewith connected conservative shift of deposits to earlier time bands whereas loans to later ones as well as due to improved data quality in the new environment.

Structural liquidity gap

	0-12 months		1-3 years		3-5 years		> 5 years	
in EUR million	Dec 21	Dec 22	Dec 21	Dec 22	Dec 21	Dec 22	Dec 21	Dec 22
Liquidity gap	37,894	10,857	-7,021	7,829	-10,414	2,076	-21,690	-25,452

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 41.8 billion (2021: EUR 30.7 billion), which are accepted as collateral by the central banks to which Erste Group has access, are considered 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 22					
Cash, excess reserve	8,743	0	0	0	0
Liquid assets	42,165	-2,434	-2,258	-1,730	-4,331
Other central bank eligible assets	2,622	-58	118	4,904	3,304
Thereof retained covered bonds	-227	0	285	3,860	2,816
Thereof credit claims	1,476	0	85	969	621
Counterbalancing capacity	**53,530**	**-2,492**	**-2,140**	**3,174**	**-1,027**
Dec 21					
Cash, excess reserve	29,074	0	0	0	0
Liquid assets	37,951	-6,126	-1,134	-1,447	-2,252
Other central bank eligible assets	1,119	-43	328	-267	499
Thereof retained covered bonds	-86	0	470	0	500
Thereof credit claims	331	0	0	0	243
Counterbalancing capacity	**68,144**	**-6,170**	**-806**	**-1,714**	**-1,753**

The figures above show the total amount of potential liquidity available for the group in a going concern situation considering 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.

The decrease in cash, excess reserve can be explained by entities starting to place their surplus liquidity to central banks as a loan which is not considered as part of the counterbalancing capacity anymore.

Financial liabilities. The table below shows the undiscounted principal cash flows for all financial liabilities and it contains interest cash flows.

Financial liabilities

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
Dec 22						
Non-derivative liabilities	**288,697**	**301,416**	**222,121**	**24,450**	**34,361**	**20,484**
Deposits by banks	28,821	33,173	7,048	11,059	12,026	3,041
Customer deposits	223,973	229,398	212,922	10,983	4,380	1,113
Debt securities in issue	29,300	33,818	2,012	1,940	16,120	13,747
Subordinated liabilities	6,603	5,027	140	468	1,835	2,583
Derivative liabilities	**2,999**	**5,905**	**-37**	**1,523**	**3,540**	**878**
Derivatives liabilities with netted Cash Flows	0	4,877	21	836	3,181	839
Derivatives liabilities with gross Cash Flow (net)	0	1,028	-58	688	359	39
Outflows	0	77,798	54,323	17,090	5,727	658
Inflows	0	-76,770	-54,381	-16,402	-5,367	-619
Contingent liabilities	**0**	**63,792**	**63,792**	**0**	**0**	**0**
Financial guarantees	0	7,643	7,643	0	0	0
Commitments	0	56,150	56,150	0	0	0
Other financial liabilities	**1,687**	**1,687**	**1,687**	**0**	**0**	**0**
Total	**293,383**	**372,800**	**287,563**	**25,973**	**37,901**	**21,362**
Dec 21						
Non-derivative liabilities	**274,539**	**278,718**	**209,599**	**11,005**	**39,401**	**18,714**
Deposits by banks	31,886	33,427	4,176	3,315	23,147	2,790
Customer deposits	210,523	213,550	204,311	3,581	4,213	1,445
Debt securities in issue	25,295	26,091	1,088	2,731	10,104	12,169
Subordinated liabilities	6,835	5,650	25	1,377	1,938	2,310
Derivative liabilities	**1,933**	**1,953**	**-32**	**729**	**1,018**	**239**
Derivatives liabilities with netted Cash Flows	0	1,406	105	282	788	231
Derivatives liabilities with gross Cash Flow (net)	0	547	-137	446	229	8
Outflows	0	44,997	27,760	10,706	5,534	995
Inflows	0	-44,449	-27,897	-10,260	-5,305	-987
Contingent liabilities	**0**	**53,529**	**53,529**	**0**	**0**	**0**
Financial guarantees	0	6,796	6,796	0	0	0
Commitments	0	46,734	46,734	0	0	0
Other financial liabilities	**2,190**	**2,190**	**2,190**	**0**	**0**	**0**
Total	**278,663**	**336,391**	**265,286**	**11,733**	**40,419**	**18,953**

As of year-end 2022, the currency composition of the non-derivative liabilities consisted of approximately 69% EUR, 17% CZK, 4% RON, 4% USD, and 6% in other currencies (2021: 71% EUR, 17% CZK, 4% RON, 3% USD, 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 1.8 billion (2021: EUR 1.2 billion) in the severe combined idiosyncratic and market crisis scenario as of 31 December 2022.

As of 31 December 2022, the volume of customer deposits due on demand amounted to EUR 171.6 billion (2021: EUR 167.7 billion). According to customer segments, the customer demand deposits are composed as follows: 63% private individuals, 21% small and medium-sized enterprises, 8% large corporates, 4% public sector, and 4% non-banking financial institutions (2021: 64% private individuals, 21% small and medium-sized enterprises, 8% large corporates, 4% public sector, and 3% non-banking financial institutions).

47. 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 risk, model risk and information and communication technology risk, but not strategic and reputational risk. 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, most importantly the quarterly Group Risk Report, which informs on recent losses, loss trends, qualitative information derived from Risk Control Self-Assessments, NFR (Non-Financial Risk) decisions, risk indicators, key ratios and the Erste Group VaR for operational risk.

Non-current assets and other investments

48. 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.

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

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 21	**2,393**	**970**	**557**	**410**	**4,331**	**1,684**
Additions	120	73	55	132	380	83
Disposals	-40	-66	-64	-94	-265	-15
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	-1
Reclassification	-2	-37	39	0	0	0
Assets held for sale	-4	0	0	26	21	-21
Currency translation	32	5	5	5	48	6
Dec 21	**2,498**	**945**	**593**	**479**	**4,515**	**1,736**
Additions	81	81	81	46	290	107
Disposals	-60	-57	-83	-71	-270	-16
Acquisition of subsidiaries	11	0	0	0	11	0
Disposal of subsidiaries	0	0	0	-150	-150	-2
Reclassification	16	11	1	0	28	-28
Assets held for sale	-25	-2	-1	0	-28	-11
Currency translation	17	2	1	5	24	1
Dec 22	**2,538**	**980**	**591**	**309**	**4,419**	**1,788**

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 21	**-1,021**	**-674**	**-395**	**-164**	**-2,253**	**-459**
Amortisation and depreciation	-66	-55	-63	-48	-231	-28
Disposals	27	63	62	45	197	3
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	1	1
Impairment	-21	-1	0	-21	-44	-6
Reversal of impairment	5	0	0	0	5	1
Reclassification	-1	18	-16	0	1	-1
Assets held for sale	11	0	0	0	11	6
Currency translation	-18	-3	-3	-3	-27	-3
Dec 21	**-1,084**	**-651**	**-415**	**-190**	**-2,340**	**-484**
Amortisation and depreciation	-71	-54	-63	-39	-228	-27
Disposals	30	50	82	50	213	8
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	1	0	0	36	37	2
Impairment	-16	-2	0	0	-19	-17
Reversal of impairment	3	0	0	0	3	1
Reclassification	-7	0	0	0	-7	7
Assets held for sale	9	1	1	0	11	5
Currency translation	-8	-1	0	-3	-12	-2
Dec 22	**-1,143**	**-658**	**-396**	**-145**	**-2,342**	**-506**

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 21	**1,414**	**294**	**178**	**289**	**2,175**	**1,251**
Dec 22	**1,395**	**322**	**196**	**164**	**2,077**	**1,281**

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 21	455	3	0	11	470	93
Dec 22	518	4	0	18	541	91

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 21	1,869	297	178	301	2,645	1,344
Dec 22	1,913	327	196	182	2,618	1,372

For details related to right of use assets capitalized in balance sheet arising from leases where Erste Group is lessee, please see Note 52 Leases where the Group is a lessee.

The carrying amount of investment properties include properties subject to operating leases in the amount of EUR 1,300.6 million (2021: EUR 1,273.3 million). Investment properties with a carrying amount of EUR 596.0 million (2021: EUR 443.6 million) are pledged as collaterals. Investment properties with a carrying amount of EUR 635.7 million (2021: EUR 567.0 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 210.9 million (2021: EUR 334.3 million).

In the reporting period, expenditures in the amount of EUR 88.6 million (2021: EUR 185.0 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 17.1 million (2021: EUR 54.9 million).

In 2022, land and buildings were impaired in the amount of EUR 13.9 million in Czech Republic (2021: EUR 15.8 million). As of 31 December 2022, the recoverable amount of these impaired assets amounted to EUR 14.2 million (2021: EUR 40.6 million).

As of 31 December 2022 the fair value of investment properties with a carrying amount of EUR 1,372 million (2021: EUR 1,344 million) amounts to 1,597 million (2021: EUR 1,518 million) and is classified as level 3 of the fair value hierarchy.

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.

49. 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 58 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	4-10
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 48 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 is explained in section ‘Significant accounting policies’ in the chapter ‘Significant accounting judgements, assumptions and estimates.

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 21	**662**	**159**	**0**	**1,644**	**549**	**353**	**3,367**
Additions	6	0	0	131	51	14	202
Disposals	-8	0	0	-55	-10	-22	-96
Acquisition of subsidiaries	0	0	0	1	0	0	1
Disposal of subsidiaries	0	0	0	0	0	0	0
Reclassification	0	0	0	9	-4	-5	0
Assets held for sale	0	0	0	0	0	0	0
Currency translation	0	0	0	33	-1	3	36
Dec 21	**660**	**159**	**0**	**1,763**	**585**	**343**	**3,510**
Additions	12	0	0	131	42	9	194
Disposals	0	0	0	-86	-9	-16	-111
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	-1	0	0	-1
Reclassification	0	0	0	4	-4	0	0
Assets held for sale	0	0	0	-1	0	0	-1
Exchange-rate changes	-1	-2	0	5	0	1	4
Dec 22	**671**	**157**	**0**	**1,815**	**614**	**338**	**3,596**

Accumulated depreciation

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Jan 21	**-118**	**-117**	**0**	**-1,191**	**-311**	**-272**	**-2,008**
Amortisation and depreciation	0	-8	0	-109	-60	-25	-201
Disposals	8	0	0	51	14	24	98
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0	0
Impairment	0	0	0	-7	0	-3	-10
Reversal of impairment	0	0	0	0	0	0	0
Reclassification	0	0	0	-4	0	4	0
Assets held for sale	0	0	0	0	0	0	0
Currency translation	0	0	0	-23	0	-3	-26
Dec 21	**-110**	**-124**	**0**	**-1,284**	**-356**	**-274**	**-2,148**
Amortisation and depreciation	0	-7	0	-108	-62	-22	-200
Disposals	0	0	0	85	9	16	110
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	1	0	0	1
Impairment	-5	0	0	-3	0	0	-9
Reversal of impairment	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0	0
Assets held for sale	0	0	0	1	0	0	1
Currency translation	0	2	0	-5	0	-1	-4
Dec 22	**-115**	**-129**	**0**	**-1,313**	**-409**	**-282**	**-2,248**

Carrying amounts

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Dec 21	**550**	**35**	**0**	**480**	**229**	**69**	**1,362**
Dec 22	**556**	**27**	**0**	**502**	**205**	**56**	**1,347**

The contractual commitments for the purchase of intangible assets amounted to EUR 2.9 million (2021: EUR 1.9 million). As of 31 December 2022 the customer relationship Ringturm Kapitalanlagegesellschaft m.b.H. amounted to EUR 24.0 million (2021: EUR 28.0 million). The remaining amortization period of the customer relationship in Ringturm Kapitalanlagegesellschaft m.b.H. was 5.8 years.

