

# Half year financial report 2017

## Key financial data

### Income statement

in EUR million	Q2 16	Q1 17	Q2 17	1-6 16	1-6 17
Net interest income	1,101.9	1,051.3	1,091.7	2,194.1	2,143.0
Net fee and commission income	441.8	457.7	453.2	884.9	910.9
Net trading result	68.8	48.6	54.3	120.0	102.9
Operating income	1,687.3	1,617.5	1,675.2	3,316.6	3,292.8
Operating expenses	-971.5	-1,018.3	-985.2	-1,980.3	-2,003.5
<b>Operating result</b>	<b>715.8</b>	<b>599.2</b>	<b>690.0</b>	<b>1,336.3</b>	<b>1,289.3</b>
Net impairment loss on financial assets	30.6	-65.8	-38.6	-25.8	-104.3
<b>Post-provision operating result</b>	<b>746.4</b>	<b>533.4</b>	<b>651.5</b>	<b>1,310.5</b>	<b>1,184.9</b>
Other operating result	-52.6	-127.1	-82.7	-192.2	-209.8
Levies on banking activities	-44.9	-35.8	-23.6	-107.6	-59.4
Pre-tax result from continuing operations	839.7	434.7	583.0	1,266.7	1,017.6
Taxes on income	-174.3	-95.6	-128.2	-278.8	-223.9
<b>Net result for the period</b>	<b>665.3</b>	<b>339.0</b>	<b>454.7</b>	<b>987.9</b>	<b>793.8</b>
Net result attributable to non-controlling interests	98.4	76.8	92.3	146.2	169.1
<b>Net result attributable to owners of the parent</b>	<b>567.0</b>	<b>262.2</b>	<b>362.5</b>	<b>841.7</b>	<b>624.7</b>
Earnings per share	1.32	0.61	0.80	1.96	1.41
Cash earnings per share	1.32	0.62	0.80	1.97	1.42
Return on equity	19.7%	8.7%	11.1%	14.9%	9.9%
Cash return on equity	19.8%	8.7%	11.2%	14.9%	10.0%
Net interest margin (on average interest-bearing assets)	2.57%	2.33%	2.44%	2.54%	2.40%
Cost/income ratio	57.6%	63.0%	58.8%	59.7%	60.8%
Provisioning ratio (on average gross customer loans)	-0.09%	0.19%	0.11%	0.04%	0.15%
Tax rate	20.8%	22.0%	22.0%	22.0%	22.0%

### Balance sheet

in EUR million	Jun 16	Mar 17	Jun 17	Dec 16	Jun 17
Cash and cash balances	12,982	24,731	25,842	18,353	25,842
Trading, financial assets	49,452	46,145	44,886	47,586	44,886
Loans and receivables to credit institutions	5,626	10,448	4,347	3,469	4,347
Loans and receivables to customers	127,407	132,992	135,122	130,654	135,122
Intangible assets	1,437	1,378	1,458	1,390	1,458
Miscellaneous assets	7,601	7,105	6,501	6,775	6,501
<b>Total assets</b>	<b>204,505</b>	<b>222,798</b>	<b>218,156</b>	<b>208,227</b>	<b>218,156</b>
Financial liabilities - held for trading	6,146	4,314	3,960	4,762	3,960
Deposits from banks	16,367	22,935	17,883	14,631	17,883
Deposits from customers	130,417	144,707	145,574	138,013	145,574
Debt securities issued	28,014	27,127	26,602	27,192	26,602
Miscellaneous liabilities	7,584	6,822	6,621	7,027	6,621
Total equity	15,977	16,894	17,515	16,602	17,515
<b>Total liabilities and equity</b>	<b>204,505</b>	<b>222,798</b>	<b>218,156</b>	<b>208,227</b>	<b>218,156</b>
Loan/deposit ratio	97.7%	91.9%	92.8%	94.7%	92.8%
NPL ratio	5.8%	4.9%	4.7%	4.9%	4.7%
NPL coverage (exc collateral)	65.6%	67.6%	68.5%	69.1%	68.5%
CET 1 ratio (phased-in)	13.3%	13.0%	13.2%	13.4%	13.2%

### Ratings

	Jun 16	Mar 17	Jun 17
<b>Fitch</b>			
Long-term	BBB+	A-	A-
Short-term	F2	F1	F1
Outlook	Stable	Stable	Stable
<b>Moody's</b>			
Long-term	Baa1	Baa1	Baa1
Short-term	P-2	P-2	P-2
Outlook	Stable	Stable	Stable
<b>Standard &amp; Poor's</b>			
Long-term	BBB+	A-	A-
Short-term	A-2	A-2	A-2
Outlook	Stable	Positive	Positive

On 26 July 2017 Moody's upgraded Erste Group Bank AG's long-term ratings to A3 and changed the outlook to positive.

# Letter from the CEO

## Dear shareholders,

Erste Group posted a net profit of EUR 624.7 million for the first six months of 2017. This translates into a return on tangible equity (ROTE) of 11.2% and is hence above our minimum target rate of 10% and in line with market expectations for 2017. The half-year results as well as the development of key financial indicators, including another improvement in the NPL ratio and strong capital and liquidity positions, prove that we are able to operate successfully even in a persistent low-interest-rate environment while coping with challenges that were still unthinkable only a few years ago, such as how to deal with negative interest rates. In terms of loan and deposit growth we are among the leading banks in Europe, which is attributable last, but not least to our excellent footprint in Central and Eastern Europe, the region with the strongest economic growth in Europe.

The economic growth forecasts for our core markets – 2.1% in Austria, and in CEE ranging from 2.7% in Croatia to 5.1% in Romania – have recently been raised once again. The key growth driver was again domestic demand, which benefited from falling unemployment rates, rising real wages and continuing moderate inflation rates. The pick-up in the euro zone's economic activity supported the CEE countries' export performance and investment activities. Interest rates remained at a low level, even though the possibility of a first rate hike in the euro zone has been feeding expectations for Central and Eastern Europe. Currency-wise, the outstanding event in the first half of 2017 was the Czech National Bank's decision to lift the Czech koruna's currency peg to the euro. This resulted in an appreciation of the koruna and, in turn, in positive currency translation effects on Erste Group's balance sheet and income statement.

Alongside the benign macroeconomic trends, a number of by now familiar bank-specific themes marked Erste Group's performance in the first half of the year. Net interest income, our principal source of income, declined mainly due to lower interest income from government bonds and customer loans as well as lower unwinding contributions. Loan growth was not sufficient to fully compensate this development. We were able to increase net fee and commission income, though, on the back of improved securities business and asset management. This is all the more notable as the development of attractive investment products with a risk-return profile suitable for retail clients represents an enormous challenge in a region where capital markets are still at an early stage of development. We were thus able to keep operating income nearly stable at EUR 3.3 billion. At the same time, operating expenses rose to EUR 2 billion in line with expectations. The increase in other administrative expenses and amortisation & depreciation reflects the progress of the large number of IT projects we are currently pursuing. Improving data quality and aligning data sets across national boundaries is not only a mandatory prerequisite for meeting the steady rise in regulatory reporting requirements more speedily. Ultimately, investment in IT infrastructure will also enable us to develop new digital products for our customers. As regards regulation, regulatory costs continue to be significant: general administrative expenses already included almost all contributions to deposit insurance systems projected for 2017 (with the exception of Croatia and Serbia) in the amount of EUR 68.6 million. Other operating result reflects lower banking and transaction taxes – EUR 59.4 million versus EUR 107.6 million – full-year contributions to resolution funds totalling EUR 65.4 million and provisions for expected losses from loans to consumers due to supreme court rulings regarding negative interest reference rates in Austria in the amount of EUR 45 million.

Risk costs quadrupled, but were still at a historically low level. At 15 basis points of average gross loans, they remained below the long-term average and thus contributed substantially to the solid result of the first six months. The central banks' zero or low-interest-rate policies certainly benefit all debtors, whether private persons, businesses or governments, as they help borrowers to make the contractually agreed payments of interest and principal. The NPL ratio – non-performing loans as a percentage of loans to customers – declined further to 4.7%. The NPL coverage ratio excluding collateral was stable at 68.5%. Erste Group's performing loans have grown by 3.5% so far this year, to EUR 133.1 billion, most robustly in the retail business in the Czech Republic and in Slovakia. At the same time, deposit growth was again extraordinarily high at 5.5%, as not only retail clients have come to accept the significant negative impacts of the low-interest-rate environment.

Own funds at EUR 19.9 billion and common equity tier 1 capital (CET 1) at EUR 14.1 billion (both Basel 3 phased-in) reached new highs at the end of June. The CET 1 ratio (again Basel 3 phased-in) amounted to 13.2% due to a higher level of risk-weighted assets. The excellent funding basis of Erste Group – including, importantly, its subsidiaries in the core markets – as well as the significant improvement in asset quality and capital position have been acknowledged by all three of the major rating agencies, with Moody's recently also raising its rating of Erste Group Bank AG's long-term debt to A3 (Positive).

Despite numerous challenges we are thus again excellently positioned in 2017 to meet the targets we have set ourselves as well as our investors' expectations – a return on equity (ROTE) of more than 10% and a higher dividend per share.

Andreas Treichl mp

# Erste Group on the capital markets

## EQUITY MARKET REVIEW

International equity markets continued their upwards trend in the second quarter, with some profit-taking setting in towards the end of June. The markets were driven by companies' earnings growth and upward revisions of economic growth forecasts.

In its World Economic Outlook from 24 July, the International Monetary Fund (IMF) kept its growth projection for the global economy 2017 at 3.5%. The projected GDP growth for the US economy was slightly revised downwards to 2.1%, whereas the expected economic growth of the euro zone was increased to 1.9%.

After the presidential elections in France and the general elections in the UK, investors have increasingly started to refocus on central banks' policies. As had been expected, the US central bank (Fed) raised its policy rates for the second time this year, by 25 basis points, to a range of 1% to 1.25% and reiterated its positive outlook for the economy. The European Central Bank (ECB) left its key rate on hold at 0%, the bond purchase programme of the ECB is set to be continued at least until year-end at a monthly volume of EUR 60 billion.

US benchmark indices hit new highs in the second quarter while most of the European indices ended the reporting period flat. The Dow Jones Euro Stoxx Banks Index, which is composed of the leading European bank shares, added to the gains of the previous quarter by rising 2.9% in the second quarter to 131.16 points as of 30 June. Year to date, the index was up 11.5%. The US Standard & Poor's 500 Index increased by 2.6% in the second quarter to 2,423.41 as of 30 June, up 8.2% compared to year-end 2016. The broader Euro Stoxx 600 Index closed the second quarter down 0.5%, but, at 379.37 points as of 30 June, was still 5.0% higher year-to-date. The Austrian Traded Index (ATX) showed a significantly better performance than the European indices. It rose 9.8% in the second quarter to 3,106.66 points as of 30 June and was up 18.6% year-to-date.

## SHARE PERFORMANCE

Moving in line with the positive trends in the European banking sector and international markets, the Erste Group share continued the upwards trend it has seen since the beginning of the year. The share price benefited from the affirmation of the outlook given on the release of the first-quarter results, Erste Group aims at achieving a return on tangible equity (ROTE) above 10% in 2017, as well as from positive assessments by analysts. The share price gained 9.8% in the second quarter and, at EUR 33.52 as of 30 June, was up 20.5% year-to-date. The Erste Group share thus not only significantly outperformed the European Bank Index, but also beat the domestic benchmark index (ATX).

In the first half of 2017, trading volume on the three stock exchanges (Vienna, Prague, Bucharest) on which the Erste Group share is listed averaged 847,316 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

In January 2017, Erste Group issued a EUR 750 million 10-year mortgage covered bond that fits well into its maturity profile. At the beginning of the second quarter, Erste Group placed for the second time EUR 500 million in CRD VI/CRR-compliant additional tier 1 capital. This issue strengthens Erste Group's already comfortable capital position further and contributes to the further optimisation of the capital structure in terms of CRR compliance.

In the second quarter of 2017, the management together with the investor relations team met with investors in a large number of one-on-one and group meetings, in which questions raised by investors and analysts were answered. The Erste Group's strategy was presented against the backdrop of the current economic environment at international banking and investor conferences organised by HSBC, Concorde, Deutsche Bank, Bank of America Merrill Lynch, Goldman Sachs, JP Morgan, and Autonomous as well as at the spring road show held in Europe and in the US following the presentation of the first quarter 2017 results in London.

# Interim management report

In the interim management report, financial results from January-June 2017 are compared with those from January-June 2016 and balance sheet positions as of 30 June 2017 with those as of 31 December 2016.

## EARNINGS PERFORMANCE IN BRIEF

**Net interest income** declined to EUR 2,143.0 million (-2.3%; EUR 2,194.1 million) despite lending growth, mostly due to lower interest income from the government bond portfolio and a lower unwinding effect. **Net fee and commission income** increased to EUR 910.9 million (+2.9%; EUR 884.9 million). Income from the securities business and from asset management was up substantially, while income from the lending business declined. The **net trading result** decreased to EUR 102.9 million (-14.3%; EUR 120.0 million). While **operating income** was almost stable at EUR 3,292.8 million (-0.7%; EUR 3,316.6 million), **general administrative expenses** rose to EUR 2,003.5 million (+1.2%; EUR 1,980.3 million) in line with expectations. This was attributable to an increase in other administrative expenses as well as depreciation and amortisation while personnel expenses were nearly unchanged at EUR 1,151.3 million (-0.1%; EUR 1,152.7 million). Almost all projected deposit insurance payments for 2017 in the amount of EUR 68.6 million (EUR 79.3 million) are already included in this line item. Consequently, the **operating result** decreased to EUR 1,289.3 million (-3.5%; EUR 1,336.3 million). The **cost/income ratio** rose marginally to 60.8% (59.7%).

**Net impairment loss on financial assets** remained low at EUR 104.3 million or 15 basis points of average gross customer loans (EUR 25.8 million or 4 basis points). In the previous year, substantial income from the recovery of loans already written off in Romania and Hungary had a positive impact. The **NPL ratio** improved again to 4.7% (4.9%) The **NPL coverage ratio** was stable at 68.5% (69.1%).

**Other operating result** amounted to EUR -209.8 million (EUR -192.2 million). This line item includes the annual contributions to resolution funds in the amount of EUR 65.4 million (EUR 64.6 million), banking and financial transaction taxes of EUR 59.4 million (EUR 107.6 million), and provisions of EUR 45.0 million for expected losses from loans to consumers due to supreme court rulings regarding negative interest reference rates in Austria.

The minority charge rose to EUR 169.1 million (+15.7%; EUR 146.2 million) due to a rise in the earnings contributions of the savings banks. The **net result attributable to owners of the parent** declined to EUR 624.7 million (-25.8%; EUR 841.7 million), which was primarily due to a gain from the sale of shares in VISA Europe in the amount of EUR 138.7 million (pre-tax) in previous year.

**Total equity** not including AT1 instruments rose to EUR 16.5 billion (EUR 16.1 billion). After regulatory deductions and filtering according to the CRR, **common equity tier 1 capital** (CET1, Basel 3 phased-in) increased to EUR 14.1 billion (EUR 13.6 billion). Total **own funds** (Basel 3 phased-in) went up to EUR 19.9 billion (EUR 18.8 billion). Interim profit is included in the above figures. Total risk (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) rose to EUR 106.8 billion (EUR 101.8 billion). The **common equity tier 1 ratio** (CET1, Basel 3 phased-in) stood at 13.2% (13.4%), the **total capital ratio** (Basel 3 phased-in) at 18.7% (18.5%).

**Total assets** increased to EUR 218.2 billion (+4.8%; EUR 208.2 billion). On the asset side, cash and cash balances rose to EUR 25.8 billion (EUR 18.4 billion), while loans and receivables to credit institutions increased to EUR 4.3 billion (EUR 3.5 billion). **Loans and receivables to customers** rose to EUR 135.1 billion (+3.4%; EUR 130.7 billion). On the liability side, deposits from banks increased to EUR 17.9 billion (EUR 14.6 billion) and **customer deposits** continued to grow – most notably in the Czech Republic and in Austria – to EUR 145.6 billion (+5.5%; EUR 138.0 billion). The **loan-to-deposit** ratio stood at 92.8% (94.7%).

## OUTLOOK 2017

**Operating environment anticipated to be conducive to credit expansion.** Real GDP growth is expected to be between 2.1% and 5.1% in Erste Group's CEE core markets, including Austria, in 2017. Real GDP growth should primarily be driven by solid domestic demand, whereby real wage growth and declining unemployment should support economic activity in CEE. Fiscal discipline is expected to be maintained across CEE.

**Business outlook.** Erste Group aims to achieve a return on tangible equity (ROTE) of more than 10% (based on average tangible equity in 2017). The underlying assumptions are: at best flat revenues (assuming 5%+ net loan growth); cost inflation of 1–2% due to regulatory projects and digitalisation; increase in risk costs, albeit remaining at historically low levels; positive swing in other operating result due to lower Austrian banking tax.

**Risks to guidance.** Impact of expansionary monetary policies by central banks including negative interest rates; political risks such as various elections in key EU economies; geopolitical risks and global economic risks; consumer protection initiatives.

## PERFORMANCE IN DETAIL

in EUR million	1-6 16	1-6 17	Change
Net interest income	2,194.1	2,143.0	-2.3%
Net fee and commission income	884.9	910.9	2.9%
Net trading result	120.0	102.9	-14.3%
Operating income	3,316.6	3,292.8	-0.7%
Operating expenses	-1,980.3	-2,003.5	1.2%
<b>Operating result</b>	<b>1,336.3</b>	<b>1,289.3</b>	<b>-3.5%</b>
Net impairment loss on financial assets	-25.8	-104.3	>100.0%
Other operating result	-192.2	-209.8	9.2%
Levies on banking activities	-107.6	-59.4	-44.8%
<b>Pre-tax result from continuing operations</b>	<b>1,266.7</b>	<b>1,017.6</b>	<b>-19.7%</b>
Taxes on income	-278.8	-223.9	-19.7%
<b>Net result for the period</b>	<b>987.9</b>	<b>793.8</b>	<b>-19.7%</b>
Net result attributable to non-controlling interests	146.2	169.1	15.7%
<b>Net result attributable to owners of the parent</b>	<b>841.7</b>	<b>624.7</b>	<b>-25.8%</b>

### Net interest income

Net interest income declined to EUR 2,143.0 million (EUR 2,194.1 million) on the back of a persistently challenging market interest rate environment, which resulted in lower interest income from the government bond portfolio and customer loans, and a lower unwinding effect on the back of continued asset quality improvements. Solid net customer loan growth did not fully offset the pressure on net interest income. As a result, the net interest margin (net interest income as a percentage of average interest-bearing assets) declined significantly from 2.54% to 2.40%.

### Net fee and commission income

Net fee and commission income rose to EUR 910.9 million (EUR 884.9 million). While income from the securities business and from asset management saw significant growth, income from lending declined, mainly in the Czech Republic and in Slovakia. Other fee and commission income was largely stable.

### Net trading result

Net trading result declined to EUR 102.9 million (EUR 120.0 million) as the substantial improvement in income from securities and derivatives trading did not fully compensate the decline in income from hedge accounting.

### General administrative expenses

in EUR million	1-6 16	1-6 17	Change
Personnel expenses	1,152.7	1,151.3	-0.1%
Other administrative expenses	610.1	624.1	2.3%
Depreciation and amortisation	217.6	228.1	4.8%
<b>General administrative expenses</b>	<b>1,980.3</b>	<b>2,003.5</b>	<b>1.2%</b>

General administrative expenses amounted to EUR 2,003.5 million (EUR 1,980.3 million). While **personnel expenses** were largely stable at EUR 1,151.3 million (EUR 1,152.7 million), **other administrative expenses** rose to EUR 624.1 million (EUR 610.1 million). IT expenditure increased to EUR 194.8 million (EUR 144.5 million), mainly due to increased regulatory requirements. With the exception of Croatia and Serbia, all deposit insurance contributions expected in 2017 have already been booked upfront in the amount of EUR 68.6 million (EUR 79.3 million). In Romania, contributions declined to EUR 2.2 million (EUR 14.5 million). Depreciation and amortisation rose to EUR 228.1 million (EUR 217.6 million) due to the first-time consolidation of two new entities in the second half of the previous year.

## Headcount as of end of the period

	Dec 16	Jun 17	Change
<b>Domestic</b>	<b>16,029</b>	<b>16,034</b>	<b>0.0%</b>
Erste Group, EB Oesterreich and subsidiaries	8,835	8,878	0.5%
Haftungsverbund savings banks	7,194	7,156	-0.5%
<b>Abroad</b>	<b>31,004</b>	<b>31,374</b>	<b>1.2%</b>
Česká spořitelna Group	10,299	10,197	-1.0%
Banca Comercială Română Group	7,078	7,016	-0.9%
Slovenská sporiteľňa Group	4,232	4,290	1.4%
Erste Bank Hungary Group	2,873	3,152	9.7%
Erste Bank Croatia Group	3,073	3,189	3.8%
Erste Bank Serbia Group	1,005	1,014	0.9%
Savings banks subsidiaries	1,249	1,239	-0.9%
Other subsidiaries and foreign branch offices	1,195	1,278	6.9%
<b>Total</b>	<b>47,034</b>	<b>47,408</b>	<b>0.8%</b>

## Operating result

Even though improved net fee and commission income did not fully offset the decline in net interest income and net trading result, operating income was nearly stable at EUR 3,292.8 million (-0.7%; EUR 3,316.6 million). General administrative expenses rose to EUR 2,003.5 million (+1.2%; EUR 1,980.3 million), driven by an increase in other administrative expenses and depreciation and amortisation. The operating result accordingly declined to EUR 1,289.3 million (-3.5%; EUR 1,336.3 million). The cost/income ratio stood at 60.8% (59.7%).

## Gains/losses from financial assets and liabilities not measured at fair value through profit or loss (net)

Gains from financial assets and liabilities not measured at fair value through profit or loss (net) declined significantly to EUR 42.5 million (EUR 148.4 million). This item includes mostly gains from the sale of bonds in Austria, in the Czech Republic and in Hungary shown in income from financial assets – available for sale. In the comparative period, the item reflected a gain from the sale of shares in VISA Europe in the amount of EUR 138.7 million.

## Net impairment loss on financial assets

Despite quadrupling to EUR 104.3 million (EUR 25.8 million) net impairment loss on financial assets remained at a historically low level. This development was mostly attributable to the rise in the balance of the allocation and release of provisions for the lending business together with the costs of direct loan write-offs offset by income received from the recovery of loans already written off to EUR 92.7 million (EUR 24.8 million). Net impairment loss on financial assets based on the average volume of gross customer loans amounted to 15 basis points (4 basis points). In addition, this line item included a net impairment loss on financial assets – held to maturity and financial assets – available-for-sale in the amount of EUR -11.7 million (EUR -1.0 million), including EUR -9.4 million for net impairment loss on participations.

## Other operating result

Other operating result amounted to EUR -209.8 million (EUR -192.2 million). **Levies on banking activities** declined to EUR 59.4 million (EUR 107.6 million). As banking tax rates have been reduced in Austria from 2017 onwards, banking levies payable by the Austrian subsidiaries decreased significantly to EUR 11.8 million (EUR 57.1 million). This line item was also positively impacted by another reduction of Hungarian banking tax, which has already been booked upfront for the full year 2017. Due to a lower tax rate and an adjustment of the assessment base, the tax charge declined to EUR 13.3 million (EUR 19.6 million). Including financial transaction tax of EUR 21.0 million (EUR 18.6 million), bank levies in Hungary totalled EUR 34.3 million (EUR 38.2 million). In Slovakia, banking tax rose slightly to EUR 13.3 million (EUR 12.3 million).

