Half year financial report 2019

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ERSTE Group

Key financial data

Income statement					
in EUR million	**Q2 18**	**Q1 19**	**Q2 19**	**1-6 18**	**1-6 19**
Net interest income	1,131.2	1,160.9	1,168.8	2,213.8	2,329.7
Net fee and commission income	480.7	487.7	492.7	959.3	980.4
Net trading result and gains/losses from financial instruments at FVPL	36.9	76.2	93.7	78.5	169.9
Operating income	1,719.0	1,771.7	1,821.2	3,374.1	3,592.9
Operating expenses	-1,011.5	-1,115.6	-1,030.4	-2,076.5	-2,146.0
Operating result	**707.5**	**656.0**	**790.9**	**1,297.6**	**1,446.9**
Impairment result from financial instruments	18.9	35.8	7.1	73.2	42.8
Post-provision operating result	**726.3**	**691.8**	**797.9**	**1,370.9**	**1,489.7**
Other operating result	-76.6	-131.1	-219.9	-204.6	-351.0
Levies on banking activities	-24.7	-38.8	-25.9	-63.3	-64.7
Pre-tax result from continuing operations	654.0	561.8	588.0	1,174.7	1,149.8
Taxes on income	-120.4	-95.5	-117.2	-234.9	-212.7
Net result for the period	**533.6**	**466.3**	**470.8**	**939.8**	**937.1**
Net result attributable to non-controlling interests	95.4	89.3	115.9	165.5	205.2
Net result attributable to owners of the parent	**438.2**	**377.0**	**354.9**	**774.3**	**731.9**
Earnings per share	0.94	0.88	0.74	1.72	1.63
Return on equity	12.8%	11.1%	9.3%	11.7%	10.2%
Net interest margin (on average interest-bearing assets)	2.32%	2.18%	2.18%	2.30%	2.18%
Cost/income ratio	58.8%	63.0%	56.6%	61.5%	59.7%
Provisioning ratio (on average gross customer loans)	-0.02%	0.01%	0.03%	-0.12%	0.02%
Tax rate	18.4%	17.0%	19.9%	20.0%	18.5%

Balance sheet					
in EUR million	**Jun 18**	**Mar 19**	**Jun 19**	**Dec 18**	**Jun 19**
Cash and cash balances	16,888	16,382	16,843	17,549	16,843
Trading, financial assets	43,899	45,191	45,620	43,930	45,620
Loans and advances to banks	17,149	22,741	23,035	19,103	23,035
Loans and advances to customers	144,730	151,957	155,331	149,321	155,331
Intangible assets	1,507	1,489	1,490	1,507	1,490
Miscellaneous assets	5,705	5,946	5,943	5,382	5,943
Total assets	**229,878**	**243,706**	**248,261**	**236,792**	**248,261**
Financial liabilities held for trading	3,070	2,277	2,518	2,508	2,518
Deposits from banks	17,867	20,295	19,043	17,658	19,043
Deposits from customers	156,831	166,216	169,668	162,638	169,668
Debt securities issued	28,474	28,670	30,773	29,738	30,773
Miscellaneous liabilities	5,928	6,492	6,609	5,381	6,609
Total equity	17,708	19,754	19,649	18,869	19,649
Total liabilities and equity	**229,878**	**243,706**	**248,261**	**236,792**	**248,261**
Loan/deposit ratio	92.3%	91.4%	91.5%	91.8%	91.5%
NPL ratio	3.6%	3.0%	2.8%	3.2%	2.8%
NPL coverage ratio (based on AC loans, ex collateral)	72.5%	74.5%	75.4%	73.4%	75.4%
CET 1 ratio (phased-in)	12.6%	13.2%	13.6%	13.5%	13.6%

Ratings	**Jun 18**	**Mar 19**	**Jun 19**
Fitch			
Long-term	A-	A	A
Short-term	F1	F1	F1
Outlook	Stable	Stable	Stable
Moody´s			
Long-term	A2	A2	A2
Short-term	P-1	P-1	P-1
Outlook	Positive	Positive	Positive
Standard & Poor´s			
Long-term	A	A	A
Short-term	A-1	A-1	A-1
Outlook	Positive	Positive	Positive

Letter from the CEO

Dear shareholders,

With a net profit of EUR 731.9 million, Erste Group posted a very solid half-year result despite a negative one-off effect in Romania. The significant rise of the operating result by 11.5% was driven by higher core income – net interest income and net fee and commission income – as well as an extraordinarily strong net trading and fair value result, which was attributable primarily to the development of interest rates and market performance in recent months. Income grew faster than costs despite higher contributions to deposit insurance systems and wages rising across all markets. Other operating result was negatively impacted by a one-off charge of EUR 150.8 million following a ruling by the Romanian high court relating to the local building society. On the other hand, the continuing benign risk environment in our region had a positive impact on the result. We again recorded net releases rather than risk costs – a phenomenon that is unusual by historic standards. On the back of the continuing positive trend in asset quality, Erste Group's NPL ratio improved to 2.8%.

The economic forecasts for a number of Central and East European countries have been revised upwards. In 2019, the economy is now expected to grow at a rate of about 3% to 4% in our East European core markets and at around 2% in Austria. The main growth driver will again be solid domestic demand across the region. Visibly higher real wages reflected not only progressing convergence but, along with high levels of employment, further fuelled private household consumption and created a sound business environment for Erste Group's local banks. The prerequisites for ongoing volume growth are thus in place. This was also evident in the first half of 2019: year to date, all core markets of Erste Group recorded lending growth in both the retail and the corporate segments. Overall, net loans to customers rose by 4.0% to EUR 155.3 billion year to date, with the strongest volume growth in absolute terms posted by the Czech Republic, Austria and Slovakia, while Serbia, the Czech Republic and Hungary enjoyed the strongest growth rates. On the deposit side, a trend reversal is not in sight either as many customers are still seeing no alternative to savings deposits. Customer deposits accordingly increased by 4.3% to EUR 169.7 billion. The loan-to-deposit ratio thus stands at 91.5%.

Growth in lending to customers remained a key driver of net interest income. On the income side, however, headwinds were still being caused by persistently low and sometimes even negative interest rates. Only in the Czech Republic and Romania did central banks raise their reference interest rates, which had a positive impact on net interest income. Less helpful in this context has been the decline in government bond yields witnessed in recent months, which has made reinvestments more challenging. The rise in net fee and commission income was again moderate at 2.2% but, gratifyingly, growth was registered in all core markets. The asset management business was struggling not only with the fact that attractive and risk-adjusted investment products for retail customers are in short supply in a region whose capital markets are still at an early stage of development, but also with stock market volatility. As the business and risk environment was, overall, benign and the first half of the year saw again net releases in the amount of EUR 42.8 million, we have revised the risk cost forecast for the full financial year to a maximum level of 10 basis points of average gross customer loans.

General administrative expenses were up over the first half of the previous year, but an analysis of costs reveals two different developments: personnel expenses remained under pressure as unemployment rates were low in most of our core markets while implementation of IFRS 16 had a marginally positive impact on costs. Contributions to deposit insurance funds, however, increased by EUR 12.7 million to a total of EUR 92.9 million, including almost all contributions expected for 2019 (with the exception of Croatia and Serbia). Other operating result was adversely impacted by the one-off effect in Romania in the amount of EUR 150.8 million. Annual contributions to resolution funds have likewise been posted already in the total amount of EUR 76.3 million (versus EUR 71.3 million in the previous year) along with the upfront booking of full-year Hungarian banking tax. So far, banking and transaction taxes levied in Austria, Slovakia and Hungary at EUR 64.7 million have been slightly above the level of the previous year. Banking tax to be levied in Romania in 2019 for the first time in an amount of up to EUR 20 million has not been posted yet.

Erste Group's liquidity and funding positions remained excellent. In recent months, Erste Group was highly active in the capital market, successfully placing a total of four benchmark bonds with different seniorities, most recently a 15-year mortgage covered bond and a first non-preferred senior (NPS) bond. The capital base is very solid due to steady organic growth of capital over the past years, supported by a total of three successful placements of additional tier 1 capital (AT1), most recently in March 2019. Including retained earnings for the first six months, the common equity tier 1 ratio stood at 13.5% as of the end of June (CRR final).

From today's perspective, we are thus excellently positioned to meet our targets for the anniversary year 2019 – income growing faster than costs, continuing low risk costs and a solid double-digit return on tangible equity (ROTE) of more than 11%.

Andreas Treichl m.p.

Erste Group on the capital markets

EQUITY MARKET REVIEW

In the second quarter, international stock markets were again driven by geopolitical developments and their impact on global economic growth. The trade conflict between the US and China, exacerbated by the expansion of US protectionist tariff policies, and the rising risk of a hard Brexit (a withdrawal of the United Kingdom from the European Union without a deal) caused uncertainty among market participants and, consequently, rising volatility of stock market indices.

Despite the stock market slide in May due to increased downside risks to the global economy and an expected slowdown of corporate earnings momentum, most of the stock markets monitored continued their upward movement in the second quarter. At the end of the quarter, the US Dow Jones Industrial Index stood at 26,599.96 points, up 14.0% on year-end 2018, while the Standard & Poor's 500 Index had even advanced by 17.3% to 2,941.76 points. The broader European Stoxx 600 index closed the first half of the year up 14.0% at 384.87 points. The Austrian Traded Index (ATX) could only partially keep pace with this development and ended the first half of the year 2019 up 8.4% at 2,977,68 points. Quarter-on-quarter, the ATX declined 1.9%, however. The Euro Stoxx Banks Index, which is composed of the leading European bank shares, ended the quarter 5.5% lower and closed the first half of 2019 at 88.14 points, up 1.3%.

The stock markets were buoyed up by the global corporations' still moderately positive revenues and earnings growth, with US companies outperforming their European peers in terms of growth forecasts. Another significant driver was market expectations regarding the monetary policies of major central banks, most importantly the European Central Bank (EB) and the US Federal Reserve (Fed). The ECB has hinted it might ease its monetary policy once again depending on the future development of economic indicators, while the Fed has announced it may lower its policy rate if needed end of July.

SHARE PERFORMANCE

In the second quarter, the Erste Group share moved in lockstep with international stock markets, recording double-digit gains in April followed by lower prices later in the quarter. Despite the continued positive development of the operating result and the confirmation of the outlook for 2019 based on the region's continued solid economic performance, the share price retreated by slightly more than 11% in line with international stock markets. While the disclosure made in June that provisions had been set aside for a legal case lost in Romania had a significant negative one-off effect, it did not have a lasting impact on the share price, as the forecast of a return on tangible equity (ROTE) of more than 11% was confirmed.

The Erste Group share ended the second quarter with a closing price of EUR 32.64, up 12.4% year-to-date. Quarter-on-quarter it remained fairly stable, declining only 0.4%. The ATX gained 8.4% in the first half of the year, the Euro Stoxx Banks Index 1.3%. The Erste Group's share marked its second-quarter low at EUR 31.30 and its high at EUR 37.07.

In the second quarter of 2019, trading volume on the three stock exchanges on which the Erste Group share is listed (Vienna, Prague, and Bucharest) averaged 767,665 shares per day. More than half of the trading activity was executed over the counter (OTC) or through electronic trading systems.

FUNDING AND INVESTOR RELATIONS

Erste Group came with two inaugural issues in May 2019. Erste Group issued a 15yr mortgage covered bond, being the Bank's longest syndicated EUR benchmark, which attracted orders of EUR 3 billion. The EUR 500 million transaction priced at MS+7 bps. The second bond was Erste Group's inaugural non-preferred senior issue, the EUR 500 million 7yr transaction priced at MS+80 bps and the order book peaked at EUR 2.3 billion.

In the second quarter of 2019, the Erste Group's management together with the investor relations team met investors in a large number of one-on-one and group meetings, in which questions raised by investors and analysts were answered. The Erste Group's strategy and performance were presented against the backdrop of the current economic environment at international banking and investor conferences hosted by Wiener Börse, Concorde, HSBC, Deutsche Bank, Bank of America Merrill Lynch, Goldman Sachs, PKO, UBS, Danske Bank und Société Générale as well as at the spring road show in Europe and the US staged after the presentation of the first quarter 2019 result in Vienna. The dialogue with bond investors was continued.

Interim management report

In the interim management report, financial results from January-June 2019 are compared with those from January-June 2018 and balance sheet positions as of 30 June 2019 with those as of 31 December 2018.

EARNINGS PERFORMANCE IN BRIEF

Net interest income increased – mainly in the Czech Republic, but also in other core markets – to EUR 2,329.7 million (EUR 2,213.8 million). **Net fee and commission income** rose to EUR 980.4 million (EUR 959.3 million), primarily on the back of payment services and from lending. While **net trading result** improved significantly to EUR 310.1 million (EUR 11.9 million), the line item **gains/losses from financial instruments measured at fair value through profit or loss** declined to EUR -140.1 million (EUR 66.6 million), the development of both line items was driven by valuation effects. **Operating income** rose to EUR 3,592.9 million (+6.5%; EUR 3,374.1 million). The increase in **general administrative expenses** to EUR 2,146.0 million (+3.3%; EUR 2,076.5 million) was mainly attributable to a rise in personnel expenses to EUR 1,255.9 million (+3.2%; EUR 1,216.7 million). Other administrative expenses included almost all payments to deposit insurance systems expected in 2019 in the amount of EUR 92.9 million (EUR 80.2 million). The increase in amortisation and depreciation to EUR 264.6 million (EUR 232.3 million) is attributable to the first-time application of the new financial reporting standard for leases (IFRS 16) as of 1 January 2019, while a corresponding positive effect was recorded in other administrative expenses. Overall, the **operating result** increased to EUR 1,446.9 million (+11.5%; EUR 1,297.6 million) and the **cost/income ratio** improved to 59.7% (61.5%).

Due to net releases on the back of continued solid asset quality, **the impairment result from financial instruments** amounted to EUR 42.8 million or, adjusted for net allocation of provisions for commitments and guarantees given, 2 basis points of average gross customer loans (EUR 73.2 million or -12 basis points) This was mainly attributable to substantial income received from the recovery of loans already written off, primarily in the Czech Republic and in Hungary, as well as from releases of provisions for commitments and guarantees in Austria, the Czech Republic and Romania. The **NPL ratio** improved further to 2.8% (3.2%). The **NPL coverage ratio** increased to 75.4% (73.4%).

Other operating result amounted to EUR -351.0 million (EUR -204.6 million). The deterioration is attributable to a provision in the amount of EUR 150.8 million set aside for losses expected from a decision of the Romanian High Court in relation to the business activities of a local subsidiary. The expenses for the annual contributions to resolution funds included in this line item rose – in particular in the Czech Republic – to EUR 76.3 million (EUR 71.3 million). Banking and transaction taxes were slightly higher at EUR 64.7 million (EUR 63.3 million), including EUR 12.6 million (EUR 13.8 million) in Hungarian banking taxes posted upfront for the full financial year. Other taxes were nearly unchanged at EUR 6.4 million (EUR 6.5 million).

The minority charge rose due to significantly better results from the savings banks to EUR 205.2 million (EUR 165.5 million). The **net result attributable to owners of the parent** declined to EUR 731.9 million (EUR 774.3 million).

Total equity not including AT1 instruments rose to EUR 18.2 billion (EUR 17.9 billion). After regulatory deductions and filtering in accordance with the CRR, **common equity tier 1 capital** (CET1, final) amounted to EUR 16.1 billion (EUR 15.5 billion), total **own funds** (final) to EUR 21.8 billion (EUR 20.9 billion). Interim profit is included in the above figures. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR, final) – rose to EUR 118.8 billion (EUR 115.4 billion). The **common equity tier 1 ratio** (CET1, final) stood at 13.5% (13.5%), the **total capital ratio** at 18.3% (18.1%).

Total assets rose to EUR 248.3 billion (EUR 236.8 billion). On the asset side, cash and cash balances decreased to EUR 16.8 billion (EUR 17.5 billion), while loans and advances to credit institutions increased to EUR 23.0 billion (EUR 19.1 billion). **Loans and advances to customers** rose to EUR 155.3 billion (+4.0%; EUR 149.3 billion). On the liability side, deposits from banks increased to EUR 19.0 billion (EUR 17.7 billion) and **customer deposits** grew again – most notably in the Czech Republic and in Austria – to EUR 169.7 billion (+4.3%; EUR 162.6 billion). **The loan-to-deposit ratio** stood at 91.5% (91.8%).

OUTLOOK

Operating environment anticipated to be conducive to credit expansion.
Real GDP growth is forecast to come in at around 3-4% in Erste Group's CEE core markets and about 2% in Austria in 2019, again driven primarily by robust domestic demand. In CEE, economic activity should be supported by real wage growth and low unemployment. Fiscal discipline is expected to be maintained across CEE.

Business outlook. Erste Group aims to achieve a return on tangible equity (ROTE) of more than 11% in 2019 (based on average tangible equity in 2019). The underlying assumptions are: revenues rising faster than costs (based on mid-single digit net loan growth), risk costs higher, but still at a historically benign level (up to 10 basis points), with a tax rate of below 20%.

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

PERFORMANCE IN DETAIL

in EUR million	1-6 18	1-6 19	Change
Net interest income	2,213.8	2,329.7	5.2%
Net fee and commission income	959.3	980.4	2.2%
Net trading result and gains/losses from financial instruments at FVPL	78.5	169.9	>100.0%
Operating income	3,374.1	3,592.9	6.5%
Operating expenses	-2,076.5	-2,146.0	3.3%
Operating result	**1,297.6**	**1,446.9**	**11.5%**
Impairment result from financial instruments	73.2	42.8	-41.5%
Other operating result	-204.6	-351.0	71.5%
Levies on banking activities	-63.3	-64.7	2.2%
Pre-tax result from continuing operations	**1,174.7**	**1,149.8**	**-2.1%**
Taxes on income	-234.9	-212.7	-9.5%
Net result for the period	**939.8**	**937.1**	**-0.3%**
Net result attributable to non-controlling interests	165.5	205.2	24.0%
Net result attributable to owners of the parent	**774.3**	**731.9**	**-5.5%**

Net interest income

Net interest income rose to EUR 2,329.7 million (EUR 2,213.8 million). The significant increase in the Czech Republic was attributable to the improved interest rate environment and sustained growth in lending to customers. Higher net interest income was also posted in Romania driven primarily by higher market interest rates and in Austria and Hungary on the back of stronger lending growth. The implementation of IFRS 16 led to a negative impact of EUR 12.9 million on net interest income. Year on year, interest-bearing assets rose faster than net interest income, not least because of a marked increase in interbank assets, which resulted in the net interest margin (net interest income as a percentage of average interest-bearing assets) slightly narrowing to 2.18% (2.30%).

Net fee and commission income

Net fee and commission income increased to EUR 980.4 million (EUR 959.3 million). Slight growth was registered in nearly all core markets. Declining income from the securities business was offset by higher income from payments and lending. In Slovakia, income from insurance brokerage commissions increased significantly.

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

Valuation effects have a substantial impact on both positions, net trading result & gains/losses from financial instruments measured at fair value through profit or loss. Debt securities issued measured at FV through profit or loss are particularly impacted – related valuation results are shown in the line gains/losses from financial instruments measured at fair value through profit or loss while valuation results of corresponding hedges are shown in the net trading result – as are financial assets in the fair value and trading portfolios.

Due to the interest rate development in the first half of the year the net trading result improved significantly to EUR 310.1 million (EUR 11.9 million). On the other hand, gains/losses from financial instruments measured at fair value through profit or loss deteriorated to EUR -140.1 million (EUR 66.6 million).

General administrative expenses

in EUR million	1-6 18	1-6 19	Change
Personnel expenses	1,216.7	1,255.9	3.2%
Other administrative expenses	627.5	625.6	-0.3%
Depreciation and amortisation	232.3	264.6	13.9%
General administrative expenses	**2,076.5**	**2,146.0**	**3.3%**

General administrative expenses amounted to EUR 2,146.0 million (EUR 2,076.5 million). **Personnel expenses** increased – mainly in Austria and the Czech Republic – to EUR 1,255.9 million (EUR 1,216.7 million). **Other administrative expenses** declined moderately to EUR 625.6 million (EUR 627.5 million). Contributions to deposit insurance systems – except for Croatia and Serbia already for the full year – increased to EUR 92.9 million (EUR 80.2 million) on the back of continuing strong deposit growth. The largest increase in payments was registered in Romania, to EUR 12.7 million (EUR 4.3 million), but contributions were also up significantly in Austria. The first-time application of the new financial reporting standard for leases (IFRS 16) as of 1 January 2019 had a positive impact on other administrative expenses – through lower rental expenses – in the amount of EUR 41.9 million, but negatively impacted **depreciation and amortisation** by EUR 35.9 million, pushing the latter to EUR 264.6 million (EUR 232.3 million).

Headcount as of end of the period

	Dec 18	Jun 19	Change
Austria	**16,137**	**16,171**	**0.2%**
Erste Group, EB Oesterreich and subsidiaries	9,022	9,057	0.4%
Haftungsverbund savings banks	7,115	7,114	0.0%
Outside Austria	**31,260**	**30,859**	**-1.3%**
Česká spořitelna Group	10,115	9,821	-2.9%
Banca Comercială Română Group	7,237	6,962	-3.8%
Slovenská sporiteľňa Group	4,105	4,047	-1.4%
Erste Bank Hungary Group	3,124	3,133	0.3%
Erste Bank Croatia Group	3,168	3,347	5.7%
Erste Bank Serbia Group	1,108	1,158	4.5%
Savings banks subsidiaries	1,204	1,205	0.2%
Other subsidiaries and foreign branch offices	1,199	1,184	-1.3%
Total	**47,397**	**47,030**	**-0.8%**

Operating result

Operating income rose to EUR 3,592.9 million (+6.5%; EUR 3,374.1 million) on the back of significantly improved net interest and net trading income. General administrative expenses were up at EUR 2,146.0 million (+3.3%; EUR 2,076.5 million) due to an increase in personnel expenses as well as higher depreciation and amortisation while other administrative expenses were slightly lower. The operating result improved to EUR 1,446.9 million (+11.5%; EUR 1,297.6 million). The cost/income ratio improved likewise to 59.7% (61.5%).

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

Gains from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 11.0 million (EUR 8.4 million). This item includes primarily gains/losses from the sale of securities and the derecognition of financial liabilities.

Impairment result from financial instruments

Due to net releases, the impairment result from financial instruments amounted to EUR 42.8 million (EUR 73.2 million). The negative balance of the allocation/release of provisions for the lending business was offset by continued high income received from the recovery of loans already written off in the amount of EUR 71.6 million (EUR 61.6 million) as well as the release of provisions for commitments and guarantees given in the amount of EUR 57.7 million (net allocations EUR 14.6 million).

Other operating result

Other operating result amounted to EUR -351.0 million (EUR -204.6 million). Levies on banking activities rose marginally to EUR 64.7 million (EUR 63.3 million). While levies payable in Austria were nearly unchanged at EUR 12.1 million (EUR 11.8 million), banking tax in Slovakia rose to EUR 16.0 million (EUR 14.6 million). Hungarian banking tax – already posted upfront for the full year 2019 – declined to EUR 12.6 million (EUR 13.8 million). Including financial transaction tax of EUR 24.0 million (EUR 23.0 million), bank levies in Hungary totalled EUR 36.6 million (EUR 36.7 million).

Allocations/release of other provisions amounted to EUR -172.0 million (EUR 19.1 million). The significant deterioration is attributable to a provision in the amount of EUR 150.8 million set aside for losses expected from a decision of the Romanian High Court in relation to the business activities of a local subsidiary. In addition, other operating result also reflects the annual contributions to resolution funds in the amount of EUR 76.3 million (EUR 71.3 million). The steepest rise, to EUR 26.5 million (EUR 19.1 million), was recorded in the Czech Republic.

Net result

The pre-tax result from continuing operations amounted to EUR 1,149.8 million (EUR 1,174.7 million). The minority charge rose to EUR 205.2 million (EUR 165.5 million) due to solid results of the savings banks. The net result attributable to owners of the parent declined to EUR 731.9 million (EUR 774.3 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Financial results from the second quarter of 2019 are compared with those from the first quarter of 2019.

in EUR million	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
Income statement					
Net interest income	1,131.2	1,158.2	1,210.0	1,160.9	1,168.8
Net fee and commission income	480.7	471.4	477.7	487.7	492.7
Dividend income	14.8	4.8	6.7	0.5	18.4
Net trading result	0.6	-62.2	48.7	153.3	156.8
Gains/losses from financial instruments measured at fair value through profit or loss	36.3	99.2	29.6	-77.1	-63.0
Net result from equity method investments	5.2	3.0	3.1	1.8	5.2
Rental income from investment properties & other operating leases	50.2	47.7	43.6	44.6	42.4
Personnel expenses	-612.1	-613.8	-643.8	-621.9	-633.9
Other administrative expenses	-283.0	-294.0	-313.4	-358.3	-267.3
Depreciation and amortisation	-116.3	-118.0	-121.7	-135.4	-129.1
Gains/losses from derecognition of financial assets at AC	-0.4	0.5	-0.1	0.3	0.6
Other gains/losses from derecognition of financial instruments not at FVPL	4.7	1.0	-4.1	0.7	9.4
Impairment result from financial instruments	18.9	28.9	-42.9	35.8	7.1
Other operating result	-76.6	-32.4	-67.6	-131.1	-219.9
Levies on banking activities	-24.7	-24.8	-24.1	-38.8	-25.9
Pre-tax result from continuing operations	**654.0**	**694.3**	**626.0**	**561.8**	**588.0**
Taxes on income	-120.4	-120.0	22.5	-95.5	-117.2
Net result for the period	**533.6**	**574.2**	**648.5**	**466.3**	**470.8**
Net result attributable to non-controlling interests	95.4	120.3	83.3	89.3	115.9
Net result attributable to owners of the parent	**438.2**	**454.0**	**565.2**	**377.0**	**354.9**

Net interest income improved to EUR 1,168.8 million (+0.7%; EUR 1,160.9 million). Increases were recorded in the Czech Republic and Romania. In all other core markets, net interest income remained largely stable. **Net fee and commission** income improved to EUR 492.7 million (+1.0%; EUR 487.7 million), primarily in Romania and Croatia. **Dividend income** increased to EUR 18.4 million (EUR 0.5 million) due to seasonal effects. **Net trading result** rose again significantly to EUR 156.8 million (EUR 153.3 million) on the back of further positive effects from the valuation of securities and derivatives in Austria. Gains/losses from financial instruments measured at fair value through profit or loss declined to EUR -63.0 million (EUR -77.1 million).