Goodwill

The additions of goodwill in the amount of EUR 11.9 million relate to the acquisition of Commerzbank Zrt. For further details please see section ‚Scope of consolidation'.

The goodwill of Česká spořitelna a.s. ('CSAS') was tested for objective evidence of impairment on a quarterly basis during 2022. The annual goodwill impairment test was performed as of 31 October 2022. Due to the ongoing planning uncertainty caused by the unpredictable economic environment (Covid-19 pandemic, Ukraine war), Erste Group derived an additional planning scenario for the impairment test. In addition to the base case scenario, which was weighted as the most likely scenario with 60% probability, a downside scenario with 40% probability weighting was also defined. The recoverable amount was higher than the carrying amount, thus no impairment was required.

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 2022 (in EUR million)	544
Effect of exchange rate changes for the year 2022 (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 2.16% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2022.
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3%, 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 2022.
Description of approach to determining values assigned to market risk premium	Set at 7.77% throughout relevant Group's CGUs based on published evaluations by
Period of cash flow projection (years)	5 years (2023 - 2027); extrapolation to perpetuity based on Terminal Growth Rate
Discount rate applied to cash flow projections (pre-tax)	16.1%
The value assigned to β Factor	1.18
Amount of goodwill impairment loss recognised in profit or loss for the year 2022 (in EUR million)	0
Post-impairment carrying amount of goodwill as of 31 December 2022 (in EUR million)	544

Carrying amount of goodwill as of 1 January 2021 (in EUR million)	544
Effect of exchange rate changes for the year 2021 (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 0.13% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2021.
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3%, 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 2021.
Description of approach to determining values assigned to market risk premium	Set at 7.67% 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 (2022 - 2026); extrapolation to perpetuity based on Terminal Growth Rate
Discount rate applied to cash flow projections (pre-tax)	12.9%
The value assigned to β Factor	1.17
Amount of goodwill impairment loss recognised in profit or loss for the year 2021 (in EUR million)	0
Post-impairment carrying amount of goodwill as of 31 December 2021 (in EUR million)	544

For cash generating units outside the euro-zone, an inflation differential has been considered when determining the discount rates applicable to the related 2023-2027 cash flow projections.

The outcome of the sensitivity analysis shows 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 22	CSAS
Amount by which recoverable amount exceeds/fall short the carrying amount (in EUR million)	2,715
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	528
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-5,223
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.680
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	448

Dec 21	
Amount by which recoverable amount exceeds/fall short the carrying amount (in EUR million)	3,371
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	582
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-6,188
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.758
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	496

50. Other assets

in EUR million	Dec 21	Dec 22
Prepayments	112	135
Inventories	149	94
Sundry assets	784	1,003
Other assets	**1,045**	**1,232**

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 2.5 million (2021: EUR 5.7 million). The carrying amount of inventories carried at fair value less costs to sell amounts to EUR 23.3 million (2021: EUR 35.6 million). The cost of inventories recognised as expense in the reporting period amounts to EUR 8.5 million (2021: EUR 16.3 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.

51. Erste Group as a lessor

On the side of the lessor, a distinction is made between finance leases and operating leases. 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, Erste Group 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 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'.

Erste Group 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.

Erste Group (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 21	Dec 22
Outstanding lease payments	4,297	4,841
Non-guaranteed residual values	171	165
Gross investment	**4,468**	**5,006**
Unrealised financial income	245	365
Net investment	**4,223**	**4,641**
Present value of non-guaranteed residual values	154	137
Present value of outstanding lease payments	**4,069**	**4,504**

Maturity analysis by residual maturities

	Dec 21		Dec 22	
in EUR million	Gross investment	Present value of outstanding lease payments	Gross investment	Present value of outstanding lease payments
< 1 year	1,105	1,014	1,372	1,248
1-2 years	962	896	1,054	968
2-3 years	798	749	889	819
3-4 years	639	598	674	602
4-5 years	422	371	405	374
> 5 years	541	441	612	494
Total	**4,468**	**4,069**	**5,006**	**4,504**

During 2022, Erste Group recognised interest income on finance lease receivables in the amount of EUR 128.6 million (2021: EUR 115.7 million). Gains/losses from derecognition of finance lease receivables are recognised in line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss' (Note 10).

Finance lease 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 22											
General governments	254	10	0	0	264	-1	-1	0	0	-2	262
Credit institutions	1	0	0	0	1	0	0	0	0	0	1
Other financial corporations	88	1	0	0	89	0	0	0	0	0	88
Non-financial corporations	2,654	691	74	1	3,420	-12	-25	-36	0	-73	3,347
Households	790	62	13	0	866	-4	-2	-5	0	-11	854
Total	**3,787**	**765**	**87**	**1**	**4,639**	**-17**	**-28**	**-41**	**0**	**-86**	**4,553**
Dec 21											
General governments	278	7	0	0	285	0	-2	0	0	-2	283
Credit institutions	3	0	0	0	3	0	0	0	0	0	3
Other financial corporations	83	1	0	0	84	0	0	0	0	0	84
Non-financial corporations	2,568	381	139	0	3,088	-13	-23	-61	0	-97	2,991
Households	797	50	12	0	859	-3	-2	-6	0	-11	848
Total	**3,729**	**439**	**151**	**0**	**4,319**	**-17**	**-27**	**-67**	**0**	**-111**	**4,209**

For information about development of credit loss allowances refer to Note 39 Development of credit loss allowances.

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 21	Dec 22
< 1 year	176	254
1-2 years	121	102
2-3 years	96	93
3-4 years	79	73
4-5 years	63	60
> 5 years	94	136
Total	**630**	**718**

During 2022, Erste Group recognised income relating to variable lease payments in the amount of EUR 4.2 million (2021: EUR 4.7 million). For information about rental income please refer to Note 7 Rental income from investment properties and other operating leases.

52. Leases where the Group is a lessee

Under IFRS 16, Erste Group as 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. 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 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 Erste Group 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 estates 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.

Rights of Use Assets

in EUR million	Land and buildings	Property and equipment
Dec 22		
Carrying amount	518	541
Additions	169	179
Depreciation	-89	-93
Dec 21		
Carrying amount	455	470
Additions	74	86
Depreciation	-84	-86

Maturity analysis of lease liabilities based on undiscounted cash flows

in EUR million	Dec 21	Dec 22
< 1 year	85	93
1-5 years	294	335
> 5 years	243	281
Total	**622**	**709**

During 2022, interest expenses on lease liabilities were recognised in the amount of EUR 9.2 million (2021: EUR 7.2 million). In addition expenses in the amount of EUR 4.5 million (2021: EUR 4.2 million) relating to short term leases and expenses amounting to EUR 7.4 million (2021: EUR 7.5 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 0.0 million (2021: EUR 7.9 million) were recognised. Total cash outflow for leases in 2022 was EUR 115.7 million (2021: EUR 111.3 million).

Accruals, provisions, contingent liabilities and legal proceedings

53. Other liabilities

in EUR million	Dec 21	Dec 22
Deferred income	106	116
Sundry liabilities	2,410	2,465
Other liabilities	**2,516**	**2,581**

Deferred income outstanding at 31 December 2022 includes 'contract liabilities' in accordance with IFRS 15 in amount of EUR 107 million (2021: EUR 101 million). Revenue recognised in the reporting year 2022 that was included in the contract liability balance at the beginning of the period amounts to EUR 55 million (2021: EUR 48 million).

The item 'Sundry liabilities' mainly contains outstanding settlement liabilities as well as other liabilities from employee benefits.

54. Provisions

Provisions are liabilities with uncertain timing or amount. The balance sheet line item 'Provisions' includes:
_provisions for defined employee benefit plans recognised based on requirements of IAS 19
_provisions for expected credit losses from loan commitments and financial guarantees recognised based on requirements of IFRS 9; and
_remaining classes of provisions recognised in accordance with IAS 37 such as provisions or litigation, restructuring, commitments and guarantees not in scope of IFRS 9.

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 are explained in Notes 35 Credit risk exposure and 39 Development of credit loss allowances. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 55 Contingent liabilities.

Following classes of provision can be distinguished in the business of Erste Group:

in EUR million	Dec 21	Dec 22
Defined employee benefit plans	951	802
Loan commitments and financial guarantees given in scope of IFRS 9	464	469
Pending legal issues and tax litigation	332	288
Commitments and guarantees given out of scope of IFRS 9	80	65
Other provisions	159	53
Provisions	**1,986**	**1,676**

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'.

Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Present value of long-term employee benefit obligations − Dec 18	**750**	**445**	**97**	**1,292**
Present value of long-term employee benefit obligations − Dec 19	**791**	**497**	**113**	**1,400**
Present value of long-term employee benefit obligations − Dec 20	**774**	**493**	**119**	**1,386**
Settlements/curtailments	0	0	0	0
Service cost	1	12	8	22
Interest cost	5	3	1	8
Payments	-60	-41	-5	-107
Exchange rate difference	3	0	0	3
Other changes	6	-1	0	5
Actuarial gains/losses recognised in OCI	**-10**	**-18**	**0**	**-28**
Actuarial gains/losses recognised in PL	**0**	**0**	**-8**	**-8**
Present value of long-term employee benefit obligations − Dec 21	**720**	**447**	**115**	**1,282**
Obligations covered by plan assets	34	234	64	332
Obligations covered by provisions	686	213	51	951
Less fair value of plan assets	**34**	**234**	**64**	**332**
Provisions − Dec 21	**686**	**213**	**51**	**951**
Present value of long-term employee benefit obligations − Dec 21	**720**	**447**	**115**	**1,282**
Settlements/curtailments	1	0	0	1
Service cost	1	10	7	19
Interest cost	8	5	1	15
Payments	-60	-41	-5	-106
Exchange rate difference	3	0	0	3
Other changes	-2	0	0	-1
Actuarial gains/losses recognised in OCI	**-62**	**-54**	**0**	**-116**
Actuarial gains/losses recognised in PL	**0**	**0**	**-21**	**-21**
Present value of long-term employee benefit obligations − Dec 22	**609**	**367**	**98**	**1,074**
Obligations covered by plan assets	27	191	55	272
Obligations covered by provisions	582	176	43	802
Less fair value of plan assets	**27**	**191**	**55**	**272**
Provisions − Dec 22	**582**	**176**	**43**	**802**

Actuarial assumptions

For Austrian entities the actuarial calculation of pension obligations is based on the following assumptions:

in %	Dec 21	Dec 22
Interest rate	1.05	3.75
Expected increase in retirement benefits	2.40	3.10

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 21	Dec 22
Interest rate	1.05	3.75
Average increase in salary (incl. career trend and collective agreement trend)	3.30	4.00

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 1.0% (2021: 0.3%) and 7.6% (2021: 4.5%) were used. The legal retirement age is in a range between 60 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.