Allocation/release of other provisions, including for commitments and guarantees given, amounted to EUR -37.2 million (EUR 2.6 million). This included EUR 45.0 million provisions for expected losses from loans to consumers due to supreme court rulings regarding negative interest reference rates in Austria. In addition, other operating result also reflected the annual contributions to resolution funds in the amount of EUR 65.4 million (EUR 64.6 million) shown in the line item result from other operating expenses/income. In Romania, these increased to EUR 14.3 million (EUR 4.5 million), but declined in Austria, Slovakia and Croatia.

## Net result

The pre-tax result from continuing operations amounted to EUR 1,017.6 million (EUR 1,266.7 million). The minority charge rose to EUR 169.1 million (EUR 146.2 million) due to solid earnings contributions of savings banks. The net result attributable to owners of the parent declined to EUR 624.7 million (EUR 841.7 million), primarily, as positive one-offs did not recur.



## FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

### Second quarter of 2017 compared to first quarter of 2017

in EUR million	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17
<b>Income statement</b>					
Net interest income	1,101.9	1,073.4	1,107.0	1,051.3	1,091.7
Net fee and commission income	441.8	434.9	463.2	457.7	453.2
Dividend income	28.8	4.8	9.0	3.7	23.4
Net trading result	68.8	98.7	65.1	48.6	54.3
Result from financial assets and liabilities designated at fair value through profit or loss	-4.8	-14.6	15.6	3.0	1.5
Net result from equity method investments	3.7	0.2	3.1	3.2	2.9
Rental income from investment properties & other operating leases	47.1	45.7	68.6	50.1	48.2
Personnel expenses	-587.2	-572.0	-614.6	-571.7	-579.6
Other administrative expenses	-276.6	-299.9	-325.8	-332.4	-291.8
Depreciation and amortisation	-107.7	-110.8	-124.7	-114.2	-113.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	146.0	-0.7	0.3	28.3	14.2
Net impairment loss on financial assets	30.6	-37.4	-132.5	-65.8	-38.6
Other operating result	-52.6	-60.3	-412.5	-127.1	-82.7
Levies on banking activities	-44.9	-44.0	-237.1	-35.8	-23.6
<b>Pre-tax result from continuing operations</b>	<b>839.7</b>	<b>562.0</b>	<b>121.7</b>	<b>434.7</b>	<b>583.0</b>
Taxes on income	-174.3	-125.1	-9.7	-95.6	-128.2
<b>Net result for the period</b>	<b>665.3</b>	<b>436.9</b>	<b>112.0</b>	<b>339.0</b>	<b>454.7</b>
Net result attributable to non-controlling interests	98.4	99.4	26.4	76.8	92.3
<b>Net result attributable to owners of the parent</b>	<b>567.0</b>	<b>337.4</b>	<b>85.6</b>	<b>262.2</b>	<b>362.5</b>

**Net interest income** increased to EUR 1,091.7 million (+3.8%; EUR 1,051.3 million), reflecting the positive cumulative effect of the TLTRO refinancing of EUR 14.4 million, volume growth and the higher daycount. **Net fee and commission income** decreased to EUR 453.2 million (-1.0%; EUR 457.7 million), mainly due to lower income from brokerage commissions. Income from lending business and payment services was slightly up. Dividend income rose to EUR 23.4 million (EUR 3.7 million) on seasonality. **Net trading result** increased to EUR 54.3 million (EUR 48.6 million), primarily due to higher income from the securities and derivatives business.

**General administrative expenses** decreased to EUR 985.2 (-3.3%; EUR 1,018.3 million). While personnel expenses were moderately higher at EUR 579.6 million (+1.4%; EUR 571.7 million), other administrative expenses declined to EUR 291.8 million (-12.2%; EUR 332.4 million), primarily on the back of the advance booking of the majority of deposit insurance contributions for 2017 in the first quarter. Depreciation and amortisation was almost unchanged at EUR 113.8 million (-0.4%; EUR 114.2 million). The cost/income ratio improved to 58.8% (63.0%).

**Gains/losses from financial assets and liabilities not measured at fair value through profit and loss (net)** declined to EUR 14.2 million (EUR 28.3 million). In the previous quarter, this line item had reflected the positive impact of gains from the sale of bonds in Austria and in the Czech Republic shown in the result from financial assets – available for sale. **Net impairment loss on financial assets** amounted to EUR 38.6 million (EUR 65.8 million) supported by the continued favourable credit risk environment.

**Other operating result** improved to EUR -82.7 million (EUR -127.1 million) and included EUR 45.0 million provisions for expected losses from loans to consumers due to supreme court rulings regarding negative interest reference rates in Austria. **Levies on banking activities** declined to EUR 23.6 million (EUR 35.8 million). Banking tax in Austria amounted to EUR 6.2 million (EUR 5.6 million). Banking levies were also charged in Hungary in the amount of EUR 10.7 million (EUR 23.6 million) – this amount reflects only transaction taxes as the full amount of 2017 banking tax of EUR 13.2 million had already been booked upfront in the previous quarter – and in Slovakia in the amount of EUR 6.7 million (EUR 6.6 million).

The **pre-tax result** rose to EUR 583.0 million (EUR 434.7 million). Taxes on income increased correspondingly to EUR 128.2 million (EUR 95.6 million). The **net result attributable to owners of the parent** improved to EUR 362.5 million (EUR 262.2 million).



## DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 16	Jun 17	Change
<b>Assets</b>			
Cash and cash balances	18,353	25,842	40.8%
Trading, financial assets	47,586	44,886	-5.7%
Loans and receivables to credit institutions	3,469	4,347	25.3%
Loans and receivables to customers	130,654	135,122	3.4%
Intangible assets	1,390	1,458	4.8%
Miscellaneous assets	6,775	6,501	-4.0%
<b>Total assets</b>	<b>208,227</b>	<b>218,156</b>	<b>4.8%</b>
<b>Liabilities and equity</b>			
Financial liabilities - held for trading	4,762	3,960	-16.8%
Deposits from banks	14,631	17,883	22.2%
Deposits from customers	138,013	145,574	5.5%
Debt securities issued	27,192	26,602	-2.2%
Miscellaneous liabilities	7,027	6,621	-5.8%
Total equity	16,602	17,515	5.5%
<b>Total liabilities and equity</b>	<b>208,227</b>	<b>218,156</b>	<b>4.8%</b>

The rise in **cash and cash balances** to EUR 25.8 billion (EUR 18.4 billion) was primarily due to larger cash balances held at central banks on the back of continued strong customer deposit inflows. **Trading and investment securities** held in various categories of financial assets declined to EUR 44.9 billion (EUR 47.6 billion), driven by sales of available-for-sale securities.

**Loans and receivables to credit institutions (net)**, including demand deposits other than overnight deposits, increased to EUR 4.3 billion (EUR 3.5 billion). **Loans and receivables to customers (net)** rose – mainly in Austria and the Czech Republic – to EUR 135.1 billion (EUR 130.7 billion) on the back of growth in retail mortgage lending and a temporarily expanded money market business. **Allowances for loans and receivables to customers** declined to EUR 4.5 billion (EUR 4.6 billion), mostly due to the continuing improvement in asset quality. The **NPL ratio** – non-performing loans as a percentage of loans to customers – improved again to 4.7% (4.9%). The **NPL coverage ratio** was stable at 68.5% (69.1%).

**Intangible assets** increased to EUR 1.5 billion (EUR 1.4 billion). **Miscellaneous assets** declined to EUR 6.5 billion (EUR 6.8 billion).

**Financial liabilities – held for trading** decreased to EUR 4.0 billion (EUR 4.8 billion).

**Deposits from banks**, primarily in the form of repurchase transactions, rose to EUR 17.9 billion (EUR 14.6 billion); **deposits from customers** were up at EUR 145.6 billion (EUR 138.0 billion) due to increased savings and overnight deposits mainly in Austria and in the Czech Republic. The **loan-to-deposit ratio** stood at 92.8% (94.7%). **Debt securities in issue** declined to EUR 26.6 billion (EUR 27.2 billion). **Miscellaneous liabilities** decreased to EUR 6.6 billion (EUR 7.0 billion).

**Total assets** increased to EUR 218.2 billion (+4.8%; EUR 208.2 billion). Erste Group's **total equity** increased to EUR 17.5 billion (+5.5%; EUR 16.6 billion). Following 2 issuances in June 2016 and April 2017, this has included AT1 instruments in the amount of EUR 993 million. After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR), **common equity tier 1 capital** (CET1, Basel 3 phased-in) increased to EUR 14.1 billion (EUR 13.6 billion), total **own funds** (Basel 3 phased-in) rose to EUR 19.9 billion (EUR 18.8 billion). **Total risk (risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) increased to EUR 106.8 billion (EUR 101.8 billion).

Consolidated regulatory capital is calculated in accordance with CRR taking into consideration transitional provisions as defined in the Austrian CRR Supplementary Regulation. These transitional provisions define the percentages applicable to eligible capital instruments and regulatory deduction items as well as filters. The **total capital ratio** (Basel 3 phased-in), total eligible qualifying capital in relation to total risk pursuant to CRR, was 18.7% (18.5%), well above the legal minimum requirement. The **tier 1 ratio** (Basel 3 phased in) stood at 13.8% (13.4%), the **common equity tier 1 ratio** (Basel 3 phased-in) at 13.2% (13.4%).

## SEGMENT REPORTING

### January-June 2017 compared with January-June 2016

Erste Group's segment reporting is based on a matrix organisation. It provides comprehensive information to assess the business line and geographic performance. The tables and information below provide a brief overview and focus on selected and summarised items. For more details please see Note 26. At [www.erstegroup.com](http://www.erstegroup.com) additional information is available in Excel format.

Operating income consists of net interest income, net fee and commission income, net trading and fair value result as well as dividend income, net result from equity method investments and rental income from investment properties & other operating leases. The latter three listed items are not separately disclosed in the tables below. Operating expenses equal the position general administrative expenses. Operating result is the net amount of operating income and operating expenses. Risk provisions for loans and receivables are included in the position net impairment loss on financial assets. Other result summarises the positions other operating result and gains/losses from financial assets and liabilities not measured at fair value through profit or loss. The cost/income ratio is calculated as operating expenses in relation to operating income. The return on allocated equity is defined as the net result after tax/before minorities in relation to the average allocated equity.

## BUSINESS SEGMENTS

### Retail

in EUR million	1-6 16	1-6 17	Change
Net interest income	1,075.0	1,062.6	-1.2%
Net fee and commission income	473.7	497.1	4.9%
Net trading and fair value result	44.4	52.4	18.1%
Operating income	1,609.4	1,628.1	1.2%
Operating expenses	-924.1	-965.3	4.5%
Operating result	685.3	662.9	-3.3%
Cost/income ratio	57.4%	59.3%	
Net impairment loss on financial assets	-26.6	-4.5	-82.9%
Other result	-2.0	-37.7	>100.0%
Net result attributable to owners of the parent	503.9	476.5	-5.4%
Return on allocated capital	45.1%	41.6%	

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

The net interest income declined on the back of lower contributions from deposit business in Austria and the Czech Republic as well as lower contributions from lending business in Romania and Slovakia. These developments were partially mitigated by an increasing secured loan portfolio in Austria, improved performance of deposit business in Croatia and Slovakia as well as additional income generated by the unsecured portfolio of the acquired business of Citibank in Hungary. Net fee and commission income increased primarily due to higher securities and payments fees in Austria. The former Citibank retail business in Hungary also contributed positively. Net trading and fair value result went up due to the higher income from client foreign exchange transactions in the Czech Republic and the increased client base in Hungary. Operating expenses increased primarily due to higher costs in Hungary as well as higher costs in Austria triggered by the shift of clients from Corporates segment. Operating result thus declined, the cost/income ratio went up. The significant improvement of net impairment loss on financial assets was driven by releases of risk provisions in Romania and Austria. Other result deteriorated due to the non-recurrence of the selling gains on property in Austria, provisions for contingent liabilities in Hungary as well as higher contribution to resolution funds. Overall, the net result attributable to the owners of the parent decreased.

## Corporates

in EUR million	1-6 16	1-6 17	Change
Net interest income	492.9	482.0	-2.2%
Net fee and commission income	128.8	122.4	-5.0%
Net trading and fair value result	39.2	45.1	15.0%
Operating income	715.6	713.7	-0.3%
Operating expenses	-271.8	-283.1	4.1%
Operating result	443.8	430.6	-3.0%
Cost/income ratio	38.0%	39.7%	
Net impairment loss on financial assets	35.5	-105.6	n/a
Other result	-2.3	27.7	n/a
Net result attributable to owners of the parent	353.8	276.2	-21.9%
Return on allocated capital	23.9%	18.1%	

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 decreased primarily due to the lower contribution from deposit business in Erste Bank Oesterreich as well as lower income from lending and securities in the Holding. Net fee and commission income was affected by the sale of the card-acquiring business in Slovakia. Improvement of net trading and fair value result was attributable to increased hedging activities of customers expecting the termination of the National Bank's FX interventions in the Czech Republic as well as higher result from derivatives in Austria. Operating income remained stable as higher rental income could almost fully compensate the decrease in net interest income. Higher operating expenses driven by project-related costs contributed to the decrease of the operating result and the increase in the cost/income ratio. Net impairment loss on financial assets increased significantly on the back of lower income from insurance claims in Romania as well as downgrading of one customer in Croatia. Other result improved due to the release of provisions for litigations in Hungary. Consequently, the net result attributable to the owners of the parent decreased.

## Group Markets

in EUR million	1-6 16	1-6 17	Change
Net interest income	110.1	100.6	-8.7%
Net fee and commission income	95.7	113.6	18.7%
Net trading and fair value result	37.5	69.5	85.3%
Operating income	244.1	284.7	16.6%
Operating expenses	-105.9	-110.6	4.4%
Operating result	138.2	174.1	25.9%
Cost/income ratio	43.4%	38.8%	
Net impairment loss on financial assets	6.2	0.9	-85.2%
Other result	4.3	-7.0	n/a
Net result attributable to owners of the parent	111.6	131.8	18.1%
Return on allocated capital	35.0%	37.9%	

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

Net interest income decreased primarily due to the generally low interest rate environment, lower volumes of collateral trading products and lower margins on sight deposits of financial institutions. Net fee and commission income increased on the back of accelerated sales activities, higher assets under management and arrangement fees related to debt issuance. The increase in net trading and fair value result was attributable to positive market developments affecting fixed income, money market, collateral trading and credit trading products. Therefore, operating income increased. Operating expenses went up on the back of higher project-related costs. Consequently, operating result as well as the cost/income ratio improved. Other result deteriorated due to the booking of one-off income from the resolution of a claim last year. Overall, the net result attributable to the owners of the parent increased.

## Asset/Liability Management & Local Corporate Center

in EUR million	1-6 16	1-6 17	Change
Net interest income	-3.6	-26.6	>100.0%
Net fee and commission income	-22.7	-43.3	90.3%
Net trading and fair value result	-4.6	-52.8	>100.0%
Operating income	-5.8	-95.2	>100.0%
Operating expenses	-57.3	-45.1	-21.2%
Operating result	-63.0	-140.3	>100.0%
Cost/income ratio	>100%	-47.4%	
Net impairment loss on financial assets	-13.9	3.1	n/a
Other result	64.2	-70.6	n/a
Net result attributable to owners of the parent	-12.6	-186.1	>100.0%
Return on allocated capital	-1.0%	-17.9%	

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

Net interest income declined mainly due to a lower ALM contribution on the back of an unfavourable yield curve development. The decrease in net fee and commission income was primarily related to lower fee income in the Czech Republic and in Erste Bank Oesterreich. Net trading and fair value result deteriorated mainly due to lower valuation results in the Holding. The decrease in operating expenses was mainly attributable to the lower deposit insurance fund contribution in Romania and lower costs in Slovakia and Erste Bank Oesterreich. Overall, operating result deteriorated. Other result worsened mainly due to the non-recurrence of the selling gains of the shares in VISA Europe in 2016 (EUR 138.7 million) as well as provisions for expected losses from loans to consumers due to supreme court rulings regarding negative interest reference rates in Erste Bank Oesterreich in 2017 (EUR 13.7 million). The net result attributable to the owners of the parent decreased.

## Savings Banks

in EUR million	1-6 16	1-6 17	Change
Net interest income	471.8	487.5	3.3%
Net fee and commission income	209.3	218.9	4.6%
Net trading and fair value result	0.6	7.9	>100.0%
Operating income	712.4	742.4	4.2%
Operating expenses	-510.9	-519.4	1.7%
Operating result	201.5	223.1	10.7%
Cost/income ratio	71.7%	70.0%	
Net impairment loss on financial assets	-16.2	11.7	n/a
Other result	-15.8	-35.0	>100.0%
Net result attributable to owners of the parent	23.6	25.6	8.4%
Return on allocated capital	10.6%	15.1%	

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 mainly attributable to higher loan volumes and lower interest expense for refinancing at ECB. Net fee and commission income increased mostly due to higher fees from securities business and payments. Net trading and fair value result improved on the back of positive valuation results. Operating expenses went up due to higher IT expenses. The booking of deposit insurance contributions for the full year amounted to EUR 23.7 million (EUR 22.5 million). Therefore, operating result increased and the cost/income ratio improved. Net impairment loss on financial assets decreased. Other result deteriorated mainly due to provisions for expected losses from loans to consumers due to supreme court rulings regarding negative interest reference rates (EUR 31.3 million) and higher provisions for contingent liabilities. The banking tax decreased to EUR 2.6 million (EUR 7.6 million). The payment into the resolution fund amounted to EUR 6.1 million (EUR 8.6 million). Overall, the net result attributable to the owners of the parent increased.

## Group Corporate Center

in EUR million	1-6 16	1-6 17	Change
Net interest income	36.8	36.2	-1.6%
Net fee and commission income	1.2	3.1	>100.0%
Net trading and fair value result	-12.6	-15.7	24.0%
Operating income	58.6	37.3	-36.3%
Operating expenses	-397.0	-441.2	11.1%
Operating result	-338.4	-403.9	19.4%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets	-10.7	-9.9	-8.3%
Other result	176.6	298.1	68.8%
Net result attributable to owners of the parent	-138.5	-99.4	-28.2%
Return on allocated capital	-5.2%	-2.6%	

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 non-profit service providers, therefore, in particular the line items “other operating result” and “general administrative expenses” should be considered together with intragroup eliminations. Furthermore, the free capital of Erste Group is included.

Operating income declined mainly due to the changed disclosure of rental income of one of the internal service provider entities under other result. The increase in operating expenses was mainly driven by higher IT costs. The significant improvement of other result was mainly driven by lower Austrian banking tax and higher income from IT companies. Consequently, the net result attributable to the owners of the parent improved.

## GEOGRAPHICAL SEGMENTS

### Erste Bank Oesterreich & Subsidiaries

in EUR million	1-6 16	1-6 17	Change
Net interest income	314.5	321.3	2.2%
Net fee and commission income	168.5	176.8	5.0%
Net trading and fair value result	6.9	7.5	8.5%
Operating income	506.4	531.3	4.9%
Operating expenses	-327.5	-336.6	2.8%
Operating result	178.9	194.7	8.8%
Cost/income ratio	64.7%	63.4%	
Net impairment loss on financial assets	-2.5	13.7	n/a
Other result	19.7	-27.9	n/a
Net result attributable to owners of the parent	135.7	126.1	-7.0%
Return on allocated capital	22.6%	22.0%	

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

Net interest income increased mainly due to higher customer loan volumes and re-pricing of deposits as well as lower interest expense for refinancing at ECB, which was partially offset by a change in the scope of consolidation. Net fee and commission income increased due to higher securities fees and lower fee expenses in the building society. The net trading and fair value result went up primarily due to valuation effects of derivatives. Operating expenses increased on the back of higher IT costs. The booking of deposit insurance contributions for the full year amounted to EUR 18.9 million (EUR 18.5 million). Consequently, operating result increased and the cost/income ratio improved. Net impairment loss on financial assets decreased substantially on the back of lower risk provisions in corporate and retail business. The deterioration of other result was driven by non-recurrence of the selling gains for buildings in 2016, provisions for expected losses from loans to consumers due to supreme court rulings regarding negative interest reference rates (EUR 13.7 million) and higher provisions for contingent liabilities. Banking tax decreased to EUR 1.6 million (EUR 7.3 million). Payment into the resolution fund decreased to EUR 6.1 million (EUR 7.1 million). Overall, the net result attributable to the owners of the parent went down.

### 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 16	1-6 17	Change
Net interest income	195.8	185.2	-5.4%
Net fee and commission income	97.0	107.0	10.2%
Net trading and fair value result	5.5	25.5	>100.0%
Operating income	328.4	348.5	6.1%
Operating expenses	-171.4	-183.6	7.1%
Operating result	157.0	164.9	5.0%
Cost/income ratio	52.2%	52.7%	
Net impairment loss on financial assets	-15.2	-40.2	>100.0%
Other result	29.8	28.0	-6.2%
Net result attributable to owners of the parent	124.6	115.4	-7.4%
Return on allocated capital	16.3%	15.3%	

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

Net interest income decreased primarily in group markets business as a result of lower income from government bonds and money market products, as well as lower lending business margins and maturing corporate loan portfolio in the Holding. Net fee and commission income increased due to higher asset management volumes and increased profitability of funds, increased capital markets sales activities, as well as the inclusion of Intermarket Bank (part of EBOe & Subsidiaries segment in 2016). The increase of net trading and fair value result was predominantly attributable to the positive impact of mark-to-market valuations and better performance of credit trading products. Overall, operating income improved, while costs increased mostly driven by higher project costs. Operating result improved, cost/income ratio went up. Net impairment loss on financial assets increased significantly on the back of higher provisioning requirements in Immorent. Other result deteriorated slightly due to a non-recurring positive effect from the resolution of a claim in the previous year, largely compensated the asset sale gains. This line item also included a resolution fund contribution of EUR 3.6 million (EUR 3.1 million). Overall, the net result attributable to the owners of the parent deteriorated.

## Czech Republic

in EUR million	1-6 16	1-6 17	Change
Net interest income	455.5	450.4	-1.1%
Net fee and commission income	171.8	166.9	-2.8%
Net trading and fair value result	45.8	52.3	14.3%
Operating income	684.6	676.9	-1.1%
Operating expenses	-324.8	-336.7	3.7%
Operating result	359.8	340.2	-5.5%
Cost/income ratio	47.4%	49.7%	
Net impairment loss on financial assets	-25.7	9.9	n/a
Other result	32.5	-3.7	n/a
Net result attributable to owners of the parent	287.3	274.9	-4.3%
Return on allocated capital	34.0%	28.1%	

Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) declined primarily due to declining asset margins. Net fee and commission income went down on the back of lower payment service and lending fees. Net trading and fair value result increased notably on the back of increased hedging activities of corporate customers in expectation of the termination of the National Bank's FX interventions. Higher personnel and project related costs led to an increase in operating expenses. Deposit insurance contribution amounted to EUR 8.1 million (EUR 7.4 million). Operating result thus decreased, the cost/income ratio went up. The decline of net impairment loss on financial assets was attributable to an improvement in corporate portfolio quality resulting in net releases of risk provisions. The other result deteriorated mainly due to the non-recurrence of the last year's selling gains of the shares in Visa Europe in the amount of EUR 52.6 million. The resolution fund contribution amounted to EUR 15.9 million (EUR 14.7 million). Overall, these developments led to a decrease in the net result attributable to the owners of the parent.