General administrative expenses decreased to EUR 1,030.4 million (-7.6%; EUR 1,115.6 million). While personnel expenses rose to EUR 633.9 million (+1.9%; EUR 621.9 million), other administrative expenses declined to EUR 267.3 million (-25.4%; EUR 358.3 million), mainly because almost all full-year deposit insurance contributions for 2019 had already been posted in the first quarter (EUR 87.5 million). Depreciation and amortisation declined to EUR 129.1 million (-4.6%; EUR 135.4 million). The **cost/income ratio** improved significantly to 56.6% (63.0%).

Gains/losses from the derecognition of financial instruments not measured at fair value through profit or loss rose to EUR 10.0 million (EUR 1.0 million) due to the derecognition of financial liabilities. **Impairment result from financial instruments** amounted to EUR 7.1 million (EUR 35.8 million) due to net releases primarily in Austria and Romania.

Other operating result declined to EUR -219.9 million (EUR -131.1 million). This line item includes a provision in the amount of EUR 150.8 million set aside for losses expected to result from a Romanian High Court decision concerning the business activities of a local subsidiary. Levies on banking activities were down at EUR 25.9 million (EUR 38.8 million). Thereof, EUR 11.8 million (EUR 24.8 million) were charged in Hungary – this amount reflects almost exclusively transaction taxes as the full amount of 2019 banking tax of EUR 12.5 million had already been booked upfront in the previous quarter. Quarter on quarter, banking levies were unchanged in Slovakia at EUR 8.0 million (EUR 8.0 million) and in Austria at EUR 6.1 million (EUR 6.1 million). In the first quarter, other operating result included EUR 78.0 million in contributions to resolution funds expected to be due in 2019.

The **pre-tax result** improved to EUR 588.0 million (EUR 561.8 million). Taxes on income amounted to EUR 117.2 million (EUR 95.5 million), the minority charge rose to EUR 115.9 million (EUR 89.3 million). The **net result attributable to owners of the parent** therefore declined to EUR 354.9 million (EUR 377.0 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 18	Jun 19	Change
Assets			
Cash and cash balances	17,549	16,843	-4.0%
Trading, financial assets	43,930	45,620	3.8%
Loans and advances to banks	19,103	23,035	20.6%
Loans and advances to customers	149,321	155,331	4.0%
Intangible assets	1,507	1,490	-1.1%
Miscellaneous assets	5,382	5,943	10.4%
Total assets	**236,792**	**248,261**	**4.8%**
Liabilities and equity			
Financial liabilities held for trading	2,508	2,518	0.4%
Deposits from banks	17,658	19,043	7.8%
Deposits from customers	162,638	169,668	4.3%
Debt securities issued	29,738	30,773	3.5%
Miscellaneous liabilities	5,381	6,609	22.8%
Total equity	18,869	19,649	4.1%
Total liabilities and equity	**236,792**	**248,261**	**4.8%**

The decline in **cash and cash balances** to EUR 16.8 billion (EUR 17.5 billion) was primarily due to smaller cash balances held at central banks. **Trading and investment securities** held in various categories of financial assets increased to EUR 45.6 billion (EUR 43.9 billion).

Loans and advances to credit institutions (net), including demand deposits other than overnight deposits, increased primarily in the Czech Republic and in the Holding to EUR 23.0 billion (EUR 19.1 billion). **Loans and advances to customers (net)** rose – mainly in the Czech Republic, but also in Austria and Slovakia – to EUR 155.3 billion (EUR 149.3 billion) driven by corporate loan growth.

Loan loss allowances for loans to customers declined to EUR 3.4 billion (EUR 3.6 billion), mostly due to continuing asset quality improvement. The **NPL ratio** – non–performing loans as a percentage of gross customer loans – improved again to 2.8% (3.2%), the **NPL coverage ratio** (based on gross customer loans) to 75.4% (73.4%)

Intangible assets remained unchanged at EUR 1.5 billion (EUR 1.5 billion). **Miscellaneous assets** amounted to EUR 5.9 billion (EUR 5.4 billion).

Financial liabilities – held for trading remained stable at EUR 2.5 billion (EUR 2.5 billion). **Deposits from banks**, primarily in the form of overnight deposits and repurchase transactions, rose to EUR 19.0 billion (EUR 17.7 billion); **deposits from customers** increased to EUR 169.7 billion (EUR 162.6 billion), due to strong growth in overnight deposits from retail customers and repurchase transactions. The **loan-to-deposit ratio** stood at 91.5% (91.8%). **Debt securities issued** increased to EUR 30.8 billion (EUR 29.7 billion). **Miscellaneous liabilities** amounted to EUR 6.6 billion (EUR 5.4 billion).

Total assets grew to EUR 248.3 billion (EUR 236.8 billion). **Total equity** increased to EUR 19.6 billion (EUR 18.9 billion). Following three issuances (in June 2016, April 2017 and March 2019), this has included AT1 instruments in the amount of EUR 1,490.4 million. After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) **common equity tier 1 capital** (CET1, final) increased to EUR 16.1 billion (EUR 15.5 billion). Total **own funds** (CRR, final) increased to EUR 21.8 billion (EUR 20.9 billion), including interim result for the first half year. **Total risk** – **risk-weighted assets** including credit, market and operational risk (CRR, final) – increased to EUR 118.8 billion (EUR 115.4 billion).

The **total capital ratio**, total eligible qualifying capital in relation to total risk (CRR, final), improved to 18.3% (18.1%), well above the legal minimum requirement. The **tier 1 ratio** stood at 14.8% (14.3%), the **common equity tier 1 ratio** at 13.5% (13.5%) (both ratios CRR, final).

SEGMENT REPORTING

January-June 2019 compared with January-June 2018

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

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

BUSINESS SEGMENTS

Retail

in EUR million	1-6 18	1-6 19	Change
Net interest income	1,109.2	1,128.4	1.7%
Net fee and commission income	526.9	532.4	1.0%
Net trading result and gains/losses from financial instruments at FVPL	52.2	54.6	4.6%
Operating income	1,703.5	1,733.6	1.8%
Operating expenses	-1,004.3	-1,031.3	2.7%
Operating result	699.2	702.2	0.4%
Cost/income ratio	59.0%	59.5%	
Impairment result from financial instruments	-9.2	-17.2	87.8%
Other result	-29.3	-179.7	>100.0%
Net result attributable to owners of the parent	509.2	385.2	-24.4%
Return on allocated capital	33.7%	23.2%	

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

The increase in net interest income was primarily driven by higher contributions from deposit business in the Czech Republic, Romania and Hungary. While lending business in Croatia, Serbia and Hungary developed positively, contribution from lending business in Czech Republic, Slovakia and Romania decreased on the back of declining margins. The impact was mitigated though by the higher interest rate environment in the Czech Republic and Romania. Net fee and commission income increased mainly due to higher insurance brokerage fees in Slovakia, Hungary and Croatia as well as higher payment fees in Hungary and Croatia. Net trading result and gains/losses from financial instruments FVPL improved on the back of a higher valuation result in Hungary. Operating expenses increased primarily due to higher personnel expenses in a majority of the countries as well as higher IT expenses in Austria and Serbia. Higher costs in Romania were driven by higher deposit insurance contribution. Operating result improved moderately. The cost/income ratio went up. The deterioration of impairment result from financial instruments was primarily driven by higher provisioning in Romania the Czech Republic and Austria, while risk costs in Slovakia and Hungary declined. A provision in the amount of EUR 150.8 million in Romania as a result of a Romanian High Court decision in relation to the business activities of a local subsidiary (building society), led to a worsening of the other result. Consequently, the net result attributable to the owners of the parent decreased.

Corporates

in EUR million	1-6 18	1-6 19	Change
Net interest income	500.8	528.5	5.5%
Net fee and commission income	131.5	145.8	10.9%
Net trading result and gains/losses from financial instruments at FVPL	38.1	53.4	40.2%
Operating income	732.6	781.0	6.6%
Operating expenses	-284.5	-281.9	-0.9%
Operating result	448.1	499.1	11.4%
Cost/income ratio	38.8%	36.1%	
Impairment result from financial instruments	73.4	40.4	-44.9%
Other result	-18.0	-33.2	84.2%
Net result attributable to owners of the parent	392.8	395.6	0.7%
Return on allocated capital	20.9%	18.4%	

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

Net interest income increased primarily due to higher deposit and loan volumes as well as higher deposit margins in the Czech Republic supported by the higher interest rate environment, a positive contribution of lending business in Erste Bank Oesterreich and higher loan volumes in Romania. These effects were partially offset by the lower contribution of lending business in the Holding. Net fee and commission income increased predominantly in the Czech Republic, Erste Bank Oesterreich and Romania. Net trading result and gains/losses from financial instruments at FVPL increased mainly in Erste Bank Oesterreich due to positive valuation effects and the Czech Republic due to positive development in interest rate derivatives and revaluation of private equity funds. Overall, operating income improved. Moderately reduced operating expenses further contributed to the improvement of operating result and the cost/income ratio. The net release of risk provisions (line item impairment result from financial instruments) resulted from a further improvement in asset quality, lower default rates, higher recoveries as well as releases of specific provisions. However, the net releases year-on-year decreased, mainly in the Czech Republic and the Holding. Other result worsened on the back of higher provisions for legal expenses in Croatia. The net result attributable to the owners of the parent increased.

Group Markets

in EUR million	1-6 18	1-6 19	Change
Net interest income	105.8	120.5	13.9%
Net fee and commission income	111.1	110.2	-0.8%
Net trading result and gains/losses from financial instruments at FVPL	30.7	29.7	-3.4%
Operating income	248.4	262.7	5.8%
Operating expenses	-119.2	-118.8	-0.3%
Operating result	129.2	143.9	11.4%
Cost/income ratio	48.0%	45.2%	
Impairment result from financial instruments	-0.5	4.5	n/a
Other result	-8.1	-9.4	16.5%
Net result attributable to owners of the parent	96.5	109.4	13.4%
Return on allocated capital	25.2%	23.1%	

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

Net interest income increased primarily on the back of higher volumes of reverse repo business in the Holding. Net fee and commission income decreased slightly mainly due to the lower asset management fees generated by institutional clients. Net trading result and gains/losses from financial instruments at FVPL remained largely stable. Consequently, operating income increased. As operating expenses remained almost unchanged, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved as a result of provision releases in the Holding. Other result deteriorated slightly on the non-recurrence of the last year’s selling gains. Overall, the net result attributable to the owners of the parent increased.

Asset/Liability Management & Local Corporate Center

in EUR million	1-6 18	1-6 19	Change
Net interest income	-41.2	-38.8	-5.8%
Net fee and commission income	-41.3	-39.8	-3.7%
Net trading result and gains/losses from financial instruments at FVPL	-29.5	15.0	n/a
Operating income	-85.5	-40.6	-52.6%
Operating expenses	-43.3	-70.4	62.5%
Operating result	-128.8	-110.9	-13.9%
Cost/income ratio	-50.6%	>100%	
Impairment result from financial instruments	3.2	3.3	3.0%
Other result	-50.4	-57.4	13.9%
Net result attributable to owners of the parent	-143.8	-151.0	5.0%
Return on allocated capital	-11.6%	-10.5%	

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

Net interest income improved primarily due to higher interest rates in Czech Republic and higher contribution from balance sheet management in Slovakia. These developments were partially offset by lower income from investment portfolio and liquidity positions in the Holding. Net fee and commission income increased mainly due to lower fee expenses in Romania. Net trading result and gains/losses from financial instruments at FVPL improved primarily due to valuation results in the Holding and in the Czech Republic. Operating expenses increased on the back of higher deposit insurance contributions in Romania, higher personnel costs in Erste Bank Oesterreich and methodological changes affecting cost allocation between business segments in Romania. Overall, operating result improved. Other result deteriorated mainly due to the non-recurrence of selling gains from bonds in Croatia and Erste Bank Oesterreich. The net result attributable to the owners of the parent worsened.

Savings Banks

in EUR million	1-6 18	1-6 19	Change
Net interest income	499.0	517.0	3.6%
Net fee and commission income	227.2	236.2	4.0%
Net trading result and gains/losses from financial instruments at FVPL	-13.8	39.5	n/a
Operating income	736.0	814.3	10.6%
Operating expenses	-532.3	-546.3	2.6%
Operating result	203.6	267.9	31.6%
Cost/income ratio	72.3%	67.1%	
Impairment result from financial instruments	3.9	10.7	>100.0%
Other result	-19.4	-6.6	-65.7%
Net result attributable to owners of the parent	30.4	32.3	6.3%
Return on allocated capital	10.7%	12.9%	

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

The increase in net interest income was primarily driven by higher customer loan volumes. Net fee and commission income increased on the back of higher payment and insurance brokerage fees. The improvement of net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses rose mainly due to increased personnel and marketing expenses and depreciation. In addition, deposit insurance contributions increased to EUR 30.5 million (EUR 28.3 million). Operating result as well as the cost/income ratio improved markedly. A higher net release of risk provisions was reflected in the impairment result from financial instruments. Other result improved mainly on a non-recurrence of the last year's negative one-off driven by a changed disclosure of other assets. Payment into the resolution fund decreased to EUR 7.9 million (EUR 9.0 million). Banking tax amounted to EUR 2.1 million (EUR 2.1 million). Overall, the net result attributable to the owners of the parent increased.

Group Corporate Center

in EUR million	1-6 18	1-6 19	Change
Net interest income	30.8	45.3	47.0%
Net fee and commission income	5.5	-4.4	n/a
Net trading result and gains/losses from financial instruments at FVPL	7.1	12.8	79.8%
Operating income	55.4	48.8	-11.9%
Operating expenses	-467.6	-479.3	2.5%
Operating result	-412.2	-430.5	4.5%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	2.4	1.1	-53.9%
Other result	287.6	321.5	11.8%
Net result attributable to owners of the parent	-110.6	-39.6	-64.3%
Return on allocated capital	-4.7%	-1.6%	

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

Operating income decreased mainly due to valuation effects as well as lower rental income of internal service providers. Operating expenses increased on the back of higher costs in IT service entities. Consequently, operating result declined. Other result improved on higher income in service entities. Overall the net result attributable to the owners of the parent improved.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-6 18	1-6 19	Change
Net interest income	317.2	311.8	-1.7%
Net fee and commission income	198.6	196.1	-1.3%
Net trading result and gains/losses from financial instruments at FVPL	-1.7	14.4	n/a
Operating income	540.5	548.8	1.5%
Operating expenses	-337.1	-358.3	6.3%
Operating result	203.5	190.5	-6.4%
Cost/income ratio	62.4%	65.3%	
Impairment result from financial instruments	8.7	-1.0	n/a
Other result	-20.9	-17.6	-15.6%
Net result attributable to owners of the parent	139.0	125.5	-9.7%
Return on allocated capital	18.4%	15.1%	

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

Net interest income decreased as higher loan and deposit volumes could not fully compensate the non-recurrence of the last year's positive one-off effect of the changed disclosure for brokerage fee expenses in the building society. Net fee and commission income decreased on the back of lower securities fees. The improvement in net trading result and gains/losses from financial instruments at FVPL was driven by the valuation of a participation. Operating expenses increased mainly due to higher IT, marketing and personnel costs. The deposit insurance contribution amounted to EUR 22.0 million (EUR 21.5 million). Overall, operating result thus decreased and the cost/income ratio deteriorated. The deterioration of impairment result from financial instruments was mainly driven by retail and SME business. Other result improved mainly due to lower payments into the resolution fund of EUR 7.9 million (EUR 10.2 million). Banking tax remained unchanged at EUR 1.8 million (EUR 1.8 million). Overall, the net result attributable to the owners of the parent deteriorated.

Savings Banks

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

Other Austria

in EUR million	1-6 18	1-6 19	Change
Net interest income	175.4	187.8	7.1%
Net fee and commission income	115.0	113.4	-1.4%
Net trading result and gains/losses from financial instruments at FVPL	0.4	-5.0	n/a
Operating income	320.9	325.5	1.4%
Operating expenses	-187.1	-185.0	-1.2%
Operating result	133.7	140.5	5.1%
Cost/income ratio	58.3%	56.8%	
Impairment result from financial instruments	21.9	11.8	-46.1%
Other result	-8.6	18.3	n/a
Net result attributable to owners of the parent	115.2	131.7	14.3%
Return on allocated capital	13.3%	12.8%	

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 increased primarily due to higher volumes of reverse repo business in Group Markets, partially off-set by a moderate decrease of corporate lending volumes in Holding. Net fee and commission income decreased mostly due to lower asset management volumes. The deterioration of net trading result and gains/losses from financial instruments at FVPL was driven by a lower valuation result from interest rate related products due to less favourable market conditions, partially compensated by a higher market valuation result of securities. A decrease of operating expenses further contributed to the improvement of operating result and the cost/income ratio. Impairment result from financial instruments deteriorated due to lower net releases of risk provisions. Other result improved mostly due to higher selling gains. Other result also included the resolution fund contribution of EUR 3.3 million (EUR 3.2 million). Overall, the net result attributable to the owners of the parent increased.

Czech Republic

in EUR million	1-6 18	1-6 19	Change
Net interest income	507.2	554.2	9.3%
Net fee and commission income	168.1	173.3	3.1%
Net trading result and gains/losses from financial instruments at FVPL	40.8	60.2	47.5%
Operating income	722.5	795.5	10.1%
Operating expenses	-359.2	-371.2	3.3%
Operating result	363.3	424.3	16.8%
Cost/income ratio	49.7%	46.7%	
Impairment result from financial instruments	35.4	7.7	-78.1%
Other result	-20.7	-26.1	26.0%
Net result attributable to owners of the parent	298.8	325.8	9.0%
Return on allocated capital	24.0%	26.4%	

The segment analysis is done on a constant currency basis. The CZK depreciated by 0.7% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) increased primarily due to rising interest rates and higher deposit volumes. Net fee and commission income increased on the back of higher lending and building society fees. The improvement of net trading result and gains/losses from financial instruments at FVPL was driven by higher contribution from foreign currency transactions and positive valuation effects. Higher personnel costs led to an increase in operating expenses. Deposit insurance contribution amounted to EUR 10.3 million (EUR 9.6 million). Overall, operating result increased markedly, the cost/income ratio improved. Lower net releases of risk provisions booked in the line item 'impairment result from financial instruments' were mostly attributable to less significant releases in the corporate business. The other result deteriorated mainly due to a higher contribution to the resolution fund of EUR 26.5 million (EUR 19.1 million). Altogether, these developments led to an increase in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-6 18	1-6 19	Change
Net interest income	217.8	216.2	-0.7%
Net fee and commission income	58.4	67.9	16.3%
Net trading result and gains/losses from financial instruments at FVPL	4.6	9.5	>100.0%
Operating income	284.7	298.5	4.8%
Operating expenses	-136.5	-138.7	1.6%
Operating result	148.2	159.8	7.8%
Cost/income ratio	48.0%	46.5%	
Impairment result from financial instruments	-11.7	-18.6	59.0%
Other result	-19.1	-18.4	-3.2%
Net result attributable to owners of the parent	91.9	99.1	7.8%
Return on allocated capital	21.3%	19.0%	

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) decreased slightly on the back of lower loan margins in the retail business. Net fee and commission income improved due to higher insurance brokerage and lending fees. Net trading result and gains/losses from financial instruments at FVPL increased due to valuation effects. Operating expenses increased slightly due to the integration of a subsidiary which was part of the Segment Other in the comparative period. Deposit insurance contribution amounted to EUR 1.0 million (EUR 0.9 million). Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated due to higher provisions in corporate business. Other result remained largely stable although banking tax increased to EUR 16.0 million (EUR 14.8 million) and payment into the resolution fund went up to EUR 3.1 million (EUR 2.7 million). Overall, the net result attributable to the owners of the parent increased.

Romania

in EUR million	1-6 18	1-6 19	Change
Net interest income	184.7	210.1	13.8%
Net fee and commission income	75.1	77.8	3.6%
Net trading result and gains/losses from financial instruments at FVPL	40.4	34.4	-14.9%
Operating income	309.1	332.4	7.5%
Operating expenses	-172.0	-183.1	6.4%
Operating result	137.1	149.3	8.9%
Cost/income ratio	55.6%	55.1%	
Impairment result from financial instruments	6.5	18.7	>100.0%
Other result	8.9	-168.6	n/a
Net result attributable to owners of the parent	122.5	-24.6	n/a
Return on allocated capital	22.0%	-3.4%	

The segment analysis is done on a constant currency basis. The RON depreciated by 1.9% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) improved mainly on the back of higher market interest rates. Net fee and commission income increased on higher securities fees. Net trading result and gains/losses from financial instruments at FVPL decreased primarily due to a lower result from foreign exchange business. Operating expenses increased mainly due to higher deposit insurance contributions of EUR 12.7 million (EUR 4.3 million) and higher personnel costs. Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved mainly in corporate business resulting in overall higher net releases of risk provisions. A provision in the amount of EUR 150.8 million as a result of a Romanian High Court decision in relation to the business activities of a subsidiary, the local building society, led to a worsening of the other result. The resolution fund contribution amounted to EUR 6.6 million (EUR 5.5 million). Consequently, the net result attributable to the owners of the parent decreased.

Hungary

in EUR million	1-6 18	1-6 19	Change
Net interest income	94.7	105.0	10.9%
Net fee and commission income	83.1	90.7	9.1%
Net trading result and gains/losses from financial instruments at FVPL	15.8	19.9	25.8%
Operating income	195.4	218.5	11.8%
Operating expenses	-107.6	-110.3	2.4%
Operating result	87.8	108.3	23.3%
Cost/income ratio	55.1%	50.5%	
Impairment result from financial instruments	18.6	14.9	-19.5%
Other result	-42.0	-41.7	-0.6%
Net result attributable to owners of the parent	63.9	71.8	12.3%
Return on allocated capital	16.9%	14.7%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 2.0% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased driven by higher customer loan and deposit volumes. Net fee and commission income rose due to higher payment, securities and insurance brokerage fees. Net trading result and gains/losses from financial instruments at FVPL improved due to favourable valuation effects. Operating expenses went up on the back of higher personnel costs. Deposit insurance contributions increased to EUR 8.5 million (EUR 8.0 million). Overall, operating result and the cost/income ratio improved. Lower releases of risk provisions (reflected in the impairment result from financial instruments) were posted in corporate business. Other result remained largely stable. This line item also included the banking tax of EUR 12.6 million (EUR 13.8 million), transaction tax of EUR 24.0 million (EUR 23.0 million) and the contribution to the resolution fund of EUR 2.8 million (EUR 2.6 million). Overall, the net result attributable to the owners of the parent increased.

Croatia

in EUR million	1-6 18	1-6 19	Change
Net interest income	139.0	136.8	-1.6%
Net fee and commission income	46.1	49.7	7.9%
Net trading result and gains/losses from financial instruments at FVPL	16.6	16.7	0.2%
Operating income	210.8	210.6	-0.1%
Operating expenses	-106.1	-112.4	5.9%
Operating result	104.7	98.2	-6.1%
Cost/income ratio	50.3%	53.4%	
Impairment result from financial instruments	-8.7	-3.1	-64.2%
Other result	0.9	-25.0	n/a
Net result attributable to owners of the parent	51.8	38.5	-25.7%
Return on allocated capital	21.7%	14.5%	

The segment analysis is done on a constant currency basis. The Croatian Kuna remained stable against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) decreased as higher contributions from deposits and consumer loans in the retail business could not offset a lower contribution from balance sheet management and lower margins on corporate loans. Net fee and commission income increased due to higher payment fees in retail business as well as one-off bond origination fees. Net trading result and gains/losses from financial instruments at FVPL remained stable. Operating expenses went up due to higher personnel and IT costs and included a EUR 5.6 million (EUR 5.6 million) deposit insurance fund contribution. Overall, operating result decreased, the cost/income ratio went up. The improvement of impairment result from financial instruments was driven by lower provisioning needs in corporate business. Other result deteriorated mainly due to higher provisions for legal expenses. This line item included resolution fund contribution in the amount of EUR 3.9 million (EUR 4.7 million). Consequently, the net result attributable to the owners of the parent decreased.

Serbia

in EUR million	1-6 18	1-6 19	Change
Net interest income	24.6	27.7	12.4%
Net fee and commission income	6.0	6.6	10.9%
Net trading result and gains/losses from financial instruments at FVPL	2.3	2.3	-0.8%
Operating income	33.0	36.7	11.2%
Operating expenses	-24.2	-28.7	18.5%
Operating result	8.8	8.1	-8.7%
Cost/income ratio	73.3%	78.1%	
Impairment result from financial instruments	-3.9	-0.2	-94.0%
Other result	0.0	-0.5	>100.0%
Net result attributable to owners of the parent	3.7	5.5	47.9%
Return on allocated capital	5.5%	6.1%	

The segment analysis is done on a constant currency basis. The Serbian Dinar (RSD) appreciated by 0.1% 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 in retail and corporate business. This development was the main driver of the operating income improvement, as net fee and commission income went up only moderately and net trading result and gains/losses from financial instruments at FVPL remained stable. The increase in operating expenses was mainly driven by costs related to the planned implementation of a new core banking system as well as higher personnel costs. Deposit insurance contribution rose to EUR 2.3 million (EUR 1.9 million). Operating result thus declined and the cost/income ratio deteriorated. The improvement of impairment result from financial instruments was primarily driven by releases in corporate business. Overall, the net result attributable to the owners of the parent increased.

Other

in EUR million	1-6 18	1-6 19	Change
Net interest income	54.3	63.1	16.3%
Net fee and commission income	-18.2	-31.3	71.6%
Net trading result and gains/losses from financial instruments at FVPL	-27.0	-22.0	-18.6%
Operating income	21.2	12.2	-42.5%
Operating expenses	-114.2	-112.1	-1.8%
Operating result	-93.1	-100.0	7.4%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	2.6	1.9	-28.6%
Other result	-75.3	-53.7	-28.7%
Net result attributable to owners of the parent	-142.8	-73.6	-48.5%
Return on allocated capital	-5.1%	-2.5%	

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

Operating income decreased mainly due to lower rental income on the back of lower operating lease volumes. Operating expenses remained largely stable. Other result improved on higher income in internal service entities and positive valuation effects. Overall the net result attributable to the owners of the parent improved.

