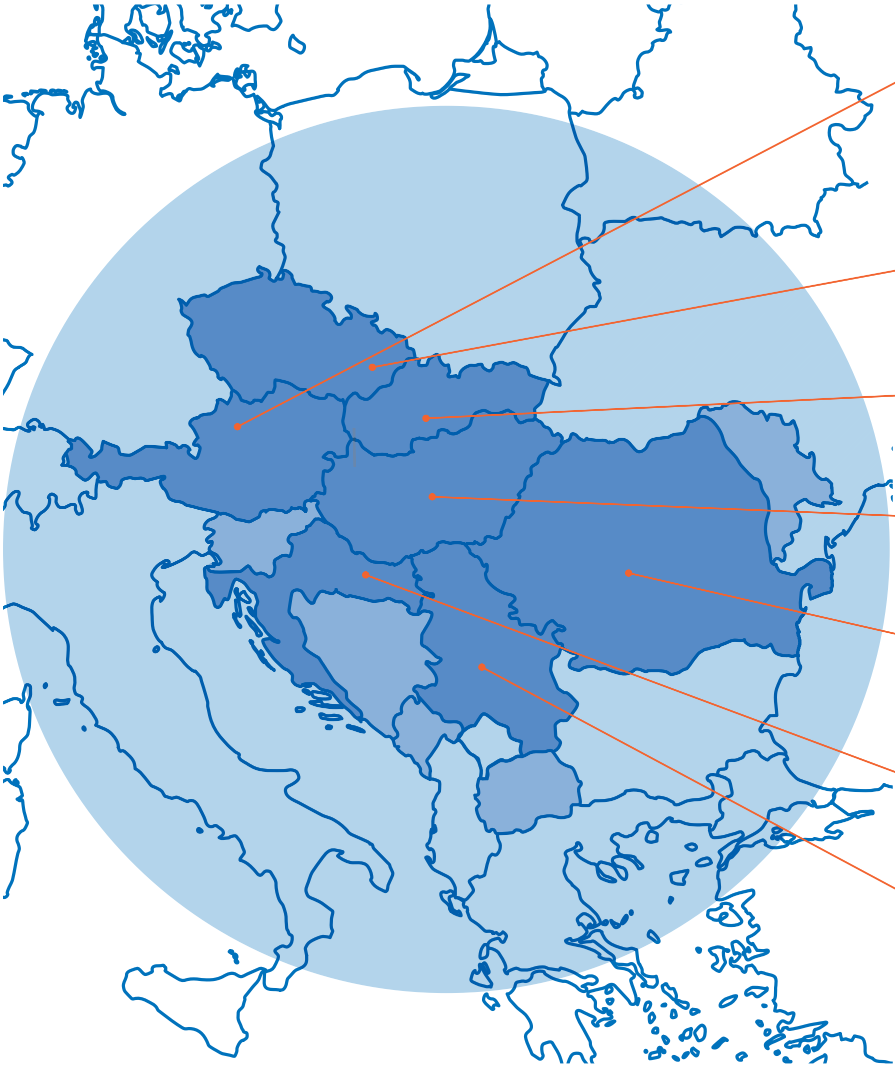
ERSTE GROUP

Annual Report 2013

2013

Extensive presence in Central and Eastern Europe



ERSTE BANK — AUSTRIA
Employees: 15,659
Branches: 236
Customers: 0.9 million

SPARKASSE
Branches: 736
Customers: 2.5 million

ČESKÁ SPOŘITELNA — CZECH REPUBLIC
Employees: 10,432
Branches: 653
Customers: 5.3 million

SLOVENSKÁ SPORITEĽŇA — SLOVAKIA
Employees: 4,206
Branches: 292
Customers: 2.4 million

ERSTE BANK Hungary — HUNGARY
Employees: 2,778
Branches: 135
Customers: 0.9 million

BCR — ROMANIA
Employees: 7,020
Branches: 563
Customers: 3.2 million

ERSTE BANK Croatia — CROATIA
Employees: 2,584
Branches: 150
Customers: 1.0 million

