DIE ERSTE österreichische Spar-Casse Privatstiftung
Annual Report 2018
2018 was an exciting year for ERSTE Foundation. As always, our annual report looks back on the foundation’s activities over the past year. We invite you to take a look inside an organisation that, in keeping with the foundation’s charitable mandate, interacts with society in multiple ways. This year, however, we would first like to address some fundamental questions that are currently circulating the globe and that a growing number of people want a clear answer to: Who belongs in society and who doesn’t? Who gets to decide that and who doesn’t? And most importantly: What values are these decisions based on?

These questions have unexpectedly become important issues in our work. In the past, ERSTE Foundation has primarily focused on cooperating with a strong civil society in Central and Eastern Europe with the aim of encouraging the social participation of disadvantaged groups, reinforcing democratic structures that are not yet strong enough, and enabling artists to work on new ideas. Recently, it has suddenly become necessary again for us to defend basic rights, pluralistic concepts of coexistence, and freedom of speech, science and artistic expression – and not only in Eastern Europe. Fears, be they real or stoked, are provoking a need for separation and exclusion. Values that our work is based on are being questioned. As a result, we think it’s time for all of us to take a stance. ERSTE Foundation included.

In the opening lecture at the Vienna Humanities Festival 2018, Timothy Snyder explained why inevitability and eternity are the wrong concepts for political action. Instead, we need pragmatic solutions to the pressing issues of our time. To this end, the foundation has teamed up with the Institute for Human Sciences (IWM) to deal with political problems and risks facing Europe and its liberal democratic order. Led by Ivan Vejvoda, Europe’s Futures brings together fellows from renowned European think tanks. Its objective is to discuss their findings and the practical feasibility of those findings within a Europe-wide network of partners.

Our cooperation with IWM also shows that the foundation’s strategic realignment is complete. While we had already begun to outsource important areas of the foundation’s work in 2017, this process came to a successful conclusion in 2018. In terms of social innovation, this meant reorganising the BeeTwo association. It will now develop digital solutions for social projects on demand, which is to say in close coordination with the third sector. The NGO co/rizom evolved from a long-term project of ERSTE Foundation. Its initial goal is to develop a standardised process that helps disadvantaged communities set up successful social businesses with traditional crafts and modern design and establish business relations with large retailers.

In the process of outsourcing project work to partner organisations, ERSTE Foundation has defined the impact it seeks to achieve when cooperating with others. In social banking, a cooperative project with Erste Group, the leverage to achieve these targets is particularly high. We are pleased to announce a EUR 50 million agreement between Erste Group and the European Investment Fund to finance social enterprises in Austria and CEE. Redesigning the ERSTE Foundation website to create erstestiftung.org magazine, a two-language online platform for voices and ideas of civil society, has also been a huge success.

The presentation of the Igor Zabel Award for Culture and Theory in Ljubljana in late 2018 was the highlight of another of the foundation’s thematic focal points: culture. The award went to Joanna Mytkowska, the Polish director of the Museum of Modern Art in Warsaw. 2018 ended with a change at the top of our management board. Our previous chair, Bernhard Spalt, an expert in Central and Eastern European civil society, will head one of the region’s largest retail banks in 2020. We wish him well in his future position and thank him for the important work he has done for ERSTE Foundation in recent years.

2019 is an important anniversary for Erste Group and ERSTE Foundation. 1819 saw the foundation of Erste österreichische Sparkasse. We are well prepared to rightly celebrate this event and take active steps into the future.
I n 2018 ERSTE Foundation had to make lasting changes and set its future course. It concluded its organisational consolidation and focussing process, and efforts are well underway to adjust the direction of its programmes to the new requirements of the future.

There were changes at the top of both of ERSTE Foundation’s managing bodies. Having reached the age of 75 in late September, Georg Winckler, my predecessor as chair of ERSTE Foundation’s supervisory board, resigned from his position as required by the statutes. I sincerely thank Georg Winckler for his many years of successful commitment to ERSTE Foundation. From 2011 he supported the managing board prudently and responsibly in developing ERSTE Foundation, which involved further consolidating its finances, reinforcing its role as majority shareholder of Erste Group, reorganising the team and realigning the focus of its programmes. Georg Winckler has every reason to be proud of what has been achieved under his leadership. He will remain closely involved with the foundation as president of DIE ERSTE österreichische Spar-Casse Privatstiftung Association.

In autumn 2018 Erste Group announced that its CEO Andreas Treichl would step down by the end of 2019. His designated successor, Bernhard Spalt, consequently retired from his position as chair of ERSTE Foundation’s managing board at the end of 2018. In November the supervisory board of ERSTE Foundation appointed Mario Catasta as the new chair. who took up this post on 1 January 2019. Apart from the new chair, there will be no further changes to the rest of the foundation’s management team, which comprises deputy chair Boris Marte and Franz Portisch. On behalf of the entire supervisory board, my warmest thanks go to Bernhard Spalt for all of the work he did on the board in recent years. Under his leadership ERSTE Foundation was able to strengthen its economic position in a challenging economic environment, revise the content and structure of its mission of serving the common good and continue its strategic development.

In November 2018 the general meeting of DIE ERSTE österreichische Sparkasse Privatstiftung Association renewed the mandates of all supervisory board members for another five-year period starting in April 2019 and elected Andreas Treichl as a further member and designated chair effective 1 January 2020.

Due to Erste Group’s excellent annual result in fiscal year 2017, dividends increased to EUR 1.20 per share in 2018. As a result, Erste Foundation was able to further reduce its liabilities and use its income, which rose compared to the previous year, to push the reorientation of its programmes forward and buy a modest number of shares in Erste Group. Among the major projects initiated in 2018 was, most notably, an initiative that aims to support and strengthen the development of parliamentary democracy in Europe, an issue that is increasingly relevant in the extended home market of Erste Group and ERSTE Foundation.

On behalf of the entire supervisory board, I would like to sincerely thank all employees for the work they have done during the past year and wish Mario Catasta, the managing board and the entire team continued success in the years to come. I look forward to continuing to work with you!

Manfred Wimmer
Supervisory Board Chair

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Setting the course for the future

Members of the Supervisory Board

Manfred Wimmer (Chair)
Johanna Rachinger (Deputy Chair)
Bettina Breiteneder
Ilse Fetik
Maximilian Hardeg
Barbara Pichler
Peter Pichler
Markus Trauttmansdorff

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Further rise in dividend income
In order to serve the common good, ERSTE Foundation strives to invest part of its dividends from its stake in Erste Group Bank AG (“Erste Group”) in philanthropic projects. Each year, the bank’s managing board submits the proposed dividend payment for approval at the general shareholders’ meeting. In 2017 Erste Group recorded a net profit of EUR 1.32 billion, which allowed it to increase dividends in 2018 by 20% compared with the previous year, to EUR 1.20 per share. This again enabled ERSTE Foundation to make grants to beneficiaries using operating income. Only non-profit, philanthropic and church-related organisations are eligible to receive grants from the foundation; individuals and commercial operations may not. The projects ERSTE Foundation initiates and co-develops therefore always involve partners or beneficiaries who belong to these circles.

The foundation permanently reinforced its position as core shareholder
In accordance with foundation statutes, ERSTE Foundation is to have a permanent and qualified stake in Erste Group. ERSTE Foundation reinforced this position by concluding several syndicate agreements with other shareholders. Headed by ERSTE Foundation, this group of shareholders consists of the majority of Austrian savings banks, numerous savings bank foundations and share management savings banks (together the “savings banks group”), as well as CaixaBank S.A., and the main shareholder of Vienna Insurance Group, Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung. These agreements entitle ERSTE Foundation to influence the contracting partners’ voting at supervisory board elections. The agreement between CaixaBank S.A. and ERSTE Foundation furthermore gives CaixaBank S.A. (which holds 9.9% of Erste Group) the right to nominate two members of Erste Group’s supervisory board. The savings banks group, which jointly owns a syndicated stake of 5.7%, is entitled to nominate one member of Erste Group’s supervisory board. Thanks to these agreements, Erste Group has a stable group of shareholders that controls slightly below 30% of shares. This enables one of the largest retail banks in Central and Eastern Europe to rely on a solid ownership structure. In the past, ERSTE Foundation supported Erste Group in its regional and national investments and therefore repeatedly participated in Erste Group’s capital increases, consequently incurring liabilities. Last year ERSTE Foundation managed to further reduce these liabilities, and the debt level now stands at around EUR 255 million. ERSTE Foundation currently has a direct stake in Erste Group of 11.15%.

ERSTE Foundation is a private savings bank foundation under the Austrian Savings Bank Act. In accordance with foundation statutes, it has to perform two tasks in parallel: to serve the common good and to have a permanent stake in Erste Group Bank AG.
Share price down in the fourth quarter

In the first quarter of 2018, the Erste Group share continued the strong performance of the previous year, which it had ended with a gain of almost 30%, and remained on an uptrend. The Erste Group share reached its annual high at EUR 42.38 on 12 March. Despite the improvement in its operating result and the positive development of asset quality, the Erste Group share then declined substantially in tandem with the significant losses suffered by European bank shares. At the close of the third quarter, the Erste Group’s share was still trading at the level of year-end 2017 on the back of sound fundamental data, while the Dow Jones Euro Stoxx Banks Index had already plunged 18.3%.

The sell-off in the international stock markets in the last quarter and the Romanian government’s announcement of the introduction of a banking levy finally prompted the share price to decline substantially. On 27 December, the Erste Group share posted the lowest price of the reporting period at EUR 28.10. At a closing price of EUR 29.05 on the last day of the year, the share was down 19.5% year-on-year, with 18.8 percentage points of that loss incurred in the fourth quarter. By comparison, the European Bank Index dropped 33.5%.
Successful social business: products by the Romanian label Meshteshuk Butiq are created by international designers and handcrafted for IKEA © Inter IKEA Systems B.V. 2016

Vienna’s Erste Campus hosted the CEE Impact Day 2018. The programme also featured the presentation of the Social Impact Award Austria.

Photo: Lea Fischnow
Social inequality, the ongoing erosion of solidarity and digitalisation are challenges our society is currently facing. Traditional political and economic strategies and models are often no longer effective. ERSTE Foundation thus places one focus of its activities on social innovation. We help unleash creative and entrepreneurial potential to create new effective stimuli and innovative solutions for relevant social problems.

We help build a strong civil society that has the knowledge, resources and freedom necessary to adopt new approaches to actively tackle our social challenges and changing conditions. To achieve this, it is necessary to acquire additional skills, revise established mindsets and change existing organisational structures. ERSTE Foundation considers itself a close partner in this process of transformation. We aim to develop a broad awareness of social entrepreneurship and strengthen the innovation capacity of civil society actors. We support digital innovation for solving social problems at the incubation stage. We develop new methods to strengthen and empower disadvantaged communities by applying social business approaches and scale them across target groups. We support the professionalisation of civil society organisations by reinforcing their organisational structures and honing their management skills. And we enable people to lead self-determined economic lives – which is key to financial inclusion – by providing target group-oriented access to financial instruments and financial education.

NGO Academy

Founded in 2013, the NGO Academy supports the civil society sector in Central and South-Eastern Europe by providing a range of high-quality educational programmes designed for executive managers and members of NGOs. They are organised in cooperation with the Competence Center for Nonprofit Organizations and Social Entrepreneurship of Vienna University of Economics and Business and aim to strengthen organisational structures and enhance management skills. The Social Innovation and Management Programme is especially intended for NGO executives and is offered in English, while the Regional Programme additionally focuses on local contexts and offers workshops in up to seven languages.

In 2018 the academy laid the ground work for introducing a third programme: The Masterclass offers space to explore individual topics in depth, complementing the two existing programmes. The first workshop on digitalisation will take place in May 2019. All three programmes place great value on the lecturers’ expertise, the high quality of their content and its practicality. They enable participants to build up international networks with like-minded people and experts and provide insight into current developments and trends.

Based on the experiences of the NGO Academy, a study was published in 2017 on the opportunities and challenges of civil society in Central and South-Eastern Europe. It is a well-founded source of information for decision makers, including sponsors, NGOs and international organisations. Launched in 2018, a follow-up project enables regular monitoring of civil society in this region. A survey among civil society organisations in 15 countries aims to regularly provide insight into changes to political, financial and legal conditions and pinpoint their implications for organisations.

**Partners:** Vienna University of Economics and Business, Porticus Foundation, “la Caixa” Banking Foundation

For more information and web links see our website at www.erstestiftung.org/en/social-innovation/
Project work in 2018 focused on selected communities in Albania, Georgia, and Romania. Four of its products were added to Ikea Romania’s product line in 2018. The social enterprise regularly participates in the Romanian Design Week and Vienna Design Week. Mesteshukar ButiQ serves as a role model. The social enterprise runs a stationary business in Bucharest and Roma communities. The best known example is Mesteshukar ButiQ, which serves the village. The project, which successfully used similar approaches in the Foundation Roma Partnership can best succeed. This project builds on years of experience gained from the ERSTE Foundation Roma Partnership project, which successfully used similar approaches in Roma communities. The best known example is Mesteshukar ButiQ, which serves the village. The next step will likely be to include Bosnia and Herzegovina, Macedonia, Moldova, and Serbia in the project.

co/rizom works closely with the communities. The aim is to develop and freely disseminate a methodology from daily practice that shows how such an undertaking can best succeed. This project builds on years of experience gained from the ERSTE Foundation Roma Partnership project, which successfully used similar approaches in Roma communities. The best known example is Mesteshukar ButiQ, which serves as a role model. The social enterprise runs a stationary business in Bucharest and regularly participates in the Romanian Design Week and Vienna Design Week. Four of its products were added to IKEA Romania’s product line in 2018.