Condensed interim consolidated financial statements

Interim report – 1 January to 30 June 2019

Consolidated statement of income

in EUR thousand	Notes	1-6 18	1-6 19
Net interest income	1	2,213,775	2,329,659
Interest income	1	2,485,368	2,742,024
Other similar income	1	886,868	839,414
Interest expenses	1	-470,416	-554,858
Other similar expenses	1	-688,046	-696,920
Net fee and commission income	2	959,299	980,394
Fee and commission income	2	1,205,931	1,188,972
Fee and commission expenses	2	-246,633	-208,579
Dividend income	3	17,485	18,956
Net trading result	4	11,879	310,059
Gains/losses from financial instruments measured at fair value through profit or loss	5	66,591	-140,143
Net result from equity method investments		6,965	7,027
Rental income from investment properties & other operating leases	6	98,115	86,938
Personnel expenses	7	-1,216,692	-1,255,874
Other administrative expenses	7	-627,508	-625,551
Depreciation and amortisation	7	-232,266	-264,560
Gains/losses from derecognition of financial assets measured at amortised cost	8	-307	916
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	9	8,755	10,071
Impairment result from financial instruments	10	73,246	42,825
Other operating result	11	-204,601	-350,965
Levies on banking activities	11	-63,290	-64,700
Pre-tax result from continuing operations		**1,174,736**	**1,149,751**
Taxes on income	12	-234,947	-212,697
Net result for the period		**939,789**	**937,055**
Net result attributable to non-controlling interests		165,474	205,185
Net result attributable to owners of the parent		**774,315**	**731,870**

Earnings per share

		1-6 18	1-6 19
Net result attributable to owners of the parent	in EUR thousand	774,315	731,870
Dividend on AT1 capital	in EUR thousand	-38,319	-38,438
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	735,996	693,432
Weighted average number of outstanding shares		426,717,322	426,568,973
Earnings per share	**in EUR**	**1.72**	**1.63**
Weighted average diluted number of outstanding shares		426,717,322	426,568,973
Diluted earnings per share	**in EUR**	**1.72**	**1.63**

Development of the number of shares

	1-6 18	1-6 19
Shares outstanding at the beginning of the period	409,206,906	408,617,137
Acquisition of treasury shares	-3,650,715	-5,872,411
Disposal of treasury shares	3,517,446	5,487,411
Shares outstanding at the end of the period	409,073,637	408,232,137
Treasury shares	20,726,363	21,567,863
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,717,322	426,568,973
Weighted average diluted number of outstanding shares	426,717,322	426,568,973

Consolidated statement of comprehensive income

in EUR thousand	1-6 18	1-6 19
Net result for the period	**939,789**	**937,055**
Other comprehensive income		
Items that may not be reclassified to profit or loss	**11,951**	**-79,472**
Remeasurement of defined benefit plans	-15,749	-121,184
Fair value reserve of equity instruments	38,090	47,383
Own credit risk reserve	3,946	-26,905
Deferred taxes relating to items that may not be reclassified	-14,336	21,234
Items that may be reclassified to profit or loss	**-284,156**	**75,842**
Fair value reserve of debt instruments	-131,676	70,293
Gain/loss during the period	-119,657	73,390
Reclassification adjustments	-9,190	-2,591
Credit loss allowances	-2,829	-505
Cash flow hedge reserve	-36,105	3,323
Gain/loss during the period	-20,631	17,834
Reclassification adjustments	-15,473	-14,511
Currency reserve	-147,845	22,112
Gain/loss during the period	-147,845	22,112
Deferred taxes relating to items that may be reclassified	31,470	-20,076
Gain/loss during the period	26,800	-23,890
Reclassification adjustments	4,670	3,814
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0	190
Total other comprehensive income	**-272,205**	**-3,631**
Total comprehensive income	**667,584**	**933,424**
Total comprehensive income attributable to non-controlling interests	147,623	175,052
Total comprehensive income attributable to owners of the parent	**519,961**	**758,372**

Quarterly results

in EUR million	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
Income statement					
Net interest income	1,131.2	1,158.2	1,210.0	1,160.9	1,168.8
Interest income	1,263.4	1,314.0	1,374.9	1,356.6	1,385.5
Other similar income	413.1	448.8	437.0	425.3	414.1
Interest expenses	-240.7	-262.5	-270.6	-271.2	-283.6
Other similar expenses	-304.6	-342.1	-331.3	-349.8	-347.2
Net fee and commission income	480.7	471.4	477.7	487.7	492.7
Fee and commission income	603.0	584.0	587.0	595.8	593.2
Fee and commission expenses	-122.3	-112.6	-109.3	-108.1	-100.5
Dividend income	14.8	4.8	6.7	0.5	18.4
Net trading result	0.6	-62.2	48.7	153.3	156.8
Gains/losses from financial instruments measured at fair value through profit or loss	36.3	99.2	29.6	-77.1	-63.0
Net result from equity method investments	5.2	3.0	3.1	1.8	5.2
Rental income from investment properties & other operating leases	50.2	47.7	43.6	44.6	42.4
Personnel expenses	-612.1	-613.8	-643.8	-621.9	-633.9
Other administrative expenses	-283.0	-294.0	-313.4	-358.3	-267.3
Depreciation and amortisation	-116.3	-118.0	-121.7	-135.4	-129.1
Gains/losses from derecognition of financial assets at AC	-0.4	0.5	-0.1	0.3	0.6
Other gains/losses from derecognition of financial instruments not at FVPL	4.7	1.0	-4.1	0.7	9.4
Impairment result from financial instruments	18.9	28.9	-42.9	35.8	7.1
Other operating result	-76.6	-32.4	-67.6	-131.1	-219.9
Levies on banking activities	-24.7	-24.8	-24.1	-38.8	-25.9
Pre-tax result from continuing operations	**654.0**	**694.3**	**626.0**	**561.8**	**588.0**
Taxes on income	-120.4	-120.0	22.5	-95.5	-117.2
Net result for the period	**533.6**	**574.2**	**648.5**	**466.3**	**470.8**
Net result attributable to non-controlling interests	95.4	120.3	83.3	89.3	115.9
Net result attributable to owners of the parent	**438.2**	**454.0**	**565.2**	**377.0**	**354.9**
Statement of comprehensive income					
Net result for the period	**533.6**	**574.2**	**648.5**	**466.3**	**470.8**
Other comprehensive income					
Items that may not be reclassified to profit or loss	**31.4**	**123.9**	**-13.6**	**-31.4**	**-48.0**
Remeasurement of defined benefit plans	-14.2	0.0	-111.7	-50.3	-70.9
Fair value reserve of equity instruments	28.8	19.2	-20.5	33.5	13.9
Own credit risk reserve	39.8	116.1	106.9	-25.1	-1.8
Deferred taxes relating to items that may not be reclassified	-23.0	-11.4	11.7	10.5	10.8
Items that may be reclassified to profit or loss	**-259.2**	**-15.9**	**108.3**	**-39.2**	**115.1**
Fair value reserve of debt instruments	-80.6	-31.5	10.9	27.5	42.7
Gain/loss during the period	-74.9	-31.1	-1.7	29.6	43.8
Reclassification adjustments	-4.2	-1.1	13.8	-1.3	-1.3
Credit loss allowances	-1.6	0.7	-1.2	-0.7	0.2
Cash flow hedge reserve	-34.2	-65.8	99.0	-8.1	11.4
Gain/loss during the period	-26.0	-58.2	106.9	-0.8	18.7
Reclassification adjustments	-8.2	-7.6	-7.8	-7.3	-7.2
Currency reserve	-164.3	58.4	17.4	-51.7	73.8
Gain/loss during the period	-164.3	58.4	17.4	-51.7	73.8
Deferred taxes relating to items that may be reclassified	20.0	23.0	-19.0	-7.0	-13.1
Gain/loss during the period	18.0	21.0	-17.5	-8.8	-15.0
Reclassification adjustments	2.0	2.0	-1.5	1.9	1.9
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.0	0.0	0.0	0.0	0.2
Total	**-227.7**	**108.0**	**94.7**	**-70.7**	**67.0**
Total comprehensive income	**305.9**	**682.2**	**743.2**	**395.6**	**537.8**
Total comprehensive income attributable to non-controlling interests	86.6	109.1	66.0	77.5	97.6
Total comprehensive income attributable to owners of the parent	**219.3**	**573.1**	**677.3**	**318.1**	**440.2**

Consolidated balance sheet

in EUR thousand	Notes	Dec 18	Jun 19
Assets			
Cash and cash balances	13	17,549,181	16,842,811
Financial assets held for trading		5,584,460	6,464,210
Derivatives	14	3,037,413	3,100,840
Other financial assets held for trading	15	2,547,047	3,363,370
Pledged as collateral		162,856	136,448
Non-trading financial assets at fair value through profit and loss	16	3,310,046	3,376,823
Pledged as collateral		37,237	39,982
Equity instruments		372,297	400,509
Debt securities		2,651,166	2,458,780
Loans and advances to customers		286,583	517,535
Financial assets at fair value through other comprehensive income	17	9,271,881	9,404,245
Pledged as collateral		212,439	574,354
Equity instruments		238,876	285,167
Debt securities		9,033,005	9,119,077
Financial assets at amortised cost	18	189,106,358	199,410,676
Pledged as collateral		959,617	2,335,713
Debt securities		26,050,153	26,892,038
Loans and advances to banks		19,102,754	23,035,026
Loans and advances to customers		143,953,451	149,483,612
Finance lease receivables	19	3,762,767	3,925,489
Hedge accounting derivatives	20	132,411	168,252
Fair value changes of hedged items in portfolio hedge of interest rate risk		0	81
Property and equipment		2,292,792	2,580,028
Investment properties		1,159,330	1,228,165
Intangible assets		1,507,082	1,489,887
Investments in associates and joint ventures		198,093	204,167
Current tax assets		101,315	91,560
Deferred tax assets		402,190	417,370
Assets held for sale		213,127	213,976
Trade and other receivables	21	1,318,411	1,404,106
Other assets	22	882,387	1,039,001
Total assets		**236,791,833**	**248,260,847**
Liabilities and equity			
Financial liabilities held for trading		2,508,250	2,518,214
Derivatives	14	2,000,173	2,124,835
Other financial liabilities held for trading	23	508,077	393,379
Financial liabilities at fair value through profit or loss		14,121,895	14,604,677
Deposits from customers		211,810	254,749
Debt securities issued	24	13,445,678	13,914,404
Other financial liabilities		464,407	435,525
Financial liabilities at amortised cost		196,862,845	205,559,510
Deposits from banks	25	17,657,544	19,043,021
Deposits from customers	25	162,426,423	169,004,319
Debt securities issued	25	16,292,610	16,859,048
Other financial liabilities		486,268	653,122
Lease liabilities		6	408,917
Hedge accounting derivatives	20	276,968	275,882
Fair value changes of hedged items in portfolio hedge of interest rate risk		48	46
Provisions	26	1,704,526	2,003,969
Current tax liabilities		99,234	75,248
Deferred tax liabilities		22,886	30,961
Liabilities associated with assets held for sale		3,310	7,498
Other liabilities	27	2,323,146	3,127,034
Total equity		**18,868,719**	**19,648,891**
Equity attributable to non-controlling interests		4,494,030	4,638,949
Additional equity instruments		993,242	1,490,367
Equity attributable to owners of the parent		13,381,447	13,519,575
Subscribed capital		859,600	859,600
Additional paid-in capital		1,476,689	1,476,633
Retained earnings and other reserves		11,045,159	11,183,342
Total liabilities and equity		**236,791,833**	**248,260,847**

Consolidated statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Fair value reserve	Own credit risk reserve	Currency reserve	Remeasure-ment of defined benefit plans	Income tax	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 2019	**860**	**1,477**	**12,280**	**-3**	**229**	**-435**	**-598**	**-428**	**0**	**13,381**	**993**	**4,494**	**18,869**
Changes in treasury shares	0	0	-10	0	0	0	0	0	0	-10	0	0	-10
Dividends paid	0	0	-610	0	0	0	0	0	0	-610	0	-34	-643
Capital increase/decrease	0	0	0	0	0	0	0	0	0	0	497	4	501
Changes in scope of consolidation and ownership interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Reclassification from other comprehensive income to retained earnings	0	0	-3	0	0	3	0	0	0	0	0	0	0
Total comprehensive income	0	0	732	4	81	-13	22	-66	0	758	0	175	933
Net result for the period	0	0	732	0	0	0	0	0	0	732	0	205	937
Other comprehensive income	0	0	0	4	81	-13	22	-66	0	27	0	-30	-4
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	-66	0	-66	0	-39	-105
Change in fair value reserve	0	0	0	0	81	0	0	0	0	81	0	8	88
Change in cash flow hedge reserve	0	0	0	4	0	0	0	0	0	4	0	0	4
Change in currency reserve	0	0	0	0	0	0	22	0	0	22	0	0	22
Change in own credit risk reserve	0	0	0	0	0	-13	0	0	0	-13	0	1	-12
As of 30 June 2019	**860**	**1,477**	**12,389**	**1**	**310**	**-445**	**-576**	**-495**	**0**	**13,520**	**1,490**	**4,639**	**19,649**
Restated as of 1 January 2018	**860**	**1,477**	**11,172**	**4**	**418**	**-734**	**-503**	**-364**	**-2**	**12,328**	**993**	**4,294**	**17,615**
Changes in treasury shares	0	0	-6	0	0	0	0	0	0	-6	0	0	-6
Dividends paid	0	0	-529	0	0	0	0	0	0	-529	0	-42	-571
Capital increase/decrease	0	0	0	0	0	0	0	0	0	0	-1	0	-1
Changes in scope of consolidation and ownership interest	0	0	1	0	0	0	0	0	0	1	0	2	3
Reclassification from other comprehensive income to retained earnings	0	0	31	0	-39	8	0	0	0	0	0	0	0
Total comprehensive income	0	0	774	-35	-151	57	-149	22	2	520	0	148	668
Net result for the period	0	0	774	0	0	0	0	0	0	774	0	165	940
Other comprehensive income	0	0	0	-35	-151	57	-149	22	2	-254	0	-18	-272
Changes in presentation of income tax	0	0	0	-6	-89	59	0	34	2	0	0	0	0
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	-12	0	-12	0	-4	-16
Change in fair value reserve	0	0	0	0	-63	0	0	0	0	-63	0	-13	-76
Change in cash flow hedge reserve	0	0	0	-28	0	0	0	0	0	-28	0	0	-29
Change in currency reserve	0	0	0	0	0	0	-149	0	0	-149	0	1	-148
Change in own credit risk reserve	0	0	0	0	0	-2	0	0	0	-2	0	-1	-3
As of 30 June 2018	**860**	**1,477**	**11,443**	**-31**	**227**	**-668**	**-652**	**-343**	**0**	**12,313**	**993**	**4,402**	**17,708**

Consolidated statement of cash flows

in EUR million	1-6 18	1-6 19
Net result for the period	**940**	**937**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation and net impairment of non-financial assets	247	271
Net allocation to credit loss allowances and other provisions	-31	196
Gains/losses from measurement and derecognition of financial assets and financial liabilities	-81	57
Other adjustments	-90	56
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets held for trading	185	-847
Non-trading financial assets at fair value through profit and loss		
Equity instruments	-5	-28
Debt securities	-174	265
Loans and advances to customers	62	-224
Financial assets at fair value through other comprehensive income: debt securities	257	-5
Financial assets at amortised cost		
Debt securities	-935	-843
Loans and advances to banks	-8,148	-3,935
Loans and advances to customers	-5,082	-5,605
Finance lease receivables	-164	-161
Hedge accounting derivatives	-23	-32
Other assets from operating activities	-641	-246
Financial liabilities held for trading	-239	58
Financial liabilities at fair value through profit or loss	-171	173
Financial liabilities at amortised cost		
Deposits from banks	1,664	1,385
Deposits from customers	5,814	6,578
Debt securities issued	2,274	566
Other financial liabilities	61	167
Hedge accounting derivatives	9	-1
Other liabilities from operating activities	102	939
Cash flow from operating activities	**-4,169**	**-277**
Proceeds of disposal		
Financial assets at fair value through other comprehensive income: equity instruments	9	2
Investments in associates and joint ventures	1	0
Property and equipment and intangible assets	560	19
Investment properties	97	11
Acquisition of		
Financial assets at fair value through other comprehensive income: equity instruments	0	0
Investments in associates and joint ventures	0	-1
Property and equipment and intangible assets	-636	-270
Investment properties	-94	-39
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
Cash flow from investing activities	**-63**	**-278**
Capital increases	0	501
Capital decrease	-1	0
Acquisition of non-controlling interest	-2	0
Dividends paid to equity holders of the parent	-529	-610
Dividends paid to non-controlling interests	-42	-34
Cash flow from financing activities	**-574**	**-143**
Cash and cash equivalents at the beginning of the period	**21,796**	**17,549**
Cash flow from operating activities	-4,169	-277
Cash flow from investing activities	-63	-278
Cash flow from financing activities	-574	-143
Effect of currency translation	-103	-9
Cash and cash equivalents at the end of period	**16,888**	**16,843**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)	**1,839**	**2,073**
Payments for taxes on income	-262	-214
Interest received	3,500	3,807
Dividends received	17	19
Interest paid	-1,418	-1,538

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

Condensed notes to the interim consolidated financial statements 1 January to 30 June 2019

BASIS OF PREPARATION

The condensed consolidated interim financial statements (”interim financial statements”) of the group of Erste Group Bank AG (“Erste Group”) for the period from 1 January to 30 June 2019 were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and are presented in accordance with the requirements of IAS 34 “Interim Financial Reporting”. Erste Group’s application of IFRS resulted in no differences between IFRS as issued by the International Accounting Standards Board (“IASB”) and IFRS as endorsed by the EU.

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

BASIS OF CONSOLIDATION

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

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

As of 31 December 2018	**400**
Additions	
Entities newly added to the scope of consolidation	1
Disposals	
Companies sold or liquidated	-5
Mergers	-1
As of 30 June 2019	**395**

ACCOUNTING AND MEASUREMENT METHODS

The interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and are presented in euro, which is the functional currency of the parent company. The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Therefore, the interim financial statements should be read in conjunction with Erste Group’s consolidated financial statements as of 31 December 2018.

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the group’s last annual financial statements for the year ended 31 December 2018, with the exception of the calculation of the current income taxes for the interim reporting period for which the estimated effective tax rate for the group is applied.

Application of new standards

Apart from the first application of IFRS 16 “Leases” there have been no significant changes in accounting policies since 31 December 2018 resulting from the application of new or amended standards.

IFRS 16 Leases. As of 1 January 2019, Erste Group has adopted IFRS 16 ‘Leases’ as issued by IASB in January 2016. IFRS 16 replaced existing guidance for accounting for leases in IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a lease’, SIC-15 ‘Operating leases – Incentives’ and SIC-27 ‘Evaluation the Substance of Transactions Involving the Legal Form of a lease’.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. 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.

At inception date of a contract, the contract is assessed for whether it contains a lease, i.e. whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. A right-of-use asset and a lease liability are recognised at the lease commencement date. It is initially measured at cost and subsequently depreciated from the commencement date 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 lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, the exercise price under a purchase option and lease payments in an optional renewal period if the lessee is reasonably certain to exercise the options and penalties for early termination if the lease term reflects the lessee exercising the termination option.

Subsequently the carrying amount of the lease liability is increased by interest using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification. For leases of movables by Erste Group entities the incremental borrowing rate consists of a base rate, which is the Euribor, 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 generally based on a rate that is readily observable. Such a rate might be the property yield reflecting the annual return expected on the property. Further, an adjustment to the property yield is necessary to reflect specific features of an entity or the lease agreement (such as creditworthiness and lease term).

Lessor accounting remains similar to the IAS 17 standard, i.e. the lessor continues to classify leases as finance or operating leases. Compared to IAS 17 the notes are much more comprehensive under IFRS 16.

Erste Group transited to IFRS 16 using the modified retrospective approach according to IFRS 16.C5 (b) whereby comparative information was not restated. On adoption of IFRS 16, Erste Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 and IFRIC 4. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The right-of-use asset was recognised at an amount equal to the lease liability (IFRS 16.C8 (b)(ii)). Subsequently the right-of-use asset was adjusted for prepayments and accruals relating to leases recognised in the balance sheet as at 31 December 2018. Erste Group did not have any impact on the equity at initial application. All contracts which were previously identified as leases applying IAS 17 and IFRIC 4 are taken over into IFRS 16. Erste Group does not apply IFRS 16 to any leases on intangible assets. Erste Group uses the exemption for short term leases and leases of low value whereby the right-of-use-asset is not recognised.

In the statement of financial position, right-of-use assets have been included in the property, plant and equipment, except those meeting the definition of investment property.

The decrease of the CET 1 ratio is immaterial.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

In the context of transition to IFRS 16, right-of-use assets of EUR 431.1 million and lease liabilities of EUR 430.6 million were recognised as of 1 January 2019. Mainly land and buildings are subject to lease at Erste Group.

Reconciliation of total lease commitments to lease liabilities

in EUR million	Lease liabilities
Operating lease commitments (IAS 17) undiscounted as of 31 December 2018	**371.7**
(-) Discounting (using incremental borrowing rates as at 1 January 2019)	-79.8
Discounted operating lease commitments as of 1 January 2019	**291.9**
Recognition exemption for:	
(Less): short-term leases	-4.5
(Less): leases of low-value assets	-8.1
Add/(Less): Extension and termination options reasonably certain to be exercised	136.8
Add/(Less): Other	14.5
Lease liabilities recognised as of 1 January 2019	**430.6**

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When Erste Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use assets arising from the head lease, not with reference to the underlying asset.

Erste Group, as a lessor, has reclassified certain of its sublease agreements as finance lease. The lease assets have been derecognised and finance lease asset receivables amounting to EUR 0.6 million recognised.

1. Net interest income

in EUR million	1-6 18	1-6 19
Financial assets at AC	2,376.2	2,640.5
Financial assets at FVOCI	109.2	101.6
Interest income	2,485.4	2,742.0
Non-trading financial assets at FVPL	33.8	31.0
Financial assets HfT	752.8	758.6
Derivatives - hedge accounting, interest rate risk	17.5	-29.5
Other assets	52.1	55.4
Negative interest from financial liabilities	30.6	23.9
Other similar income	886.9	839.4
Interest and other similar income	**3,372.2**	**3,581.4**
Financial liabilities at AC	-470.4	-554.9
Interest expenses	-470.4	-554.9
Financial liabilities at FVPL	-216.3	-207.5
Financial liabilities HfT	-473.4	-501.0
Derivatives - hedge accounting, interest rate risk	63.4	78.4
Other liabilities	-13.1	-26.8
Negative Interest from financial assets	-48.7	-40.1
Other similar expenses	-688.0	-696.9
Interest and other similar expenses	**-1,158.5**	**-1,251.8**
Net interest income	**2,213.8**	**2,329.7**

In the reporting period an amount of EUR 39.6 million relating to impaired financial assets is included in various line items of net interest income. In addition, the line item “Financial assets at AC” includes modification gains or losses of financial instruments which are allocated to the Stage 1 of EUR 7.9 million.

