

ERSTE GROUP BANK AG

Financial Statements 2012

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Imprint

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MANAGEMENT REPORT 2012

Erste Group Bank AG

Economic environment in 2012

The global macroeconomic developments in 2012 were characterised by factors including declining economic growth, uncertainty about the Eurozone's future, crucial political elections in countries such as the United States, Japan, Spain, Greece, and France, and the United States' fiscal cliff. During 2012, global economic growth slowed down further with growing number of developed economies falling into a recession. Those in severe sovereign debt distress moved even deeper into recession, impacted by high unemployment, weak aggregate demand compounded by fiscal austerity, high public debt burdens, and financial sector fragility. Growth in the major developing countries and economies in transition also decelerated, reflecting both external vulnerabilities and domestic challenges. The eurozone break-up risk, something which was continually over-stated throughout the year, was also one of the major forces in 2012. The fear centered on Greece with the general election and then seemingly never-ending bail-out negotiations being in focus. Finally, in the second half of 2012, the United States' fiscal cliff also impacted the financial markets until a final deal was reached.

The US economy fared moderately well in 2012, with GDP growth of 2% and corresponding job creation at around 150,000 non-farm payrolls per month. Sentiment amongst companies was volatile and burdened towards the year end by the uncertainty surrounding the fiscal cliff which delayed investment activity. Net exports were neither a major contributor to growth. In contrast, the improvement on the labor and housing markets – the latter fueled by the Fed's purchases of mortgage-backed securities (MBS) – supported households' financial situation and confidence, thus supporting consumption as well as higher savings. Economic growth in Asia continued to outperform that of Europe and the US, driven mainly by China and India. Economic growth in Japan in 2012 was up from a year ago, mainly driven by reconstruction works and recovery from the earthquake-related disasters of 2011. The Japanese government also took measures to stimulate private consumption. The Eurozone, on the other hand, entered a mild recession in 2012. While doubts about the stability of the Monetary Union abated following the announcements of the European Central Bank regarding the purchasing program of Outright Monetary Transactions (OMT) and Long Term Refinancing Operations (LTRO), those measures did not fully feed through to the real economy in 2012. In addition, the debt crisis continued to have an impact on peripheral countries and weighted on the continent's leading economies, Germany and France. All in all, the world economy grew by 3.2% in 2012, after 3.8% in 2011.

Despite Austria's macroeconomic slowdown in 2012, it remained one of the most successful countries of the European Union. Austria had triple-A ratings from two of the three major credit rating agencies mainly due to the countries long-term stability, its competitive and diversified economy and the prudent management of fiscal resources. The long-term budget discipline and above average economic growth kept public debt at a level of 75% in 2012. In fact, the government adopted a EUR 28 billion austerity program to reduce debt. Measures affected civil service salaries, pensions, and state-owned enterprises on the spending side while the government levied extra taxes on real estate and closed tax loopholes on the revenue side. Dynamics of economic growth turned down as the debt crisis in the euro zone caused foreign demand for Austrian exports to slow considerable and dampened consumption growth. Investment activity was also subdued as a consequence of weak internal and external demand and lower capacity utilization. Despite the slowdown, Austria continued to grow faster than the euro zone average in 2012, with its GDP rising by 0.7%. Measured in terms of GDP per capita at approximately EUR 37,000, Austria remained one of the euro zone's most prosperous countries in 2012. In addition, Austria had the lowest unemployment rate in the European Union at 4.3% with its highly skilled, competitive, and flexible workforce.

Economic growth in Central and Eastern Europe also decelerated during 2012, with some, including the Czech Republic, Hungary, Croatia, and Serbia falling back into recession. All in all, within Central and Eastern Europe, economic growth varied in 2012 from 2.0% in Slovakia to -2.0% in Croatia. Despite worsening external conditions, exports remained the driver of growth in the region, while fiscal austerity measures, still high unemployment rates, and fears over the euro zone crises kept consumptions at low levels. The car industry, which was one of the main contributors to exports, had another great year supporting the Czech,

Slovak, Romanian, and even the Hungarian economies. Agriculture, on the other hand, was generally weak in the region which had a pronounced impact on the Romanian economy where this sector plays a more important role for the overall economy than in other CEE countries. Reduction of debt levels in the longer term remained one of the key priorities of Central and Eastern European governments leading to austerity packages in a number of countries. Some of the currencies came under downward pressure and were volatile during 2012 due to a combination of contagion from the euro area, uncertain political environment, and questionable policymaking. In order to promote growth, national banks in the region continued to cut base rates throughout the year. This was most pronounced in the Czech Republic and Romania, where benchmark interest rates reached new historic lows.

Financial performance indicators

Operating income of Erste Group Bank AG was down by 30.8% to EUR 943.2 million (prior year: EUR 1,363.4 million), with the decline essentially attributable to income from shares in subsidiaries (EUR 449.5 million lower year-on-year).

Operating expenses grew by 4.4 % to EUR 443.4 million (prior year: EUR 424.6 million).

As reductions in operating expenses were unable to offset the lower operating income, **net operating income** declined by 46.8% to EUR 499.8 million (prior year: EUR 938.8 million).

At 47.0%, the **cost-income ratio** (operating expenses as a percentage of operating income) was above the previous year's figure of 31.1%.

Taking into account the charges to and releases from impairment adjustments for receivables, securities and participating interests, **pre-tax profit for the year** was EUR 495.9 million, or 125.4% above the previous year's figure (EUR 220.0 million). The returns from the early buyback of Tier 1 and Tier 2 instruments having a positive impact on interest income, other operating income and current asset securities' valuation merit special consideration. **Net profit for the year before changes in reserves** was EUR 379.0 million, 174.1% higher than in the previous year (EUR 138.3 million).

Return on equity (ROE, net profit for the year before changes in reserves expressed in proportion to average equity capital, which consists of share capital, reserves less treasury shares and profit available for distribution) was 3.3% (prior year: 1.2%).

The **core (Tier 1) capital** of Erste Group Bank AG pursuant to sec. 23 (14) (1) Banking Act (*Bankwesengesetz*) totalled EUR 11.8 billion on 31 December 2012 (comparable to prior year: EUR 11.7 billion), or EUR 11.7 billion after deductions pursuant to sec. 23 (13) (3) and (4) Banking Act (comparable to prior year: EUR 11.5 billion).

The **core (Tier 1) ratio** of Erste Group Bank AG expressed in proportion to credit risk – regulatory core (Tier 1) capital pursuant to the Banking Act after deductions expressed as a percentage of the risk-weighted assets pursuant to sec. 22 (2) Banking Act – totalled 32.7% at 31 December 2012 (prior year: 33.4%).

The **qualifying capital** of Erste Group Bank AG, pursuant to sec. 23 Banking Act, including non-credit-risk-related risk requirements (in particular, operational risk and position risk for securities and foreign exchange) amounted to EUR 15.2 billion at 31 December 2012 (prior year: EUR 14.9 billion).

The legal minimum requirement was approx. EUR 3.3 billion at the balance sheet date, resulting in a coverage ratio of approx. 456% (prior year: 436%).

The **solvency ratio** totalled 36.5% at 31 December 2012 (prior year: 34.8%). This is markedly higher than the 8% minimum requirement pursuant to sec. 22 (1) Banking Act.

Erste Group Bank AG applies the **Basel II** solvency rules. The advanced IRB (internal-rating-based) measurement approach is used for retail business; for corporate business, sovereigns and interbank business, the standardised approach based on the internal rating system is employed. In addition, certain asset categories are measured according to the standardised approach in accordance with statutory transition regulations.

Details on earnings

Net interest income grew by 9.2% to EUR 425.3 million (prior year: EUR 468.3 million).

The 54.3% decline in **income from securities and participating interests** to EUR 379.9 million (prior year: EUR 831.4 million) can essentially be attributed to a reduction in shares in affiliated undertakings from EUR 775.1 million in the previous year to EUR 325.6 million.

Net commission income decreased by 68.9% from EUR 57.0 million in the previous year to EUR 17.7 million. This decline was primarily driven by the deteriorating lending business (lower income from guarantees and higher cover pool provisions)

Net profit on financial operations significantly improved from EUR -7.9 million in the previous year to EUR 72.8 million in the financial year under review. Growth in foreign exchange transactions overcompensated the decrease in securities and foreign currency transactions.

In addition to salaries (both fixed and variable) and social expenses, expenses for long-term employee provisions, as well as pension fund contributions are included in **personnel expenses**. Total personnel expense increased by 8.9% to EUR 259.5 million (prior year: EUR 238.3 million). This increase can be attributed mainly to the allocation of the provision for pensions, since actuarial losses had to be recognised as income due to the discontinuation of the corridor method.

The **number of employees** at Erste Group Bank AG (weighted according to their number of man hours worked) fell by 1.0% in the fiscal year.

	Status 31/12/2012	Status 31/12/2011
Domestic	1,827.3	1,835.2
International	93.0	105.0
<i>London</i>	37.0	35.0
<i>New York</i>	24.0	35.0
<i>Hong Kong</i>	19.0	22.0
<i>Germany</i>	13.0	13.0
Total	1,920.3	1,940.2
<i>of which on unpaid leave</i>	<i>118.5</i>	<i>96.4</i>

Other administrative expenses declined by 3.3% to EUR 157.1 million (prior year: EUR 162.5 million). Decreases were posted mainly in IT and marketing expenses.

Depreciation on tangible fixed assets increased by 34.6 % from EUR 15.2 million in the previous year to EUR 20.5 million. This was due to the commissioning of software solutions (including Kondor+, Ricos or Calypso upgrade).

Due to the absence of write-offs - resulting from the early closure of existing credit default swap contracts - the net **allocation to risk provisions for receivables** (including receivable write-offs offset against income from written off receivables and cancellation of valuation allowances and risk provisions) decreased from EUR 687.0 million in the previous year to EUR 201.2 million.

Current asset securities' valuation and result earnings as well as the income and value adjustment positions on **participating interests and fixed-asset securities** was EUR 197.3 million in 2012 (prior year: EUR - 31.7 million). The early buyback of the Tier 1 and Tier 2 instruments, in particular, had a positive effect on earnings. For evaluations of the participations, see Annex IV points 9 and 10.

Tax situation: Pursuant to sec. 9 of the Austrian Corporate Tax Act (*Körperschaftsteuergesetz*), Erste Group Bank AG and its main domestic subsidiaries constitute a tax group. Due to the high proportion of tax-exempt income – particularly income from participating interests – and tax payments for the permanent establishments abroad, no Austrian corporate income tax was payable in fiscal year 2012. The current tax loss carried forward decreased in 2012.

Tax on profit mainly comprised expenses from foreign capital gains and other income-related taxes, as well as tax revenue from the tax allocation to subsidiary companies that form a tax group along with Erste Group Bank AG under group taxation regulations.

Changes in reserves during the year resulted in the net allocation of EUR 80.1 million (prior year: release to reserves of EUR 2.9 million), **net income for the year** was at EUR 298.9 million, clearly above prior year's level of EUR 141.1 million. Together with profit brought forward of the previous year, the **profit available for distribution** amounted to EUR 298.9 million.

At the Annual General Shareholders' Meeting, the Management Board will propose to pay out a dividend of EUR 0.40 per share (prior year: no dividend payment) to the shareholders. Just as in the previous year, the holders of participation capital will receive a dividend of 8% (EUR 141.1 million in total) on the notional value.

Explanatory notes on the balance sheet

As of 31 December 2012, **total assets** had grown by 2.8% from the end of 2011 to EUR 83.8 billion, which can be attributed in part to growth in deposits payable on demand which were held with central banks (EUR +1.4 billion).

Loans and advances to credit institutions decreased by 13.9% to EUR 28.6 billion from EUR 33.2 billion in the previous year. The decline primarily affected interbank business in foreign currency with domestic credit institutions.

Loans and advances to customers declined by 11.5% to EUR 13.1 billion from EUR 14.8 billion in 2011. Decreases were observed in both domestic and in foreign euro loans and in foreign currency international loans.

Since the decrease in bonds (by 21.5% from EUR 8.6 billion to EUR 6.8 billion) has been offset by the increase in debt instruments issued by public-sector institutions (by 56.7% from EUR 3.3 billion to EUR 5.1 billion), total **securities investments** remained at the previous year's level of EUR 11.9 billion.

At EUR 0.005 billion, the **residual exposure** of Erste Group Bank AG towards **Greece** was no longer substantial at the end of 2012.

The carrying amount of **participating interest and shares in affiliated undertakings** increased by 2.0% to EUR 11.6 billion from the previous year's level of EUR 11.4 billion. This figure counts in the rise in the equity capital of EGB CEPS Beteiligungen Ges.m.b.H. of EUR 0.3 billion.

Other assets of EUR 13.0 billion (prior year: EUR 5.7 billion) primarily include accruals for derivative products, receivables from participating interests and affiliated undertakings and interest accruals. The marked increase is attributable to the fact that derivatives are stated on a gross basis.

On the liabilities side, **liabilities to credit institutions** increased by 7.5% to EUR 25.9 billion (prior year: EUR 28.0 billion). This was attributable particularly to the deposits of foreign credit institutions with agreed maturities in foreign currency.

Amounts owed to customers decreased by 20.0% to EUR 6.0 billion in the previous year to EUR 4.8 billion. A decline in both foreign currency deposits payable on demand and foreign currency deposits with agreed maturities can be seen.

As the increase in subordinate liabilities (by 18.2% to EUR 3.2 billion) was unable to compensate for the decline in liabilities evidenced by certificates (by 5.8% to EUR 24.2 billion) and supplementary capital (by 52.2% to EUR 1.0 billion), a decrease by a total of 7.2% to EUR 28.4 billion (prior year: EUR 30.6 billion) was observed in the refinancing of **own securities**.

Other liabilities amounted to EUR 11.7 billion (prior year: EUR 4.3 billion) and chiefly included accrued premiums from derivatives trading, other offsetting liabilities as well as interest and commission accruals. In this case too, the marked increase is attributable to the fact that derivatives are stated on a gross basis.

Outlook

Erste Group expects a slight improvement in economic performance for Central and Eastern Europe in 2013, even though growth will remain moderate. Accordingly, Erste Group targets a stable operating result for 2013. This is expected to be achieved by offsetting slightly lower operating income as a result of moderate loan demand and the low interest rate environment with lower operating costs. Erste Group expects to show a better year-on-year operating performance in the last three quarters of 2013 than in the first quarter of 2013.

For group risk costs a double-digit percentage decline is expected for 2013, mainly due to the likely improvement of the risk situation in Romania. Erste Group continues to expect that its Romanian subsidiary BCR will return to profitability in the financial year 2013.

Events after balance sheet date

There were no significant balance sheet events after the year end.

Research and development

As Erste Bank Group AG does not conduct any independent and regular research for new scientific and technical findings and no upstream development work for commercial production or use, it does not engage in any research and development activities pursuant to section 243 (3) no. 3 UGB. In order to drive improvements for retail customers and in the on-going services Erste Group Bank AG launched the Innovation Hub in 2012. Its purpose is to initiate and coordinate across-the-board initiatives with a strong focus on "real customer experiences". As a multidisciplinary team consisting of marketing, product and IT as well as design experts, the Innovation Hub is tasked with creating innovations and managing new programme initiatives.

Branches

Erste Group Bank AG maintains three branches in London, New York and Hong Kong that provide commercial lending to foreign banks, leasing companies and sovereign debtors.

As of 2011, two further branches were established in Germany (Berlin and Stuttgart) - their main focus is on institutional sales.

Capital, Share, Voting and Control Rights

Investor information pursuant to section 243a (1) of the Austrian Commercial Code ("UGB")

With regard to the statutory disclosure requirements in the Management Report, special reference is made to the relevant information in the notes to the financial statements, in section III.17 ff.

As of 31 December 2012, DIE ERSTE oesterreichische Spar-Casse Privatstiftung, a foundation, held approximately 20% of the shares in Erste Group Bank AG. This makes the foundation the largest shareholder.

Art. 15.4 of the Articles of Association concerning the appointment and dismissal of members of the Management Board and the Supervisory Board is not directly prescribed by statutory law: a three-quarter majority of valid votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal are required to pass a motion for removal of Supervisory Board members.

The Articles of Association contain no restrictions in respect of voting rights or the transfer of shares. A holding period of one year applies with regard to the employee share ownership programmes (MSOP/ESOP).

Art. 19.9 of the Articles of Association concerning amendments to the Articles of Association contains a provision that is not prescribed directly by statutory law: amendments to the Articles of Association, in so far as they do not alter the business purpose, may be passed by simple majority of votes cast and simple majority of the subscribed capital represented at the meeting considering the amendment. Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Moreover, amendments to Art. 19.9 require a three-quarter majority of the votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal.