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 2023 are expected with EUR 82 million (2022: EUR 78 million) for both plans.

The average duration of these provisions are assumed to be for severance payments 10,04 years (2021: 11.31 years) and 7.30 years (2021: 8.60 years) for defined benefit pension plans.

Movements in plan assets

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Fair value of plan assets − Dec 20	**28**	**251**	**65**	**344**
Addition	2	0	0	2
Interest income on plan assets	1	1	0	2
Contributions by the employer	0	14	5	20
Benefits paid	-1	-30	-8	-38
Actuarial gains/losses recognised in OCI	3	-2	1	1
Actuarial gains/losses recognised in PL	0	0	0	0
Fair value of plan assets − Dec 21	**34**	**234**	**64**	**332**
Addition	2	-1	0	0
Interest income on plan assets	1	2	1	4
Contributions by the employer	0	7	4	12
Benefits paid	-1	-29	-7	-37
Actuarial gains/losses recognised in OCI	-9	-8	0	-17
Actuarial gains/losses recognised in PL	0	0	-1	-1
Fair value of plan assets − Dec 22	**27**	**205**	**60**	**293**

In 2023, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 7.2 million (2022: EUR 8.0 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 14.6 million (2021: gain EUR 3.5 million).

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 21					Dec 22				
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					50					70
Equity instruments	1	1	27	9	38	1	1	21	11	34
Investment-grade bonds										
Government	2	0	1	9	12	3	0	0	0	3
Non-government bonds	8	7	4	7	26	10	3	3	1	17
Non-investment-grade bonds										
Government	2	0	0	5	7	1	0	0	7	8
Non-government bonds	88	30	29	49	196	97	16	9	38	160
Derivatives (market risk)										
Other					4					2
Plan assets					**332**					**293**

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 2022, 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 and other long-term employee benefits

in EUR million	Dec 21	Dec 22
Settlements/curtailments	0	-1
Service cost	-22	-19
Net interest	-6	-11
Total	**-28**	**-30**

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 2022, the cumulative amount of remeasurement from defined benefit plans, recognised in other comprehensive income amounted to EUR 716.0 million before tax (2021: EUR -815.2 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 21			Dec 22		
in EUR million	Pensions	Severance payments	Total	Pensions	Severance payments	Total
Change in discount rate +0.5%	689	423	1,112	588	349	937
Change in discount rate -0.5%	750	473	1,223	632	386	1,018
Change in future salary increases +0.5%	718	472	1,190	609	386	995
Change in future salary increases -0.5%	718	423	1,141	609	349	958
Change in future benefit increases +0.5%	768	447	1,215	645	367	1,012
Change in future benefit increases -0.5%	671	447	1,118	575	367	942
Increase in survival rate by approx. 10%	778	447	1,225	655	367	1,022

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
2023	60	22	82
2024	57	15	72
2025	53	18	71
2026	50	21	71
2027	47	23	70
2028-2032	192	132	324

Duration

Weighted average duration of the defined-benefit obligations

in years	Dec 21	Dec 22
Pensions	8.60	7.30
Severance payments	11.31	10.04
Total	9.64	8.33

The weighted average duration is affected by changes in longevity and in the mortality table.

Loan commitments and financial guarantees given in scope of IFRS 9

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.

Loan commitments are firm commitments to provide credit under prespecified terms and conditions. Loan commitments are generally not recognised in the balance sheet before they are drawn. If it is probable that the bank will enter into the loan agreement loan commitment fees received are deferred and adjust the effective interest rate of the loan when the commitment is drawn. Loan commitments result in recognition of provisions based on the expected credit loss impairment model.

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’.

For information about development of credit loss allowances for provision for financial guarantees and loan commitments refer to Note 39 Development of credit loss allowances, part ‘Loan commitments and financial guarantees’: table ‘Movement in credit loss allowances – loan commitments and financial guarantees’.

Provisions recognised in accordance with IAS 37

Based on the requirement of IAS 37, 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. Expenses or income related to these provisions are reported in the statement of income under the line item ‘Other operating result’.

Following table provides the information about the development of the IAS 37 provisions

in EUR million	Jan 22	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes	Dec 22
Pending legal issues and tax litigation	332	56	-12	-85	0	-3	288
Commitments and guarantees given out of scope of IFRS9	80	111	0	-128	0	1	65
Other provisions	159	33	-130	-9	0	0	53
Provisions	**571**	**200**	**-142**	**-222**	**0**	**-1**	**406**
	Jan 21						**Dec 21**
Pending legal issues and tax litigation	359	108	-47	-90	0	2	332
Commitments and guarantees given out of scope of IFRS9	76	62	0	-72	0	14	80
Other provisions	206	29	-33	-43	0	-1	159
Provisions	**641**	**199**	**-80**	**-204**	**0**	**15**	**571**

Under position ‘Pending legal issues and tax litigation’ provisions related to litigations from lending business, asset management or litigations related to customer protection topics, which normally occur in banking business, are disclosed. In 2022, a release of provisions for risks related to Romanian Consumer Protection Claims Act was recognised in the income statement in the amount of EUR 54.3 million (2021: allocation of EUR 1.2 million). The total amount of the provision as of 31 December 2022 was EUR 73.5 million (2021: EUR 127.8 million).

The majority of the provision allocated for losses expected in relation to the business activities of the Romanian building society subsidiary BCR Banca pentru Locuinte SA (BPL) regarding whether state subsidies had been disbursed to building society’s clients in accordance with the applicable legal provisions was used in order to pay the principal of the claim to the Romanian State. In December 2022 the remaining provision in the amount of EUR 31.7 million was used for the recognition of a liability amounting in total to EUR 78.6 million for outstanding penalties. Accordingly, as of 31 December 2022, the provision was amounting to EUR 0.0 million (2021: EUR 126.5 million).

55. 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 35 Credit risk exposure and 39 Development of Credit loss allowances).

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. The following consumer protection issues are deemed noteworthy.

In Romania, BCR is - aside from being a defendant in a number of individual law suits initiated by consumers regarding alleged violations of applicable consumer protection laws - 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, in a proceeding initiated by a local consumer protection association against several credit institutions (‘Collective Case’), among them Erste Bank Croatia (‘EBC’), 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. As the subsequent constitutional claim against such decision was rejected by the Constitutional Court in 2021, EBC filed a request to the European Court of Human Rights (‘ECHR’), that was dismissed at the end of 2022.

The impact of the rulings in the Collective case on legal disputes with individual clients related to CHF denominated loan agreements is still difficult to predict. In December 2022, the Supreme Court reached a legal standing according to which clients who have converted their CHF denominated loans to EUR denominated loans (in accordance with applicable laws enacted in 2015) are entitled to default interest for overpaid amounts taken into account by a credit institution when converting.. Aforementioned legal standing of the Supreme Court was released after a procedure initiated at the European court of Justice regarding the interpretation of relevant provisions of EU’s Directive 93/13).

Due the legal standing of the Supreme Court in Croatia a provision amounting to EUR 11.5 million was recognised. However, a local consumer protection association –declared its willingness to pursue further actions before the Constitutional Court against the legal standing. In addition, the specific impact of the legal standing to the court practices in individual cases are difficult to predict.

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 filed legal actions with the courts in Prague against Erste Group Bank AG. Aforementioned court proceeding is still in an early stage. The court proceedings initiated against CSAS regarding the alleged invalidity of the shareholders´ resolution approving the squeeze-out was ultimately settled in summer 2022 by the High Court in Prague in favor of CSAS. In the proceedings against Erste Group Bank AG the plaintiffs allege in essence that the share price of 1.328 CZK (then approx. EUR 51 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 approx. 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

56. Total equity

in EUR million	Dec 21	Dec 22
Subscribed capital	860	860
Additional paid-in capital	1,478	1,478
Retained earnings and other reserves	13,424	14,774
Owners of the parent	**15,761**	**17,111**
Additional equity instruments	2,236	2,236
Non-controlling interests	5,516	5,957
Total	**23,513**	**25,305**

As of 31 December 2022, subscribed capital (also known as registered capital) consists of 429,800,000 (2021: 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 unsecured and subordinated bonds. AT1 bonds are perpetual and can be cancelled only by the issuer at predetermined dates. The bonds include discretionary non-cumulative coupon payments. Due to this features they are classified as equity under IFRS.

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	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.

In 2022 there was no redeemed AT1 bond. In 2021 Erste Group redeemed AT1 bonds with a nominal value of EUR 500.0 million. After deduction of costs directly attributable to the capital increase of EUR 3.2 million the net decrease in additional equity instruments amounted to 496.8 million.

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 21	Dec 22
Shares outstanding as of 1 January	**405,470,710**	**405,434,710**
Acquisition of treasury shares	-9,624,711	-8,454,712
Disposal of treasury shares	9,588,711	10,195,840
Shares outstanding as of 31 December	**405,434,710**	**407,175,838**
Treasury shares	24,365,290	22,624,162
Number of shares issued as of 31 December	**429,800,000**	**429,800,000**
Weighted average undiluted number of outstanding shares	426,246,662	427,019,261
Weighted average diluted number of outstanding shares	426,246,662	427,492,890

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 recognised as additions or disposals.

Shares and related dividends held by management board

Managing board member	Dec 21	Additions	Disposals	Dec 22	Dividends received in 2022 (in EUR)
Cernko Willibald (Chairman) (since 1 July 2022)	0	7,206	0	7,206	11,504
Spalt Bernhard (Chairman) (until 30 June 2022)	15,000	5,000	20,000	0	32,000
Bleier Ingo	3,111	1,000	0	4,111	6,578
Dörfler Stefan	1,500	2,956	0	4,456	6,400
Habeler-Drabek Alexandra	72	1,256	0	1,328	1,395
O'Mahony David	0	5,456	0	5,456	0
Poletto Maurizio	0	456	0	456	0

Shares and related dividends held by supervisory board

Supervisory board member	Dec 21	Additions	Disposals	Dec 22	Dividends received in 2022 (in EUR)
Rödler Friedrich (Chairman)	2,502	1,300	0	3,802	4,483
Homan Jan (1st Vice Chairman) (until 18 May 2022)	4,400	0	4,400	0	7,040
Hardegg Maximilian (1st Vice Chairman since 18 May 2022, before 2nd Vice Chairman)	240	0	0	240	384
Krainer Senger-Weiss Elisabeth (2nd Vice Chairwoman since 18 May 2022)	0	0	0	0	0
Catasta Christine (since 1 July 2022)	0	0	0	0	0
Egerth-Stadlhuber Henrietta	0	0	0	0	0
Ersek Hikmet (since 18 May 2022)	0	3,966	0	3,966	490
Flatz Alois (since 18 May 2022)	0	0	0	0	0
Grießer Martin (since 1 July 2022)	0	120	0	120	22
Haag Markus (until 11 January 2022, then again since 18 May 2022)	176	141	0	317	282
Haberhauer Regina	188	106	0	294	301
Khüny Marion	0	0	0	0	0
Kühnel Mariana (since 18 May 2022)	0	583	0	583	933
Lachs Andreas	0	106	0	106	0
Pichler Barbara	309	244	0	553	494
Pinter Jozef	0	106	0	106	0
Santner Friedrich	0	0	0	0	0
Schuster Michael	0	30	0	0	48
Simor András	0	0	0	0	0
Sutter-Rüdisser Michèle F.	0	2,222	0	2,222	0
Zeisel Karin	38	16	0	54	61

As of 31 December 2022, supervisory board members did not receive any Erste Group Bank AG shares or options for such shares as part of their remuneration. Persons related to members of the management board or supervisory board held 1,518 shares (2021: 111 shares) of Erste Group Bank AG.