2. Net fee and commission income

	1-6 18		1-6 19	
in EUR million	Income	Expenses	Income	Expenses
Securities	121.8	-22.9	104.2	-22.2
Issues	23.3	-5.6	26.0	-7.4
Transfer orders	92.7	-15.6	72.1	-14.1
Other	5.9	-1.6	6.2	-0.7
Clearing and settlement	3.3	-1.1	1.9	-1.1
Asset management	198.9	-44.4	183.3	-20.3
Custody	47.9	-9.7	49.2	-9.1
Fiduciary transactions	1.4	0.0	1.5	0.0
Payment services	547.0	-97.3	559.4	-93.9
Card business	164.5	-66.0	175.9	-65.2
Other	382.5	-31.4	383.5	-28.7
Customer resources distributed but not managed	98.6	-11.1	102.0	-6.7
Collective investment	5.8	-2.2	5.0	-1.1
Insurance products	63.4	-1.3	75.2	-1.1
Building society brokerage	15.7	-5.1	8.5	-3.0
Foreign exchange transactions	12.8	-0.6	12.8	-0.7
Other	1.0	-1.9	0.6	-0.8
Structured finance	0.0	-0.1	0.0	-0.1
Lending business	126.4	-44.2	134.6	-41.6
Guarantees given, guarantees received	33.5	-3.5	35.1	-2.2
Loan commitments given, loan commitments received	13.5	-0.6	11.0	-0.3
Other lending business	79.3	-40.2	88.5	-39.1
Other	60.7	-15.7	52.7	-13.6
Total fee and commission income and expenses	**1,205.9**	**-246.6**	**1,189.0**	**-208.6**
Net fee and commission income	**959.3**		**980.4**	

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

3. Dividend income

in EUR million	1-6 18	1-6 19
Financial assets HfT	0.3	2.6
Non-trading financial assets at FVPL	8.2	10.3
Financial assets at FVOCI	9.0	6.1
Dividend income	**17.5**	**19.0**

4. Net trading result

in EUR million	1-6 18	1-6 19
Securities and derivatives trading	-71.0	228.4
Foreign exchange transactions	82.6	73.4
Result from hedge accounting	0.3	8.2
Net trading result	**11.9**	**310.1**

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

in EUR million	1-6 18	1-6 19
Result from measurement/sale of financial assets designated at FVPL	-15.0	10.4
Result from measurement/repurchase of financial liabilities designated at FVPL	77.7	-230.0
Result from financial assets and liabilities designated at FVPL	**62.6**	**-219.6**
Result from measurement/sale of financial assets mandatorily at FVPL	3.9	79.4
Gains/losses from financial instruments measured at fair value through profit or loss	**66.6**	**-140.1**

6. Rental income from investment properties & other operating leases

in EUR million	1-6 18	1-6 19
Investment properties	44.1	42.4
Other operating leases	54.1	44.5
Rental income from investment properties & other operating leases	**98.1**	**86.9**

7. General administrative expenses

in EUR million	1-6 18	1-6 19
Personnel expenses	**-1,216.7**	**-1,255.9**
Wages and salaries	-917.6	-944.2
Compulsory social security	-224.6	-237.7
Long-term employee provisions	-14.7	-22.3
Other personnel expenses	-59.8	-51.7
Other administrative expenses	**-627.5**	**-625.6**
Deposit insurance contribution	-80.2	-92.9
IT expenses	-205.8	-203.1
Expenses for office space	-120.1	-80.8
Office operating expenses	-37.0	-57.6
Advertising/marketing	-77.4	-85.9
Legal and consulting costs	-61.9	-63.0
Sundry administrative expenses	-45.2	-42.2
Depreciation and amortisation	**-232.3**	**-264.6**
Software and other intangible assets	-89.6	-89.8
Owner occupied real estate	-38.1	-68.5
Investment properties	-12.8	-14.2
Customer relationships	-4.5	-4.3
Office furniture and equipment and sundry property and equipment	-87.3	-87.7
General administrative expenses	**-2,076.5**	**-2,146.0**

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

in EUR million	1-6 18	1-6 19
Gains from sale of financial assets at AC	0.8	2.7
Losses from sale of financial assets at AC	-1.1	-1.8
Gains/losses from derecognition of financial assets measured at amortised cost	**-0.3**	**0.9**

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

in EUR million	1-6 18	1-6 19
Sale of financial assets at FVOCI	9.3	2.6
Sale of financial lease receivables	0.0	0.0
Derecognition of financial liabilities at AC	-0.5	7.5
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**8.8**	**10.1**

10. Impairment result from financial instruments

in EUR million	1-6 18	1-6 19
Financial assets at FVOCI	3.1	0.7
Financial assets at AC	83.3	-19.1
Net allocation to credit loss allowances	53.6	-73.3
Direct write-offs	-27.3	-15.5
Recoveries recorded directly to the income statement	61.6	71.6
Modification gains or losses	-4.6	-2.0
Lease receivables	1.5	3.5
Net allocation of provisions for commitments and guarantees given	-14.6	57.7
Impairment result from financial instruments	**73.2**	**42.8**

11. Other operating result

in EUR million	1-6 18	1-6 19
Other operating expenses	**-160.9**	**-351.1**
Allocation to other provisions	-19.8	-203.7
Levies on banking activities	-63.3	-64.7
Banking tax	-40.3	-40.7
Financial transaction tax	-23.0	-24.0
Other taxes	-6.5	-6.4
Recovery and resolution fund contributions	-71.3	-76.3
Other operating income	**38.9**	**31.7**
Release of other provisions	38.9	31.7
Result from properties/movables/other intangible assets other than goodwill	-8.7	-7.3
Result from other operating expenses/income	-73.8	-24.2
Other operating result	**-204.6**	**-351.0**

12. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 212.7 million (EUR 234.9 million), thereof EUR 6.7 million net deferred tax income (EUR 29.8 million net deferred tax expense).

13. Cash and cash balances

in EUR million	Dec 18	Jun 19
Cash on hand	5,688	5,540
Cash balances at central banks	10,853	10,092
Other demand deposits at credit institutions	1,009	1,211
Cash and cash balances	**17,549**	**16,843**

14. Derivatives held for trading

in EUR million	Dec 18			Jun 19		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**179,098**	**3,011**	**2,871**	**200,064**	**3,697**	**3,660**
Interest rate	114,275	2,544	2,453	116,164	3,326	3,126
Equity	330	8	10	613	11	3
Foreign exchange	63,941	432	405	82,505	313	512
Credit	341	7	3	591	19	19
Commodity	11	0	0	13	0	0
Other	199	21	0	179	27	0
Derivatives held in the banking book	**28,035**	**1,191**	**331**	**24,301**	**1,144**	**311**
Interest rate	16,597	1,077	152	13,286	1,081	172
Equity	5,501	77	76	5,759	33	59
Foreign exchange	5,335	32	100	4,648	23	77
Credit	382	5	3	389	6	2
Commodity	0	0	0	0	0	0
Other	220	1	0	220	1	0
Total gross amounts	**207,133**	**4,202**	**3,202**	**224,366**	**4,841**	**3,970**
Offset		-1,165	-1,202		-1,741	-1,845
Total		**3,037**	**2,000**		**3,101**	**2,125**

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

15. Other financial assets held for trading

in EUR million	Dec 18	Jun 19
Equity instruments	68	86
Debt securities	2,479	3,277
General governments	1,698	2,332
Credit institutions	540	721
Other financial corporations	68	66
Non-financial corporations	172	158
Other financial assets held for trading	**2,547**	**3,363**

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

in EUR million	Dec 18		Jun 19	
	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	372	0	401
Debt securities	672	1,979	607	1,852
General governments	188	565	78	505
Credit institutions	424	296	468	241
Other financial corporations	60	973	61	942
Non-financial corporations	0	146	0	164
Loans and advances to customers	0	287	0	518
General governments	0	8	0	3
Other financial corporations	0	15	0	20
Non-financial corporations	0	102	0	363
Households	0	161	0	132
Financial assets designated and mandatorily at FVPL	672	2,638	607	2,770
Non-trading financial assets at fair value through profit and loss		**3,310**		**3,377**

17. Financial assets at fair value through other comprehensive income

Equity Instruments

The carrying amount of Erste Group's equity instruments FVOCI as of 30 June 2019 amounted to EUR 285.2 million, the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 219.6 million.

Debt Instruments

Debt securities

	Gross carrying amount				Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Accumulated fair value changes	Fair value
Jun 19										
Central banks	9	0	0	9	0	0	0	0	0	9
General governments	6,527	8	0	6,535	-3	0	0	-3	208	6,743
Credit institutions	955	40	0	994	-2	0	0	-2	20	1,015
Other financial corporations	160	17	0	177	0	0	0	-1	6	183
Non-financial corporations	1,052	74	0	1,126	-3	-2	0	-4	44	1,169
Total	**8,703**	**138**	**0**	**8,842**	**-7**	**-2**	**0**	**-9**	**277**	**9,119**
Dec 18										
Central banks	5	0	0	5	0	0	0	0	0	5
General governments	6,685	8	0	6,693	-3	0	0	-3	164	6,857
Credit institutions	894	17	0	911	-3	0	0	-3	9	921
Other financial corporations	175	6	0	182	0	0	0	-1	4	186
Non-financial corporations	965	72	0	1,037	-2	-2	0	-4	28	1,065
Total	**8,724**	**104**	**0**	**8,827**	**-8**	**-2**	**0**	**-10**	**206**	**9,033**

As defined in IFRS 9, the gross carrying amount of debt instruments at FVOCI equals the amortised cost before deducting any credit loss allowances. As of 30 June 2019, there were no purchased or originated credit-impaired (POCI) debt securities at FVOCI.

Development of credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 19						**Jun 19**
Stage 1	-8	-1	0	0	2	0	-7
Stage 2	-2	0	0	1	-1	0	-2
Stage 3	0	0	0	0	0	0	0
Total	**-10**	**-1**	**0**	**1**	**1**	**0**	**-9**
	Jan 18						**Jun 18**
Stage 1	-12	-1	1	0	4	0	-9
Stage 2	-1	0	0	0	-1	0	-2
Stage 3	0	0	0	0	0	0	0
Total	**-13**	**-1**	**1**	**0**	**3**	**0**	**-10**

18. Financial assets at amortised cost

Debt securities

in EUR million	Gross carrying amount Stage 1	Gross carrying amount Stage 2	Gross carrying amount Stage 3	Gross carrying amount Total	Credit loss allowances Stage 1	Credit loss allowances Stage 2	Credit loss allowances Stage 3	Credit loss allowances Total	Carrying amount
Jun 19									
Central banks	14	0	0	14	0	0	0	0	14
General governments	22,599	18	0	22,617	-4	0	0	-4	22,613
Credit institutions	3,343	1	0	3,344	-1	0	0	-1	3,343
Other financial corporations	147	1	0	148	0	0	0	0	148
Non-financial corporations	769	6	3	777	-1	0	-2	-3	775
Total	**26,872**	**25**	**4**	**26,901**	**-6**	**0**	**-2**	**-8**	**26,892**
Dec 18									
Central banks	12	0	0	12	0	0	0	0	12
General governments	22,373	26	1	22,400	-4	0	0	-4	22,396
Credit institutions	2,752	1	0	2,752	-1	0	0	-1	2,751
Other financial corporations	144	1	0	145	0	0	0	0	145
Non-financial corporations	739	7	3	749	-1	0	-2	-3	746
Total	**26,020**	**34**	**4**	**26,059**	**-6**	**0**	**-2**	**-8**	**26,050**

There were no purchased or originated credit-impaired (POCI) debt securities at amortised cost as of 30 June 2019.

Development of credit loss allowances for debt securities

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 19						**Jun 19**
Stage 1	-6	-1	0	0	0	0	-6
Stage 2	0	0	0	0	0	0	0
Stage 3	-2	0	0	0	0	0	-2
Total	**-8**	**-1**	**0**	**0**	**1**	**0**	**-8**
	Jan 18						**Jun 18**
Stage 1	-6	0	0	2	-2	0	-6
Stage 2	-3	-2	2	0	2	0	-2
Stage 3	0	0	0	0	0	0	0
Total	**-9**	**-2**	**2**	**1**	**0**	**0**	**-8**

Loans and advances to banks

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Jun 19									
Central banks	16,151	0	0	16,151	0	0	0	0	16,151
Credit institutions	6,863	27	2	6,892	-5	-1	-2	-8	6,884
Total	**23,014**	**27**	**2**	**23,043**	**-5**	**-1**	**-2**	**-8**	**23,035**
Dec 18									
Central banks	14,939	0	0	14,939	0	0	0	0	14,938
Credit institutions	3,956	215	2	4,172	-2	-3	-2	-8	4,165
Total	**18,894**	**215**	**2**	**19,111**	**-3**	**-3**	**-2**	**-8**	**19,103**

There were no purchased or originated credit-impaired (POCI) AC loans and advances to banks as of 30 June 2019.

Development of credit loss allowances for loans and advances to banks

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 19						**Jun 19**
Stage 1	-3	-21	19	0	0	0	-5
Stage 2	-3	0	0	0	3	0	-1
Stage 3	-2	0	0	0	0	0	-2
Total	**-9**	**-21**	**19**	**0**	**3**	**0**	**-8**
	Jan 18						**Jun 18**
Stage 1	-5	-7	8	0	0	0	-4
Stage 2	0	0	0	-1	0	0	-1
Stage 3	-2	0	0	0	0	0	-2
Total	**-8**	**-7**	**8**	**-1**	**0**	**0**	**-7**

Loans and advances to customers

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	
Jun 19											
General governments	6,251	273	3	3	6,529	-16	-7	-2	0	-25	6,504
Other financial corporations	3,967	111	25	13	4,117	-9	-2	-22	0	-33	4,084
Non-financial corporations	59,748	3,738	1,687	311	65,484	-177	-205	-1,054	-74	-1,511	63,973
Households	68,110	6,239	1,961	154	76,465	-126	-242	-1,116	-58	-1,542	74,922
Total	**138,076**	**10,361**	**3,676**	**481**	**152,595**	**-328**	**-456**	**-2,194**	**-133**	**-3,111**	**149,484**
Dec 18											
General governments	6,729	324	2	3	7,059	-16	-10	-2	0	-28	7,030
Other financial corporations	3,166	127	47	15	3,355	-8	-5	-40	-3	-56	3,298
Non-financial corporations	56,377	3,616	1,869	345	62,207	-169	-191	-1,133	-97	-1,590	60,617
Households	66,271	6,151	2,031	171	74,623	-128	-249	-1,166	-73	-1,615	73,008
Total	**132,544**	**10,217**	**3,949**	**533**	**147,243**	**-321**	**-455**	**-2,341**	**-173**	**-3,290**	**143,953**

Development of credit loss allowances for loans and advances to customers

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 19								**Jun 19**
Stage 1	**-321**	**-130**	**42**	**142**	**-59**	**0**	**0**	**-3**	**-328**
General governments	-16	0	0	1	-1	0	0	0	-16
Other financial corporations	-8	-7	5	4	-2	0	0	0	-9
Non-financial corporations	-169	-82	28	51	-4	0	0	-1	-177
Households	-128	-40	9	86	-51	0	0	-2	-126
Stage 2	**-455**	**-16**	**40**	**-168**	**139**	**0**	**2**	**2**	**-456**
General governments	-10	0	0	-1	5	0	0	0	-7
Other financial corporations	-5	-1	0	-1	2	0	1	2	-2
Non-financial corporations	-191	-7	23	-61	32	0	0	-2	-205
Households	-249	-8	17	-105	100	0	1	2	-242
Stage 3	**-2,341**	**-40**	**152**	**-33**	**-149**	**1**	**218**	**-1**	**-2,194**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-40	-8	8	0	1	0	2	16	-22
Non-financial corporations	-1,133	-21	48	-13	-57	0	137	-16	-1,054
Households	-1,166	-11	96	-21	-92	0	79	-1	-1,116
POCI	**-173**	**0**	**11**	**0**	**22**	**2**	**4**	**1**	**-133**
Other financial corporations	-3	0	0	0	3	0	0	0	0
Non-financial corporations	-97	0	4	0	14	2	2	0	-74
Households	-73	0	7	0	4	0	2	1	-58
Total	**-3,290**	**-185**	**246**	**-59**	**-47**	**2**	**223**	**0**	**-3,111**
	Jan 18								**Jun 18**
Stage 1	**-345**	**-106**	**55**	**238**	**-189**	**2**	**1**	**7**	**-339**
General governments	-16	-9	9	3	-2	0	0	0	-15
Other financial corporations	-17	-6	7	2	2	0	0	0	-11
Non-financial corporations	-181	-59	33	79	-59	1	0	6	-180
Households	-131	-32	6	154	-131	1	1	1	-132
Stage 2	**-496**	**-15**	**25**	**-242**	**263**	**5**	**6**	**8**	**-446**
General governments	-26	0	0	-4	10	0	0	1	-19
Other financial corporations	-3	-1	1	-4	0	0	0	0	-7
Non-financial corporations	-217	-9	17	-61	79	4	0	6	-181
Households	-249	-5	8	-174	174	2	5	2	-238
Stage 3	**-2,825**	**-61**	**97**	**-73**	**119**	**11**	**164**	**3**	**-2,565**
General governments	-1	0	0	-1	0	0	0	0	-2
Other financial corporations	-89	0	0	0	23	0	9	1	-56
Non-financial corporations	-1,449	-45	67	-29	96	10	109	-2	-1,243
Households	-1,286	-16	30	-44	0	0	46	4	-1,265
POCI	**-210**	**-12**	**29**	**0**	**-13**	**0**	**22**	**4**	**-180**
Other financial corporations	-7	0	0	0	4	0	0	0	-3
Non-financial corporations	-108	-11	27	0	-22	0	21	1	-92
Households	-94	-1	2	0	5	0	1	2	-85
Total	**-3,876**	**-194**	**207**	**-78**	**180**	**18**	**193**	**21**	**-3,530**

19. Finance lease receivables

in EUR million	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total	Credit loss allowances Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
Jun 19											
General governments	373	1	18	0	392	-2	0	-1	0	-2	390
Credit institutions	2	0	0	0	2	0	0	0	0	0	2
Other financial corporations	63	0	0	0	63	0	0	0	0	0	63
Non-financial corporations	2,543	81	246	0	2,870	-11	-3	-121	0	-135	2,736
Households	713	21	11	0	745	-4	-1	-6	0	-11	735
Total	**3,694**	**103**	**276**	**0**	**4,073**	**-16**	**-4**	**-128**	**0**	**-148**	**3,925**
Dec 18											
General governments	387	1	19	0	407	-2	0	-1	0	-3	405
Credit institutions	2	0	0	0	2	0	0	0	0	0	2
Other financial corporations	62	0	0	0	63	0	0	0	0	0	62
Non-financial corporations	2,415	73	253	0	2,742	-12	-2	-124	0	-139	2,604
Households	669	19	12	0	700	-3	-1	-6	0	-10	690
Total	**3,535**	**94**	**284**	**0**	**3,914**	**-18**	**-3**	**-130**	**0**	**-151**	**3,763**

Development of credit loss allowances for finance lease receivables

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 19								**Jun 19**
Stage 1	-18	-3	0	2	3	0	0	0	-16
Stage 2	-3	0	0	-2	1	0	0	0	-4
Stage 3	-130	0	1	-1	1	0	2	-1	-128
POCI	0	0	0	0	0	0	0	0	0
Total	**-151**	**-3**	**1**	**-1**	**5**	**0**	**2**	**-1**	**-148**
	Jan 18								**Jun 18**
Stage 1	-18	-2	0	1	3	0	0	1	-15
Stage 2	-4	0	0	0	1	0	0	0	-3
Stage 3	-149	-1	0	0	5	0	4	-1	-141
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-172**	**-3**	**1**	**0**	**9**	**0**	**4**	**1**	**-160**

20. Hedge accounting derivatives

in EUR million	Dec 18 Notional value	Positive fair value	Negative fair value	Jun 19 Notional value	Positive fair value	Negative fair value
Fair value hedges	**11,510**	**373**	**295**	**12,212**	**549**	**323**
Interest rate	11,510	373	295	12,212	549	323
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Cash flow hedges	**3,632**	**36**	**72**	**3,565**	**51**	**56**
Interest rate	3,574	36	71	3,276	49	55
Equity	0	0	0	0	0	0
Foreign exchange	57	0	1	289	2	1
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total gross amounts	**15,142**	**410**	**367**	**15,777**	**600**	**379**
Offset	0	-277	-90		-431	-103
Total		**132**	**277**		**168**	**276**

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

21. Trade and other receivables

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Jun 19											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	31	14	0	0	45	0	0	0	0	0	45
Credit institutions	21	3	0	0	24	0	-1	0	0	-1	23
Other financial corporations	20	3	1	0	24	0	0	-1	0	-1	23
Non-financial corporations	551	638	90	2	1,281	-3	-2	-70	-1	-76	1,204
Households	82	33	19	0	134	-2	-9	-15	0	-27	108
Total	**706**	**691**	**110**	**2**	**1,509**	**-6**	**-12**	**-86**	**-1**	**-105**	**1,404**
Dec 18											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	28	22	0	0	49	0	-6	0	0	-6	43
Credit institutions	25	21	0	0	47	0	-1	0	0	-1	46
Other financial corporations	38	3	1	0	42	0	0	-1	0	-1	41
Non-financial corporations	482	591	100	2	1,176	-2	-3	-81	-1	-87	1,089
Households	76	31	20	0	126	-2	-9	-16	0	-27	99
Total	**649**	**668**	**121**	**2**	**1,441**	**-5**	**-19**	**-98**	**-1**	**-122**	**1,318**

Development of credit loss allowances for trade and other receivables

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 19								**Jun 19**
Stage 1	-5	-2	1	2	-2	0	0	0	-6
Stage 2	-19	0	0	0	1	0	6	0	-12
Stage 3	-98	-1	4	-1	-5	0	14	0	-86
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-122**	**-3**	**6**	**0**	**-6**	**0**	**20**	**0**	**-105**
	Jan 18								**Jun 18**
Stage 1	-5	-1	0	0	0	0	0	0	-6
Stage 2	-5	-11	0	0	1	0	0	-6	-22
Stage 3	-105	-1	2	0	-15	0	7	-4	-115
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-116**	**-13**	**3**	**-1**	**-14**	**0**	**7**	**-11**	**-144**

22. Other assets

in EUR million	Dec 18	Jun 19
Prepayments	110	143
Inventories	187	210
Sundry assets	585	685
Other assets	**882**	**1,039**

23. Other financial liabilities held for trading

in EUR million	Dec 18	Jun 19
Short positions	463	344
Equity instruments	77	61
Debt securities	387	283
Debt securities issued	45	49
Other financial liabilities held for trading	**508**	**393**

24. Financial liabilities at fair value through profit and loss

Debt securities issued

in EUR million	Dec 18	Jun 19
Subordinated debt securities issued	4,879	5,060
Other debt securities issued	8,567	8,854
Bonds	5,469	5,706
Other certificates of deposits/name certificates	771	872
Mortgage covered bonds	1,945	1,982
Public sector covered bonds	381	295
Debt securities issued	**13,446**	**13,914**

25. Financial liabilities at amortised costs

Deposits from banks

in EUR million	Dec 18	Jun 19
Overnight deposits	4,280	4,973
Term deposits	11,985	11,816
Repurchase agreements	1,392	2,254
Deposits from banks	**17,658**	**19,043**

Deposits from customers

in EUR million	Dec 18	Jun 19
Overnight deposits	**110,201**	**114,271**
Savings deposits	27,693	29,290
Other financial corporations	180	138
Non-financial corporations	1,771	1,767
Households	25,742	27,385
Non-savings deposits	82,508	84,981
General governments	4,943	5,650
Other financial corporations	5,465	5,506
Non-financial corporations	24,916	24,840
Households	47,184	48,986
Term deposits	**50,743**	**51,057**
Deposits with agreed maturity	44,800	44,823
Savings deposits	29,720	28,775
Other financial corporations	964	767
Non-financial corporations	1,339	1,259
Households	27,418	26,748
Non-savings deposits	15,080	16,048
General governments	3,760	3,267
Other financial corporations	2,418	3,080
Non-financial corporations	3,081	3,587
Households	5,821	6,115
Deposits redeemable at notice	5,942	6,234
General governments	13	18
Other financial corporations	102	104
Non-financial corporations	109	147
Households	5,719	5,965
Repurchase agreements	**1,483**	**3,677**
Other financial corporations	1,452	1,200
Non-financial corporations	0	0
Deposits from customers	**162,426**	**169,004**
General governments	**8,747**	**11,411**
Other financial corporations	**10,581**	**10,795**
Non-financial corporations	**31,215**	**31,600**
Households	**111,884**	**115,198**

Debt securities issued

in EUR million	Dec 18	Jun 19
Subordinated debt securities issued	951	1,431
Other debt securities issued	15,341	15,428
Bonds	3,073	2,997
Certificates of deposit	864	499
Other certificates of deposits/name certificates	267	247
Mortgage covered bonds	9,112	10,318
Public sector covered bonds	10	10
Other	2,016	1,358
Debt securities issued	**16,293**	**16,859**

26. Provisions

in EUR million	Dec 18	Jun 19
Long-term employee provisions	981	1,093
Pending legal issues and tax litigation	332	359
Commitments and guarantees given	329	283
Provisions for commitments and financial guarantees in Stage 1	76	73
Provisions for commitments and financial guarantees in Stage 2	58	52
Provisions for commitments and financial guarantees - Defaulted	196	158
Other provisions	62	270
Provisions for onerous contracts	3	3
Other	60	267
Provisions	**1,705**	**2,004**

Effects from the change in material valuation parameters

For the calculation of the defined benefit obligation for pension and severance payment provisions as well as for jubilee provisions, the interest rate used has been decreased to 1.12% p.a. as of 30 June 2019 (31 December 2018: 1.92% p. a.) to reflect the declining interest rate levels. Furthermore, the collective agreement trend has been increased to 2.00% p.a. (31 December 2018: 1.80% p.a.) and the ASVG trend to 1.75% p.a. (31 December 2017: 1.70% p.a). According to IAS 19 the resulting measurement adjustment for pension and severance payment provisions amounting to EUR -121.2 million (before tax) has been recognised in other comprehensive income those for jubilee provisions, in amount of EUR -9.7 million has been considered in the income statement.

27. Other liabilities

in EUR million	Dec 18	Jun 19
Deferred income	131	130
Sundry liabilities	2,193	2,997
Other liabilities	**2,323**	**3,127**

28. Segment reporting

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

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

Business segmentation

The segment reporting comprises six business segments reflecting Erste Group's management structure and its internal management reporting in 2019.

Erste Group – business segments						
Retail	Corporates	Group Markets	Asset/Liability Management & Local Corporate Center	Savings Banks	Group Corporate Center	Intragroup Elimination

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

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

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

Asset/Liability Management & Local Corporate Center. The Asset/Liability Management & Local Corporate Center (ALM & LCC) segment includes all asset/liability management functions – local and of Erste Group Bank AG (Holding) – as well as the local corporate centers which comprise 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 includes those savings banks which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector and in which Erste Group does not hold a majority stake but which are fully controlled according to IFRS 10. The fully or majority owned Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, and Sparkasse Hainburg are not part of the Savings Banks segment.

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

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

Geographical segmentation

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

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

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

The geographical area Central and Eastern Europe (CEE) consists of six segments covering Erste Group's banking subsidiaries located in the respective CEE countries:
_ **Czech Republic** (comprising Česká spořitelna Group)
_ **Slovakia** (comprising Slovenská sporiteľňa Group)
_ **Romania** (comprising Banca Comercială Română Group)
_ **Hungary** (comprising Erste Bank Hungary Group)
_ **Croatia** (comprising Erste Bank Croatia Group), and
_ **Serbia** (comprising Erste Bank Serbia Group).

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

Measurement

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

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

Capital consumption per segment is regularly reviewed by the management of Erste Group to assess the performance of the segments. The average allocated capital is determined by the credit risk, market risk, 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).