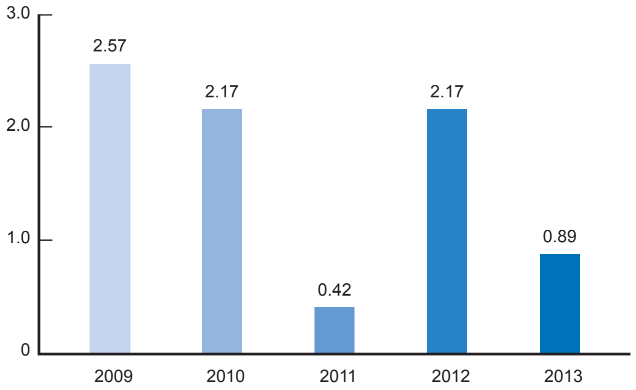
ERSTE BANK Serbia — SERBIA
Employees: 922
Branches: 68
Customers: 0.3 million

Key financial and operating data *

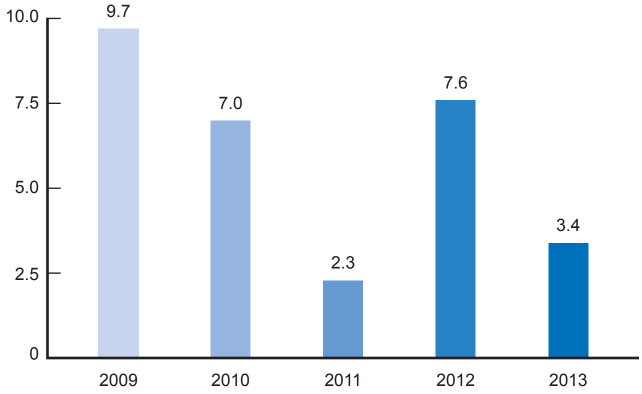
in EUR million (unless otherwise stated)	2009	2010	2011	2012	2013
Balance sheet					
Total assets	**201,513**	**205,770**	**210,006**	**213,824**	**199,876**
Loans and advances to credit institutions	13,140	12,496	7,578	9,074	9,062
Loans and advances to customers	128,755	132,334	134,750	131,928	127,698
Risk provisions for loans and advances	-4,954	-6,119	-7,027	-7,644	-7,810
Securities, other financial assets	40,298	39,957	44,008	47,287	44,832
Other assets	24,274	27,102	30,697	33,179	26,095
Total liabilities and equity	**201,513**	**205,770**	**210,006**	**213,824**	**199,876**
Deposits by banks	26,295	20,154	23,785	21,822	17,126
Customer deposits	112,042	117,016	118,880	123,053	122,442
Debt securities in issue and subordinated capital	35,760	37,136	36,565	34,750	33,319
Other liabilities	11,721	14,906	15,596	17,861	12,208
Equity attributable to non-controlling interests	3,321	3,444	3,143	3,483	3,457
Equity attributable to owners of the parent	12,374	13,114	12,037	12,855	11,324
Changes in total qualifying capital					
Risk-weighted assets pursuant to section 22 Austrian Banking Act (total risk)	123,891	119,844	114,019	105,323	97,901
Qualifying consolidated capital pursuant to sections 23 & 34 Austrian Banking Act	15,772	16,220	16,415	16,311	15,994
Tier 1 capital	11,450	12,219	11,909	12,223	11,560
Hybrid capital	1,174	1,200	1,228	375	361
Solvency ratio pursuant to section 22 Austrian Banking Act	12.7%	13.5%	14.4%	15.5%	16.3%
Core tier 1 ratio (total risk)	8.3%	9.2%	9.4%	11.2%	11.4%
Income statement					
Net interest income	5,220.9	5,439.2	5,569.0	5,235.3	4,858.1
Risk provisions for loans and advances	-2,056.6	-2,021.0	-2,266.9	-1,980.0	-1,763.4
Net fee and commission income	1,772.8	1,842.5	1,787.2	1,720.8	1,810.0
Net trading result	585.1	321.9	122.3	273.4	293.2
General administrative expenses	-3,807.4	-3,816.8	-3,850.9	-3,756.7	-3,653.5
Operating result	3,771.4	3,786.8	3,627.6	3,472.8	3,307.9
Pre-tax profit/loss	1,261.3	1,324.2	-322.2	801.2	374.3
Net profit/loss after minority interests	903.4	878.7	-718.9	483.5	61.0
Operating data					
Number of employees	50,488	50,272	50,452	49,381	45,670
Number of branches	3,205	3,202	3,176	3,063	2,833
Number of customers (million)	17.5	17.0	17.0	17.0	16.5
Share price and key ratios					
High (EUR)	31.15	35.59	39.45	24.33	26.94
Low (EUR)	7.00	25.10	10.65	11.95	19.34
Closing price (EUR)	26.06	35.14	13.59	24.03	25.33
Price/earnings ratio	10.9	15.1	na	19.6	178.6
Dividend per share (EUR)	0.65	0.70	0.00	0.40	0.20
Payout ratio	27.2%	30.1%	0.0%	32.6%	141.0%
Dividend yield	2.5%	2.0%	0.0%	1.7%	0.8%
Book value per share (EUR)	28.9	29.9	26.1	27.9	26.3
Price/book ratio	0.9	1.2	0.5	0.9	1.0
Total shareholder return (TSR)	64.9%	37.3%	-59.3%	76.8%	7.1%
Number of shares					
Number of shares outstanding	377,925,086	378,176,721	390,767,262	394,568,647	429,800,000
Average number of shares outstanding	322,206,516	374,695,868	377,670,141	391,631,603	411,553,048
Market capitalisation (EUR billion)	9.8	13.3	5.3	9.5	10.9
Trading volume (EUR billion)	13.3	15.3	10.9	7.4	8.3