Remaining authorised and contingent capital as of 31 December 2022

Clause 5 of the articles of association authorises the management board to increase the registered capital with the consent of the supervisory board until 18 May 2027 – 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 85,960,000; 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 new 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 new shares which serve to fulfill subscription rights, conversion rights, and conversion obligations arising from convertible bonds issued with the exclusion of subscription rights from 18 May 2022 onwards pursuant to section 8.3, and which are issued from conditional capital pursuant to section 6.3 to satisfy share options of employees, senior employees and members of the Management Board of the Company or of a group company, must not exceed the proportionate amount of 10% of the share capital in total.

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 recognised 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.

57. Non controlling interest

	Haftungsverbund Savings Banks, thereof:			
in EUR million	Total	Sparkasse Oberösterreich	Sparkasse Steiermark	Sparkasse Kärnten
Dec 22				
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%	81%	75%	75%
Reporting currency	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	94	40	11	29
Net result attributable to non-controlling interests	404	49	94	16
Accumulated NCI	5,260	691	1,284	234
Subsidiary-level stand-alone key financial information				
Current assets	28,470	6,310	6,002	1,625
Non-current assets	54,565	9,105	12,145	3,381
Current liabilities	62,482	10,286	14,740	4,051
Non-current liabilities	13,153	4,129	1,556	569
Operating income	1,966	328	445	129
Profit or loss from continuing operations	685	99	157	45
Total comprehensive income	**189**	**-6**	**77**	**10**
Dec 21				
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	35	9	11	6
Net result attributable to non-controlling interests	403	56	81	17
Accumulated NCI	4,864	586	1,177	250
Subsidiary-level stand-alone key financial information				
Current assets	29,576	7,737	5,811	1,949
Non-current assets	51,767	8,678	11,509	3,270
Current liabilities	59,673	9,880	14,025	3,906
Non-current liabilities	14,382	5,400	1,508	898
Operating income	1,795	318	377	114
Profit or loss from continuing operations	775	136	224	47
Total comprehensive income	**1,018**	**181**	**256**	**76**

Scope of consolidation

As at 31 December 2022, Erste Group Bank AG, as parent entity of Erste Group, includes in its IFRS scope of consolidation a total of 314 subsidiaries (31 December 2021: 335). These comprise a total of 50 entities, which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. Alongside Erste Group Bank AG, local savings banks, Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, Erste Bank der oesterreichischen Sparkassen AG and Zweite Wiener Vereins-Sparcasse are members of the Haftungsverbund (cross-guarantee system).

In 2014, following the implementation of the new agreements of the cross-guarantee system (please refer to Note 58 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 until 31 December 2031 – 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 2022. On 17 December 2021 Erste Bank Hungary (EBH) has signed a sale and purchase agreement with Commerzbank AG to acquire 100% of the share capital (306.016 shares) in its Hungarian subsidiary Commerzbank Zrt ('CBK'). This acquisition enables EBH to significantly strengthen its existing market position in Hungary.

The transaction was effectuated as of 30 November 2022, with the approval of National Bank of Hungary. At year-end 2022, the measurement process has not yet been finalized. Due to the complexity of the deal and the focus on the rapid implementation to maintain the daily operations, the purchase price allocation was carried out on a preliminary basis. As a consequence, amounts recognized as of reporting date are considered as provisional and will be adjusted when updated information is available.

The net equity as of the acquisition date amounted to EUR 62.0 million. Assets and liabilities recognized in first consolidation are as follows:

in EUR million	Carrying amount
Cash and cash balances	180.4
Financial assets at fair value through profit or loss	48.9
Financial assets at fair value through other comprehensive income	118.2
Financial assets at amortised cost	395.6
Property and equipment	4.5
Tax assets	1.3
Other assets	0.5
Total Assets	**749.4**
Financial liabilities at fair value through profit or loss	37.2
Financial liabilities at amortised cost	646.1
Provisions	1.5
Tax liabilities	0.1
Other liabilities	2.5
Total Liabilities	**687.4**
Subscribed capital	62.0
Total Equity	**62.0**
Total Liabilities and Equity	**749.4**

The fair value of the acquired loans at the acquisition date amounted to EUR 395.6 million. The best estimate at the acquisition date of the contractual cash flows from acquired loans not expected to be collected amounts to EUR 4.9 million.

In course of its analysis EBH identified items subject to fair value adjustment, mainly related to a building which served as headquarter of CBK. The adjusted net equity equals to EUR 67.7 million. The preliminary purchase price allocation results in a goodwill of EUR 11.9 million. This amount is calculated as the difference of adjusted net equity and preliminary purchase price and is not deductible for tax purposes. The cash consideration transferred currently amounts to EUR 79.6 million, but this amount might be subject to change. Since the acquisition date, CBK's contribution to Erste Group's operating income amounted to EUR 1.7 million. The contribution to the net result for the period amounted to EUR 1.6 million. If CBK had already been included in the Erste Group's consolidated financial statements as of 1 January 2022, the contribution to the operating income would have been EUR 42.8 million and the contribution to net result for the period would have been EUR -2.1 million.

The other additions and disposals had no material impact on the financial position and performance of the Group.

Additions and disposals 2021. Additions and 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 71 Details of the companies wholly or partly owned by Erste Group as of 31 December 2022.

58. 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 2022, 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, Erste Bank der oesterreichischen Sparkassen AG and Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, 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.

In 2022, the existing cross-guarantee agreements were combined into one cross-guarantee agreement based on an ECB decision and signed by all cross-guarantee members. The combination of the agreements has no impact on the scope of consolidation of Erste Group Bank AG.

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'.

59. 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 2022 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 21	Dec 22
Credit institutions	59	43
Financial institutions	77	83
Others	74	83
Total	**211**	**209**

Aggregated financial information of at equity measured entities

in EUR million	Dec 21	Dec 22
Total assets	4,932	5,253
Total liabilities	4,244	4,511
Income	388	520
Profit/loss	46	54

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

	Dec 21			Dec 22		
in EUR million	Global Payments s.r.o.	Prvá stavebná	VBV - Betriebliche Altersvorsorge AG	Global Payments s.r.o.	Prvá stavebná	VBV - Betriebliche Altersvorsorge AG
Country of Incorporation	Czech Republic	Slovakia	Austria	Czech Republic	Slovakia	Austria
Place of business	Czech Republic	Slovakia	Austria	Czech Republic	Slovakia	Austria
Main business activity	Payment services	Financing building society	Insurance	Payment services	Financing building society	Insurance
Ownership held %	49%	35%	32%	49%	35%	32%
Voting rights held %	49%	35%	29%	49%	35%	29%
IFRS Classification (JV/A)	Associate	Associate	Associate	Associate	Associate	Associate
Reporting currency	CZK	EUR	EUR	CZK	EUR	EUR
Investee's financial information for the reporting year						
Cash and cash balances	28	1	9	21	0	9
Other current assets	69	159	57	118	189	80
Non-current assets	106	2,779	48	118	2,766	65
Current liabilities	66	2,371	0	112	2,370	0
Non-current liabilities	25	284	50	23	292	79
Operating Income	43	74	12	69	74	18
Post-tax result from continuing operations	7	17	13	7	8	18
Total comprehensive income	7	17	13	7	9	18
Depreciation and amortization	-6	-6	0	-7	-6	0
Interest income	0	93	8	0	86	8
Interest expense	-1	-30	0	-2	-24	0
Tax expense/income	-1	-6	0	-1	-5	0
Reconciliation of investee's net assets against equity investment's carrying amount						
Net assets attributable to Erste Group	55	99	21	60	102	24
Accumulated impairment	0	-42	0	0	-62	0
Carrying amount	55	57	21	60	40	24

The classification of current and non-current financial assets and liabilities is based on the expected remaining maturities of assets and liabilities.

In 2022 carrying amount of Prvá stavebná was impaired in the amount of EUR 20.6 million (2021: impairment of EUR 13.7 million).

Aggregated financial information of other equity method investments

	Dec 21		Dec 22	
in EUR million	Associates	Joint Ventures	Associates	Joint Ventures
Total comprehensive income	3	7	7	15
Carrying amount	53	25	56	28

60. Unconsolidated structured entities

Interests in structured entities

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

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 58 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.

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. Debt securities include investments in Collateralised Mortgage Obligations as well as securitizations.

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 Own-managed	Investment Funds Third-party managed	Investment Funds Total	Other	Total
Dec 22					
Assets					
Equity instruments, thereof:	0	0	0	13	13
at FVPL	0	0	0	13	13
Debt securities, thereof:	575	172	747	33	780
Financial assets HfT	0	121	121	0	121
at FVPL	575	51	626	33	659
Loans and advances	10	0	10	90	100
Trading derivatives	2	0	2	0	2
Total assets	**588**	**172**	**760**	**136**	**896**
thereof impaired	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction					
Austria	574	0	574	0	574
Central and Eastern Europe	14	16	30	103	133
Other jurisdictions	0	156	156	33	190
Liabilities					
Equity instruments	148	0	148	0	148
Debt securities issued	268	0	268	0	268
Deposits	1,952	0	1,952	0	1,952
Trading derivatives	99	0	99	0	99
Total liabilities	**2,467**	**0**	**2,467**	**0**	**2,467**
Off balance-sheet commitments	**80**	**0**	**80**	**0**	**80**
Dec 21					
Assets					
Equity instruments, thereof:	0	0	0	0	0
at FVPL	0	0	0	0	0
Debt securities, thereof:	678	143	821	39	861
Financial assets HfT	1	88	89	0	89
at FVPL	677	55	732	39	771
Loans and advances	16	0	16	65	81
Trading derivatives	18	0	18	0	18
Total assets	**712**	**143**	**855**	**104**	**959**
thereof impaired	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction					
Austria	700	0	700	0	700
Central and Eastern Europe	12	19	30	65	95
Other jurisdictions	0	125	125	39	164
Liabilities					
Equity instruments	142	0	142	0	142
Debt securities issued	259	0	259	0	259
Deposits	2,022	0	2,022	0	2,022
Trading derivatives	25	0	25	0	25
Total liabilities	**2,447**	**0**	**2,447**	**0**	**2,448**
Off balance-sheet commitments	**71**	**0**	**71**	**0**	**71**

Other disclosure matters

61. Related-party transactions

In the course of its ordinary business activity Erste Group enters into business relationships with related persons and entities. Shareholders of Erste Group Bank AG are classified as related parties if they have significant influence over Erste Group. In addition, Erste Group also defines as related parties subsidiaries that are controlled but not consolidated due to non-materiality as well as associated entites and joint ventures that are included in the consolidated financial statements by the equity method. Transactions between Erste Group Bank AG and fully consolidated companies are not recognised in the consolidated financial statements as they have been eliminated. Furthermore, related persons consist of key management personnel, i.e. 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 which are controlled or significantly influenced by management and supervisory board members of Erste Group Bank AG, as other related parties. Banking transactions with related persons and entities are done at arm's length.