Business segments (1)

	Retail		Corporates		Group Markets		ALM&LCC	
in EUR million	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**
Net interest income	1,109.2	1,128.4	500.8	528.5	105.8	120.5	-41.2	-38.8
Net fee and commission income	526.9	532.4	131.5	145.8	111.1	110.2	-41.3	-39.8
Dividend income	0.3	3.6	0.6	1.3	0.8	2.3	9.0	6.5
Net trading result	54.5	53.4	41.4	47.6	38.0	4.4	-101.2	188.1
Gains/losses from financial instruments at FVPL	-2.4	1.2	-3.3	5.8	-7.3	25.3	71.7	-173.1
Net result from equity method investments	3.7	3.5	0.0	0.0	0.0	0.0	1.3	-0.2
Rental income from investment properties & other operating leases	11.3	11.1	61.7	52.1	0.0	0.0	16.2	16.8
General administrative expenses	-1,004.3	-1,031.3	-284.5	-281.9	-119.2	-118.8	-43.3	-70.4
Gains/losses from derecognition of financial assets at AC	-0.5	-0.2	0.0	0.0	0.0	0.0	0.0	6.8
Other gains/losses from derecognition of financial instruments not at FVPL	1.1	0.0	0.0	9.6	0.0	0.0	7.8	-5.2
Impairment result from financial instruments	-9.2	-17.2	73.4	40.4	-0.5	4.5	3.2	3.3
Other operating result	-30.0	-179.5	-18.0	-42.8	-8.1	-9.4	-58.2	-58.9
Levies on banking activities	-29.8	-33.6	-10.6	-13.2	-2.1	-1.9	-10.8	-5.6
Pre-tax result from continuing operations	**660.7**	**505.4**	**503.5**	**506.4**	**120.5**	**138.9**	**-176.0**	**-165.0**
Taxes on income	-122.1	-102.8	-88.3	-99.5	-22.8	-26.7	29.9	10.2
Net result for the period	**538.6**	**402.6**	**415.2**	**406.9**	**97.7**	**112.2**	**-146.1**	**-154.8**
Net result attributable to non-controlling interests	29.4	17.4	22.4	11.3	1.3	2.9	-2.3	-3.8
Net result attributable to owners of the parent	**509.2**	**385.2**	**392.8**	**395.6**	**96.5**	**109.4**	**-143.8**	**-151.0**
Operating income	1,703.5	1,733.6	732.6	781.0	248.4	262.7	-85.5	-40.6
Operating expenses	-1,004.3	-1,031.3	-284.5	-281.9	-119.2	-118.8	-43.3	-70.4
Operating result	**699.2**	**702.2**	**448.1**	**499.1**	**129.2**	**143.9**	**-128.8**	**-110.9**
Risk-weighted assets (credit risk, eop)	19,702	19,931	38,622	41,734	4,093	3,991	5,658	6,283
Average allocated capital	3,220	3,493	4,003	4,454	782	979	2,537	2,976
Cost/income ratio	59.0%	59.5%	38.8%	36.1%	48.0%	45.2%	-50.6%	>100%
Return on allocated capital	33.7%	23.2%	20.9%	18.4%	25.2%	23.1%	-11.6%	-10.5%
Total assets (eop)	60,132	62,929	51,535	55,972	44,200	52,115	52,551	49,483
Total liabilities excluding equity (eop)	82,554	88,598	29,237	30,216	37,076	36,884	48,396	51,776
Impairments	**-9.5**	**-18.0**	**74.7**	**39.0**	**-0.5**	**4.5**	**-12.3**	**0.3**
Net impairment loss on financial assets AC	-7.8	-20.7	82.0	-0.5	1.2	3.1	-2.0	2.3
Net impairment loss on financial assets FVOCI	0.0	0.0	-0.8	-0.2	0.0	0.0	2.2	0.9
Net impairment loss on finance lease receivables	-1.1	-0.8	2.5	5.1	0.0	0.0	0.0	0.3
Net impairment loss on commitments and guarantees given	-0.3	4.3	-10.3	36.1	-1.8	1.4	2.9	-0.2
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	-0.3	-0.8	1.3	-1.4	0.0	0.0	-15.5	-3.1

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-6 18	1-6 19	1-6 18	1-6 19	1-6 18	1-6 19	1-6 18	1-6 19
Net interest income	499.0	517.0	30.8	45.3	9.4	28.8	2,213.8	2,329.7
Net fee and commission income	227.2	236.2	5.5	-4.4	-1.5	0.0	959.3	980.4
Dividend income	3.0	2.0	3.9	3.3	0.0	0.0	17.5	19.0
Net trading result	-0.9	34.3	-13.5	17.3	-6.3	-35.0	11.9	310.1
Gains/losses from financial instruments at FVPL	-12.8	5.3	20.6	-4.6	0.0	0.0	66.6	-140.1
Net result from equity method investments	0.0	0.0	2.0	3.7	0.0	0.0	7.0	7.0
Rental income from investment properties & other operating leases	20.6	19.5	6.2	-11.8	-17.9	-0.8	98.1	86.9
General administrative expenses	-532.3	-546.3	-467.6	-479.3	374.9	382.1	-2,076.5	-2,146.0
Gains/losses from derecognition of financial assets at AC	0.0	0.5	0.2	-0.1	0.0	-6.0	-0.3	0.9
Other gains/losses from derecognition of financial instruments not at FVPL	0.1	-0.5	-0.3	0.0	0.0	6.1	8.8	10.1
Impairment result from financial instruments	3.9	10.7	2.4	1.1	0.0	0.0	73.2	42.8
Other operating result	-19.5	-6.7	287.7	321.6	-358.5	-375.2	-204.6	-351.0
Levies on banking activities	-2.1	-2.1	-7.9	-8.2	0.0	0.0	-63.3	-64.7
Pre-tax result from continuing operations	**188.2**	**272.0**	**-122.2**	**-107.9**	**0.0**	**0.0**	**1,174.7**	**1,149.8**
Taxes on income	-45.0	-68.4	13.3	74.5	0.0	0.0	-234.9	-212.7
Net result for the period	**143.2**	**203.6**	**-108.8**	**-33.4**	**0.0**	**0.0**	**939.8**	**937.1**
Net result attributable to non-controlling interests	112.9	171.3	1.8	6.1	0.0	0.0	165.5	205.2
Net result attributable to owners of the parent	**30.4**	**32.3**	**-110.6**	**-39.6**	**0.0**	**0.0**	**774.3**	**731.9**
Operating income	736.0	814.3	55.4	48.8	-16.3	-6.9	3,374.1	3,592.9
Operating expenses	-532.3	-546.3	-467.6	-479.3	374.9	382.1	-2,076.5	-2,146.0
Operating result	**203.6**	**267.9**	**-412.2**	**-430.5**	**358.6**	**375.2**	**1,297.6**	**1,446.9**
Risk-weighted assets (credit risk, eop)	22,899	24,594	1,399	1,458	0	0	92,372	97,990
Average allocated capital	2,692	3,191	4,689	4,334	0	0	17,923	19,427
Cost/income ratio	72.3%	67.1%	>100%	>100%	>100%	>100%	61.5%	59.7%
Return on allocated capital	10.7%	12.9%	-4.7%	-1.6%			10.6%	9.7%
Total assets (eop)	62,122	64,743	3,426	4,656	-44,088	-41,636	229,878	248,261
Total liabilities excluding equity (eop)	57,011	59,887	2,014	2,901	-44,119	-41,649	212,170	228,612
Impairments	**3.9**	**10.9**	**2.4**	**-1.9**	**0.0**	**0.0**	**58.7**	**34.8**
Net impairment loss on financial assets AC	4.0	-2.7	5.8	-0.7	0.0	0.0	83.3	-19.1
Net impairment loss on financial assets FVOCI	0.8	-0.1	0.8	0.1	0.0	0.0	3.1	0.7
Net impairment loss on finance lease receivables	0.1	-0.9	0.0	0.0	0.0	0.0	1.5	3.5
Net impairment loss on commitments and guarantees given	-1.0	14.4	-4.2	1.7	0.0	0.0	-14.6	57.7
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	0.3	0.0	-0.3	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	-0.1	0.0	-2.6	0.0	0.0	-14.6	-8.0

Geographical segmentation – overview

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**
Net interest income	991.5	1,016.6	1,168.0	1,249.9	54.3	63.1	2,213.8	2,329.7
Net fee and commission income	540.8	545.7	436.7	466.0	-18.2	-31.3	959.3	980.4
Dividend income	9.9	12.4	3.7	3.3	3.9	3.3	17.5	19.0
Net trading result	9.4	29.5	127.1	137.8	-124.7	142.7	11.9	310.1
Gains/losses from financial instruments at FVPL	-24.4	19.4	-6.6	5.2	97.6	-164.7	66.6	-140.1
Net result from equity method investments	0.6	-2.1	4.4	5.4	2.0	3.7	7.0	7.0
Rental income from investment properties & other operating leases	69.5	67.0	22.3	24.5	6.3	-4.6	98.1	86.9
General administrative expenses	-1,056.6	-1,089.6	-905.7	-944.3	-114.2	-112.1	-2,076.5	-2,146.0
Gains/losses from derecognition of financial assets at AC	-0.4	0.5	0.2	0.1	-0.2	0.3	-0.3	0.9
Other gains/losses from derecognition of financial instruments not at FVPL	1.7	-0.7	6.4	-4.9	0.7	15.6	8.8	10.1
Impairment result from financial instruments	34.5	21.5	36.1	19.5	2.6	1.9	73.2	42.8
Other operating result	-50.2	-5.8	-78.7	-275.6	-75.8	-69.6	-204.6	-351.0
Levies on banking activities	-3.8	-3.9	-51.5	-52.6	-7.9	-8.2	-63.3	-64.7
Pre-tax result from continuing operations	**526.4**	**614.5**	**814.0**	**687.0**	**-165.7**	**-151.8**	**1,174.7**	**1,149.8**
Taxes on income	-115.6	-145.7	-144.0	-151.3	24.6	84.3	-234.9	-212.7
Net result for the period	**410.8**	**468.8**	**670.0**	**535.7**	**-141.1**	**-67.5**	**939.8**	**937.1**
Net result attributable to non-controlling interests	126.3	179.3	37.4	19.7	1.8	6.2	165.5	205.2
Net result attributable to owners of the parent	**284.5**	**289.4**	**632.6**	**516.1**	**-142.8**	**-73.6**	**774.3**	**731.9**
Operating income	1,597.4	1,688.5	1,755.6	1,892.2	21.2	12.2	3,374.1	3,592.9
Operating expenses	-1,056.6	-1,089.6	-905.7	-944.3	-114.2	-112.1	-2,076.5	-2,146.0
Operating result	**540.8**	**598.9**	**849.9**	**947.9**	**-93.1**	**-100.0**	**1,297.6**	**1,446.9**
Risk-weighted assets (credit risk, eop)	49,879	53,186	40,546	42,815	1,946	1,990	92,372	97,990
Average allocated capital	6,123	7,061	6,255	6,987	5,545	5,379	17,923	19,427
Cost/income ratio	66.1%	64.5%	51.6%	49.9%	>100%	>100%	61.5%	59.7%
Return on allocated capital	13.5%	13.4%	21.6%	15.5%	-5.1%	-2.5%	10.6%	9.7%
Total assets (eop)	153,727	163,132	105,723	113,106	-29,572	-27,976	229,878	248,261
Total liabilities excluding equity (eop)	123,992	129,240	95,902	102,237	-7,724	-2,865	212,170	228,612
Impairments	**18.7**	**22.2**	**37.4**	**15.3**	**2.6**	**-2.7**	**58.7**	**34.8**
Net impairment loss on financial assets AC	32.2	-4.3	45.2	-14.6	5.9	-0.2	83.3	-19.1
Net impairment loss on financial assets FVOCI	0.0	0.0	2.1	0.7	1.0	0.1	3.1	0.7
Net impairment loss on finance lease receivables	3.1	5.9	-1.4	-2.3	-0.1	0.0	1.5	3.5
Net impairment loss on commitments and guarantees given	-0.7	19.9	-9.7	35.8	-4.1	2.0	-14.6	57.7
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	0.3	0.0	0.0	0.0	-0.3	0.0	0.0
Net impairment on other non-financial assets	-15.8	0.5	1.3	-4.2	-0.1	-4.2	-14.6	-8.0

Geographical area – Austria

	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
in EUR million	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**
Net interest income	317.2	311.8	499.0	517.0	175.4	187.8	991.5	1,016.6
Net fee and commission income	198.6	196.1	227.2	236.2	115.0	113.4	540.8	545.7
Dividend income	5.8	6.7	3.0	2.0	1.1	3.6	9.9	12.4
Net trading result	8.3	25.7	-0.9	34.3	2.0	-30.4	9.4	29.5
Gains/losses from financial instruments at FVPL	-10.0	-11.3	-12.8	5.3	-1.6	25.4	-24.4	19.4
Net result from equity method investments	0.5	0.1	0.0	0.0	0.1	-2.1	0.6	-2.1
Rental income from investment properties & other operating leases	20.1	19.6	20.6	19.5	28.8	27.9	69.5	67.0
General administrative expenses	-337.1	-358.3	-532.3	-546.3	-187.1	-185.0	-1,056.6	-1,089.6
Gains/losses from derecognition of financial assets at AC	-0.4	0.0	0.0	0.5	0.0	0.0	-0.4	0.5
Other gains/losses from derecognition of financial instruments not at FVPL	1.6	-0.3	0.1	-0.5	0.0	0.1	1.7	-0.7
Impairment result from financial instruments	8.7	-1.0	3.9	10.7	21.9	11.8	34.5	21.5
Other operating result	-22.0	-17.4	-19.5	-6.7	-8.7	18.3	-50.2	-5.8
Levies on banking activities	-1.8	-1.8	-2.1	-2.1	0.0	0.0	-3.8	-3.9
Pre-tax result from continuing operations	**191.2**	**171.8**	**188.2**	**272.0**	**147.0**	**170.7**	**526.4**	**614.5**
Taxes on income	-42.6	-41.6	-45.0	-68.4	-28.1	-35.7	-115.6	-145.7
Net result for the period	**148.7**	**130.2**	**143.2**	**203.6**	**118.9**	**135.0**	**410.8**	**468.8**
Net result attributable to non-controlling interests	9.7	4.7	112.9	171.3	3.7	3.3	126.3	179.3
Net result attributable to owners of the parent	**139.0**	**125.5**	**30.4**	**32.3**	**115.2**	**131.7**	**284.5**	**289.4**
Operating income	540.5	548.8	736.0	814.3	320.9	325.5	1,597.4	1,688.5
Operating expenses	-337.1	-358.3	-532.3	-546.3	-187.1	-185.0	-1,056.6	-1,089.6
Operating result	**203.5**	**190.5**	**203.6**	**267.9**	**133.7**	**140.5**	**540.8**	**598.9**
Risk-weighted assets (credit risk, eop)	12,393	12,721	22,899	24,594	14,587	15,871	49,879	53,186
Average allocated capital	1,631	1,740	2,692	3,191	1,800	2,130	6,123	7,061
Cost/income ratio	62.4%	65.3%	72.3%	67.1%	58.3%	56.8%	66.1%	64.5%
Return on allocated capital	18.4%	15.1%	10.7%	12.9%	13.3%	12.8%	13.5%	13.4%
Total assets (eop)	43,945	46,590	62,122	64,743	47,660	51,799	153,727	163,132
Total liabilities excluding equity (eop)	42,104	44,538	57,011	59,887	24,877	24,815	123,992	129,240
Impairments	**8.6**	**-1.0**	**3.9**	**10.9**	**6.2**	**12.4**	**18.7**	**22.2**
Net impairment loss on financial assets AC	12.5	-10.0	4.0	-2.7	15.7	8.4	32.2	-4.3
Net impairment loss on financial assets FVOCI	0.0	0.0	0.8	-0.1	-0.8	0.0	0.0	0.0
Net impairment loss on finance lease receivables	-1.4	0.5	0.1	-0.9	4.3	6.4	3.1	5.9
Net impairment loss on commitments and guarantees given	-2.5	8.5	-1.0	14.4	2.7	-3.0	-0.7	19.9
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	0.3	0.0	0.0	0.0	0.3
Net impairment on other non-financial assets	-0.1	0.0	0.0	-0.1	-15.8	0.6	-15.8	0.5

Geographical area – Central and Eastern Europe

	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**	**1-6 18**	**1-6 19**
Net interest income	507.2	554.2	217.8	216.2	184.7	210.1	94.7	105.0	139.0	136.8	24.6	27.7	1,168.0	1,249.9
Net fee and commission income	168.1	173.3	58.4	67.9	75.1	77.8	83.1	90.7	46.1	49.7	6.0	6.6	436.7	466.0
Dividend income	2.0	1.9	0.7	0.8	0.8	0.5	0.1	0.1	0.1	0.1	0.0	0.0	3.7	3.3
Net trading result	40.8	58.1	4.7	9.4	40.0	34.8	23.1	17.2	16.2	15.9	2.3	2.3	127.1	137.8
Gains/losses from financial instruments at FVPL	0.0	2.2	-0.2	0.1	0.4	-0.5	-7.3	2.7	0.5	0.7	0.0	0.0	-6.6	5.2
Net result from equity method investments	0.1	1.6	3.0	3.5	0.5	-0.3	0.0	0.0	0.7	0.5	0.0	0.0	4.4	5.4
Rental income from investment properties & other operating leases	4.4	4.2	0.2	0.5	7.7	10.0	1.8	2.9	8.3	6.8	0.0	0.0	22.3	24.5
General administrative expenses	-359.2	-371.2	-136.5	-138.7	-172.0	-183.1	-107.6	-110.3	-106.1	-112.4	-24.2	-28.7	-905.7	-944.3
Gains/losses from derecognition of financial assets at AC	0.2	0.3	0.0	0.1	0.0	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.2	0.2	0.1
Other gains/losses from derecognition of financial instruments not at FVPL	1.0	0.0	0.0	-0.5	0.5	-6.2	1.3	1.8	3.6	0.1	0.1	0.0	6.4	-4.9
Impairment result from financial instruments	35.4	7.7	-11.7	-18.6	6.5	18.7	18.6	14.9	-8.7	-3.1	-3.9	-0.2	36.1	19.5
Other operating result	-21.9	-26.4	-19.1	-18.1	8.5	-162.3	-43.3	-43.5	-2.7	-25.0	-0.1	-0.3	-78.7	-275.6
Levies on banking activities	0.0	0.0	-14.8	-16.0	0.0	0.0	-36.7	-36.6	0.0	0.0	0.0	0.0	-51.5	-52.6
Pre-tax result from continuing operations	**378.0**	**405.9**	**117.4**	**122.7**	**152.5**	**-0.6**	**64.3**	**81.4**	**96.9**	**70.2**	**4.9**	**7.4**	**814.0**	**687.0**
Taxes on income	-76.6	-80.1	-25.6	-23.7	-21.6	-24.0	-0.4	-9.7	-19.6	-13.4	-0.2	-0.5	-144.0	-151.3
Net result for the period	**301.4**	**325.8**	**91.9**	**99.1**	**130.9**	**-24.6**	**63.9**	**71.8**	**77.3**	**56.8**	**4.6**	**6.9**	**670.0**	**535.7**
Net result attributable to non-controlling interests	2.6	0.0	0.0	0.0	8.4	0.0	0.0	0.0	25.5	18.3	0.9	1.4	37.4	19.7
Net result attributable to owners of the parent	**298.8**	**325.8**	**91.9**	**99.1**	**122.5**	**-24.6**	**63.9**	**71.8**	**51.8**	**38.5**	**3.7**	**5.5**	**632.6**	**516.1**
Operating income	722.5	795.5	284.7	298.5	309.1	332.4	195.4	218.5	210.8	210.6	33.0	36.7	1,755.6	1,892.2
Operating expenses	-359.2	-371.2	-136.5	-138.7	-172.0	-183.1	-107.6	-110.3	-106.1	-112.4	-24.2	-28.7	-905.7	-944.3
Operating result	**363.3**	**424.3**	**148.2**	**159.8**	**137.1**	**149.3**	**87.8**	**108.3**	**104.7**	**98.2**	**8.8**	**8.1**	**849.9**	**947.9**
Risk-weighted assets (credit risk, eop)	18,390	18,953	6,107	6,604	5,686	6,340	3,699	4,039	5,383	5,324	1,282	1,554	40,546	42,815
Average allocated capital	2,536	2,492	871	1,052	1,197	1,443	763	984	718	787	170	229	6,255	6,987
Cost/income ratio	49.7%	46.7%	48.0%	46.5%	55.6%	55.1%	55.1%	50.5%	50.3%	53.4%	73.3%	78.1%	51.6%	49.9%
Return on allocated capital	24.0%	26.4%	21.3%	19.0%	22.0%	-3.4%	16.9%	14.7%	21.7%	14.5%	5.5%	6.1%	21.6%	15.5%
Total assets (eop)	55,027	59,126	16,957	18,171	15,060	15,254	8,016	8,679	9,080	9,914	1,583	1,961	105,723	113,106
Total liabilities excluding equity (eop)	50,624	54,032	15,541	16,643	13,377	13,591	7,048	7,547	7,914	8,676	1,397	1,748	95,902	102,237
Impairments	**36.6**	**8.6**	**-11.7**	**-18.0**	**7.2**	**13.9**	**18.5**	**14.9**	**-9.2**	**-3.9**	**-4.0**	**-0.2**	**37.4**	**15.3**
Net impairment loss on financial assets AC	34.3	-10.0	-11.8	-16.4	15.5	0.9	18.2	14.6	-6.9	-3.4	-4.0	-0.4	45.2	-14.6
Net impairment loss on financial assets FVOCI	2.7	0.0	0.0	0.0	-0.2	-0.2	0.0	0.0	-0.7	0.8	0.3	0.0	2.1	0.7
Net impairment loss on finance lease receivables	-1.7	1.0	0.0	-1.7	-0.2	-1.1	0.0	-0.7	0.4	0.0	0.1	0.3	-1.4	-2.3
Net impairment loss on commitments and guarantees given	0.1	16.8	0.1	-0.4	-8.6	19.0	0.3	1.1	-1.4	-0.6	-0.3	-0.2	-9.7	35.8
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	1.2	0.8	0.0	0.6	0.7	-4.8	0.0	0.0	-0.5	-0.8	0.0	0.0	1.3	-4.2

29. Risk management

A core function of a bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the annual report 2018.

Credit risk

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

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

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

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

Credit risk exposure

Credit risk exposure relates to the sum of the following balance sheet items:

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

The credit risk exposure equates the gross carrying amount (or nominal value in the case of off-balance sheet positions) excluding:

- credit loss allowances for financial assets;
- credit loss allowances for loan commitments and financial guarantees;
- provisions for other commitments;
- any collateral held (including risk transfer to guarantors);
- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

The credit risk exposure increased to EUR 268.8 billion (+5.0%; EUR 255.9 billion) in the first half of the year.

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

in EUR million	Credit risk exposure	Allowances	Adjustments	Carrying amount
Jun 19				
Cash and cash balances - demand deposits to credit institutions	1,211	-1	0	1,211
Debt instruments HfT	6,378	0	0	6,378
Non-trading debt instruments at FVPL	2,976	0	0	2,976
Debt securities	2,459	0	0	2,459
Loans and advances to banks	0	0	0	0
Loans and advances to customers	518	0	0	518
Debt instruments at FVOCI	8,842	-9	277	9,119
Debt securities	8,842	-9	277	9,119
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	202,538	-3,127	0	199,411
Debt securities	26,901	-8	0	26,892
Loans and advances to banks	23,043	-8	0	23,035
Loans and advances to customers	152,595	-3,111	0	149,484
Trade and other receivables	1,509	-105	0	1,404
Finance lease receivables	4,073	-148	0	3,925
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	168	0	0	168
Off balance-sheet exposures	41,064	-295	0	-
Total	**268,759**	**-3,685**	**277**	**224,592**
Dec 18				
Cash and cash balances - demand deposits to credit institutions	1,009	0	0	1,009
Debt instruments HfT	5,516	0	0	5,516
Non-trading debt instruments at FVPL	2,938	0	0	2,938
Debt securities	2,651	0	0	2,651
Loans and advances to banks	0	0	0	0
Loans and advances to customers	287	0	0	287
Debt instruments at FVOCI	8,828	-10	205	9,033
Debt securities	8,828	-10	205	9,033
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	192,413	-3,307	0	189,106
Debt securities	26,059	-8	0	26,050
Loans and advances to banks	19,111	-8	0	19,103
Loans and advances to customers	147,243	-3,290	0	143,953
Trade and other receivables	1,441	-122	0	1,318
Finance lease receivables	3,914	-151	0	3,763
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	132	0	0	132
Off balance-sheet exposures	39,673	-343	0	-
Total	**255,864**	**-3,933**	**205**	**212,816**

Credit loss allowances comprise impairments for financial assets measured at amortised cost (including finance lease and trade and other receivables) and at fair value through other comprehensive income (FVOCI), as well as credit loss allowances and provisions for off-balance sheet exposures. Adjustments refer to the fair value changes of the carrying amount for debt instruments at FVOCI.

Credit risk volume is presented by:
_ counterparty sector and financial instrument;
_ industry and risk category;
_ region and risk category;
_ business segment and risk category;
_ business segment and IFRS 9 treatment;
_ geographical segment and risk category;
_ geographical segment and IFRS 9 treatment.