*) The figures starting from 1 January 2010 are restated according to IAS 8. For further details see chapter C on accounting policies − restatement in the consolidated financial statements 2011.
The dividend pay-out ratio represents dividends paid to owners of the parent (excluding dividends paid on participation capital) for the respective year divided by net profit for the period attributable to owners of the parent.
The term "net profit after minorities" corresponds to the term "net profit attributable to owners of the parent".
Shares outstanding include Erste Group shares held by savings banks that are members of the Haftungsverbund (cross-guarantee system).
Trading volume as reported by Vienna Stock Exchange.

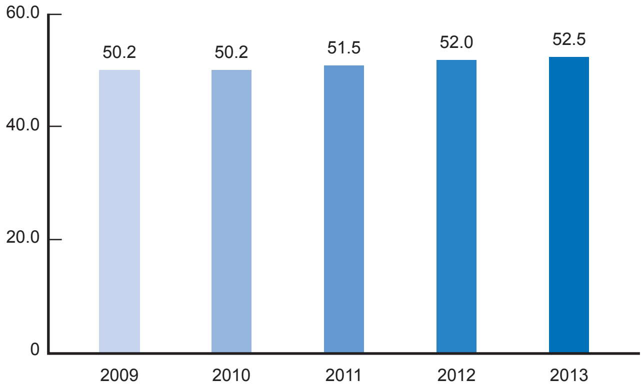
Cash earnings per share (in EUR)



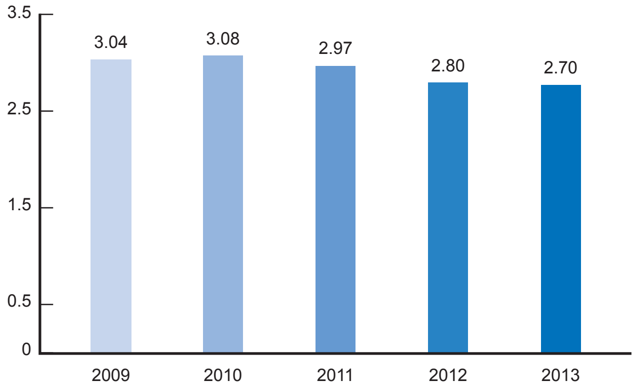
Cash return on equity (in %)



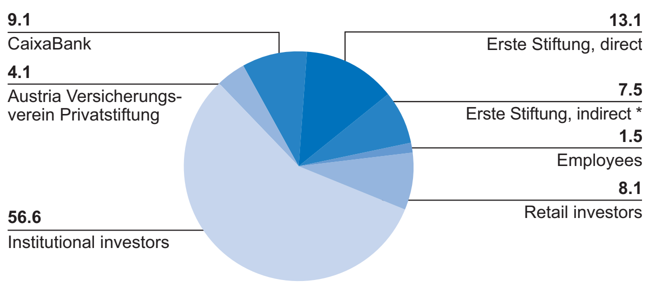
Cost/income ratio (in %)