## Slovakia

in EUR million	1-6 16	1-6 17	Change
Net interest income	226.7	215.1	-5.1%
Net fee and commission income	64.7	54.8	-15.3%
Net trading and fair value result	6.8	8.4	23.2%
Operating income	302.5	283.2	-6.4%
Operating expenses	-135.0	-135.4	0.3%
Operating result	167.5	147.8	-11.8%
Cost/income ratio	44.6%	47.8%	
Net impairment loss on financial assets	-21.4	-19.6	-8.4%
Other result	25.0	-13.1	n/a
Net result attributable to owners of the parent	133.6	87.7	-34.4%
Return on allocated capital	40.3%	27.3%	

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) decreased mainly due to a lower asset/liability management contribution driven by the low interest rate environment and lower loan margins in retail business that could not be fully compensated by higher loan volumes and re-pricing of deposits. Net fee and commission income went down due to lower lending and point-of-sale maintenance fees due to the sale of the card-acquiring business in 2016. The increase in the net trading and fair value result was driven by the valuation of derivatives. Operating expenses remained stable, as the higher personnel and IT costs were offset by lower deposit insurance contribution for the full year of EUR 0.8 million (EUR 2.5 million). Overall, operating result decreased, the cost/income ratio went up. Net impairment loss on financial assets decreased due to lower provisioning requirements in corporate business. The other result deteriorated mainly due to the non-recurrence of the last year's selling gains of the shares in Visa Europe in the amount of EUR 26.8 million. The payment into the resolution fund decreased to EUR 2.8 million (EUR 4.0 million). Banking tax amounted to EUR 13.3 million (EUR 12.3 million). Overall, the net result attributable to the owners of the parent declined.

## Romania

in EUR million	1-6 16	1-6 17	Change
Net interest income	197.3	183.8	-6.8%
Net fee and commission income	78.8	74.7	-5.2%
Net trading and fair value result	34.8	41.8	20.2%
Operating income	317.1	307.4	-3.0%
Operating expenses	-170.9	-156.4	-8.5%
Operating result	146.1	151.0	3.3%
Cost/income ratio	53.9%	50.9%	
Net impairment loss on financial assets	15.4	-13.6	n/a
Other result	-0.3	-41.0	>100.0%
Net result attributable to owners of the parent	124.1	50.2	-59.6%
Return on allocated capital	27.1%	10.2%	

Net interest income in the Romania segment (comprising Banca Comercială Română Group) decreased mainly due to lower income from lending business and lower unwinding effects. Net fee and commission income decreased on the back of lower transaction and account maintenance fees in the retail business. The increase in net trading and fair value result was mostly attributable to the foreign currency position and derivatives revaluation. Operating expenses decreased markedly on the back of the significantly lower deposit insurance fund contribution for the full year of EUR 2.2 million (EUR 14.5 million). Consequently, operating result increased and the cost/income ratio improved. Despite the non-recurrence of last year's high net provision releases, net impairment loss on financial assets remained low. Other result worsened mainly due to the non-recurrence of the last year's selling gains of the shares in Visa Europe in the amount of EUR 24.3 million as well as higher resolution fund contribution of EUR 14.3 million (EUR 4.5 million). Overall, the net result attributable to the owners of the parent decreased.



## Hungary

in EUR million	1-6 16	1-6 17	Change
Net interest income	88.0	98.8	12.3%
Net fee and commission income	68.6	77.3	12.7%
Net trading and fair value result	6.5	13.9	>100.0%
Operating income	165.0	192.3	16.5%
Operating expenses	-93.3	-107.3	15.1%
Operating result	71.7	84.9	18.4%
Cost/income ratio	56.5%	55.8%	
Net impairment loss on financial assets	71.7	32.6	-54.6%
Other result	-37.3	-15.2	-59.3%
Net result attributable to owners of the parent	100.7	95.0	-5.6%
Return on allocated capital	42.1%	34.2%	

Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased due to improved performance of the unsecured portfolio boosted by the retail portfolio acquired of Citibank partially offset by a lower contribution from securities and lower unwinding contribution. Net fee and commission income increased on the back of higher card and distribution fees in retail business supported by the former Citibank portfolio. Net trading and fair value result improved mainly due to the higher contribution of derivatives. Operating expenses increased primarily due to additional costs related to the former Citibank business and IT expenses. The contribution to the deposit insurance fund for the full year amounted to EUR 7.8 million (EUR 7.1 million). Consequently, operating result and the cost/income ratio improved. A lower net release of risk provisions (net impairment loss on financial assets) was posted both in retail and corporate business. Other result improved on the release of provisions for litigations as well as lower banking levies of EUR 34.3 million (EUR 38.2 million). This line item also included the contribution to the resolution fund of EUR 1.9 million (EUR 1.8 million). Overall, the net result attributable to the owners of the parent declined.

## Croatia

in EUR million	1-6 16	1-6 17	Change
Net interest income	132.8	134.4	1.2%
Net fee and commission income	40.7	44.4	9.2%
Net trading and fair value result	15.1	14.2	-6.1%
Operating income	201.7	204.3	1.3%
Operating expenses	-94.9	-103.0	8.5%
Operating result	106.8	101.3	-5.1%
Cost/income ratio	47.1%	50.4%	
Net impairment loss on financial assets	-16.4	-88.1	>100.0%
Other result	8.8	-8.1	n/a
Net result attributable to owners of the parent	53.4	0.4	-99.3%
Return on allocated capital	28.5%	1.0%	

Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased moderately due to exchange rate movements. Net fee and commission income went up due to higher fees from payment transfers and card transactions in retail business as well as fees related to debt issuance. The net trading and fair value result decreased on the back of lower foreign exchange and securities trading. Operating expenses increased due to higher personnel costs and included a EUR 5.5 million (EUR 5.6 million) pro rata deposit insurance fund contribution. Overall, the operating result declined and the cost/income ratio went up. The deterioration of net impairment loss on financial assets was primarily driven by the downgrading of one customer in the corporate business. Other result deteriorated mainly due to the non-recurrence of the last year's selling gains on property as well as selling gains of the shares in VISA Europe in the amount of EUR 10.0 million. It included the full-year booking of the resolution fund contribution of EUR 4.0 million (EUR 5.2 million). Consequently, the net result attributable to the owners of the parent decreased.

## Serbia

in EUR million	1-6 16	1-6 17	Change
Net interest income	22.5	25.2	11.9%
Net fee and commission income	5.3	5.5	3.9%
Net trading and fair value result	1.7	1.7	-4.2%
Operating income	29.9	32.6	9.3%
Operating expenses	-19.9	-20.4	2.5%
Operating result	9.9	12.2	22.9%
Cost/income ratio	66.8%	62.6%	
Net impairment loss on financial assets	-1.0	0.5	n/a
Other result	-0.2	-0.1	-57.7%
Net result attributable to owners of the parent	7.1	9.6	36.0%
Return on allocated capital	15.4%	18.2%	

Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased mainly due to higher loan and deposit volumes. Net fee and commission income as well as net trading and fair value result remained largely unchanged. The increase in operating expenses was driven by higher personnel and project costs. Operating result as well as cost/income ratio improved. Net impairment loss on financial assets declined on the back of improved portfolio quality mainly in corporate business. Overall, the net result attributable to the owners of the parent improved.

## Other

in EUR million	1-6 16	1-6 17	Change
Net interest income	89.1	41.2	-53.8%
Net fee and commission income	-19.9	-15.5	-22.1%
Net trading and fair value result	-16.1	-65.9	>100.0%
Operating income	68.5	-26.2	n/a
Operating expenses	-131.7	-104.7	-20.5%
Operating result	-63.1	-130.8	>100.0%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets	-14.6	-11.3	-22.9%
Other result	-106.1	-51.2	-51.7%
Net result attributable to owners of the parent	-148.3	-160.1	8.0%
Return on allocated capital	-4.7%	-4.0%	

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

Net interest income declined mainly due to a lower ALM result in the Holding on the back of an unfavourable yield curve development. Net trading and fair value result went down on the back of valuation effects. Lower operating expenses could not compensate for the decline in operating income, thus operating result declined. The significant improvement of other result was mainly driven by lower Austrian banking tax and higher income from IT companies. The net result attributable to the owners of the parent declined.

# Condensed consolidated financial statements

## Half year financial report 2017

### Consolidated statement of income

in EUR thousand	Notes	1-6 16	1-6 17
Net interest income	1	2,194,073	2,143,000
Interest income	1	3,020,323	2,812,242
Interest expenses	1	-826,251	-669,242
Net fee and commission income	2	884,869	910,932
Fee and commission income	2	1,108,867	1,149,312
Fee and commission expenses	2	-223,998	-238,381
Dividend income	3	31,471	27,096
Net trading result	4	120,031	102,856
Result from financial assets and liabilities designated at fair value through profit or loss	4	-12,485	4,480
Net result from equity method investments		5,696	6,098
Rental income from investment properties & other operating leases	5	92,938	98,300
Personnel expenses	6	-1,152,674	-1,151,299
Other administrative expenses	6	-610,100	-624,145
Depreciation and amortisation	6	-217,556	-228,058
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7	148,404	42,507
Net impairment loss on financial assets	8	-25,771	-104,349
Other operating result	9	-192,165	-209,783
Levies on banking activities	9	-107,649	-59,373
<b>Pre-tax result from continuing operations</b>		<b>1,266,731</b>	<b>1,017,634</b>
Taxes on income	10	-278,800	-223,880
<b>Net result for the period</b>		<b>987,930</b>	<b>793,755</b>
Net result attributable to non-controlling interests		146,197	169,092
<b>Net result attributable to owners of the parent</b>		<b>841,733</b>	<b>624,663</b>

### Earnings per share

		1-6 16	1-6 17
Net result attributable to owners of the parent	in EUR thousand	841,733	624,663
Dividend on AT1 capital	in EUR thousand	-3,516	-22,188
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	838,217	602,476
Weighted average number of outstanding shares		426,667,022	426,670,712
<b>Earnings per share</b>	<b>in EUR</b>	<b>1.96</b>	<b>1.41</b>
Weighted average diluted number of outstanding shares		426,667,022	426,670,712
<b>Diluted earnings per share</b>	<b>in EUR</b>	<b>1.96</b>	<b>1.41</b>

### Changes in number of outstanding shares

	1-6 16	1-6 17
Shares outstanding at the beginning of the period	410,487,814	409,497,646
Acquisition of treasury shares	-4,146,809	-2,983,103
Disposal of treasury shares	3,322,649	3,063,163
Shares outstanding at the end of the period	409,663,654	409,577,706
Treasury shares	20,136,346	20,222,294
<b>Number of shares issued at the end of the period</b>	<b>429,800,000</b>	<b>429,800,000</b>
Weighted average number of outstanding shares	426,667,022	426,670,712
Weighted average diluted number of outstanding shares	426,667,022	426,670,712

## Consolidated statement of comprehensive income

in EUR thousand	1-6 16	1-6 17
<b>Net result for the period</b>	<b>987,930</b>	<b>793,755</b>
<b>Other comprehensive income</b>		
<b>Items that may not be reclassified to profit or loss</b>	<b>-60,123</b>	<b>14,383</b>
Remeasurement of net liability of defined benefit plans	-81,687	19,700
Deferred taxes relating to items that may not be reclassified	21,565	-5,317
<b>Items that may be reclassified to profit or loss</b>	<b>4,286</b>	<b>37,663</b>
Available for sale reserve (including currency translation)	20,062	-120,023
Gain/loss during the period	171,098	-93,202
Reclassification adjustments	-151,035	-26,821
Cash flow hedge reserve (including currency translation)	11,021	-36,836
Gain/loss during the period	59,107	-26,151
Reclassification adjustments	-48,086	-10,686
Currency translation	-11,892	162,625
Gain/loss during the period	-11,892	162,625
Reclassification adjustments	0	0
Deferred taxes relating to items that may be reclassified	-14,906	31,896
Gain/loss during the period	-53,360	21,899
Reclassification adjustments	38,454	9,997
<b>Total other comprehensive income</b>	<b>-55,833</b>	<b>52,046</b>
<b>Total comprehensive income</b>	<b>932,097</b>	<b>845,801</b>
Total comprehensive income attributable to non-controlling interests	196,929	112,900
<b>Total comprehensive income attributable to owners of the parent</b>	<b>735,168</b>	<b>732,901</b>

## Quarterly results

in EUR million	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17
<b>Income statement</b>					
Net interest income	1,101.9	1,073.4	1,107.0	1,051.3	1,091.7
Net fee and commission income	441.8	434.9	463.2	457.7	453.2
Dividend income	28.8	4.8	9.0	3.7	23.4
Net trading result	68.8	98.7	65.1	48.6	54.3
Result from financial assets and liabilities designated at fair value through profit or loss	-4.8	-14.6	15.6	3.0	1.5
Net result from equity method investments	3.7	0.2	3.1	3.2	2.9
Rental income from investment properties & other operating leases	47.1	45.7	68.6	50.1	48.2
Personnel expenses	-587.2	-572.0	-614.6	-571.7	-579.6
Other administrative expenses	-276.6	-299.9	-325.8	-332.4	-291.8
Depreciation and amortisation	-107.7	-110.8	-124.7	-114.2	-113.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	146.0	-0.7	0.3	28.3	14.2
Net impairment loss on financial assets	30.6	-37.4	-132.5	-65.8	-38.6
Other operating result	-52.6	-60.3	-412.5	-127.1	-82.7
Levies on banking activities	-44.9	-44.0	-237.1	-35.8	-23.6
<b>Pre-tax result from continuing operations</b>	<b>839.7</b>	<b>562.0</b>	<b>121.7</b>	<b>434.7</b>	<b>583.0</b>
Taxes on income	-174.3	-125.1	-9.7	-95.6	-128.2
<b>Net result for the period</b>	<b>665.3</b>	<b>436.9</b>	<b>112.0</b>	<b>339.0</b>	<b>454.7</b>
Net result attributable to non-controlling interests	98.4	99.4	26.4	76.8	92.3
<b>Net result attributable to owners of the parent</b>	<b>567.0</b>	<b>337.4</b>	<b>85.6</b>	<b>262.2</b>	<b>362.5</b>
<b>Statement of comprehensive income</b>					
<b>Net result for the period</b>	<b>665.3</b>	<b>436.9</b>	<b>112.0</b>	<b>339.0</b>	<b>454.7</b>
<b>Other comprehensive income</b>					
<b>Items that may not be reclassified to profit or loss</b>					
Remeasurement of net liability of defined benefit plans	-3.8	-27.6	73.1	-0.1	19.8
Deferred taxes relating to items that may not be reclassified	2.3	7.0	-37.7	0.0	-5.3
<b>Total</b>	<b>-1.5</b>	<b>-20.6</b>	<b>35.5</b>	<b>0.0</b>	<b>14.4</b>
<b>Items that may be reclassified to profit or loss</b>					
Available for sale reserve (including currency translation)	-92.6	112.1	-136.8	-90.6	-29.4
Gain/loss during the period	60.7	117.8	-146.1	-69.4	-23.8
Reclassification adjustments	-153.3	-5.7	9.3	-21.2	-5.7
Cash flow hedge reserve (including currency translation)	-30.4	-9.1	-15.3	-15.3	-21.5
Gain/loss during the period	10.3	-0.9	-39.9	-2.6	-23.6
Reclassification adjustments	-40.7	-8.1	24.6	-12.8	2.1
Currency translation	-34.4	69.5	-28.8	15.0	147.6
Gain/loss during the period	-34.4	69.5	-28.8	15.0	147.6
Reclassification adjustments	0.0	0.0	0.0	0.0	0.0
Deferred taxes relating to items that may be reclassified	22.1	-21.8	45.5	17.3	14.6
Gain/loss during the period	-15.0	-24.7	44.6	9.5	12.4
Reclassification adjustments	37.1	2.9	0.9	7.8	2.2
<b>Total</b>	<b>-135.4</b>	<b>150.8</b>	<b>-135.4</b>	<b>-73.6</b>	<b>111.2</b>
<b>Total other comprehensive income</b>	<b>-136.9</b>	<b>130.3</b>	<b>-100.0</b>	<b>-73.6</b>	<b>125.7</b>
<b>Total comprehensive income</b>	<b>528.5</b>	<b>567.1</b>	<b>12.0</b>	<b>265.4</b>	<b>580.4</b>
Total comprehensive income attributable to non-controlling interests	109.2	119.0	-8.1	37.3	75.6
<b>Total comprehensive income attributable to owners of the parent</b>	<b>419.3</b>	<b>448.1</b>	<b>20.1</b>	<b>228.1</b>	<b>504.8</b>

## Consolidated balance sheet

in EUR thousand	Notes	Dec 16	Jun 17
<b>Assets</b>			
Cash and cash balances	11	18,352,596	25,842,011
Financial assets - held for trading		7,950,401	7,206,056
Derivatives	12	4,474,783	3,990,215
Other trading assets	13	3,475,618	3,215,840
Financial assets - at fair value through profit or loss	14	479,512	538,808
Financial assets - available for sale	15	19,885,535	17,786,208
Financial assets - held to maturity	16	19,270,184	19,355,025
Loans and receivables to credit institutions	17	3,469,440	4,347,224
Loans and receivables to customers	18	130,654,451	135,122,070
Derivatives - hedge accounting	19	1,424,452	1,062,657
Property and equipment		2,476,913	2,430,679
Investment properties		1,022,704	1,026,839
Intangible assets		1,390,245	1,457,545
Investments in associates and joint ventures		193,277	195,578
Current tax assets		124,224	155,698
Deferred tax assets		233,773	208,951
Assets held for sale		279,447	230,879
Other assets	20	1,019,916	1,189,823
<b>Total assets</b>		<b>208,227,070</b>	<b>218,156,050</b>
<b>Liabilities and equity</b>			
Financial liabilities - held for trading		4,761,782	3,959,968
Derivatives	12	4,184,508	3,645,798
Other trading liabilities	21	577,273	314,171
Financial liabilities - at fair value through profit or loss		1,763,043	1,819,162
Deposits from banks		0	0
Deposits from customers		73,917	51,039
Debt securities issued	22	1,689,126	1,768,123
Other financial liabilities		0	0
Financial liabilities measured at amortised cost		178,908,933	188,889,579
Deposits from banks	23	14,631,353	17,882,858
Deposits from customers	23	137,938,808	145,523,183
Debt securities issued	23	25,502,621	24,834,354
Other financial liabilities		836,150	649,185
Derivatives - hedge accounting	19	472,675	411,368
Changes in fair value of portfolio hedged items		942,028	772,389
Provisions	24	1,702,354	1,695,857
Current tax liabilities		65,859	101,535
Deferred tax liabilities		67,542	67,490
Liabilities associated with assets held for sale		4,637	0
Other liabilities	25	2,936,220	2,923,498
<b>Total equity</b>		<b>16,601,996</b>	<b>17,515,205</b>
Equity attributable to non-controlling interests		4,142,054	4,262,087
Equity attributable to owners of the parent		12,459,942	13,253,118
<b>Total liabilities and equity</b>		<b>208,227,070</b>	<b>218,156,050</b>

## Consolidated statement of changes in equity

	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
<b>As of 1 January 2017</b>	<b>860</b>	<b>1,478</b>	<b>10,090</b>	<b>107</b>	<b>632</b>	<b>-734</b>	<b>-357</b>	<b>-112</b>	<b>11,963</b>	<b>497</b>	<b>4,142</b>	<b>16,602</b>
Changes in treasury shares	0	0	-5	0	0	0	0	0	-5	0	0	-5
Dividends paid	0	0	-432	0	0	0	0	0	-432	0	-26	-458
Capital increases	0	0	0	0	0	0	0	0	0	497	0	497
Participation capital	0	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation	0	0	0	0	0	0	0	0	0	0	32	32
Other changes	0	0	1	0	0	0	0	0	1	0	1	2
Acquisition of non-controlling interest	0	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	625	-36	-37	155	11	15	733	0	113	846
Net result for the period	0	0	625	0	0	0	0	0	625	0	169	794
Other comprehensive income	0	0	0	-36	-37	155	11	15	108	0	-56	52
<b>As of 30 June 2017</b>	<b>860</b>	<b>1,478</b>	<b>10,279</b>	<b>71</b>	<b>595</b>	<b>-579</b>	<b>-346</b>	<b>-98</b>	<b>12,260</b>	<b>993</b>	<b>4,262</b>	<b>17,516</b>
<b>As of 1 January 2016</b>	<b>860</b>	<b>1,478</b>	<b>9,071</b>	<b>115</b>	<b>688</b>	<b>-759</b>	<b>-334</b>	<b>-112</b>	<b>11,005</b>	<b>0</b>	<b>3,802</b>	<b>14,808</b>
Changes in treasury shares	0	0	4	0	0	0	0	0	4	0	0	4
Dividends paid	0	0	-209	0	0	0	0	0	-209	0	-57	-266
Capital increases	0	0	0	0	0	0	0	0	0	497	0	497
Participation capital	0	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interest	0	0	-3	0	0	0	0	0	-3	0	6	2
Total comprehensive income	0	0	842	16	-75	-15	-47	14	735	0	197	932
Net result for the period	0	0	842	0	0	0	0	0	842	0	146	988
Other comprehensive income	0	0	0	16	-75	-15	-47	14	-107	0	51	-56
<b>As of 30 June 2016</b>	<b>860</b>	<b>1,478</b>	<b>9,704</b>	<b>131</b>	<b>613</b>	<b>-774</b>	<b>-382</b>	<b>-97</b>	<b>11,532</b>	<b>497</b>	<b>3,948</b>	<b>15,978</b>

In the column additional components of equity, Erste Group reports additional tier 1 bonds issued in June 2016 and April 2017, each with a nominal value of EUR 500 million. After deduction of costs directly attributable to each capital increase (EUR 3 million), net increase in capital amounted to EUR 497 million respectively.

Additional tier 1 bonds are unsecured and subordinated bonds which are classified as equity under IFRS.



## Consolidated statement of cash flows

in EUR million	1-6 16 restated	1-6 17
<b>Net result for the period</b>	<b>794</b>	<b>794</b>
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	278	254
Allocation to and release of provisions (including risk provisions)	22	265
Gains from the measurement and sale of assets	-249	-211
Other adjustments	-14	-85
<b>Changes in assets and liabilities from operating activities after adjustment for non-cash components</b>		
Financial assets - held for trading	-1,618	724
Financial assets - at fair value through profit or loss	-87	-51
Financial assets - available for sale: debt instruments	-194	2,100
Financial assets - held to maturity	-122	-82
Loans and advances to credit institutions	-845	-877
Loans and advances to customers	-1,511	-4,692
Derivatives - hedge accounting	-46	326
Other assets from operating activities	249	-124
Financial liabilities - held for trading	279	-640
Financial liabilities - at fair value through profit or loss	-141	53
Financial liabilities measured at amortised cost		
Deposits from banks	2,155	3,252
Deposits from customers	2,506	7,584
Debt securities issued	-1,539	-669
Other financial liabilities	30	-187
Derivatives - hedge accounting	73	-61
Other liabilities from operating activities	194	-169
<b>Cash flow from operating activities</b>	<b>408</b>	<b>7,502</b>
Financial assets - available for sale: equity instruments	130	-11
Proceeds of disposal	0	0
Associated companies	-18	4
Property and equipment, intangible assets and investment properties	610	542
Acquisition of		
Associated companies	0	0
Property and equipment, intangible assets and investment properties	-773	-792
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
<b>Cash flow from investing activities</b>	<b>-51</b>	<b>-257</b>
Capital increases	497	496
Capital decrease	0	0
Acquisition of non-controlling interest	0	0
Dividends paid to equity holders of the parent	-209	-432
Dividends paid to non-controlling interests	0	-26
Other financing activities	0	0
<b>Cash flow from financing activities</b>	<b>288</b>	<b>38</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>12,350</b>	<b>18,353</b>
Cash flow from operating activities	408	7,502
Cash flow from investing activities	-51	-257
Cash flow from financing activities	288	38
Effect of currency translation	-12	206
<b>Cash and cash equivalents at the end of period</b>	<b>12,982</b>	<b>25,842</b>
<b>Cash flows related to taxes, interest and dividends</b>	<b>1,959</b>	<b>1,937</b>
Payments for taxes on income (included in cash flow from operating activities)	-235	-225
Interest received	3,095	2,857
Dividends received	31	27
Interest paid	-933	-722

Cash and cash equivalents are equal to cash in hand and balances held with central banks.