Credit risk exposure by counterparty sector and financial instrument

					At amortised cost							
in EUR million	Cash and cash balances - demand deposits to credit institutions	Debt instruments HfT	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	Debt securities	Loans and advances to banks	Loans and advances to customers	Finance lease receivables	Positive fair value of derivatives	Trade and other receivables	Off balance-sheet exposures	Total
Jun 19												
Central banks	0	12	0	1	26	16,151	0	0	0	1	5	16,196
General governments	0	2,460	586	6,544	22,605	0	6,529	0	0	45	2,267	41,428
Credit institutions	1,211	3,255	708	994	3,344	6,892	0	2	167	24	780	17,377
Other financial corporations	0	101	1,024	177	148	0	4,117	63	0	24	1,535	7,189
Non-financial corporations	0	549	527	1,126	777	0	65,484	2,870	1	1,281	24,922	97,537
Households	0	1	132	0	0	0	76,465	745	0	134	11,555	89,032
Total	**1,211**	**6,378**	**2,976**	**8,842**	**26,901**	**23,043**	**152,595**	**4,073**	**168**	**1,509**	**41,064**	**268,759**
Dec 18												
Central banks	0	20	0	3	25	14,939	0	0	0	0	17	15,004
General governments	0	1,819	761	6,694	22,387	0	7,059	407	0	49	1,958	41,134
Credit institutions	1,009	3,062	721	912	2,752	4,172	0	2	125	47	668	13,470
Other financial corporations	0	132	1,048	182	145	0	3,355	63	5	42	1,389	6,361
Non-financial corporations	0	482	248	1,037	749	0	62,207	2,742	2	1,176	24,282	92,926
Households	0	1	161	0	0	0	74,623	700	0	126	11,358	86,968
Total	**1,009**	**5,516**	**2,938**	**8,828**	**26,059**	**19,111**	**147,243**	**3,914**	**132**	**1,441**	**39,673**	**255,864**

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 19					
Agriculture and forestry	2,012	758	227	133	3,130
Mining	625	33	10	48	717
Manufacturing	15,959	1,993	491	545	18,987
Energy and water supply	3,383	564	135	82	4,164
Construction	9,705	1,664	371	463	12,202
Trade	10,039	1,989	454	453	12,934
Transport and communication	6,473	783	218	106	7,580
Hotels and restaurants	3,651	945	295	271	5,163
Financial and insurance services	39,988	1,022	216	80	41,305
Real estate and housing	23,820	3,793	845	473	28,931
Services	11,813	1,189	317	274	13,593
Public administration	39,233	319	66	6	39,625
Education, health and art	2,879	366	153	222	3,621
Households	68,119	4,755	1,911	1,678	76,463
Other	295	1	49	0	345
Total	**237,993**	**20,175**	**5,757**	**4,835**	**268,759**
Dec 18					
Agriculture and forestry	2,026	753	136	180	3,096
Mining	620	39	11	48	717
Manufacturing	15,127	1,856	470	580	18,033
Energy and water supply	3,408	498	157	85	4,147
Construction	8,878	1,546	467	525	11,417
Trade	9,806	1,887	489	510	12,692
Transport and communication	6,485	685	186	123	7,479
Hotels and restaurants	3,433	767	262	313	4,775
Financial and insurance services	34,271	885	231	79	35,467
Real estate and housing	23,163	3,130	1,035	576	27,904
Services	11,058	1,256	293	327	12,934
Public administration	38,236	254	209	6	38,705
Education, health and art	2,736	424	149	228	3,536
Households	64,557	6,314	1,980	1,734	74,584
Other	321	1	55	0	377
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 19					
Core markets	**203,950**	**18,271**	**5,310**	**4,356**	**231,887**
Austria	98,156	8,404	2,083	1,768	110,410
Czech Republic	53,744	4,443	1,188	707	60,082
Romania	14,225	1,560	477	518	16,781
Slovakia	18,360	1,501	686	515	21,062
Hungary	9,265	945	459	173	10,842
Croatia	8,079	1,135	354	652	10,219
Serbia	2,122	283	63	22	2,491
Other EU	**24,935**	**1,038**	**202**	**351**	**26,527**
Other industrialised countries	**5,152**	**151**	**50**	**19**	**5,372**
Emerging markets	**3,954**	**714**	**196**	**109**	**4,973**
Southeastern Europe/CIS	1,891	424	87	90	2,492
Asia	1,701	145	15	3	1,864
Latin America	63	14	12	10	99
Middle East/Africa	299	132	82	5	518
Total	**237,993**	**20,175**	**5,757**	**4,835**	**268,759**
Dec 18					
Core markets	**195,827**	**18,419**	**5,790**	**4,757**	**224,792**
Austria	96,632	7,692	2,065	1,953	108,342
Czech Republic	50,840	4,220	1,256	697	57,013
Romania	13,903	1,485	473	565	16,426
Slovakia	15,941	2,812	1,242	553	20,549
Hungary	8,762	832	426	198	10,218
Croatia	7,789	1,087	291	767	9,934
Serbia	1,960	291	37	23	2,311
Other EU	**19,788**	**894**	**156**	**408**	**21,245**
Other industrialised countries	**4,807**	**142**	**35**	**37**	**5,022**
Emerging markets	**3,704**	**839**	**149**	**113**	**4,804**
Southeastern Europe/CIS	1,798	425	77	94	2,395
Asia	1,497	138	14	3	1,653
Latin America	56	16	13	10	96
Middle East/Africa	352	260	44	5	661
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

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

Credit risk exposure by reporting segment and risk category

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

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 19					
Retail	56,949	5,727	2,503	1,507	66,686
Corporates	64,781	6,979	1,438	1,677	74,875
Group Markets	30,705	398	121	3	31,226
ALM & LCC	30,202	131	83	120	30,536
Savings Banks	55,114	6,931	1,606	1,514	65,166
GCC	242	8	6	14	270
Total	**237,993**	**20,175**	**5,757**	**4,835**	**268,759**
Dec 18					
Retail	54,909	7,216	2,520	1,583	66,228
Corporates	60,200	6,353	1,973	2,048	70,573
Group Markets	25,366	389	62	2	25,819
ALM & LCC	28,769	136	89	12	29,005
Savings Banks	54,210	6,192	1,468	1,666	63,536
GCC	673	8	19	3	703
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by business segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Jun 19						
Retail	60,592	4,109	1,378	145	463	66,686
Corporates	66,671	3,721	1,385	346	2,751	74,875
Group Markets	24,620	69	2	0	6,534	31,226
ALM & LCC	30,051	74	120	0	290	30,536
Savings Banks	55,635	5,073	1,449	53	2,957	65,166
GCC	190	2	14	0	64	270
Total	**237,759**	**13,048**	**4,348**	**544**	**13,059**	**268,759**
Dec 18						
Retail	60,043	4,113	1,428	161	482	66,228
Corporates	62,338	3,819	1,691	372	2,354	70,573
Group Markets	19,678	290	2	0	5,849	25,819
ALM & LCC	28,668	55	12	0	271	29,005
Savings Banks	53,921	4,913	1,569	62	3,071	63,536
GCC	645	2	3	0	53	703
Total	**225,292**	**13,193**	**4,704**	**595**	**12,079**	**255,864**

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 388 million (EUR 471 million), the non-defaulted part to EUR 156 million (EUR 124 million).

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 19					
Austria	**130,638**	**10,334**	**2,615**	**2,474**	**146,060**
EBOe & Subsidiaries	40,054	2,611	749	531	43,945
Savings Banks	55,114	6,931	1,606	1,514	65,166
Other Austria	35,470	791	259	429	36,949
Central and Eastern Europe	**102,090**	**9,832**	**3,136**	**2,348**	**117,406**
Czech Republic	55,088	4,429	1,160	583	61,260
Romania	12,979	1,575	477	562	15,593
Slovakia	16,448	1,491	689	492	19,119
Hungary	7,606	921	343	141	9,012
Croatia	8,295	1,134	405	548	10,382
Serbia	1,673	282	63	21	2,040
Other	**5,264**	**9**	**6**	**14**	**5,293**
Total	**237,993**	**20,175**	**5,757**	**4,835**	**268,759**
Dec 18					
Austria	**123,157**	**9,491**	**2,491**	**2,786**	**137,925**
EBOe & Subsidiaries	39,353	2,547	750	636	43,286
Savings Banks	54,210	6,192	1,468	1,666	63,536
Other Austria	29,594	752	273	484	31,103
Central and Eastern Europe	**95,417**	**10,760**	**3,620**	**2,498**	**112,297**
Czech Republic	51,499	4,317	1,216	561	57,594
Romania	12,917	1,485	475	603	15,480
Slovakia	14,115	2,744	1,250	487	18,596
Hungary	7,634	797	310	166	8,907
Croatia	7,734	1,126	332	660	9,852
Serbia	1,518	291	37	22	1,868
Other	**5,551**	**42**	**19**	**30**	**5,642**
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by geographical segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Jun 19						
Austria	**122,980**	**9,092**	**2,364**	**78**	**11,546**	**146,060**
EBOe & Subsidiaries	39,686	2,901	516	6	836	43,945
Savings Banks	55,635	5,073	1,449	53	2,957	65,166
Other Austria	27,659	1,118	400	19	7,753	36,949
Central and Eastern Europe	**109,587**	**3,954**	**1,970**	**466**	**1,428**	**117,406**
Czech Republic	58,837	1,489	553	22	358	61,260
Romania	13,878	1,093	475	115	33	15,593
Slovakia	17,980	547	360	146	87	19,119
Hungary	7,975	171	81	110	676	9,012
Croatia	9,192	605	484	72	29	10,382
Serbia	1,726	49	17	2	245	2,040
Other	**5,193**	**2**	**14**	**0**	**85**	**5,293**
Total	**237,759**	**13,048**	**4,348**	**544**	**13,059**	**268,759**
Dec 18						
Austria	**115,410**	**9,247**	**2,606**	**102**	**10,560**	**137,925**
EBOe & Subsidiaries	38,838	2,926	597	17	908	43,286
Savings Banks	53,921	4,913	1,569	62	3,071	63,536
Other Austria	22,650	1,409	439	24	6,580	31,103
Central and Eastern Europe	**104,388**	**3,903**	**2,068**	**493**	**1,446**	**112,297**
Czech Republic	54,940	1,728	532	21	374	57,594
Romania	13,760	1,052	489	134	45	15,480
Slovakia	17,666	347	347	152	85	18,596
Hungary	7,869	128	94	121	696	8,907
Croatia	8,549	596	589	62	57	9,852
Serbia	1,604	52	18	2	190	1,868
Other	**5,495**	**43**	**30**	**0**	**74**	**5,642**
Total	**225,292**	**13,193**	**4,704**	**595**	**12,079**	**255,864**

Loans and advances to customers

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

Loans and advances to customers comprise:

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

On the next pages loans and advances to customers are presented by:

_ business segment and risk category;
_ business segment and IFRS 9 treatment;
_ geographical segment and risk category;
_ geographical segment and IFRS 9 treatment;
_ business segment and coverage of non-performing loans and advances to customers by loan loss allowances and collateral;
_ business segment and coverage by loan loss allowances and IFRS 9 treatment;
_ geographical segment and coverage of non-performing loans and advances to customers by loan loss allowances and collateral;
_ geographical segment and coverage by loan loss allowances and IFRS 9 treatment;
_ geographical segment and currency.

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 19					
Retail	48,479	5,106	2,320	1,484	57,388
Corporates	45,360	5,357	1,203	1,464	53,384
Group Markets	1,477	76	2	0	1,555
ALM & LCC	145	38	60	61	304
Savings Banks	37,737	5,401	1,401	1,454	45,993
GCC	22	6	2	13	43
Total	**133,220**	**15,984**	**4,987**	**4,476**	**158,666**
Dec 18					
Retail	46,081	6,542	2,350	1,560	56,533
Corporates	41,998	4,844	1,568	1,721	50,131
Group Markets	1,097	107	1	0	1,205
ALM & LCC	126	41	73	11	251
Savings Banks	36,944	4,881	1,236	1,586	44,647
GCC	57	3	7	3	69
Total	**126,303**	**16,418**	**5,234**	**4,881**	**152,836**

Loans and advances to customers by business segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Jun 19							
Retail	52,122	3,632	1,362	142	57,258	130	57,388
Corporates	48,437	3,062	1,232	289	53,021	363	53,384
Group Markets	1,521	34	0	0	1,555	0	1,555
ALM & LCC	227	16	61	0	304	0	304
Savings Banks	40,121	4,407	1,393	52	45,973	20	45,993
GCC	24	2	13	0	39	4	43
Total	**142,452**	**11,152**	**4,062**	**484**	**158,149**	**518**	**158,666**
Dec 18							
Retail	51,191	3,631	1,411	158	56,391	142	56,533
Corporates	45,262	3,039	1,431	316	50,047	84	50,131
Group Markets	1,190	15	0	0	1,205	0	1,205
ALM & LCC	225	15	11	0	251	0	251
Savings Banks	38,767	4,257	1,499	61	44,586	61	44,647
GCC	64	1	3	0	69	0	69
Total	**136,700**	**10,958**	**4,355**	**536**	**152,549**	**287**	**152,836**

Loans and advances to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 19					
Austria	**81,813**	**7,957**	**2,253**	**2,351**	**94,374**
EBOe & Subsidiaries	30,388	2,169	690	500	33,746
Savings Banks	37,737	5,401	1,401	1,454	45,993
Other Austria	13,689	388	162	397	14,636
Central and Eastern Europe	**51,365**	**8,021**	**2,732**	**2,111**	**64,230**
Czech Republic	24,025	3,753	1,054	505	29,337
Romania	6,432	1,161	387	469	8,449
Slovakia	11,416	1,320	653	445	13,834
Hungary	3,200	724	281	131	4,336
Croatia	5,229	839	306	541	6,916
Serbia	1,063	224	50	20	1,358
Other	**41**	**6**	**2**	**13**	**63**
Total	**133,220**	**15,984**	**4,987**	**4,476**	**158,666**
Dec 18					
Austria	**79,323**	**7,323**	**2,132**	**2,635**	**91,413**
Erste Bank Oesterreich & Subsidiaries	29,870	2,104	682	601	33,256
Savings Banks	36,944	4,881	1,236	1,586	44,647
Other Austria	12,510	339	214	448	13,511
Central and Eastern Europe	**46,803**	**9,058**	**3,095**	**2,216**	**61,172**
Czech Republic	22,308	3,612	1,054	492	27,466
Romania	6,279	1,109	396	476	8,260
Slovakia	9,204	2,601	1,095	438	13,337
Hungary	3,055	646	257	152	4,109
Croatia	4,996	847	257	638	6,739
Serbia	961	244	36	21	1,262
Other	**177**	**36**	**7**	**30**	**250**
Total	**126,303**	**16,418**	**5,234**	**4,881**	**152,836**

Loans and advances to customers by geographical segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Jun 19							
Austria	**83,810**	**7,850**	**2,256**	**73**	**93,989**	**385**	**94,374**
EBOe & Subsidiaries	30,736	2,503	487	6	33,732	14	33,746
Savings Banks	40,121	4,407	1,393	52	45,973	20	45,993
Other Austria	12,954	941	375	14	14,284	352	14,636
Central and Eastern Europe	**58,598**	**3,300**	**1,793**	**411**	**64,102**	**128**	**64,230**
Czech Republic	27,595	1,241	477	22	29,334	3	29,337
Romania	7,040	908	390	110	8,448	1	8,449
Slovakia	12,859	520	358	97	13,834	0	13,834
Hungary	3,868	163	73	109	4,212	124	4,336
Croatia	5,946	420	477	72	6,916	0	6,916
Serbia	1,291	47	17	2	1,358	0	1,358
Other	**43**	**2**	**13**	**0**	**58**	**4**	**63**
Total	**142,452**	**11,152**	**4,062**	**484**	**158,149**	**518**	**158,666**
Dec 18							
Austria	**80,911**	**7,771**	**2,478**	**101**	**91,261**	**153**	**91,413**
EBOe & Subsidiaries	30,136	2,503	568	17	33,224	32	33,256
Savings Banks	38,767	4,257	1,499	61	44,586	61	44,647
Other Austria	12,007	1,011	410	22	13,451	60	13,511
Central and Eastern Europe	**55,612**	**3,145**	**1,847**	**435**	**61,038**	**134**	**61,172**
Czech Republic	25,598	1,380	464	21	27,463	3	27,466
Romania	6,905	853	372	128	8,259	1	8,260
Slovakia	12,561	330	343	103	13,337	0	13,337
Hungary	3,656	121	83	119	3,979	130	4,109
Croatia	5,699	411	567	62	6,739	0	6,739
Serbia	1,192	50	18	2	1,262	0	1,262
Other	**177**	**43**	**30**	**0**	**250**	**0**	**250**
Total	**136,700**	**10,958**	**4,355**	**536**	**152,549**	**287**	**152,836**

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 334 million (EUR 418 million), the non-defaulted part to EUR 149 million (EUR 117 million).

Expected credit loss measurement

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

According to IFRS 9, there are three main stages outlined for expected credit loss (ECL) determination. Stage 1 includes not credit-impaired financial instruments at initial recognition and not credit-impaired financial instruments without a significant increase in credit risk since initial recognition, irrespective of their credit quality. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

If a significant increase in credit risk (SICR) since initial recognition is identified but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. Financial instruments in Stage 2 have their ECL measured based on expected credit losses on a lifetime (LT) basis. If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. Financial instruments in Stage 3 have their ECL measured based on expected credit losses on a LT basis. Purchased or originated credit-impaired (POCI) financial instruments are those financial instruments that are credit-impaired on initial recognition. Their ECL is always measured on LT basis. The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are presented below:

Significant increase in credit risk determination

In the area of expected credit loss (ECL) modelling and calculation of ensuing credit loss allowances (CLA), one of the key drivers is the assessment of a significant increase in credit risk (SICR) based on whether an instrument's credit risk as at the reporting date has increased significantly from the date it was initially originated. In this respect, across portfolios and product types, quantitative and qualitative indicators are defined for assessing SICR, including the indicator of 30 days-past-due (DPD).

Quantitative criteria. Quantitative SICR indicators include adverse changes in annualised lifetime probability of default and in lifetime probability of default with significance being assessed by reference to a mix of relative and absolute change thresholds. The bank has established thresholds for significant increases in credit risk based on both a percentage and absolute change in PD relative to initial recognition. In order to SICR to occur for a particular financial instrument, both the relative and absolute thresholds need to be breached. The relative measure is calculated as a ratio between current annualised PD and annualised PD value on initial recognition. These ratios are compared against limits set up as threshold for SICR assessment. 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. The absolute threshold refers to difference of PD on initial recognition and current PD. It is set to 50 bps and serves as a back-stop for migrations between the best ratings. In such cases, relative thresholds may be breached, however overall PD is very low, therefore SICR is not positively concluded. There are no additional cure periods established for quantitative criteria for migration back to Stage 1 other than those already established in general credit risk practice (e.g. for rating improvement).

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 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. There are no additional cure periods established for qualitative criteria for migration back to Stage 1 other than those already established in general credit risk practice for the used above-mentioned flags (forbearance, watch lists).

Low credit risk exemption

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

As of 30 June 2019, low credit risk exception is applied only to debt securities in the Czech subsidiary (Česká spořitelna) with exposure of EUR 10.2 billion, of which EUR 10.1 billion is in Stage 1 (PDs interval of 0.01% - 0.5%).

Measuring ECL – explanation of inputs and measurement

Collective allowances are calculated for exposures to non-defaulted customers (i.e. in Stage 1 and Stage 2) 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 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 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) or over the remaining lifetime (LT PD).
- EAD is based on the amounts Erste Group expects to be owed at the time of default, over next 12 months (1Y EAD), or over the remaining lifetime (LT EAD). 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 percentage of exposure at default (EAD).

Life-time parameters

The LT PD is developed through observation of historical defaults from initial recognition through the life-time of the loans. It is assumed to be the same across all assets in the same portfolio and rating band. The 1Y and LT EADs are determined based on the expected payment profiles, which vary by product type. The LT EAD calculation utilises repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, credit conversion factor is estimated for reflecting the expected credit exposure in the EAD. The LGD is estimated as a lifetime curve for any point in time, based on historical loss observations. The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of collective allowances differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis, if the characteristics of the respective portfolio in combination with IFRS standards necessitate this.

Incorporation of forward-looking information

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

Grouping of instruments

Credit loss allowances on Stage 3 or POCI exposures are calculated individually or collectively. The individual approach is applied in case of exposures to significant defaulted customers and consists of the individual assessment of the difference between the gross carrying amount and the net present value of the expected cash flows, which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate (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 approach is used for the calculation of the related credit loss allowance. Under this approach, credit loss allowances are calculated 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.

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

Customer loans, non-performing loans and collateral include both AC and FVPL portfolios.

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

	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio (exc collateral)	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Jun 19												
Retail	1,484	1,483	57,388	57,258	-1,248	613	612	2.6%	2.6%	84.2%	41.3%	41.3%
Corporates	1,464	1,455	53,384	53,021	-1,162	559	559	2.7%	2.7%	79.8%	38.2%	38.4%
Group Markets	0	0	1,555	1,555	-4	0	0	0.0%	0.0%	>500%	0.0%	0.0%
ALM & LCC	61	61	304	304	-27	44	44	19.9%	19.9%	45.3%	72.7%	72.7%
Savings Banks	1,454	1,453	45,993	45,973	-914	736	735	3.2%	3.2%	62.9%	50.6%	50.6%
GCC	13	11	43	39	-8	7	4	31.0%	28.8%	67.9%	50.1%	40.2%
Total	**4,476**	**4,462**	**158,666**	**158,149**	**-3,362**	**1,959**	**1,954**	**2.8%**	**2.8%**	**75.4%**	**43.8%**	**43.8%**
Dec 18												
Retail	1,560	1,557	56,533	56,391	-1,310	637	636	2.8%	2.8%	84.2%	40.9%	40.9%
Corporates	1,721	1,701	50,131	50,047	-1,256	621	620	3.4%	3.4%	73.8%	36.1%	36.5%
Group Markets	0	0	1,205	1,205	-4	0	0	0.0%	0.0%	>500%	0.0%	0.0%
ALM & LCC	11	11	251	251	-19	1	1	4.3%	4.3%	180.6%	9.4%	9.4%
Savings Banks	1,586	1,583	44,647	44,586	-971	785	782	3.6%	3.6%	61.4%	49.5%	49.4%
GCC	3	1	69	69	-2	3	1	4.1%	1.0%	237.5%	99.8%	99.2%
Total	**4,881**	**4,853**	**152,836**	**152,549**	**-3,563**	**2,046**	**2,041**	**3.2%**	**3.2%**	**73.4%**	**41.9%**	**42.1%**

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

	Loans to customers				Allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Jun 19											
Retail	52,122	3,632	1,362	142	-122	-195	-874	-58	5.4%	64.2%	40.7%
Corporates	48,437	3,062	1,232	289	-140	-134	-822	-65	4.4%	66.7%	22.5%
Group Markets	1,521	34	0	0	-3	-1	0	0	2.5%	88.3%	100.0%
ALM & LCC	227	16	61	0	-1	-5	-21	0	32.0%	35.1%	0.0%
Savings Banks	40,121	4,407	1,393	52	-83	-136	-683	-11	3.1%	49.0%	20.7%
GCC	24	2	13	0	0	0	-7	0	0.2%	55.9%	0.0%
Total	**142,452**	**11,152**	**4,062**	**484**	**-349**	**-471**	**-2,408**	**-134**	**4.2%**	**59.3%**	**27.7%**
Dec 18											
Retail	51,191	3,631	1,411	158	-124	-203	-913	-71	5.6%	64.7%	45.0%
Corporates	45,262	3,039	1,431	316	-138	-131	-900	-87	4.3%	62.9%	27.4%
Group Markets	1,190	15	0	0	-3	0	0	0	0.9%	87.0%	100.0%
ALM & LCC	225	15	11	0	0	-11	-8	0	68.4%	79.0%	0.0%
Savings Banks	38,767	4,257	1,499	61	-78	-131	-747	-16	3.1%	49.8%	25.5%
GCC	64	1	3	0	0	0	-1	0	1.2%	46.4%	0.0%
Total	**136,700**	**10,958**	**4,355**	**536**	**-344**	**-476**	**-2,570**	**-174**	**4.3%**	**59.0%**	**32.4%**

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

	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio (exc collateral)	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Jun 19												
Austria	**2,351**	**2,342**	**94,374**	**93,989**	**-1,465**	**1,186**	**1,184**	**2.5%**	**2.5%**	**62.6%**	**50.4%**	**50.6%**
EBOe & Subs	500	500	33,746	33,732	-308	280	280	1.5%	1.5%	61.7%	56.0%	56.0%
Savings Banks	1,454	1,453	45,993	45,973	-914	736	735	3.2%	3.2%	62.9%	50.6%	50.6%
Other Austria	397	389	14,636	14,284	-243	169	169	2.7%	2.7%	62.5%	42.6%	43.4%
CEE	**2,111**	**2,109**	**64,230**	**64,102**	**-1,889**	**767**	**766**	**3.3%**	**3.3%**	**89.6%**	**36.3%**	**36.3%**
Czech Republic	505	505	29,337	29,334	-495	129	129	1.7%	1.7%	98.1%	25.5%	25.5%
Romania	469	468	8,449	8,448	-483	142	142	5.5%	5.5%	103.2%	30.3%	30.3%
Slovakia	445	445	13,834	13,834	-346	208	208	3.2%	3.2%	77.7%	46.7%	46.7%
Hungary	131	130	4,336	4,212	-115	84	83	3.0%	3.1%	88.1%	64.2%	64.0%
Croatia	541	541	6,916	6,916	-424	200	200	7.8%	7.8%	78.3%	36.9%	36.9%
Serbia	20	20	1,358	1,358	-27	4	4	1.5%	1.5%	134.8%	20.7%	20.7%
Other	**13**	**11**	**63**	**58**	**-8**	**7**	**4**	**21.3%**	**19.1%**	**68.8%**	**50.1%**	**40.2%**
Total	**4,476**	**4,462**	**158,666**	**158,149**	**-3,362**	**1,959**	**1,954**	**2.8%**	**2.8%**	**75.4%**	**43.8%**	**43.8%**
Dec 18												
Austria	**2,635**	**2,617**	**91,413**	**91,261**	**-1,591**	**1,265**	**1,263**	**2.9%**	**2.9%**	**60.8%**	**48.0%**	**48.3%**
EBOe & Subs	601	600	33,256	33,224	-368	308	308	1.8%	1.8%	61.4%	51.3%	51.3%
Savings Banks	1,586	1,583	44,647	44,586	-971	785	782	3.6%	3.6%	61.4%	49.5%	49.4%
Other Austria	448	434	13,511	13,451	-251	173	173	3.3%	3.2%	57.9%	38.6%	39.8%
CEE	**2,216**	**2,208**	**61,172**	**61,038**	**-1,956**	**778**	**777**	**3.6%**	**3.6%**	**88.6%**	**35.1%**	**35.2%**
Czech Republic	492	492	27,466	27,463	-497	101	101	1.8%	1.8%	101.2%	20.6%	20.6%
Romania	476	469	8,260	8,259	-477	159	159	5.8%	5.7%	101.7%	33.5%	34.0%
Slovakia	438	438	13,337	13,337	-354	192	192	3.3%	3.3%	80.9%	44.0%	44.0%
Hungary	152	150	4,109	3,979	-128	86	85	3.7%	3.8%	85.3%	56.6%	56.4%
Croatia	638	638	6,739	6,739	-469	234	234	9.5%	9.5%	73.5%	36.6%	36.6%
Serbia	21	21	1,262	1,262	-29	5	5	1.7%	1.7%	139.4%	23.9%	23.9%
Other	**30**	**28**	**250**	**250**	**-16**	**3**	**1**	**12.1%**	**11.3%**	**56.9%**	**9.3%**	**2.5%**
Total	**4,881**	**4,853**	**152,836**	**152,549**	**-3,563**	**2,046**	**2,041**	**3.2%**	**3.2%**	**73.4%**	**41.9%**	**42.1%**