Net interest margin (in %)

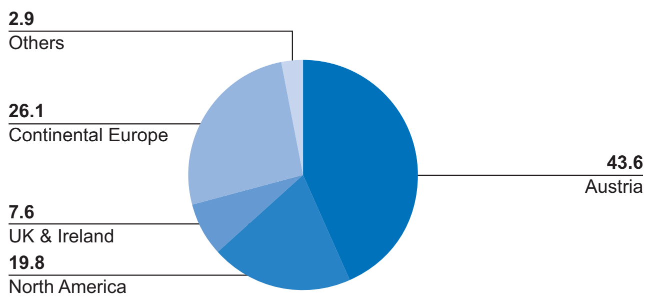


Shareholder structure as of 31 December 2013 by investors (in %)



* including savings banks 1.6%, Sparkassen Beteiligungs GmbH & Co KG and other syndicate members

Shareholder structure as of 31 December 2013 by regions (in %)



Ratings as of 31 December 2013

Fitch	
Long-term	A
Short-term	F1
Outlook	Stable
Moody's Investors Service	
Long-term	A3
Short-term	P-2
Outlook	Negative
Standard & Poor's	
Long-term	A
Short-term	A-1
Outlook	Negative

Financial calender 2014

Date	Event
30 April 2014	Results Q1 2014
21 May 2014	Annual General Meeting
26 May 2014	Ex-Dividend Day
28 May 2014	Dividend Payment Day - Shares
05 June 2014	Dividend Payment Day - Participation Capital
31 July 2014	Results H1 2014
30 October 2014	Results Q3 2014

As the financial calendar is subject to change, please check Erste Group's website for the most up-to-date version (www.erstegroup.com/investorrelations).

Highlights

Participation capital repaid in full

_ Successful capital increase of EUR 660.6 million
_ Redemption of the participation capital in full to the state and private investors

Further improvement in capital ratios

_ Core tier 1 ratio at 11.4% (Basel 2.5)
_ Reduction of risk-weighted assets

Operating result slightly reduced

_ Decline in revenues on low interest rate environment
_ Excellent cost performance
_ Cost/income ratio at 52.5%

Improvement in risk costs

_ NPL ratio at 9.6%, stabilising in second half-year
_ NPL coverage rose to 63.1% in 2013

Net profit burdened by one-off effects

_ Negative one-off effects of EUR 482 million
_ Banking taxes and FTT of EUR 311 million
_ Dividend of EUR 0.2 proposed to AGM

Excellent funding and liquidity position

_ Strong deposit base is key competitive advantage
_ Loan-to-deposit ratio at 104.3%

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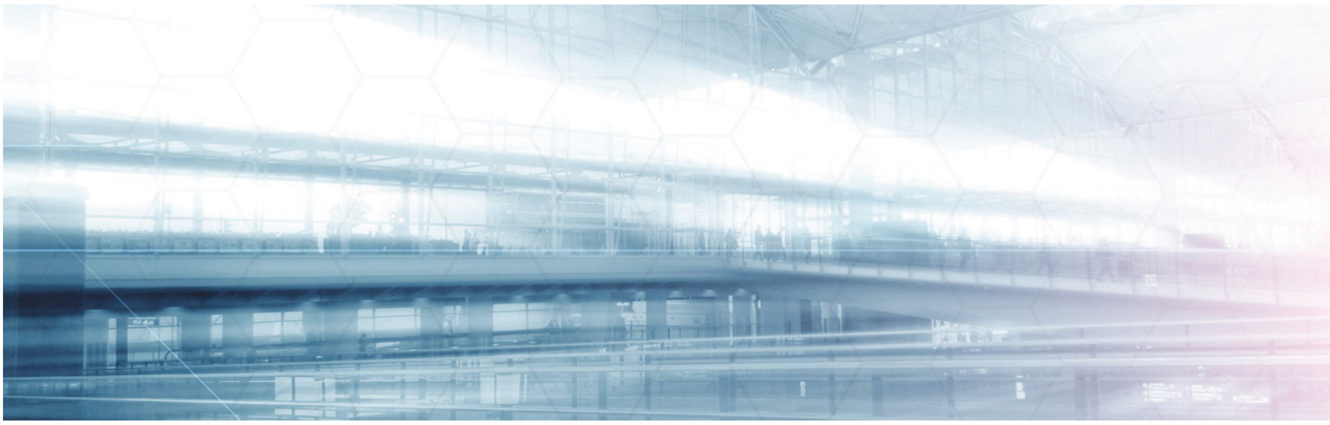