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Partners: co/rizom, Nadja Zerunian, SIMPACT

BeeTwo

Digitalisation offers enormous opportunities and potential for solving social problems. BeeTwo addresses this topic and has teamed up with non-profit organisations (NPOs) in Austria to unleash this potential and develop digital products with a social impact. The Digital Social Innovation Lab was created for this purpose in 2018. It offers a structured innovation process for the development of innovative digital products that provide added social value for disadvantaged groups and also includes capacity building in innovation management, digitalisation and agile working methods. The process draws on many years of experience in developing digital products with the third sector and combines this with the transfer of methods from the for-profit sector to the social sector.

Participating NPOs take social issues and problems as a starting point to create prototypes as possible solutions. As the process continues, they develop one of these prototypes into a simple digital product (MVP). Together they subsequently analyse and define ways to further develop this product, thus ensuring that the digital solution continues to evolve. BeeTwo leads the process, supports participants from the NPOs and ensures capacity building. In doing so, we want to promote development of digital social innovations and help NPOs deal with topics such as innovation, digitalisation and agile working.

Social Banking / Financial Literacy

The ability to understand and independently manage financial matters is an important prerequisite for social integration in our society. People who do not have access to financial instruments and financial education are often excluded from economic and social life. The financial education programmes we offer in cooperation with the Social Banking departments of Erste Group in seven European countries aim to enable individuals, social entrepreneurs and executives in the non-profit sector to understand, independently manage and plan their financial affairs. They have to be able to deal with and recover from financial difficulties. Furthermore, they must be familiar with and have access to a selection of financial instruments tailored to their needs; they need to know where they can get help and be willing to accept this help. Financial literacy contributes to reducing the risk of poverty and to economic growth, social inclusion and stability.

One example: Fourteen Roma families from the Slovakian municipality of Ranovce participated in the Roma Housing project in 2018. As a means of helping them to help themselves, the project provides families with the opportunity to build their own houses. Assisted by intensive financial education measures, families commit to saving a certain amount of money and get a microloan to pay for the remaining amount required. Since the project started, unemployment has dropped sharply in the village. The Social Banking department of Slovak Erste Group subsidiary Slovenská sporiteľňa co-initiated Roma Housing. ERSTE Foundation is one of the organisations that secure the loans.

In 2018 Erste Group and the European Investment Fund (EIP) signed a guarantee agreement allowing Erste Group’s Social Banking departments to provide a total of
9 EUR 50 million in loans to social enterprises in Austria, Croatia, the Czech Republic, Hungary, Romania, Slovakia and Serbia. Social entrepreneurs and NPOs thus have access to loans at more favourable terms. At least 500 organisations in the seven countries are expected to benefit from this agreement by 2022. It will provide financing to innovative, socially-oriented organisations that are active in education, healthcare and social services sectors or employ disadvantaged, marginalised and vulnerable groups. This guarantee agreement between the European Investment Fund (EIF) and Erste Group is part of the EU Programme for Employment and Social Innovation (EaSI).

Social Impact Award

This award supports young innovators in establishing social enterprises that aim to tackle the most challenging questions of our time. Events and workshops of this incubator are designed to raise awareness of social entrepreneurship and impart the skills necessary to turn vague intentions into promising projects. The Social Impact Award enables access to networks and promotes the best teams. Through their participation, young people get an idea of social entrepreneurship as a potential career opportunity. At the same time, they are provided with the necessary input to set up a social enterprise, as well as feedback by experts and like-minded individuals. They also gain expertise, incubation support and seed financing.

Currently, the project spans Albania, Austria, Bosnia and Herzegovina, the Czech Republic, Egypt, Georgia, Kazakhstan, Kenya, Kosovo, Lithuania, Macedonia, Montenegro, Romania, Russia, Serbia, Slovakia, South Africa, Switzerland, Uganda and Ukraine.

Partner: Social Impact Award

An innovative place of learning, the Erste Financial Life Park (FLiP) at Vienna’s Erste Campus teaches financial literacy to children and young people. Due to its great success, the Austrian Savings Banks Group funded a FLiP bus, which tours throughout Austria and offers a playful hands-on approach to dealing with money.

Photo: Tobias Raschbacher

Cake and egg-nog for social impact?
A Viennese project for the integration of senior citizen, Vollpension is a very popular coffee house.
Photo: Fabienne Lea

NGO Academy

Largest and most comprehensive management capacity building programme for civil society organisations in Central and Eastern Europe

- 40 events a year
- 120 lecturers and experts
- 420 participating organisations
- 1,350 participants
- 6,000 participant days

Effects on attendees of the Social Innovation and Management Programme after one year

- 80% “We have initiated new projects due to the programme.”
- 55-75% of class projects are implemented.
- 65-75% of participants still keep in touch.
- 5% have cooperated professionally after completing the programme (e.g. new project).
- 65% have assisted other participants in a professional context.
- 85% want to cooperate in the future or support other participants.
- 100% would “highly recommend” the programme and have found it useful for themselves and their organisations.

Social Impact Award 2018

- 255 workshops and events with over 8,000 participants in 88 cities and 20 countries
- 180 highly talented teams participated in the incubation programme
- 830 project applications
- 86 social projects were awarded with the Social Impact Award and a total prize money of EUR 125,000
Branches lopped from felled trees litter the slopes of the Shebenik-Jabllanice National Park. Rampant illegal logging in Albania’s biggest national park is ravaging primeval woodland protected by UNESCO. As part of the Balkan Fellowship for Journalistic Excellence, Arlis Alikaj’s 2018 research revealed the ruthless plundering of nature.

Photo: Arlis Alikaj

Kosovo-Serbian politician Oliver Ivanović’s car is seen gutted by fire after it was blown up by unknown attackers in July 2017. On 16 January 2018 at around 8:10 a.m., Ivanović was walking to his party’s headquarters in the northern Kosovo town of Mitrovica when six shots rang out from a moving vehicle. Hit in the back, he was dead within the hour. As part of the Balkan Fellowship for Journalistic Excellence, Anđela Milivojević investigated the causes of violence in northern Kosovo. Her article was one of the three best contributions of the year 2018.

Photo: KoSSev

Candles were placed at Slovak National Uprising Square in the centre of Bratislava in memory of murdered Slovak investigative journalist Ján Kuciak, 27, and his girlfriend Martina, 27. (27 February 2018)

Photo: Jakub Kotian/TASR via AP
Critical Journalism and Free Media
Projects for an informed, open-minded public

For more information and web links see our website at www.erstestiftung.org/en/journalism-and-media/

A democratically organised society only works if its members have access to substantiated information and its institutions are critically monitored by independent media. The ERSTE Foundation projects support the reporting of social issues, culture reports and investigative journalism.

Over the past few years, many people have experienced growing doubt about the credibility, reliability and independence of traditional media. The range of possibilities for individual research offered by the internet, polarising social media debates, the economic interests of party-affiliated media groups that neglect high quality standards, and not least defamations by populist groups and politicians (“fake news!”) have all played a part in that. Long before these developments, ERSTE Foundation already recognised the need to foster critical journalism and teamed up with partner organisations to establish various fellowship programmes. There are plans to expand these initiatives beyond South-Eastern European countries to include Central and Eastern Europe.

Balkan Fellowship for Journalistic Excellence

Since 2007 the fellowship programme has supported investigative, high-quality journalism in South-Eastern Europe. It is organised by ERSTE Foundation and the Open Society Foundations in cooperation with the Balkan Investigative Reporting Network (BIRN). The programme aims to foster high-quality reporting and encourage regional networking among journalists. By helping to enhance their skills and knowledge, in particular on topics related to European policy, we want to enable them to provide more in-depth information to the public in South-Eastern Europe. Furthermore, we want to spark interest among the fellows in the work done by the media in their neighbouring countries. Each year, the jury selects ten experienced journalists from Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Kosovo, Macedonia, Montenegro, Romania and Serbia. The three best articles are awarded a prize at the end; along with the other articles, they are published in numerous high-quality media.

Partners: Open Society Foundations, Balkan Investigative Reporting Network
Media partners: Der Standard, Süddeutsche Zeitung, Neue Zürcher Zeitung

Milena Jesenská Fellowships for Journalists

The fellowship programme is designed for journalists who want to pursue in-depth research on a topic related to European cultural issues. Founded by the Institute for Human Sciences (IWM) and the European Cultural Foundation, the fellowship is supported by Project Syndicate and ERSTE Foundation. Milena Jesenská (1896–1944), whom the programme is named after, was an outstanding Czech journalist, writer and translator of her time who was murdered at the Ravensbrück concentration camp because of her political resistance.

Partner: Institute for Human Sciences

Journalism prize “from below”

The journalism prize “from below” was developed by the Austrian Anti-Poverty Network (Armutskonferenz) in Vienna in 2010. Each year, it is awarded to journalists who do justice to the various facets of poverty, treat those affected by it with respect, help to make their voices heard and their realities visible and shed light on the causes of poverty. The jury is exclusively made up of people with experience of poverty, which makes this a particularly special prize for the laureates. Supported by ERSTE Foundation and the European Anti-Poverty Network, it has been rolled out to other European countries since 2015. Countries that have awarded the journalism prize for sensitive media reporting on poverty, which does not offer a cash prize, to date include Hungary, Croatia, Serbia, Macedonia, Romania, Finland and Iceland. Along with other countries, Montenegro has also expressed its interest in hosting the award.

Partners: Armutskonferenz (Austrian Anti-Poverty Network), Ředitelství Foundation / Ředitelství Alapítvány, Macedonian Platform Against Poverty, Reteaua Nationala Antisoracie si Incluziune Sociala / RENASIS (Romanian network against poverty and for social inclusion), Ewropijska medija protiv siromštva – Srbije (European Anti-Poverty Network – Serbia), Hrvatska medija protiv stromljanje (Croatian Anti-Poverty Network)
The Future of Europe and Democracy

Initiatives for social cohesion and development of the rule of law

The countries of Europe and the European Union are currently facing great challenges. The growing frequency of crises makes many people believe that social cohesion, economic stability and even peace are at risk.

Cries in the eurozone and the EU, the rise of nationalism and populism, the migration crisis, clientelism and identity politics, the increasing divides of north-south and east-west and the new mistrust of democratic institutions dominate debates and fuel Europeans’ fears. We are implementing various initiatives as our contribution to strengthening the European idea, democratic values and a free society.

Europe’s Futures – Ideas for Action

We need platforms to renew and re-invent Europe. We have joined forces with the Institute for Human Sciences in Vienna and its social and political scientists, with leading European organisations and think tanks to tackle some of the most crucial topics related to the European Union: asylum and migration, rule of law and democracy, European enlargement and social inclusion. We are creating a network of important EU actors, in particular between Austria, the Visegrád 4 countries and South-Eastern Europe. Europe’s Futures has clear objectives: a European Union that protects its citizens and offers more sustainable livelihoods than before; where member states defend the fundamental values of a democratic order and rule of law; and where countries such as Austria continue to support the Union’s democratisation and enlargement agenda.

Partner: Institute for Human Sciences

Fellows in 2018/19: Luke Cooper (senior lecturer, Anglia Ruskin University, Cambridge), Tim Judah (journalist and author, correspondent for The Economist), Zsuzsanna Szelenyi (politician, pro-democracy activist, former member of the Hungarian parliament), Gerald Knaus (founding chair of the European Stability Initiative), Rosa Balfour (senior transatlantic fellow at The German Marshall Fund of the US, member of the steering committee of Women in International Security, Brussels), Stefan Lehne (visiting scholar at Carnegie Europe; lecturer at the Vienna School of International Studies), Piotr Buras (head of the Warsaw office of the European Council on Foreign Relations)

Civitates – A philanthropic initiative for democracy and solidarity in Europe

Civitates is a consortium of 16 foundations committed to upholding democratic values in Europe. The group believes in European democracies where all citizens have the opportunity to access information, make their voices heard, organise, mobilise and engage fully in democratic processes. To achieve this vision, Civitates strengthens the capacity of civil society to play its indispensable role in shaping vibrant open European democracies that work for all.

Civitates is hosted by the Brussels-based Network of European Foundations (NEF) in Philanthropy House. Its two sub-funds focus on EU Member States and EFTA countries. The Shrinking Space for Civil Society fund aims at strengthening civil society by empowering its actors to respond to challenges related to the shrinking space for civil society, collectively and more effectively.

The Public Discourse & Digitization fund empowers civil society to address digital disinformation and those features of the digital information ecosystem that
enable the manipulation of public discourse, including the lack of gatekeepers, transparency and accountability.

**Partner foundations:** Adessium, Stefan Batory Foundation, Bertelsmann Stiftung, European Cultural Foundation, Fondation de France, Fritt Ord, King Baudouin Foundation, Körber Stiftung, Luminate, Charles Stewart Mott Foundation, Fondation Nicolas Puech, Oak Foundation, Open Society Foundations, Robert Bosch Stiftung, Stiftung Mercator

**European Fund for the Balkans**

Founded in 2007, the European Fund for the Balkans (EFB) is a joint initiative of European foundations that conceive, implement and support projects aimed at strengthening democracy, promoting European integration and reinforcing the role of South-Eastern Europe in tackling the emerging challenges in Europe.

The EFB strives for the continuous “Europeanisation” of politics and social life of Western Balkan countries working toward EU accession and puts a clear focus on training, strategic development and regional cooperation.

The EFB has been organising the Western Balkans Civil Society Forum since 2016. This platform, founded in 2015, provides input to the “Berlin Process”, a diplomatic initiative to support the future enlargement of the EU with bilateral partnerships. Civil society in the Western Balkans works on regionally relevant issues and policies and monitors the progress in implementing them.

**Partners:** King Baudouin Foundation, Robert Bosch Stiftung

**Democracy Workshop**

Established in 2008 in the Austrian parliament, the Democracy Workshop soon became one of the most successful political education projects. Young Austrians, even before becoming eligible to vote at the age of 16, attend workshops to become familiar with parliamentary democracy, parliamentary work, the adoption and enforcement of legislation as well as the role of the media in a pluralistic society.