Other information

Furthermore, it should be noted that Erste Group Bank AG – just as nearly all Austrian savings banks – are members of the **Haftungsverbund of Sparkassengruppe**.

Sparkassengruppe sees itself as an association of independent, regionally established savings banks which strives to bolster its market position by strengthening common product development, harmonising its market appearance and advertising concepts, pursuing a common risk policy, engaging in co-ordinated liquidity management and applying common controlling standards.

In addition, the purpose of this scheme is:

to identify any business issues of its member banks at an early stage and to provide effective assistance to its members in the resolution of business issues - this can range from offering technical assistance or giving guarantees to providing borrowed or qualifying capital, and

to provide customers with a deposit guarantee system that goes beyond the legal deposit guarantee requirement (section 93 et seq. BWG) that which only guarantees certain types of customer deposits by creating a suitable obligation to service the liabilities of other participating savings banks if the need arises.

Haftungsverbund GmbH is responsible for implementing such measures and analysing the business situation of every member bank of the Haftungsverbund. Overall, the participating savings banks hold a maximum stake of 49% (assuming all savings banks participate) in Haftungsverbund GmbH and Erste Group Bank AG always holds a minimum stake of 51%.

As required by the BWG, individual members of the Haftungsverbund may need to provide assistance to other members (by giving liquidity assistance, granting loans or guarantees and providing equity capital, for instance), and, in the case of section 93 (3) no. 1 BWG, to service the guaranteed customer deposits of a Haftungsverbund member. The scope of the individual services to be provided by individual Haftungsverbund members where needed are subject to an individual and general maximum limit. Any contributions made by Haftungsverbund members under the statutory deposit guarantee system pursuant to section 93 et seq. BWG are likewise counted in. The corresponding amounts are determined by Haftungsgesellschaft and communicated to members liable for contributions.

Additional disclosures pursuant to section 243a (1) no. 7 UGB

Pursuant to the following provisions, members of the Management Board have the right to repurchase shares where such a right is not prescribed by statutory law:

As per decision of the Annual General Meeting of 12 May 2011:

the company is entitled to purchase treasury shares under section 65 (1) no. 7 of the Austrian Stock Corporation Act ("AktG") for trading purpose. However, the trading portfolio of these shares may not exceed 5 % of the subscribed capital at the end of any calendar day. The market price for the shares to be purchased must not be lower than 50 % of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed 200 % of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase. This authorisation is valid for 30 months, i.e. until 11 November 2013.

Subject to approval by the Supervisory Board, the Management Board is entitled to purchase treasury shares pursuant to section 65 (1) no. 8 of the Austrian Stock Corporation Act ("AktG"). However, the shares purchased under this authorisation and under Section 65 (1) no. 1, 4 and 7 AktG may not exceed ten % of the subscribed capital. The market price of each share to be purchased may not be below EUR 2.00 or above EUR 120.00. Upon approval by the Supervisory Board, the shares purchased according to the above can be sold in the form of an issue of shares as consideration and financing for the acquisition of companies, businesses, business units or shares in one or more domestic or foreign companies. Such an offering would be conducted outside the stock markets and would not constitute a public offering. Furthermore, the Management Board is entitled to withdraw shares without resolution at the Annual General Meeting. This authorisation is valid for 30 months, i.e. until 11 November 2013.

All sales and purchases were carried out as authorised at the Annual General Meeting.

Significant agreements pursuant to section 243a (1) no. 8 UGB

The following paragraph lists significant agreements to which the company is party, and which become effective, are amended or are rendered ineffective when there is a change in the control of the company as a result of a takeover bid, as well as their effects:

Preferred co-operation between Erste Foundation and CaixaBank S.A.

Erste Foundation and CaixaBank S.A. (formerly Criteria CaixaCorp) have concluded a Preferred Partnership Agreement (PPA), by which Erste Foundation Criteria gives CaixaBank, S.A. ("CaixaBank") the status of a friendly investor and preferred partner for participations. Under this agreement, CaixaBank is authorised to nominate a person for appointment to the Supervisory Board of Erste Group Bank AG. In return, CaixaBank has undertaken not to participate in a hostile takeover bid for Erste Group Bank AG's shares, and to give Erste Foundation the right of pre-emption and an option right to the Erste Group Bank AG shares held by CaixaBank. Under the PPA, Erste Foundation undertakes not to grant any rights to third parties that are more favourable than those granted to CaixaBank, except under certain circumstances. Erste Foundation's and CaixaBank's voting rights at Erste Group Bank AG remain unaffected by the PPA. The PPA has been approved by the Austrian Takeover Commission.

After a number of transactions that aimed to reorganise "la Caixa" Group, Criteria CaixaCorp changed its name to CaixaBank, S.A. as of 30 June 2011. In the course of these transactions, the former Criteria CaixaCorp acquired the operational banking business of "la Caixa", which now continues to do business indirectly through the newly set up company CaixaBank which is listed on the stock exchange. As a consequence, CaixaBank - with its operational banking business in "la Caixa" - holds the portfolio of bank participations, including the holdings in Erste Group Bank AG. The name change has affected neither the "Preferred Partnership Agreement" nor the on-going business cooperation.

The **agreement in principle of the Haftungsverbund** provides for the possibility of early cancellation for good cause. Good cause allowing the respective other contracting parties to cancel the agreement is deemed to exist if

- a) one contracting party harms grossly the duties resulting from present agreement
- b) the ownership structure of a party to the contract changes in such a way – particularly by transfer or capital increase – that one or more third parties from outside the savings bank sector directly and/or indirectly gain a majority of the equity capital or voting rights in the contracting party or
- c) one contracting party resigns from savings bank sector irrespective of the reason.

The Haftungsverbund's agreement in principle and supplementary agreement expire if and as soon as any entity that is not a member of the savings bank sector association acquires more than 25 percent of the voting power or equity capital of Erste Group Bank AG in any manner whatsoever and a member savings bank notifies the Haftungsverbund's steering company and Erste Group Bank AG by registered letter within twelve weeks from the change of control that it intends to withdraw from the Haftungsverbund.

Directors and Officers Insurance

Changes in control

(1) In the event that any of the following transactions or processes occur during the term of the insurance policy (each constituting a "change in control") in respect of the insured:

- a) the insured ceases to exist as a result of a merger or consolidation, unless the merger or consolidation occurs between two insured parties, or
- b) another company, person or group of companies or persons acting in concert, who are not insured parties, acquire more than 50 % of the insured's outstanding equity or more than 50 % of its voting power (resulting in the right to control the voting power represented by the shares, and the right to appoint the Management Board members of the insured),

then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change in control took effect. However, no insurance cover is provided for claims relating to unlawful acts committed or allegedly committed after that time (unless

the insured and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.

(2) In the event that a subsidiary ceases to be a subsidiary during the insurance period, the insurance cover under this policy shall remain in full force and effect for that entity for the remainder of the insurance period or (if applicable) until the end of the extended discovery period, but only in respect of claims brought against an insured in relation to unlawful acts committed or alleged to have been committed by the insured during the existence of this entity as a subsidiary. No insurance cover is provided for claims brought against an insured in relation to unlawful acts committed or allegedly committed after this entity ceased to exist.

Co-operation between Erste Group Bank AG and Vienna Insurance Group (VIG)

Erste Group Bank AG and Vienna Insurance Group AG Wiener Versicherung Gruppe ("VIG") are parties to a General Distribution Agreement concerning the framework of the cooperation of Erste Group and VIG in Austria and CEE with respect to bank and insurance products. In case of a change of control of Erste Group Bank AG, VIG has the right to terminate the General Distribution Agreement, and in case of a change of control of VIG, Erste Group Bank AG has a reciprocal right. A change of control is defined, with respect to Erste Group Bank AG, as the acquisition of Erste Group Bank AG by any person other than DIE ERSTE oesterreichische Spar-Casse Privatstiftung or Austrian savings banks of 50% plus one share of Erste Group Bank AG's voting shares, and with respect to VIG, as the acquisition of VIG by any person other than Wiener Städtische Wechselseitiger Versicherungsverein - Vermögensverwaltung - Vienna Insurance Group of 50 % plus one share of VIG's voting shares. If VIG elects to terminate the General Distribution Agreement after a change of control of Erste Group Bank AG has occurred, it may choose to ask for a reduction of the original purchase price that it and its group companies have paid for the shares in the CEE insurance companies of Erste Group. The rebate corresponds to the difference between the purchase price and the embedded value and is reduced to zero on a linear scale from 26 March 2013 to 16 March 2018. "

Erste Group Bank AG and VIG are furthermore parties to an Asset Management Agreement, pursuant to which Erste Group undertakes to manage certain parts of VIG's and its group companies' securities assets. In case of a change of control (as defined above), each party has a termination right. If Erste Group Bank AG elects to terminate the Asset Management Agreement following such a change of control of VIG, because the new controlling shareholders of VIG no longer support the Agreement, it may choose to ask for a full refund of the purchase price that it has paid for 95 % of Ringturm Kapitalanlagegesellschaft m.b.H., the asset management company performing the services under the Asset Management Agreement. The refund decreases on a linear scale down to zero from October 2013 to October 2018."

Internal Control and Risk Management System Control Rights for Financial Reporting Procedures

Control environment

The Management Board of Erste Group Bank AG is responsible for the establishment, structure and application of an appropriate internal control and risk management system that meets the company's needs in its Group accounting procedures.

Holding and Treasury Accounting department, which is part of the Group Accounting division, prepares the final accounts of Erste Group Bank AG. The assignment of powers, account responsibilities and the necessary control procedure are defined in the operating instructions.

Risk assessment

The main risk in the accounting procedures is that errors or deliberate action (fraud) prevent facts from adequately reflecting the company's financial position and performance. This is the case whenever the data provided in the financial statements and notes is essentially inconsistent with the correct figures, i.e. whenever, alone or in aggregate, they are apt to influence the decisions made by the addressees on the basis of the final accounts. Such decision may incur serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

Controls

The relevant units are obliged to comply with the accounting and measurement principles that are applicable for capturing, posting and accounting transactions and laid out in the operating instructions relating to the UGB and in the IFRS Account Manual.

The basic components of the internal control system (ICS) at Erste Group Bank AG are:

- Controlling as a permanent financial/business analysis (e.g. comparison of target and actual data between Accounting and Controlling) and control of the company and/or individual corporate divisions.
- Systemic, automatic control systems and measures in the formal procedure and structure, e.g. programmed controls during data processing.
- Principles of functional separation and the four-eye principle.
- Internal Audit – as a separate organisational unit – is charged with monitoring all corporate divisions in an independent yet proximate manner, particularly with regard to the effectiveness of the components of the internal control system. The Internal Audit unit is monitored and/or checked by the Management Board, the Audit Committee/Supervisory Board, by external parties (bank supervisor, in single cases also by external auditor) as well as through audit's internal quality assurance measures (self-assessments, peer reviews).

Information and communication

The final accounts are prepared in a standardised format and in compliance with the above described control measures. Before being passed on to the Audit Committee of the Supervisory Board, the financial statements to be published are submitted to the managers and the CFO for approval.

Reporting is nearly fully automated using input systems and automatic interfaces. This warrants that the data for controlling, (segment) and earnings accounting as well as other evaluations are always up to date. The information used by the accounting department is derived from the same database and reconciled monthly for reporting. Close collaboration between Accounting and Controlling ensures that target and actual data are constantly compared, allowing for effective control and harmonisation.

Responsibilities of Internal Audit

Internal Audit is in charge of auditing and evaluating all divisions. However, the main object of all its audit activities is to monitor the completeness and functionality of the internal control system. Internal Audit has the task of reporting its observations to the Group's Management Board, Supervisory Board and Audit Committee on an annual basis.

According to section 42 BWG, Internal Audit is a control body that is directly subordinate to the Management Board. Its sole purpose is to comprehensively verify the lawfulness, propriety and expediency of the banking business and banking operation on an on-going basis. The mandate of Internal Audit is therefore to support the Management Board in its efforts to secure the bank's assets and promote economic and operational performance and thus in the Management Board's pursuit of its business and operating policy. The activities of Internal Audit are governed in particular by the currently applicable Rules of Procedure, which were drawn up under the authority of all Management Board members and approved as well as implemented by them. The Rules of Procedure are reviewed on a regular basis and whenever required, and adapted should the need arise.

Audit activities of Internal Audit

In its auditing activities, Internal Audit puts a special focus on:

- operating and business areas of the bank;
- operating and business processes of the bank;
- internal bank standards (organisational policies, regulations on the division of powers, guidelines, etc.) as well as operating instructions, also with regard to their compliance, up-to-dateness and on-going updates;

- audit areas stipulated by the law, such as the material accuracy and completeness of notifications and reports to the Financial Market Authority and Oesterreichische Nationalbank or the annual audit of rating systems and their effectiveness.

Internal Audit performs its responsibilities based on its own discretion and in compliance with the annual audit plan as approved by the Management Board. Once approved, the audit plan is reported also to the Audit Committee.

Risk Management

Explanations on the risk profile of Erste Group Bank AG and its risk management objectives and methods

As a result of Erste Group Bank AG's business model, the risk profile is pervaded particularly by credit, market and operational risk. At the same time, the focus is on liquidity risk and general business risk, especially in light of the global financial crisis over the past few years. In addition to the types of risk indicated above, the Bank's risk management system also monitors a range of other, lesser risks. The main types of risk can be summarised as follows:

Credit risk	is the risk of loss from the potential collapse of counterparties, particularly of borrowers in the conventional lending business, and any related credit losses.
Market risk	generally describes the risk of loss from unfavourable price changes in marketable and traded products, such as shares, fixed-income securities and derivatives, as well as from interest and foreign exchange volatility and fluctuations in raw material prices.
Operational risk	describes the risk of loss as a result of human error, the malfunctioning of internal procedures or systems, or external events.
Liquidity risk	describes the risk of the bank's insufficient liquidity or inability to make funds available in a timely manner to service its debts.
Business risk	describes the bank's risk of being unable to reach its financial business objectives.

Risk management objectives and methods

Knowingly and selectively accepting risk and managing risk professionally are core functions of every bank. Erste Group Bank AG pursues a proactive risk policy and risk strategy that also aims to establish an optimal balance between risk and return in order to earn a sustained high return on equity.

Erste Group Bank AG has an established, pro-active controlling and risk management system that is tailored specifically to its corporate and risk profile. This system is based on a clearly defined risk strategy derived from the Group's business strategy and places a special focus on the early identification and targeted control of risk and trends. Apart from meeting the internal requirement of ensuring effective and efficient risk management, the controlling and risk management system of Erste Group Bank AG is also intended to fulfil external, particularly regulatory, tasks.

In line with international practice, the risk management process at Erste Group Bank AG consists of the following stages: risk identification, risk assessment, risk aggregation, risk mitigation and risk reporting.

For credit risk, by far the most important risk category, Erste Group Bank AG has been using the Basel II IRB measurement approach since 2007, and thus has in place all the methods and processes required for this advanced measurement approach.

For a number of years, the market risk exposure of the trading book has been assessed using the bank's own model.

For Erste Group Bank AG operational risk has been assessed using the AMA (advanced measurement approach) since 2009.

In order to provide a comprehensive overview of current and future risk and the cover pools of the Bank, the bank's risk-absorbing capacity is determined by means of the Internal Capital Adequacy Assessment Process

(ICAAP). This process provides regular updates on the risk profile and capital adequacy, furnishing a basis for defining and implementing any measures that may be necessary.

Risk management organisation

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities, and risk limits.

Risk control and management functions are performed based on the business and risk strategies approved by the management board and the strategic risk framework. The chief risk officer of Erste Group Bank AG (Group CRO), working together with the chief risk officers of the subsidiaries, is responsible for implementation of and adherence to the risk control and risk management strategies across all risk types and business lines.

Committees with explicit strategic and operative controlling functions have been set up to ensure the Bank's effective and optimal management. At the top of the risk hierarchy within Erste Group Bank AG is the Risk Management Committee.

The Risk Management Committee is responsible for giving approval any time credit and investments or large exposures exceed the Management Board's limit authorised according to the schedule of delegation. Approval by the Risk Management Committee is required for every investment and large exposure as defined under section 27 BWG whose carrying amount exceeds 10 % of the company's eligible capital or 10% of the group of credit institution's eligible consolidated capital. Furthermore, it has the responsibility of granting authorisation in advance to the extent permitted by the law. The Risk Management Committee is further in charge of monitoring the risk management at Erste Group Bank AG.