Transactions with shareholders of Erste Group Bank AG

Erste österreichische Spar-Casse Privatstiftung

In addition to its shareholding of the subscribed capital of Erste Group Bank AG, there are other factors giving Erste österreichische Spar-Casse Privatstiftung (ERSTE Stiftung) significant influence over Erste Group. As of 31 December 2022, Erste Group had liabilities toward ERSTE Foundation of EUR 18.6 million (2021: EUR 29.2 million). In addition, ERSTE Foundation held bonds issued by Erste Group Bank AG in the amount of EUR 0.1 million (2021: EUR 0.2 million). The mentioned transactions resulted in interest expenses of EUR 0.0 million (2021: EUR 0.1 million). Furthermore, Erste Group received fee and commission income of EUR 0.1 million as well as rental income from operating leasing of EUR 0.3 million. In 2022, ERSTE Foundation received a dividend of EUR 78.0 million (2021: EUR 72.5 million) on its shareholding in Erste Group Bank AG.

Under article 15.1 of the articles of association of Erste Group Bank AG, for the duration of its assumption of liability for all current and future debts in the event of default on payment by Erste Group Bank AG, 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 of Erste Group Bank AG.

Transactions with not consolidated subsidiaries, associated entitees and joint ventures

Balances and off-balance exposures

	Dec 21			Dec 22		
in EUR million	Subsidiaries, not consolidated	Associated entities	Joint ventures	Subsidiaries, not consolidated	Associated entities	Joint ventures
Financial assets	**115.7**	**535.5**	**234.6**	**86.3**	**598.1**	**386.3**
Equity instruments	83.1	65.2	18.4	55.0	61.6	17.5
Debt securities	0.0	5.5	0.0	0.0	52.1	0.0
Loans and advances	32.7	464.8	216.2	31.3	484.4	368.7
Loans and advances credit institutions	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances customers	32.7	464.8	216.2	31.3	484.4	368.7
of which impaired	0.0	0.0	0.0	2.4	0.0	0.0
Financial liabilities	**43.8**	**168.8**	**14.3**	**28.9**	**192.3**	**12.3**
Deposits	43.8	168.8	14.3	28.9	192.3	12.3
Deposits from banks	0.6	0.0	0.2	0.9	0.0	0.0
Deposits from customers	43.2	168.8	14.1	28.0	192.3	12.3
Other financial instruments						
Loan commitments, financial guarantees and other commitments given (notional amount)	9.2	224.9	100.1	4.9	144.4	110.8
of which defaulted	0.0	0.0	0.0	0.1	0.1	0.0
Loan commitments, financial guarantees and other commitments received (notional amount)	0.0	1.2	0.0	0.0	0.5	0.0
Credit loss allowances and provisions	26.7	-5.0	0.0	8.9	-5.2	0.0

Expenses and income

in EUR million	1-12 21 Subsidiaries, not consolidated	1-12 21 Associated entities	1-12 21 Joint ventures	1-12 22 Subsidiaries, not consolidated	1-12 22 Associated entities	1-12 22 Joint ventures
Interest income	0.6	6.1	3.1	0.8	7.3	4.2
Fee and commission income	0.0	1.0	0.3	0.2	1.3	2.0
Dividend income	8.1	3.6	1.1	4.2	4.4	0.9
Interest expenses	0.0	-0.1	0.0	0.0	0.0	0.0
Fee and commission expenses	-1.5	-2.7	0.0	-2.0	-2.4	-0.2
Expenses from impairment of financial instruments	-0.3	-0.7	0.0	0.0	0.0	-0.1
Impairment result from financial instruments	0.5	0.6	0.0	2.9	1.2	3.0

Transactions with key management personnel

Remuneration of management and supervisory board members

The following table shows total remuneration of the members of the management and supervisory board. The expenses were recognised 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 million	1-12 21 Management board	1-12 21 Supervisory board	1-12 21 Total	1-12 22 Management board	1-12 22 Supervisory board	1-12 22 Total
Short-term employee benefits	6.5	1.6	8.1	7.3	1.4	8.7
Post-employment benefits	0.8		0.8	1.2		1.2
Other long-term benefits	1.6		1.6	1.4		1.4
Share-based payment	4.8		4.8	2.2		2.2
Total	**13.7**	**1.6**	**15.3**	**12.1**	**1.4**	**13.6**

Short-term employee benefits. Under this category salaries, benefits in kind, social security contributions and other short-term benefits are included. Further, this category includes variable remuneration to be settled in cash within one year. 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 54 Provisons). Post-employment benefits shown in the table above contain contribution payments to pension schemes and to severance schemes ('Mitarbeitervorsorgekasse').

Other long-term benefits. This category includes variable remuneration to be settled in cash, but payable - deferred over several years - only after one year. In addition, net allocations to provisions for jubilee payments (see Note 54 Provisions) are also reported under this category.

Share-based payment transactions. Expenses for variable share-based payments are disclosed under this line (refer to Note 62 Share-based payments, Share-based payment for the management board of Erste Group Bank AG).

On 31 December 2022 the outstanding amount of liability for variable remuneration towards members of the management board amounts to EUR 7.4 million (2021: EUR 12.9 million). This amount includes liabilities resulting from the Share-based Payment Program for the management board of Erste Group Bank AG (for the performance year 2021 for the first time) and liabilities from unpaid deferred tranches from the Phantom Shares Program (for performance years up to 2021). For further details please refer to Note 62 Share-based payments.

The members of the management board of Erste Group were granted a remuneration of 0.5% (2021: 0.5%) of the total personnel expenses for their activities in the financial year 2022.

In 2022, EUR 2.7 million (2021: EUR 4.7 million) was paid in cash and EUR 57,669 (2021: EUR 83,868) share-equivalents were assigned to former board members and their dependents.

Banking transactions with key management personnel

As of the end of 2022, loans and advances granted to members of the management board and supervisory board totalled EUR 1.9 million (2021: EUR 1.1 million). Deposits of members of the management board and supervisory board at Erste Group amounted to EUR 16.2 million (2021: EUR 3.0 million) in total. Members of the management and supervisory board held bonds issued by Erste Group of EUR 0.0 million (2021: EUR 0.1 million). Loan commitments and financial guarantees, issued in favour of members of the management and supervisory board totalled EUR 0.1 million (2021: EUR 0.5 million) as of the end of 2022. From banking transactions with members of the management board and supervisory board Erste Group received interest income and fee income of EUR 0.0 million (2021: EUR 0.0 million) in total.

Transactions with other related parties

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 4.5 million (2021: EUR 46.0 million) as of 31 December 2022. As of the end of 2022, deposits of other related parties at Erste Group amounted to EUR 71.9 million (2021: EUR 88.0 million) in total. Loan commitments and financial guarantees, issued in favour of other related parties totalled EUR 0.1 million (2021: EUR 23.0 million) as of the end of 2022. From banking transactions with other related parties Erste Group received interest income and fee income of EUR 0.0 million (2021: EUR 1.5 million) in total, and paid interest and fee expenses of EUR 0.0 million (2021: EUR 0.1 million).

62. Share-based payments

The total expense recognised during the reporting period arising from share-based payment transactions amounts to EUR 32.9 million (2021: EUR 38.9 million), thereof EUR 31.3 million (2021: EUR 16.1 million) relate to equity-settled share-based payment transactions. At the end of the reporting period the liability arising from share-based payment transactions amounts to EUR 32.2 million (2021: EUR 45.1 million). The intrinsic value of the liability is EUR 33.8 million (2021: EUR 52.1 million).

Share-based payment for the management board of Erste Group Bank AG

The share-based remuneration plan for the executive board of Erste Group Bank AG comprises short-term and long-term variable remuneration components. The total amount of variable compensation is determined in the following year by a resolution of the supervisory board.

Upfront share-based remuneration. 20% of the bonus will be converted into shares on the date of this supervisory board resolution and is transferred to the participant's securities deposit after one year.

Deferred share-based remuneration. 30% of the bonus is converted into performance share units (PSUs) on the day of the supervisory board resolution using the average share price of the last 30 trading days. A PSU represents an unsecured, conditional right to receive shares of Erste Group Bank AG in the future. In the following five years, the initial number of PSUs is adjusted in a range from 120% to 0% to the group's performance based on performance criteria, which the supervisory board reviews on a yearly basis and adjusts in exceptional cases. The final number of PSUs corresponds to the number of shares, which is transferred to the participant's securities deposit after a retention period of another year.

The awarded shares and PSUs are equity-settled share-based payments that vest by the end of the performance year. The determination of the grant date requires an assessment of all the circumstances. As the supervisory board has significant discretionary powers in connection with the assessment of the performance in the performance year, the grant is made with the resolution of the supervisory board on the bonus awarded for the past performance year.

For the performance year 2022, it is expected that 30,959 shares and 46,439 PSUs (2021: 26,012 shares and 39,019 PSUs) will be granted to participants. The fair value of PSUs on the measurement date is calculated based on a Monte Carlo simulation model considering the achievement level of Erste Group performance over the next five years and the share price of Erste Group Bank AG. The estimated fair value on the balance sheet date is EUR 2.0 million (2021: EUR 2.4 million). In 2022 in total personnel expenses of EUR 2.2 million (2021: EUR 2.4 million) and a corresponding retained earnings reserve were recognised.

Phantom shares program

Erste Group grants selected employees every year a bonus for services rendered in the past year (vesting period). If the individual bonus exceeds a certain limit, the final payout amount of at least 25% depends on the development of the average, volume-weighted, daily price of Erste Group shares in subsequent years (phantom share program). The program applies to Erste Group entities in different countries, with different amounts and share equivalents. The share equivalents (phantom shares) are divided into several tranches, which differ in the duration of the observation period for the development of the Erste Group share price.

The phantom share program meets the criteria for cash-settled share-based payments in accordance with IFRS 2.

The estimated fair value of variable compensation for share equivalents is recognised in profit or loss. The liability for stock equivalents that have not yet been paid out is continuously measured at fair value until payment is made. Fair value changes and changes of the final allocation in subsequent years are recognised in profit or loss. To determine the fair value, the number of share equivalents not yet paid out as at the balance sheet date is multiplied by the estimated average price of Erste Group shares for the respective payout year. The fair values of the share equivalents for the respective payout year are determined using an option pricing model (Black-Scholes model). The main parameters are the share price of the Erste Group share on the balance sheet date and the dividend payments expected until payment.

For 2022, it is expected that 243,127 (2021: 221,422) share equivalents with a fair value of EUR 7.2 million (2021: EUR 8.7 million) will be granted to eligible employees. The total expense recognised in the reporting period for the phantom share program amounts to EUR 1.5 million (2021: EUR 22.9 million), the carrying amount of the liability as at the balance sheet date is EUR 32.2 million (2021: EUR 45.1 million). The intrinsic value of the liability from unpaid share equivalents is EUR 33.8 million (2021: EUR 52.1 million).

WeShare by Erste Group program

The WeShare by Erste Group-Participation program and the WeShare by Erste Group-Investment Plus program are equity-settled share-based payment transactions. Both programs are offered to employees of Erste Group provided that specific requirements (e.g. capital and liquidity requirements, payment of dividends, ECB approval) are met.