ERSTE Foundation picked up this idea and started to build up the Democracy Workshop Montenegro in 2011, which was adopted by the Montenegrin parliament in 2014 and has become an integral part of the country’s political education. More than 60,000 children (~20 per cent of the population aged 8 to 14) have already attended the Demokratske radionice “Barbara Pramer” (sic!). We have also been developing a democracy workshop (Demos-Ti) in Kosovo since 2015. There are plans to extend the project to include further countries in Eastern Europe.

**Partners:** Müllers Freunde; Parliament of Montenegro and Forum Youth and Non-formal Education/Forum MNE (successfully completed), Parliament of Kosovo and NGO Toka

In summer 2018, thousands rally in Romania’s capital Bucharest to protest against corruption in the ruling social democratic (PSD) government. Photo: Mihai Surdu / unsplash.com

Zsuzsanna Szelenyi, Europe’s Futures Fellow 2018
By purchasing the seven “A Tent on the Roof of a Car” paintings from the year 2017 and the eighteen “Poultry” drawings dating from 1970 to 1977, Kontakt Art Collection has acquired two important works by the artist Edi Hila. They featured at documenta 14. Three institutions, Kontakt, the Museum of Modern Art Warsaw and the National Gallery of Arts in Tirana, have collaborated to enable research on Edi Hila’s oeuvre and prepare his work for its first retrospective in Warsaw and in Tirana.


Edi Hila, “Perforated bag” (from the series „Poultry“), 1973
Kontakt

The Art Collection of Erste Group and ERSTE Foundation

For more information and web links see our website at www.erstestiftung.org/en/kontakt-art-collection/

An international art advisory committee consisting of Silvia Eiblmayr, Georg Schullhammer, Jiří Ševčík, Branka Stipančić and Adam Szymczyk is responsible for developing the collection and for its political positioning. A nomadic collection, Kontakt is available, as a whole or in part, to museums and exhibition houses across the globe to support the often fragile situation of public institutions. The art of Central, Eastern and South-Eastern Europe is still inadequately researched; hence Kontakt’s aim of placing it within the context of global art history by initiating and providing academic support for a variety of publications, artists archives and projects.

The Kontakt art collection was founded in 2004 by Erste Group as an independent association and is dedicated to artistic developments in Central, Eastern and South-Eastern Europe that had found little resonance in recent art history and in the public eye up to that point.

Kontakt Art Collection

Association for the Promotion of Central, East and Southeast European Art
Artistic director: Kathrin Rhomberg
Am Belvedere 1, 1100 Vienna, Austria
collection@erstegroup.com, www.kontakt-collection.net

Kontakt Art Collection comprises 722 works of art by 108 artists/artist groups; since its founding it has loaned 2,790 objects to 176 institutions worldwide.

Association members: Banca Comerciala Romana, Česká spořitelna, Erste Bank Croatia, Erste Bank Hungary, Erste Group Bank AG, ERSTE Foundation, Slovenská sporiteľňa

Kontakt Art Collection

Erste Group / ERSTE Foundation
tranzit is a network of initiatives working in the field of contemporary art in Austria, the Czech Republic, Hungary, Slovakia and Romania and across the borders of a wider Europe. Its main goal is to support and articulate emancipatory practices and to establish connections between culture and society by moving across geographies, generations, and political realms.

Tranzit was established in 2002 and has operated since then as a critical (and self-critical) platform, challenging established canons of post-war European (art) histories. It has promoted contemporary art practices, theory and social discourses, with the aim of contributing to present-day mobilizations of solidarity and community building in a Europe of narrowing nationalism, cultural essentialism, growing economic egoism, and social as well as gender inequality.

Each tranzit initiative works under its own conditions in a variety of local cultural and social contexts, using different formats and methods to contextualize, generate or host theoretical, artistic and activist debates around today’s urgencies. Activities range from exhibitions, thematic projects, and seminars to publications based on long-term research and participatory interventions into the public discourse.

**Artist-in-Residence programme Q21 / MuseumsQuartier, Vienna**

Each year from February to November tranzit and ERSTE Foundation offer an Artist-in-Residence programme at Vienna’s MuseumsQuartier. Up to ten artists from the Czech Republic, Romania, the Slovak Republic and Hungary get the chance to live in the city and work in one of the MuseumsQuartier studios.
Fellowships for curators and artists
Salzburg International Summer Academy of Fine Arts

ERSTE Foundation – in collaboration with tranzit.cz, tranzit.hu, tranzit.ro, tranzit.sk and the Igor Zabel Association – grants five fellowships to young artists and five fellowships to up-and-coming curators from the Czech Republic, Hungary, Romania, the Slovak Republic and Slovenia, who can participate in a course of their choice at the Salzburg International Summer Academy of Fine Arts.

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The Invisible Museum is a project organised by tranzit.sk and initiated by the artist Oto Hudec. It features his vision of a museum on Roma culture, presenting the works of Robert Gabris, Daniela Krajčová, Emília Rigová, and Marcela Hadôvá, together with the women’s club Manka nomvakanego gendalos, which reflect on Roma history and cultural representation and point out problems of established stereotypes.

In a condensed form, these works strive to promote a broader view of Roma history, culture and contemporary art. The Invisible Museum was featured in a special exhibition at the viennacontemporary 2018 in Vienna from 27 to 30 September 2018.

tranzit.org

Photo: Adam Šakový
Igor Zabel Award for Culture and Theory 2018 went to Joanna Mytkowska, Poland (large image).

Igor Zabel Award grants were given to the Oberlit association for young artists (Moldova), Edith Jeřábková (Czech Republic) and the Visual Culture Research Center (Ukraine) (top down).

Photos: Nada Žgank
The Igor Zabel Award for Culture and Theory acknowledges the exceptional achievements of cultural protagonists whose work supports, develops or investigates visual art and culture in Central, Eastern and South-Eastern Europe.

Candidates for the award are international curators, art historians and theorists, writers or critics who live/work in this region and whose work is related to Central, Eastern, and South-Eastern Europe. Endowed with a total prize money of EUR 76,000, it is one of the highest and most prestigious cultural prizes of the region.

Named in honour of the outstanding Slovenian curator and art historian Igor Zabel (1958–2005), the award is an initiative of ERSTE Foundation and is awarded every two years in cooperation with the Igor Zabel Association for Culture and Theory. The association was founded by Igor Zabel’s wife Mateja Kos Zabel, his father Bojan Zabel and ERSTE Foundation in February 2008 in his home town Ljubljana. The association’s objective is to highlight the importance and ongoing influence of Zabel’s work in order to support knowledge production and networking in contemporary visual arts and culture in Central, Eastern and South-Eastern Europe and beyond.

The award is not by application. Since the 2018 award conferment, a three-member international jury selects the laureate and the recipients of two grants based on the proposals given by ten nominators; the third grant recipient is still named by the laureate. The laureate receives EUR 40,000; the three working grants are endowed with EUR 12,000 each. The jury and nominators are appointed by ERSTE Foundation and the Igor Zabel Association.

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Igor Zabel Award for Culture and Theory

One of the highest, most prestigious cultural awards

For more information and web links see our website at www.erstestiftung.org/en/iza/

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Igor Zabel Award for Culture and Theory

<table>
<thead>
<tr>
<th>Year</th>
<th>Winner</th>
<th>Grants</th>
<th>Jury</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>What, How &amp; for Whom (WHW)</td>
<td>Fouad Asfour, Erden Kosova, Preton Kolektiv</td>
<td>Eda Čufer, Josef Dabernig, Charles Eche</td>
</tr>
<tr>
<td>2012</td>
<td>Suzana Milevska</td>
<td>Sabine Hüisingen, Kairos Kemp-Welch, European Roma Cultural Foundation</td>
<td>Alenka Gregorič, Yuri Leiderman, Hanna Wróblewska</td>
</tr>
<tr>
<td>2014</td>
<td>Ekaterina Dogar</td>
<td>Karel Clair, Mihai Vartic, Kirill Medvedev</td>
<td>Yuri Choukhov, Apolonija Suhertič, Bützer Fuchs</td>
</tr>
<tr>
<td>2016</td>
<td>Viktor Minaxo</td>
<td>Viviana Checchi, Anca Verona Mihulete, OFF-Biennale Budapest</td>
<td>Zdenka Badovinac, Vít Havránek, Roman Ondák</td>
</tr>
<tr>
<td>2018</td>
<td>Joanna Mytkowska</td>
<td>Edith Jerábková, Oberlink Association, The Visual Culture Research Center</td>
<td>Adam Budák, Ana Jovanović, Erzen Shinolli</td>
</tr>
</tbody>
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Igor Zabel

Igor Zabel (1958–2005) was a Slovenian curator and art historian, who throughout his life was actively involved in many fields of theory and culture – as a philosopher, author, essayist, modern and contemporary art curator, literary and art critic, translator and mentor to a new generation of curators and critics of contemporary art.

Igor Zabel Association for Culture and Theory
Programme director: Urška Jurman
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info@igorzabel.org www.igorzabel.org
2018 was an anniversary year for the Republic of Austria. In January, the matinee series Debating Europe opened in the sold-out Burgtheater with a discussion on the question, “What will our republic look like in 100 years?”

Photo: Matthias Cremer
Several talk series and discussion forums bring top-class expertise from science, politics, culture and business to Vienna. We want to give dialogue and dialectic the stage it deserves once again.

These days many people are no longer able to distinguish facts from fake news. In a globalised world, interrelationships are getting increasingly complex, and the ways of gathering and distributing information – often anonymously – become ever more confusing. Rather than exchanging ideas, people seem to be more intent on asserting their own opinions. Instead of combining and comparing arguments during discussions, they “share” and “like” them. We want to cultivate the art of public discussion in Vienna and allow real experts in their field express their views.

Debating Europe

A series of Sunday morning performances, Debating Europe brings leading politicians, scholars and intellectuals on to the stage of Vienna’s Burgtheater to talk about current politically and socially relevant topics. Discussions in 2018: To mark the 100th anniversary of the Republic of Austria the January talks revolved around the question: “What will our republic look like in 100 years?” In March, panelists discussed the challenges facing democracy in connection with digitalisation. October saw a heated verbal exchange over the current development of Europe, involving the Austrian Minister of Foreign Affairs, Karin Kneissl, and the former Croatian Minister of Foreign and European Affairs, Vesna Pusić, among others.

Panellists in 2018:


Partners: Institute for Human Sciences (IWM), Burgtheater, Der Standard
Media partners: W24 and Ö1

Cross-Border Travellers/Thinkers

As part of the series Grenzgänger/Grenzdenker (cross-border travellers/thinkers), writer, journalist and historian Martin Pollack talks to authors from Eastern Europe at Kasino am Schwarzenbergplatz. They reflect on the core values and ideals of Europe and explore the changing European landscape in literary and philosophical texts, while also sharing personal insights about identity and diversity to enable the “idea of Europe” outside of politics and demographics.

Guest in 2018: Karl Schöggl

Partner: Burgtheater
Media partner: Die Presse

Vienna Humanities Festival

The Vienna Humanities Festival gathers leading scholars, artists and cultural protagonists each year to share their thoughts in a focused and inspiring atmosphere. Over the course of two days in autumn, some 40 talks and discussions turn Vienna’s Karlsplatz into an expansive urban salon. In 2018 talks were held at Wien Museum, Technische Universität, Evangelische Schule and Stadthalle. The opening lecture was given by Timothy Snyder as part of the Wiener Vorlesungen (Viennese lectures) at Vienna city hall. All events are open to the public and free of charge.

The topic of the 2018 festival, Power and Powerlessness, sought to address the current crisis of democracy, to scrutinise the rise of fundamentalist and radical forces and to search for possible alternatives. The history of the Republic of Austria also featured as a topic in this year’s programme, as the republic celebrated its 100th anniversary.

Guests included high-profile scholars, writers and artists from various disciplines ranging from history and philosophy to cultural sciences, architecture and literature.

Guests in 2018, among others:

Timothy Snyder, Shalini Randeria, Thomas Chatterton Williams, Elisabeth von Thadden, Katarzyna Mężyk, Franz Fischler, Michael Ignatieff, Mihai Răzvan Ungureanu, Andreas Treichl, Matthias Strolz, Pierr Boivin, Apollon Serpides, Marta Davydkova, Daniel Cohen, Martin Pollack, Chantal Mouffe, Robert M. Black, Norbert de Meis, Suskau Stachowitsch, Katha Pollitt, Mieke Verloo, Svenja Stachowitsch, Berthold Loydik, Maxim Kantor, Milena Humplik, Béla Greskovits, Steven Lukes, Vinh-Kim Nguyen, Karl-Heinz Dehl, Gunnar Hindrichs, Thomas Meuney, Birgit Bergmann, Steffi Franz, Oliver Wenich, Regina Fritz, Helmut König, Gerhard Botz, Lucie Dreslenny, Bertrand Perz, Katharina Proger, Manfred Ruschmenger, Margit Reiter, Peter Huemer, Ina Markova, Oliver Rothkohl, Elisabeth Röhrlich, Daron Rabinovici, Heidemarie Uhl, Michael Gehler, Elias Heinrich, Wolfgang Kos, Barbara Toth, Nino Horuzcek, Dirk Kupnow

An event organised by the Institute for Human Sciences, Wien Museum and Time to Talk. ERSTE Foundation co-sponsors the event.
Zweite Sparkasse (Second Savings Bank) was ERSTE Foundation’s first project aimed at promoting financial inclusion and, in Austria, is its best-known project to date. Its main objective is to enable customers to regain a sound financial footing in the long term.

Since it was founded in 2006, Zweite Sparkasse has helped some 18,000 people in Austria overcome their financial difficulties. Customers of Zweite Sparkasse receive a basic current account including bank card and access to Erste Bank und Sparkassen’s online banking service, George. The bank teamed up with Wiener Stadtische Insurance Group, enabling it also to offer accident insurance free of charge and a legal advice service, available once per quarter. Customers may also take out an investment account, a building loan contract (Bausparvertrag) free of charge and homeowner’s insurance at an affordable premium. Zweite Sparkasse and Schuldnerberatung (debt counselling services) offer an “assisted account” to people who are legally competent but have difficulty managing their money. Zweite Sparkasse does not aim to make a profit but is bound to the savings bank idea of serving the public good. It is exclusively run by volunteers of Erste Bank und Sparkassen. Customers are supported by partner organisations that recommend them to the bank.