While the management board and, in particular, the Group CRO ensure the availability of appropriate infrastructure and staff as well as methods, standards and processes to that effect, the actual identification, measurement, assessment, approval, monitoring, steering, and setting of limits for the relevant risks are performed at the operating entity level within Erste Group Bank AG. At the group level, the management board is supported by several divisions established to perform operational risk control functions and exercise strategic management responsibilities:

- Group Strategic Risk Management;
- Group Risk Governance and Projects;
- Group Corporate Risk Management;
- Group EGI Real Estate Risk Management;
- Group Retail Risk Management;
- Group Corporate Workout;
- Group Compliance, Legal and Security.

Group Strategic Risk Management, which exercises the risk control function, is responsible for the provision of adequate risk measurement methodologies and tools as well as an appropriate risk policy and control framework. An essential objective of Group Strategic Risk Management, a unit that is independent from the business units, is to ensure that all risks measured or taken are within the limits approved by the management board.

Group Risk Governance and Projects is responsible for the central coordination and oversight within risk management on key topics such as risk IT, the group-wide risk policy framework, the implementation of a comprehensive risk reporting framework and change management in the risk area.

Group Corporate Risk Management is the operative credit risk management function for Erste Group Bank AG's divisionalised corporate business. For this customer segment, it is in charge of the formal and material verification, recommendation and approval of all credit risks of Erste Group Bank AG as a holding company.

Group EGI Real Estate Risk Management is performing the function of the operative risk management for the divisionalised real estate business. In this function, the division is responsible for the formal and material assessment, recommendation and approval of all credit risks in the real estate business.

Group Retail Risk Management is in charge of monitoring and steering the Group's retail lending portfolio and defining the retail risk management lending framework. It provides an analytical framework to monitor local banks' retail loan portfolios and supplies timely and actionable information for senior management decisions.

Group Corporate Workout is responsible for managing problematic corporate clients of the group-wide Group Corporate and Investment Banking segment as well as problematic borrowers of the local corporate segment where the exposure is above the authority of the management board of the respective subsidiary.

During 2012, the functions Compliance, Legal and Security were consolidated in the division Group Compliance, Legal and Security. Group Compliance includes the departments Central Compliance, Securities Compliance, Anti-Money Laundering (AML) and Fraud Management and is accountable for addressing compliance risks. Group Legal is performing the function of the central legal department. It provides legal support and counselling for the board, for business divisions and for centre functions, and mitigates legal risks by taking care of dispute resolution and litigation. Group Security Management is in charge of the strategy, the definition of security standards, quality assurance, monitoring as well as the further development of issues of relevance for security at Erste Group Bank AG.

Corporate Social Responsibility

Introduction

Erste Group Bank AG takes its responsibility towards society very seriously. Its major corporate goal is to enable companies, private individuals and the public sector to lead a financially healthy life. Many of our activities centre on this, others follow the principle of investing part of our profits into the relevant regions and using resources as sparingly as possible.

Customers

The Erste Group branch network remains the most important contact point for customers, in addition to extended mobile banking facilities. Erste Bank Austria offers multilingual consulting services in 22 branches in Vienna, Mödling and Schwechat to ensure sound, individual advice regardless of language barriers. Erste Bank Austria ATM cards now feature information in Braille. Erste Group's online banking features have been adapted to let visually impaired customers choose between three different font sizes.

Customer services need to be improved continuously to deepen relationships with customers. The establishing of the independent "Group Customer Experience" unit has enabled us to get a better picture of customer requirements and needs. Customer satisfaction is evaluated on a Group-wide level with the help of the "Bank Market Monitor". This study yields data for an international comparison of performance. The quality and sustainability of the products offered is assessed on a regular basis to guarantee quality of service to all customers. Erste Group is also preparing an innovative product approval process that will be undergone by each new product before it is launched.

All our asset management units have been centralized under the umbrella of Erste Asset Management since 2012. The trend towards sustainable investments has been used by Erste Asset Management and a wide range of ethically-friendly funds were developed last year. Thus, Erste Group's Asset Management subsidiary in Austria and the CEE region has become a major provider of sustainable investment funds. The funds managed of approximately 2 billion euros exceeded the 2011 level by more than 20%. Furthermore, the exclusion criterion "outlawed weapons" for all actively managed Erste Asset Management funds and the post of "Chief Sustainability Investment Officer" were introduced at the end of 2011, in addition to the focus on sustainability funds. The goal is to establish sustainable aspects in Erste Asset Management's entire fund range.

Erste Group continued to work on developing solution strategies for the financial integration of social enterprises in 2012. A share in good.bee enabled the Group to provide private customers and companies without access to financial services funding using microbanking. In Austria, Erste Bank started the initiative "betreutes Konto" (guided account) in cooperation with the Austrian debt counselling organization "Schuldnerberatung" Wien and also got the student support program "For Best Students" ready for market. Our NGO cooperation was also restructured in 2012. It now focuses on a new support concept and reducing bank fees for such organizations.

Ethical investments

Erste Group has always supported social, cultural and educational projects, in line with the founding principle of the "Sparkasse" 200 years ago. Parts of the profits generated flow back into regional projects through the Erste Group MehrWERT sponsorship program.

Social Activities

Erste Group encourages long-term support and has been helping Caritas fight poverty in Austria for many years. It centres on helping people in difficult situations in a quick and concrete manner. Thus, underprivileged people are given new opportunities for continuous, long-term development. The focus especially is on young people and these activities include the Eastern European Campaign for Children, the association lobby.16 – which gives young refugees access to education and work – and the talent program Club 27.

Arts and Culture

Erste Group supported a number of culture projects in its regions in 2012 within its MehrWERT sponsorship program. Young artists receive support via scholarships and the provision of opportunities to perform and exhibit. New concepts enabling underprivileged people to experience music are also part of this commitment. Just as in previous years, Erste Group was the partner of numerous festivals in a variety of countries, such as the Viennale Film Festival, multi-Genre and jazz festivals. Even the trade fair VIENNAFAIR and Vienna Design Week were supported by us.

Education

Spreading finance and business knowledge to the largest possible part of a country's population is a prerequisite for stable economic growth and long-term security of wealth. This is why Erste Group has initiated a number of educational projects also in Austria, targeting mainly young people. Children are introduced to the subject of money at the Zoom children's museum. There are educational programs for students and apprentices on income and expenses, financial planning, the role that banks play and financial products and instruments. These materials are also accessible via educational portals and are conveyed with the help of a series of films. In addition, Zweite Sparkasse also offers workshops on debt prevention.

Corporate Volunteering

Voluntary commitment is an important element in the CSR activities of the Erste Group. The Erste Time Bank Placement Portal, which networks employees and retirees from Erste Bank with organizations looking for volunteers, has been running since the beginning of 2012. In addition, Erste Bank loans employees to NGOs for a certain amount of time, usually three to four months.

Employees

Erste Group offers its staff members a number of opportunities for further education and encourages international knowledge transfer. The courses span all levels from one-year on-the-job training for university graduates to courses for managers and presentations giving the latest insights.

The Erste School has been offering its own Compliance Certification Program since 2012. Erste Bank is also striving to increase the number of women in management and in specialist positions, offering further education directed at women. Another major concern is the incorporation and re-integration of parents after maternity or paternity leave. Carotid-artery screening was offered in Austria for the prevention of strokes during 2012, as part of a program on cardio-vascular health. The screening was well-attended. Erste Group is a pioneer in health promotion and the company was mentioned by the OECD as a trendsetter in the field of preventing psychological medical problems.

Erste Group Bank AG – Key figures	2012	2011
Employee turnover	6.7%	5.7%
Sick days per employee	6.7	7.0
Training days per employee	5.6	4.5
Percentage of women per total employee	44.0%	43.0%
Percentage of managers per total employee	11.2%	11.6%
Percentage of women in management positions	22.0%	18.1%
Percentage of part-time employees	21.0%	17.3%
Percentage of female part-time employees	72.0%	77.5%

Environment

Erste Group Bank AG has conducted extensive monitoring of its environmental activities and their impact to be able to carry out its measures successfully. Environmental objectives and activities, categorized into protecting natural resources and waste management, were devised based on the monitoring. Staff involvement is essential for the consistent implementation of the environmental strategy. One sign signalling the success of this approach is that some of the on-going projects derived from national initiatives. The environmental award given to Erste Bank Austria illustrates the right path has been taken with regards to the environment. Important projects in the field of energy saving are replacing light bulbs with LED lights, optimizing heating and cooling systems and limiting lighting. This means that as many bank transactions as possible should be conducted without paper. Thus, Erste Bank Austria has introduced signature pads to achieve this objective.

Vienna, 9 April 2013

Management Board

Andreas Treichl mp

Chairman

Franz Hochstrasser mp

Vice Chairman

Herbert Juranek mp

Member

Gernot Mittendorfer mp

Member

Manfred Wimmer mp

Member

Balance sheet as of 31 December 2012
Erste Group Bank AG

Assets

	€	€	thsd € prev. Year	thsd € prev. Year
1. Cash in hand and balances with central banks		4,359,434,102.10		2,959,594
2. Treasury bills and other bills eligible for refinancing with central banks				
a) treasury bills and similar securities	5,138,950,948.87		3,279,697	
b) other bills eligible for refinancing with central banks	0.00	5,138,950,948.87		3,279,697
3. Loans and advances to credit institutions				
a) repayable on demand	1,031,351,942.07		1,206,672	
b) other loans and advances	27,610,006,617.39	28,641,358,559.46	32,042,964	33,249,636
4. Loans and advances to customers		13,056,789,459.72		14,827,058
5. Debt securities and other fixed-income securities		6,765,487,673.39		8,616,417
a) issued by public bodies	773,671,276.10		873,800	
b) issued by other borrowers	5,991,816,397.29		7,742,617	
of which: own debt securities	2,264,268,959.73		0	
6. Shares and other variable-yield securities		899,833,166.56		1,116,372
7. Participating interests		250,866,869.48		251,419
of which: in credit institutions	107,558,318.95		119,997	
8. Shares in affiliated undertakings		11,364,738,277.52		11,132,413
of which: in credit institutions	851,738,669.72		852,939	
9. Intangible fixed assets		48,658,063.63		43,967
10. Tangible fixed assets		29,432,143.48		39,655
of which: land and buildings used by the credit institution for its own business operations	15,277,037.45		27,756	
11. Own shares and shares in a controlling company		50,000.00		470
of which: par value	50,000.00		470	
12. Other assets		12,964,947,029.70		5,717,388
of which: deferred taxes	24,869,000.00		24,869	
13. Subscribed capital called but not paid		0.00		0
14. Prepayments and accrued income		271,965,574.35		291,000
Total Assets		83,792,511,868.26		81,525,087

Off-balance-sheet items

1. Foreign assets		48,084,554,042.94		41,346,940
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Balance sheet as of 31 December 2012
Erste Group Bank AG

Liabilities and Equity

	€	€	thsd € prev. Year	thsd € prev. Year
1. Liabilities to credit institutions				
a) repayable on demand	900,015,836.63		1,479,152	
b) with agreed maturity dates or periods of notice	25,045,404,558.06	25,945,420,394.69	26,520,005	27,999,156
2. Liabilities to customers (non-banks)				
a) savings deposits	0.00		0	
of which:				
aa) repayable on demand	0.00		0	
bb) with agreed maturity dates or periods of notice	0.00		0	
b) other liabilities	4,750,634,884.15		5,953,710	
of which:				
aa) repayable on demand	1,930,800,023.24		2,833,059	
bb) with agreed maturity dates or periods of notice	2,819,834,860.91	4,750,634,884.15	3,120,651	5,953,710
3. Securitised liabilities				
a) Debt securities issued	21,419,544,114.91		22,993,475	
b) other securitised liabilities	2,748,793,252.08	24,168,337,366.99	2,745,579	25,739,054
4. Other liabilities		11,711,057,159.89		4,325,553
5. Accruals and deferred income		119,204,980.75		115,524
6. Provisions				
a) provisions for severance payments	0.00		0	
b) pension provisions	339,479,267.00		324,588	
c) provisions for taxes	19,381,033.87		15,760	
d) other	345,700,995.75	704,561,296.62	331,902	672,250
6.A Special fund for general banking risks		0.00		0
7. Subordinated liabilities		3,192,200,103.10		2,700,105
8. Supplementary capital		1,029,284,000.00		2,152,870
9. Subscribed capital		789,137,294.00		781,535
9.A Participation capital		1,763,744,000.00		1,763,744
10. Capital reserves				
a) committed	6,449,930,000.00		6,390,552	
b) uncommitted	260,000,000.00		260,000	
c) for own shares and shares in a controlling company	0.00	6,709,930,000.00	0	6,650,552
11. Retained earnings				
a) statutory reserve	34,156,000.00		34,156	
b) reserves provided for by the bye-laws	0.00		0	
c) other reserves	1,693,085,409.27		1,612,167	
d) for own shares and shares in a controlling company	26,639,000.00	1,753,880,409.27	27,059	1,673,382
Carry forward		82,637,391,889.46		80,527,435

Liabilities and Equity

	€	€	thsd € prev. Year	thsd € prev. Year
Carry forward		82,637,391,889.46		80,527,435
12. Reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)		851,000,000.00		851,000
13. Net profit or loss for the year		298,926,978.80		141,100
14. Untaxed reserves				
a) valuation reserve resulting from special depreciation	5,193,000.00		5,552	
b) other untaxed reserves	0.00	5,193,000.00	0	5,552
of which:				
aa) investment reserve pursuant to Section 9 of the Austrian Income Tax Act (EStG) 1988	0.00		0	
bb) investment allowance pursuant to Section 10 of the Austrian Income Tax Act (EStG) 1988	0.00		0	
cc) rent reserve pursuant to Section 11 of the Austrian Income Tax Act (EStG) 1988	0.00		0	
dd) reserve transferred pursuant to Section 12 (7) of the Austrian Income Tax Act (EStG) 1988	0.00		0	
Total Liabilities and Equity		83,792,511,868.26		81,525,087

Off-balance-sheet items

1. Contingent liabilities		4,449,798,727.28		7,346,056
of which:				
a) acceptances and endorsements	0.00		0	
b) guarantees and assets pledged as collateral security	3,951,344,617.56		6,601,418	
c) credit derivatives	498,454,109.72		744,638	
2. Commitments		6,100,744,128.20		4,043,053
of which: commitments arising from repurchase agreements	0.00		0	
3. Commitments arising from agency services		2,039,813.75		1,967
4. Eligible capital pursuant to Section 23 in conjunction with Section 29 of the Austrian Banking Act (BWG) of which: capital pursuant to Section 23 (14) 7 of the Austrian Banking Act (BWG)		15,184,839,617.22		14,894,793
	360,507,000.00		494,060	
5. Capital requirement pursuant to Section 22 (1) of the Austrian Banking Act (BWG)		3,332,997,252.92		3,420,168
of which: capital required pursuant to Section 22 (1) 1 and 4 of the Austrian Banking Act (BWG)	2,972,490,252.92		2,859,004	
6. Foreign liabilities		24,206,329,809.43		22,145,525

Profit and Loss Account 2012

Erste Group Bank AG

	€	€	thsd € prev. Year	thsd € prev. Year
1. Interest and similar income		1,733,496,404.42		1,976,324
of w hich: from fixed-income securities	452,799,015.91		444,659	
2. Interest and similar expenses		- 1,308,189,516.89		- 1,508,064
I. NET INTEREST INCOME		425,306,887.53		468,260
3. Income from securities and participating interests				
a) income from shares, other ownership interests and variable-yield securities	38,354,719.81		42,440	
b) income from participating interests	15,910,918.40		13,799	
c) income from shares in affiliated undertakings	325,590,127.05	379,855,765.26	775,125	831,364
4. Commissions income		161,193,642.31		201,472
5. Commissions expenses		- 143,500,131.68		- 144,499
6. Net profit or net loss on financial operations		72,816,411.56		- 7,887
7. Other operating income		47,484,733.30		14,728
II. OPERATING INCOME		943,157,308.28		1,363,438
8. General administrative expenses		- 416,630,078.30		- 400,829
a) staff costs	- 259,539,906.54		-238,311	
of w hich:				
aa) wages and salaries	- 158,826,472.21		- 155,754	
bb) expenses for statutory social-security contributions and compulsory contributions related to wages and salaries	- 33,616,965.63		- 33,468	
cc) other social expenses	- 2,198,299.30		- 2,042	
dd) expenses for pensions and assistance	- 45,982,369.47		- 46,782	
ee) allocation to the pension provision	- 14,891,603.00		7,920	
ff) expenses for severance payments and contributions to severance and retirement funds	- 4,024,196.93		- 8,185	
b) other administrative expenses	- 157,090,171.76		- 162,518	
9. Value adjustments in respect of assets items 9 and 10		- 20,477,406.53		- 15,212
10. Other operating expenses		- 6,282,996.59		- 8,599
III. OPERATING EXPENSES		- 443,390,481.42		- 424,639
IV. OPERATING RESULT		499,766,826.86		938,799

	€	thsd € prev. Year
Carry forward (IV. Operating result)	499,766,826.86	938,799
11. Value adjustments of loans and advances and allocations to provisions for contingent liabilities and commitments	- 300,324,005.14	- 804,110
12. Value re-adjustments of loans and advances and provisions for contingent liabilities and commitments	456,942,381.11	92,671
13. Value adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	- 291,065,587.16	- 42,143
14. Value re-adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	130,552,263.46	34,815
V. PROFIT OR LOSS ON ORDINARY ACTIVITIES	495,871,879.13	220,032
15. Extraordinary income	0.00	0
of w hich: w ithdraw als from the special fund for general banking risks	0.00	0
16. Extraordinary expenses	0.00	- 4,878
of w hich: allocation to the special fund for general banking risks	0.00	0
17. Extraordinary result (sub-total of items 15 and 16)	0.00	- 4,878
18. Tax on profit or loss	31,043,508.78	43,064
19. Other taxes not reported under item 18	- 147,873,155.56	- 119,934
VI. PROFIT OR LOSS FOR THE YEAR AFTER TAX	379,042,232.35	138,284
20. Changes in reserves	- 80,139,573.55	2,789
off w hich: allocation to liability reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	0.00	0
reversal of liability reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	0.00	0
VII. NET INCOME FOR THE YEAR	298,902,658.80	141,073
21. Profit brought forward from previous year	24,320.00	27
22. Profit transferred on the basis of profit transfer agreement	0.00	0
VIII. NET PROFIT OR LOSS FOR THE YEAR	298,926,978.80	141,100

Notes to the financial statements of Erste Group Bank AG 2012

I. General Information

The 2012 financial statements of Erste Group Bank AG have been prepared in accordance with the regulations of the Austrian Commercial Code (*Unternehmensgesetzbuch*) and in conjunction with the applicable provisions of the Austrian Banking Act (*Bankwesengesetz*).