Letter from the CEO

Dear shareholders,

In 2013, banks were again confronted by a challenging environment. In Central and Eastern Europe, economic development was still mixed but, overall, exceeded the expectations of many sceptics. This had a positive impact on Erste Group's risk costs, especially in Romania, but did not translate into a noticeable recovery of loan demand in our core markets. Very weak loan growth in a low-interest-rate environment adversely affected net interest income and hence Erste Group's operating result. The net profit of EUR 61 million is not a genuine reflection of the bank's operating performance, but instead the result of a substantial year-on-year increase in taxes on income and adverse extraordinary impacts not offset by positive one-off effects. Banking and transaction taxes in Austria, Hungary and Slovakia, goodwill write-downs and the cost of exiting Ukraine amounted to almost EUR 770 million.

As regards our capital position, we have good news to report though: Erste Group is well prepared to cope with regulatory changes. After a successful capital increase, in 2013, Erste Group was the first Austrian bank to repay the entire participation capital that had been provided by the Austrian government and private investors. Erste Group concluded the year with a solid capital buffer. At year-end 2013, the common equity tier 1 ratio (CET1, Basel 3, fully loaded) stood at 10.8%, well above the 10% minimum ratio targeted for year-end 2014. The solvency ratio was 16.3%. At the annual general meeting, we will therefore propose to pay a dividend of EUR 0.2 per share.

Reviving growth in the region

In the euro zone, a broad-based recovery has set in, driven by global trends. Especially exports contributed to the acceleration of economic growth in Central and Eastern Europe, while domestic demand picked up only moderately in Erste Group's core markets despite subsiding inflation. GDP growth rates ranged between 3.5% in Romania and -1.3% in the Czech Republic, with major contributions coming from the automotive industry in the Czech Republic, Slovakia, Romania, and Hungary. Romania benefited from the strong performance of its agricultural sector. Overall, the region recorded net investment inflows. Even the Hungarian economy recovered despite various unorthodox and unpredictable political decisions. The Austrian economy outperformed the euro area again in 2013 with a GDP growth rate of 0.3%, not least because of its robust and well-diversified economic structure.

The central banks continued their expansionary monetary policies. To stimulate economic growth, they cut key lending rates, in Romania and Hungary even to new historical lows. In the Czech Republic, the key interest rate stood at 5 basis points throughout the year. The European Central Bank also lowered its base rate to the historical low of 0.25%. The Czech koruna depreciated following the Czech National Bank's announcement that it would intervene to keep the currency at around 27 koruna against the euro. All other currencies, including the Romanian leu and the Hungarian forint, remained relatively stable in 2013.

Net profit driven by extraordinary effects

In 2013, Erste Group heightened its geographical focus on the core markets, Austria and the medium- to long-term growth markets in the eastern part of the European Union. The exit from Ukraine and goodwill write-downs totalling EUR 383 million eroded the Group's net profit by around EUR 460 million. As these items were not cash-effective, they had no impact on regulatory capital unlike the – by international standards – very high banking taxes levied in Austria, but also in Hungary (along with an additional financial transaction tax) and in Slovakia. These levies amounted to EUR 311 million in 2013 and halved pre-tax profit. The significant increase in the tax rate was in fact attributable to the continuing high level of Austrian banking tax and goodwill adjustments of previous years, which permitted only a relatively modest recognition of deferred tax assets.