# Condensed notes to the consolidated financial statements for the period from 1 January to 30 June 2017

## BASIS OF PREPARATION

The condensed consolidated interim financial statements (“interim financial statements”) of Erste Group for the period from 1 January to 30 June 2017 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”. The 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.

### Evolution of number of entities and funds included in Erste Group’s IFRS consolidation scope

<b>As of 31 December 2016</b>	<b>448</b>
<b>Additions</b>	
Entities newly added to the scope of consolidation	2
<b>Disposals</b>	
Companies sold or liquidated	-9
Mergers	-2
<b>As of 30 June 2017</b>	<b>439</b>

## ACCOUNTING AND MEASUREMENT METHODS

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 2016. The interim financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (IAS 34) and are presented in Euro, which is the functional currency of the parent company.

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 2016, 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.

For the restatement of the comparative figures of Group cash flow statement please refer to the consolidated financial statement of Erste Group as of 31 December 2016.

## APPLICATION OF AMENDED AND NEW IFRS/IAS

The following standards, interpretations and their amendments which are relevant for the business of Erste Group became effective as of 1 January 2017 but are not yet endorsed by the EU:

- \_ Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses
- \_ Amendments to IAS 7: Disclosure Initiative
- \_ Amendments to IFRS 12 as part of Annual Improvements to IFRS Standards 2014-2016 Cycle

The following interpretation was issued by the IASB but is not yet endorsed by the EU:

- \_ IFRIC 23: Uncertainty over Income Tax Treatments

Compared to the annual group financial statements as of 31 December 2016, no material changes in accounting policies were resulting from new or amended standards.

#### IFRS 9: Financial Instruments (IASB Effective Date: 1 January 2018)

IFRS 9 was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 addresses three main areas of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Regarding the description of IFRS 9 requirements please refer to the IFRS 9 impact part of Erste Group's consolidated financial statements as of 31 December 2016 in chapter "Significant Accounting Policies".

Erste Group started the preparation for the transition to IFRS 9 in early 2015, when the IFRS 9 Implementation Project was officially set up, notably in terms of resources, budget, timeline, business streams and project steering, at both Erste Group and local entity level. The year 2015 and much of the year 2016 were mainly dedicated to the development (and alignment with all relevant internal and external stakeholders) of master business concepts and detailed business requirements for the key streams of the project: classification and measurement, fair valuation, impairment and disclosures/reporting.

Since late 2016, both at group and at local entity level, most efforts within the project have been refocused on implementation topics, in consideration of the wide range of the impacted internal policies, working instructions, processes, IT systems and applications across Erste Group's entities and business units.

Throughout the implementation work, but also in the light of the developing market practice and of the guidance issued by the relevant authoritative bodies and the global audit firms, a limited number of business requirements have been revisited and/or subject to further refinement and additional clarification. This refinement process is expected to continue throughout the second half of 2017 and the early part of 2018, without however significantly interfering with the implementation milestones and the scheduled "go live" dates of the related system functionalities. Erste Group and local policies and procedures are in process of being updated and formally approved accordingly.

The second half of 2017 will also be used for running the newly implemented IFRS 9 functionalities (as they get tested and accepted at user level across Erste Group's entities) in parallel to the outgoing IAS 39 production processes. Such a "parallel run" is primarily meant to ensure the technical readiness for transiting to IFRS 9 on 1 January 2018, but also the plausibility and the traceability of the transition impact, both on the date of initial application and subsequently. Hence, we see the "parallel run" as an additional source (and opportunity) for further refinement and calibration of the business requirements, notably in the area of impairment.

The current status of IFRS 9 implementation project at Erste Group enables that quantitative estimates of IFRS 9 financial impacts at an aggregated level are provided in the area of classification and measurement. In the area of impairment the proposed methodology is currently subject to internal reviews and adjustments. Further, experiences during the parallel run phase will be considered and may affect both assessment of significant increases in credit risk and estimates of expected credit losses. As a result, no quantitative estimates for the impairment of financial instruments are provided in the interim report as of 30 June 2017.

In respect to classification and measurement, the presented data can differ to the impacts which will be recorded upon transition to IFRS 9 as at 1 January 2018 due to market developments, changes resulting from acquisitions, originations and derecognitions of financial instruments as well as further refinement of valuation methods in the period till 31 December 2017.

For financial assets Erste Group has analysed the classification requirements and found that while the majority of financial assets shall be continued to be carried at amortised cost, the first time application will trigger the following changes in the measurement categories:

- \_ Reclassification of loans currently measured at amortised cost according to IAS 39 in amount up to EUR 1 billion into the measurement category "fair value through profit or loss" according to IFRS 9 due to not meeting the contractual cash flow characteristics as required by IFRS 9. The reclassification predominantly relates to loans bearing interest rates featuring imperfections (e.g. rates linked to secondary market rates for bonds) that do not pass quantitative testing required by IFRS 9.
- \_ Reclassification of debt securities which are part of the liquidity buffer portfolios in Austrian Savings Banks in fair value amount between EUR 4 and 5 billion in available-for-sale portfolio according to IAS 39 into amortised cost measurement category according to IFRS 9 due to meeting the criteria of the held to collect business model.
- \_ Reclassification of financial assets from available-for-sale portfolio according to IAS 39 into fair value through profit or loss measurement category according to IFRS 9 of around EUR 2 billion. This concerns: (a) investment funds to be reclassified because they do not meet the respective contractual cash flow characteristics, (b) financial assets held by investment funds consolidated by Erste

Group which will change the measurement category due to being managed and evaluated on fair value basis and (c) investments in equity instruments.

For financial liabilities Erste Group intends to make use of transitional provisions which allow designating a financial liability as measured at fair value through profit or loss if the designation removes or significantly reduces accounting mismatches that would otherwise arise. As a result, issued bonds measured at amortised cost according to IAS 39 in the amount of approximately EUR 12 billion are expected to be reclassified into the fair value through profit or loss measurement category according to IFRS 9.

## 1. Net interest income

in EUR million	1-6 16	1-6 17
<b>Interest income</b>		
Financial assets - held for trading	376.5	313.2
Financial assets - at fair value through profit or loss	4.5	6.9
Financial assets - available for sale	226.4	176.2
Financial assets - held to maturity	273.7	270.9
Loans and receivables	2,089.0	2,010.0
Derivatives - hedge accounting, interest rate risk	8.5	-11.8
Other assets	19.9	13.3
<b>Total interest income</b>	<b>2,998.6</b>	<b>2,778.6</b>
<b>Interest expenses</b>		
Financial liabilities - held for trading	-235.5	-195.2
Financial liabilities - at fair value through profit or loss	-27.1	-26.5
Financial liabilities measured at amortised cost	-731.4	-597.8
Derivatives - hedge accounting, interest rate risk	200.5	187.2
Other liabilities	-15.0	-9.2
<b>Total interest expense</b>	<b>-808.4</b>	<b>-641.7</b>
Negative interest from financial liabilities	21.8	33.6
Negative Interest from financial assets	-17.8	-27.6
<b>Net interest income</b>	<b>2,194.1</b>	<b>2,143.0</b>

## 2. Net fee and commission income

in EUR million	1-6 16	1-6 17
<b>Securities</b>	<b>81.8</b>	<b>107.9</b>
Own issues	9.7	19.3
Transfer orders	67.4	85.5
Other	4.7	3.1
Clearing and settlement	1.5	4.6
Asset management	120.9	137.9
Custody	37.3	38.7
Fiduciary transactions	1.2	1.6
<b>Payment services</b>	<b>430.6</b>	<b>428.2</b>
Card business	96.3	88.1
Other	334.2	340.1
<b>Customer resources distributed but not managed</b>	<b>78.8</b>	<b>84.3</b>
Collective investment	8.0	6.7
Insurance products	51.9	57.8
Building society brokerage	7.9	7.9
Foreign exchange transactions	10.5	11.0
Other	0.5	0.8
Structured finance	0.0	0.0
Servicing fees from securitization activities	0.0	0.0
<b>Lending business</b>	<b>90.7</b>	<b>71.3</b>
Guarantees given, guarantees received	28.6	27.7
Loan commitments given, loan commitments received	13.4	12.1
Other lending business	48.7	31.4
Other	42.1	36.7
<b>Net fee and commission income</b>	<b>884.9</b>	<b>910.9</b>

## 3. Dividend income

in EUR million	1-6 16	1-6 17
Financial assets - held for trading	0.3	0.5
Financial assets - at fair value through profit or loss	1.4	1.1
Financial assets - available for sale	29.8	25.5
<b>Dividend income</b>	<b>31.5</b>	<b>27.1</b>

#### 4. Net trading and result from financial assets and liabilities designated at fair value through profit or loss

##### Net trading result

in EUR million	1-6 16	1-6 17
Securities and derivatives trading	-6.6	9.5
Foreign exchange transactions	95.6	98.4
Result from hedge accounting	31.0	-5.1
<b>Net trading result</b>	<b>120.0</b>	<b>102.9</b>

##### Result from financial assets and liabilities designated at fair value through profit or loss

in EUR million	1-6 16	1-6 17
Result from measurement/sale of financial assets designated at fair value through profit or loss	4.3	7.9
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	-16.8	-3.5
<b>Result from financial assets and liabilities designated at fair value through profit or loss</b>	<b>-12.5</b>	<b>4.5</b>

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

in EUR million	1-6 16	1-6 17
Investment properties	38.7	42.2
Other operating leases	54.2	56.1
<b>Rental income from investment properties &amp; other operating leases</b>	<b>92.9</b>	<b>98.3</b>

#### 6. General administrative expenses

in EUR million	1-6 16	1-6 17
<b>Personnel expenses</b>	<b>-1,152.7</b>	<b>-1,151.3</b>
Wages and salaries	-852.6	-864.9
Compulsory social security	-225.5	-225.1
Long-term employee provisions	-18.0	-11.6
Other personnel expenses	-56.6	-49.7
<b>Other administrative expenses</b>	<b>-610.1</b>	<b>-624.1</b>
Deposit insurance contribution	-79.3	-68.6
IT expenses	-144.5	-194.8
Expenses for office space	-123.4	-117.4
Office operating expenses	-55.7	-56.3
Advertising/marketing	-75.4	-73.7
Legal and consulting costs	-61.1	-68.5
Sundry administrative expenses	-70.7	-45.0
<b>Depreciation and amortisation</b>	<b>-217.6</b>	<b>-228.1</b>
Software and other intangible assets	-79.9	-85.4
Owner occupied real estate	-40.5	-37.8
Investment properties	-51.7	-52.3
Customer relationships	-2.5	-4.1
Office furniture and equipment and sundry property and equipment	-42.9	-48.4
<b>General administrative expenses</b>	<b>-1,980.3</b>	<b>-2,003.5</b>

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

in EUR million	1-6 16	1-6 17
From sale of financial assets available for sale	152.5	37.6
From sale of financial assets held to maturity	0.4	2.4
From sale of loans and receivables	0.1	3.1
From repurchase of liabilities measured at amortised cost	-4.6	-0.6
<b>Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net</b>	<b>148.4</b>	<b>42.5</b>

In June 2016 Erste Group sold its shares in VISA Europe Ltd. which resulted in a gain related to the sale of shares of EUR 138.7 Mio included in the line item "Gains/losses from sale of financial assets available for sale".

## 8. Net impairment loss on financial assets not measured at fair value through profit or loss

in EUR million	1-6 16	1-6 17
Financial assets - available for sale	-1.2	-11.4
Loans and receivables	-24.8	-92.7
Allocation to risk provisions	-1,057.4	-1,115.3
Release of risk provisions	941.4	940.3
Direct write-offs	-134.7	-52.4
Recoveries recorded directly to the income statement	225.9	134.7
Financial assets - held to maturity	0.2	-0.2
<b>Net impairment loss on financial assets</b>	<b>-25.8</b>	<b>-104.3</b>

## 9. Other operating result

in EUR million	1-6 16	1-6 17
<b>Other operating expenses</b>	<b>-339.0</b>	<b>-397.1</b>
Allocation to other provisions	-7.6	-144.7
Allocation to provisions for commitments and guarantees given	-148.8	-115.7
Levies on banking activities	-107.6	-59.4
Banking tax	-89.1	-38.4
Financial transaction tax	-18.6	-21.0
Other taxes	-10.4	-11.9
Recovery and resolution fund contributions	-64.6	-65.4
Impairment of goodwill	0.0	0.0
<b>Other operating income</b>	<b>146.9</b>	<b>187.3</b>
Release of other provisions	12.7	37.2
Release of provisions for commitments and guarantees given	146.4	186.0
Result from properties/movables/other intangible assets other than goodwill	-46.8	1.2
Result from other operating expenses/income	34.7	-37.1
<b>Other operating result</b>	<b>-192.2</b>	<b>-209.8</b>

## 10. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 223.9 million (EUR 278.8 million), thereof EUR 53.8 million (EUR 101.6 million) net deferred tax expense.

## 11. Cash and cash balances

in EUR million	Dec 16	Jun 17
Cash on hand	3,738	3,993
Cash balances at central banks	13,333	19,837
Other demand deposits	1,282	2,012
<b>Cash and cash balances</b>	<b>18,353</b>	<b>25,842</b>



## 12. Derivatives – held for trading

in EUR million	Dec 16			Jun 17		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
<b>Derivatives held in the trading book</b>	<b>160,050</b>	<b>4,364</b>	<b>3,754</b>	<b>188,574</b>	<b>3,859</b>	<b>3,405</b>
Interest rate	119,263	3,940	3,503	116,214	3,229	2,886
Equity	685	25	8	679	14	5
Foreign exchange	39,538	386	225	71,082	610	503
Credit	324	1	5	431	0	7
Commodity	240	13	12	167	5	5
Other	0	0	0	2	0	0
<b>Derivatives held in the banking book</b>	<b>32,436</b>	<b>916</b>	<b>1,407</b>	<b>33,565</b>	<b>965</b>	<b>1,199</b>
Interest rate	16,347	675	902	16,611	665	890
Equity	2,820	113	76	3,078	130	58
Foreign exchange	12,328	87	418	12,951	131	236
Credit	460	11	10	455	14	13
Commodity	1	0	0	1	0	0
Other	480	31	1	469	25	1
<b>Total gross amounts</b>	<b>192,486</b>	<b>5,281</b>	<b>5,161</b>	<b>222,139</b>	<b>4,824</b>	<b>4,604</b>
Offset		-806	-977		-833	-958
<b>Total</b>		<b>4,475</b>	<b>4,185</b>		<b>3,990</b>	<b>3,646</b>

Erste Group undertakes a part of its interest rate derivative transactions via London Clearing House. Therefore, those derivatives are shown net of the respective cash collaterals in the group balance sheet.

## 13. Other trading assets

in EUR million	Dec 16	Jun 17
Equity instruments	80	96
Debt securities	3,128	3,119
General governments	2,322	2,323
Credit institutions	496	582
Other financial corporations	141	69
Non-financial corporations	169	146
Loans and advances	268	0
<b>Other trading assets</b>	<b>3,476</b>	<b>3,216</b>

## 14. Financial assets – at fair value through profit or loss

in EUR million	Dec 16	Jun 17
Equity instruments	144	146
Debt securities	333	391
General governments	31	64
Credit institutions	298	278
Other financial corporations	5	48
Non-financial corporations	0	0
Loans and advances	2	2
<b>Financial assets - at fair value through profit or loss</b>	<b>480</b>	<b>539</b>

## 15. Financial assets – available for sale

in EUR million	Dec 16	Jun 17
Equity instruments	1,364	1,322
Debt securities	18,522	16,417
General governments	12,778	11,311
Credit institutions	2,478	2,203
Other financial corporations	742	583
Non-financial corporations	2,524	2,319
Loans and advances	0	47
<b>Financial assets - available for sale</b>	<b>19,886</b>	<b>17,786</b>

## 16. Financial assets – held to maturity

in EUR million	Gross carrying amount		Collective allowances		Net carrying amount	
	Dec 16	Jun 17	Dec 16	Jun 17	Dec 16	Jun 17
General governments	17,700	17,626	-2	-2	17,699	17,624
Credit institutions	1,022	1,220	-1	-1	1,021	1,219
Other financial corporations	177	143	0	0	177	143
Non-financial corporations	375	369	-1	-1	374	368
<b>Financial assets - held to maturity</b>	<b>19,274</b>	<b>19,359</b>	<b>-4</b>	<b>-4</b>	<b>19,270</b>	<b>19,355</b>

## 17. Loans and receivables to credit institutions

### Loans and receivables to credit institutions

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
<b>As of 30 June 2017</b>				
Debt securities	153	0	-1	153
Central banks	0	0	0	0
Credit institutions	153	0	-1	153
Loans and receivables	4,201	-2	-4	4,195
Central banks	819	0	0	819
Credit institutions	3,382	-2	-4	3,376
<b>Total</b>	<b>4,354</b>	<b>-2</b>	<b>-5</b>	<b>4,347</b>
<b>As of 31 December 2016</b>				
Debt securities	199	0	-1	198
Central banks	0	0	0	0
Credit institutions	199	0	-1	198
Loans and receivables	3,279	-2	-5	3,272
Central banks	666	0	0	665
Credit institutions	2,614	-2	-5	2,606
<b>Total</b>	<b>3,478</b>	<b>-2</b>	<b>-6</b>	<b>3,469</b>

## Allowances for loans and receivables to credit institutions

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange- rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	<b>Dec 16</b>						<b>Jun 17</b>		
<b>Specific allowances</b>	-2	0	0	0	0	0	-2	0	1
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-2	0	0	0	0	0	-2	0	1
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	0	0	0	0	0	-2	0	1
<b>Collective allowances</b>	-5	-5	0	6	0	1	-5	0	0
Debt securities	-1	0	0	0	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	0	0	0	0	0	-1	0	0
Loans and receivables	-5	-5	0	5	0	1	-4	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-5	-5	0	5	0	1	-4	0	0
<b>Total</b>	<b>-7</b>	<b>-5</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>1</b>	<b>-7</b>	<b>0</b>	<b>1</b>
	<b>Dec 15</b>						<b>Jun 16</b>		
<b>Specific allowances</b>	-8	0	7	0	0	-1	-2	0	0
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-8	0	7	0	0	-1	-2	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-8	0	7	0	0	-1	-2	0	0
<b>Collective allowances</b>	-5	-4	0	4	0	1	-4	0	0
Debt securities	-2	0	0	0	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	0	0	0	0	0	-1	0	0
Loans and receivables	-3	-4	0	3	0	0	-4	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-4	-4	0	3	0	0	-4	0	0
<b>Total</b>	<b>-13</b>	<b>-4</b>	<b>7</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>-7</b>	<b>0</b>	<b>0</b>

## 18. Loans and receivables to customers

### Loans and receivables to customers

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
<b>As of 30 June 2017</b>				
Debt securities with customers	87	0	-1	86
General governments	52	0	0	52
Other financial corporations	0	0	0	0
Non-financial corporations	35	0	-1	34
Loans and advances to customers	139,487	-3,716	-735	135,036
General governments	7,197	-2	-16	7,179
Other financial corporations	4,247	-106	-21	4,120
Non-financial corporations	60,136	-2,112	-434	57,590
Households	67,906	-1,495	-264	66,147
<b>Total</b>	<b>139,573</b>	<b>-3,716</b>	<b>-736</b>	<b>135,122</b>
<b>As of 31 December 2016</b>				
Debt securities with customers	92	0	-1	91
General governments	58	0	0	58
Other financial corporations	0	0	0	0
Non-financial corporations	34	0	-1	33
Loans and advances to customers	135,175	-3,887	-725	130,564
General governments	7,350	-6	-13	7,332
Other financial corporations	3,643	-94	-23	3,526
Non-financial corporations	58,273	-2,207	-401	55,664
Households	65,909	-1,580	-288	64,042
<b>Total</b>	<b>135,267</b>	<b>-3,887</b>	<b>-726</b>	<b>130,654</b>

## Allowances for loans and receivables to customers

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange- rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	<b>Dec 16</b>						<b>Jun 17</b>		
<b>Specific allowances</b>	<b>-3,887</b>	<b>-825</b>	<b>349</b>	<b>648</b>	<b>40</b>	<b>-41</b>	<b>-3,716</b>	<b>-52</b>	<b>134</b>
Debt securities with customers	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0
Loans and advances to customers	-3,887	-825	349	648	40	-41	-3,716	-52	134
General governments	-6	0	0	4	0	0	-2	0	0
Other financial corporations	-94	-21	4	11	1	-7	-106	0	0
Non-financial corporations	-2,207	-412	154	357	18	-22	-2,112	-41	40
Households	-1,580	-391	191	277	20	-12	-1,495	-11	94
<b>Collective allowances</b>	<b>-726</b>	<b>-285</b>	<b>0</b>	<b>286</b>	<b>0</b>	<b>-10</b>	<b>-736</b>	<b>0</b>	<b>0</b>
Debt securities with customers	-1	0	0	0	0	0	-1	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-1	0	0	0	0	0	-1	0	0
Loans and advances to customers	-725	-285	0	286	0	-10	-735	0	0
General governments	-13	-5	0	2	0	0	-16	0	0
Other financial corporations	-23	-7	0	9	0	0	-21	0	0
Non-financial corporations	-401	-159	0	134	0	-7	-434	0	0
Households	-288	-114	0	141	0	-3	-264	0	0
<b>Total</b>	<b>-4,613</b>	<b>-1,110</b>	<b>349</b>	<b>934</b>	<b>40</b>	<b>-51</b>	<b>-4,451</b>	<b>-52</b>	<b>134</b>
	<b>Dec 15</b>						<b>Jun 16</b>		
<b>Specific allowances</b>	<b>-5,276</b>	<b>-779</b>	<b>985</b>	<b>636</b>	<b>60</b>	<b>7</b>	<b>-4,367</b>	<b>-135</b>	<b>226</b>
Debt securities with customers	-14	0	11	0	0	0	-2	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-14	0	11	0	0	0	-2	0	0
Loans and advances to customers	-5,262	-779	974	635	60	7	-4,365	-135	226
General governments	-7	-2	1	2	0	-1	-6	0	0
Other financial corporations	-154	-10	26	12	1	0	-126	0	0
Non-financial corporations	-3,195	-418	806	345	30	25	-2,406	-118	133
Households	-1,907	-349	141	275	30	-17	-1,827	-17	92
<b>Collective allowances</b>	<b>-733</b>	<b>-274</b>	<b>0</b>	<b>302</b>	<b>0</b>	<b>-10</b>	<b>-715</b>	<b>0</b>	<b>0</b>
Debt securities with customers	-2	0	0	0	0	0	-2	0	0
General governments	-2	0	0	0	0	0	-1	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	-1	0	0
Loans and advances to customers	-731	-274	0	302	0	-10	-713	0	0
General governments	-14	-8	0	19	0	-6	-10	0	0
Other financial corporations	-26	-8	0	10	0	2	-22	0	0
Non-financial corporations	-424	-104	0	151	0	-6	-383	0	0
Households	-268	-154	0	122	0	1	-298	0	0
<b>Total</b>	<b>-6,009</b>	<b>-1,053</b>	<b>985</b>	<b>938</b>	<b>60</b>	<b>-3</b>	<b>-5,083</b>	<b>-135</b>	<b>226</b>

## 19. Derivatives – hedge accounting

in EUR million	Dec 16			Jun 17		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
<b>Fair value hedges</b>	<b>22,378</b>	<b>1,980</b>	<b>586</b>	<b>21,955</b>	<b>1,532</b>	<b>533</b>
Interest rate	22,378	1,980	586	21,955	1,532	533
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Cash flow hedges</b>	<b>987</b>	<b>14</b>	<b>3</b>	<b>1,431</b>	<b>6</b>	<b>16</b>
Interest rate	987	14	3	1,431	6	16
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total gross amounts</b>	<b>23,365</b>	<b>1,994</b>	<b>589</b>	<b>23,386</b>	<b>1,538</b>	<b>549</b>
Offset		-570	-116		-476	-138
<b>Total</b>		<b>1,424</b>	<b>473</b>		<b>1,063</b>	<b>411</b>

Erste Group undertakes a part of its interest rate derivative transactions via London Clearing House. Therefore, those derivatives are shown net of the respective cash collaterals in the group balance sheet.