Pursuant to sec. 59a Banking Act, Erste Group Bank AG prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) on the same balance sheet date.

Erste Group Bank AG – just as nearly all Austrian savings banks – are members of the **Haftungsverbund of Sparkassengruppe**.

Sparkassengruppe sees itself as an association of independent, regionally established savings banks which strives to bolster its market position by strengthening common product development, harmonising its market appearance and advertising concepts, pursuing a common risk policy, engaging in co-ordinated liquidity management and applying common controlling standards.

In addition, the purpose of this scheme is:

to identify any business issues of its member banks at an early stage and to provide effective assistance to its members in the resolution of business issues - this can range from offering technical assistance or giving guarantees to providing borrowed or qualifying capital, and

to provide customers with a deposit guarantee system that goes beyond the legal deposit guarantee requirement (section 93 et seq. BWG) that which only guarantees certain types of customer deposits by creating a suitable obligation to service the liabilities of other participating savings banks if the need arises.

Haftungsverbund GmbH is responsible for implementing such measures and analysing the business situation of every member bank of the Haftungsverbund. Overall, the participating savings banks hold a maximum stake of 49% (assuming all savings banks participate) in Haftungsverbund GmbH and Erste Group Bank AG always holds a minimum stake of 51%.

As required by the BWG, individual members of the Haftungsverbund may need to provide assistance to other members (by giving liquidity assistance, granting loans or guarantees and providing equity capital, for instance), and, in the case of section 93 (3) no. 1 BWG, to service the guaranteed customer deposits of a Haftungsverbund member. The scope of the individual services to be provided by individual Haftungsverbund members where needed are subject to an individual and general maximum limit. Any contributions made by Haftungsverbund members under the statutory deposit guarantee system pursuant to section 93 et seq. BWG are likewise counted in. The corresponding amounts are determined by Haftungsgesellschaft and communicated to members liable for contributions.

1. On-going legal cases

Erste Group Bank AG is party to lawsuits that, for the most part, have a bearing on ordinary banking business. The outcome of these proceedings is not expected to have any significant negative impact on the financial position and profitability of Erste Group Bank AG. Erste Group Bank AG is currently also involved in the following legal cases:

Holocaust Hungary lawsuit

In 2010, a group of plaintiffs filed a class action in a Chicago federal court on behalf of Holocaust victims or their descendants. The plaintiffs allege that a number of Hungarian banks had profited from the wrongful appropriation of Jewish assets. The plaintiffs estimate that these assets had been worth 2 billion US dollars in 1944. With regard to Erste Group Bank AG, the allegations are not that the bank was party to the alleged wrongful appropriation of Jewish assets. Nonetheless, Erste Group Bank AG is a defendant in this

lawsuit, since the plaintiffs allege that it is the legal successor of several bank active Greater Hungary at the time. Erste Group Bank AG rejects all allegations made against it. The same applies, inter alia, to the allegation of it being the alleged legal successor. The lawsuit is currently in the discovery phase. Erste Group Bank AG will take all steps necessary to defend itself against the claims made.

2. Disclosure

Erste Group Bank AG uses the Internet as the medium for publishing disclosures under sec. 26 Banking Act and the Disclosure Regulation. Details are available on the website of Erste Group at www.erstegroup.com/ir

II. Notes to accounting and measurement methods

1) **The financial statements have been prepared in accordance with generally accepted accounting principles** and according to the standard principle that the financial statements should give a fair and accurate view of the financial position, income and expenses of the company. The principle of individual measurement was applied in the assessment of the company's assets and liabilities, and it was assumed that the company would continue to operate (going concern). The particularities of the banking business were taken into account in the application of the principle of prudence.

2) **Receivables and liabilities in foreign currency** were measured at the ECB reference rates as at the balance sheet date. The currencies for which ECB did not publish a reference rate were recognised at the mid rate for foreign currencies of Erste Group Bank AG. MUM currencies were converted using the fixed euro factors. Foreign exchange forward transactions and FX swaps were rated at the forward currency rate.

3) **Interests and shares in affiliated undertakings** were recognised at cost of acquisition. Where permanent impairments resulted from sustained losses or other circumstances, valuations were revised downward accordingly. As the reasons for impairment ceased to exist, a write-up was required in the amount of the value increase but in due consideration of write-downs already implemented.

4) For **bonds and other fixed-income securities**, the difference between acquisition cost and redemption value was amortised *pro rata temporis* pursuant to sec. 56 (2) Banking Act or recognised as income *pro rata temporis* over the residual time to maturity until redemption in accordance with sec. 56 (3) Banking Act. Sustained depreciation was written off pursuant to sec. 204 (2) Commercial Code at the lower present value as at the balance sheet date. **Securities in the trading portfolio** and other **securities in the available for sale portfolio** were measured at market value pursuant to sec. 207 Commercial Code and sec. 56 (5) Banking Act.

5) **Loans and advances to credit institutions and customers, bills of exchange and other assets** were measured in accordance with sec. 207 Commercial Code. Appropriate value adjustments have been made to account for recognisable risk. Write-ups have been made from the reversal of value adjustments. Loans have been measured in consideration of statistical risk factors while provisions have been made where applicable in the form of portfolio corrections. Loans and advances to debtors in high-risk countries were assessed conservatively in consideration of the opinion of the Expert Senate for Commercial Law and Auditing (*Fachsenat für Handelsrecht und Revision*) of the Chamber of chartered public accountants and tax consultants (*Kammer der Wirtschaftstreuhänder*).

6) **Intangible and tangible assets** were measured at purchase or production cost less depreciation and impairment. Straight-line depreciation was employed where planned. The useful life is 25 to 50 years for buildings and 5 to 20 years for fixtures and fittings; the amortisation period for intangible assets is 4 to 15 years. Low-value assets were fully written off in the year of purchase.

7) **Securitised and subordinated liabilities** were recognised in the balance sheet at their repayment values or the pro rata annual values (zero coupon bonds).

8) **Issuing costs** for securities were expensed immediately; **premiums and discounts on issues** were amortised over the term of the securities.

9) Provisions were made in the amounts deemed necessary in standard commercial practice.

Defined benefit plans of Erste Group AG comprise provision for pension, severance and jubilee benefits.

Defined pension plans now only apply to retired employees. In the past, the pension obligations for active employees were transferred to VBV-Betriebliche Altersvorsorge AG. Remaining with Erste Group Bank AG is a defined-benefit obligation for entitlements of former employees who were already retired as of 31 December 1998 before the pension reform took effect, and for those former employees who did not retire until 1999 but continued to be entitled to a direct pension from Erste Group Bank AG under individual agreements; and for entitlements to resulting survivor pensions.

Severance obligations continue to apply to employees whose employment contract with Erste Group Bank AG commenced prior to 1 January 2003. Severance pay is a one-off payment to which employees are entitled when their employment is terminated. The entitlement to this severance pay arises after three years of employment.

Defined benefit plans also include jubilee benefits. The amount of jubilee benefits (payments for long-term service/loyalty to the company) depends on the length of employment with the employer. The entitlement to jubilee benefits is established by collective agreement, which defines both the conditions and amount of the entitlement.

Obligations under defined benefit plans for employees are determined using the projected unit credit method. Future obligations will be determined based on an actuarial report. The calculation takes into account not only the known salaries, pensions and entitlements to future pension payments but also salary and pensions increases expected in the future. The corridor method was abandoned in 2012.

As at 31 December 2012, actuarial assumptions used for the calculations were adjusted to the conditions prevailing at the end of 2012. Thus, the actuarial calculation of pension, severance and jubilee benefit obligations is based on a discount rate (long-term capital market interest rate) of 3,65% per annum (previously: 4.65% per annum) The statutory increase in pension benefits was assumed to be 2.0% per annum (previously: 2.4%). Severance benefits and jubilee benefits were calculated on the basis of an expected annual salary increase of 2.9% per year (previously: 3.4%). The obligations were calculated in accordance with the Pagler & Pagler mortality table "AVÖ 2008 P – Rechnungsgrundlagen für die Pensionsversicherung". The expected retirement age for each employee was individually calculated on the basis of the changes set out in the Budget Implementation Act of 2003 (*Budgetbegleitgesetz 2003*, Federal Law Gazette Vol. I No. 71/2003) regarding the increase in the minimum retirement age. The currently applicable legislation on the gradual rise in the retirement age for men and women to 65 was taken into consideration.

Severance entitlements measured in accordance with commercial law and based on the above parameters amounted to EUR 40,075,506.00 and were shown as a contingent liability in the balance sheet. The credit intended for the performance of outsourced severance requirements with the insurer as at 31 December 2012 amounted to EUR 40,647,229.00. The outsourcing of severance entitlements to S-Versicherung AG has not resulted in any change to employee claims against Erste Group Bank AG, which continues to be liable for the severance entitlements of employees.

Furthermore, a provision for the corporate part-time work scheme for elderly employees was agreed on 28 December 2012. Corporate part-time work for elderly employees is a new pension model for women born in 1959 (and older) and men born in 1956 (and older), where the working time factor is reduced by 50 % while the salary amounts to 65 % of the salary received prior to starting out on part-time work under this scheme.

10) Recoverable trust assets were declared off-balance sheet in accordance with sec. 48 (1) Banking Act.

11) In derivatives business, the assets and liabilities were measured as follows:

Hedging products and their underlying asset or liability are shown as one valuation unit in the balance sheet. Interest flows on other products of the non-trading portfolio (strategic positions) were accrued over the period in which they occur. Since 2012, reporting has been on a gross basis, the change has had no

impact on P&L. Negative market values are recognised in the income statement, while positive market values have not been recognised. Trading portfolios were measured mark-to-market.

12) Securities lending transactions have not been posted in the balance sheet in accordance with the provision applicable for securities lending. The securities underlying the lending transactions were recognised in the respective balance sheet items.

III. Notes to the balance sheet

(Unless indicated otherwise, amounts for the reporting year are stated in euros, for the previous year in thousand EUROS).

1) Maturity structure of loans and advances as well as liabilities to credit institutions and customers (by remaining maturities):

a) Loans and advances

	31/12/2012	31/12/2011
Loans and advances to credit institutions	28,641,358,559.46	33,249,636
up to 3 months	9,598,707,203.70	12,492,001
more than 3 months and up to 1 year	3,988,848,947.19	5,975,912
more than 1 year and up to 5 years	11,451,920,137.39	10,540,277
more than 5 years	2,570,553,342.06	3,034,758
payable on demand	1,031,328,929.12	1,206,688
Loans and advances to customers	13,056,789,459.72	14,827,058
up to 3 months	839,688,373.98	1,283,358
more than 3 months and up to 1 year	1,827,963,586.94	1,743,055
more than 1 year and up to 5 years	5,521,144,071.71	5,451,969
more than 5 years	4,011,071,595.74	5,445,703
payable on demand	856,921,831.35	902,973

b) Liabilities

	31/12/2012	31/12/2011
Amounts owed to credit institutions	25,945,420,394.69	27,999,156
up to 3 months	15,435,921,330.81	17,102,516
more than 3 months and up to 1 year	657,683,035.00	874,361
more than 1 year and up to 5 years	5,432,075,248.38	4,297,207
more than 5 years	3,519,724,943.87	4,245,921
payable on demand	900,015,836.63	1,479,151
Liabilities to customers	4,750,634,884.15	5,953,710
Savings deposits		
up to 3 months	0.00	0
more than 3 months and up to 1 year	0.00	0
more than 1 year and up to 5 years	0.00	0
more than 5 years	0.00	0
payable on demand	0.00	0
Other	4,750,634,884.15	5,953,710
up to 3 months	2,038,934,860.91	1,734,064
more than 3 months and up to 1 year	289,600,000.00	919,987
more than 1 year and up to 5 years	55,000,000.00	28,000
more than 5 years	436,300,000.00	438,600
payable on demand	1,930,800,023.24	2,833,059
Securitised liabilities	24,168,337,366.99	25,739,054
up to 3 months	930,082,359.64	2,614,667
more than 3 months and up to 1 year	3,284,958,897.15	4,902,629
more than 1 year and up to 5 years	12,753,368,997.04	12,124,601
more than 5 years	7,199,927,113.16	6,097,157
payable on demand	0.00	0

2) Debt securities due within one year

As at 31 December 2012, **securities portfolio** for Erste Group Bank AG which will mature within one year after the balance sheet date amounted to EUR 1,251,981,602.18 (prior year: EUR 6,279,195 thousand).

As at 31 December 2012, **debt securities** in issue which will mature within one year after the balance sheet date amounted to EUR 4,215,041,256.79 (prior year: EUR 7,517,289 thousand).

3) Assets and liabilities in foreign currencies

	Assets		Liabilities	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Total of Erste Group Bank AG	25,447,223,810.33	26,206,606	16,867,267,427.89	14,318,575

4) Loans and advances as well as liabilities to affiliated undertakings and companies in which participating interests were held

	Loans and advances to affiliated undertakings		Loans and advances to companies in which participating interest is held	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Loans and advances to credit institutions	21,344,393,401.69	23,915,230	398,973.86	399
Loans and advances to customers	4,079,247,847.11	4,133,795	0.00	0
Debt securities and other fixed-income securities (incl. securitised loans and advances to credit institutions)	1,914,112,834.54	1,847,624	0.00	0
Shares and other variable-yield securities	134,274,035.45	159,566	0.00	0

	Liabilities to affiliated undertakings		Liabilities to companies with participating interests	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Amounts owed to credit institutions	11,580,929,397.94	11,487,630	474,959.29	837
Liabilities to customers	81,704,567.59	1,898,252	0.00	0

Among these, the most important companies are:

Loans and advances to affiliated undertakings:
 Erste Bank der Oesterreichischen Sparkassen AG, Vienna
 Erste Bank Hungary Rt, Budapest
 Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz
 Erste & Steiermärkische Bank d.d., Rijeka
 Banca Comerciala Romana SA, Bucharest

Liabilities to affiliated undertakings:

Erste Bank der Oesterreichischen Sparkassen AG, Vienna
 Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz
 Allgemeine Sparkasse Oberösterreich Bank AG, Linz
 Ceska Sporitelna a.s., Prague

5) Subordinated assets

	31/12/2012	31/12/2011
a) Loans and advances to credit institutions	1,373,312,711.33	1,436,267
thereof:		
to affiliated undertakings	1,362,875,849.26	1,425,015
to companies with participating interests	0.00	0
b) Loans and advances to customers	215,762,657.81	222,753
thereof:		
to affiliated undertakings	8,027,935.39	8,810
to companies with participating interests	570,481.75	0
c) Bonds and other		
fixed-income securities	190,699,997.54	220,359
thereof:		
to affiliated undertakings	4,955,864.50	3,237
to companies with participating interests	0.00	0

6) Fiduciary business

No fiduciary business was disclosed as at the balance sheet date.