We are aware that cost efficiency is of vital importance to long-term profitability. In 2013, we again successfully implemented reorganisation measures in the Czech Republic and in Romania, for example. The reduction of general administrative expenses by 2.7% did not fully compensate for the decline in operating income though. Especially subdued demand for consumer loans and the persistently low interest rate environment had a negative impact on Erste Group's net interest income. Net fee and commission income improved due to the solid development of the securities business and payment transfers but, even together with the likewise higher net trading result, did not offset the decline in net interest income.

Overall, the customers of Erste Group demonstrated their trust in the bank, with customer deposits stable at EUR 122.4 billion. At year-end, the loan-to-deposit ratio stood at 104.3%. Loans and advances to customers were down, however, to EUR 127.7 billion in 2013. Besides the decline in the loan portfolios in Hungary and Romania, this was attributable in particular to the sale of Erste Bank Ukraine and the depreciation of the Czech koruna following national bank intervention. The fall in loan volume contributed significantly to the rise of the NPL ratio to 9.6% at year-end. Due to a decline in NPL volume, the NPL ratio remained stable in the second half of the year, however. Risk costs declined to 136 basis points of average customer loans. This was mainly the result of improvements in the retail and SME business, especially in Romania. Asset quality also improved further in the Czech Republic and Slovakia. On the other hand, the need for risk provisioning increased in the large corporates and commercial real estate business. The NPL coverage ratio improved to 63.1%.

Solid results were posted in the retail and SME business in the Czech Republic, in Slovakia and by Erste Bank Oesterreich. The development in Romania was also positive. The measures taken proved successful and, supported by lower risk costs, resulted in the turnaround planned for 2013. Hungary remained a challenge despite the redimensioning of the local bank as banking and transaction taxes caused its result to turn negative. It was also a difficult year for the large corporates and real estate business. Risk costs increased and volume reductions led to a decline in net interest income.

Successful funding

Erste Group's short- and long-term liquidity position remained excellent and enabled it to make early repayment of funds taken up under the ECB's long-term refinancing operations (LTROs). The bank maintained its independence from inter-bank refinancing as short-term funding requirements were more than covered by highly liquid assets. Erste Group was again attractive for bond investors in 2013. In view of undiminished interest from retail clients, a significant part of funding needs was covered by retail issues. In addition, an unsecured EUR 500 million senior benchmark bond with a tenor of 5.5 years was successfully placed with institutional investors in November 2013.

Regulatory environment

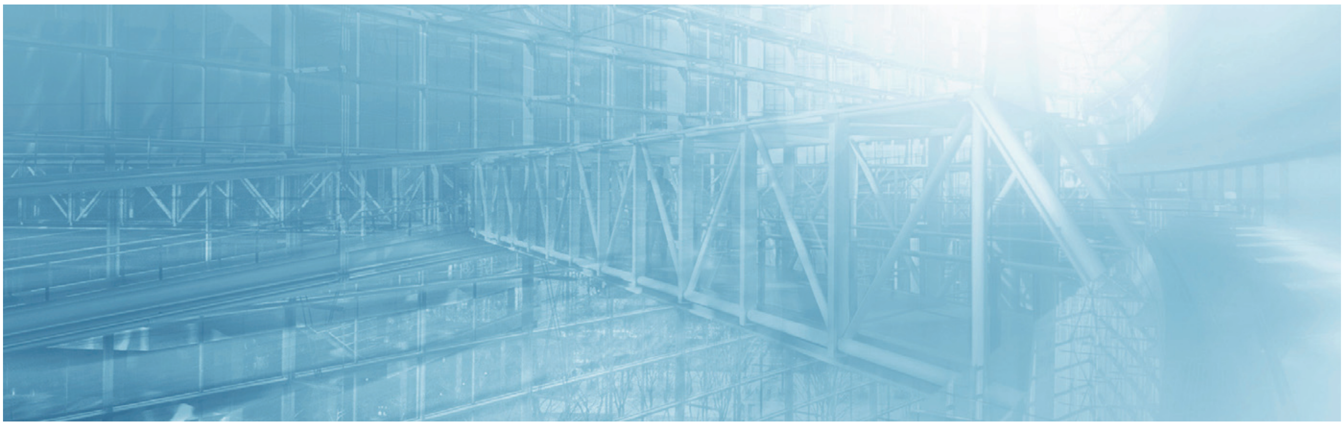
In 2014, the European Central Bank will take on responsibility for the supervision of major European banks, including Erste Group. In order to strengthen trust in the European banking system, the EBA published a transparency report at year-end 2013. In 2014, banks will undergo a comprehensive Asset Quality Review, to be followed by the next Europe-wide stress test in the second half of the year. Erste Group has taken timely action to meet regulatory requirements by improving its capital position and strengthening its risk management.