Partner organisations:
Schuldnerberatungen (debt counselling services), Caritas, AhZ – Arbeit hat Zukunft, aktiv leben intersch, “Anonyme Spieler” support group, Arbeiter-Samariter-Bund Wien, ARGE SOZIAL VILLACH, dialog, Wiener Hilfswerk, Domestic Abuse Intervention Centre Vienna, itworks Personalservice, Lighthouse Vienna, City of Vienna MA 40, neunerHAUS, NEOSTART, Austrian Red Cross, PIVA – Project Group for the Integration of Foreign Nationals, Schuldnerhilfe OÖ, municipal administration of the city of Graz – social services department, SOS Children’s Villages, Soziale Arbeit gGmbH, Spielbuhlernhilfe, addiction counselling service of the city of Klagenfurt, Tabex Lebenshilfe, TRENDSwerk, VinziDach, Volkshilfe Wien, Volkshilfe Beschäftigung, Wiener Berufs-Börse, Jugend am Werk, BIKU-Treff

Zweite Sparkasse

- Established and opened: 2006
- Founding capital provided by ERSTE Foundation: EUR 5.8 million
- Branch offices in Austria: 7
- Customers since 2006: approx. 18,000
- Customers who have successfully switched to another bank: just under 3,900
- Voluntary staff members: more than 300
www.diezweitesparkasse.at

Branch offices

Graz Annenstraße 40, 8020 Graz
Innsbruck Kirchentalgasse 10a, 6020 Innsbruck
Klagenfurt Fischlstraße 67, 9020 Klagenfurt
Linz Franzstrasse 41, 4020 Linz
Salzburg Rainerstraße 4, 5020 Salzburg
Villach Moritschstraße II, 9500 Villach
Wien Glockengasse 3, 1020 Wien (until December 2018)
The ERSTE Foundation Library advances knowledge by building collections and providing open access to media and information resources that support and reflect the topics and tasks of ERSTE Foundation. Research and work stations are available to users. Materials from the open access library stocks can be borrowed with a library card.

The specialist library is open to the public and offers barrier-free access since its move to the Erste Campus in 2017. Over the past year, it has developed into an attractive reading and research place for users from Vienna and beyond. While the number of registered library users almost doubled in the year after its move, numbers continued to increase considerably in 2018. By the end of 2018, 741 users held a library card.

The number of loans also increased significantly again in 2018. 2,260 media items were loaned at the two library sites (ERSTE Foundation and FLiP – Financial Life Park) in addition to material being used on site. This is an increase of 35 per cent compared to the previous year. Altogether, approx. 1,150 media items were catalogued in 2018, of which many were books intended for the Erste Bank advisory centres and branch offices.

More than 12,000 media items are currently available for loan to the users of the ERSTE Foundation Library. Topics include contemporary art and media theory, architecture and urban development, cultural theory and policy, feminism, gender and queer theory, minority and migration issues, Romani studies, demography, education, information literacy, new media and journalism, economic and political developments, social problem-solving, social banking and entrepreneurship, financial literacy, non-governmental organisations and project management, philanthropy, European debates and integration.
I. Economic Environment

Global economic performance in 2018 was marked by divergent monetary policies among the world’s largest central banks, trade wars between the United States and its main trading partners, unresolved questions over the United Kingdom’s main travails from the European Union, US sanctions against emerging economies such as Russia and Iran, and, last but not least, Italy’s budget dispute with the European Union. Developed economies remained stable, with the United States outperforming the euro area and Japan. Although economic momentum in Japan slowed slightly in 2018, economic conditions remained favourable with the country benefiting from the lowest unemployment rate since the 1990s. The economic performance of emerging markets varied by country and region. A number of emerging countries outside of Asia such as South Africa, Mexico and Argentina had weaker growth than expected due to macroeconomic imbalances, domestic political uncertainties and geopolitical developments. In addition, Argentina and Turkey suffered from currency turbulence and weak financial markets. By contrast, commodity exporters like Russia benefited from higher oil prices, which increased the value of exports and led to an improvement in current accounts and government budgets. China and India again performed better than other emerging countries thanks to robust private consumption and stable investment activity. Within Europe, central and eastern European (CEE) countries again had higher GDP growth than the eurozone thanks to strong domestic demand. The central banks of the leading economies continued to pursue divergent monetary policies. While the Swiss National Bank, the European Central Bank (ECB) and the Bank of Japan left key interest rates unchanged through the year, the Bank of England and the US Federal Reserve (Fed) increased theirs by 25 and 100 basis points in 2018, respectively. Overall global economic growth remained at 3.7%.

The US economy continued to perform well. Economic growth was especially driven by increased consumer and government spending, a strong labour market, and the initial effects from income tax cuts. Exports also outperformed expectations and contributed to economic growth. The ongoing expansion in employment resulted in unemployment shrinking below 4%. Even so, fiscal stimulus led to a deterioration in both government revenues and the fiscal position. Inflation accelerated, mainly due to rising energy prices and higher wages, which allowed core inflation to reach the Fed’s 2% target for the first time since 2012. The good economic performance prompted the Fed to increase its key interest rate four times in 2018, by 25 and 100 basis points to 2.5%. Overall the US economy grew by 2.9% in 2018.

Economic growth in the eurozone was slow relative to the region’s excellent performance from the previous year. This was particularly due to slowing global trade and weaker exports. In addition, growth in several member states was hindered by factors such as strikes, extreme weather conditions, and higher consumer taxes. Domestic demand and investment activity continued to support the economy. Despite weaker economic growth, the labour market in the euro area improved further and employment rose steadily throughout the year. Unemployment shrank to its lowest level since 2008, but varied widely among the member states, with substantially higher levels in southern Europe. Regarding the large eurozone economies, Germany and Spain again outperformed France and Italy. Italy’s rising debt level also led to a downgrade of its long-term sovereign debt rating. Ongoing negotiations over the United Kingdom’s withdrawal from the European Union had no significant impact on economic performance. Euro area inflation increased slightly due to rising energy prices on average. Core inflation, however, was largely stable throughout the year despite strong wage growth. The ECB maintained its expansionary monetary policy and left its key interest rate unchanged. In June 2018 the ECB announced it would halve its bond purchase programme from the end of September and allow it to lapse until the end of the year. As in the previous year, the economies grew for all eurozone member states. On average, real GDP growth was 1.8%. The Austrian economy performed well, with annual real GDP growth reaching its highest level in seven years at 2.7%. With a per capita GDP of EUR 44,000 Austria was again one of the strongest performers in the euro area, with a well-qualified workforce, stable institutions, and strong global competitiveness. All GDP components added to economic growth, but domestic demand and consumer spending were the biggest contributors. Capital expenditure again grew strongly, and exports to almost all major target countries saw a considerable increase. The traditionally strong service sector and tourism also performed well. Austria additionally benefited from strong economic performance in the CEE region. Favourable economic conditions led to a large decline in unemployment, which for the first time since 2012 fell under 5%. Average consumer prices remained stable, with inflation up by 2%. Good economic conditions enabled a further reduction in the general government deficit to 0.3%. The government debt ratio, measured as a percentage of GDP, reduced further to 74.2% (2017: 78.3%).

The CEE countries maintained a strong economic momentum, again outperforming the eurozone, with the exceptional performers being Poland, Hungary, and the Czech Republic. The increasing convergence was reflected in strong wage increases throughout the region. Private consumption continued to be the region’s main economic contributor thanks to rising wages and employment, with investment and exports providing a boost. EU funds absorption also improved further. With a high share of exports, the auto industry continues to be a major economic pillar, particularly in the Czech Republic, Slovakia, Romania and Hungary. Unemployment also declined further across the region, with the Czech Republic and Hungary having the lowest unemployment rates in the European Union. Inflation remained under control despite average consumer prices having risen in most CEE countries. CEE currencies also remained relatively stable against the euro during the year. The region’s central banks continued to pursue divergent monetary policies. While the Czech Republic and Romania increased their key interest rates several times, other central banks kept theirs at historic lows. Public debt also remained low in the region. Although the general convergence trend was sustained across the region, there were major differences between several countries. For example, Standard and Poor’s rated the long-term debt of the Czech Republic at AA- and that of Serbia at BB. On the whole, CEE economies grew during 2018, ranging from 4.8% in Hungary to 2.8% in Croatia.

1 IMF: https://www.imf.org/en/Pages/National.aspx (download on 20 February 2019)
5 Eurostat: Austria: https://www.statistik.at/web_de/statistiken/wirtschaft/volkswirtschaftliche_gesamtrechnungen/index.html (download on 20 February 2019)
6 Statistic Austria: https://www.statistik.at/web_de/statistiken/wirtschaft/volkswirtschaftliche_gesamtrechnungen/index.html (download on 20 February 2019)
2. Balance Sheet Changes

**Total assets** increased since 31 December 2017 by EUR 15.6 million to EUR 665.6 million. This is mainly attributed to higher demand deposits due to increased dividends from Erste Group Bank AG.

**Loans and advances to credit institutions** of EUR 25.4 million increased from 31 December 2017 by EUR 16.5 million. Demand deposits comprised EUR 25.4 million of the balance sheet.

In 2018, the EUR 0.2 million loan to Juvat gemeinnützige Gesellschaft mbH, reported under *loans and advances to customers*, was determined to be unrecoverable. The loan was therefore derecognised in full as of 31 December 2018.

**Debt securities** (investments) from Erste Group Bank AG stood at EUR 91.1 million as of 31 December 2018. The reduction of EUR 17 thousand from the previous year is due to the scheduled amortisation of the bond maturing in 2018.

In assets, *participating interests* have reduced by EUR 0.3 million since 31 December 2017 and stood at EUR 318.1 million. This is attributed to the devaluation of participating interest in good.bee Holding GmbH.

ERSTE Foundation directly holds 27,911,956 shares in Erste Group Bank AG at the balance sheet date, with a book value of EUR 316.2 million. Along with its syndicate partners and Sparkassen Beteiligungs GmbH & Co KG, the foundation directly and indirectly controlled 20.99% of Erste Group Bank AG’s share capital. The average book value of directly held shares is EUR 11.33 per share (previous year: EUR 11.33).

The participating interests item also includes good.bee Holding GmbH (40% stake), with a book value of EUR 1.8 million, and the Fund of Excellence Fördertungs GmbH (48% stake), which has a book value of EUR 16.8 thousand.

**Shares in affiliated companies** continue to include the holdings in Sparkassen Beteiligungs GmbH & Co KG, valued at EUR 307.7 million, and Sparkassen Beteiligungs GmbH, valued at EUR 35 thousand.

**Other assets** have fallen by EUR 0.2 million since 31 December 2017 to EUR 4.6 million. This item primarily comprises a receivable from taxation authorities, which stands at EUR 4.1 million from the evidence account for interim tax.

**Liabilities to credit institutions** increased from previous year by EUR 5.0 million to EUR 25.0 million. In April the loan with RBI increased to EUR 25 million (previous year: EUR 20 million) and was again extended by one year. The EUR 35 million cash advance with RLB NÖ was also extended by another year in early 2018. Due to higher liquidity, however, there has been no need to use the cash facility since May 2018. This item also includes accrued interest of EUR 45 thousand.

**Securitised liabilities** reduced by EUR 30.2 million to EUR 235.7 million during the current year. This can be explained by the repayment of a EUR 30.0 million bond.

This item includes accrued interest of EUR 5.7 million.

Compared with 31 December 2017, **other liabilities** have not changed and stand at EUR 3.6 million. This item primarily consists of grants promised but not yet dispersed (EUR 3.3 million).

**Provisions** increased by EUR 349 thousand from the end of 2017 and now stands at EUR 563 thousand (previous year: EUR 233 thousand). It comprises provisions for voluntary severance payments totalling EUR 14 thousand (previous year: EUR 19 thousand), taxes amounting to EUR 312 thousand (previous year: EUR 0 thousand), and staff and other costs totalling EUR 216 thousand (previous year: EUR 195 thousand).

**Foundation equity** (capital reserves and retained earnings) stands at EUR 400.7 million as at 31 December 2018 after grants to beneficiaries totalling EUR 5.9 million and after the pre-allocation of net income for 2018 to reserves totalling EUR 46.4 million.

The free reserve as of the balance sheet date includes EUR 2,185,790.87 in unused funds from grant budgets in previous years. These are available for grants in 2019 in addition to the current 2019 budget.

The *income statement* showed the following changes during the reporting period:

**Net interest income** had a surplus of interest payable over interest received amounting to EUR 6.4 million (previous year: EUR 6.8 million), or EUR 0.4 million less than in the previous year. This is mainly due to a lower annual average level of liabilities.

Income from securities and participating interests totalling EUR 57.5 million includes dividends from Erste Group Bank totalling EUR 33.5 million and income from the holding in Sparkassen Beteiligungs GmbH & Co KG valued at EUR 307.7 million.

Including net commissions, net gains or losses from financial operations, and other operating income, **operating income** increased to EUR 51.0 million (previous year: positive EUR 40.7 million).

After deducting general administrative costs and including revaluations of tangible and intangible assets, the **positive operating result** was EUR 47.3 million (previous year: positive EUR 37.3 million).

After revaluations of EUR 0.5 million of receivables, investments and participating interests, the **profit on ordinary activities** was EUR 46.8 million (previous year: EUR 37.3 million).

After deducting income taxes of EUR 0.4 million (previous year: EUR 0 thousand), the **profit for the year** was EUR 46.4 million (previous year: 37.3 million), which was allocated to the free reserves.

3. Financial Instruments and Risk Management Goals

ERSTE Foundation’s key risks from financial instruments are:

Exchange rate risk from its participating interest in Erste Group Bank AG. Holding a qualified participating interest in Erste Group Bank AG is defined in the foundation’s mission.