7) Participating interests and shares in affiliated undertakings

Holdings as at 31 December 2012:

The indicated figures generally comply with IFRS; dividends received in the same year are deducted from equity capital.

Company name, company location	Share (%) (interest of Erste Group)	Equity capital	Profit/Loss	Balance sheet date
1.) Credit institutions				
Erste Bank der Oesterreichischen Sparkassen AG, Vienna	100.00	1,052,411,000.00	120,015,000.00	31/12/2012
Prvá stavebná sporiteľna, a.s., Bratislava	35.00	252,305,000.00	27,815,000.00	30/11/2012
SPAR-FINANZ BANK AG	50.00	3,893,730.02	109,500.00	31/12/2011
Banka Sparkasse d.d., Ljubljana	28.00	90,216,000.00	-745,000.00	31/12/2011
2) Financial institutions				
ERSTE FACTORING d.o.o., Zagreb	76.95	15,288,256.70	2,969,500.50	31/12/2011
Erste Securities Istanbul Menkul Degerler AS, Istanbul	100.00	6,424,770.00	-1,534,990.00	31/12/2012
Erste Group Immorent AG, Vienna (sub-group)	100.00	444,439,000.00	-42,250,000.00	31/12/2012
3.) Other holdings				
Capexit Private Equity Invest AG, Vienna (sub-group)	100.00	2,248,000.00	90,000.00	31/12/2012
EB-Malta-Beteiligungen Gesellschaft m.b.H., Vienna	100.00	60,799,000.00	-1,982,000.00	31/12/2012
EGB e-business Holding GmbH, Vienna (sub-group)	100.00	29,353,290.00	1,984,000.00	31/12/2012
EGB Ceps Beteiligungen GmbH, Vienna	100.00	9,764,967,000.00	225,786,000.00	31/12/2012
Erste Corporate Finance GmbH, Vienna	100.00	42,313.61	-11,334.47	31/12/2011
Erste Group Services GmbH, Vienna	100.00	2,717,000.00	606,000.00	31/12/2012
Erste Bank Beteiligungen GmbH, Vienna	100.00	215,333,000.00	18,225,000.00	31/12/2012
Erste Reinsurance S.A., Howald	100.00	13,385,000.00	583,000.00	31/12/2012

Company name, company location	Share (%) (interest of Erste Group)	Equity capital	Profit/Loss	Balance sheet date
OM Objektmanagement GmbH, Vienna	100.00	96,770,400.00	25,121,000.00	31/12/2012
Erste GCIB Finance I B.V., Amsterdam	100.00	3,819,300.00	531,000.00	31/12/2012
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A., Amsterdam	66.67	4,770,690.00	-701,894.00	31/12/2011
VBV – Betriebliche Altersvorsorge AG, Vienna	26.94	48,854,071.57	2,429,351.43	31/12/2011
s IT Solutions SK, spol. s r.o., Bratislava	99.76	515,690.00	41,000.00	31/12/2012

8) Securities

a) Breakdown of securities admitted for trading on a stock exchange

<i>(pursuant to sec. 64 (1) no. 10 Banking Act)</i>	listed		not listed	
	13/12/2012	31/12/2011	13/12/2012	31/12/2011
a) Bonds and other fixed-income securities	2,536,118,315.47	3,202,296	4,229,369,357.93	5,414,122
b) Shares and other non-fixed-income securities	164,947,468.73	185,381	334,629,808.14	353,725
c) Participating interests	50,604,441.06	52,563	0.00	0
d) Shares in affiliated undertakings	0.00	0	0.00	0
Total	2,751,670,225.26	3,440,240	4,563,999,166.07	5,767,847

<i>(pursuant to sec. 64 (1) no. 11 Banking Act)</i>	Fixed assets		current assets	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
a) Bonds and other fixed-income securities	2,708,548,926.67	3,720,084	4,056,938,746.73	4,896,334
b) Shares and other non-fixed-income securities	311,951,748.87	311,853	187,625,528.00	227,568
Total	3,020,500,675.54	4,031,937	4,244,564,274.73	5,123,902

Allocation pursuant to sec. 64 (1) no. 11 Banking Act was carried out in accordance with the organisational policies adopted by the Management Board, with position being included under fixed assets that are held due to strategic aspects for a long-term profitable investment.

The difference to the redemption value resulting from the pro-rata write-downs pursuant to sec. 56 (2) Banking Act as at 31 December 2012 amounted to EUR 295,633,248.47 (prior year: EUR 67,937 thousand), while the difference to the redemption value from the pro-rata write-ups pursuant to sec. 56 (3) Banking Act amounted to EUR 30,966,973.11 (prior year: EUR 29,856 thousand).

b) Break-down of the differences of the securities listed for trade on the stock exchange not held as financial fixed assets

	31/12/2012	31/12/2011
Difference between the higher market value at the balance sheet date and the cost of purchase pursuant to sec. 56 (5) Banking Act.	113,263,223.21	70,083

c) Repurchase agreements

The carrying amount of the assets subject to sale and repurchase agreements amounted to EUR 1,609,024,343.99 at the balance sheet date (prior year: EUR 1,422,782 thousand).

d) Breakdown of bonds and other fixed-income securities

	31/12/2012	31/12/2011
Issued by public-sector issuers	773,671,276.10	873,800
Issued by other issuers	5,991,816,397.31	7,742,617
thereof:		
own issues	2,264,268,959.73	2,948,484
bonds - domestic credit institutions	404,336,952.20	638,127
bonds - foreign credit institutions	1,247,247,462.49	1,640,632
mortgage and municipal securities	696,543,643.28	801,389
convertible bonds	17,016,696.34	19,708
other bonds	1,362,402,683.27	1,694,277

9) Trading book

Erste Group Bank AG kept a trading book pursuant to sec. 22 n Banking Act throughout the financial year. The **securities portfolio** assigned to the trading book as at 31 December 2012 was EUR 2,492,760,779.92 (prior year: EUR 3,927,083 thousand). **Money market instruments** worth EUR 16,350,200,417.33 (prior year: EUR 20,566,288 thousand) were assigned to the trading book on 31 December 2012.

The volume of **other financial instruments** included in the trading book had a par value of EUR 310,455,451,402.57 at 31 December 2012 (prior year: EUR 415,518,430 thousand).

	Long position		Short position		Total	
	2012	2011	2012	2011	2012	2011
Options	1,979,906,614.90	2,790,782	2,772,966,022.41	3,256,696	4,752,872,637.31	6,047,478
Caps and floors	28,840,913,032.36	47,958,399	26,966,610,102.59	44,170,436	55,807,523,134.95	92,128,835
Currency swaps	46,121,930,989.33	55,756,018	0.00	0	46,121,930,989.33	55,756,018
Interest rate swaps	193,769,344,006.60	227,920,970	0.00	0	193,769,344,006.60	227,920,970
Fwd rate agreem.	3,014,878,361.86	14,206,523	3,774,335,244.13	17,890,764	6,789,213,605.99	32,097,287
Financial futures	868,524,641.96	321,466	939,740,569.42	68,751	1,808,265,211.38	390,217
Credit derivatives	347,277,627.99	581,203	498,454,109.72	596,422	845,731,737.71	1,177,625
Commodity derivatives	299,070,079.30	0	0.00	0	299,070,079.30	0
Other	261,500,000.00	0	0.00	0	261,500,000.00	0
Total	275,503,345,354.30	349,535,361	34,952,106,048.27	65,983,069	310,455,451,402.57	415,518,430

Please note: interest and currency swaps, as well as commodity swaps, are two-sided transactions but depicted as one-sided (purchase) in the table. All other products are unilateral transactions, therefore purchases and sales are disclosed separately.

10) Fixed assets

The statement of changes in fixed assets pursuant to sec. 226 (1) Commercial Code is disclosed separately in the attachment to the notes.

The carrying amount of developed land was EUR 4,432,276.57 as at 31 December 2012 (prior year: EUR 11,352 thousand). The carrying amount at 31 December 2012 did not include leased assets.

For the next fiscal year, Erste Group Bank AG will have expenses from the use of tangible assets not disclosed in the balance sheet (rental and leasing contracts) of a total of EUR 15,709,575.00 (prior year: EUR 15,467 thousand), and of a total of EUR 77,898,639.00 for the next five fiscal years (prior year: EUR 84,487 thousand).

Intangible fixed assets include assets of a value of EUR 20,535,961.65 (prior year: EUR 17,516 thousand) that have been acquired from an affiliated undertaking. During the year, EUR 10,415,459.59 worth of such assets were acquired (prior year: EUR 8,000 thousand).

11) Accrued and deferred items

Prepayments and accrued income had decreased to EUR 271,965,574.35 at 31 December 2012 (prior year: EUR 291,000 thousand). Of these, EUR 75,923,127.43 (prior year: EUR 78,447 thousand) were accruals in connection with derivative instruments, and EUR 129,836,064.20 (prior year: EUR 141,639) were prepayments on commissions.

12) Other assets

	31/12/2012	31/12/2011
Total:	12,964,947,029.70	5,717,388
thereof from securities transactions	12,618,689.04	957
thereof from derivative products*	11,604,420,946.60	4,006,627
thereof from accrued income	699,136,939.79	709,254
thereof from deferred taxes	24,869,000.00	24,869
thereof from receivables from participating interests and affiliated undertakings	373,040,965.45	830,047

* Increase due to statement on a gross basis

13) Issued bonds

	31/12/2012	31/12/2011
Total:	24,168,337,366.99	25,739,054
thereof covered bonds	961,767,283.42	961,767
thereof non-covered bonds	12,943,094,567.77	14,383,886
thereof mortgage bonds and municipal bonds	9,897,508,809.44	9,797,493
thereof certificates of deposit and commercial paper	250,004,905.54	450,908

14) Other liabilities

	31/12/2012	31/12/2011
Total:	11,711,057,159.89	4,325,553
thereof from derivative products*	10,536,014,955.50	3,077,474
thereof from securities transactions	468,779,553.61	501,116
thereof from accrued income	502,049,767.07	557,077

* Increase due to statement on a gross basis

15) Provisions

	31/12/2012	31/12/2011
Provisions for pensions	339,479,267.00	324,588
Provisions for taxation	19,381,033.87	15,760
Provisions for contingent liabilities	93,839,451.17	164,757
Other	251,861,544.58	167,145
Total	704,561,296.62	672,250

The increase in the **provision for pensions** in the year under review by EUR 14,891,603.00 resulted from the change in the underlying calculation parameter described in point II/9 of the Notes. In addition, the accumulated actuarial gains and losses could no longer be deducted from the defined benefit obligation, since the corridor method had been abandoned.

Severance obligations have been outsourced to Sparkassen Versicherung Aktiengesellschaft since 2007.

The **provisions for contingent liabilities** decreased on the previous year, particularly due to the use and release of warranty provisions

Other provisions include also provisions for negative market values for derivatives without any hedge relationship in the amount of EUR 138,048,806.73. The negative values for which provisions were made amounted to EUR 60,192 thousand in 2011.

16) Subordinated liabilities

Subordinated debt amounted to EUR 4,221,484,103.10 (prior year: EUR 4,852,975 thousand) as per 31 December 2012. No subordinated liability taken by Erste Group Bank AG during the reporting year (including supplementary capital) was above the 10 % limit for total subordinated liabilities. The conditions of all other subordinated debts fulfil the requirements pursuant to sec. 23 (8) Banking Act.

Movements in total subordinated liabilities were as follows:

Increase due to new issues	EUR	928,960,133.39
Decrease due to maturity	EUR	327,638,239.94
Decrease due to partial extinguishment	EUR	1,269,748,525.79
Increase in carrying amount caused by valuation price fluctuations	EUR	36,935,934.47

At the balance sheet date, the bank held no own issues from subordinated liabilities that were not admitted for trading on stock exchanges.

In 2012, Erste Group Bank AG expenses for subordinated liabilities and supplementary capital were EUR 171,414,868.93 (prior year: EUR 190,836 thousand). The term "subordinated" is defined in sec. 45 (4) and sec. 51 (9) Banking Act.

17) Subscribed capital and participation capital

Subscribed capital at 31 December 2012 was EUR 789,137,294.00 (prior year: EUR 781,535 thousand), represented by 394,568,647 voting bearer shares (ordinary shares).

In addition, a par value of EUR 1,763,744,000.00 (prior year: EUR 1,763,744 thousand) in participation capital was disclosed pursuant to sec. 23 (4) Banking Act, which the Management Board was authorised to raise in the amount of EUR 2,700,000,000.00 subject to approval at the extraordinary Annual General Meeting on 2 December 2008. This authorisation is valid for five years starting from the day the resolution was passed. In 2009, the participation capital was subscribed by the Republic of Austria as well as by private and institutional investors.

Capital increase from authorised capital

In the second half of 2011, Erste Group Bank AG held negotiations about the acquisition of BCR shares held by the SIFs with all five regional Romanian investment funds ("Societateai de Investitii Financiare", "SIF" for short), namely SIF Banat-Crisana, SIF Moldova, SIF Muntenia, SIF Oltenia and SIF Transilvania. An agreement was reached with SIF Banat-Crisana, SIF Moldova, SIF Muntenia and SIF Transilvania. The acquisition of their BCR shares was implemented in several tranches.

Prior to the first tranche, the 5 SIFs held a total of 3,257,561,011 BCR shares (30.0060%). In 2011 and 2012, 2,060,418,643 BCR shares were obtained by Erste Group Bank AG at an exchange ratio of 1:127.9583 by way of a capital increase using authorised capital to the exclusion of the shareholders' subscription rights. Erste Group Bank AG has acquired the remaining 545,109,063 BCR shares held by SIFs against payment in cash.

The issue price of the new shares for the tranches implemented in 2012 from the capital increase in exchange for payment in kind was set at EUR 17.62. In 2012, the SIFs Banat-Crisana and SIF Muntenia transferred a total of 486,418,882 BCR shares as contribution in kind to Erste Group Bank AG and the company's share capital was increased accordingly by EUR 7,602,770.00. Overall, 3,801,385 new Erste Group Bank AG shares were issued to these two SIFs. Further 121,699,099 BCR shares were acquired by Erste Group Bank AG according to the agreement held by these SIFs against payment in cash.

Beginning of 2012 were BCR shares, held earlier by SIF Banat-Crisana und SIF Muntenia and then acquired by Erste Group Bank AG, placed by Erste Group Bank AG through in-kind capital contribution contracts as per 28 February and 10 April 2012 pursuant to the Reorganisation Tax Act (UmgrStG) into EGB Ceps Holding GmbH, which bears directly all other BCR shares for Erste Group Bank AG also.

As per 1 January 2012, the approved capital of Erste Group Bank AG amounted to EUR 175,398,244,000.00. After completion of these capital increases in exchange for contributions in kind, the approved capital amounted to EUR 167,795,474.00 as per 31 December 2012.

18) Employee share ownership programme and management share option programme

MSOP 2005: The MSOP comprises a maximum of 2,000,000 ordinary shares of Erste Group Bank AG, represented by 2,000,000 options. The tables below show the amounts of vested options distributed to Management Board members, managers and other eligible staff of Erste Group Bank AG.

Conditions: Each of the options granted free of charge entitles the holder to subscribe to one share; the transfer of options inter vivos is not permitted. The 2005 options were granted on the following dates: for the Management Board and other managers, 1 June 2005; for other key staff, options were granted in three tranches, on 1 September 2005, 1 September 2006 and 31 August 2007. For options granted in three tranches, at which time they were credited to the accounts of the recipients: 1 September 2005, 1 September 2006 and 31 August 2007. The exercise price for all three tranches was set at the average market price of Erste Group Bank AG shares quoted in April 2005 plus a 10% premium, rounded down to the nearest half euro. The resulting exercise price was EUR 43.00 per share. The option term begins on the grant date and ends on the value date of the last exercise window of the fifth calendar year after the year in which the option was vested. Every year, notices of the intention to exercise may be submitted

within 14 days from the day of publication of the quarterly results for the first, second and third quarter of each financial year (three exercise windows per year). The holding period runs for one year from the value date of the share purchase. Up to 25% of the purchased shares may be sold during this holding period.