Under the WeShare by Erste Group-Investment Plus program all employees, who had been employed by an entity of the Erste Group, from March/April 2022 until September 2022 could voluntarily invest in Erste Group shares and receive free shares depending on the amount of their personal investment. The WeShare by Erste Group-Investment Plus program was settled in September 2022. The number of free shares, which were granted under this program for the reporting period, is 966,742. Personnel expenses in the amount of EUR 22.2 million were recorded.

Under the WeShare by Erste Group-Participation program all employees, who have been employed by an entity of the Erste Group for at least six months in year 2022 and are still employed until the transfer of the shares to the employees in June 2023 are entitled to receive shares in an equivalent amount of EUR 350. The expected number of free shares, which are granted under this program for the period, is 544,374 (2021: 384,721). Based on the number of entitled employees, personnel expenses in the amount of EUR 6.9 million (2021: EUR 13.6 million) were recorded and a corresponding reserve in retained earnings was created.

63. Fees of the auditors

The following table contains fees charged by the auditors of Erste Group Bank AG and subsidiaries for the financial years 2022 and 2021; 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. The amounts in the table include value-added tax.

in EUR million	Dec 21	Dec 22
Statutory audit of financial statements/consolidated financial statements	**13.2**	**14.1**
Audit fees - PwC	5.5	6.2
Audit fees - Sparkassen-Püfungsverband	7.6	7.9
Other assurance services	**2.9**	**2.5**
Other assurance services - PwC	1.6	1.6
Other assurance services - Sparkassen-Püfungsverband	1.3	0.9
Tax consulting	**0.0**	**0.0**
Tax consulting - PwC	0.0	0.0
Tax consulting - Sparkassen-Püfungsverband	0.0	0.0
Other services	**0.2**	**0.6**
Other services - PwC	0.2	0.6
Other services - Sparkassen-Püfungsverband	0.0	0.0
Total	**16.3**	**17.2**

The Sparkassen-Prüfungsverband (Austrian Savings Bank Auditing Association) provided audit services for an amount of EUR 1.8 million (2021: EUR 1.8 million) to Erste Group Bank AG and EUR 6.1 million (2021: EUR 5.7 million) for the subsidiaries. For other assurance services EUR 0.0 million (2021: EUR 0.0 million) were charged to the subsidiaries of Erste Group Bank AG while EUR 0.0 million (2021: 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 1.4 million (2021: EUR 1.3 million) and to the subsidiaries for EUR 0.7 million (2021: EUR 0.6 million). An amount of EUR 4.1 million (2021: EUR 4.0 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 0.5 million (2021: EUR 0.3 million).

64. 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 21	Dec 22
Assets held for sale	73	167
Liabilities associated with assets held for sale	0	115

In 2022 entity Banca Comerciala Romana Chisinau S.A. met the criteria for the classification as a disposal group held for sale. It consists of assets held for sale in the amount of EUR 152.3 million and liabilities associated with assets held for sale in the amount of EUR 114.9 million. The fair value less costs to sell was lower than the carrying amount of the disposal group. The difference was first allocated to non-financial assets in scope of IFRS 5 measurement requirements and resulted in an impairment loss of EUR 2.3 million and the remaining amount of EUR 20.1 million was recognised as a provision.

As of the end of 2022, 'Assets held for sale' other than those belonging to the disposal group held for sale include mainly land and buildings in amount of EUR 13.8 million (2021: EUR 24.1 million). Assets held for sale 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.

Fair values and fair value hierarchy

in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Dec 22					
Assets for which the FV is presented in the balance sheet					
Assets held for sale	12	13	0	0	13
Dec 21					
Assets for which the FV is presented in the balance sheet					
Assets held for sale	2	3	0	0	3

65. 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 21	Dec 22
Assets	115,244	115,254
Liabilities	93,626	92,881

Assets and liabilities outside Austria

in EUR million	Dec 21	Dec 22
Assets	168,571	189,680
Liabilities	134,296	145,529

Return on assets (net profit for the year divided by average total assets) was 0.84% at 31 December 2022 (2021: 0.82%).

66. Analysis of remaining maturities

Expected remaining maturities of assets and liabilities

in EUR million	Dec 21		Dec 22	
	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	45,495	0	35,685	0
Financial assets HfT	3,945	2,528	5,636	2,129
Derivatives	808	1,455	819	900
Other financial assets held for trading	3,138	1,072	4,818	1,229
Non-trading financial assets at FVPL	1,117	2,007	350	2,385
Equity instruments	9	323	21	325
Debt securities	1,090	885	299	1,251
Loans and advances to customers	18	790	30	809
Financial assets at FVOCI	1,111	7,771	2,283	7,276
Equity instruments	-12	144	0	99
Debt securities	1,123	7,626	2,283	7,177
Financial assets at AC	52,485	177,156	56,358	197,002
Debt securities	3,543	32,008	3,790	36,821
Loans and advances to banks	18,765	2,227	15,689	2,747
Loans and advances to customers	30,177	142,922	36,879	157,434
Finance lease receivables	472	3,737	499	4,054
Hedge accounting derivatives	17	61	49	110
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	-4	-1	-37
Property and equipment	0	2,645	0	2,618
Investment properties	0	1,344	0	1,372
Intangible assets	0	1,362	0	1,347
Investments in associates and joint ventures	0	211	0	209
Current tax assets	135	0	109	0
Deferred tax assets	0	562	0	629
Assets held for sale	73	0	167	0
Trade and other receivables	2,083	70	2,268	136
Other assets	934	111	1,171	61
Total Assets	**107,867**	**199,561**	**104,575**	**219,290**
Financial liabilities HfT	1,058	1,416	1,538	1,726
Derivatives	733	891	1,441	1,185
Other trading liabilities	325	525	97	541
Financial liabilities at FVPL	2,671	7,793	2,677	8,138
Deposits	429	66	1,299	54
Debt securities issued	2,052	7,727	1,226	8,084
Other financial liabilities	191	0	151	0
Financial liabilities at AC	185,750	79,665	207,389	71,543
Deposits from banks	12,542	19,344	16,886	11,934
Deposits from customers	167,837	42,192	184,047	38,572
Debt securities issued	4,244	18,108	5,569	21,024
Other financial liabilities	1,128	21	886	13
Lease liabilities	61	527	58	604
Hedge accounting derivatives	231	79	133	240
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	563	1,423	428	1,248
Current tax liabilities	144	0	127	0
Deferred tax liabilities	0	19	0	16
Liabilities associated with assets held for sale	0	0	115	0
Other liabilities	1,860	656	1,968	614
Total Liabilites	**192,339**	**91,576**	**214,432**	**84,128**

67. Events after the balance sheet date

There are no significant events after the balance sheet date.

68. Country by country reporting

The following country by country breakdown complies with the disclosure requirements of 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 22				
Austria	4,040	1,283	-142	-197
Croatia	414	213	-48	-31
Czech Republic	1,617	615	-172	-153
Hungary	721	338	-27	-23
Romania	840	408	-83	-69
Serbia	129	27	-1	0
Slovakia	588	260	-66	-69
Other locations	221	79	-17	-5
Total	**8,571**	**3,222**	**-556**	**-549**
Dec 21				
Austria	3,660	1,117	-166	-101
Croatia	399	179	-30	-4
Czech Republic	1,444	550	-154	-145
Hungary	501	217	-26	-14
Romania	765	402	-65	-41
Serbia	118	34	-1	-1
Slovakia	621	346	-75	-85
Other locations	234	89	-8	-2
Total	**7,742**	**2,933**	**-525**	**-391**

For information regarding the country of residence of each fully consolidated entity refer to Note 71 Details of the companies wholly or partly owned by Erste Group as of 31 December 2022.

Information about the geographical split of the average number of headcounts employed in Erste Group throughout 2022 is disclosed in Note 8 General administrative expenses.

69. Interest Rate Benchmark Reform

On 31 December 2021 publication of the CHF, GBP, JPY LIBOR rates for all tenors and USB LIBOR rates for 1-week and 2-month tenors was ceased. Remaining USD LIBOR rates representing the more liquid tenors (overnight, 1-month, 3-month, 6-month, 12month) will be ceased on 30 June 2023.

Regarding other IBOR-linked financial instruments, Erste Group considers that EURIBOR interest rates which have been reformed and are EU Benchmark Regulation compliant are not currently affected. Also, other local IBOR rates used in Erste Group member countries are considered not to be affected (PRIBOR for CZK, BUBOR for HUF, ROBOR for RON, BELIBOR for RSD).

Erste Group has a dedicated project addressing the interest rate benchmark reform. For LIBOR rates ceased on 31 December 2021 LIBOR-based new business was stopped in 2021 and necessary changes in systems, risk management, communication and accounting as well as the transition of legacy contracts have been executed.

New business in USD LIBOR was allowed until the end of 2021. New alternative reference rates (ARR) are licensed and systems are ready for new ARR-linked business. Fallback plans related to establishing processes for interest benchmark replacements were created by the end of 2021. Regarding USD LIBOR the amendment of fallback language in contracts is in progress. The transition of USD LIBOR legacy contracts will be executed by mid of 2023.

ARRs replacing LIBOR are overnight rates. There are significant differences between the LIBOR and ARRs. 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'. ARRs are generally overnight 'backward-looking' rates resulting from actual transactions. Following ARRs are in place for the respective currencies:

- SOFR (Secured Overnight Financing Rate) for USD
- SONIA (Sterling Overnight Index Average) for GBP
- SARON (Swiss Average Rate Overnight) for CHF
- TONAR (Tokyo Overnight Average Rate) for JPY

LIBOR rates in general include a credit spread component reflecting the riskiness of lending on the interbank market for the respective tenors. As a result, the ARRs, when replacing LIBOR rates, must include a spread adjustment to ensure economic equivalence addressing the tenor, credit risk and other differences.

For USD, GBP and JPY also forward-looking term rates are available. They are derived from interest rate derivative markets indexed to the overnight ARRs. They are mandatorily applied in the consumer protected loan business of Erste Group where the rates have to be known at the beginning of interest periods.

For CHF forward-looking term rates are not available. Commission Implementing Regulation (EU) 2021/1847 stipulates statutory replacement rates in the area of consumer, mortgage and small business floating rate loans with CHF LIBOR reference rates to which Erste Group is significantly exposed. 1-month CHF LIBOR rates are replaced by 1-month SARON compound rate, as observed over the 1-month period preceding the interest period and 3-month, 6-month and 12-month CHF LIBOR rates by 3-month SARON Compound Rate, as observed over the 3-month period preceding the interest period (including adjustment spreads).

Regarding the accounting treatment of the interest rates replacement a practical expedient has been provided by the Interest Rate Benchmark Reform – Phase 2 amendments of IFRS 9 issued in August 2020. It requires that changes in the rates resulting from the interest rate benchmark reform are reflected by adjusting the effective interest rate of the instruments. No immediate gain or loss is recognised. This expedient is only applicable to changes that are required by interest rate benchmark reform, i.e. and only if:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (including a fixed spread necessary to compensate for the basis difference between the LIBOR rates and the ARR rates).

The LIBOR rate replacements for ARRs in Erste Group business qualify for application of this practical expedient.

By 2022 year end all financial instruments with GBP, JPY and CHF LIBOR-linked interest transitioned to the ARRs.