The participating interest in Erste Group Bank AG represents the foundation’s key asset. This creates an income dependency on dividends distributed by Erste Group Bank AG.

Interest rate risk from borrowings and issued bonds: All issued bonds have a fixed interest rate. The remaining refinancing balance comprises loans with a maximum term of one year.
Liquidity risk: Interest payments for loans as well as their amortisation will be financed in the long term mainly through dividend income from the participating interest in Erste Group Bank AG. Most liabilities are long term (residual term of three years; total term of five years).

There is no foreign currency risk and no credit risk from debtors.

4. Mission of the Foundation: Non-profit Activity

ERSTE Foundation was created in 2003 by Erste Österreichische Spar-Casse Anteilverwaltung, the successor of Erste Österreichische Spar-Casse. In 1919, this association of savings banks in Vienna opened the first bank for people who until then had no way of providing for their futures. The foundation inherited its commitment for the people from its founders.

Today ERSTE Foundation is a creative workshop for ideas, a lab for topics of the future which increases its effectiveness through strategic cooperation in networks. The foundation invests a portion of its dividends in regions in which Erste Group operates. Its goals are to strengthen democracy in Europe, promote socially disadvantaged groups through social innovation, and support contemporary culture in Europe.

Advancing digital social innovation is the main focus of the BeeTwo association. In 2018, it established a professional environment for successful projects with a new concept and team. Social entrepreneurship. In 2016, Erste Group, together with ERSTE Foundation and local partners, launched a Social Banking programme for central and eastern European countries. In 2018, Erste Group and the European Investment Fund agreed to provide EUR 50 million of funding to social enterprises in Austria and the CEE region. In October, the winning projects of the Social Impact Award were announced at Erste Campus. In 2018 the NGO Academy was again the largest management capacity-building programme for civil society organisations in the CEE region. Zweite Sparkasse celebrated its tenth anniversary in Salzburg and further expanded its “assisted accounts” throughout Austria. Bildinger, a joint project between Ashoka and Sinnbildungsstiftung, was also launched in 2018 with the aim of facilitating exchange and fostering education.

ERSTE Foundation is a member of the Austrian cooperative foundation Sinnstifter and contributes to the Sinnbildungsstiftung.

With Europe’s Fifties in 2018, the foundation launched a multi-year collaboration with the Institute for Human Sciences with a focus on Europe and democracy. Led by Ivan Vejvoda, fellowship-holders explore some of the key risks and problems that Europe and its liberal democratic order are facing. Their findings are expected to provide practical answers and solutions which can be discussed in a pan-European network of partners. The best articles of the Balkan Fellowship for Journalistic Excellence 2018 were awarded in the Montenegrin capital of Podgorica in December.

2018 was a particularly intensive year in contemporary culture for ERSTE Foundation. Along with the numerous exhibitions and events held at tranzit art spaces, sponsored by ERSTE Foundation, artist residencies organised by tranzit were also hosted this year by MuseumsQuartier in Vienna. Kontakt artistic director, Kathrin Rhomberg, together with Erzen Shkololli and Joanna Mytkowska, exhibited the first retrospective of Albanian painter Edi Hila at the Museum of Modern Art in Warsaw and the National Gallery of Arts at Tirana. The Polish museum’s director, Joanna Mytkowska, was also awarded the Igor Zabel Award for Culture and Theory 2018 in Ljubljana during the autumn.

The shared motto across all themes in 2018 was: “We have to talk!” The rising need for discussion in polarised societies was reflected in the abundance of popular discussion events. Among them, three outings of the established Sunday matinee series at Vienna’s Burgtheater: Debating Europe. In January, marking the occasion of 100 years of the Austrian Republic, the question was: What will our republic look like in 100 years time?” The challenges digitalisation poses for democracy were discussed in March. In October, the current development of Europe was debated by Austrian foreign minister Karin Kneissl and former Croatian foreign minister Vesna Pusic. As part of the second collaboration between ERSTE Foundation and the Burgtheater, Grenzgänger/Grenzdenker (Cross-Border Travellers/Cross-Border Thinkers), Russia expert Karl Schlögel and Martin Pollack discussed the topic: “Putin and the Applause of the Right”. “Power and Powerlessness” was the general theme of the third Vienna Humanities Festival, which took place during 27-30 September. It opened with a “Viennese lecture” by US historian Timothy Snyder at the Festival Hall in Vienna City Hall.

The transformation of the ERSTE Foundation website into erstestiftung.org, a bilingual online magazine for statements and ideas from civil society, was a great success.

5. Outlook for 2019 and Results After Balance Sheet Date

The core shareholder syndicate, which consists of ERSTE Foundation, the savings banks and their joint subsidiary, Sparkassenbeteiligungs GmbH und Co KG, as well as CaixaBank SA and Wiener Städtische Wechselseitiger Versicherungsverein, slightly increased its stake in Erste Group Bank AG in 2018 by transferring additional Erste Group Shares belonging to the savings banks to Sparkassenbeteiligungs GmbH & Co KG.

Through the issuance of a EUR 200 million five-year fixed-rate bond in January 2017, most of the foundation’s refinancing has been secured for the long term.

In 2019, Erste Group Bank AG announced it would propose to increase its dividend payment for the 2018 fiscal year to EUR 1.40 per share, an increase from previous year of 17%. This again assumes a substantial increase in operating profits, which will enable ERSTE Foundation to repay EUR 55 million of liabilities in 2019 while also increasing its free reserve, which allows the foundation to continue its activities even if dividends were not paid.

The 2019 grant budget remained unchanged from 2018, except that it continues to put greater focus on projects with a higher and long-term impact in the international non-profit sector while phasing out short-term ad hoc grants. A moderate increase in staff and administrative expenses is planned.

Vienna, 9 April 2019

The Board

Boris Marte
Chair of the Board
Franz Portisch
Chair of the Board

Deputy Chair of the Board
## Financial Statements 2018

### Balance sheet at 31 December 2018

**DIE ERSTE österreichische Spar-Casse Privatstiftung**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<tbody>
<tr>
<td>1. Cash in hand, balances with central banks</td>
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<td>2. Sovereign debt instruments and bills eligible for refinancing with central banks</td>
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<td>a) treasury bills and similar securities</td>
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<td>b) other bills eligible for refinancing at central banks</td>
<td>0.00</td>
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<tr>
<td>3. Loans and advances to credit institutions</td>
<td>25,381,263.74</td>
<td>8,845</td>
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<tr>
<td>a) repayable on demand</td>
<td>25,381,263.74</td>
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<td>b) other loans and advances</td>
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<td>4. Loans and advances to customers</td>
<td>0.00</td>
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<td>5. Debt securities and other fixed-income securities</td>
<td>9,145,991.61</td>
<td>9,163</td>
<td>9,163</td>
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<tr>
<td>a) issued by public bodies</td>
<td>0.00</td>
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<td>b) issued by other borrowers of which: own debt securities</td>
<td>9,145,991.61</td>
<td>9,163</td>
<td>9,163</td>
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<td>6. Shares and other variable-yield investments</td>
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<td>7. Participating interests</td>
<td>318,064,461.31</td>
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<td>of which: in credit institutions</td>
<td>316,212,113.11</td>
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<td></td>
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<td>8. Shares in affiliated companies</td>
<td>307,725,028.78</td>
<td>307,725</td>
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<td>of which: in credit institutions</td>
<td>0.00</td>
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<td>9. Intangible fixed assets</td>
<td>180,867.00</td>
<td>241</td>
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<td>10. Tangible assets</td>
<td>447,432.00</td>
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<td>of which: land and buildings used by the credit institution for its own activities</td>
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<td>11. Own shares and shares in a controlling company</td>
<td>0.00</td>
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<td>of which: par value</td>
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<td>12. Other assets</td>
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<td>13. Subscribed capital called up but not yet paid up</td>
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<td>14. Prepayments and accrued income</td>
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<td>15. Deferred tax assets</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>665,586,478.23</td>
<td>649,946</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Off-balance-sheet items**

1. Foreign assets                                                       | 0.00   | 0      |                 |                 |
## Balance sheet at 31 December 2018
DIE ERSTE österreichische Spar-Casse Privatstiftung

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<tbody>
<tr>
<td>1. Liabilities to credit institutions</td>
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<td>a) repayable on demand</td>
<td>0.00</td>
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<tr>
<td>b) with agreed maturity dates or periods of notice</td>
<td>25,044,965.28</td>
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<tr>
<td>2. Amounts owed to customers</td>
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<td>a) savings deposits</td>
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<td>of which: aa) repayable on demand</td>
<td>0.00</td>
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<td></td>
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<tr>
<td>bb) with agreed maturity dates or periods of notice</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>b) other liabilities</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>of which: aa) repayable on demand</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>bb) with agreed maturity dates or periods of notice</td>
<td>0.00</td>
<td>0</td>
<td></td>
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<tr>
<td>3. Securitised liabilities</td>
<td>235,709,166.67</td>
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<tr>
<td>a) debt securities in issue</td>
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<td>b) other securitised liabilities</td>
<td>235,709,166.67</td>
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<td>4. Other liabilities</td>
<td>3,567,406.15</td>
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<td>5. Accruals and deferred income</td>
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<td>6. Provisions</td>
<td>562,810.45</td>
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<td>a) provisions for severance payments</td>
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<td>b) provisions for pensions</td>
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<td>c) provisions for taxes</td>
<td>312,782.45</td>
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<td>d) other</td>
<td>236,028.00</td>
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<td>6a. Funds for general banking risks</td>
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<tr>
<td>7. Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013</td>
<td>0.00</td>
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<tr>
<td>8. Additional Tier 1 capital pursuant to Part 2 Title I Chapter 3 of Regulation (EU) No 575/2013</td>
<td>0.00</td>
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<tr>
<td>of which: compulsory convertible bonds pursuant to §26 Banking Act (BWG)</td>
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<tr>
<td>8b. Instruments without a vote pursuant to §26 Austrian Banking Act (BWG)</td>
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<tr>
<td>9. Subscribed capital</td>
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<tr>
<td>10. Capital reserves</td>
<td>79,147,249.86</td>
<td>79,147</td>
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<tr>
<td>a) committed</td>
<td>79,147,249.86</td>
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<tr>
<td>b) uncommitted</td>
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<tr>
<td>c) other restricted reserves</td>
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<td>0</td>
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</tr>
<tr>
<td>Carryover</td>
<td>344,031,598.41</td>
<td>368,902</td>
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</tr>
</tbody>
</table>
## Balance sheet at 31 December 2018
**DIE ERSTE österreichische Spar-Casse Privatstiftung**

### LIABILITIES AND EQUITY

<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Carryover</td>
<td>344,031,598.41</td>
<td>368,902</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Retained earnings</td>
<td></td>
<td></td>
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<tr>
<td>a) statutory reserve</td>
<td>145,228,257.23</td>
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<td>b) reserves provided for by the articles</td>
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<td>0.00</td>
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<td>c) other reserves</td>
<td>176,326,622.59</td>
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<tr>
<td>d) other restricted reserves</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>12. Reserve pursuant to §57-5 of Austrian Banking Act (BWG)</td>
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<tr>
<td>13. Net profit or loss for the year</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
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</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td><strong>665,586,478.23</strong></td>
<td><strong>649,946</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Off-balance-sheet items

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<tbody>
<tr>
<td>1. Contingent liabilities</td>
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<tr>
<td>a) acceptances and endorsements</td>
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<tr>
<td>b) guarantees and assets pledged as collateral security</td>
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<td>0.00</td>
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<tr>
<td>2. Commitments</td>
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<tr>
<td>a) commitments arising from repurchase agreements</td>
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<tr>
<td>3. Liabilities arising out of fiduciary duties</td>
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<td>0.00</td>
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<tr>
<td>4. Own funds pursuant to Part 2 of Regulation (EU) No 575/2013</td>
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<td>0.00</td>
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<tr>
<td>of which: Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013</td>
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<td>5. Own funds requirements pursuant to Art. 92 of Regulation (EU) No 575/2013</td>
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<td>a) Common Equity Tier 1 core capital quota of 4.5%</td>
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<td>b) Common Equity Tier 1 core capital quota of 6%</td>
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<tr>
<td>c) total capital ratio of 8%</td>
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<tr>
<td>6. Foreign liabilities</td>
<td>0.00</td>
<td>0.00</td>
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## Income Statement for the Year 2018

**DIE ERSTE österreichische Spar-Casse Privatstiftung**

### INCOME STATEMENT FOR THE YEAR 2018

<table>
<thead>
<tr>
<th>Description</th>
<th>EUR</th>
<th>TEUR</th>
<th>Previous year</th>
<th>Previous year</th>
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</thead>
<tbody>
<tr>
<td>1. Interest income and similar items</td>
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<td>578</td>
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<td>of which: from fixed-income securities</td>
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<td>2. Interest expenses and similar items</td>
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<td>I. NET INTEREST INCOME</td>
<td>-6,419,817.22</td>
<td>-6,786</td>
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<td>3. Income from securities and participating interests</td>
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<tr>
<td>a) income from shares, other ownership interests, and variable-yield investments</td>
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<td></td>
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<tr>
<td>b) income from participating interests</td>
<td>33,494,347.20</td>
<td>28,512</td>
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</tr>
<tr>
<td>c) income from shares in affiliated companies</td>
<td>24,000,000.00</td>
<td>19,000</td>
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<td>4. Commission income</td>
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<td>5. Commission expenses</td>
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<td>6. Net loss on financial operations</td>
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<td>7. Other operating income</td>
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<td>II. OPERATING INCOME</td>
<td>51,051,760.00</td>
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<td>8. General administrative expenses</td>
<td>3,627,256.40</td>
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<td>a) Staff costs</td>
<td>1,355,459.76</td>
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<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>aa) wages and salaries</td>
<td>1,002,959.59</td>
<td>1,099</td>
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<tr>
<td>bb) expenses for statutory social security contributions and compulsory contributions related to wages and salaries</td>
<td>260,545.78</td>
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<tr>
<td>cc) other social security charges</td>
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<td>dd) expenses for pensions and assistance</td>
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<td>46</td>
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<tr>
<td>ee) reversal/allocation of pension provision</td>
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<td>ff) expenses for severance payments and contributions to severance and retirement funds</td>
<td>11,423.94</td>
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<td>b) other administrative expenses</td>
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<td>9. Value adjustments in respect of asset items 9 and 10</td>
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<td>10. Other operating expenses</td>
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<td>III. OPERATING EXPENSES</td>
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<td>IV. OPERATING RESULT</td>
<td>47,284,611.02</td>
<td>37,298</td>
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</table>
# Income statement for the year 2018
## DIE ERSTE österreichische Spar-Casse Privatstiftung