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

	Loans to customers				Allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Jun 19											
Austria	**83,810**	**7,850**	**2,256**	**73**	**-139**	**-211**	**-1,105**	**-11**	**2.7%**	**49.0%**	**15.6%**
EBOe & Subs	30,736	2,503	487	6	-35	-55	-218	0	2.2%	44.7%	7.5%
Savings Banks	40,121	4,407	1,393	52	-83	-136	-683	-11	3.1%	49.0%	20.7%
Other AT	12,954	941	375	14	-21	-19	-204	0	2.0%	54.2%	0.0%
CEE	**58,598**	**3,300**	**1,793**	**411**	**-211**	**-261**	**-1,296**	**-122**	**7.9%**	**72.3%**	**29.8%**
Czech Republic	27,595	1,241	477	22	-76	-76	-336	-7	6.1%	70.5%	33.7%
Romania	7,040	908	390	110	-31	-98	-318	-36	10.7%	81.4%	32.9%
Slovakia	12,859	520	358	97	-34	-35	-233	-43	6.8%	65.1%	45.0%
Hungary	3,868	163	73	109	-15	-19	-53	-28	11.4%	73.4%	26.0%
Croatia	5,946	420	477	72	-47	-27	-343	-6	6.4%	71.9%	8.9%
Serbia	1,291	47	17	2	-8	-6	-12	-1	12.6%	71.5%	34.4%
Other	**43**	**2**	**13**	**0**	**0**	**0**	**-7**	**0**	**0.2%**	**55.9%**	**0.0%**
Total	**142,452**	**11,152**	**4,062**	**484**	**-349**	**-471**	**-2,408**	**-134**	**4.2%**	**59.3%**	**27.7%**
Dec 18											
Austria	**80,911**	**7,771**	**2,478**	**101**	**-132**	**-204**	**-1,231**	**-24**	**2.6%**	**49.7%**	**24.1%**
EBOe & Subs	30,136	2,503	568	17	-34	-53	-273	-9	2.1%	48.1%	50.3%
Savings Banks	38,767	4,257	1,499	61	-78	-131	-747	-16	3.1%	49.8%	25.5%
Other AT	12,007	1,011	410	22	-21	-20	-211	0	1.9%	51.4%	0.0%
CEE	**55,612**	**3,145**	**1,847**	**435**	**-211**	**-271**	**-1,324**	**-149**	**8.6%**	**71.7%**	**34.3%**
Czech Republic	25,598	1,380	464	21	-77	-85	-326	-9	6.2%	70.2%	46.1%
Romania	6,905	853	372	128	-30	-100	-301	-47	11.7%	80.8%	36.4%
Slovakia	12,561	330	343	103	-36	-34	-233	-51	10.3%	68.0%	49.9%
Hungary	3,656	121	83	119	-14	-16	-63	-35	13.4%	76.5%	29.1%
Croatia	5,699	411	567	62	-46	-29	-389	-6	7.0%	68.5%	10.1%
Serbia	1,192	50	18	2	-8	-8	-13	-1	15.1%	72.1%	40.6%
Other	**177**	**43**	**30**	**0**	**-1**	**-1**	**-15**	**0**	**2.3%**	**47.9%**	**0.0%**
Total	**136,700**	**10,958**	**4,355**	**536**	**-344**	**-476**	**-2,570**	**-174**	**4.3%**	**59.0%**	**32.4%**

Loans and advances to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Jun 19						
Austria	**86,135**	**0**	**3,333**	**2,700**	**2,207**	**94,374**
Erste Bank Oesterreich & Subsidiaries	32,196	0	1,389	63	99	33,746
Savings Banks	42,907	0	1,900	83	1,103	45,993
Other Austria	11,032	0	45	2,554	1,005	14,636
Central and Eastern Europe	**27,963**	**35,788**	**32**	**351**	**94**	**64,230**
Czech Republic	4,459	24,617	1	194	66	29,337
Romania	3,234	5,118	0	98	0	8,449
Slovakia	13,803	0	0	4	28	13,834
Hungary	1,098	3,230	7	2	0	4,336
Croatia	4,327	2,515	24	50	0	6,916
Serbia	1,043	309	1	4	0	1,358
Other	**24**	**33**	**0**	**6**	**0**	**63**
Total	**114,122**	**35,821**	**3,365**	**3,057**	**2,301**	**158,666**
Dec 18						
Austria	**83,141**	**0**	**3,512**	**2,646**	**2,114**	**91,413**
Erste Bank Oesterreich & Subsidiaries	31,641	0	1,455	57	103	33,256
Savings Banks	41,462	0	2,013	98	1,074	44,647
Other Austria	10,039	0	45	2,490	937	13,511
Central and Eastern Europe	**26,448**	**34,255**	**45**	**307**	**117**	**61,172**
Czech Republic	3,628	23,659	1	101	78	27,466
Romania	3,308	4,843	0	109	0	8,260
Slovakia	13,282	0	0	25	30	13,337
Hungary	1,041	3,059	7	2	0	4,109
Croatia	4,222	2,413	28	67	9	6,739
Serbia	968	281	10	4	0	1,262
Other	**195**	**36**	**0**	**19**	**0**	**250**
Total	**109,784**	**34,291**	**3,558**	**2,972**	**2,231**	**152,836**

Market risk

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

in EUR million	Dec 18	Jun 19
Interest	5.6	4.5
Currency	0.5	0.4
Shares	0.6	0.6
Commodity	0.1	0.2
Volatility	0.3	0.3
Total	**5.6**	**4.5**

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

Liquidity risk

Due to the comfortable liquidity position and the usage of the TLTRO II programme (Targeted Longer-Term Refinancing Operations II) of the European Central Bank, Erste Group Bank AG has budgeted long term issuance for 2019 in the amount of EUR 3.8 billion. In the first six months of the year Erste Group issued over EUR 2.7 billion (net of EUR 194 million buybacks), including four EUR 500-benchmark transactions (additional tier 1, senior non-preferred, senior preferred und a mortgage bond). On group level, Erste Group's total TLTRO II participation amounts to EUR 3.5 billion.

Leverage ratio

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

As of 30 June 2019, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.7%, comfortably above the 3.0% minimum requirement proposed by the Basel Committee. Tier 1 capital amounted to EUR 17.6 billion at the reference date, while total leverage exposure stood at EUR 262.3 billion.

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

30. Related party transactions

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung) controls a total of 30.34% interest in Erste Group Bank AG. Privatstiftung is therefore the largest single investor in Erste Group Bank AG. At the end of the reporting period, Erste Group had, in relation to Privatstiftung, accounts payable of EUR 7.0 million (EUR 25.4 million) and no accounts receivable. At the end of the reporting period, Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 9.8 million (EUR 9.7 million). In the reporting period interest expenses amounted to EUR 0.1 million (EUR 0.1 million), resulting from the above mentioned accounts payable.

31. Contingent liabilities – legal proceedings

Since year-end 2018 there have not been any material changes in the assessment of the influence of the outcome of the litigation cases in which Erste Group Bank AG and some of its subsidiaries are involved with respect of the financial and/or earnings situation of Erste Group, with the exception of the following: In the legal proceedings of BCR BpL, the building society subsidiary of BCR, against the Romanian Court of Accounts, the Romanian high court in June 2019 overturned the lower court ruling. In this litigation, which was about whether state subsidies had been disbursed to building society clients in accordance with the applicable legal provisions, the court of first instance had accepted BCR BpL's legal position on the most relevant counts. The expected costs of the recent high court decision have already been reflected in the financial results of the first half year of 2019.

32. Fair value of financial instruments

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

Financial instruments carried at fair value

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

Description of valuation models and parameters

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

Loans. IFRS 9 regulation significantly changed accounting classification of loans. Not SPPI (solely payments of principal and interest) compliant loans are to be valued at fair value. The methodology to compute fair value of these loans corresponds to the basic present value technique where expected cash flows of assets are discounted by the full rate including risk premium required for non-market risk based part of the interest rate to be compliant with fair value definition. The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer's probability of default and loss given default. These adjusted cash flows are then discounted by a yield curve which consists of a risk free rate and a funding spread. The complex interest rate assets are valued by Monte Carlo simulation approach to include convexity correction and time value of embedded options.

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 relevered beta and the country risk premium. The relevered beta is derived from the industry classification which is published and maintained by Damodaran. In rare cases, techniques for non-trading equity instruments may also include models based on multiples. The comparable company multiple method is a valuation technique within the market approach that uses prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee's equity or enterprise value can be inferred.

Liabilities. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined in line with similar instruments held as assets. Erste Group derives its own credit spread for the respective seniority class according to the principle of market opportunity cost and the cost of issuing primary benchmark bonds in the capital market. An important input factor for the spread levels are indications from external investment banks, which Erste Group receives on a regular basis. For every seniority of issued bonds with accounting treatment FVO, a specified valuation curve is applied. The spreads are validated on a regular basis from an independent Risk Management unit.

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

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

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

According to the described methodology the accumulated CVA-adjustments amounted to EUR 16.1 million (2018: EUR 15.1 million) and the total DVA-adjustment amounted to EUR 3.0 million (2018: EUR 4.1 million).

Validation and control

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

Fair value hierarchy

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

Level 1 of the fair value hierarchy

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

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

Leve 2 of the fair value hierarchy

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

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

Level 3 of the fair value hierarchy

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

These include shares, participations and funds not quoted, illiquid bonds as well as collateralized mortgage obligations (CMO) as well as loans and own issues.

A reclassification from Level 1 into Level 2 or Level 3 as well as vice versa will be done 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 18				Jun 19			
in EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets HfT	1,419	4,085	80	5,584	2,448	3,898	118	6,464
Derivatives	2	2,974	61	3,037	5	3,005	90	3,101
Other financial assets held for trading	1,417	1,111	19	2,547	2,443	893	27	3,363
Non-trading financial assets - FVPL	2,239	293	778	3,310	2,062	422	893	3,377
Equity instruments	31	24	317	372	61	34	306	401
Debt securities	2,208	268	174	2,651	2,002	388	69	2,459
Loans and advances	0	0	287	287	0	0	518	518
Financial assets FVOCI	7,707	1,063	502	9,272	7,933	827	644	9,404
Hedge accounting derivatives	0	131	1	132	0	167	1	168
Total assets	**11,365**	**5,573**	**1,361**	**18,299**	**12,443**	**5,315**	**1,656**	**19,414**
Liabilities								
Financial liabilities HfT	465	2,030	14	2,508	347	2,157	14	2,518
Derivatives	2	1,985	14	2,000	2	2,108	14	2,125
Other financial liabilities held for trading	463	45	0	508	344	49	0	393
Financial liabilities - FVPL	618	12,943	561	14,122	639	13,366	600	14,605
Deposits from customers	0	212	0	212	0	255	0	255
Debt securities issued	618	12,731	96	13,446	639	13,111	164	13,914
Other financial liabilities	0	0	464	464	0	0	436	436
Hedge accounting derivatives	0	277	0	277	0	276	0	276
Total liabilities	**1,083**	**15,249**	**574**	**16,907**	**986**	**15,799**	**614**	**17,399**

Derivatives transacted via clearing houses are presented after netting in compliance with their balance sheet treatment. The netted derivatives are allocated to Level 2. The allocation of the appropriate level of positions is determined at the end of the reporting period.

Valuation process for financial instruments categorised as Level 3

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

Changes in volumes of Level 1 and Level 2

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

in EUR million	Dec 18 Level 1	Dec 18 Level 2	Jun 19 Level 1	Jun 19 Level 2
Securities				
Net transfer from Level 1		525		-160
Net transfer from Level 2	-525		160	
Net transfer from Level 3	1	-76	9	51
Purchases/sales/expiries	-4,234	-648	906	-216
Changes in derivatives	-7	-1,081	3	68
Total year-to-date change	**-4,765**	**-1,280**	**1,078**	**-258**

Level 1-Movements. The total amount of Level 1 financial assets increased by EUR 1,078 million compared to last year. The change in volume of Level 1 securities (increased by EUR 1,075 million) was determined on the one hand by matured or sold assets in the amount of EUR 1,401 million and on the other hand by new investments in the amount of EUR 1,623 million. The increase in volume for securities that were allocated to Level 1 at both reporting dates (2019 and 2018) amounted to EUR 675 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 222 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by governments (EUR 192 million), but also to securities issued by other corporates (EUR 24 million) and financial institutions (EUR 6 million). Due to lower market activity and changes to modelled fair value, securities in total of EUR 62 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by financial institutions (EUR 54 million), other corporates (EUR 4 million) as well as securities issued by governments (EUR 3 million). Level 3 instruments in the amount of EUR 9 million were reclassified to Level 1. The remaining positive change in the amount of EUR 10 million was due to partial sales and fair value changes of reclassified instruments. The volume of derivatives increased by EUR 3 million.

Level 2-Movements. The total value of Level 2 financial assets decreased between 2019 and 2018 by EUR 258 million. The Level 2 fair value change of securities and other receivables (down by EUR 326 million) can be explained for the most part by matured or sold positions in the amount of EUR 925 million and new investments in the amount of EUR 645 million. The increase in volume for securities that have been allocated to Level 2 at both reporting dates 2019 and 2018 amounted to EUR 8 million due to purchases or sales in volumes and changes in market values. Due to reduced market depth a total volume of EUR 62 million was reclassified from Level 1 to Level 2 in 2018. This applies mainly to securities issued by financial institutions (EUR 54 million), securities issued by other corporates (EUR 4 million) and governments (EUR 3 million). Securities in the amount of EUR 222 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 82 million was reclassified from Level 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 133 million was reclassified from Level 3 to Level 2. The remaining increase in the amount of EUR 56 million was due to partial sales and fair value changes of reclassified instruments. The increase on the asset side derivatives in Level 2 by EUR 68 million are caused by changes in market values and by netting effects.

The total Level 2 financial liabilities increased by EUR 550 million. Whereas the fair value of derivatives increased by EUR 122 million, the portfolio of securities increased by EUR 384 billion. The fair value of client deposits increased by EUR 43 million.

Movements in Level 3 of financial instruments carried at fair value

Development of fair value of financial instruments in Level 3

in EUR million		Gain/loss in profit or loss	Gain/loss in other comprehensive income	Purchases	Sales	Settlements	Additions to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency translation	
	Jan 19											Jun 19
Assets												
Financial assets HfT	80	33	0	20	-1	0	0	0	4	-19	0	118
Derivatives	61	34	0	2	0	0	0	0	4	-10	0	90
Other financial assets held for trading	19	0	0	18	-1	0	0	0	0	-9	0	27
Non-trading financial assets at FVPL	778	20	0	335	-10	-74	0	0	1	-154	-2	893
Equity instruments	317	8	0	10	-4	0	0	0	1	-26	0	306
Debt securities	174	5	0	23	-6	-13	0	0	0	-114	0	69
Loans and advances	287	7	0	301	0	-61	0	0	1	-14	-3	518
Financial assets FVOCI	502	1	62	12	0	-5	0	0	82	-10	2	644
Hedge accounting derivatives	1	0	0	1	0	0	0	0	0	-1	0	1
Total assets	**1,361**	**54**	**62**	**367**	**-11**	**-79**	**0**	**0**	**87**	**-184**	**-1**	**1,656**
Liabilities												
Financial liabilities HfT	14	1	0	0	0	0	0	0	0	0	0	14
Derivatives	14	1	0	0	0	0	0	0	0	0	0	14
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities at FVPL	561	19	0	75	-50	-2	0	-30	124	-96	0	600
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	96	7	0	34	0	-1	0	0	124	-96	0	164
Other financial liabilities	464	11	0	41	-50	-1	0	-30	0	0	0	436
Total liabilities	**574**	**20**	**0**	**75**	**-50**	**-2**	**0**	**-30**	**124**	**-96**	**0**	**614**
	Jan 18											Jun 18
Assets												
Financial assets HfT	68	-6	0	0	-9	-4	0	0	23	-17	0	55
Derivatives	25	-6	0	0	0	0	0	0	16	0	0	36
Other financial assets held for trading	43	0	0	0	-9	-4	0	0	6	-17	0	19
Non-trading financial assets at FVPL	859	13	0	52	-104	-32	0	-1	100	-42	-8	837
Financial assets at FVOCI	446	1	-19	12	0	-20	0	0	136	-14	-4	538
Total assets	**1,373**	**8**	**-19**	**64**	**-113**	**-57**	**0**	**-1**	**259**	**-73**	**-11**	**1,430**
Liabilities												
Financial liabilities HfT	5	-2	0	0	0	0	0	0	3	0	0	6
Derivatives	5	-2	0	0	0	0	0	0	3	0	0	6
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities at FVPL	1,128	14	0	91	0	-4	0	-141	34	-22	0	1,099
Deposits from customers	137	0	0	0	0	0	0	-137	0	0	0	0
Debt securities issued	456	0	0	91	0	-4	0	0	34	-22	0	555
Other financial liabilities	534	14	0	0	0	0	0	-4	0	0	0	544
Total liabilities	**1,132**	**12**	**0**	**91**	**0**	**-4**	**0**	**-141**	**37**	**-23**	**0**	**1,104**

Level 3 movements. The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, the external market values of securitizations were subject to an internal validation process, which is based on observable market inputs. Based on the described analysis securities in the amount of EUR 82 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by other corporates (EUR 76 million), securities issued by financial institutions (EUR 4 million) and securities from central governments in the amount of EUR 2 million. On the other hand securities in the amount of EUR 133 million were reclassified from Level 3 to Level 2. Thereof EUR 126 million are securities issued by financial institutions, EUR 5 million are securities issued by governments and EUR 1 million are securities issued by other corporates. The movement from Level 3 to Level 1 amounted to EUR 9 million. Loans and advances which are measured at fair value under IFRS 9 increased by EUR 231 million. The additional change in Level 3 positions was on the one hand caused by an increase in derivative exposure of EUR 29 million and on the other hand by an increase caused by the purchase, sale and market value change of securities in the amount of EUR 103 million.

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

in EUR million	1-6 18	1-6 19
Assets		
Financial assets HfT	-10.4	33.6
Derivatives	-10.4	33.5
Other financial assets held for trading	0.0	0.1
Non-trading financial assets at FVPL	4.5	20.4
Equity instruments	-1.0	8.2
Debt securities	10.8	5.2
Loans and advances	-5.3	7.0
Financial assets at FVOCI	2.3	-0.1
Total	**-3.6**	**53.9**

For financial liabilities measured at fair value in Level 3 a valuation of EUR -18.6 million (EUR -17.5 million)was posted via income statement for the end of the reporting period.

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

_ Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).

_ Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.

_ Loans which do not comply with the contractual cash flow criteria.

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Jun 19					
Positive fair value of derivatives	Forwards, swaps, options	110.4	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.47%-100% (3.86%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	17.1	Discounted cash flow	Credit Spread	0.81%-4.87% (2.60%)
	Loans	517.5	Discounted cash flow	PD	0%-39.72% (0.90%)
				LGD	0%-85.69% (28.28%)
Financial assets at FVOCI	Fixed and variable coupon bonds	86.8	Discounted cash flow	Credit Spread	0.98%-7.27% (4.05%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	164.2	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 0.94-1.25 Recreation 0.95 Real Estate (General/Diversified) 0.75-0.82 Financial Services. (Non-bank & Insurance) 0.94 Banks (Regional) 0.58 Transportation 1.22
				Country risk premium	Croatia 3.39%, Austria 0.45%-0.46% Czech Republic 0.81% Romania 2.26%-2.55%, Slovakia 0.98%, Russia 2.82%, Spain 1.85% Resulting cost of equity based on above inputs: 6.32%-13.85%
		151.2	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		39.7	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
Dez 18					
Positive fair value of derivatives	Forwards, swaps, options	54.9	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.59%-100% (5.59%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	91.6	Discounted cash flow	Credit Spread	0.81%-4.87% (3.53%)
	Loans	286.6	Discounted cash flow	PD	0%-43.38% (0.98%)
				LGD	05-85.69% (19.14%)
Financial assets at FVOCI	Fixed and variable coupon bonds	75.1	Discounted cash flow	Credit Spread	1.95%-7.27% (4.39%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	174.6	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.22-1.25 Recreation 0.95 Real Estate (General/Diversified) 0.82 Financial Svcs. (Non-bank & Insurance) 0.94-1.04 Banks (Regional) 0.74
				Country risk premium	Croatia 3.47%, Austria 0.41%-0.46% Czech Republic 0.81% Romania 2.26%, Russia 2.89%, Slovakia 0.98%, Spain 1.85% Resulting cost of equity based on above inputs: 7.42%-13.73%
		162.8	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		40.4	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.

Equity instruments with a fair value in amount of EUR 166.2 million are assessed on the basis of expert opinions. For equity instruments other than participations classified as Level 3, the amount of EUR°24.5°million (2018: EUR°23.4°million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Fair value changes per product type using reasonably possible alternatives

in EUR million	Dec 18		Jun 19	
	Positive	Negative	Positive	Negative
Derivatives	2.2	-2.8	3.5	-4.6
Income statement	2.2	-2.8	3.5	-4.6
Debt securities	45.3	-60.3	63.2	-84.2
Income statement	23.7	-31.5	9.7	-12.9
Other comprehensive income	21.6	-28.8	53.5	-71.3
Equity instruments	71.6	-52.8	71.8	-49.9
Income statement	36.2	-31.6	35.5	-28.0
Other comprehensive income	35.4	-21.2	36.3	-21.9
Loans	9.5	-24.8	5.6	-23.1
Income statement	9.5	-24.8	5.6	-23.1
Other comprehensive income	0.0	0.0	0.0	0.0
Total	**128.6**	**-140.7**	**144.1**	**-161.8**
Income statement	**71.6**	**-90.7**	**54.3**	**-68.6**
Other comprehensive income	**57.0**	**-50.0**	**89.8**	**-93.2**

Sensitivity analysis. 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 beween -2% and +2%
- for CVA on derivatives PDs rating upgrade/downgrade by one notch, as well as the change of LGD by -5% and +10%.
- for loans, the PDs rating upgrade/downgrade by 1%, the change of LGD by -5% and +10% and a range of credit spreads between +100 basis points and -75 basis points

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

	Dec 18		Jun 19	
in EUR million	Carrying amount (balance sheet)	Fair value	Carrying amount (balance sheet)	Fair value
Assets				
Cash and cash balances	17,549	17,549	16,843	16,843
Financial assets at AC	189,106	192,194	199,411	204,825
Loans and advances to banks	19,103	19,098	23,035	23,054
Loans and advances to customers	143,953	146,096	149,484	153,465
Debt securities	26,050	27,000	26,892	28,306
Finance lease receivables	3,763	3,775	3,925	3,959
Assets held for sale	11	11	4	4
Trade and other receivables	1,318	1,315	1,404	1,428
Liabilities				
Financial liabilities at AC	196,863	196,895	205,560	205,930
Deposits from banks	17,658	17,752	19,043	19,043
Deposits from customers	162,426	162,179	169,004	169,123
Debt securities issued	16,293	16,478	16,859	17,111
Other financial liabilities	486	486	653	654
Financial guarantees and commitments				
Financial guarantees	n/a	201	n/a	115
Irrevocable commitments	n/a	102	n/a	67

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

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

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

	1-6 18	1-6 19
Austria	**16,256**	**16,195**
Erste Group, EB Oesterreich and subsidiaries	9,118	9,060
Haftungsverbund savings banks	7,139	7,134
Outside Austria	**31,316**	**31,038**
Česká spořitelna Group	10,212	9,992
Banca Comercială Română Group	7,214	7,099
Slovenská sporiteľňa Group	4,165	4,071
Erste Bank Hungary Group	3,058	3,126
Erste Bank Croatia Group	3,182	3,252
Erste Bank Serbia Group	1,089	1,136
Savings banks subsidiaries	1,204	1,197
Other subsidiaries and foreign branch offices	1,191	1,164
Total	**47,572**	**47,233**

34. Own funds and capital requirements

Among others, Erste Group fulfils hereinafter the disclosure requirements according to the Capital Requirements Regulation (CRR), in detail Art. 437 (1) (a), (d) and (e) CRR. References to chapters refer to the financial statement.

Regulatory scope of consolidation and institutional protection scheme

The consolidated regulatory capital and the consolidated regulatory capital requirements are calculated based on the scope of consolidation stipulated in the Capital Requirements Regulation (CRR). Based on Art. 4 para 1 (3), (16) to (27) CRR in line with Art. 18 and 19 CRR and para 30 of the Austrian Banking Act (ABA), the scope consists of credit institutions, investment firms, financial institutions and ancillary service undertakings. This definition differs from the scope of consolidation according to IFRS, which also includes insurance companies and other entities.

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

Regulatory Requirements

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

Own funds

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

The regulatory minimum capital ratios including the capital buffers as of 30 June 2019 amount to

- 9.4% for CET1 (4.5% CET1, +2.5% capital conservation buffer, +2.0% buffer for systemic vulnerability and for systemic concentration risk and +0.37% countercyclical capital buffer),
- 10.9% for tier 1 capital (sum of CET1 and AT1) and
- 12.9% for total own funds.

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

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

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

As of the reporting date 30 June 2019, Erste Group has to fulfil the following capital buffer requirements.

According to section 23 para 1 ABA, Erste Group has to establish a capital conservation buffer in the amount of 2.5%. The transitional provisions for capital conservation buffers, by way of derogation from the requirements under section 23 ABA, are regulated in section 103q para 11 ABA: for the period from 1 January 2018 until 31 December 2018: 1.875%. Starting with 1 January 2019, 2.5% are applied.

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

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

The transitional provisions for the countercyclical buffer, by way of derogation from the requirements under section 23a ABA, are regulated in section 103q para 11 ABA as follows: for the period from 1 January 2018 until 31 December 2018 maximum of 1.875%. From 1 January 2019 onwards 2.5% is applied.

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

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

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

In accordance with section 10 capital buffers regulation the buffer rates for systemic vulnerability and for systemic concentration risk respectively are phased in from 1 January to 31 December 2018 with 1%. From 1 January 2019 onwards 2% is applied.