Volume of LIBOR-linked financial instruments which have transitioned to the new ARRs by 2022

in EUR million	Financial assets Carrying amount	Financial liabilities Carrying amount	Derivatives Notional amount
CHF LIBOR	2,267	12	2,419
GBP LIBOR	52	9	60
JPY LIBOR	94	2	50

Volume of LIBOR-linked financial instruments held on 31 December 2022 which are yet to transition to the new ARRs

	Financial assets			Financial liabilities			Derivatives
	Loans and advances to customers	Loans and advances to banks	Debt securities	Deposits from customers	Deposits from banks	Debt securities issued	
in EUR million	Carrying amount			Carrying amount			Notional amount
USD LIBOR	1,786	113	401	549	72	0	4,255

Disclosures regarding application of the interest rate benchmark reform in the area of hedge accounting can be found in Note 27 Hedge Accounting.

70. Government grants

A government grant is recognised in Erste Group's financial statements, when there is reasonable assurance that it will be received and that Erste Group will comply with the conditions attached to it. Grants that compensate for the acquisition of assets are presented as deduction from the cost of the related asset and are recognised in profit or loss over the periods and in the proportions, in which depreciation and amortisation expenses on those assets are recognised. Grants that compensate for expenses incurred are presented as deduction of relevant expenses in the period in which the expenses are incurred.

The total amount of government grants recognised in the group adds up to EUR 8.1 million (2021: EUR 6.3 million). Out of this total amount, EUR 2.4 million (2021: EUR 3.5 million) are related to an investment program in Austria ('Investitionsprämie'), which was offered to support the economy due to the Covid-19 crisis. Using this opportunity, Erste Group invested in tangible and intangible depreciable fixed assets and the government refunded 7% or 14% (in case of digitalisation projects) of the investment. Further, some Austrian entities applied for a reimbursement of the remuneration paid to their employees during quarantine and childcare leave ('Personalkostenzuschuss') and received around EUR 3.8 million (2021: EUR 1.3 million).

71. Details of the companies wholly or partly owned by Erste Group as of 31 December 2022

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 21	Dec 22
Fully consolidated subsidiaries			
Credit institutions			
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	Linz	39.2	19.0
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	100.0	100.0
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 Müködö 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
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 AD Skopje	Skopje	23.9	24.1
Sparkasse Bank dd Bosna i Hercegovina	Sarajevo	25.0	25.0
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 21	Dec 22
Financial institutions			
"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
ACP Financial Solutions GmbH	Wien	75.0	75.0
Alea-Grundstückverwaltung Gesellschaft m.b.H.	Wien	100.0	100.0
AVION-Grundverwertungsgesellschaft m.b.H.	Wien	51.0	51.0
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
DENAR-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
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
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	28.0
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 Müködö Részvénytársaság	Budapest	100.0	100.0
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o.	Ljubljana	100.0	100.0
Erste Social Finance Holding GmbH	Wien	60.0	60.0
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. Leasing KG	St. Pölten	54.6	54.6
Immo Smaragd GmbH	Schwaz	0.0	0.0
Immorent - Immobilienleasing Gesellschaft m.b.H.	Wien	100.0	100.0
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 RIED GmbH	Wien	100.0	100.0
IMMORENT-ANUBIS 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-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-NERO 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-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-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
Leasing Ceské sporitelny, a.s.	Praha	100.0	100.0
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.	St. Pölten	2.5	2.5

Company name, registered office		Interest of Erste Group in %	
		Dec 21	Dec 22
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
PREDUZECE ZA FINANSIJSKI LIZING S-LEASING DOO, BEOGRAD	Belgrade	66.6	66.6
RHEA-Immorent Holding GmbH	Wien	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 Wohnbaubank AG	Wien	100.0	100.0
SCIENTIA Immorent GmbH	Wien	100.0	100.0
Sieben Tiroler Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein	0.0	0.0
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 društvo sa ogranicenom odgovornošcu za leasing nekretnina, vozila, brodova i mašina, Sarajevo	Sarajevo	25.0	25.0
Društvo za leasing Sparkase Lizing d.o.o. Skopje	Skopje	24.5	24.6
Sparkasse Leasing S, družba za financiranje d.o.o.	Ljubljana	28.0	28.0
Sparkassen IT Holding AG	Wien	31.6	28.8
Sparkassen Leasing Süd GmbH	Graz	25.0	25.0
Strabag Oktatási PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü 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
Theuthras-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
UBG-Unternehmensbeteiligungsgesellschaft 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

Company name, registered office		Interest of Erste Group in % Dec 21	Dec 22
Other			
"DIE EVA" Grundstückverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
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
BOOTES-Immorent Grundverwertungs-Gesellschaft m.b.H.	Bucharest	100.0	100.0
BP Budejovicka, s. r. o.	Praha	100.0	100.0
BP Olbrachtova, s. r. o.	Praha	100.0	100.0
BP Polackova, s. r. o.	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
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
Commerzbank Zrt.	Budapest	0.0	100.0
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
DIE ERSTE Leasing Grundaufschließungs- und Immobilienvermietungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
DIE EVA - Liegenschaftsverwaltungsgesellschaft m.b.H. in Liqu.	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
Dienstleistungszentrum Leoben GmbH	Wien	51.0	51.0
Dostupné bydlení Ceské sporitelny, a.s.	Praha	0.0	100.0
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 Digital GmbH	Wien	82.8	82.1
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 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
Eva-Immobilienverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
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 MSN 2118 DESIGNATED ACTIVITY COMPANY (in Liqui)	Dublin	100.0	100.0
Graben 21 Liegenschaftsverwaltung GmbH	Wien	100.0	100.0
Haftungsverbund GmbH	Wien	64.3	63.8
HBM Immobilien Kamp GmbH	Wien	100.0	100.0
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. in Liqu.	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
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach	40.0	40.0
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
IMMORENT - ANDROMEDA Grundverwertungsgesellschaft m.b.H. "in Liqu."	Wien	41.9	41.9
Immorent - Weiko Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
IMMORENT DELTA, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT Österreich GmbH	Wien	100.0	100.0

Company name, registered office		Interest of Erste Group in % Dec 21	Dec 22
Immorent Singidunum d.o.o.	Belgrade	100.0	100.0
IMMORENT Térinvest Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségü Társaság	Budapest	100.0	100.0
IMMORENT-ASTRA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-HATHOR Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
IMMORENT-KRABA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-MÖRE Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	69.5	59.3
IMMORENT-Objektvermietungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-OSIRIS Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
IMMORENT-SARI Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
IPS Fonds Gesellschaft bürgerlichen Rechts	Wien	64.4	62.6
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
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
LIEGESA Immobilienvermietung GmbH Nfg OG	Graz	25.0	25.0
MCS 14 Projektentwicklung GmbH & Co KG	Wien	100.0	100.0
OM Objektmanagement GmbH	Wien	100.0	100.0
Österreichische Sparkassenakademie GmbH	Wien	45.8	44.4
ÖVW Bauträger GmbH	Wien	100.0	100.0
Pischeldorfer Straße 221 Liegenschaftsverwertungs GmbH in Liqu.	Wien	100.0	100.0
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
QBC Management und Beteiligungen GmbH	Wien	65.0	65.0
QBC Management und Beteiligungen GmbH & Co KG	Wien	65.0	65.0
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz	68.6	59.9
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
RND Solutions Informatikai Fejleszto és Szolgáltató Zrt.	Budapest	100.0	100.0
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0	25.0
s REAL Immobilienvermittlung GmbH	Wien	100.0	100.0
s ServiceCenter GmbH	Wien	58.5	56.2
s Wohnbauträger GmbH	Wien	100.0	100.0
s Wohnfinanzierung Beratungs GmbH	Wien	100.0	100.0
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	Wien	58.8	100.0
S-Invest Beteiligungsgesellschaft m.b.H.	Wien	70.0	70.0
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
sMS Marktservice für Sparkassen GmbH	Krems	0.0	0.0
SLSP Seed Starter, s.r.o.	Bratislava	0.0	100.0
SLSP Social Finance, s.r.o.	Bratislava	84.2	84.2
SPARDAT - Bürohauserrichtungs- und Vermietungsgesellschaft m.b.H.	Wien	100.0	100.0
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach	40.0	40.0
Sparkasse Oberösterreich Kapitalanlagegesellschaft m.b.H.	Linz	37.9	20.7
Sparkassen Real Vorarlberg Immobilienvermittlung GmbH	Dornbirn	50.0	50.0
Sparkassen-Haftungs GmbH	Wien	64.3	63.8
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
SPK OÖ Immobilien GmbH	Linz	0.0	19.0
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
VIA Immobilien Errichtungsgesellschaft m.b.H.	Wien	100.0	100.0
WEVA - Veranlagungs- und Beteiligungsgesellschaft m.b.H.	Linz	39.2	19.0
XENIA-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Z3 Ingatlanhasznosító Kft.	Budapest	0.0	100.0
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 21	Dec 22
Funds			
ERSTE BOND EURO TREND	Wien	0.0	0.0
ERSTE RESERVE CORPORATE	Wien	0.0	0.0
IPS Fonds II	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

Company name, registered office		Interest of Erste Group in % Dec 21	Dec 22
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
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
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	33.4	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
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Wien	50.5	50.5
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
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
VBV - Betriebliche Altersvorsorge AG	Wien	29.8	29.5
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	35.0	35.0
Other			
APHRODITE Bauträger Aktiengesellschaft	Wien	50.0	50.0
Aventin Grundstückverwaltungs Gesellschaft m.b.H. in Liqu.	St. Pölten	24.5	24.5
CIT ONE SA	Bucharest	33.3	33.3
Dostupny Domov j.s.a.	Nitra	42.0	42.0
Epsilon - Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	50.0	50.0
ERSTE d.o.o.	Zagreb	45.2	45.2
Erste ÖSW Wohnbauträger GmbH	Wien	50.5	50.5
Flottenmanagement GmbH	Wien	51.0	51.0
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	53.2
Investown Technologies s.r.o.	Zlatníky-Hodkovice	0.0	26.0
KWC Campus Errichtungsgesellschaft m.b.H.	Klagenfurt	13.6	13.6
Monilogi s.r.o.	Bratislava	0.0	26.0
SILO DREI next LBG 57 Liegenschaftsverwertung GmbH & Co KG	Wien	49.0	49.0
Slovak Banking Credit Bureau, s.r.o.	Bratislava	33.3	33.3
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H.	Wien	50.0	50.0
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.	Wien	25.0	25.0
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H. in Liqu.	Dornbirn	33.3	33.3
Other investments			
Credit institusions			
Oesterreichische Kontrollbank Aktiengesellschaft	Wien	12.9	12.9
ALTA BANKA AD BEOGRAD	Belgrade	0.0	0.0
Public Joint-stock company commercial Bank "Center-Invest"	Rostov	9.1	9.1
EUROAXIS BANK AD Moskva	Moscow	1.6	1.6
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
Central Securities Depository AD Skopje	Skopje	5.7	4.6
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 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
Erste Private Capital GmbH	Wien	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
Garantiqa Hitelgarancia Zrt.	Budapest	1.8	2.0
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Mödling	19.2	19.2