<table>
<thead>
<tr>
<th>Income Statement for the Year 2018</th>
<th>EUR</th>
<th>TEUR Previous Year</th>
<th>TEUR Previous Year</th>
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<tbody>
<tr>
<td>Carryover (IV. Operating result)</td>
<td>47,284,611.02</td>
<td>37,298</td>
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</tr>
<tr>
<td>11. Value adjustments to loans and advances and allocations for provisions for contingent liabilities, commitments and securities held in the financial current assets</td>
<td>200,000.00</td>
<td>-1</td>
<td></td>
</tr>
<tr>
<td>12. Value re-adjustments to loans and advances and provisions for contingent liabilities, commitments securities held in the financial current assets</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>13. Value adjustments to transferable securities held as financial fixed assets, participating interests and shares in affiliated companies</td>
<td>0.00</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>14. Value re-adjustments to transferable securities held as financial fixed assets, participating interests and shares in affiliated companies</td>
<td>275,203.94</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>V. PROFIT OR LOSS ON ORDINARY ACTIVITIES</strong></td>
<td>46,809,407.08</td>
<td>37,322</td>
<td></td>
</tr>
<tr>
<td>15. Extraordinary income</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>of which: withdrawals from the special fund for general banking risks</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>16. Extraordinary expenditures</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>of which: allocation to the special fund for general banking risks</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>17. Extraordinary result (subtotals from items 15 and 16)</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>18. Tax on profit or loss</td>
<td>372,766.09</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>of which: expense related to deferred taxes</td>
<td>27.70</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>19. Other taxes not reported in item 18</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>19a. Profit or loss from demergers</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>VI. PROFIT FOR THE YEAR AFTER TAX</strong></td>
<td>46,436,640.99</td>
<td>37,322</td>
<td></td>
</tr>
<tr>
<td>20. Changes in reserves</td>
<td>46,436,640.99</td>
<td>37,322</td>
<td></td>
</tr>
<tr>
<td>of which: allocation to liability reserve pursuant to §23-6 of Austrian Banking Act (BWG)</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>of which: reversal to liability reserve pursuant to §23-6 of Austrian Banking Act (BWG)</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>VII. PROFIT FOR THE YEAR AFTER DISTRIBUTION ON CAPITAL</strong></td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>21. Profit brought forward from previous year</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>22. Profits transferred on the basis of profit transfer agreement</td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>VIII. PROFIT OR LOSS FOR THE YEAR</strong></td>
<td>0.00</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>
1 General Information ........................................................................................................................................... 34
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1 GENERAL INFORMATION

1.1 Introduction
The 2018 financial statements were prepared in accordance with section 18 of the Austrian Private Foundation Act (PSG) by analogy with the relevant provisions of the Austrian Commercial Code (UGB) and in consideration of the relevant provisions of the Austrian Banking Act (BWG) as amended.

Information and explanations that resulted from changes in applicable accounting provisions can be found in section 2 (Details on the accounting and valuation principles).

1.2 Structure of the financial statements
Due to the conversion of the legal form of "DIE ERSTE österreichische Spar-Casse Anteilsverwaltungsparkasse" to "DIE ERSTE österreichische Spar-Casse Privatstiftung" (hereinafter: ERSTE Foundation) and the associated retention of book value, the financial statements of ERSTE foundation retain the structure stipulated under the Austrian Banking Act.

1.3 Liability of ERSTE Foundation for Sparkasse AG
ERSTE Foundation was created with the entry in the commercial register pursuant to section 7, paragraph 1 of the PSG. The Anteilsverwaltungsparkasse (share management savings bank) continues to exist as a private foundation pursuant to section 27b, paragraph 1 of the Savings Bank Act (SpG). The private foundation was entered in the commercial register at the Vienna commercial court on 19 December 2003 under company number 072984f and company name "DIE ERSTE österreichische Spar-Casse Privatstiftung".

2 DETAILS ON THE ACCOUNTING AND VALUATION PRINCIPLES

2.1 Fair presentation
The financial statements were prepared in accordance with generally accepted accounting principles and the fair presentation concept, which stipulates that preparers provide the most accurate picture possible of the net assets, financial position and results of the private foundation.

The valuation of assets and liabilities was based on the principle of individual valuation and the private foundation was assumed to be a going concern. The principle of prudence was also applied.

2.2 Valuation principles

2.2.1 Foreign currency debtors and creditors
Foreign currency debtors and creditors, values and foreign currency cheques were valued using the ECB’s reference exchange rate. Currency conversion income was recognised in the income statement.

2.2.2 Participating interests and shares in affiliated companies
Participating interests and shares in affiliated companies were recognised at initial value unless a write-down was necessary due to a probable permanent impairment (using the lower of cost or market rule).

2.2.3 Accounts receivable
Loans and advances to credit institutions and other accounts receivables were valued in accordance with the regulations in section 207 of the UGB. Discernible risks were accounted for through a corresponding value adjustment.

2.2.4 Investments
Investments (debt securities and other fixed-rate securities, shares and other variable-yield investments) are valued at initial value, grouped with the financial assets that they pertain to, and valued at the lower market value in the event of a probable permanent impairment (moderate lower of cost or market rule).

Investments are grouped according to the organisational guidelines passed by the managing board.

Regarding fixed-interest securities with characteristics of a financial asset, if the initial value is higher than the repayment amount, the difference is written down pro-rata temporis pursuant to section 56, paragraph 2 of the BWG. There is no possibility of a pro-rata temporis write-up of differences pursuant to section 56, paragraph 3 of the BWG.

If, during a subsequent fiscal year, the reasons for write-down to the lower market value no longer apply, the write-down loss is reversed.

The market value is the amount that can be obtained from the sale of a financial instrument on an active market, or the amount that would be paid to purchase the same. Market prices were used for the valuation if they were available. Valuation models, especially the present value method, were used if market prices were not available.

2.2.5 Intangible assets and tangible assets
Intangible assets and tangible assets were valued at their cost of acquisition or production, less scheduled linear amortisation or depreciation. Amortisation and depreciation periods have not changed during the reporting year and are

- four years (25%) for intangible assets,
- between four and 15 years (between 25% and 6.67%) for other tangible assets.

Low-value assets were depreciated in full in the year of acquisition and recorded as disposals.

2.2.6 Liabilities
Liabilities were recognised at the amount to settle the obligation.

2.2.7 Provisions
Provisions were measured at the best estimate of the amount to settle the obligation.

Other provisions with a remaining term of more than one year are discounted at a market interest rate, which is the rate at which a company with a high credit rating can procure debt.
3 DEVIATIONS FROM THE ACCOUNTING AND VALUATION PRINCIPLES

No changes were made to the accounting and valuation principles versus the previous year.

4 DETAILS ON THE BALANCE SHEET

Deferred interest is allocated to individual balance sheet items in the financial statements. The figures in the following notes exclude accrued interest.

4.1 Breakdown of receivables and payables by maturity

Breakdown by residual terms of loans not repayable on demand, deposits not payable on demand, and obligations to credit institutions and non-banks not repayable on demand:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans not repayable on demand, deposits not payable on demand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>more than 1 year to 5 years</td>
<td>0.00</td>
<td>200</td>
</tr>
<tr>
<td>Obligations not repayable on demand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>more than 3 months to 1 year</td>
<td>55,000,000.00</td>
<td>50,000</td>
</tr>
<tr>
<td>more than 1 year to 5 years</td>
<td>200,000,000.00</td>
<td>230,000</td>
</tr>
</tbody>
</table>

4.2 Amounts owed to or from affiliated companies and companies linked by virtue of an equity interest

Affiliated companies

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>0.00</td>
<td>0</td>
</tr>
</tbody>
</table>

Companies linked by virtue of an equity interest

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>9,109,141.61</td>
<td>9,126</td>
</tr>
</tbody>
</table>

4.3 Relations to affiliated companies

Relations to affiliated companies were managed within the standard industry framework.

4.4 Participating interests and shares in affiliated companies

Participating interests and shares in affiliated companies comprise shares in the following key companies and show the following shareholders' equity and results according to the most recent financial statements available to us:

<table>
<thead>
<tr>
<th>Company and headquarters</th>
<th>Share of total equity (of which: indirect)</th>
<th>Shareholders' equity</th>
<th>Last result</th>
<th>Financial report by year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erste Group Bank AG, Vienna</td>
<td>11.15 %</td>
<td>7,604,867,391.38</td>
<td>937,035,629.84</td>
<td>31.12.2018</td>
</tr>
<tr>
<td>good.bee Holding GmbH, Vienna</td>
<td>40 %</td>
<td>4,659,568.66</td>
<td>-4,957.44</td>
<td>31.12.2017</td>
</tr>
<tr>
<td>Fund of Excellence Förderungs GmbH, Vienna</td>
<td>48 %</td>
<td>81,681.38</td>
<td>-40,760.27</td>
<td>31.12.2017</td>
</tr>
<tr>
<td>Sparkassen Beteiligungs GmbH &amp; Co KG, Vienna</td>
<td>51.02 %</td>
<td>1,127,610,161.92</td>
<td>47,227,477.20</td>
<td>30.06.2018</td>
</tr>
<tr>
<td>Sparkassen Beteiligungs GmbH, Vienna</td>
<td>100 %</td>
<td>62,316.28</td>
<td>6,127.63</td>
<td>31.12.2018</td>
</tr>
</tbody>
</table>

The book value of participating interests in the amount of EUR 318,064,461.31 (previous year: EUR 318,323 thousand) is composed of EUR 1,835,548.20 reduced by EUR 258,451.80 through a devaluation as at 31 December 2018 on the 40% stake in good.bee Holding GmbH, of EUR 16,800 on the 48% stake in the Fund of Excellence Förderungs GmbH, and of EUR 316,212,113.11 (previous year: EUR 316,212 thousand) from the stake in Erste Group Bank AG. This book value represents total holdings of 27,911,956 Erste Group Bank ordinary shares, which are managed – depending on their acquisition period – in three different custody accounts at different acquisition costs and which represent 6.50% (previous year: 6.50%) of the share capital as at 31 December 2018. The market value of this participating interest was 810,842,321.80 at the end of the year as calculated from the closing price of EUR 29.05 on the Vienna stock exchange.

The “shares in affiliated companies” item on the balance sheet item shows the participating interest in Sparkassen Beteiligungs GmbH & Co KG to have a book value of EUR 307,690,028.78 (previous year: EUR 307,690 thousand) from the issue of 20 million EGB shares (previous year: 20 million shares). ERSTE Foundation indirectly holds 4.65% of Erste Group Bank AG's share capital via Sparkassen Beteiligungs GmbH & Co KG (previous year: 4.65%). ERSTE Foundation therefore directly controls 11.15% as at 31 December 2018 (previous year: 11.15%). The shareholder agreement (Preferred Partnership Agreement) between Caixabank S.A.
and ERSTE Foundation in 2009 was renewed on 15 December 2014. It shows Caixabank S.A. joining the alliance of core shareholders, which also includes ERSTE Foundation, the savings banks, their foundations, and Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group. As at 31 December 2018 Caixabank S.A., headquartered in Spain, held 42,634,248 shares (previous year: 42,634,248 shares) in Erste Group Bank AG, which is equivalent to 9.92% (previous year: 9.92%) of Erste Group Bank AG’s share capital. Along with its syndicate partners, the foundation directly and indirectly controlled 29.99% of Erste Group Bank AG’s share capital (previous year: 29.62%).

The average valuation rate per Erste Group share for the shares that ERSTE Foundation holds directly and indirectly in the form of its stake in Sparkassen Beteiligungs GmbH & Co KG was EUR 13.02 as at 31 December 2018.

The 100% stake in Sparkassen Beteiligungs GmbH, founded in 2011, has a book value of EUR 35,000.00.

4.5 Transactions with related companies and persons

There were no transactions with related companies and persons that were significant or unusual for the market.

4.6 Investments

Asset item 5 contains securities admitted to trading on the stock exchange, participating interests and shares in affiliated companies, which are categorised as follows:

<table>
<thead>
<tr>
<th>Admitted to trading</th>
<th>Listed</th>
<th>Not listed</th>
<th>Of which are valued as</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
</tr>
<tr>
<td>Debt securities and other fixed-income securities</td>
<td>9,109,141.61</td>
<td>0.00</td>
<td>9,109,141.61</td>
</tr>
</tbody>
</table>

4.7 Differences for debt securities and other fixed-income securities

The initial value of a number of debt securities and other fixed-income securities was partially higher than the sum payable at maturity, with the difference pursuant to section 56 (2) of the BWG being EUR 12,116.61.

The initial value of a number of debt securities and other fixed-income securities was partially lower than the sum payable at maturity, with the difference being EUR 552,975.00.

4.8 Debt securities maturing in the following year

Of the issued, marketable debt securities, EUR 30,000,000.00 will mature (previous year: EUR 30,000 thousand).