## 20. Other assets

in EUR million	Dec 16	Jun 17
Prepayments and accrued income	177	171
Inventories	253	231
Sundry assets	590	788
<b>Other assets</b>	<b>1,020</b>	<b>1,190</b>

## 21. Other trading liabilities

in EUR million	Dec 16	Jun 17
Short positions	366	255
Equity instruments	240	116
Debt securities	126	140
Debt securities issued	59	59
Sundry trading liabilities	152	0
<b>Other trading liabilities</b>	<b>577</b>	<b>314</b>

## 22. Financial liabilities – at fair value through profit and loss

### Debt securities issued

in EUR million	Dec 16	Jun 17
Subordinated liabilities	556	834
Subordinated issues and deposits	556	834
Hybrid issues	0	0
Other debt securities issued	1,133	934
Bonds	763	578
Certificates of deposit	0	0
Other certificates of deposits/name certificates	69	55
Mortgage covered bonds	302	300
Public sector covered bonds	0	0
Other	0	0
<b>Debt securities issued</b>	<b>1,689</b>	<b>1,768</b>

## 23. Financial liabilities measured at amortised costs

### Deposits from banks

in EUR million	Dec 16	Jun 17
Overnight deposits	3,557	4,047
Term deposits	9,540	10,787
Repurchase agreements	1,534	3,049
<b>Deposits from banks</b>	<b>14,631</b>	<b>17,883</b>

### Deposits from customers

in EUR million	Dec 16	Jun 17
<b>Overnight deposits</b>	<b>85,707</b>	<b>93,336</b>
Savings deposits	21,873	22,923
General governments	0	0
Other financial corporations	267	198
Non-financial corporations	1,344	1,543
Households	20,262	21,182
Non-savings deposits	63,834	70,413
General governments	4,637	5,299
Other financial corporations	4,774	6,483
Non-financial corporations	19,288	20,014
Households	35,135	38,616
<b>Term deposits</b>	<b>52,076</b>	<b>51,978</b>
Deposits with agreed maturity	46,925	46,606
Savings deposits	32,091	31,537
General governments	0	0
Other financial corporations	757	460
Non-financial corporations	1,333	1,327
Households	30,001	29,750
Non-savings deposits	14,834	15,070
General governments	1,740	1,909
Other financial corporations	2,460	2,560
Non-financial corporations	3,214	3,398
Households	7,420	7,204
Deposits redeemable at notice	5,151	5,372
General governments	1	8
Other financial corporations	70	73
Non-financial corporations	69	104
Households	5,011	5,187
<b>Repurchase agreements</b>	<b>156</b>	<b>209</b>
General governments	52	192
Other financial corporations	0	17
Non-financial corporations	104	0
Households	0	0
<b>Deposits from customers</b>	<b>137,939</b>	<b>145,523</b>
<b>General governments</b>	<b>6,429</b>	<b>7,407</b>
<b>Other financial corporations</b>	<b>8,327</b>	<b>9,790</b>
<b>Non-financial corporations</b>	<b>25,353</b>	<b>26,386</b>
<b>Households</b>	<b>97,829</b>	<b>101,939</b>

### Debt securities issued

in EUR million	Dec 16	Jun 17
Subordinated liabilities	5,542	5,598
Subordinated issues and deposits	5,542	5,598
Hybrid issues	0	0
Other debt securities issued	19,960	19,236
Bonds	9,762	8,748
Certificates of deposit	441	215
Other certificates of deposits/name certificates	847	822
Mortgage covered bonds	7,351	7,913
Public sector covered bonds	1,456	1,413
Other	103	125
<b>Debt securities issued</b>	<b>25,503</b>	<b>24,834</b>

## 24. Provisions

in EUR million	Dec 16	Jun 17
Long-term employee provisions	969	928
Pending legal issues and tax litigation	332	382
Commitments and guarantees given	339	272
Provisions for guarantees - off balance sheet (defaulted customers)	208	131
Provisions for guarantees - off balance sheet (non-defaulted customers)	131	141
Other provisions	62	114
Provisions for onerous contracts	4	4
Other	58	110
<b>Provisions</b>	<b>1,702</b>	<b>1,696</b>

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 raised to 2.00% as of 30 June 2017 (31 December 2016: 1.80%) to reflect the increased interest rate levels. All other valuation parameter remained unchanged. According to IAS 19 the resulting measurement adjustment for pension and severance payment provisions amounting to EUR +19.7 million (before tax) has been recognised in other comprehensive income those for jubilee provisions in amount of EUR +1.5 million in the income statement.

## 25. Other liabilities

in EUR million	Dec 16	Jun 17
Deferred income and accrued fee expenses	220	228
Sundry liabilities	2,716	2,695
<b>Other liabilities</b>	<b>2,936</b>	<b>2,923</b>

## 26. 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 2017.



#### 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 activities 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 are customers within the responsibility of the local corporate commercial center network, in general compa-



nies with an annual turnover ranging from EUR 1-3 million to EUR 50-75 million, the thresholds vary by country. Local Large Corporate customers are local corporates with a consolidated annual turnover exceeding a defined threshold between EUR 50 million to EUR 75 million, depending on the country, which are not defined as Group Large Corporate customers. Group Large Corporate customers are corporate customers/client groups with substantial operations in core markets of Erste Group with a consolidated annual turnover of generally at least EUR 500 million. Commercial Real Estate (CRE) covers business with real estate investors generating income from the rental of individual properties or portfolios of properties, project developers generating capital gains through sale, asset management services, construction services (applicable only for EGI) and own development for business purpose. Public Sector comprises business activities with three types of customers: public sector, public corporations and the non-profit sector.

### Group Markets

The Group Markets (GM) segment comprises trading and markets services as well as customer business with financial institutions. It includes all activities related to the trading books of Erste Group, including the execution of trade, market making and short-term 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 internal service providers that operate on a non-profit basis and reconciliation items to local entity results. The corporate center of Erste Group Bank AG is included in the Group Corporate Center segment.

### Savings Banks

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

### Group Corporate Center

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

### Intragroup Elimination

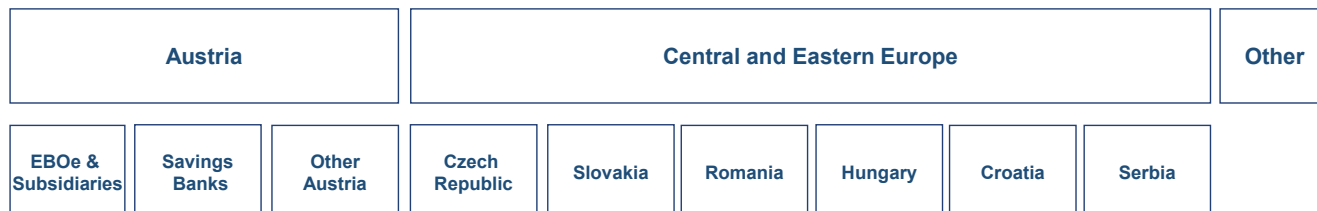
Intragroup Elimination (IC) is not defined as a segment but is the reconciliation to the consolidated accounting result. It includes all intragroup eliminations between participations of Erste Group (e.g. intragroup funding, internal cost charges). Intragroup eliminations with partial groups are disclosed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

## Erste Group – geographical segmentation



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 AG, Erste Asset Management GmbH and Intermarket Bank AG.

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

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

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

### Measurement

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

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

According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated capital are disclosed per segment. 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 and fair value result, net result from equity method investments, rental income from investment properties and other operating lease).



## Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-6 16	1-6 17	1-6 16	1-6 17	1-6 16	1-6 17	1-6 16	1-6 17
Net interest income	471.8	487.5	36.8	36.2	11.1	0.8	2,194.1	2,143.0
Net fee and commission income	209.3	218.9	1.2	3.1	-1.1	-0.9	884.9	910.9
Dividend income	11.0	9.2	10.3	6.2	-0.4	-0.1	31.5	27.1
Net trading and fair value result	0.6	7.9	-12.6	-15.7	3.1	0.9	107.5	107.3
Net result from equity method investments	0.0	0.0	1.0	1.2	0.0	0.0	5.7	6.1
Rental income from investment properties & other operating leases	19.8	19.0	22.0	6.4	-30.5	-18.9	92.9	98.3
General administrative expenses	-510.9	-519.4	-397.0	-441.2	286.6	361.1	-1,980.3	-2,003.5
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7.4	8.4	0.3	0.2	-0.6	0.0	148.4	42.5
Net impairment loss on financial assets	-16.2	11.7	-10.7	-9.9	0.0	0.0	-25.8	-104.3
Other operating result	-23.2	-43.4	176.3	297.9	-268.2	-342.8	-192.2	-209.8
Levies on banking activities	-7.6	-2.6	-42.3	-7.6	0.0	0.0	-107.6	-59.4
<b>Pre-tax result from continuing operations</b>	<b>169.6</b>	<b>199.7</b>	<b>-172.5</b>	<b>-115.6</b>	<b>0.0</b>	<b>0.0</b>	<b>1,266.7</b>	<b>1,017.6</b>
Taxes on income	-59.9	-41.7	46.6	32.7	0.0	0.0	-278.8	-223.9
<b>Net result for the period</b>	<b>109.7</b>	<b>158.0</b>	<b>-125.9</b>	<b>-82.9</b>	<b>0.0</b>	<b>0.0</b>	<b>987.9</b>	<b>793.8</b>
Net result attributable to non-controlling interests	86.1	132.4	12.6	16.4	0.0	0.0	146.2	169.1
<b>Net result attributable to owners of the parent</b>	<b>23.6</b>	<b>25.6</b>	<b>-138.5</b>	<b>-99.4</b>	<b>0.0</b>	<b>0.0</b>	<b>841.7</b>	<b>624.7</b>
Operating income	712.4	742.4	58.6	37.3	-17.8	-18.2	3,316.6	3,292.8
Operating expenses	-510.9	-519.4	-397.0	-441.2	286.6	361.1	-1,980.3	-2,003.5
<b>Operating result</b>	<b>201.5</b>	<b>223.1</b>	<b>-338.4</b>	<b>-403.9</b>	<b>268.8</b>	<b>342.8</b>	<b>1,336.3</b>	<b>1,289.3</b>
Risk-weighted assets (credit risk, eop)	21,306	20,923	1,202	1,214	0	0	83,408	83,822
Average allocated capital	2,071	2,112	4,905	6,407	0	0	15,293	17,116
Cost/income ratio	71.7%	70.0%	>100.0%	>100.0%	>100.0%	>100.0%	59.7%	60.8%
Return on allocated capital	10.6%	15.1%	-5.2%	-2.6%			13.0%	9.4%
Total assets (eop)	58,018	58,918	3,749	3,413	-34,711	-39,333	204,505	218,156
Total liabilities excluding equity (eop)	53,738	54,482	1,625	1,557	-34,744	-39,301	188,528	200,641
<b>Impairments and risk provisions</b>	<b>-6.6</b>	<b>6.6</b>	<b>-41.4</b>	<b>-12.1</b>	<b>0.0</b>	<b>0.0</b>	<b>-87.2</b>	<b>-48.6</b>
Net impairment loss on loans and receivables to credit institutions/customers	-15.3	12.8	-10.6	0.0	0.0	0.0	-24.8	-92.7
Net impairment loss on other financial assets	-0.9	-1.1	-0.1	-9.9	0.0	0.0	-1.0	-11.7
Allocations/releases of provisions for contingent credit risk liabilities	9.6	-3.4	-19.0	0.6	0.0	0.0	-2.4	70.3
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	0.0	-1.6	-11.7	-2.9	0.0	0.0	-59.0	-14.5

## Geographical segmentation - overview

in EUR million	Austria		Central and Eastern Europe				Other		Total Group	
	1-6 16	1-6 17	1-6 16	1-6 17	1-6 16	1-6 17	1-6 16	1-6 17	1-6 16	1-6 17
	Net interest income	982.0	994.0	1,122.9	1,107.8	89.1	41.2	2,194.1	2,143.0	2,194.1
Net fee and commission income	474.8	502.7	429.9	423.7	-19.9	-15.5	884.9	910.9	884.9	910.9
Dividend income	18.5	17.4	3.0	3.6	6.1	6.1	31.5	27.1	31.5	27.1
Net trading and fair value result	13.0	40.9	110.6	132.3	-16.1	-65.9	107.5	107.3	107.5	107.3
Net result from equity method investments	0.6	0.6	4.0	4.3	1.0	1.2	5.7	6.1	5.7	6.1
Rental income from investment properties & other operating leases	58.3	66.6	30.2	25.0	4.4	6.7	92.9	98.3	92.9	98.3
General administrative expenses	-1,009.8	-1,039.5	-838.8	-859.3	-131.7	-104.7	-1,980.3	-2,003.5	-1,980.3	-2,003.5
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	23.6	15.1	127.5	18.2	-2.7	9.2	148.4	42.5	148.4	42.5
Net impairment loss on financial assets	-33.9	-14.8	22.7	-78.3	-14.6	-11.3	-25.8	-104.3	-25.8	-104.3
Other operating result	10.1	-50.0	-99.0	-99.3	-103.4	-60.4	-192.2	-209.8	-192.2	-209.8
Levies on banking activities	-14.8	-4.2	-50.5	-47.6	-42.3	-7.6	-107.6	-59.4	-107.6	-59.4
<b>Pre-tax result from continuing operations</b>	<b>537.4</b>	<b>533.0</b>	<b>913.2</b>	<b>678.0</b>	<b>-183.9</b>	<b>-193.3</b>	<b>1,266.7</b>	<b>1,017.6</b>	<b>1,266.7</b>	<b>1,017.6</b>
Taxes on income	-157.3	-124.4	-169.6	-149.1	48.1	49.6	-278.8	-223.9	-278.8	-223.9
<b>Net result for the period</b>	<b>380.1</b>	<b>408.6</b>	<b>743.6</b>	<b>528.9</b>	<b>-135.8</b>	<b>-143.7</b>	<b>987.9</b>	<b>793.8</b>	<b>987.9</b>	<b>793.8</b>
Net result attributable to non-controlling interests	96.2	141.5	37.4	11.2	12.5	16.4	146.2	169.1	146.2	169.1
<b>Net result attributable to owners of the parent</b>	<b>283.9</b>	<b>267.1</b>	<b>706.2</b>	<b>517.7</b>	<b>-148.3</b>	<b>-160.1</b>	<b>841.7</b>	<b>624.7</b>	<b>841.7</b>	<b>624.7</b>
Operating income	1,547.3	1,622.2	1,700.8	1,696.7	68.5	-26.2	3,316.6	3,292.8	3,316.6	3,292.8
Operating expenses	-1,009.8	-1,039.5	-838.8	-859.3	-131.7	-104.7	-1,980.3	-2,003.5	-1,980.3	-2,003.5
<b>Operating result</b>	<b>537.5</b>	<b>582.7</b>	<b>861.9</b>	<b>837.4</b>	<b>-63.1</b>	<b>-130.8</b>	<b>1,336.3</b>	<b>1,289.3</b>	<b>1,336.3</b>	<b>1,289.3</b>
Risk-weighted assets (credit risk, eop)	47,949	46,626	33,770	35,384	1,690	1,812	83,408	83,822	83,408	83,822
Average allocated capital	4,917	4,871	4,510	4,950	5,866	7,296	15,293	17,116	15,293	17,116
Cost/income ratio	65.3%	64.1%	49.3%	50.6%	>100.0%	>100.0%	59.7%	60.8%	59.7%	60.8%
Return on allocated capital	15.5%	16.9%	33.2%	21.5%	-4.7%	-4.0%	13.0%	9.4%	13.0%	9.4%
Total assets (eop)	139,240	146,264	82,280	95,167	-17,014	-23,275	204,505	218,156	204,505	218,156
Total liabilities excluding equity (eop)	113,561	119,116	73,455	85,493	1,512	-3,968	188,528	200,641	188,528	200,641
<b>Impairments and risk provisions</b>	<b>3.4</b>	<b>-14.4</b>	<b>-46.6</b>	<b>-15.4</b>	<b>-44.0</b>	<b>-18.8</b>	<b>-87.2</b>	<b>-48.6</b>	<b>-87.2</b>	<b>-48.6</b>
Net impairment loss on loans and receivables to credit institutions/customers	-32.9	-13.7	22.6	-77.5	-14.5	-1.5	-24.8	-92.7	-24.8	-92.7
Net impairment loss on other financial assets	-0.9	-1.1	0.1	-0.8	-0.1	-9.8	-1.0	-11.7	-1.0	-11.7
Allocations/releases of provisions for contingent credit risk liabilities	41.3	4.5	-26.2	65.8	-17.6	0.0	-2.4	70.3	-2.4	70.3
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-4.1	-4.0	-43.2	-3.0	-11.7	-7.5	-59.0	-14.5	-59.0	-14.5

## Geographical area - Austria

in EUR million	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
	1-6 16	1-6 17	1-6 16	1-6 17	1-6 16	1-6 17	1-6 16	1-6 17
Net interest income	314.5	321.3	471.8	487.5	195.8	185.2	982.0	994.0
Net fee and commission income	168.5	176.8	209.3	218.9	97.0	107.0	474.8	502.7
Dividend income	6.5	7.5	11.0	9.2	1.1	0.7	18.5	17.4
Net trading and fair value result	6.9	7.5	0.6	7.9	5.5	25.5	13.0	40.9
Net result from equity method investments	0.4	0.3	0.0	0.3	0.3	0.2	0.6	0.6
Rental income from investment properties & other operating leases	9.7	17.7	19.8	19.0	28.8	29.9	58.3	66.6
General administrative expenses	-327.5	-336.6	-510.9	-519.4	-171.4	-183.6	-1,009.8	-1,039.5
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	12.3	2.8	7.4	8.4	3.9	3.9	23.6	15.1
Net impairment loss on financial assets	-2.5	13.7	-16.2	11.7	-15.2	-40.2	-33.9	-14.8
Other operating result	7.4	-30.8	-23.2	-43.4	25.9	24.2	10.1	-50.0
Levies on banking activities	-7.3	-1.6	-7.6	-2.6	0.0	0.0	-14.8	-4.2
<b>Pre-tax result from continuing operations</b>	<b>196.1</b>	<b>180.5</b>	<b>169.6</b>	<b>199.7</b>	<b>171.7</b>	<b>152.8</b>	<b>537.4</b>	<b>533.0</b>
Taxes on income	-54.2	-44.5	-59.9	-41.7	-43.2	-38.2	-157.3	-124.4
<b>Net result for the period</b>	<b>142.0</b>	<b>136.0</b>	<b>109.7</b>	<b>158.0</b>	<b>128.4</b>	<b>114.6</b>	<b>380.1</b>	<b>408.6</b>
Net result attributable to non-controlling interests	6.3	9.8	86.1	132.4	3.8	-0.8	96.2	141.5
<b>Net result attributable to owners of the parent</b>	<b>135.7</b>	<b>126.1</b>	<b>23.6</b>	<b>25.6</b>	<b>124.6</b>	<b>115.4</b>	<b>283.9</b>	<b>267.1</b>
Operating income	506.4	531.3	712.4	742.4	328.4	348.5	1,547.3	1,622.2
Operating expenses	-327.5	-336.6	-510.9	-519.4	-171.4	-183.6	-1,009.8	-1,039.5
<b>Operating result</b>	<b>178.9</b>	<b>194.7</b>	<b>201.5</b>	<b>223.1</b>	<b>157.0</b>	<b>164.9</b>	<b>537.5</b>	<b>582.7</b>
Risk-weighted assets (credit risk, eop)	12,251	11,380	21,306	20,923	14,391	14,324	47,949	46,626
Average allocated capital	1,264	1,245	2,071	2,112	1,581	1,513	4,917	4,871
Cost/income ratio	64.7%	63.4%	71.7%	70.0%	52.2%	52.7%	65.3%	64.1%
Return on allocated capital	22.6%	22.0%	10.6%	15.1%	16.3%	15.3%	15.5%	16.9%
Total assets (eop)	40,492	43,195	58,018	58,918	40,730	44,152	139,240	146,264
Total liabilities excluding equity (eop)	38,956	41,423	53,738	54,482	20,868	23,211	113,561	119,116
<b>Impairments and risk provisions</b>	<b>1.3</b>	<b>13.8</b>	<b>-6.6</b>	<b>6.6</b>	<b>8.7</b>	<b>-34.8</b>	<b>3.4</b>	<b>-14.4</b>
Net impairment loss on loans and receivables to credit institutions/customers	-2.3	13.7	-15.3	12.8	-15.3	-40.2	-32.9	-13.7
Net impairment loss on other financial assets	-0.2	0.0	-0.9	-1.1	0.1	0.0	-0.9	-1.1
Allocations/releases of provisions for contingent credit risk liabilities	4.0	-0.4	9.6	-3.4	27.7	8.3	41.3	4.5
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-0.3	0.5	0.0	-1.6	-3.8	-2.9	-4.1	-4.0