As a result of the 2018 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a transitional common equity tier 1 (CET1) ratio of 6.25% as of 30 June 2019. This minimum CET1 ratio of 6.25% includes Pillar 1 minimum requirement (4.5%) and Pillar 2 requirement (P2R, 1.75% valid as of 1 January 2019). In addition, Erste Group is subject to combined buffer requirement consisting of the capital conservation buffer (2.5%), the institution specific countercyclical capital buffer (0.37%) and the systemic risk buffer (2.0%) requirements. Thus, overall transitional CET1 capital requirement amounts to 11.12%. In addition, ECB expects Erste Group to meet a Pillar 2 Guidance (P2G) of 1.0% valid as of 1 January 2019), fully in CET1 capital. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

Overview of capital requirements and capital buffers

	Dec 18	Jun 19
Pillar 1		
Minimum CET 1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirements	8.00%	8.00%
Combined buffer requirement (CBR)	3.19%	4.87%
Capital conservation buffer	1.88%	2.50%
Institution-specific countercyclical capital buffer	0.32%	0.37%
Systemic risk buffer (SRB)	1.00%	2.00%
O-SII capital buffer	1.00%	2.00%
Pillar2		
Pillar 2 requirement (P2R)	1.75%	1.75%
Total CET 1 requirement for Pillar 1 and Pillar 2	**9.44%**	**11.12%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**10.94%**	**12.62%**
Total Own Funds requirement for Pillar 1 and Pillar 2	**12.94%**	**14.62%**

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

The Pillar 2 requirement has to be fulfilled with CET1 capital and excludes the P2G.

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

in EUR million	Article pursuant to CRR	Dec 18 Phased-in	Dec 18 Final	Jun 19 Phased-in	Jun 19 Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	2,336	2,336	2,336	2,336
Retained earnings	26 (1) (c), 26 (2)	11,541	11,541	11,569	11,569
Interim profit	26 (2)	0	0	401	401
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-1,342	-1,342	-1,346	-1,346
Minority interest recognised in CET1	4 (1) (120) 84	4,322	4,322	4,452	4,452
Transitional adjustments due to additional minority interests	479, 480	0	0	0	0
Common equity tier 1 capital (CET1) before regulatory adjustments		**16,857**	**16,857**	**17,411**	**17,411**
Own CET1 instruments	36 (1) (f), 42	-114	-114	-75	-75
Prudential filter: cash flow hedge reserve	33 (1) (a)	3	3	-1	-1
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	443	443	453	453
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-4	-4	-3	-3
Value adjustments due to the requirements for prudent valuation	34, 105	-78	-78	-92	-92
Regulatory adjustments relating to unrealised gains (0%)	468	0	0	0	0
Regulatory adjustments relating to unrealised losses (0%)	467	0	0	0	0
Securitisations with a risk weight of 1,250%	36 (1) (k)	-32	-32	-28	-28
Goodwill	4 (1) (113), 36 (1) (b), 37	-710	-710	-709	-709
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	-726	-726	-705	-705
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-21	-21	-22	-22
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-102	-102	-146	-146
Development of unaudited risk provisions during the year (EU No 183/2014)		0	0	0	0
Other transitional adjustments CET1	469 to 472, 478, 481	0	0	0	0
Goodwill (0%)		0	0	0	0
Other intangible assets (0%)		0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
Deferred tax assets allocated up to December 2013 that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (20%)		0	0	0	0
Deferred tax assets allocated on or after January 2014 that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (0%)		0	0	0	0
Own CET1 instruments (0%)	36 (1) (f)	0	0	0	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0	0	0	0
Common equity tier 1 capital (CET1)	**50**	**15,517**	**15,517**	**16,084**	**16,084**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	993	993	1,490	1,490
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	7	7	8	8
Additional tier 1 capital (AT1) before regulatory adjustments		**1,000**	**1,000**	**1,498**	**1,498**
Own AT1 instruments	52 (1) (b), 56 (a), 57	-2	-2	-2	-2
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	0	0	0	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	0	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	0	0	0	0
Goodwill (0%)		0	0	0	0
Other intangible assets (0%)		0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
Own CET1 instruments (0%)	36 (1) (f)	0	0	0	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0	0	0	0
Additional tier 1 capital (AT1)	**61**	**999**	**999**	**1,497**	**1,497**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**16,516**	**16,515**	**17,581**	**17,581**

The table will be continued on the subsequent page.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 18 Phased-in	Dec 18 Final	Jun 19 Phased-in	Jun 19 Final
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**16,516**	**16,515**	**17,581**	**17,581**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	3,797	3,797	3,650	3,650
Instruments issued by subsidiaries recognised in T2	87, 88	241	241	268	268
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0	0	0	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	0	0	0	0
IRB excess of provisions over expected losses eligible	62 (d)	371	371	341	341
Tier 2 capital (T2) before regulatory adjustments		**4,410**	**4,410**	**4,259**	**4,259**
Own T2 instruments	63 (b) (i), 66 (a), 67	-34	-34	-52	-52
Standardised approach general credit risk adjustments	62 (c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	0	0	0	0
Tier 2 capital (T2)	**71**	**4,375**	**4,375**	**4,207**	**4,207**
Total own funds	**4 (1) (118) and 72**	**20,891**	**20,891**	**21,788**	**21,788**
Capital requirement	**92 (3), 95, 96, 98**	**9,168**	**9,228**	**9,467**	**9,504**
CET1 capital ratio	**92 (2) (a)**	**13.5%**	**13.5%**	**13.6%**	**13.5%**
Tier 1 capital ratio	**92 (2) (b)**	**14.4%**	**14.3%**	**14.9%**	**14.8%**
Total capital ratio	**92 (2) (c)**	**18.2%**	**18.1%**	**18.4%**	**18.3%**

Retained earnings include EUR 401 million of total comprehensive income attributable to owners of the parent. Minority interest recognised in CET1includes interim result from saving banks in an amount of EUR 36 million.

The capital structure table above is based on EBA's final draft for implementing technical standards on disclosure for own funds published in the Official Journal of the European Union on 20 December 2013, enlarged by the EBA GL 2014/14. Positions, which are not relevant for Erste Group are not disclosed. Figures shown under full implementation of Basel 3 considered the current CRR. Changes are possible due to final Regulatory Technical Standards (RTS) that are not yet available. The percentage rates of the transitional provisions refer to the current year.

Erste Group has been informed by ECB in the third quarter of 2018 about a final decision in view of credit risk models, which became effective as of end of September 2018. This decision had an effect on risk weighted assets (RWA) on consolidated level of around EUR 300 million. As pre-emption of the expected effects from the implementation of the new loss given default (LGD) estimation methodology, Erste Group incorporated a RWA add-on in the amount of EUR 514 million as of the first quarter 2019.

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

in EUR million	Article pursuant to CRR	Dec 18 Total risk (phased-in)	Dec 18 Capital requirement (phased-in)	Jun 19 Total risk (phased-in)	Jun 19 Capital requirement (phased-in)
Total risk exposure amount	92 (3), 95, 96, 98	114,599	9,168	118,340	9,467
Risk-weighted assets (credit risk)	92 (3) (a) (f)	92,549	7,404	97,346	7,788
Standardised approach		16,547	1,324	17,215	1,377
IRB approach		76,002	6,080	80,132	6,411
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	3,434	275	2,903	232
Operational risk	92 (3) (e) 92 (4) (b)	15,241	1,219	14,236	1,139
Exposure for CVA	92 (3) (d)	661	53	644	52
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	2,715	217	3,211	257

in EUR million	Article pursuant to CRR	Dec 18 Total risk (final)	Dec 18 Capital requirement (final)	Jun 19 Total risk (final)	Jun 19 Capital requirement (final)
Total risk exposure amount	92 (3), 95, 96, 98	115,354	9,228	118,795	9,504
Risk-weighted assets (credit risk)	92 (3) (a) (f)	93,303	7,464	97,801	7,824
Standardised approach		17,301	1,384	17,669	1,414
IRB approach		76,002	6,080	80,132	6,411
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	3,434	275	2,903	232
Operational risk	92 (3) (e) 92 (4) (b)	15,241	1,219	14,236	1,139
Exposure for CVA	92 (3) (d)	661	53	644	52
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	2,715	217	3,211	257

Own funds reconciliation

For the disclosure of own funds, Erste Group follows the requirements according to Art. 437 CRR as well as the requirements defined in the Implementing Technical Standards (EU) No 1423/2013, which were published in the Official Journal of the European Union on 20 December 2013. Furthermore Erste Group applies the EBA Guideline No 2014/14 of more frequents disclosure regarding own funds.

Based on the requirements defined by the EBA in the Implementing Technical Standards, the following information must be provided:

_ A full reconciliation of CET1 items - additional tier 1 (AT1) items, tier 2 (T2) items, filters and deductions applied pursuant to Art. 32 to 35, 36, 56, 66 and 79 CRR- to the own funds of the institution's balance sheet in accordance with Art. 437 (1) (a) CRR (see the following tables: Balance sheet, Total equity, Intangible assets, Tax assets and liabilities, Subordinated liabilities).

_ A table designed by the EBA in order to show the capital structure of regulatory capital. The table includes details on the capital structure of Erste Group including the capital components as well as any regulatory deductions and prudential filters. Disclosures in this table cover the disclosure requirements as defined in Art. 437 (1) (d) CRR, separate disclosure of the nature and amounts of each prudential filter applied pursuant to Art. 32 to 35 CRR, each deduction according to Art. 36, 56 and 66 CRR as well as items not deducted in accordance with Art. 47, 48, 56, 66 and 79 CRR.

The following tables show in line with Art. 437 (1) (a) CRR the difference between the IFRS and the regulatory scope of consolidation and as well the reconciliation to the regulatory own funds.

Balance Sheet

in EUR million	Dec 18 IFRS	Dec 18 Effects - scope of consolidation	Dec 18 CRR	Jun 19 IFRS	Jun 19 Effects - scope of consolidation	Jun 19 CRR
Assets						
Cash and cash balances	17.549	-6	17.543	16.843	-15	16.828
Financial assets held for trading	5.584	-3	5.581	6.464	-3	6.461
Derivatives	3.037	1	3.039	3.101	1	3.102
Other financial assets held for trading	2.547	-5	2.542	3.363	-4	3.359
Pledged as collateral	163	0	163	247	0	247
Financial assets at fair value through profit or loss	0	0	0	0	0	0
Non-trading financial assets at fair value through profit or loss	3.310	-440	2.870	3.377	-474	2.903
Pledged as collateral	37	0	37	40	12	52
Equity instruments	372	-11	362	401	-9	391
Debt securities	2.651	-429	2.222	2.459	-465	1.994
Loans and advances to banks	0	0	0	0	0	0
Loans and advances to customers	287	0	287	518	0	518
Financial assets available for sale	0	0	0	0	0	0
Pledged as collateral	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	9.272	0	9.272	9.404	0	9.404
Pledged as collateral	212	0	212	1.617	0	1.617
Equity instruments	239	0	239	285	0	285
Debt securities	9.033	0	9.033	9.119	0	9.119
Financial assets held to maturity	0	0	0	0	0	0
Pledged as collateral	0	0	0	0	0	0
Loans and receivables to credit institutions	0	0	0	0	0	0
Loans and receivables to customers	0	0	0	0	0	0
Financial assets at amortised cost	189.106	549	189.655	199.411	548	199.959
Pledged as collateral	960	0	960	4.249	0	4.249
Debt securities	26.050	-1	26.049	26.892	-1	26.891
Loans and advances to banks	19.103	-10	19.092	23.035	-1	23.034
Loans and advances to customers	143.953	560	144.514	149.484	550	150.034
Finance lease receivables	3.763	-36	3.727	3.925	-18	3.908
Hedge accounting derivatives	132	0	132	168	0	168
Property and equipment	2.293	-256	2.037	2.580	-226	2.354
Investment properties	1.159	-373	787	1.228	-178	1.050
Intangible assets	1.507	-11	1.496	1.490	-11	1.479
Investments in associates and joint ventures	198	312	510	204	293	497
Current tax assets	101	-1	100	92	-1	91
Deferred tax assets	402	-5	397	417	-5	412
Assets held for sale	213	-110	103	214	-139	75
Trade and other receivables	1.318	-14	1.305	1.404	-8	1.396
Other assets	882	-136	746	1.039	-161	878
Total assets	**236.792**	**-531**	**236.261**	**248.261**	**-398**	**247.863**
Liabilities and equity						
Financial liabilities held for trading	2.508	1	2.509	2.518	1	2.519
Derivatives	2.000	1	2.001	2.125	1	2.126
Other financial liabilities held for trading	508	0	508	393	0	393
Financial liabilities at fair value through profit or loss	14.122	-450	13.672	14.605	-422	14.182
Deposits from customers	212	0	212	255	0	255
Debt securities issued	13.446	14	13.460	13.914	13	13.928
Other financial liabilities	464	-464	0	436	-436	0
Financial liabilities at amortised cost	196.863	110	196.973	205.560	237	205.797
Deposits from banks	17.658	-20	17.638	19.043	59	19.102
Deposits from customers	162.426	156	162.583	169.004	181	169.186
Debt securities issued	16.293	-19	16.274	16.859	1	16.860
Other financial liabilities	486	-7	479	653	-3	650
Finance lease liabilities	0	0	0	409	0	409
Hedge accounting derivatives	277	0	277	276	0	276
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	0	0	0	0	0
Provisions	1.705	-9	1.696	2.004	-6	1.998
Current tax liabilities	99	-2	97	75	-3	72
Deferred tax liabilities	23	-15	7	31	-17	14
Liabilities associated with assets held for sale	3	0	3	7	-2	5
Other liabilities	2.323	-133	2.190	3.127	-155	2.972
Total equity	**18.869**	**-33**	**18.836**	**19.649**	**-31**	**19.617**
Equity attributable to non-controlling interests	4.494	34	4.528	4.639	28	4.667
Additional equity instruments	993	0	993	1.490	0	1.490
Equity attributable to owners of the parent	13.381	-67	13.315	13.520	-59	13.460
Subscribed capital	860	0	860	860	0	860
Additional paid-in capital	1.477	0	1.477	1.477	0	1.477
Retained earnings and other reserves	11.045	-67	10.978	11.183	-59	11.124
Total liabilities and equity	**236.792**	**-531**	**236.261**	**248.261**	**-398**	**247.863**

The following tables represent, as far as possible, a reconciliation between the IFRS balance sheet items to the items of CET1, AT1 and T2, as well as information on the regulatory adjustments arising from correction items in accordance with Art. 32 to 35 CRR and the deductions according to Art. 36, 56, 66 and 79 CRR.

The letter in the last column sets the derived amount from IFRS figures with the appropriate eligible amount of own funds presentation in conjunction.

Total equity

in EUR million	IFRS	Effects - scope of consolidation	CRR	IPS adjustments	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Jun 19							
Subscribed capital	860	0	860	0	0	860	
Additional paid-in capital	1.477	0	1.477	0	0	1.476	
Capital instruments and the related share premium accounts	2.336	0	2.336	0	0	2.336	a
Retained earnings	12.389	-49	12.340	0	-371	11.969	b
Accumulated other comprehensive income (OCI)	-1.206	-10	-1.216	-27	-103	-1.346	c
Cash flow hedge reserve	1	0	1	0	0	1	g
Available for sale reserve							
Fair value reserve	309	0	309	61	20	390	
Own credit risk reserve	-445	-1	-447	-6	0	-453	o
Currency translation reserve	-576	-9	-585	0	-12	-597	
Remeasurement of defined benefit plans	-495	0	-494	-82	-111	-687	
Deferred tax							
Equity attributable to owners of the parent	**13.520**	**-59**	**13.460**	**-27**	**-474**	**12.960**	
Additional equity instruments	1.490	0	1.490	0	-1.490	0	
Equity attributable to non-controlling interests	4.639	28	4.667	-131	-84	4.452	d
Total equity	**19.649**	**-31**	**19.617**	**-158**	**-2.048**	**17.411**	

IPS adjustments include the amounts for entities that are consolidated due to the Institutional Protections Scheme according to Art. 113 (7) CRR. Further details regarding the development of IFRS equity are disclosed under section Group Statement of Changes in Total Equity.

Intangible assets

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Jun 19						
Intangible assets	**1.490**	**-11**	**1.479**	**-65**	**1.414**	**e**

Deferred Taxes

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Jun 19						
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	25	-3	22	0	22	f
Related DTA allocated on or after Jan 14 for which 100% CET1 deduction is required according to CRR transitional provisions			21	0	21	
Related DTA allocated up to Dec 13 for which 100% deduction from CET1 is required according to CRR transitional provisions			1	0	1	
DTA that rely on future profitability and arise from temporary differences	393	-2	390	-390	0	
Deferred tax assets	**417**	**-5**	**412**	**-390**	**22**	

Based on the threshold definition according to Art. 48 CRR deferred tax assets that rely on future profitability and arise from temporary differences are not deductible for Erste Group as of 31 December 2018. In accordance with Art. 48 (4) CRR the non-deductible amount is risk weighted with 250% and considered within the credit risk.

Subordinated liabilities and additional tier 1 issuances

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Jun 19						
Subordinated issues, deposits and supplementary capital	6.576	2	6.578	-2.712	3.866	
Tier 2 capital instruments (including related share premium) issued by the parent company	0	0	0	0	3.598	l
Qualifying own funds instruments included in consolidated tier 2 capital issued by subsidiaries and held by third parties	0	0	0	0	268	m
thereof instruments issued by subsidiaries subject to phase-out	0	0	0	0	0	
Additional Tier 1 (AT1) issuances	1.490	0	1.490	-2	1.489	j
Subordinated liabilities	**8.066**	**2**	**8.068**	**-2.713**	**5.355**	

Transitional provisions

The Transitional Provisions which are applied by Erste Group, are based on CRR-Supplementary Regulation according to BGBl II Nr. 425/2013, and the regulation of the European Central Bank on the exercise of options and discretions, ECB/2016/4.

Own funds template

Disclosure requirements: Art. 437 (1) (d) (e) CRR
Erste Group does not consider Art. 437 (1) (f) CRR for the calculation of consolidated own funds.

The table below presents the composition of the regulatory capital based on the Implementing Technical Standards on the disclosure of own funds published in the Official Journal of the EU.

Shown are the current amount, references to the respective CRR articles and referenced to the above shown tables (equity, intangible assets, deferred tax assets and subordinated liabilities).

in EUR million		Jun 19	Regulation (EU) No 575/2013	Reference to tables
1	Capital instruments and the related share premium accounts	2.336	26(1), 27, 28, 29, EBA list 26(3)	a
	of which: ordinary shares	2.336	EBA list 26(3)	a
2	Retained earnings	11.969	261)(c)	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-1.346	26(1)	c
3a	Fund for general banking risk	0	26(1)(f)	
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1	0	486(2)	
	Public sector capital injections grandfathered until Jan 18	0	483(2)	
5	Minority interests (amount allowed in consolidated CET1)	4.452	84, 479, 480	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26(2)	
6	**CET1 capital before regulatory adjustments**	**17.411**		
Common Equity Tier 1 (CET1): regulatory adjustments				
7	Additional value adjustments (negative amount)	-92	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-1.414	36(1)(b), 37, 472(4)	e
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	-22	36(1)(c), 38, 472(5)	f
11	Fair value reserves related to gains or losses on cash flow hedges	-1	33(a)	g
12	Negative amounts resulting from the calculation of expected loss amounts	-146	36(1)(d),40, 159, 472(6)	
13	Any increase in equity that results from securitised assets (negative amount)	0	32(1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	450	33(b)	o
15	Defined-benefit pension fund assets (negative amount)	0	36(1)(e), 41, 472(7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-75	36(1)(f), 42, 472(8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	36(1)(g), 44, 472(9)	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36(1)(h), 43, 45, 46, 49(2)(3), 79, 472(10)	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36(1)(i), 43, 45, 47, 48(1)(b), 49(1)-(3), 79, 470, 472(11)	
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-28	36(1)(k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36(1)(k)(i), 89-91	
20c	of which: securitisation positions (negative amount)	-28	36(1)(k)(ii), 243(1)(b), 244(1)(b), 258	
20d	of which: free deliveries (negative amount)	0	36(1)(k)(iii), 379(3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	0	36(1)(c), 38, 48(1)(a), 470, 472(5)	
22	Amount exceeding the 15% threshold (negative amount)	0	48(1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	36(1)(i), 48(1)(b), 470, 472(11)	
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary differences	0	36(1)(c), 38, 48(1)(a), 470, 472(5)	
25a	Losses for the current financial year (negative amount)	0	36(1)(a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36(1)(l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0		
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0		
	of which: unrealised losses	0	467	
	of which: unrealised gains	0	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	481	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36(1)(j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1.327		
29	**CET1 capital**	**16.084**		

The table is continued on the next page.

in EUR million		Jun 19	Regulation (EU) No 575/2013	Reference to tables
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	1.490	51, 52	
31	of which: classified as equity under applicable accounting standards	1.490		
32	of which: classified as liabilities under applicable accounting standards	0		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486(3)	
	Public sector capital injections grandfathered until Jan 18	0	483(3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	8	85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase-out	0	486(3)	
36	**AT1 capital before regulatory adjustments**	**1.498**		j
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-2	52(1)(b),56(a),57,475(2)	j
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	56(b), 58, 475(3)	
39	Holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56(c), 59, 60, 79, 475(4)	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56(d), 59, 79, 475(4)	
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)	0		
41a	Residual amounts deducted from AT1 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	472, 472(3)(a), 472(4), 472(6),472(8)(a), 472(9), 472(10)(a), 472(11)(a)	
	of which: interim loss	0		
	of which: intangible assets	0		
	of which: shortfall of provisions to expected loss	0		
	of which: own CET1 Instruments	0		
41b	Residual amounts deducted from AT1 with regard to deduction from T2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477(3), 477(4)(a)	
	of which: reciprocal cross holdings in T2 instruments	0		
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		
41c	Amount to be deducted from or added to AT1 with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	
	of which: possible filter to unrealised losses	0	467	
	of which: possible filter to unrealised gains	0	468	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56(e)	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-2**		
44	**Additional Tier 1 (AT1) capital**	**1.497**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**17.581**		
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	3.650	62, 63	l
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	486(4)	
	Public sector capital injections grandfathered until Jan 18	0		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	268		m
49	of which: instruments issued by subsidiaries subject to phase-out	0	486(4)	
50	Credit risk adjustments	341	62(c)(d)	
51	**Tier 2 (T2) capital before regulatory adjustment**	**4.259**	**0**	
T2 capital: regulatory adjustments			**0**	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-52		l
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0		
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	66(c), 69, 70, 79, 477(4)	
54a	of which: new holdings not subject to transitional arrangements	0		
54b	of which: holdings existing before 1 Jan 2013 and subject to transitional arrangements	0		
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	0,0	66(d), 69, 79, 477(4)	

The table is continued on the next page.

in EUR million		Jun 19	Regulation (EU) No 575/2013	Reference to tables
56	Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		
56a	Residual amounts deducted from T2 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)	
	of which: shortfall of provisions to expected loss	0	472(6)	
	of which: non-significant investments	0	472(10)	
56b	Residual amounts deducted from T2 with regard to deduction from AT1 during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	475, 475(2)(a), 475(3), 475(4)(a)	
	of which: reciprocal cross holdings in T1 instruments	0		
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		
56c	Amounts to be deducted from or added to T2 with regard to additional filters and deductions required pre-CRR	0	467, 468, 481	
	of which possible filter to unrealised losses	0	467	
	of which: possible filter to unrealised gains	0	468	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-52**		
58	**Tier 2 (T2) capital**	**4.207**		
59	**Total capital (TC = T1 + T2)**	**21.788**		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0		
	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	0	472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)	
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	475, 475(2)(b), 475(2)(c), 475(4)(b)	
	of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)	0	477, 477(2)(b), 477(2)(c), 477(4)(b)	
60	**Total risk-weighted assets**	**118.340**		
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13,6%	92(2)(a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	14,9%	92(2)(b), 465	
63	Total capital (as a percentage of total risk exposure amount)	18,4%	92(2)(c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	4,87%	CRD 128, 129, 130	
65	of which: capital conservation buffer requirement	2,50%		
66	of which: countercyclical buffer requirement	0,37%		
67	of which: systemic risk buffer requirement	2,00%		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2,00%	CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7,3%	CRD 128	
Amounts below the thresholds for deduction (before risk-weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1.608	36(1)(h), 45, 46, 472(10), 56(c), 59, 60, 475(4), 66(c), 69, 70, 477(4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	183	36(1)(i), 45, 48, 470, 472(11)	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	1.608	36(1)(c), 38, 48, 470, 472(5)	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	215	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	341	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	481	62	
Capital instruments subject to phase-out arrangements (only applicable between Jan 2013 and Jan 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements	30%	484(3), 486(2)&(5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484(3), 486(2)&(5)	
82	Current cap on AT1 instruments subject to phase-out arrangements	30%	484(4), 486(3)&(5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484(4), 486(3)&(5)	
84	Current cap on T2 instruments subject to phase-out arrangements	30%	484(5), 486(4)&(5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484(5), 486(4)&(5)	

35. Events after the reporting date

There are no significant events after the balance sheet date.

Statement of all Legal Representatives

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

Management board	
Andreas Treichl mp, Chairman	Bernhard Spalt mp, Deputy Chairman
Ingo Bleier mp, Member	Peter Bosek mp, Member
Petr Brávek mp, Member	Stefan Dörfler mp, Member
Alexandra Habeler-Drabek mp, Member	

Vienna, 31 July 2019

Abbreviations

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

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

Note regarding forward-looking statements

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

Shareholder Events

30 October 2019	Results for the first three quarters of 2019
13 May 2020	Annual General Meeting in Vienna

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

www.erstegroup.com/investorrelations

Group Investor Relations

Erste Group Bank AG
Am Belvedere 1
1100 Vienna
Austria

E-Mail: investor.relations@erstegroup.com
Internet: www.erstegroup.com/investorrelations

Thomas Sommerauer
Phone: +43 (0)5 0100 - 17326
E-Mail: thomas.sommerauer@erstegroup.com

Peter Makray
Phone: +43 (0)5 0100 - 16878
E-Mail: peter.makray@erstegroup.com

Simone Pilz
Phone: +43 (0)5 0100 - 13036
E-Mail: simone.pilz@erstegroup.com

Gerald Krames
Phone: +43 (0)5 0100 - 12751
E-Mail: gerald.krames@erstegroup.com

Ticker Symbols

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

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