4.9 Subordinated assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>9,109,141.61</td>
<td>9,126</td>
</tr>
</tbody>
</table>

The following assets were subordinate in affiliated companies and companies linked by virtue of an equity interest:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>9,109,141.61</td>
<td>9,126</td>
</tr>
</tbody>
</table>
### 4.10 Fixed and long-term assets

#### Statement of changes in fixed and long-term assets (Part 1 - initial value)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury bills and similar securities</td>
<td>9,184,525.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>9,184,525.00</td>
</tr>
<tr>
<td>Total</td>
<td>9,184,525.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>9,184,525.00</td>
</tr>
<tr>
<td><strong>Participating interests</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>318,322,913.11</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>318,322,913.11</td>
</tr>
<tr>
<td><strong>Shares in affiliated companies</strong></td>
<td>307,725,028.78</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>307,725,028.78</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>887,715.05</td>
<td>0.00</td>
<td>23,068.47</td>
<td>390,335.62</td>
<td>0.00</td>
<td>520,447.90</td>
</tr>
<tr>
<td>Total</td>
<td>887,715.05</td>
<td>0.00</td>
<td>23,068.47</td>
<td>390,335.62</td>
<td>0.00</td>
<td>520,447.90</td>
</tr>
<tr>
<td><strong>Tangible assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>611,997.50</td>
<td>0.00</td>
<td>11,301.11</td>
<td>10,179.60</td>
<td>0.00</td>
<td>613,199.01</td>
</tr>
<tr>
<td>Total</td>
<td>611,997.50</td>
<td>0.00</td>
<td>11,301.11</td>
<td>10,179.60</td>
<td>0.00</td>
<td>613,199.01</td>
</tr>
<tr>
<td><strong>Shares in controlling company</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total fixed and long-term assets</strong></td>
<td>636,732,179.44</td>
<td>0.00</td>
<td>34,369.58</td>
<td>400,515.22</td>
<td>0.00</td>
<td>636,366,033.80</td>
</tr>
</tbody>
</table>

#### Statement of changes in fixed and long-term assets (Part 2 - accumulated depreciation and book values)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury bills and similar securities</td>
<td>58,631.25</td>
<td>16,752.14</td>
<td>0.00</td>
<td>0.00</td>
<td>75,383.39</td>
<td>9,109,141.61</td>
<td>9,125,893.75</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>58,631.25</td>
<td>16,752.14</td>
<td>0.00</td>
<td>0.00</td>
<td>75,383.39</td>
<td>9,109,141.61</td>
<td>9,125,893.75</td>
<td></td>
</tr>
<tr>
<td><strong>Participating interests</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>258,451.80</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>258,451.80</td>
<td>318,064,461.31</td>
<td>318,322,913.11</td>
<td></td>
</tr>
<tr>
<td><strong>Shares in affiliated companies</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>307,725,028.78</td>
<td>307,725,028.78</td>
<td></td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>646,478.05</td>
<td>80,733.47</td>
<td>0.00</td>
<td>387,630.62</td>
<td>339,580.90</td>
<td>492,585.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>646,478.05</td>
<td>80,733.47</td>
<td>0.00</td>
<td>387,630.62</td>
<td>339,580.90</td>
<td>492,585.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tangible assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>189,412.50</td>
<td>56,454.11</td>
<td>0.00</td>
<td>10,179.60</td>
<td>865,687.01</td>
<td>492,585.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>189,412.50</td>
<td>56,454.11</td>
<td>0.00</td>
<td>10,179.60</td>
<td>865,687.01</td>
<td>492,585.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shares in controlling company</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total fixed and long-term assets</strong></td>
<td>824,521.80</td>
<td>421,391.52</td>
<td>0.00</td>
<td>397,810.22</td>
<td>839,103.30</td>
<td>635,907,657.64</td>
<td>635,907,657.64</td>
<td></td>
</tr>
</tbody>
</table>
4.11 Interim corporation tax pursuant to section 22, paragraph 2 of the Corporation Tax Act (KStG)

The Republic of Austria owes EUR 8,254,703.80 from the settlement of interim corporation tax. As of preparing the financial statements, no prediction can be made as to whether or when the non-interest-bearing amount owed by the Republic of Austria from the prepayment of interim corporation tax can be offset against capital gains tax on grants. For this reason, the value of the amount has been adjusted to 50%.

The nominal amount receivable for unsettled interim corporation tax payments is EUR 81,975.71 (previous year: EUR 132).

4.12 Obligations to affiliated companies

There were no significant obligations to affiliated companies not shown in the balance sheet.

4.13 Operating leases and rental obligations

For the following fiscal year, there are liabilities of EUR 284,182.60 resulting from leased tangible assets that are not listed on the balance sheet (previous year: EUR 283 thousand). The total for these liabilities is EUR 1,420,913.00 for the next five years (previous year: EUR 1,416 thousand).

4.14 Other liabilities

Other liabilities included the following significant individual items:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding amounts</td>
<td>190,733.63</td>
<td>301</td>
</tr>
<tr>
<td>Amounts owed to grants</td>
<td>3,283,013.25</td>
<td>3,203</td>
</tr>
</tbody>
</table>

4.15 Deferred taxes arising from the conversion of legal form from Anteilsverwaltungsparkasse to the private foundation

Pursuant to section 13, paragraph 5(1) of the KStG, the conversion of legal form from Anteilsverwaltungsparkasse to the ERSTE Foundation is considered to have taken effect at the end of the conversion date, that is, as of 1 April 2003. The conversion date is the day on which the final balance sheet of the Anteilsverwaltungsparkasse was prepared according to section 27a, paragraph 6 of the SpG.

Pursuant to section 13, paragraph 5(2) of the KStG, the tax liability resulting from the conversion (for the differences between the taxable book values and the current values of the individual assets on the final balance sheet of the Anteilsverwaltungsparkasse) can be partially deferred until ERSTE Foundation assets are sold or otherwise disposed of, provided a corresponding application has been filed. This application was filed with the 2003 tax return.

The difference on the list results from the difference between the commercial value and the taxable value of Erste Bank der oesterreichischen Sparkassen AG (now Erste Group Bank AG) ordinary shares before the conversion and was calculated as follows:

The taxable value of Erste Bank der oesterreichischen Sparkassen AG shares was EUR 31.48 per share before the conversion (EUR 7.87 after the share split). The commercial value of the shares was calculated as the six-month average from October 2002 to March 2003, or EUR 61.10 (EUR 15.28 after the share split). The difference of EUR 29.62 (EUR 7.41 after the share split) was recorded as the difference for 19,831,809 shares (or EUR 587,418,182.58). Disposals in 2004, 2005, 2010, 2011, 2012, 2013 and 2014 and 2015 reduced this to EUR 294,895,657.74. The difference for 1,500,000 shares was taxed in 2003.

ERSTE Foundation generates income primarily from capital and other income from the disposal of participating interests that, according to section 13, paragraph 3 of the KStG, are subject to interim tax of 12.5% up to and including 2010 and interim tax of 25% from 2011 (previous year: 25%). No interim tax is collected if ERSTE Foundation makes grants on which it pays capital gains tax. An evidence account needs to be kept for interim tax paid and interim tax credits; the amount in this account is EUR 8,254,703.80 as at 31 December 2018.

4.16 Other provisions

The following shows changes in the provisions balance during fiscal year 2018:

<table>
<thead>
<tr>
<th></th>
<th>EUR 2017</th>
<th>EUR 2018</th>
<th>EUR 2017</th>
<th>EUR 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for severance payments</td>
<td>18,500.00</td>
<td>0.00</td>
<td>18,500.00</td>
<td>14,000.00</td>
</tr>
<tr>
<td>Provisions for taxes including deferred taxes</td>
<td>89.75</td>
<td>0.00</td>
<td>0.00</td>
<td>312,692.70</td>
</tr>
<tr>
<td>Auditor’s remuneration</td>
<td>13,000.00</td>
<td>12,824.75</td>
<td>175.25</td>
<td>13,000.00</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>181,840.00</td>
<td>145,182.50</td>
<td>36,657.50</td>
<td>223,028.00</td>
</tr>
<tr>
<td>213,429.75</td>
<td>158,007.25</td>
<td>55,332.75</td>
<td>562,720.70</td>
<td>562,810.45</td>
</tr>
</tbody>
</table>

4.17 Provisions for taxes

Provisions for taxes amounting to EUR 312,782.45 (previous year: EUR 89.75) were recognised, of which EUR 312,253.00 relate to previous years. During 2013-2015, subsequent operating expenses were recognised which had been de-recognised as part of the 2008-2012 tax audit (completed in 2015). Any resulting back payments were recognised as a provision in 2018. The legal view of the tax audit was thus followed when calculating the tax expense, but its contents are not made public by ERSTE Foundation and are currently subject to legal appeal.

The deferred taxes are based on temporary differences regarding accruals of other operating income, which are taxable pursuant to section 29 of the EStG.

4.18 Breakdown of capital reserves

Committed reserves were allocated to capital reserves as part of the change in legal form in 2003. This capital reserve balance results from assets originally endowed to the private foundation and is to be retained pursuant to section 27a (4), line 4 of the SpG. The balance may be reduced to cover disposal losses connected with the originally endowed assets or any income tax arising from conversion or disposal gains on those same assets.
### CASH FLOW STATEMENT

<table>
<thead>
<tr>
<th>Category</th>
<th>2018 EUR</th>
<th>2017 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income for the year</td>
<td>46,436,640.99</td>
<td>37,321,996.67</td>
</tr>
<tr>
<td>+/- Gains/losses on investments</td>
<td>16,752.14</td>
<td>-23,430.00</td>
</tr>
<tr>
<td>+ Value adjustments in loans and advances to customers</td>
<td>214,527.96</td>
<td>0.00</td>
</tr>
<tr>
<td>+ Value adjustments in financial fixed assets</td>
<td>258,451.80</td>
<td>0.00</td>
</tr>
<tr>
<td>+ Depreciation (operating)</td>
<td>119,892.58</td>
<td>102,318.48</td>
</tr>
<tr>
<td>+ Addition of non-current provisions</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>+ Taxes</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Operating cash flows</strong></td>
<td><strong>47,066,265.47</strong></td>
<td><strong>37,400,685.15</strong></td>
</tr>
<tr>
<td>+/- Increase/decrease in short-term provisions</td>
<td>349,380.70</td>
<td>-297,716.06</td>
</tr>
<tr>
<td>+/- Increase/decrease in inventories, trade debtors, and other assets</td>
<td>300,137.46</td>
<td>4,169,357.96</td>
</tr>
<tr>
<td>+/- Increase/decrease in creditors (without banking liabilities and notes payable) and other liabilities</td>
<td>-299,009.24</td>
<td>2,974,812.65</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td><strong>47,416,774.39</strong></td>
<td><strong>44,247,139.70</strong></td>
</tr>
<tr>
<td>- Payments for investments in fixed assets</td>
<td>-34,369.58</td>
<td>-373,154.48</td>
</tr>
<tr>
<td>- Investment in shares and other variable-yield instruments</td>
<td>0.00</td>
<td>352,000.00</td>
</tr>
<tr>
<td>+/- Investment in shares in affiliated companies</td>
<td>0.00</td>
<td>-6,630,000.00</td>
</tr>
<tr>
<td></td>
<td>Sparkassen Beteiligungs GmbH</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Sparkassen Beteiligungs GmbH &amp; Co KG</td>
<td>0.00</td>
</tr>
<tr>
<td>+ Acquisition/disposal or non-cash issue of EGB shares</td>
<td>0.00</td>
<td>-7,988,844.50</td>
</tr>
<tr>
<td></td>
<td>Sparkassen Beteiligungs GmbH &amp; Co KG non-cash issue</td>
<td>0.00</td>
</tr>
<tr>
<td>+ Acquisition/disposal of EGB shares</td>
<td>0.00</td>
<td>-14,638,844.50</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td><strong>-34,369.58</strong></td>
<td><strong>-14,639,998.98</strong></td>
</tr>
<tr>
<td>+/- Securitised liabilities</td>
<td>-30,000,000.00</td>
<td>42,000,000.00</td>
</tr>
<tr>
<td>+/- Payments from discharging/taking on banking liabilities</td>
<td>5,000,000.00</td>
<td>-60,000,000.00</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td><strong>-25,000,000.00</strong></td>
<td><strong>-18,000,000.00</strong></td>
</tr>
<tr>
<td>Grants</td>
<td>-5,848,082.79</td>
<td>-5,807,067.74</td>
</tr>
<tr>
<td><strong>Net change in cash and cash equivalents</strong></td>
<td><strong>16,536,322.02</strong></td>
<td><strong>5,800,072.99</strong></td>
</tr>
<tr>
<td>+/- Change in cash and cash equivalents from exchange rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Balance of liquid resources at the beginning of the period</td>
<td>8,844,941.72</td>
<td>3,044,868.73</td>
</tr>
<tr>
<td>+ Balance of liquid resources at the end of the period</td>
<td>25,381,263.74</td>
<td>8,844,941.72</td>
</tr>
<tr>
<td><strong>Total change in cash and cash equivalents</strong></td>
<td><strong>16,536,322.02</strong></td>
<td><strong>5,800,072.99</strong></td>
</tr>
</tbody>
</table>

### DETAILS ON THE INCOME STATEMENT

#### 6.1 Interest income and similar items
Interest received amounting to EUR 339,398.83 (previous year: EUR 578 thousand) results from income from fixed-income securities.

#### 6.2 Interest expense and similar items
Interest expenses totalled EUR 6,775,961.19 (previous year: EUR 7,363 thousand) and concerns interest expenses for borrowings with credit institutions and for issued bonds (previous year: EUR 7,048 thousand). Derivatives are no longer employed since 2018 (previous year: EUR 315 thousand).

#### 6.3 Income from investments and participating interests
This item comprises the dividend payment of EUR 1.20 per share (previous year: EUR 1.00) from Erste Group Bank AG totalling EUR 33,494,347.20 (previous year: EUR 28,512 thousand) and income from the participating interest in Sparkassen Beteiligungs-GmbH & Co KG amounting to EUR 24,000,000.00 (previous year: EUR 19,000 thousand).