The **MSOP 2005** options granted, vested and exercised were distributed as follows among the recipients

	Outstanding/ exercisable 01.01.2012	expired 2012	Outstanding/ exercisable 31.12.2012
Andreas Treichl	3,000	3,000	0
Franz Hochstrasser	3,000	3,000	0
Herbert Juranek	3,000	3,000	0
Gernot Mittendorfer	3,000	3,000	0
Bernhard Spalt	3,000	3,000	0
Martin Škopek	3,000	3,000	0
Manfred Wimmer	1,000	1,000	0
<hr/>			
Total received by Management Board members:	19,000	19,000	0
Other management	266,500	266,500	0
Employees	249,270	249,270	0
<hr/>			
Total options	534,770	534,770	0

19) Capital authorised and contingent as at 31 December 2012

Authorised capital:

Clause 5 of the Articles of Association authorises the Management Board, subject to approval by the Supervisory Board, – if necessary in several tranches – to increase the company’s subscribed capital until 12 May 2015 by up to EUR 167,795,474.00 by issuing up to 83,897,737 shares as follows (the type of share, issuing price, terms of issuing and – if intended – exclusion of subscription rights are to be determined by the Management Board with the approval of the Supervisory Board): by issuing shares against cash contributions without exclusion of the subscription rights of existing shareholders; however, where the capital increase is used for the issuance of shares to employees, managers or members of the Management Board of the company or an affiliated undertaking, the subscription rights of existing shareholders are excluded; by issuing shares against contributions in kind, while excluding the subscription rights of existing shareholders.

Contingent capital:

Pursuant to article 6.3 of the Articles of Association, contingent capital from Management Board resolutions passed in 2002 and 2010 is of a par value of EUR 21,923,264.00 and may be utilised by issuing up to 10,961,632 bearer or registered shares at an issue price of at least EUR 2.00 per share, payable in cash, while excluding the subscription rights of the existing shareholders. This conditional capital is used to grant share options to employees, managers and members of the Management Board of the company or an affiliated undertaking.

According to article 6.4 of the Articles of Association, the company has additional contingent capital of EUR 124,700,000.00 from the issuance of up to 62,350,000 ordinary bearer shares. This contingent capital is used to grant conversion or subscription rights to holders of convertible bonds.

Authorised contingent capital:

According to article 7 of the Articles of Association no authorisation currently exists to grant contingent capital.

20) Major shareholders

At 31 December 2012, the foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (hereinafter referred to as "the Privatstiftung") controlled a 20.13% interest in Erste Group Bank AG. 18.52% of the shares are held directly by DIE ERSTE oesterreichische Spar-Casse Privatstiftung and a further 1.61% of the shares are by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the Privatstiftung, and a further 4.34% is held by Austrian Saving banks, which act together and are affiliated with Erste Group by virtue of the Haftungsverbund. This makes the Privatstiftung the largest single investor in Erste Group Bank AG. In addition, the Privatstiftung held participation capital with a notional value of EUR 17,000,000.00 in Erste Group Bank AG as at 31 December 2012.

No dividend was paid (prior year: EUR 67.0 million) on its stake in Erste Group Bank AG in 2012 (for fiscal year 2011). The dividend for participation capital of Erste Group Bank AG amounted to EUR 1,360,000.00 (prior year: EUR 1.4 million). The purpose of the Privatstiftung, to be achieved notably by way of the participating interest in Erste Group Bank AG, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. As at 31 December 2012, Theodora Eberle (chairwoman), Richard Wolf (vice chairman), Franz Karl Prüller and Bernhard Spalt were members of the Privatstiftung Management Board. The Privatstiftung's Supervisory Board had eight members at the end of 2012, two of whom are also members of the Supervisory Board of Erste Group Bank AG.

Under Art. 15.1 of the Articles of Association, for the duration of its assumption of liability for all current and future debts in the event of their default on payment, DIE ERSTE oesterreichische Spar-Casse Privatstiftung is entitled, pursuant to sec. 92 (9) Banking Act, to delegate up to one-third of the Supervisory Board members to be elected at the Annual General Shareholders' Meeting. Until now, the Privatstiftung has not exercised this right.

As at 31 December 2012, Erste Group Bank AG has accounts receivable in the amount of EUR 16.22 in respect of the Privatstiftung. In addition, standard derivative transactions for hedging purposes were in place between Erste Group Bank AG and the Privatstiftung, namely interest rate swaps in the amount of EUR 282,000,000.00 (prior year: EUR 185,000 thousand) and foreign currency swaps of EUR 29,973,162.11 (prior year: EUR 29,234 thousand). In 2012, the interest income of Erste Group Bank AG resulting from said derivative transactions for the reporting period amounted to EUR 11,938,427.40 (prior year: EUR 7,714 thousand) while interest expenses amounted to EUR 9,296,194.32 (prior year: EUR 5,246 thousand).

As at 31 December 2012, Caixa Corp S.A., which is based in Barcelona, Spain, holds a total of 39,195,848 Erste Group shares, equivalent to 9.93% of the share capital of Erste Group Bank AG. In addition, CaixaBank S.A. held participation capital with a notional value of EUR 15,000,000.00 in Erste Group Bank AG as at 31 December 2012. Juan Maria Nin, Deputy Chairman of CaixaBank S.A. is a member of the Supervisory Board of Erste Group Bank AG.

CaixaBank S.A. received no dividend (prior year: EUR 26.74 million) in 2012 (for the financial year 2011). The dividend for the participation capital of Erste Group Bank AG amounted to EUR 1,200,000.00.

Provisions concerning the appointment and dismissal of members of the Management Board and the Supervisory Board that do not result from statutory law concern article 15.4 of the Articles of Association, according to which a majority of three quarters of valid votes cast and a majority of three quarters of the subscribed capital existing at the time of resolution are required to decide on the revocation of members of the Supervisory Board.

The Articles of Association contain no restrictions in respect of voting rights or the transfer of shares. A holding period of one year applies with regard to the employee share ownership programmes (MSOP and ESOP).

Clause 19.9 of the Articles of Association (amendments to the Articles of Association) contains a provision that does not follow directly from statutory law: amendments of the articles association, in so far as they do not alter the purpose of the company, may be passed with simple majority of votes cast and simple majority of the subscribed capital represented at the Annual General Meeting considering the amendment.

Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Furthermore, clause 19.9 of the Articles of Association can only be amended with a majority of three-quarters of votes cast and with a majority of three-quarters of the subscribed capital represented at the meeting considering the resolution.

21) Reserves

a) Changes in capital reserves:

The capital reserves at 31 December 2012 totalled EUR 6,709,930,000.00 (prior year: EUR 6,650,552 thousand). The increase in the capital reserves by EUR 59,378,000.00 is the result of the share swap (BCR-SIFs) described in sec. III. 17 of these notes.

b) Changes in retained earnings:

As at 31 December 2012, retained earnings amounted to EUR 1,753,880,409.27 (prior year EUR 1,673,382 thousand). This includes a reserve for own shares of EUR 26,639,000.00 (prior year: EUR 27,059 thousand).

c) Changes in the liability reserve:

As at 31 December 2012, the total liability reserve was EUR 851,000,000.00 just as the year before.

d) Changes in untaxed reserves

The reduction in untaxed reserves to EUR 5,193,000,000.00 (prior year: EUR 5,552 thousand) is the result of the reversal of valuation reserves due to special depreciations pursuant to sec. 12 Income Tax Act (*Einkommensteuergesetz 1988*).

22) Own supplementary capital

At the balance sheet date for 2012, Erste Group Bank AG held supplementary own capital with a carrying amount of EUR 2,633,770.46 (prior year: EUR 7,626).

23) Own subordinated capital

At the balance sheet date for 2012, Erste Group Bank AG held subordinated own capital with a carrying amount of EUR 38,672,347.35 (prior year: EUR 40,922).

24) Own shares

Own shares held by Erste Bank

	No. of shares	Purchase price	Selling price	par value in share capital
Portfolio at 1 January 2012	0			0.00
Total additions	15,347,436	257,861,225.65		30,694,872
Total disposals	15,347,436		257,861,225.65	30,694,872
Portfolio as at 31 December 2012	0			0.00
Highest level of own shares held	0			0.00

The primary purpose of the transactions was market making. As at 31 December 2012, other liabilities include a short position in Erste Bank shares amounting to 1,011,873 units (carrying amount EUR 24,310,248.83), which is covered by lending.

Participation capital of a par value of EUR 50,000.00 was disclosed as own capital as at the balance sheet date.

Ordinary shares of Erste Group Bank AG are also held by the following affiliated undertakings.

Sparkasse Kremstal-Pyhrn Aktiengesellschaft
 Sparkasse Mühlviertel-West Bank Aktiengesellschaft
 SPK Immobilien- und Vermögensverwaltungs GmbH
 Kärntner Sparkasse Aktiengesellschaft
 Steiermärkische Bank und Sparkassen Aktiengesellschaft

25) Own funds

Since 1 January 2007, Erste Group Bank AG has been applying the Basel II solvency rules. The advanced IRB (internal-rating-based) approach is used for retail business while the basic approach based on the internal rating system is used in corporate business, for sovereigns and in interbank business. In addition, some asset categories are measured according to the standardised approach in accordance with statutory transition regulations.

a) Assessment base pursuant to sec. 22 (2) Banking Act

	31/12/2012	31/12/2012	31/12/2011	31/12/2011
	unweighted	weighted	unweighted	weighted
Standardised approach	47,678,784,753.72	23,911,952,892.77	41,809,303	17,785,505
Internal-ratings-based (IRB) approach	28,497,108,409.38	11,943,137,768.68	32,322,647	16,716,213
Risk-weighted assets by exposure class at 31 December 2012 according to Basel II regulation:	76,175,893,163.10	35,855,090,661.45	74,131,950	34,501,718

b) Minimum capital requirement pursuant to sec. 22 (1) Banking Act

	31/12/2012	31/12/2011
1. Minimum capital requirement for credit risk pursuant to sec. 22 a–h Banking Act	2,868,407,252.92	2,760,137
a) Standardised approach	1,912,956,231.42	1,422,840
b) Internal-ratings-based (IRB) approach	955,451,021.49	1,337,297
2. Settlement risk	0.00	19
3. Minimum capital requirement for position risk	360,507,000.00	561,145
4. Minimum capital requirement for operational risk	104,083,000.00	98,867
5. Minimum qualifying capital requirement due to adoption of Basel II regulation	0.00	0
6. Minimum capital requirement for qualified non-financial investments	0.00	0
Total minimum capital requirement	3,332,997,252.92	3,420,168

c) Own funds pursuant to sec. 23 Banking Act

Own funds	31/12/2012	31/12/2011
Paid-up capital	2,552,881,294.00	2,545,279
Deduction of treasury shares	-6,988,244.60	-470
Reserves	9,320,003,409.27	9,180,486
Hybrid (Tier 1) capital less intangible assets	16,817,009.55	17,010
	-48,658,063.63	-43,967
Core (Tier 1) capital pursuant to sec. 23 (14) (1) Banking Act (before deductions)	11,834,055,404.59	11,698,338
Qualifying supplementary (Tier 2) capital		
Supplementary capital	208,786,242.62	526,013
Revaluation reserve	97,065,586.81	100,753
Excess loan loss provision for IRB items	87,662,995.74	0
Subordinated capital	2,925,371,496.5	2,483,384
	3	
Qualifying supplementary (Tier 2) capital (before deductions)	3,318,886,321.70	3,110,150
Eligible short-term subordinated capital (Tier 3)	0.00	0
Rededication of own-fund components no longer eligible	360,507,000.0	494,060
	0	
Eligible short-term subordinated (Tier 3) capital	360,507,000.00	494,060
Deductions from core (Tier 1) capital pursuant to sec. 23 (13) nos. 3 and 4 Banking Act	-112,248,922.64	-128,241
Deductions from own funds pursuant to sec. 23 (13) (3) and (4) Banking Act	-112,248,922.64	-128,241
Deductions from own funds pursuant to sec. 23 (13) (4a) Banking Act	-81,811,205.78	-81,234
Deductions from core (Tier 1) capital purs. to sec. 23 (13) (4c) Banking Act	0.00	-65
Deductions from own funds pursuant to sec. 23 (13) (4c) Banking Act	0.00	-65
Deductions from core (Tier 1) capital purs. to sec. 23 (13) (4d) Banking Act	-11,149,959.01	-34,954
Deductions from own funds pursuant to sec. 23 (13) (4d) Banking Act	-11,149,959.01	-34,954
Eligible capital pursuant to sec. 23 Banking Act	15,184,839,617.22	14,894,793
Minimum capital requirement	3,332,997,252.92	3,420,168
Qualifying capital surplus	11,851,842,364.30	11,474,624
Cover ratio	455.6%	435.5%
Solvency ratio (1), in relation to credit risk	41.05%	41.26%
Core (Tier 1) ratio (2), in relation to credit risk	32.66%	33.43%

(1) Total eligible capital pursuant to sec. 23 Banking Act less risk requirements other than for capital risk (settlement risk, operational risk and position risk for trading book and foreign currencies) in relation to the assessment base for credit risk pursuant to sec. 22 (2) Banking Act.

(2) Core (Tier 1) capital after deductions relative to the credit risk assessment base pursuant to sec. 22 (2) Banking Act.

26) List of assets pledged as collateral for liabilities pursuant to sec. 64 (1) no. 8 Banking Act

Assets	31/12/2012	Disability description	Balance sheet item
Collateral pool for covered Erste Bank bonds			
Fixed-income securities	1,467,564,427	covered Erste Bank bonds	Liability 3
OeNB asset pool (tender):			
Fixed-income securities	2,019,861,111.11	Refinancing by OeNB / ECB	Liability 1
Pledge agreements			
Money market loan	556,498,256.27	Guarantees and contingent liabilities pledged as collateral	
Collateral for unregistered OTC derivatives:			
Cash collateral	522,404,833.00	Other liabilities	Liability 4
Securities collateral	23,991,000.00	Other liabilities	Liability 4
Total	546,395,833.00		
Collateral for exchange-traded derivatives:			
Securities collateral	79,986,073.00	UBS margin requirement	
Cash collateral	37,299.01	Hungary margin requirement	
Cash collateral	9,407,355.97	Poland margin requirement	
Total	89,430,727.98		
Blocked securities account as collateral with Österreichische Kontrollbank AG:			
Fixed-income securities	276,439,257.00	Margin requirement	
Collateral pool for municipal and mortgage bonds:			
Loans and advances to customers	605,083,775.27	issued municipal and mortgage bonds	Liability 3
Fixed-income securities	282,275,771.47	issued municipal and mortgage bonds	Liability 3
Total	887,359,546.74		
Total	5,843,549,159.26		

27) Total volume of unsettled derivatives

		Time to maturity for notional amounts			
		< 1 year	1-5 years	> 5 years	total
INTEREST RATE CONTRACTS		126,218,463,557.57	211,299,200,612.48	151,665,179,762.67	489,182,843,932.72
<u>OTC products:</u>					
Interest rate options	Purchase	6,333,924,394.59	16,320,912,480.41	6,206,076,157.36	28,860,913,032.36
	Sale	5,237,768,148.44	17,011,994,688.95	7,304,470,928.02	29,554,233,765.41
Interest rate swaps	Purchase	53,680,572,511.76	88,637,748,158.44	69,042,720,338.64	211,361,041,008.84
	Sale	53,680,572,511.76	88,637,748,158.44	69,042,720,338.64	211,361,041,008.84
FRAs	Purchase	3,014,878,361.86	0	0	3,014,878,361.86
	Sale	3,483,538,117.89	290,797,126.24	0	3,774,335,244.13
<u>Exchange traded products:</u>					
Futures		727,209,511.28	400,000,000.00	0	1,127,209,511.28
Interest rate options		60,000,000.00	0	69,192,000.00	129,192,000.00