## Geographical area - Central and Eastern Europe

	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Central and Eastern Europe	
	1-6-16	1-6-17	1-6-16	1-6-17	1-6-16	1-6-17	1-6-16	1-6-17	1-6-16	1-6-17	1-6-16	1-6-17	1-6-16	1-6-17
<b>in EUR million</b>														
Net interest income	455.5	450.4	197.3	183.8	226.7	215.1	88.0	98.8	132.8	134.4	22.5	25.2	1,122.9	1,107.8
Net fee and commission income	171.8	166.9	78.8	74.7	64.7	54.8	68.6	77.3	40.7	44.4	5.3	5.5	429.9	423.7
Dividend income	1.9	1.7	0.5	0.8	0.5	0.7	0.0	0.2	0.1	0.1	0.0	0.0	3.0	3.6
Net trading and fair value result	45.8	52.3	34.8	41.8	6.8	8.4	6.5	13.9	15.1	14.2	1.7	1.7	110.6	132.3
Net result from equity method investments	0.1	-0.5	0.2	0.0	3.1	4.0	0.0	0.0	0.5	0.7	0.1	0.1	4.0	4.3
Net result from investment properties & other operating leases	9.5	5.9	5.5	6.4	0.7	0.2	1.9	2.0	12.4	10.5	0.2	0.1	30.2	25.0
General administrative expenses	-324.8	-336.7	-170.9	-156.4	-135.0	-135.4	-93.3	-107.3	-94.9	-103.0	-19.9	-20.4	-838.8	-859.3
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	52.6	10.0	24.5	0.0	26.8	0.3	13.9	7.8	9.7	0.1	0.0	0.0	127.5	18.2
Net impairment loss on financial assets	-25.7	9.9	15.4	-13.6	-21.4	-19.6	71.7	32.6	-16.4	-88.1	-1.0	0.5	22.7	-78.3
Other operating result	-20.1	-13.7	-24.9	-41.0	-1.7	-13.4	-51.2	-23.0	-0.9	-8.2	-0.2	-0.1	-99.0	-99.3
Levies on banking activities	0.0	0.0	0.0	0.0	-12.3	-13.3	-38.2	-34.3	0.0	0.0	0.0	0.0	-50.5	-47.6
<b>Pre-tax result from continuing operations</b>	<b>366.7</b>	<b>346.4</b>	<b>161.2</b>	<b>96.4</b>	<b>171.2</b>	<b>115.1</b>	<b>106.2</b>	<b>102.3</b>	<b>99.2</b>	<b>5.1</b>	<b>8.8</b>	<b>12.6</b>	<b>913.2</b>	<b>678.0</b>
Taxes on income	-76.2	-68.6	-28.6	-42.7	-37.5	-27.5	-5.4	-7.3	-21.8	-2.3	0.0	-0.7	-169.6	-149.1
<b>Net result for the period</b>	<b>290.5</b>	<b>277.8</b>	<b>132.6</b>	<b>53.7</b>	<b>133.6</b>	<b>87.7</b>	<b>100.7</b>	<b>95.0</b>	<b>77.4</b>	<b>2.8</b>	<b>8.8</b>	<b>11.9</b>	<b>743.6</b>	<b>528.9</b>
Net result attributable to non-controlling interests	3.2	2.9	8.5	3.6	0.0	0.0	0.0	0.0	24.0	2.4	1.7	2.3	37.4	11.2
<b>Net result attributable to owners of the parent</b>	<b>287.3</b>	<b>274.9</b>	<b>124.1</b>	<b>50.2</b>	<b>133.6</b>	<b>87.7</b>	<b>100.7</b>	<b>95.0</b>	<b>53.4</b>	<b>0.4</b>	<b>7.1</b>	<b>9.6</b>	<b>706.2</b>	<b>517.7</b>
Operating income	684.6	676.9	317.1	307.4	302.5	283.2	165.0	192.3	201.7	204.3	29.9	32.6	1,700.8	1,696.7
Operating expenses	-324.8	-336.7	-170.9	-156.4	-135.0	-135.4	-93.3	-107.3	-94.9	-103.0	-19.9	-20.4	-838.8	-859.3
<b>Operating result</b>	<b>359.8</b>	<b>340.2</b>	<b>146.1</b>	<b>151.0</b>	<b>167.5</b>	<b>147.8</b>	<b>71.7</b>	<b>84.9</b>	<b>106.8</b>	<b>101.3</b>	<b>9.9</b>	<b>12.2</b>	<b>861.9</b>	<b>837.4</b>
Risk-weighted assets (credit risk, eop)	15,266	16,254	5,292	5,208	4,677	4,978	3,400	3,632	4,291	4,357	845	954	33,770	35,384
Average allocated capital	1,718	1,991	985	1,058	667	647	481	560	545	562	115	132	4,510	4,950
Cost/income ratio	47.4%	49.7%	53.9%	50.9%	44.6%	47.8%	56.5%	55.8%	47.1%	50.4%	66.8%	62.6%	49.3%	50.6%
Return on allocated capital	34.0%	28.1%	27.1%	10.2%	40.3%	27.3%	42.1%	34.2%	28.5%	1.0%	15.4%	18.2%	33.2%	21.5%
Total assets (eop)	38,237	47,623	14,136	14,507	14,378	15,587	5,783	7,298	8,680	8,913	1,064	1,240	82,280	95,167
Total liabilities excluding equity (eop)	34,032	43,195	12,724	12,946	12,892	14,142	5,189	6,277	7,695	7,858	924	1,074	73,455	85,493
<b>Impairments and risk provisions</b>	<b>-70.5</b>	<b>12.3</b>	<b>6.1</b>	<b>-14.2</b>	<b>-18.3</b>	<b>-15.5</b>	<b>55.1</b>	<b>93.8</b>	<b>-17.8</b>	<b>-92.0</b>	<b>-1.1</b>	<b>0.3</b>	<b>-46.6</b>	<b>-15.4</b>
Net impairment loss on loans and receivables to credit institutions/customers	-25.8	10.5	15.4	-13.5	-21.3	-19.5	71.7	32.6	-16.4	-88.0	-1.0	0.5	22.6	-77.5
Net impairment loss on other financial assets	0.1	-0.6	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.1	-0.8
Allocations/releases of provisions for contingent credit risk liabilities	-12.4	1.9	1.5	-2.9	2.5	3.7	-16.3	61.5	-1.0	1.8	-0.5	-0.1	-26.2	65.8
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 loss on other non-financial assets	-32.4	0.5	-10.8	2.2	0.5	0.4	-0.3	-0.3	-0.5	-5.7	0.4	-0.1	-43.2	-3.0

## 27. Risk management

It is a core function of every bank to take risks in a conscious and selective manner and to manage such risks professionally. Erste Group's proactive risk policy and strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the annual report 2016.

### Credit risk

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

#### Low risk

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

#### Management attention

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

#### Substandard

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

#### Non-performing

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

### Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

- \_ cash and cash balances - other demand deposits;
- \_ financial assets - held for trading (without equity instruments);
- \_ financial assets - at fair value through profit or loss (without equity instruments);
- \_ financial assets - available for sale (without equity instruments);
- \_ financial assets - held to maturity;
- \_ loans and receivables to credit institutions;
- \_ loans and receivables to customers;
- \_ derivatives - hedge accounting;
- \_ contingent liabilities (primarily financial guarantees and undrawn irrevocable credit commitments).

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

The gross carrying amount of the credit risk exposure increased to EUR 220.1 billion (+2.4%; EUR 214.9 billion).



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

in EUR million	Gross carrying amount	Allowances	Net carrying amount
<b>As of 30 June 2017</b>			
Cash and cash balances - other demand deposits	2,012	0	2,012
Loans and receivables to credit institutions	4,353	7	4,347
Loans and receivables to customers	139,574	4,451	135,122
Financial assets - held to maturity	19,359	4	19,355
Financial assets - held for trading	3,119	0	3,119
Financial assets - at fair value through profit or loss	393	0	393
Financial assets - available for sale	16,464	0	16,464
Positive fair value of derivatives	5,053	0	5,053
Contingent credit risk liabilities	29,800	272	--
<b>Total</b>	<b>220,128</b>	<b>4,734</b>	<b>185,866</b>
<b>As of 31 December 2016</b>			
Cash and cash balances - other demand deposits	1,282	0	1,282
Loans and receivables to credit institutions	3,478	8	3,469
Loans and receivables to customers	135,267	4,613	130,654
Financial assets - held to maturity	19,274	4	19,270
Financial assets - held for trading	3,396	0	3,396
Financial assets - at fair value through profit or loss	336	0	336
Financial assets - available for sale	18,522	0	18,522
Positive fair value of derivatives	5,899	0	5,899
Contingent credit risk liabilities	27,484	338	--
<b>Total</b>	<b>214,938</b>	<b>4,963</b>	<b>182,829</b>

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

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

- \_ Basel 3 exposure class and financial instrument,
- \_ industry and risk category;
- \_ country of risk and risk category;
- \_ business segment and risk category;
- \_ geographical segment and risk category.

Furthermore, a breakdown of loans and receivables to customers is presented according to the following criteria:

- \_ business segment and risk category;
- \_ geographical segment and risk category;
- \_ business segment and coverage of non-performing loans and receivables by allowances;
- \_ geographical segment and coverage of non-performing loans and receivables by allowances;
- \_ geographical segment and currency.

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

in EUR million	Cash and cash balances - other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Debt securities					Positive fair value of derivatives	Contingent credit risk liabilities	Gross exposure
				Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available-for-sale				
				At amortised cost			At fair value				
<b>Jun 17</b>											
Sovereigns	5	803	7,304	18,372	2,407	76	13,138	284	1,724	44,112	
Institutions	1,993	3,038	139	730	455	115	1,451	4,430	391	12,742	
Corporates	13	513	61,262	257	257	203	1,868	339	20,024	84,736	
Retail	0	0	70,868	0	0	0	8	1	7,661	78,537	
<b>Total</b>	<b>2,012</b>	<b>4,353</b>	<b>139,574</b>	<b>19,359</b>	<b>3,119</b>	<b>393</b>	<b>16,464</b>	<b>5,053</b>	<b>29,800</b>	<b>220,128</b>	
<b>Dec 16</b>											
Sovereigns	6	680	7,347	18,459	2,549	42	14,823	330	1,639	45,876	
Institutions	1,270	2,080	149	538	467	139	1,646	5,120	251	11,659	
Corporates	6	717	59,010	277	380	155	2,053	448	19,002	82,048	
Retail	0	0	68,761	0	0	0	0	1	6,592	75,354	
<b>Total</b>	<b>1,282</b>	<b>3,478</b>	<b>135,267</b>	<b>19,274</b>	<b>3,396</b>	<b>336</b>	<b>18,522</b>	<b>5,899</b>	<b>27,484</b>	<b>214,938</b>	

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

## Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
<b>As of 30 June 2017</b>					
Agriculture and forestry	2,042	519	37	181	2,779
Mining	787	29	3	67	886
Manufacturing	13,136	1,347	192	827	15,503
Energy and water supply	3,375	358	48	96	3,877
Construction	8,086	1,311	137	653	10,186
Development of building projects	3,863	500	19	209	4,591
Trade	8,640	1,374	182	854	11,049
Transport and communication	6,105	512	30	145	6,792
Hotels and restaurants	2,797	850	145	370	4,162
Financial and insurance services	21,408	965	55	136	22,564
Holding companies	2,474	100	37	97	2,708
Real estate and housing	22,012	2,637	274	834	25,757
Services	8,826	1,135	167	375	10,504
Public administration	38,109	192	7	9	38,317
Education, health and art	2,467	412	23	232	3,134
Households	55,723	5,636	517	2,059	63,934
Other	348	14	309	13	684
<b>Total</b>	<b>193,860</b>	<b>17,290</b>	<b>2,125</b>	<b>6,853</b>	<b>220,128</b>
<b>As of 31 December 2016</b>					
Agriculture and forestry	1,966	495	28	149	2,638
Mining	704	60	4	112	880
Manufacturing	12,422	1,389	190	895	14,895
Energy and water supply	3,352	351	29	111	3,843
Construction	7,994	1,251	100	657	10,002
Development of building projects	3,875	437	20	220	4,553
Trade	8,524	1,568	160	693	10,945
Transport and communication	5,957	455	36	164	6,612
Hotels and restaurants	2,787	852	150	405	4,193
Financial and insurance services	20,503	881	61	146	21,592
Holding companies	2,453	126	41	114	2,734
Real estate and housing	20,563	2,770	238	966	24,537
Services	8,397	1,069	140	354	9,960
Public administration	39,403	500	7	24	39,935
Education, health and art	2,433	431	28	244	3,136
Households	52,632	5,658	574	2,174	61,037
Other	393	1	330	10	734
<b>Total</b>	<b>188,031</b>	<b>17,733</b>	<b>2,072</b>	<b>7,102</b>	<b>214,938</b>

## Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
<b>As of 30 June 2017</b>					
<b>Core markets</b>	<b>165,525</b>	<b>15,406</b>	<b>1,998</b>	<b>6,162</b>	<b>189,091</b>
Austria	86,222	7,889	1,256	2,245	97,611
Czech Republic	34,594	2,688	163	783	38,227
Romania	12,261	2,003	174	993	15,430
Slovakia	16,592	1,114	100	617	18,423
Hungary	7,455	616	148	306	8,525
Croatia	7,149	971	149	1,089	9,359
Serbia	1,252	126	8	130	1,516
<b>Other EU</b>	<b>21,329</b>	<b>1,204</b>	<b>70</b>	<b>509</b>	<b>23,112</b>
<b>Other industrialised countries</b>	<b>4,123</b>	<b>88</b>	<b>2</b>	<b>54</b>	<b>4,267</b>
<b>Emerging markets</b>	<b>2,884</b>	<b>591</b>	<b>55</b>	<b>128</b>	<b>3,658</b>
Southeastern Europe/CIS	1,391	384	48	107	1,929
Asia	956	107	2	0	1,065
Latin America	50	27	1	16	94
Middle East/Africa	488	73	3	5	569
<b>Total</b>	<b>193,860</b>	<b>17,290</b>	<b>2,125</b>	<b>6,853</b>	<b>220,128</b>
<b>As of 31 December 2016</b>					
<b>Core markets</b>	<b>160,052</b>	<b>15,679</b>	<b>1,914</b>	<b>6,409</b>	<b>184,055</b>
Austria	84,766	8,035	1,233	2,400	96,435
Czech Republic	32,414	2,441	177	910	35,942
Romania	12,059	1,891	82	1,058	15,090
Slovakia	16,282	1,184	128	629	18,222
Hungary	6,592	683	140	453	7,868
Croatia	7,075	1,035	142	821	9,073
Serbia	865	410	12	138	1,425
<b>Other EU</b>	<b>20,744</b>	<b>1,299</b>	<b>91</b>	<b>455</b>	<b>22,590</b>
<b>Other industrialised countries</b>	<b>4,176</b>	<b>167</b>	<b>5</b>	<b>58</b>	<b>4,406</b>
<b>Emerging markets</b>	<b>3,059</b>	<b>588</b>	<b>61</b>	<b>180</b>	<b>3,888</b>
Southeastern Europe/CIS	1,400	376	54	156	1,986
Asia	1,099	124	4	0	1,228
Latin America	61	33	2	18	114
Middle East/Africa	499	54	1	6	560
<b>Total</b>	<b>188,031</b>	<b>17,733</b>	<b>2,072</b>	<b>7,102</b>	<b>214,938</b>

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

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

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

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

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
<b>As of 30 June 2017</b>					
Retail	48,543	5,365	487	1,806	56,200
Corporates	55,165	4,844	534	3,003	63,545
Group Markets	16,540	560	11	3	17,115
Asset/Liability Management and Local Corporate Center	26,021	155	186	23	26,386
Savings Banks	47,542	6,263	830	1,996	56,631
Group Corporate Center	49	103	77	21	250
<b>Total</b>	<b>193,860</b>	<b>17,290</b>	<b>2,125</b>	<b>6,853</b>	<b>220,128</b>
<b>As of 31 December 2016</b>					
Retail	46,061	5,428	512	1,971	53,972
Corporates	53,019	4,906	438	3,048	61,411
Group Markets	14,839	664	36	4	15,542
Asset/Liability Management and Local Corporate Center	27,234	260	173	16	27,682
Savings Banks	46,827	6,384	849	2,062	56,122
Group Corporate Center	51	91	65	1	208
<b>Total</b>	<b>188,031</b>	<b>17,733</b>	<b>2,072</b>	<b>7,102</b>	<b>214,938</b>

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

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
<b>As of 30 June 2017</b>					
Austria	111,352	9,894	1,347	3,540	126,132
EBOe & Subsidiaries	35,105	2,622	424	726	38,877
Savings Banks	47,542	6,263	830	1,996	56,631
Other Austria	28,705	1,009	93	818	30,625
Central and Eastern Europe	76,063	7,293	702	3,231	87,289
Czech Republic	35,317	2,730	129	601	38,776
Romania	11,014	2,025	172	947	14,158
Slovakia	14,758	1,005	108	517	16,388
Hungary	6,541	468	117	260	7,385
Croatia	7,317	965	168	856	9,306
Serbia	1,116	101	8	51	1,275
Other	6,445	103	77	82	6,707
<b>Total</b>	<b>193,860</b>	<b>17,290</b>	<b>2,125</b>	<b>6,853</b>	<b>220,128</b>
<b>As of 31 December 2016</b>					
Austria	109,040	10,272	1,362	3,616	124,291
EBOe & Subsidiaries	35,090	2,713	394	827	39,025
Savings Banks	46,827	6,384	849	2,062	56,122
Other Austria	27,124	1,174	119	727	29,144
Central and Eastern Europe	71,867	7,364	645	3,453	83,329
Czech Republic	33,144	2,509	146	747	36,546
Romania	11,071	1,937	81	1,010	14,097
Slovakia	14,032	1,035	132	525	15,723
Hungary	5,660	544	111	396	6,711
Croatia	7,167	978	164	717	9,025
Serbia	794	362	12	59	1,227
Other	7,124	96	65	33	7,318
<b>Total</b>	<b>188,031</b>	<b>17,733</b>	<b>2,072</b>	<b>7,102</b>	<b>214,938</b>

## Loans and receivables to customers

The tables on the following pages present the structure of the customer loan book, excluding loans to financial institutions and commitments, broken-down by different categories.

### Loans and receivables to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
<b>As of 30 June 2017</b>					
Retail	42,558	4,930	467	1,783	49,739
Corporates	39,276	4,060	435	2,763	46,533
Group Markets	1,598	216	0	0	1,814
Asset/Liability Management and Local Corporate Center	134	21	55	22	232
Savings Banks	33,326	5,284	698	1,908	41,216
Group Corporate Center	17	1	2	20	40
<b>Total</b>	<b>116,910</b>	<b>14,512</b>	<b>1,656</b>	<b>6,496</b>	<b>139,574</b>
<b>As of 31 December 2016</b>					
Retail	41,013	5,034	487	1,946	48,480
Corporates	37,692	3,956	334	2,738	44,721
Group Markets	975	285	5	0	1,265
Asset/Liability Management and Local Corporate Center	97	23	38	13	171
Savings Banks	32,504	5,417	710	1,980	40,611
Group Corporate Center	15	1	2	1	19
<b>Total</b>	<b>112,297</b>	<b>14,715</b>	<b>1,577</b>	<b>6,678</b>	<b>135,267</b>

### Loans and receivables to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
<b>As of 30 June 2017</b>					
Austria	72,286	8,227	1,023	3,376	84,912
Erste Bank Oesterreich & Subsidiaries	27,714	2,255	275	688	30,931
Savings Banks	33,326	5,284	698	1,908	41,216
Other Austria	11,246	688	50	781	12,765
Central and Eastern Europe	44,439	6,284	632	3,038	54,394
Czech Republic	21,490	2,276	118	553	24,436
Romania	5,206	1,694	139	869	7,908
Slovakia	9,775	946	90	469	11,281
Hungary	2,707	439	116	253	3,514
Croatia	4,542	840	161	845	6,388
Serbia	720	89	8	50	868
Other	185	1	2	81	268
<b>Total</b>	<b>116,910</b>	<b>14,512</b>	<b>1,656</b>	<b>6,496</b>	<b>139,574</b>
<b>As of 31 December 2016</b>					
Austria	71,069	8,668	1,003	3,447	84,186
Erste Bank Oesterreich & Subsidiaries	27,705	2,316	244	781	31,046
Savings Banks	32,504	5,417	710	1,980	40,611
Other Austria	10,859	936	48	686	12,529
Central and Eastern Europe	41,159	6,047	572	3,198	50,975
Czech Republic	19,067	2,046	130	695	21,939
Romania	5,297	1,594	71	928	7,890
Slovakia	9,028	948	102	475	10,552
Hungary	2,552	476	111	339	3,478
Croatia	4,563	870	147	704	6,285
Serbia	653	111	12	56	832
Other	70	1	2	33	105
<b>Total</b>	<b>112,297</b>	<b>14,715</b>	<b>1,577</b>	<b>6,678</b>	<b>135,267</b>

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

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
<b>As of 30 June 2017</b>					
Retail	1,783	49,739	1,360	3.6%	76.3%
Corporates	2,763	46,533	1,961	5.9%	71.0%
Group Markets	0	1,814	3	0.0%	8857.0%
Asset/Liability Management and Local Corporate Center	22	232	33	9.4%	149.9%
Savings Banks	1,908	41,216	1,094	4.6%	57.3%
Group Corporate Center	20	40	0	50.9%	1.2%
<b>Total</b>	<b>6,496</b>	<b>139,574</b>	<b>4,451</b>	<b>4.7%</b>	<b>68.5%</b>
<b>As of 31 December 2016</b>					
Retail	1,946	48,480	1,462	4.0%	75.2%
Corporates	2,738	44,721	1,979	6.1%	72.3%
Group Markets	0	1,265	3	0.0%	4949.4%
Asset/Liability Management and Local Corporate Center	13	171	18	7.3%	142.5%
Savings Banks	1,980	40,611	1,150	4.9%	58.1%
Group Corporate Center	1	19	0	7.3%	21.6%
<b>Total</b>	<b>6,678</b>	<b>135,267</b>	<b>4,613</b>	<b>4.9%</b>	<b>69.1%</b>

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

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
<b>As of 30 June 2017</b>					
Austria	3,376	84,912	1,949	4.0%	57.7%
Erste Bank Oesterreich & Subsidiaries	688	30,931	413	2.2%	60.0%
Savings Banks	1,908	41,216	1,094	4.6%	57.3%
Other Austria	781	12,765	442	6.1%	56.7%
Central and Eastern Europe	3,038	54,394	2,457	5.6%	80.9%
Czech Republic	553	24,436	474	2.3%	85.7%
Romania	869	7,908	800	11.0%	92.1%
Slovakia	469	11,281	353	4.2%	75.3%
Hungary	253	3,514	198	7.2%	78.3%
Croatia	845	6,388	580	13.2%	68.6%
Serbia	50	868	53	5.8%	105.5%
Other	81	268	46	30.2%	56.2%
<b>Total</b>	<b>6,496</b>	<b>139,574</b>	<b>4,451</b>	<b>4.7%</b>	<b>68.5%</b>
<b>As of 31 December 2016</b>					
Austria	3,447	84,186	2,051	4.1%	59.5%
Erste Bank Oesterreich & Subsidiaries	781	31,046	463	2.5%	59.3%
Savings Banks	1,980	40,611	1,150	4.9%	58.1%
Other Austria	686	12,529	438	5.5%	63.9%
Central and Eastern Europe	3,198	50,975	2,530	6.3%	79.1%
Czech Republic	695	21,939	575	3.2%	82.8%
Romania	928	7,890	792	11.8%	85.3%
Slovakia	475	10,552	343	4.5%	72.1%
Hungary	339	3,478	254	9.7%	75.0%
Croatia	704	6,285	510	11.2%	72.4%
Serbia	56	832	56	6.8%	99.1%
Other	33	105	32	31.3%	96.7%
<b>Total</b>	<b>6,678</b>	<b>135,267</b>	<b>4,613</b>	<b>4.9%</b>	<b>69.1%</b>

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

## Loans and receivables to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Gross customer loans
<b>As of 30 June 2017</b>						
Austria	76,418	0	4,665	2,166	1,663	84,912
Erste Bank Oesterreich & Subsidiaries	28,874	0	1,868	60	128	30,931
Savings Banks	37,554	0	2,663	89	910	41,216
Other Austria	9,990	0	134	2,017	624	12,765
Central and Eastern Europe	23,741	30,100	120	346	87	54,394
Czech Republic	3,148	21,119	1	102	66	24,436
Romania	3,676	4,051	0	180	0	7,908
Slovakia	11,235	0	0	29	16	11,281
Hungary	611	2,865	32	5	0	3,514
Croatia	4,413	1,872	74	24	4	6,388
Serbia	658	192	13	5	0	868
Other	229	32	0	8	0	268
<b>Total</b>	<b>100,388</b>	<b>30,131</b>	<b>4,785</b>	<b>2,520</b>	<b>1,750</b>	<b>139,574</b>
<b>As of 31 December 2016</b>						
Austria	75,200	0	5,205	2,261	1,521	84,186
Erste Bank Oesterreich & Subsidiaries	28,729	0	2,089	86	142	31,046
Savings Banks	36,662	0	2,988	80	881	40,611
Other Austria	9,810	0	128	2,095	497	12,529
Central and Eastern Europe	22,823	27,487	149	421	96	50,975
Czech Republic	2,846	18,930	1	96	65	21,939
Romania	3,807	3,875	0	208	0	7,890
Slovakia	10,487	0	0	42	23	10,552
Hungary	638	2,765	52	24	0	3,478
Croatia	4,405	1,744	82	45	8	6,285
Serbia	641	172	14	5	0	832
Other	51	46	0	8	0	105
<b>Total</b>	<b>98,075</b>	<b>27,533</b>	<b>5,353</b>	<b>2,690</b>	<b>1,617</b>	<b>135,267</b>

## Market risk

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

in EUR million	Dec 16	Jun 17
Interest	3.0	3.1
Currency	0.9	0.8
Shares	1.4	0.8
Commodity	0.3	0.2
Volatility	0.3	0.4
<b>Total</b>	<b>3.4</b>	<b>3.2</b>

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

## Liquidity risk

Due to the comfortable liquidity position and the usage of the TLTRO II programme (Targeted Longer-Term Refinancing Operations II) of the European Central Bank, Erste Group Bank AG has budgeted record low long term issuance for 2017 in the amount of EUR 1.45 billion. In the first six months of 2017, EUR 1.65 billion were issued in net terms (net of EUR 88 million buybacks), including a EUR 750 million benchmark covered bond. Favorable market conditions enabled the issuance of EUR 500 million additional tier 1 capital (AT1) in April 2017. Therefore, the issuance volume since the beginning of the year already exceeds the budget. At 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 2017, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.4% (Basel 3 final), comfortably above the 3.0% minimum requirement expected to apply from 2018. Tier 1 capital amounted to EUR 14.8 billion at the reference date, while total leverage exposure stood at EUR 233.3 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.