#### 6.4 Auditor expenses
Audit expenses for the 2017 year-end financial statements stood at EUR 12,824.75 (previous year: EUR 12 thousand). A provision of EUR 13,000.00 was recognised for fiscal year 2017 (previous year: EUR 13 thousand). No other services were provided.

#### 6.5 Taxes on ordinary activities
Taxes on income and gains of EUR 372,766.09 are included in profit on ordinary activities of EUR 46,809,407.0
6.6 Allocation to retained earnings

Net income for the year of EUR 46,436,640.99 (previous year: EUR 37,322 thousand) has already been allocated to reserves in the financial statements.

6.7 Changes in ERSTE Foundation equity balance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Committed endowment as at 1 April 2003</td>
<td>79,147,249.86</td>
<td>79,147</td>
</tr>
<tr>
<td>Committed retained earnings as at 31 December 2017 (or 2016)</td>
<td>72,508,808.00</td>
<td>72,509</td>
</tr>
<tr>
<td>Plus allocations from 2003 to 2017 (or 2016)</td>
<td>253,818,128.69</td>
<td>256,496</td>
</tr>
<tr>
<td><strong>Less grants from 2005 to 2017 (or 2016)</strong></td>
<td>-85,282,901.65</td>
<td>-80,844</td>
</tr>
<tr>
<td>Foundation equity as at 1 January</td>
<td>360,191,284.90</td>
<td>327,308</td>
</tr>
<tr>
<td>Less grants in 2018 (or 2017)</td>
<td>-5,925,796.21</td>
<td>-4,439</td>
</tr>
<tr>
<td><strong>Plus allocations in 2018 (or 2017)</strong></td>
<td>46,436,640.99</td>
<td>37,322</td>
</tr>
<tr>
<td>Foundation equity as at 31 December</td>
<td>400,702,129.68</td>
<td>360,191</td>
</tr>
<tr>
<td>Of which, committed reserves as at 31 December</td>
<td>224,375,507.09</td>
<td>224,376</td>
</tr>
<tr>
<td>Of which, free reserves as at 31 December</td>
<td>176,326,622.59</td>
<td>135,815</td>
</tr>
</tbody>
</table>

As at the balance sheet date of 31 December 2018 the equity balance of ERSTE Foundation stood at EUR 400,702,129.68 (previous year: EUR 360,191 thousand) as shown above, without hidden reserves or hidden charges. This change in foundation equity results, on the one hand, from the allocation of 2018 net income of EUR 46,436,640.99 to free reserves and, on the other hand, from the appropriation of reserves in the amount of EUR 5,925,796.21 through grants to beneficiaries according to section 3 of the foundation's articles of association.

7 LIQUIDITY

In the 2018 fiscal year, a bond and a loan totalling EUR 50 million were redeemed or repaid by way of the liquidity surplus from 2017, EUR 57.5 million of dividends received from Erste Group Bank AG, and a new loan totalling EUR 50 million. In addition, Erste Group Bank AG announced it would propose that the general meeting approve payment of a dividend of EUR 1.40 per share for fiscal year 2018.

Hence there is adequate liquidity available throughout the fiscal year to service all liabilities, carry out planned activities, and continue deleveraging as planned.

8 DETAILS ON BOARDS AND STAFF

8.1 Number of staff

The foundation had an average of 14.62 staff (previous year: 15.78). This equates to a total of 17 employees (previous year: 18).

8.2 Expenditure for severance payments and pensions

A provision in the amount of EUR 14,000.00 (previous year: EUR 19 thousand) was recognised for voluntary severance payments during fiscal year 2018.

8.3 Board remuneration

According to section 13 of the foundation’s articles of association, the members of the foundation’s managing board receive remuneration consistent with their tasks and with the situation of ERSTE Foundation, the amount of which is to be determined by the supervisory board, unless the member of the foundation’s managing board receives regular remuneration from Erste Group Bank AG or from one of the companies it controls.

Total remuneration for members of the managing board amounted to EUR 196,761.84 (previous year: EUR 246 thousand). No remuneration was paid to former members of the managing board or their heirs.

Total remuneration in 2017 for members of the supervisory board amounted to EUR 81,000.00 (previous year: EUR 70 thousand). For the 2018 year, a EUR 90,000.00 provision was recognised (previous year: EUR 70 thousand).
8.4 Names of board members

The following persons were active as members of the managing board:

Bernhard Spalt, Chair of the Board until 31.12.2018
Dr Mario Catasta, Chair of the Board since 01.01.2019
Boris Marte, Deputy Chair of the Board
Franz Portisch

The following persons were active as members of the supervisory board:

Dr Manfred Wimmer, Chair of the Supervisory Board
Dr Johanna Rachinger, Deputy Chair of the Supervisory Board
Maximilian Hardegg
Ilse Fetik
Barbara Pichler
Dr Peter Pichler
Dr Markus Trauttmanndorff
Bettina Breitender

The following persons were active as supervisory board members for part of the year:

Rector Emeritus Prof. Georg Winckler, Chair of the Supervisory Board until 27.09.2018

The general assembly was made up of 118 members (previous year: 110) and 33 honorary members (previous year: 30).
Association director: Rector Emeritus Prof. Georg Winckler

9 EVENTS AFTER BALANCE SHEET DATE

No major events occurred after the balance sheet date.
Association Members of “DIE ERSTE österreichische Spar-Casse Privatstiftung”

(as at 31 Dec 2018)

ANGYAN Dr Thomas
ATTEM Mag. Dr Johannes
ATTENSAM Ing. Oliver
BADEIT Univ. Prof. Dr Christoph
BARTENSTEIN MA MMag. Dr Jlse
BERCHTOLD-OSTERMANN Mag. Dr Eleonore *
BLAHLUT Dkfm. Dr Dietrich
BLAHLUT Mag. (FH) Stephan
BLEYLEBEN-KOREN Dr Elisabeth
BOLLMANN Dkfm. Harald
BREITENEDER Mag. Bettina
BREITENEDER Dr Rudolf
BURGER Dr Ernst *
CATASTA Dr Mario
CATASTA Mag. Dr Christine
CLARY UND ALDRINGEN Dkfm. MBA Maximilian
DOLEZAL-BRANDENBERGER Dkfm. Dr Franz
DORALT LL.M Univ. Prof. Dr Peter
DRAXLER Mag. Christiane
DÜKER Dipl.-BW Gabriele
EBERLE Doraja
EISELSBERG Dr Maximilian
ERSEK Mag. Hikmet
ESSL Prof. Karlheinz
FEYL Dr Peter *
FÖLSS Mag. pharm. Herwig
GATNAR Anton
GEIGER Ing. Franz *
GEYER Dr Günter
GLATZ-KREMSNER Mag. Bettina
GLAUACH Dr Ulrich
GRABENWARTER Univ. Prof. DDr Christoph
GRUSZKIEWICZ Mag. LL. M. Jan
GÜRTLER Dkfm. Elisabeth
GÜRTLER Dr Rudolf
GUTSCHELHOFER Univ. Prof. Dr Alfred
HAFFNER Dr Thomas M.
HARDEGG Dipl.-Ing. Maximilian
HAUMER Dr Hans
HAUSER Dr Wolf Gordan
HIMMELREICH Zdeneck
HÖLTL Dr Eva
HÖLZINGER-BURGSTALLER Mag.Mag. Gerda
HOMAN Mag. Jan
HUMER Rudolf
KALSS Univ. Prof. Dr Susanne
KANTA Mag. Helene
KAPSCHE Mag. Georg *
KARNER Dr Dietrich
KLEINTZER Dr Peter Th. G.
KNECHTEL Dr LL. M. Gerhard
KOLLMANN Mag. Dagmar
KRAUSS-SCHALLER-WEISS LL. M. Dr Elisabeth
KRISTEN Dkfm. Dr Wolter
KUCSKO-STADLMAYER Univ. Prof. Dr Gabrielle *
KWIZDA Dkfm. Dr Johann F.
LANDAU Dr Michael
LASSHOFF Mag. Robert
VON LATTER OFF MBA Philipp
LIEBEN-SEUTTER Christoph *
LOUDON Dr Ernst-Gideon
MANG Univ.-Prof. Dipl.-Ing. DDr. Herbert A.
MARENZI Dr Stefan
MARTE Mag. Boris
MECHTLER Mag. Bernhard
MITTERBAUER Dipl.-Ing. DDr.h.c. Peter
MÜLLER Univ. Prof. Dr Markus
MÜLLER-REUTTER Dr Johann
NISS MBA Dr Therese
OBERHAMMER Univ. Prof. Dr Dr.h.c. Paul
PICHLER Dr Peter
PIRKER DDr Horst
PLACHUTTA Mario *
POLSTERER-KATTUS Dr Ernst *
PORTISCH Mag. Franz
PRÜLLER BA MSc Franz Karl
RACHINGER Dr Johann
RAIDL Dkfm. Dr Claus J. *
RATH Mag. Philipp
RAUCH Franz *
REUTER Dkfm. Herbert F.
REUTER Dr Geor
ROBATHIN Dr Heinz
RÖDLER Dipl.-Ing. Mag. Friedrich
SALM-REIFERSCHEIT Dr Franz
SCHILLHORN Dr Franz
SCHMITZ Dr Richard
SCHNEIDER Dr Graham Paul *
SCHÜSSLER W. Dr Wolfgang *
SENGER-WEISS Dkfm. Paul
SENGER-WEISS Dkfm. Heidegunde
SPALLART Dr Michael
SPALT Mag. Bernhard
STEIN-PRESSL Mag. Susanne
STICKLER Dipl.-Ing. Friedrich
STIMPEL-ABELE Dr Alfons
STRIJOTI Geor
SUTTER-RÖDISSER Prof.Dr.oec. Michele F.
TAPPENER Dr Gerhard
THEISS Mag. Johannes
TRAUFTMANSDOFF Dr Markus
TREICHL Mag. Andreas *
TUMA Zdenek
UHER Dr Thomas *
ULRICH Dr Wolfgang
UNTERBERGER Dr Andreas
WALDSTEIN Georg
WEINZIEL Mag. Christine
WENCKHEIM Christiane *
WIMMER Dr Manfred
WINCKLER Univ.-Prof. Dr Georg
WOHLMUTH Mag. Martin
WOLF Dr Richard
ZERDIK Dr Michael
ZIMPFER MBA Univ.-Prof. Dr Michael
ZUNA-KRATHY Dr Gabriele *

* = inactive

HONORARY MEMBERS

BENISEK Walter
CESKA Dr Franz
FUCHS Dkfm. Univ. Prof. Dr Konrad
GALLE Dr Klaus
GEIER Dkfm. Otto
GLEISSNER Dr Friedrich
HARMER Dr Gustav
HIMMER Dr Hans
HUTSCHINKSKI KR Dipl.Ing. Werner
JONAK Friedrich
KESSLER Dr Heinz
KURZ Dr Otto
LOWENTHAL MAROICIC Dr Franz
MARENZI Dr Heinrich
MARSONER Dkfm. Dr Helmut
NETTIG Wolter
NIEDERSÜSS Rudolf
PAMMER Dr Ernst
PASCHEKE Dipl. Ing. Dr Dr.h.c. Fritz
PETRUSCH Dkfm. Dr Max
PEICHL Gustav
ROBATHIN Ing. Heinz
RUSTLER Dr Peter
SCHIMETSCHKE KR Herbert
SCHNEIDER Dr Georg-Jörg
SCHWARZENBERG Karl Fürst zu
STREISSLER Univ. Prof. Dr Erich
TAUS Dr Josef
TUPPY Univ. Prof. Dr Dr.h.c. Hans
WIESMÜLLER Dr Heinrich
WINKLER Univ. Prof. Dr Dr.h.c. Günther
WOLFFSBERGER Dr Walter
ZEIDLER Mag. pharm. Dr Franz

Honours 2018

30 years’ membership
(joined 3 Oct 1988)

GALLE Dr Klaus
HUTSCHINKSKI KR Dipl.Ing. Werner
KESSLER Dr Heinz
MITTERBAUER Dipl.-Ing. DDr. h. c. Peter
NETTIG Wolter
PASCHEKE Dipl.-Ing. DDr. h. c. Fritz
SCHMITZ Dr Richard
SENGER-WEISS Dkfm. Heidegunde
ERSTE Foundation
Boards and Team
(as at 31 Dec 2018)

**Supervisory Board**
Manfred Wimmer, Chairman
Johanna Rachinger, Deputy Chairwoman
Betina Breiteneder Ilse Freik
Maximilian Hardegg
Barbara Pichler
Peter Pichler
Markus Trauttmansdorff

**Managing Board**
Bernhard Spalt, Chairman
Boris Marte, Deputy Chairman
Franz Portisch
Franz Karl Prüller, Senior Advisor to the Board
Susanne Schaller, Assistant to the Board

**Project Management**
Ursula Dechant, Grant Manager
Robin Goseyohann, Project Manager
Barbora Orlíková, Project Coordinator
Marianne Schlögl, Manager Strategic Partnerships
Nicole Traxler, Project Manager
Heide Wihrheim, Project Manager

**ERSTE Foundation Library**
Jutta Braidt, Head of ERSTE Foundation Library

**Communications**
Maribel Königer, Head of Communications
Miroslava Holečková, Communications Specialist
Manuel Oberlader, Communications Expert
Gerald Radinger, Communications Expert
Jovana Trifunović, Communications Expert (Parental Leave)

**Finance, Law & Organisation**
Martin Wohlmuth, Executive Director, Head of Finance and Organisation
Josefa Anfang, Controller
Ivo Reinprecht, Office Manager
Simona Rhomberg, In-house Counsel
Johannes Steiner, Office Manager
Ľubica Vopičková, IT Coordinator and Accounting Administrator
Eva Zalesky, Board Meeting Manager

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**Publishing Details**

**Publisher**
DIE ERSTE österreichische Spar-Casse Privatstiftung
Am Belvedere 1, 1100 Vienna, Austria
office@erstestiftung.org
www.erstestiftung.org

**Editors**
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