Company name, registered office		Interest of Erste Group in % Dec 21	Dec 22
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
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.5	7.5
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	20.7
MIGRA Gemeinnützige Wohnungsges.m.b.H.	Wien	19.8	19.8
O.Ö. Kommunal-Immobilienleasing GmbH	Linz	40.0	40.0
Oberösterreichische Kreditgarantiegesellschaft m.b.H.	Linz	5.6	3.3
ÖSW Wohnbauvereinigung Gemeinnützige Gesellschaft m.b.H.	Salzburg	15.6	15.6
ÖWB Gemeinnützige Wohnungsaktiengesellschaft	Innsbruck	26.3	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	33.3	33.3
TKL VII Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
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
"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	0.7
"THG" Thermenzentrum Geinberg Errichtungs-GmbH	Linz	1.5	0.7
AB Banka, a.s. v likvidaci	Mladá Boleslav	4.5	4.5
Achenseebahn-Aktiengesellschaft in Abwicklung	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. in Liqu.	Linz	39.2	19.0
AS LEASING Gesellschaft m.b.H.	Linz	39.2	19.0
AS Support GmbH	Linz	39.2	19.0
ASEF S.C.Sp.	Senningerberg	0.0	5.3
AS-WECO Grundstückverwaltung Gesellschaft m.b.H.	Linz	39.2	19.0
Austrian Reporting Services GmbH	Wien	14.3	14.3
aws Gründerfonds Beteiligungs GmbH & Co KG	Wien	5.1	5.1
Bankovní identita, a.s.	Praha	17.0	17.0
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	7.1	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
Biomasse Heizwerk Zürs GmbH	Zürs	0.0	0.0
Biroul de Credit SA	Bucharest	19.4	19.4
Biroul de Credit SRL	Chisinau	9.1	9.1
Brauerei Murau eGen	Murau	0.7	0.7
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	4.1	4.1

Company name, registered office		Interest of Erste Group in % Dec 21	Dec 22
CAMPUS 02 Fachhochschule der Wirtschaft GmbH	Graz	1.5	1.5
capital300 EuVECA GmbH & Co KG	Wien	2.6	1.3
Capriel Investment S.A.	Luxembourg	0.0	9.4
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
Casa Romana de Compensatie Sibiu	Sibiu	0.4	0.4
CBCB-Czech Banking Credit Bureau, a.s.	Praha	20.0	20.0
Clearing House KIBS AD Skopje	Skopje	4.4	4.5
CRNOMEREC CENTAR D.O.O. ZA PROJEKTIRANJE GRAĐENJE I NADZOR	Zagreb	0.0	0.0
D.C. Travel d.o.o Beograd u stecaju	Belgrade	69.3	69.3
Dachstein Tourismus AG	Gosau	0.0	0.0
Dateio s.r.o.	Praha	22.2	25.8
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor	25.0	25.0
Digital factory s.r.o.	Brno	15.0	15.0
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	0.4	1.8
ELAG Immobilien AG	Linz	1.6	0.8
Energie AG Oberösterreich	Linz	0.2	0.1
Erste Diversified Private Equity I	Senningerberg	0.0	0.0
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 Breitenfurter Straße 235 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 Seepark Campus West GmbH & Co KG	Wien	0.0	0.0
Erste Private Capital S.a r.l.	Senningerberg	0.0	91.1
Erste Private Capital S.C.A. SICAV-RAIF	Senningerberg	0.0	0.0
Finanzpartner GmbH	Wien	51.1	51.1
Flourish d.o.o Podgorica	Podgorica	0.0	3.5
Fortenova Group STAK Stichting	Amsterdam	0.3	0.3
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	6.2
GEMDAT OÖ GmbH & Co KG	Linz	11.8	6.9
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
Golfresort Haugschlag GmbH & Co KG	Litschau	0.0	0.0
Großarler Bergbahnen Gesellschaft mit beschränkter Haftung & Co. KG.	Großarl	0.2	0.2
GW St. Pölten Integrative Betriebe GmbH	St. Pölten	0.0	0.0
GXT Vermögensverwaltung GmbH & Co KG	Wien	0.0	0.4
HAPIMAG AG	Baar	0.0	0.0

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Harkin Limited	Dublin	100.0	100.0
Haus für Senioren 1 Fischamend Errichtungsgesellschaft m.b.H. & Co KG	Wien	0.0	0.0
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	0.2
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
IMMORENT S-Immobilienmanagement GesmbH	Wien	100.0	100.0
Immorent-Hackinger Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	11.3	11.3
JAVNO SKLADIŠTE SLOBODNA CARINSKA ZONA NOVI SAD AD NOVI SAD	Novi Sad	4.1	4.1
JUGOALAT-JAL AD NOVI SAD	Novi Sad	5.0	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
K-Businesscom Banking Services GmbH	Wien	0.0	0.3
Kitzbüheler Anzeiger Gesellschaft m.b.H.	Kitzbühel	0.0	0.0
Kleinkraftwerke-Betriebsgesellschaft m.b.H.	Wien	100.0	100.0
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	6.1	6.1
Kur- und Fremdenverkehrsbetriebe Bad Radkersburg Gesellschaft m.b.H.	Bad Radkersburg	0.3	0.3
ländleticket marketing gmbh	Dornbirn	0.0	0.0
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois	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
Macedonian Stock Exchange AD	Skopje	5.9	5.9
Maissauer Amethyst GmbH	Maissau	0.0	0.0
MAJEVICA HOLDING AKCIONARSKO DRUŠTVO, BACKA PALANKA	Bacčka Palanka	5.2	5.2
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
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	3.3
Oberpinzgauer Fremdenverkehrsförderungs- und Bergbahnen - Aktiengesellschaft	Neukirchen	0.0	0.0
Obertilliacher Bergbahnen-Gesellschaft m.b.H.	Obertilliach	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	4.6
Ortswärme Fügen GmbH	Fügen	0.0	0.0
Österreichische Wertpapierdaten Service GmbH	Wien	32.6	32.6
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 GmbH	Wien	100.0	100.0
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
REGIONALNA AGENCIJA ZA RAZVOJ MALIH I SREDNJIH PREDUZECA ALMA MONS D.O.O.	Novi Sad	3.3	3.3
Riesneralm - Bergbahnen Gesellschaft m.b.H. & Co. KG.	Donnersbach	0.0	0.0
Rolling Stock Lease s.r.o.	Bratislava	3.0	3.0
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

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SALZBURG INNENSTADT, Vereinigung zur Förderung selbständiger Unternehmer der Salzburger Innenstadt, registrierte Genossenschaft mit beschränkter Haftung in Liquidation	Salzburg	2.0	2.0
S-AMC1 DOOEL Skopje	Skopje	23.9	24.1
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 Immobilienvermittlung GmbH	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
SILO II LBG 57 – 59 Liegenschaftsverwertung GmbH & Co KG	Podgorica	49.0	0.0
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	3.5
Sparkassen Facility Management GmbH	Innsbruck	75.0	75.0
Speedinvest III EuVECA GmbH & Co KG	Wien	2.5	1.8
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	6.3
SPRON ehf.	Reykjavik	4.9	4.9
Stadtgemeinde Weiz - Wirtschaftsentwicklungs 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
SWAB Poststraße GmbH & Co KG	Bregenz	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	44.6	44.6
TDG Techn. Dienstleistungs- und Objektservicegesellschaft m.b.H.	Wien	100.0	100.0
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	0.3
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
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
TIZ Landl - Grieskirchen GmbH	Grieskirchen	0.0	0.0
Tourismus- u. Freizeitanlagen GmbH	Hinterstoder	0.0	0.0
Tourismusgenossenschaft Ramsau am Dachstein eGen	Ramsau am Dachstein	0.4	0.5
TSG EDV-Terminal-Service Ges.m.b.H.	Wien	0.1	0.1
UNION Vienna Insurance Group Biztosito Zrt.	Budapest	1.2	1.2
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	20.0	20.0
VIVITimmo GmbH	St. Pölten	20.0	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

Company name, registered office		Interest of Erste Group in % Dec 21	Dec 22
WBC Sparkasse Korneuburg GmbH	Korneuburg	0.0	0.0
WE.TRADE INNOVATION DESIGNATED ACTIVITY COMPANY	Dublin	3.2	3.2
Web Value GmbH	Wien	0.0	0.0
WEB Windenergie AG	Pfaffenschlag	0.0	0.0
Weißsee-Gletscherwelt GmbH	Uttendorf	0.0	0.0
WET Wohnbaugruppe Service GmbH	Mödling	19.9	19.9
wflow.com Czech Republic s.r.o.	Praha	0.0	17.0
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	11.7
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
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	Amortised cost
ALCO	Asset Liability Committee
ALM	Asset Liability Management
AMA	Advanced Measurement Approach
AT1	Additional Tier 1
BCR	Banca Comercială Română S.A.
CEE	Central and Eastern Europe
CET1	Common Equity Tier 1
CGU	Cash-Generating Unit
CLA	Credit Loss Allowance
CMO	Collateralised Mortgage Obligation
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSAS	Česká spořitelna, a.s.
CVA	Credit Value Adjustments
DFR	Deposit Facility Rate
DTA	Deferred Tax Asset
DVA	Debit Value Adjustment
EAD	Exposure At Default
EBA	European Banking Authority
EBC	Erste Bank Croatia
EBH	Erste Bank Hungary Zrt.
EBOe	Erste Bank Oesterreich
ECB	European Central Bank
ECL	Expected Credit Loss
EIR	Effective interest rate
eop	end of period
ERM	Enterprise wide Risk Management
ESG	Environmental Social Governance
ESMA	European Security and Markets Authority
FLI	Forward Looking Information
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX	Foreign exchange
GCA	Gross Carrying Amount
GCC	Group Corporate Markets
HFT	Held for trading
IAS	International Accounting Standards
IC	Intercompany
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
LCC	Local Corporate Center
LGD	Loss Given Default
LT PD	Lifetime Probability of Default
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NCI	Non Controlling Interest
NFR	Non Financial Risk
NPE	Non Performing Exposure
NPL	Non Performing Loans
OCI	Other comprehensive income
O-SII	Other Systemic Important Institution
OTC	Over the Counter
P&L	Profit or loss
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
PD	Probability of Default
POCI	Purchased or originated credit impaired
PSU	Performance Share Unit
RAS	Risk Appetite Statement
RWA	Risk Weighted Assets
SICR	Significant increase in credit risk
SLSP	Slovenská sporiteľňa
Sparkasse Kärnten	Kärntner Sparkasse Aktiengesellschaft
Sparkasse Oberösterreich	Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft
Sparkasse Steiermark	Steiermärkische Bank und Sparkassen Aktiengesellschaft
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
T1	Tier 1
T2	Tier 2
TLTRO	Target Longer-Term Refinancing Operations
UGB	Unternehmensgesetzbuch; Austrian Company Code
VAR	Value at Risk

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

Vienna, 28 February 2023

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

Vienna, 28 February 2023

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Imprint

Publisher and copyright owner:
Erste Group Bank AG
Am Belvedere 1, A-1100 Vienna

Editor:
Investor Relations & Accounting-Teams, Erste Group
For the non-financial report: ESG Office, Erste Group

Production:
Erste Group with the assistance of firesys GmbH

Photography:
www.danielaberanek.com

Graphic:
Schneeweis Wittmann
www.schneeweiswittmann.at

Print management:
SPV-Druck Gesellschaft m. b. H.
Bockfließerstraße 60–62, A-2214 Auersthal

PEFC Certified

This product is from sustainably managed forests, recycled and controlled sources

PEFC/06-39-372

www.pefc.at

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