## **28. Related party transactions**

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung) controls a total of 29.22% interest in Erste Group Bank AG. Privatstiftung is therefore the largest single investor in Erste Group Bank AG. At the end of the reporting period, Erste Group had, in relation to Privatstiftung, accounts payable of EUR 0.5 million (EUR 3.0 million) and no accounts receivable. In addition, standard derivative transactions for hedging purposes were in place between Erste Group and Privatstiftung, namely interest rate swaps with caps in the notional amount of EUR 0 million (EUR 103.0 million). Furthermore, Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 9.6 million (EUR 10.2 million). Erste Group held debt securities issued by Privatstiftung in the amount of EUR 0 million (EUR 0.3 million). The interest income of Erste Group in the reporting period amounted to EUR 0.3 million (cumulated in 2016: EUR 6.3 million) while the interest expenses amounted to EUR 0.2 million (cumulated in 2016: EUR 3.9 million), resulting from the above mentioned accounts payable and receivable as well as derivative transactions and debt securities.

## **29. Contingent liabilities - legal proceedings**

There have not been any material changes since year-end 2016 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 regard to the legal disputes, mentioned in the Notes to the annual report 2016, between a consumer organisation and banks in Austria on the consequences of a reference rate (such as the EURIBOR) being negative on the variable interest rate in loans to consumers, the Austrian Supreme Court has held in several judgments published in the first half year of 2017 and partly post half year that banks are under a duty, in the case of variable-interest consumer loans where there exists no explicit contractual agreement with the customer as to a minimum interest rate, to pass on the negative reference rate to consumers. Also in the first half of 2017, the Supreme Court established that typically there does not exist any obligation by the bank to make a payment to its borrower in a case in which applying the negative reference rate in the calculation of the interest rate for the respective period would result in a negative interest rate, reasoning among others that a payment obligation by the lender to the borrower would be contrary to what a lender and a borrower had in mind. Based on analysis of the legal situation before these landmark decisions were handed down, Erste Group's Austrian member banks had so far taken the view that they are entitled to floor the interest rate in such consumer loans in EUR at the agreed margin. In mid-July 2017, the Supreme Court has published a decision in a case by a consumer organisation against a competitor bank regarding consumer credits which contain explicitly a flooring of the reference rate EURIBOR at zero in case of the EURIBOR being negative. This ruling established that a bank is not permitted to stipulate in a consumer credit a flooring of the interest rate at the margin if it does not also provide for an upper limit as well. Erste Group's Austrian member banks have typically used such floor clauses without a cap in their variable interest rate credit contracts since 2013 and calculated interest accordingly. Erste Group's Austrian member banks will honor in full the impact of the legal clarifications by the Supreme Court and will reimburse its retail customers the amount of interest which was overcharged. Adequate provisions for this have been created and are already reflected in the half year results of 2017.

## **30. 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 case of a negative interest rate environment Erste

Group uses models which are able to deal sufficiently with the presented market conditions. Consequently, such negative interest rates do not restrict the valuation models.

**Securities.** For plain vanilla (fixed and floating) debt securities the fair value is calculated by discounting the future cash-flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instruments. If no close proxy is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. Techniques for equity securities may also include models based on earnings multiples. 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. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined in consistency with similar instruments held as assets. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances.

**OTC-derivative financial instruments.** Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps and commodity swaps) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes- and Hull-White-type as well as hazard rate models. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo-techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. Erste Group values derivatives at mid-market levels. To reflect the potential bid-ask-spread of the relevant positions an adjustment based on market liquidity is performed. The adjustment parameters depend on product type, currency, maturity and notional size. Parameters are reviewed on a regular basis or in case of significant market moves. Netting is not applied when determining the bid-ask-spread adjustments.

Credit value adjustments (CVA) for counterparty risk and debit value adjustments (DVA) for own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and Erste Group's credit quality. Erste Group has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. For products where an option replication is not feasible the exposure is computed with Monte-Carlo simulation techniques. One of the two modeling approaches is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus 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 amounts to EUR 17.5 million (EUR 26.0 million) and the total DVA-adjustment amounts to EUR 4.5 million (EUR 8.2 million).

#### Validation and control

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

#### Fair value hierarchy

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

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

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

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

### Level 2 of the fair value hierarchy

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

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

### Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters 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

These include shares and funds not quoted, illiquid bonds as well as illiquid asset backed securities (ABS) and collateralized debt obligations (CDO) as well as loans, participations, own issues and deposits.

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

The table below shows the classification of financial instruments carried at fair value with respect to levels of the fair value hierarchy.

in EUR million	Dec 16				Jun 17			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Financial assets - held for trading	2,335	5,477	138	7,950	2,328	4,815	63	7,206
Derivatives	3	4,376	96	4,475	15	3,930	45	3,990
Other trading assets	2,332	1,102	42	3,476	2,313	885	18	3,216
Financial assets - at fair value through profit or loss	385	66	28	480	421	100	18	539
Financial assets - available for sale	16,774	2,208	867	19,850	14,720	2,056	976	17,751
Derivatives - hedge accounting	0	1,424	0	1,424	0	1,063	0	1,063
Assets held for sale	0	0	0	0	0	0	0	0
<b>Total assets</b>	<b>19,494</b>	<b>9,176</b>	<b>1,034</b>	<b>29,704</b>	<b>17,469</b>	<b>8,033</b>	<b>1,056</b>	<b>26,559</b>
<b>Liabilities</b>								
Financial liabilities - held for trading	378	4,382	1	4,762	266	3,693	0	3,960
Derivatives	13	4,171	1	4,185	11	3,634	0	3,646
Other trading liabilities	366	211	0	577	255	59	0	314
Financial liabilities - at fair value through profit or loss	0	1,673	90	1,763	0	1,819	0	1,819
Deposits from customers	0	74	0	74	0	51	0	51
Debt securities issued	0	1,599	90	1,689	0	1,768	0	1,768
Other financial liabilities	0	0	0	0	0	0	0	0
Derivatives - hedge accounting	0	472	0	473	0	411	0	411
<b>Total liabilities</b>	<b>378</b>	<b>6,528</b>	<b>91</b>	<b>6,997</b>	<b>266</b>	<b>5,923</b>	<b>1</b>	<b>6,190</b>

According to the chosen method for the allocation of positions to levels all the Levels and Level changes are reflected at the end of the reporting period.

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

The valuation of financial instruments categorised 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

The following table shows the changes in volumes of Level 1 and Level 2 of financial instruments carried at fair value in the balance sheet.

in EUR million	Dec 16		Jun 17	
	Level 1	Level 2	Level 1	Level 2
Securities				
Net transfer from Level 1	0	247	0	-147
Net transfer from Level 2	-247	0	147	0
Net transfer from Level 3	-23	-208	-9	-42
Purchases/sales/expiries	-1,017	333	-2,175	-146
Changes in derivatives	1	-1,549	12	-808
<b>Total year-to-date change</b>	<b>-1,286</b>	<b>-1,177</b>	<b>-2,025</b>	<b>-1,143</b>

**Level 1 movements.** The total amount of Level 1 financial assets decreased by EUR 2,025 million. The change in volume of Level 1 securities (decreased by EUR 2,037 million) was determined on the one hand by matured or sold assets in the amount of EUR 3,035 million and on the other hand by new investments in the amount of EUR 1,782 million. The decrease in volume for securities that were allocated to Level 1 at both reporting dates amounted to EUR 1,004 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 346 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by other corporates (EUR 211 million), but also to securities issued by governments (EUR 73 million) and financial institutions (EUR 61 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 199 million have been moved from Level 1 to Level 2. This applied mainly to securities issued by financial institutions (EUR 143 million), other corporates (EUR 46 million) as well as securities issued by governments (EUR 10 million). Level 1 instruments in the amount of EUR 9 million were reclassified to Level 3. The remaining decrease in the amount of EUR 82 million was due to partial sales and fair value changes of reclassified instruments.

**Level 2 movements.** The total value of Level 2 financial assets decreased by EUR 1,143 million. The Level 2 fair value change of securities and other receivables (down by EUR 335 million) can be explained for the most part by matured or sold positions in the amount of EUR 708 million and new investments in the amount of EUR 583 million. The increase in volume for securities that have been allocated to Level 2 at both reporting dates amounted to EUR 273 million. Due to reduced market depth a total volume of EUR 199 million was reclassified from Level 1 to Level 2 in 2017. This applies mainly to securities issued by financial institutions (EUR 143 million), other corporates (EUR 46 million) as well as securities issued by governments (EUR 10 million). Securities in the amount of EUR 346 million were reclassified from Level 2 to Level 1. Due to the use of significant non-observable valuation parameters a total volume of EUR 174 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 131 million was reclassified from Level 3 to Level 2. The remaining decrease in the amount of EUR 26 million was due to partial sales and fair value changes of reclassified instruments. The holding of loans and advances which are measured at fair value decreased by EUR 268 million in the current reporting period. The decrease on the asset side derivatives in Level 2 by EUR 808 million were caused by changes in market values and by netting effects.

On the liability side, as far as securities are concerned, there were no significant movements between the levels. Changes in the amounts were caused either by purchases, sales or changes in market value. The changes of derivatives were mainly caused by changes in the market value and netting effects.

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

The following table shows the development of fair value of financial instruments in Level 3 category.

in EUR million	As of	Gain/loss in profit or loss	Gain/loss in other compre- hensive income	Purchases	Sales	Settle- ments	Additions to the Group	Disposals out of the Group	Transfers into Level 3	Transfers out of Level 3	Currency translation	As of
<b>Assets</b>												
Financial assets - held for trading	138	-24	0	12	-8	-2	0	0	11	-64	1	63
Derivatives	96	-27	0	0	-1	-2	0	0	2	-24	1	45
Other trading assets	42	3	0	12	-8	0	0	0	9	-40	0	18
Financial assets - at fair value through profit or loss	28	0	0	0	0	0	0	0	0	-10	0	18
Financial assets - available-for-sale	867	19	8	42	-21	-14	0	-2	211	-136	1	975
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total assets</b>	<b>1,034</b>	<b>-6</b>	<b>8</b>	<b>53</b>	<b>-29</b>	<b>-16</b>	<b>0</b>	<b>-2</b>	<b>222</b>	<b>-211</b>	<b>3</b>	<b>1,056</b>
<b>Dec 15</b>												
<b>Assets</b>												
Financial assets - held for trading	150	25	0	21	-5	-1	0	0	37	-30	0	197
Derivatives	143	26	0	1	-1	-1	0	0	37	-30	0	175
Other trading assets	7	0	0	20	-4	0	0	0	0	0	0	22
Financial assets - at fair value through profit or loss	50	-1	0	4	-2	0	0	0	0	0	0	50
Financial assets - available-for-sale	627	1	29	181	-208	-80	0	0	154	-13	0	691
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total assets</b>	<b>827</b>	<b>25</b>	<b>29</b>	<b>206</b>	<b>-216</b>	<b>-81</b>	<b>0</b>	<b>0</b>	<b>191</b>	<b>-43</b>	<b>0</b>	<b>938</b>

The profit or loss of Level 3 financial instruments classified as 'Financial assets – held for trading', 'Financial assets – at fair value through profit or loss' and 'Derivatives – hedge accounting' is disclosed in the income statement line item 'Net trading and fair value result'. Profit or loss from derecognition of 'Financial assets – available for sale' is shown in the income statement line item 'Gains/Losses from financial assets and liabilities not measured at fair value through profit or loss, net'. Impairments of 'Financial assets – available for sale' is disclosed in the line item 'Net impairment loss on financial assets'. Gains or losses in other comprehensive income of Level 3 financial instruments disclosed in the balance sheet line item 'Financial assets – available for sale' are reported directly in equity under 'Available for sale reserve'.

**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 174 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by financial institutions (EUR 160 million) and securities from corporates (EUR 13 million). On the other hand securities in the amount of EUR 131 million were reclassified from Level 3 to Level 2: EUR 60 million thereof were securities issued by financial institutions, EUR 57 million securities issued by sovereigns and EUR 15 million issued by other corporates. Out of Level 1 EUR 9 million were reclassified to Level 3. The additional change in Level 3 positions was on the one hand caused by a decrease in derivative exposure of EUR 51 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 22 million. As of 30 June 2017, no significant liabilities measured at fair value are reported in Level 3.

Gains or losses on Level 3 instruments held at the reporting period's end and which are included in profit or loss are as follow.

in EUR million	Gain/loss in profit or loss	
	1-6 16	1-6 17
<b>Assets</b>		
Financial assets - held for trading	29.2	-13.6
Derivatives	29.1	-13.6
Other trading assets	0.1	0.0
Financial assets - at fair value through profit or loss	-0.6	-0.3
Financial assets - available for sale	-5.4	-0.1
Derivatives - hedge accounting	0.0	0.0
<b>Total</b>	<b>23.2</b>	<b>-14.0</b>

The volume of Level 3 financial assets can be allocated to the following two 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.

#### Unobservable inputs and sensitivity analysis for Level 3 measurements

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

The range of unobservable valuation parameters used in Level 3 measurements is shown in the following table.

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
<b>As of 30 June 2017</b>					
Positive fair value of derivatives	Forwards, swaps, options	45.3	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD LGD	1.07% – 100% (10.6%) 60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	0.0	Discounted cash flow	Credit spread	0.0% – 0.0% (0.0%)
Financial assets - available for sale	Fixed and variable coupon bonds	153.1	Discounted cash flow	Credit spread	0.1% – 7.3% (2.4%)
<b>As of 31 December 2016</b>					
Positive fair value of derivatives	Forwards, swaps, options	95.8	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD LGD	0.78% – 100% (8.0%) 60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	3.4	Discounted cash flow	Credit spread	0.1% – 1.5% (0.4%)
Financial assets - available for sale	Fixed and variable coupon bonds	149.4	Discounted cash flow	Credit spread	0.1% – 5.3% (1.8%)

The following table shows the sensitivity analysis using reasonably possible alternatives per product type:

in EUR million	Dec 16		Jun 17	
	Fair value changes		Fair value changes	
	Positive	Negative	Positive	Negative
Derivatives	5.4	-5.3	3.1	-3.2
Income statement	5.4	-5.3	3.1	-3.2
Other comprehensive income	0.0	0.0	0.0	0.0
Debt securities	29.5	-39.4	42.8	-57.1
Income statement	1.7	-2.3	0.9	-1.2
Other comprehensive income	27.9	-37.1	42.0	-55.9
Equity instruments	9.8	-19.5	9.2	-18.4
Income statement	0.4	-0.8	0.4	-0.8
Other comprehensive income	9.4	-18.7	8.8	-17.5
<b>Total</b>	<b>44.7</b>	<b>-64.2</b>	<b>55.1</b>	<b>-78.7</b>
<b>Income statement</b>	<b>7.5</b>	<b>-8.3</b>	<b>4.3</b>	<b>-5.2</b>
<b>Other comprehensive income</b>	<b>37.2</b>	<b>-55.9</b>	<b>50.7</b>	<b>-73.5</b>

In estimating these impacts, mainly changes in credit spreads (for bonds), PDs, LGDs (for CVA of derivatives) and market values of comparable equities were considered. An increase (decrease) of spreads, PDs and LGDs result in a decrease (increase) of the corresponding market values. Positive correlation effects between PDs and LGDs were not taken into account in the sensitivity analysis.

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 CVA on derivatives PDs rating upgrade/downgrade by one notch, as well as the change of LGD by -5% and +10%.

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

The following table shows fair values and the fair value hierarchy of financial instruments for which fair value is disclosed in the notes.

in EUR million	Dec 16		Jun 17	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Cash and cash balances	18,353	18,353	25,842	25,842
Financial assets - held to maturity	19,270	20,918	19,355	20,786
Loans and receivables to credit institutions	3,469	3,489	4,347	4,348
Loans and receivables to customers	130,654	132,855	135,122	137,505
<b>Liabilities</b>				
Financial liabilities measured at amortised cost	178,909	180,618	188,890	191,321
Deposits from banks	14,631	14,622	17,883	17,888
Deposits from customers	137,939	138,165	145,523	146,205
Debt securities issued	25,503	27,010	24,834	26,572
Other financial liabilities	836	820	649	655
<b>Financial guarantees and commitments</b>				
Financial guarantees	n/a	-92	n/a	-73
Irrevocable commitments	n/a	-124	n/a	-83

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

The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves). 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 applied discount rate is based on the interest rates at which instruments with comparable characteristics could have been issued at the balance sheet date. Moreover optionality is taken into account when calculating the fair value. The fair value of 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.

The fair value of off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) is estimated with the help of regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated market value and the notional amount of the hypothetical loan equivalents represents the fair value of these contingent liabilities. In case of the total market value being higher than the notional amount of the hypothetical loan equivalents the fair value of these contingent liabilities is presented with a negative sign.

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

	1-6 16	1-6 17
<b>Domestic</b>	<b>15,626</b>	<b>16,071</b>
Erste Group, EB Oesterreich and subsidiaries	8,418	8,887
Haftungsverbund savings banks	7,207	7,184
<b>Abroad</b>	<b>31,066</b>	<b>31,253</b>
Česká spořitelna Group	10,429	10,211
Banca Comercială Română Group	7,125	7,054
Slovenská sporiteľňa Group	4,260	4,272
Erste Bank Hungary Group	2,912	3,197
Erste Bank Croatia Group	3,049	3,099
Erste Bank Serbia Group	994	1,013
Savings banks subsidiaries	1,222	1,242
Other subsidiaries and foreign branch offices	1,075	1,164
<b>Total</b>	<b>46,692</b>	<b>47,324</b>



## 32. 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), (e) and (f) CRR. References to chapters refer to the half year financial report.

### Regulatory scope of consolidation and institutional protection scheme

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

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

### Regulatory requirements

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

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

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

The regulatory minimum capital ratios including the regulatory buffers as of June 2017 amount to

- \_ 6.4% for CET1 (4.5% CET1, +1.25% capital conservation buffer, +0.5% buffer for systemic vulnerability and for systemic concentration risk and +0.108% countercyclical capital buffer),
- \_ 7.9% for tier 1 capital (sum of CET1 and AT1) and
- \_ 9.9% 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 2017, 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 as follows

- \_ for the period from 1 January 2016 until 31 December 2016: 0.625%;
- \_ for the period from 1 January 2017 until 31 December 2017: 1.25%;
- \_ for the period from 1 January 2018 until 31 December 2018: 1.875%.

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

- \_ The institution specific requirement for the countercyclical buffer in accordance with section 23a para 1 ABA results from the weighted average of the rates of the countercyclical capital buffer that apply in the jurisdictions where significant credit risk positions are situated in accordance with section 5 of the credit institution, multiplied by the total amount of risk in accordance with Art. 92 (3), of the Regulation (EU) no. 575/2013
- \_ For the calculation of the weighted average according to para 1 capital buffer requirement, the countercyclical buffer quota for the national area as defined by the respective authority is multiplied with the result out of the comparison of the capital requirement related to significant credit risk positions within the national area and the total capital requirement as defined within Part 3, Title II and IV of Regulation (EU) no. 575/2013.
- \_ Starting from 1 January 2016 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 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 2016 until 31 December 2016: maximum of 0.625%;
- \_ for the period from 1 January 2017 until 31 December 2017: maximum of 1.25%;
- \_ for the period from 1 January 2018 until 31 December 2018: maximum of 1.875%.

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

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

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

In accordance with section 10 capital buffers regulation the buffer rates for systemic vulnerability and for systemic concentration risk respectively are phased in according to the schedule below

- \_ from 1 January to 31 December 2016 with 0.25%,
- \_ from 1 January to 31 December 2017 with 0.5%,
- \_ from 1 January to 31 December 2018 with 1%.

As a result of the 2016 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a transitional common equity tier 1 (CET 1) ratio of 8.1% as of 30 June 2017. This minimum CET 1 ratio of 8.1% includes Pillar 1 and Pillar 2 requirements (P2R, 1.75% valid as of 1 January 2017) as well as the phasing in capital conservation buffer (1.25%), the institution specific countercyclical capital buffer (0.108%) and the systemic risk buffer (0.5%) requirements. In addition, ECB expects Erste Group to meet a Pillar 2 Guidance (P2G) of 1.66%, fully in CET1 capital. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

## Overview of capital requirements and capital buffers

	Dec 16	Jun 17
<b>Pillar 1</b>		
Minimum CET 1 requirement	4.50%	4.50%
Capital conservation buffer	0.625%	1.25%
Countercyclical capital buffer	0.003%	0.108%
O-SII capital buffer	0.25%	0.50%
Systemic risk buffer (SRB)	0.25%	0.50%
Combined buffer requirement (CBR)	0.88%	1.86%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirement	8.00%	8.00%
<b>Pillar2</b>		
Pillar 2 requirement (P2R)	4.38%	1.75%
<b>Total CET 1 requirement for Pillar 1 and Pillar 2</b>	<b>9.75%</b>	<b>8.11%</b>
<b>Total Tier 1 requirement for Pillar 1 and Pillar 2</b>	<b>n.a</b>	<b>9.61%</b>
<b>Total capital requirement for Pillar 1 and Pillar 2</b>	<b>n.a</b>	<b>11.61%</b>

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

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

The Pillar 2 requirement of 4.38% for 2016 % (without the Pillar 1 requirement of 4.5% and the capital conservation buffer requirement of 0.625%) is calculated based on the CET 1 requirement of 9.5% defined by ECB.