		Time to maturity for notional amounts			
		< 1 year	1-5 years	> 5 years	total
CURRENCY CONTRACTS		92,010,399,288.30	6,363,039,292.32	2,086,471,807.10	100,459,910,387.72
<u>OTC products:</u>					
Currency options	Purchase	877,446,514.41	92,970,178.54	2,000,000.00	972,416,692.95
	Sale	907,416,135.53	81,224,022.44	2,285,785.29	990,925,943.26
Currency swaps	Purchase	45,427,688,346.24	3,135,864,804.67	1,035,359,525.59	49,598,912,676.50
	Sale	44,758,572,645.67	3,052,980,286.67	1,046,826,496.22	48,858,379,428.56
<u>Exchange traded products:</u>					
Futures		27,705,103.86	0	0	27,705,103.86
Currency options		11,570,542.59	0	0	11,570,542.59
SECURITIES-RELATED CONTRACTS		611,946,507.07	433,099,437.23	784,711,220.80	1,829,757,165.09
<u>OTC products:</u>					
Equity options	Purchase	110,484,402.14	2,743,429.68	779,855,220.80	893,083,052.62
	Sale	42,942,555.71	7,163,217.33	4,856,000.00	54,961,773.05
Equity swaps	Purchase	19,061,059.22	185,015,335.61	0	204,076,394.83
	Sale	19,061,059.22	185,015,335.61	0	204,076,394.83
<u>Exchange traded products:</u>					
Futures		361,035,320.30	148,405.20	0	361,183,725.51
Stock options		59,362,110.47	53,013,713.79	0	112,375,824.26
COMMODITY CONTRACTS		547,589,018.17	32,857,863.96	0	580,446,882.13
<u>OTC products:</u>					
Commodity options	Purchase	29,411,674.65	3,421,142.66	0	32,832,817.31
	Sale	4,232,674.65	0	0	4,232,674.65
Commodity swaps	Purchase	110,844,701.07	14,718,360.65	0	125,563,061.72
	Sale	110,844,701.07	14,718,360.65	0	125,563,061.72
<u>Exchange traded products:</u>					
Futures		292,166,870.73	0	0	292,166,870.73
COMMODITY Options		88,396.01	0	0	88,396.01
CREDIT DERIVATIVES		478,773,222.65	373,618,133.04	115,659,618.00	968,050,973.69
<u>OTC products:</u>					
Credit default swaps	Purchase	188,496,013.32	238,942,445.32	42,158,405.33	469,596,863.97
	Sale	290,277,209.33	134,675,687.72	73,501,212.67	498,454,109.72
OTHER		74,000,000.00	77,125,036.50	490,005,038.40	641,130,074.90
<u>OTC products:</u>					
Inflation Options	Purchase	0	13,179,896.50	36,000,000.00	49,179,896.50
	Sale	0	19,945,140.00	45,005,038.40	64,950,178.40
Inflation Swaps	Purchase	37,000,000.00	22,000,000.00	204,500,000.00	263,500,000.00
	Sale	37,000,000.00	22,000,000.00	204,500,000.00	263,500,000.00
TOTAL		219,941,171,593.76	218,578,940,375.53	155,142,027,446.97	593,662,139,416.26
thereof OTC products		218,402,033.74	218,125,778.26	155,072,835.45	591,600,647.44
thereof Exchange traded products:		1,539,137.86	453,162.12	69,192.00	2,061,492.91

28) Derivative financial instruments and fixed-asset financial instruments acc. to the Fair-Value Valuation Act

a) Derivative financial instruments

	Notional amount Purchase	Notional amount Sale	Carrying amount	Fair value positive	Fair value negative
INTEREST RATE CONTRACTS					
OTC products					
Interest rate options	28,860,913,032.36	29,554,233,765.41	57,772,072.66	1,820,179,646.44	-1,739,914,611.25
Interest rate swaps	211,361,041,008.84	211,361,041,008.84	379,983,152.30	18,720,969,103.55	-16,910,466,672.70
FRAs	3,014,878,361.86	3,774,335,244.13	3,314,480.89	11,766,302.04	-8,451,821.15
Exchange traded products					
Futures	304,600,000.00	822,609,511.28			
Interest rate options	20,000,000.00	109,192,000.00	-344,903.19	0.00	-344,903.19
CURRENCY CONTRACTS					
OTC products					
Currency options	972,416,692.95	990,925,943.26	4,456,932.42	35,958,749.25	-30,466,177.00
Currency swaps	49,598,912,676.50	48,858,379,428.56	64,069,737.99	464,535,725.69	-409,337,289.28
Exchange traded products					
Futures	14,806,828.86	12,898,275.00			
Currency options	11,002,552.59	567,990.00	140,162.53	150,636.65	-10,474.12
SECURITIES-RELATED CONTRACTS					
OTC products					
Equity options	893,083,052.62	54,961,773.05	18,930,452.22	84,517,002.54	-83,856,516.05
Equity swaps	204,076,394.83	204,076,394.83	113,345.11	15,551,420.59	-18,704,240.46
Exchange traded products					
Futures	256,950,942.37	104,232,783.13			
Stock options	21,570,602.93	90,805,221.33	-1,859,540.63	943,706.77	-2,803,247.40
COMMODITY CONTRACTS					
OTC products					
Commodity options	32,832,817.31	4,232,674.65	-600,600.32	24,607,821.80	-25,208,814.43
Commodity swaps	125,563,061.72	125,563,061.72	-506,574.07	8,300,440.96	-8,575,123.03
Exchange traded products					
Futures	292,166,870.73	0.00			
Commodity options	0.00	88,396.01	-102,039.80	0.00	-102,039.80
CREDIT DERIVATIVES					
OTC products					
Credit default options	0.00	0.00	0.00	0.00	0.00
Credit default swaps	469,596,863.97	498,454,109.72	144,169.58	24,353,765.85	-21,323,567.45
OTHER					
OTC products					
Inflation Options	49,179,896.50	64,950,178.40	577,690.62	1,396,072.88	-818,382.26
Inflation Swaps	263,500,000.00	263,500,000.00	4,121,116.58	10,870,257.58	-4,491,249.05
OTC products	295,845,993,859.46	295,754,653,582.56	532,375,975.97	21,223,006,309.16	-19,261,614,464.10
Exchange traded products	921,097,797.48	1,140,394,176.76	-2,166,321.09	1,094,343.42	-3,260,664.51
Total	296,767,091,656.95	296,895,047,759.31	530,209,654.88	21,224,100,652.58	-19,264,875,128.61

b) Fixed-asset instruments

	Carrying amount	Fair value	Hidden Losses	Hidden Reserves
Treasury bills	418,971,934.14	418,186,965.57	784,968.57	
	4,264,067,194.58	4,431,587,979.41		167,520,784.83
Loans and advances to credit institutions	1,240,504,332.48	1,206,729,996.49	33,774,335.99	
	597,005,152.77	599,517,722.75		2,512,569.98
Loans and advances to customers	969,330,289.09	929,168,230.89	40,162,058.20	
	309,376,498.16	313,454,271.03		4,077,772.87
Debt securities	673,331,530.51	561,244,692.08	112,086,838.44	
	1,836,785,364.88	1,882,648,129.25		45,862,764.37
Shares	175,397,175.08	151,893,623.50	23,503,551.58	
	298,205,461.65	319,770,983.73		21,565,522.08
Total	3,477,535,261.30	3,267,223,508.53	210,311,752.77	
	7,305,439,672.03	7,546,979,086.17		241,539,414.14

Assets were not impaired, since the impairment is not presumed to be permanent. The fair value is the amount that could be attained in an active market through the sale of a financial instrument, or correspondingly the amount that would be payable for its purchase. Market prices were used to determine fair value where available. Where no market price was available, valuation models were used, particularly the net present value method.

The fair value of options was determined using accepted option pricing models. The valuation models used include models of the Black-Scholes class, binominal models, as well as Hull-White and BGM models.

29) Fair value for securities in inactive markets

Erste Group AG calculates theoretical prices for securities in an inactive market. A market is assumed to be inactive when prices for the relevant security are fixed only sporadically, there is only small-volume trading or no current prices are available.

Of the securities admitted for trading at stock exchanges and marked to market, theoretical prices were used for the following volumes:

Carrying value of securities not marked on the basis of market prices	Fair value on the basis of the price in the inactive market	Difference
534,019,515.67	541,618,527.28	7,599,011.61
154,617,117.45	no current price available	n. a.

30) Information relating to hedging transactions

Erste Group Bank AG uses interest rate swaps, currency swaps and options to hedge against future cash flows or the market risk (interest rate, exchange rate and price risk) resulting from balance sheet assets (bonds, loans) and liabilities (own issues, promissory notes, custody transactions) on an individual basis or as a group.

Derivatives are used in accordance with the Hedging Strategy in acc. with the Commercial Code to hedge the fair value of underlying transactions (e.g. by swapping fixed for variable interest payments) and payment streams (e.g. by swapping variable for fixed interest payments) thereby reducing the interest rate risk of Erste Group Bank AG to the level defined under the interest risk strategy.

	31/12/2012	31/12/2011	Change
Positive market value fair value hedge	1,855,303,069.41	1,330,375	524,928,206.73
Positive market value cash flow hedge	43,175,788.43	40,148	3,027,205.66
Negative market value fair value hedge	-465,416,791.73	-536,566	71,149,335.45
Negative market value cash flow hedge	0.00	-20,420	20,419,968.66
Total			
Positive market value	1,898,478,857.84	1,370,523	527,955,412.39
Negative market value	-465,416,791.73	-556,986	91,569,304.11

The market values are given based on clean prices. Where market values are negative, they represent off-balance-sheet losses from derivatives in a hedge relationship. As per 31 December 2012, fair value hedges with a 2045 horizon and cash flow hedges with a 2026 horizon were available. The negative market values (accrued interest not considered) of derivatives used to hedge against payment flows are not recognised in the annual financial statements because these payment flows are – with a level of probability verging on certainty – offset by recognised payment counter-flows from the underlying transactions .

Effectiveness is basically measured using critical terms match. Where inadmissible, effectiveness is measured on a quarterly basis using the hypothetical derivative method. This method retrospectively determines the effectiveness of fair value hedges by comparing the changes in fair value (also taking into account accrued interest) between the hedge and the underlying using a hypothetical derivative as underlying. For a prospective determination of the efficiency of fair value hedges, the change in the value of the derivative and the underlying is compared at a point when the interest rate curve shifts one basis point. The interest accrued by the variable cash flow from the hedge since the last measurement and that of the underlying are compared to determine the efficiency of cash flow hedges retrospectively. To measure the efficiency of cash flow hedges prospectively, the fair values of the variable side between hedge and underlying are compared, using a hypothetical derivative as underlying.

31) Risk provisions

Changes in risk provisions (loans and advances to credit institutions and to customers as well as contingent liabilities)

	31/12/2012	31/12/2011
At the beginning of the year	672,476,078.93	568,141
less: use	-187,495,970.06	-39,292
less: releases	-73,143,277.94	-52,325
plus: additions	252,892,635.17	191,869
plus: transfer	0.00	0
Changes in valuation of foreign currency	-935,726.89	4,083
At end of year	663,793,739.21	672,476

32) Contingent liabilities

EUR 3,951,344,617.56 (prior year: EUR 6,601,418 thousand) of the contingent liabilities refer to guarantees and warranties from pledging of collateral and EUR 498,454,109.72 (prior year: EUR 744,638 thousand) to credit derivatives. Any provisions required were subtracted from the contingent liabilities.

33) Credit risk

At EUR 5,980,860,655.38 (prior year: EUR 3,762,571 thousand), credit risk account for loan and guarantee commitments not yet exercised.

IV. Notes to the profit & loss account:

(Unless indicated otherwise, amounts for the reporting year are stated in Euros, for the previous year in thousand Euros).

1) Profits of affiliated undertakings (subsidiaries that are considered a tax group with Erste Group Bank AG under the group taxation regulations of 2005) posted in the income statement of Erste Group Bank AG under income from **participating interests and shares in affiliated undertakings** reached a value of EUR 322,614,870.00 (prior year: EUR 763,533 thousand). Of this, EUR 181,000,000.00 originated from EGB Ceps Beteiligungen GmbH and EUR 80,000,000.00 from Erste Bank der Oesterreichischen Sparkassen AG. During the reporting year, requirements for impairment and other expenses for group members amounted to EUR 193,584,653.00 (prior year: EUR 0 thousand). There were no profits from sales for Group members (prior year: EUR 0 thousand).

2) **The breakdown by region (according to the location of entities) of gross income** of Erste Group Bank AG was as follows:

	Domestic	Abroad	2012 Total	Domestic	Abroad	2011 Total
Interest and similar income	1,620,278,689.77	113,217,714.65	1,733,496,404.42	1,806,803	169,521	1,976,324
Income from securities and participating interests	379,855,056.09	709,17	379,855,765.26	831,246	118	831,364
Commission income	156,791,946.35	4,401,695.96	161,193,642.31	195,453	6,018	201,471
Income from financial operations	73,016,354.08	-199,942.52	72,816,411.56	-8,700	813	-7,887
Other operating income	47,317,211.36	167,521.94	47,484,733.30	14,582	146	14,728
Total	2,277,259,257.65	117,587,699.20	2,394,846,956.85	2,839,384	176,616	3,016,000

3) Commissions income included EUR 2,423,294.71 (prior year: EUR 7,966 thousand) from **administrative and agency services** on behalf of third parties.

4) **Other operating income** of EUR 47,484,733.30 (prior year: EUR 14,728 thousand) primarily included income from the repayment a supplementary capital loan (EUR 22,556,995.77) and selling gains from real estate (EUR 12,134,203.31).

5) In terms of **personnel expenses**, the item Expenses for severance payments and payments to severance-payment funds included expenses for severance payments of EUR 2,916,006.41 (prior year: EUR 6,938 thousand). The change in the pension provision was primarily the abandoning the corridor method and from changes in calculation parameters.

6) **General administrative expenses** also include fees paid for auditing and tax advisory services. The table below lists the fees charged by the auditors (these are mainly Sparkassen-Prüfungsverband and Ernst & Young):

	2012	2011
Fees charged for the auditing of the financial statements	1,875,150.92	2,508
Fees charged for audit-related services	890,086.40	115
Fees charged for tax advisory services	474,356.01	405
Total	3,239,593.33	3,028

7) **Other operating expenses** of Erste Group Bank AG, which amounted to EUR 6,282,996.59 (prior year: EUR 8,599 thousand), essentially consisted of the payment of insurance against operational risk (EUR 5,556,122.86).

8) **Income from the release of value adjustments for claims and provisions for contingent liabilities** primarily includes income from the sale of Tier 1 and Tier 2 instruments (EUR 331,074,540.36).

9) **Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings** mainly included gains write-offs for Erste Group Immorent AG of EUR 180,786,967.00, for OM Objektmanagement GmbH of EUR 12,789,000.00 and for Open Joint Stock Company Commercial Bank Center Invest of EUR 8,074,790.00.

10) Income from value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings mainly included the allocation of write-offs for Erste Bank Beteiligungen GmbH of EUR 54,427,000.00.

11) Under the item **taxes on profit or loss**, a tax income of EUR 31,043,508.78 (prior year: EUR 43,064 thousand) was reported. Net income from taxes on profit or loss was EUR 48,665,599.68 (prior year EUR 53,678 thousand) under the current tax allocation system while tax revenue from foreign taxes on income of previous years amounted to EUR 9,063,683.15 (prior year: profit of EUR 3,735 thousand) according to sec. 9 Corporate Tax Act (*Körperschaftsteuergesetz*) on group taxation.

Since 2005, Erste Group Bank AG and its main domestic subsidiaries have formed a tax group in accordance with sec. 9 of the Corporate Tax Act, with Erste Group Bank AG as the group parent ("Gruppenträger"). Group and tax equalisation agreements were concluded with all members of the Group. Under these agreements, Group members allocate amounts equivalent to the corporation tax on taxable profits to Erste Group Bank AG. Since tax losses from prior years are recorded and offset against their current tax liability by the Group member companies themselves, there is no obligation to make tax allocation payments to Erste Group Bank AG. Moreover, Erste Group Bank AG undertakes to make compensatory payments for any tax losses utilised up to that point to Group member companies leaving the Group. Future tax liabilities resulting from these constellations were allocated to reserves if their realisation was probable. Liabilities with a low probability of occurrence were not allocated to reserves due to their quasi-permanent nature.

The principal expenses under this item are foreign income tax and other foreign income-related taxes of EUR 3,591,267.99.

12) Transfer to retained earnings

Out of the net profit for the year 2012 are transferred into retained earnings EUR 80,918,207.25.

V. Information on board members and employees

1) Employees

The average number of employees at Erste Group Bank AG (weighted, excluding employees on leave and members of the Management Board) was 1,793.24 during fiscal year 2012 (prior year: 1,757.12).

Of these, 269 employees (prior year: 260) worked for other companies in exchange for reimbursed expenses. Total reimbursement was EUR 23,687,047.64 (prior year: EUR 23,474 thousand) and was recognised under general administrative expenses (staff costs) in the income statement.

2) Corporate bodies

At the end of 2012, loans and advances granted to Erste Group Bank AG to members of the Management Board totalled EUR 207,422.82 (prior year: EUR 146 thousand). Loans to members of the supervisory board totalled EUR 188,560.66 (prior year: EUR 228 thousand). The applicable interest rates and other terms (maturity dates and collateral) represent market terms. During the fiscal year no substantive repayments were made on the loans granted to Management Board and Supervisory Board members.

a) Management Board members

The breakdown of compensation received by members of the Management Board in 2012 is as follows:

Remuneration to Management Board members

Fixed salaries	Financial year 2012	Comparison with 2011
Andreas Treichl	1,236,690.44	1,242.3
Franz Hochstrasser	690,600.00	621.2
Herbert Juranek	631,199.96	621.2
Manfred Wimmer	631,199.96	621.2
Gernot Mittendorfer	599,207.95	600.0
Total	3,788,898.33	3,705.9

Since the financial year 2010 the variable part of the compensation to the Management Board is distributed over five years as according to the legal regulations and only disbursed under specific conditions. There was no performance-linked compensation to the Management Board for the financial year 2011. No performance-linked compensation for previous years was disbursed to the Management Board in 2012. Also, members of the Management did not receive any share equivalents.

Performance bonus	Financial year 2012				Comparison with 2011			
	for 2011		for previous year		for 2010		for previous year	
	cash	Share equivalent in units*	cash	Share equivalent in units*	cash	Share equivalent in units	cash	Share equivalent in units
Andreas Treichl	0	0	0	0	490.7	16,362	0	0
Franz Hochstrasser	0	0	0	0	320.0	10,671	0	0
Herbert Juranek	0	0	0	0	126.6	4,223	0	0
Manfred Wimmer	0	0	0	0	128.4	4,283	0	0
Gernot Mittendorfer	0	0	0	0	0.0	0	0	0
Total	0	0	0	0	1,065.7	35,539	0	0

Currently two Long-Term Incentive-Programmes (LTI), which are based on changes in the share price of Erste Group Bank AG in relation to a group of peers and the Dow Jones Euro Stoxx Banks, are being run. In keeping with the terms of the LTI 2007, a final payout was made in 2012. The LTI 2010 was introduced on 1 January 2010 and runs for four years. In accordance with the conditions the following payments were granted in 2012:

LTI programme	Financial year 2012		Comparison with 2011	
	from 2007	from 2010	from 2007	from 2010
Andreas Treichl	240,862.78	-	284.7	0
Franz Hochstrasser	60,228.38	83,974.70	71.2	0
Herbert Juranek	60,228.38	83,974.70	71.2	0
Manfred Wimmer	-	83,974.70	0	0
Gernot Mittendorfer	-	-	0	0
Total	361,319.54	251,924.10	427.1	0

The item 'other compensation' includes pension fund contributions (at severance payments – new) and various other forms of compensation.

Other compensation	Financial year 2012	Comparison with 2011
Andreas Treichl	470,890.51	463.2
Franz Hochstrasser	164,446.25	148.3
Herbert Juranek	60,858.36	60.3
Manfred Wimmer	163,366.97	161.1
Gernot Mittendorfer	55,002.01	54.5
Total	914,564.10	887.4

Bernhard Spalt and Martin Skopek retired on 31 January 2012 from their Management Board functions. Mr. Spalt received EUR 52,599.25 fixed salary and other compensations to the amount of EUR 5,578.78. Mr. Skopek received EUR 75,035.82 fixed salary and EUR 35,063.66 in other compensations. Mr. Skopek received EUR 41,987.35 and Mr. Spalt EUR 144,203.88 in accordance with the LTI Programmes.

Principles of the company retirement plan for the Management Board

The members of the Management Board participate in the defined contribution pension plan of Erste Group according to the same principles as the employees of the Group. If a Management Board member's tenure ends before he or she reaches the age of 65 by no fault of the member, then for three of the Management Board members the corresponding compensatory payments are made to the pension fund.

Principles applicable to eligibility and claims of the Management Board members of the company in the event of termination of the function

Regarding benefit entitlements of Management Board members in the event of termination of their position, the standard legal termination benefit conditions of Section 23 of the Salaried Employees Act apply for two members of the Management Board. All other members of the Management Board are not entitled to receive any termination benefits.

The provided compensations are in accordance with the rules in Banking Act about compensation of members of the Management Board.

b) Supervisory Board members

The Supervisory Board shall consist of at least three and a maximum of twelve members elected by the Annual General Meeting. Unless the Annual General Meeting has determined a shorter term of office for individual, several or all Supervisory Board members on the occasion of their appointment, the term of office of the members of the Supervisory Board shall end at the end of the Annual General Meeting which resolves on the approvals of their actions for the fourth business year following their election; a re-election shall be admissible. In addition, membership in the Supervisory Board ceases by death, by revocation, by withdrawal or in the event of a defined impediment. For a revocation a majority of three fourths of validly cast votes and a majority of three fourths of the registered capital represented at the time of passing the resolution shall be required.

The Supervisory Board members of Erste Group Bank AG were paid EUR 898,000.00 (prior year: EUR 893 thousand) in the reporting year for their board function. The following members of the Supervisory Board received the following compensation for board positions in fully consolidated subsidiaries of Erste Group Bank AG: Heinz Kessler EUR 16,000.00 and CZK 900,000.00, Friedrich Rödler EUR 13,500.00, and Werner Tessmar-Pfohl EUR 28,400.00. No other legal transactions were concluded with members of the Supervisory Board. The following amounts were invoiced for other legal transactions by companies related to members of the Supervisory Board: DORDA BRUGGER JORDIS Rechtsanwälte GmbH, with Theresa Jordis as one of its partners, invoiced Erste Bank Group a total of EUR 236,418.57 for several orders in 2012. Friedrich Rödler is senior partner of PricewaterhouseCoopers Austria. Companies of that group invoiced Erste Group a total of EUR 501,000.00 for consultancy contracts in 2012.

The breakdown of compensation paid to the Supervisory Board members was as follows:

	2012	2011
Supervisory Board compensation ⁽¹⁾	700,000.00	706
Attendance fees ⁽²⁾	198,000.00	187
Total	898,000.00	893

(1) There were 12 Supervisory Board members in 2011.

(2) Correction due false statement of attendance fees in 2011 (included also employees' representative).

Pursuant to the decision at the Annual General Meeting of 15 May 2012, the Supervisory Board adopted the following compensation structure in its constituent meeting for the financial year 2011:

in EUR	number	Compensation per person	Total compensation
Chairman	1	100,000.00	100,000.00
Vice President	2	75,000.00	150,000.00
Members	9	50,000.00	450,000.00
Total	12		700,000.00

Information on Erste Group Bank AG shares held by Management Board and Supervisory Board members as well as transactions carried out with Erste Group Bank AG shares (numbers of shares):

Management Board member	as of 31/12/2011	Additions 2012	Disposals 2012	as of 31/12/2012
Andreas Treichl	184,640	0	0	184,640
Franz Hochstrasser	25,260	0	0	25,260
Herbert Juranek	656	0	0	656
Gernot Mittendorfer	2,100	0	0	2,100
Bernhard Spalt	6,376	0	0	6,376
Martin Škopek	1,760	0	0	1,760
Manfred Wimmer	18,132	0	0	18,132

For members of the Management Board members whose office term began or ended during the financial year, their holdings in Erste Group Bank AG shares as of the date of inception or termination of the office term were considered an addition or disposal.

The Management Board members below held the following Erste Group Bank AG participation capital on the balance sheet date of 31 December 2012:

	Notional amount
Andreas Treichl	30,000
Herbert Juranek	30,000
Bernhard Spalt	10,000
Manfred Wimmer	30,000

The breakdown of Supervisory Board members' holdings of Erste Group Bank AG shares at the balance sheet date of 31 December 2012 was as follows:

	No. of shares
Friedrich Rödler	1.702
Georg Winckler	2.500
Jan Homan	4.400
Wilhelm Rasinger	*15.303
Theresa Jordis	2.900
John James Stack	32.761
Werner Tessmar-Pfohl	1.268
Andreas Lachs	52
Friedrich Lackner	500
Bertram Mach	95
Barbara Smrcka	281
Karin Zeisel	35
Markus Haag	160

* correction of the reported number in prior year

Supervisory Board members have not received any options on Erste Group Bank AG shares for exercising their function.

Persons related to members of the Management Board or Supervisory Board held 3,786 Erste Group Bank AG shares at 31 December 2012.

The Supervisory Board members below held the following Erste Group Bank AG participation capital on the balance sheet date of 31 December 2012:

	Notional amount
Heinz Kessler	30,000
Georg Winckler	5,000
Wilhelm Rasinger	20,000
Friedrich Rödler	82,000
Elisabeth Gürtler	59,000

Persons related to Management Board or Supervisory Board members held Erste Group Bank AG participation capital in the amount of EUR 30,000.00 (notional amount) at 31 December 2012.

Expenses for severance payments, pension severance payments and pensions of Erste Group Bank AG have a bearing on the income statement items "Wages and salaries", "Expenses for retirement benefits", "Allocation to/reversals of the pension provision", "Expenses for severance payments and payments to severance-payment funds" and, as far as they pertain to pro rata catch-up requirements, "Extraordinary expenses". Expenses for severance payments and pensions for members of the Management Board and managers amounted to EUR 7,292,776.40 (prior year: EUR 5,651 thousand). Expenses for severance payments and pensions for other employees amounted to EUR 57,605,393.00 (prior year: EUR 46,273 thousand). Each of the amounts indicated includes the required expenses for surviving dependants.

Information pursuant to sec. 239 (2) Commercial Code regarding members of the Management Board and Supervisory Board is disclosed separately in the attachment to the notes.

VI. Appropriation of profit

At the Annual General Shareholders' Meeting, the Management Board will propose to pay out a dividend of EUR 0.40 per share (prior year: no dividend payment) to the shareholders. Just as in the previous year, the holders of participation capital will receive a dividend of 8% (EUR 141.1 million in total) on the notional value.

Appendix to the Notes

1. Executive bodies of Erste Group Bank AG

Supervisory Board

Heinz Kessler

President

Retired CEO

until 15 May 2012

Friedrich Rödler

President

Auditor and tax consultant

since 15 May 2012

Georg Winckler

1st Vice President

Former rector of the University of Vienna

Professor of Economics at the University of Vienna

Theresa Jordis

2nd Vice President

Attorney at law

Bettina Breiteneder

Businesswoman

Elisabeth Gürtler

Businesswoman

until 15 May 2012

Jan Homan

Chief Executive Officer of Teich AG

Juan María Nín Génova

President and CEO of "La Caixa"

Brian D. O'Neill

Vice Chairman of Lazard International

Wilhelm Rasinger

Consultant

John James Stack

President and retired CEO

Werner Tessmar-Pfohl

Retired businessman

Representatives of the Employees' Council

Friedrich Lackner

Chairman of the Employees' Council

Markus Haag

Member of the Employees' Council

until 15 May 2012

Andreas Lachs

Member of the Employees' Council

Bertram Mach

Vice Chairman of the Employees' Council

Barbara Smrcka

Vice Chairwoman of the Employees' Council

Karin Zeisel

Vice Chairwoman of the Employees' Council

Representatives of the Supervisory Authority

Robert Spacek
State Commissioner

Dietmar Griebler
Deputy State Commissioner

Tamara Els
State Controller for Premium Reserve until 1 November 2012

Silvia Maca
State Controller for Premium Reserve until 1 November 2012

Erhard Moser
Deputy State Controller for Premium Reserve

Irene Kienzl
Deputy trustee under Mortgage Bank Act (*Hypothekbank- und Pfandbriefgesetz*)

Thomas Schimetschek
Deputy trustee under the Mortgage Bank Act

Management Board

Andreas Treichl
Chairman of the Management Board

Franz Hochstrasser
Vice Chairman of the Management Board

Herbert Juranek
Member of the Management Board

Gernot Mittendorfer
Member of the Management Board

Bernhard Spalt
Member of the Management Board until 31 January 2012

Martin Škopek
Member of the Management Board until 31 January 2012

Manfred Wimmer
Member of the Management Board

2. Statement of changes in fixed assets and long-term assets 2012

	At cost as of 01/01/2012	Additions	Disposals	At cost as of 31/12/2012	Write-ups acc. to sec. 56 (3) Banking Act Currency translations	Accumulated depreciation 31/12/2012	Carrying amount 31/12/2012	Carrying amount 01/01/2012	Write-ups 2012	Depreciation 2012
1. Participating interests	267,004,045.19	15,481,257.89	6,098,152.88	276,387,150.20	0.00	25,520,280.72	250,866,869.48	251,418,780.48	0.00	9,996,462.00
2. Shares in affiliated undertakings	11,392,631,145.21	545,034,186.82	191,782,064.41	11,745,883,267.62	0.00	381,144,990.10	11,364,738,277.52	11,132,413,323.36	54,427,000.00	198,977,080.00
3. Intangible assets	120,222,490.87	21,190,218.16	1,593,860.59	139,818,848.44	0.00	91,160,784.81	48,658,063.63	43,967,199.78	0.00	15,880,820.92
4. Tangible assets	120,894,069.17	7,485,488.10	19,337,177.54	109,042,379.73	0.00	79,610,236.25	29,432,143.48	39,655,111.41	0.00	4,596,585.61
5. Securities										
Treasury bills and similar securities	1,912,019,188.22	3,429,879,591.08	627,623,353.90	4,714,275,425.40	2,300,335.23	33,536,631.91	4,683,039,128.72	1,892,031,146.03	0.00	31,985,712.18
Loans and advances to credit institutions	2,215,994,854.67	20,000,000.00	404,603,866.65	1,831,390,988.02	6,165,152.34	46,655.10	1,837,509,485.26	2,220,866,688.37	0.00	6,012.59
Loans and advances to customers	1,402,371,422.66	312,573,076.14	434,209,236.72	1,280,735,262.08	251,412.67	2,279,887.50	1,278,706,787.25	1,398,627,139.03	0.00	864,462.14
Bonds and other fixed-income Securities	3,457,609,054.22	373,259,439.69	1,206,166,650.44	2,624,701,843.47	5,390,805.35	119,975,753.43	2,510,116,895.39	3,345,510,367.22	0.00	47,883,693.29
Shares and other non-fixed-income Securities	494,573,109.60	756,459.00	22,142,577.10	473,186,991.50	420,121.86	4,476.63	473,602,636.73	494,896,722.93	0.00	3,316.31
	9,482,567,629.37	4,136,468,565.91	2,694,745,684.81	10,924,290,510.47	14,527,827.45	155,843,404.57	10,782,974,933.35	9,351,932,063.58	0.00	80,743,196.51
Total	21,383,319,379.81	4,725,659,716.88	2,913,556,940.23	23,195,422,156.46	14,527,827.45	733,279,696.45	22,476,670,287.46	20,819,386,478.61	54,427,000.00	310,194,145.04

3. Reserves pursuant to sec. 12 Income Tax Act 1988 (already assigned)

	01.01.2012	Additions (+)	Disposals (-)	31.12.2012
Investments	5,133,504.96	0.00	480.73	5,133,024.23
Property and building	59,975.77	0.00	0.00	59,975.77
Securities	358,519.27	0.00	358,519.27	0.00
	5,552,000.00	0.00	359,000.00	5,193,000.00

Vienna, 9 April 2013

Management Board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

Manfred Wimmer mp
Member

AUDITORS' REPORT

Report on the Financial Statements

Sparkassen-Prüfungsverband and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, have audited the accompanying financial statements, including the accounting system, of Erste Group Bank AG, Vienna, for the fiscal year from January 1, 2012 to December 31, 2012. These financial statements comprise the balance sheet as of December 31, 2012, the income statement for the fiscal year ended December 31, 2012, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The management of Erste Group Bank AG is responsible for the accounting system and for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Erste Group Bank AG's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Erste Group Bank AG as of December 31, 2012 and of its financial performance for the fiscal year from January 1, 2012 to December 31, 2012 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 9 April 2013

Austrian Savings Bank Auditing Association
(Audit Agency)
(Bankprüfer)

Mag. Friedrich O. Hief mp
Certified Accountant

MMag. Herwig Hierzer mp
Certified Accountant

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Helmut Maukner mp
Certified Accountant

Mag. Andrea Stippl mp
Certified Accountant

The report (in the German language, or translations into another language, including shortened or amended versions) may not be made public or used by third parties, when reference is made in whole or in part to the auditors' report, without the express written consent of the auditors.

This report has been translated from German into English for reference purposes only. Please refer to the official legally binding version as written and signed in German. Only the German version is definitive.

Statement of all members of the management board

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 9 April 2013

Management Board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

Manfred Wimmer mp
Member