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

in EUR million	Article pursuant to CRR	Dec 16		Jun 17	
		Phased-in	Final	Phased-in	Final
<b>Common equity tier 1 capital (CET1)</b>					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	2,336	2,336	2,337	2,337
Retained earnings	26 (1) (c), 26 (2)	9,518	9,518	9,558	9,558
Interim profit	26 (2)	0	0	341	341
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-276	-276	-193	-193
Minority interest recognised in CET1	4 (1) (120) 84	3,581	3,581	3,783	3,783
Transitional adjustments due to additional minority interests	479, 480	72	0	39	0
<b>Common equity tier 1 capital (CET1) before regulatory adjustments</b>		<b>15,232</b>	<b>15,160</b>	<b>15,865</b>	<b>15,826</b>
Own CET1 instruments	36 (1) (f), 42	-35	-35	-31	-31
Prudential filter: cash flow hedge reserve	33 (1) (a)	-88	-88	-59	-59
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	-57	-57	-91	-91
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-8	-8	-4	-4
Value adjustments due to the requirements for prudent valuation	34, 105	-90	-90	-86	-86
Regulatory adjustments relating to unrealised gains (20%)	468	-346	0	-166	0
Regulatory adjustments relating to unrealised losses (20%)	467	43	0	20	0
Securitized assets with a risk weight of 1,250%	36 (1) (k)	-29	-29	-29	-29
Goodwill	4 (1) (113), 36 (1) (b), 37	-709	-709	-712	-712
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	-646	-646	-735	-735
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36 (1) (c), 38	-74	-74	-55	-55
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-168	-168	-169	-169
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	659	0	339	0
Goodwill (20%)		284		142	0
Other intangible assets (20%)		258	0	147	0
IRB shortfall of provisions to expected losses (20%)		67	0	34	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 (70%)		33	0	3	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 (20%)		13		10	0
Own CET1 instruments (20%)	36 (1) (f)	3		3	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	-82	0	0	0
<b>Common equity tier 1 capital (CET1)</b>	<b>50</b>	<b>13,602</b>	<b>13,256</b>	<b>14,086</b>	<b>13,854</b>
<b>Additional tier 1 capital (AT1)</b>					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	497	497	993	993
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	2	2	2	2
<b>Additional tier 1 capital (AT1) before regulatory adjustments</b>		<b>499</b>	<b>499</b>	<b>995</b>	<b>995</b>
Own AT1 instruments	52 (1) (b), 56 (a), 57	-2	-2	-2	-2
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	0	0	0	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	0	0		
Other transitional adjustments AT1	474, 475, 478, 481	-579	0	-309	0
Goodwill (20%)		-284	0	-142	0
Other intangibles (20%)		-258	0	-147	0
IRB shortfall of provisions to expected losses (10%)		-34	0	-17	0
Own CET1 instruments (20%)	36 (1) (f)	-3		-3	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	82	0	0	0
<b>Additional tier 1 capital (AT1)</b>	<b>61</b>	<b>0</b>	<b>497</b>	<b>685</b>	<b>994</b>
<b>Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)</b>	<b>25</b>	<b>13,602</b>	<b>13,753</b>	<b>14,771</b>	<b>14,848</b>

Minority interest recognised in CET1 includes interim result from saving banks in an amount of EUR 95 million.

The table is continued on the next page.

Continuation of the table:

in EUR million	Dec 16		Jun 17		
	Phased-in	Final	Phased-in	Final	
<b>Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)</b>	25	13,602	13,753	14,771	14,848
<b>Tier 2 capital (T2)</b>					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	4,580	4,580	4,618	4,618
Instruments issued by subsidiaries recognised in T2	87, 88	217	217	204	204
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	128	0	64	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)	402	402	344	344
<b>Tier 2 capital (T2) before regulatory adjustments</b>		<b>5,326</b>	<b>5,199</b>	<b>5,230</b>	<b>5,166</b>
Own T2 instruments	63 (b) (i), 66 (a), 67	-58	-58	-50	-50
Standardised approach general credit risk adjustments	62 (c)	0	0		
Other transitional adjustments to T2	476, 477, 478, 481	-34	0	-17	0
IRB shortfall of provisions to expected losses (10%)		-34	0	-17	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	-0.6	-1	-0.6	-0.6
<b>Tier 2 capital (T2)</b>	71	<b>5,234</b>	<b>5,140</b>	<b>5,163</b>	<b>5,115</b>
<b>Total own funds</b>	4 (1) (118) and 72	<b>18,836</b>	<b>18,893</b>	<b>19,934</b>	<b>19,963</b>
<b>Capital requirement</b>	92 (3), 95, 96, 98	<b>8,145</b>	<b>8,291</b>	<b>8,542</b>	<b>8,673</b>
<b>CET1 capital ratio</b>	92 (2) (a)	<b>13.4%</b>	<b>12.8%</b>	<b>13.2%</b>	<b>12.8%</b>
<b>Tier 1 capital ratio</b>	92 (2) (b)	<b>13.4%</b>	<b>13.3%</b>	<b>13.8%</b>	<b>13.7%</b>
<b>Total capital ratio</b>	92 (2) (c)	<b>18.5%</b>	<b>18.2%</b>	<b>18.7%</b>	<b>18.4%</b>

The capital structure table above is based on EBA's final draft for implementing technical standards on disclosure for own funds published in the Official Journal of the European Union on 20 December 2013. Positions, which are not relevant for Erste Group are not disclosed. Basel 3 final figures (fully loaded) are calculated based on the current requirements according to 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 reports to the supervisory authority an RWA-add-on in view of the calculation of risk-weighted assets for credit risk in Banca Comercială Română (BCR) on the consolidated level in the amount of EUR 2.419 billion since the end of the second quarter of 2017. This RWA increase front-loads the expected difference in RWA between the treatments of exposures in BCR in the Standardised Approach compared to the treatments in IRB. This is the reason why the RWA-Add-On is temporary, which is interlinked with the authorisation of the IRB-approach in BCR.

This RWA-Add-On has an impact on capital ratios. As it is expected that with the roll-out of IRB in BCR the risk-weighted assets will increase approximately in the same amount, the effect is deemed to be permanent.

Furthermore internal models adopted to compute credit RWA in Pillar 1 and respective validations have been assessed by the competent authorities. These models are planned to be made subject to a revision in the near future with the specific view of addressing identified findings and incorporating regulatory changes.

In the context of these assessments EGB has been informed by the European Central Bank end of July 2017 about the plan to impose a RWA-Add-On in view of deficiencies in credit risk models, which will impact the consolidated CET1 ratio by estimated 20 bps. The effect is expected to start next quarter.

With a CET1 ratio as of 30 June 2017 of 13.2% on consolidated level, Erste Group Bank AG is robustly capitalised.

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

in EUR million	Article pursuant to CRR	Dec 16		Jun 17	
		Total risk (calculation base, phased-in)	Capital requirement (phased-in)	Total risk (calculation base, phased-in)	Capital requirement (phased-in)
Total risk exposure amount	92 (3), 95, 96, 98	101,809	8,145	106,774	8,542
Risk weighted assets (credit risk)	92 (3) (a) (f)	81,915	6,553	83,079	6,646
Standardised approach		14,998	1,200	14,929	1,194
IRB approach		66,918	5,353	68,150	5,452
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) and (c) (i) and (iii), 92 (4) (b)	3,612	289	3,164	253
Operational risk	92 (3) (e), 92 (4) (b)	15,140	1,211	17,369	1,389
Exposure for CVA	92 (3) (d)	1,141	91	744	59
Other exposure amounts (incl. Basel 1 floor)	3, 458, 459, 500			2,419	194

in EUR million	Article pursuant to CRR	Dec 16		Jun 17	
		Total risk (calculation base, final)	Capital requirement (final)	Total risk (calculation base, final)	Capital requirement (final)
Total risk exposure amount	92 (3), 95, 96, 98	103,639	8,291	108,408	8,673
Risk weighted assets (credit risk)	92 (3) (a) (f)	83,746	6,700	84,713	6,777
Standardised approach		14,998	1,200	14,929	1,194
IRB approach		68,748	5,500	69,784	5,583
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) and (c) (i) and (iii), 92 (4) (b)	3,612	289	3,164	253
Operational risk	92 (3) (e), 92 (4) (b)	15,140	1,211	17,369	1,389
Exposure for CVA	92 (3) (d)	1,141	91	744	59
Other exposure amounts (incl. Basel 1 floor)	3, 458, 459, 500	0	0	2,419	194

### 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 frequent 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 may contain rounding differences.

## Balance sheet reconciliation

Disclosure requirement: Art. 437 (1) (a) CRR

The table below represents the difference between the IFRS - and the regulatory scope of consolidation.

### Balance sheet

in EUR million	Dec 16			Jun 17		
	IFRS	Effects - scope of consolidation	CRR	IFRS	Effects - scope of consolidation	CRR
<b>Assets</b>						
Cash and cash balances	18,353	-6	18,347	25,842	-2	25,840
Financial assets - held for trading	7,950	-2	7,949	7,206	-5	7,201
Derivatives	4,475	2	4,477	3,990	0	3,990
Other trading assets	3,476	-4	3,471	3,216	-4	3,212
Financial assets - at fair value through profit or loss	480	-58	422	539	-59	480
Financial assets - available for sale	19,886	-463	19,423	17,786	-289	17,497
Financial assets - held to maturity	19,270	-1	19,269	19,355	-1	19,354
Loans and receivables to credit institutions	3,469	-13	3,457	4,347	-8	4,339
Loans and receivables to customers	130,654	513	131,167	135,122	501	135,623
Derivatives - hedge accounting	1,424	0	1,424	1,063	0	1,063
Changes in fair value of portfolio hedged items	0	0	0	0	0	0
Property and equipment	2,477	-100	2,377	2,431	-105	2,326
Investment properties	1,023	-247	776	1,027	-247	779
Intangible assets	1,390	-8	1,383	1,458	-7	1,450
Investments in associates and joint ventures	193	-23	170	196	-23	172
Current tax assets	124	0	124	156	0	155
Deferred tax assets	234	-3	231	209	-3	205
Assets held for sale	279	-125	154	231	-96	135
Other assets	1,020	112	1,132	1,190	158	1,348
<b>Total assets</b>	<b>208,227</b>	<b>-422</b>	<b>207,805</b>	<b>218,156</b>	<b>-189</b>	<b>217,967</b>
<b>Liabilities and equity</b>						
Financial liabilities - held for trading	4,762	4	4,766	3,960	3	3,963
Derivatives	4,185	3	4,187	3,646	3	3,649
Other trading liabilities	577	1	578	314	0	314
Financial liabilities - at fair value through profit or loss	1,763	0	1,763	1,819	0	1,819
Deposits from banks	0	0	0	0	0	0
Deposits from customers	74	0	74	51	0	51
Debt securities issued	1,689	0	1,689	1,768	0	1,768
Other financial liabilities	0	0	0	0	0	0
Financial liabilities measured at amortised costs	178,909	-281	178,628	188,890	-87	188,802
Deposits from banks	14,631	178	14,809	17,883	178	18,061
Deposits from customers	137,939	158	138,097	145,523	123	145,646
Debt securities issued	25,503	-80	25,423	24,834	-59	24,776
Other financial liabilities	836	-538	298	649	-330	319
Derivatives - hedge accounting	473	0	473	411	0	411
Changes in fair value of portfolio hedged items	942	0	942	772	0	772
Provisions	1,702	-8	1,694	1,696	-11	1,685
Current tax liabilities	66	-2	63	102	-3	99
Deferred tax liabilities	68	-9	59	67	-9	59
Liabilities associated with assets held for sale	5	-5	0	0	0	0
Other liabilities	2,936	-24	2,912	2,923	15	2,939
<b>Total equity</b>	<b>16,602</b>	<b>-96</b>	<b>16,506</b>	<b>17,515</b>	<b>-98</b>	<b>17,418</b>
Equity attributable to non-controlling interests	4,142	2	4,144	4,262	-12	4,251
Equity attributable to owners of the parent	12,460	-98	12,362	13,253	-86	13,167
<b>Total liabilities and equity</b>	<b>208,227</b>	<b>-422</b>	<b>207,805</b>	<b>218,156</b>	<b>-189</b>	<b>217,967</b>

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 last column contains a letter that sets the derived amount from IFRS figures with the appropriate eligible amount of own funds presentation during the transitional provisions in conjunction.

## Total equity

in EUR million	IFRS	Effects - scope of consolidation	CRR	IPS adjustments	Regulatory adjustments	Own funds	Own funds disclosure table - reference
<b>Jun 17</b>							
Subscribed capital	860	0	860	0	0	860	
Capital reserve	1,478	0	1,478	0	-1	1,478	
Capital instruments and the related share premium accounts	2,338	0	2,338	0	-1	2,337	a
Retained earnings	10,278	-79	10,199	0	-299	9,899	b
Other comprehensive income (OCI)	-356	-7	-362	217	-48	-193	c
Cash flow hedge reserve	71	0	71	2	-14	59	g
Available for sale reserve	595	-1	594	356	-207	744	
thereof 20% prudential filter according to 467 CRR						20	i
thereof 20% prudential filter according to 468 CRR						-166	h
Currency translation	-579	-6	-584	0	-13	-597	
Remeasurement of net liability of defined pension plans	-346	0	-346	-141	95	-392	
Deferred tax	-98	0	-97	0	97	0	
Other	0	0	0	0	-7	-7	
<b>Equity attributable to the owners of the parent</b>	<b>12,260</b>	<b>-86</b>	<b>12,174</b>	<b>217</b>	<b>-348</b>	<b>12,043</b>	
Additional tier 1 (AT1)	993	0	993	0	-993	0	
Equity attributable to non-controlling interests	4,262	-12	4,251	-165	-264	3,822	d
<b>Total equity</b>	<b>17,515</b>	<b>-98</b>	<b>17,418</b>	<b>53</b>	<b>-1,605</b>	<b>15,865</b>	

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
<b>Jun 17</b>						
Intangible assets	1,458	-7	1,450	-3	1,447	
80% deductible from CET1 acc. to transitional provisions					1,158	e
20% deductible from AT1 acc. to transitional provisions					289	k
<b>Intangible assets</b>	<b>1,458</b>	<b>-7</b>	<b>1,450</b>	<b>-3</b>	<b>1,447</b>	

## Deferred taxes

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
<b>Jun 17</b>						
Deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	55	0	55	-13	42	f
Related DTA allocated on or after Jan 14 for which 80% CET1 deduction is required according to CRR transitional provisions			51	-10	41	
Related DTA allocated up to Dec 13 for which 30% deduction from CET1 is required according to CRR transitional provisions			4	-3	1	
Deferred tax assets that rely on future profitability and arise from temporary differences	154	-4	151	-151	0	
<b>Deferred tax assets</b>	<b>209</b>	<b>-3</b>	<b>205</b>	<b>-164</b>	<b>42</b>	

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 at 30 June 2017. 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
<b>Jun 17</b>						
Subordinated issues, deposits and supplementary capital	7,086	2	7,088	-2,251	4,836	
Tier 2 capital instruments (including related share premium) issued by the parent company					4,568	i
Qualifying own funds instruments included in consolidated tier 2 capital issued by subsidiaries and held by third parties					268	m
thereof instruments issued by subsidiaries subject to phase-out					64	n
Additional tier 1 (AT1) issuances	995	0	995	-2	994	j
<b>Subordinated liabilities</b>	<b>8,081</b>	<b>2</b>	<b>8,083</b>	<b>-2,253</b>	<b>5,830</b>	

### 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 during the transitional period

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 during the transitional period based on the Implementing Technical Standards on the disclosure of own funds published in the Official Journal of the EU.

In column (A), the current amount, which considers all the transitional requirements, is disclosed. Column (C) discloses the residual amount, implying full CRR implementation. Column (D) provides information of data comparable figures related to IFRS equity, intangible assets, deferred tax assets and subordinated liabilities as previously displayed.



in EUR million		(A) Jun 2017	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
1	Capital instruments and the related share premium accounts	2,337	26 (1), 27, 28, 29, EBA list 26 (3)	0	a
	of which: ordinary shares	2,337	EBA list 26 (3)	0	a
2	Retained earnings	9,899	26 (1) (c)	0	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-193	26 (1)	0	c
3a	Fund for general banking risk	0	26 (1) (f)	0	
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)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (2)	0	
5	Minority interests (amount allowed in consolidated CET1)	3,822	84, 479, 480	-39	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	0	
<b>6</b>	<b>CET1 capital before regulatory adjustments</b>	<b>15,866</b>		<b>-39</b>	
<b>Common equity tier 1 (CET1): regulatory adjustments</b>					
7	Additional value adjustments (negative amount)	-86	34, 105	0	
8	Intangible assets (net of related tax liability) (negative amount)	-1,158	36 (1) (b), 37, 472 (4)	-289	e, k
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)	-42	36 (1) (c), 38, 472 (5)	-13	f
11	Fair value reserves related to gains or losses on cash flow hedges	-59	33 (a)	0	g
12	Negative amounts resulting from the calculation of expected loss amounts	-135	36 (1) (d), 40, 159, 472 (6)	-34	
13	Any increase in equity that results from securitised assets (negative amount)	0	32 (1)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-96	33 (b)	0	
15	Defined-benefit pension fund assets (negative amount)	0	36 (1) (e), 41, 472 (7)	0	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-29	36 (1) (f), 42, 472 (8)	-3	
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)	0	
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)	0	
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) to (3), 79, 470, 472 (11)	0	
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	-29	36 (1) (k)	0	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91	0	
20c	of which: securitisation positions (negative amount)	-29	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258	0	
20d	of which: free deliveries (negative amount)	0	36 (1) (k) (iii), 379 (3)	0	

The table is continued on the next page.

## Continuation of the table

in EUR million	(A) Jun 2017	(B)	(C)	(D)
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)	0
22	Amount exceeding the 15% threshold (negative amount)	0	48 (1)	0
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)	0
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)	0
25a	Losses for the current financial year (negative amount)	0	36 (1) (a), 472 (3)	0
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36 (1) (l)	0
26	Regulatory adjustments applied to common equity tier 1 in respect of amounts subject to pre-CRR treatment	0		0
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-145		145
	of which: unrealised losses	20	467	-20 i
	of which: unrealised gains	-166	468	166 h
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	0
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36 (1) (j)	0
<b>28</b>	<b>Total regulatory adjustments to common equity tier 1 (CET1)</b>	<b>-1,779</b>		<b>-193</b>
<b>29</b>	<b>CET1 capital</b>	<b>14,086</b>		<b>-232</b>
<b>Additional tier 1 (AT1) capital: instruments</b>				
30	Capital instruments and the related share premium accounts	993	51, 52	0
31	of which: classified as equity under applicable accounting standards	993		0
32	of which: classified as liabilities under applicable accounting standards	0		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)	0
	Public sector capital injections grandfathered until Jan 18	0	483 (3)	0
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	2	85, 86, 480	0
35	of which: instruments issued by subsidiaries subject to phase-out	0	486 (3)	0
<b>36</b>	<b>AT1 capital before regulatory adjustments</b>	<b>995</b>		<b>0 j</b>
<b>Additional tier 1 (AT1) capital: regulatory adjustments</b>				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-2	52 (1) (b), 56 (a), 57, 475 (2)	0 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)	0
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)	0
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)	0

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## Continuation of the table

in EUR million		(A) Jun 2017	(B)	(C)	(D)
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		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	-309	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	309	
	of which: interim loss	0		0	
	of which: intangible assets	-289		289	k
	of which: shortfall of provisions to expected loss	-17		17	
	of which: own CET1 Instruments	-3		3	
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		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		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	0	
	of which: possible filter to unrealised losses	0	467	0	
	of which: possible filter to unrealised gains	0	468	0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56 (e)	0	
<b>43</b>	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	<b>-310</b>		<b>309</b>	
<b>44</b>	<b>Additional Tier 1 (AT1) capital</b>	<b>685</b>		<b>309</b>	
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>14,771</b>		<b>76</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>					
46	Capital instruments and the related share premium accounts	4,618	62, 63	0	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)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (4)	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	87, 88, 480	-64	m
49	of which: instruments issued by subsidiaries subject to phase-out	64	486 (4)	-64	n
50	Credit risk adjustments	344	62 (c) (d)	0	
<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustment</b>	<b>5,230</b>		<b>-64</b>	
<b>T2 capital: regulatory adjustments</b>					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-50	63 (b) (i), 66 (a), 67, 477 (2)	0	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	66 (b), 68, 477 (3)	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)	0	
54a	of which: new holdings not subject to transitional arrangements	0		0	
54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements	0		0	

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## Continuation of the table

in EUR million		(A) Jun 2017	(B)	(C)	(D)
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)	-0.6	66 (d), 69, 79, 477 (4)	0	
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		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	-17	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	17	
	of which: shortfall of provisions to expected loss	-17	472 (6)	17	
	of which: non-significant investments	0	472 (10)	0	
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)	0	
	of which: reciprocal cross holdings in T1 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		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	0	
	of which possible filter to unrealised losses	0	467	0	
	of which: possible filter to unrealised gains	0	468	0	
<b>57</b>	<b>Total regulatory adjustments to tier 2 (T2) capital</b>	<b>-67</b>		<b>17</b>	
<b>58</b>	<b>Tier 2 (T2) capital</b>	<b>5,163</b>		<b>-47</b>	
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>19,934</b>		<b>29</b>	
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		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)	0	
	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)	0	
	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)	0	
<b>60</b>	<b>Total risk-weighted assets</b>	<b>106,774</b>		<b>1,634</b>	
<b>Capital ratios and buffers</b>					
61	Common equity tier 1 (as a percentage of total risk exposure amount)	13.2%	92 (2) (a), 465	-0.4%	
62	Tier 1 (as a percentage of total risk exposure amount)	13.8%	92 (2) (b), 465	-0.1%	
63	Total capital (as a percentage of total risk exposure amount)	18.7%	92 (2) (c)	-0.3%	

The table is continued on the next page.

Continuation of the table

in EUR million		(A) Jun 2017	(B)	(C)	(D)
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)	1.858%	CRD 128, 129, 130	0	
65	of which: capital conservation buffer requirement	1.25%		0	
66	of which: countercyclical buffer requirement	0.108%		0	
67	of which: systemic risk buffer requirement	0.50%		0	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.50%	CRD 131	0	
68	Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	6.9%	CRD 128	0	
69	[non-relevant in EU regulation]				
70	[non-relevant in EU regulation]				
71	[non-relevant in EU regulation]				
<b>Amounts below the thresholds for deduction (before risk-weighting)</b>					
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)	536	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	0	
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)	307	36 (1) (i), 45, 48, 470, 472 (11)	0	
74	Empty set in the EU				
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)	151	36 (1) (c), 38, 48, 470, 472 (5)	0	
<b>Applicable caps on the inclusion of provisions in tier 2</b>					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	187	62	0	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	344	62	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	409	62	0	
<b>Capital instruments subject to phase-out arrangements (only applicable between January 2013 and January 2022)</b>					
80	Current cap on CET1 instruments subject to phase-out arrangements	50%	484 (3), 486 (2) & (5)	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)	0	
82	Current cap on AT1 instruments subject to phase-out arrangements	50%	484 (4), 486 (3) & (5)	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484 (4), 486 (3) & (5)	0	
84	Current cap on T2 instruments subject to phase-out arrangements	50%	484 (5), 486 (4) & (5)	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) & (5)	0	

### 33. 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.

Vienna, 4 August 2017

The management board

Andreas Treichl mp  
Chairman

Peter Bosek mp  
Member

Petr Brávek mp  
Member

Willibald Cernko mp  
Member

Gernot Mittendorfer mp  
Member

Jozef Síkela mp  
Member

## Your Notes

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

#### Note regarding forward-looking statements

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



## Shareholder Events

3 November 2017      Results for the first three quarters of 2017  
24 May 2018         Annual general meeting

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

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

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## Ticker Symbols

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