Strictly customer-centred strategy

Erste Group is well positioned. In the retail and corporate business, its business model is based on stable customer relations, a large proportion of which have evolved over decades. The bank is sufficiently flexible to be able to respond to developments in its core markets of Austria and the eastern part of the European Union. We have steadily reduced non-customer-related activities. We invest in innovation, such as digital banking and branches designed to serve future needs. By offering easily understandable financial products and services designed to meet customer requirements, Erste Group generates added value for its customers and thus for the real economy. We have built a solid capital buffer and are therefore able to provide our customers with the loans they require.

We have always appreciated and continue to value the trust that existing and new customers, shareholders and investors place in Erste Group. I would like to take the opportunity to thank all employees, since ultimately it is their skills and dedication that secure our customers' continuing loyalty to Erste Group.

Andreas Treichl mp



Management board

ANDREAS TREICHL
Chairman

Responsibilities:
Group Strategy & Participation Management
Group Secretariat
Group Communications
Group Investor Relations
Group Human Resources
Group Audit
Group Brands
Employees' Council

FRANZ HOCHSTRASSER
Vice Chairman

Responsibilities:
Group Large Corporates Banking
Erste Group Immorent Client, Industries and Infrastructure
Group Capital Markets
Group Research
Group Investment Banking
Steering & Operating Office Markets
Steering & Operating Office Large Corporates/Erste Group Immorent

ANDREAS GOTTSCHLING

Responsibilities:
Operational Risk, Compliance & Security
Group Legal
Group Workout
Risk Methods and Models
Corporate Credit Risk Management
Group Risk Operating Office
Group Validation
Enterprise wide Risk Management
Group Risk and SME Risk Management

HERBERT JURANEK

Responsibilities:
Group Organisation/IT
Group Banking Operations
Group Services

GERNOT MITTENDORFER

Responsibilities:
Group Accounting
Group Performance Management
Group Asset Liability Management

Report of the supervisory board

Dear shareholders,

The supervisory board looks back on an eventful year 2013. Economically, it was a challenging year on the back of a difficult business environment. In addition, the net result was materially affected by extremely high banking taxes. The successful completion of the capital increase made it nevertheless possible, with the consent of the supervisory board, to fully repay the participation capital to the state and to private investors. Erste Group Bank AG was thus the first Austrian bank to fully repay the state-held participation capital to the Republic of Austria.

We were deeply grieved by the passing away of Theresa Jordis, a long-standing member of the supervisory board, on 7 September 2013. Already on 29 July 2013, Theresa Jordis had resigned from her mandate for health reasons. Theresa Jordis had served the bank for many years, most recently as second vice chairwoman of the supervisory board, and contributed enormously to the success of Erste Group Bank AG. The supervisory and management boards were always able to rely on her exceptional expertise and experience.

The period of office of Werner Tessmar-Pfohl ended with the close of the annual general meeting 2013. Due to the age limit specified in the articles of association, re-election to the supervisory board was not possible. Werner Tessmar-Pfohl therefore resigned from the supervisory board of Erste Group Bank AG on 16 May 2013. He had been a member of the supervisory board since 2008 and had in particular represented the Austrian savings banks.

The delegation of Barbara Smrcka was revoked and committee appointments were adjusted effective 29 July 2013 to align the number of supervisory board members delegated by the Employees' Council accordingly.

To again reflect the cooperation with the savings banks through a supervisory board member, the supervisory board will recommend the election of Gunter Griss as representative of the savings banks to the annual general meeting 2014.

There were further personnel changes: The members of the supervisory board approved at their meeting of 19 June 2013 the resignation of Manfred Wimmer from the management board effective 31 August 2013 and the appointment of Andreas Gottschling as a new member of the management board of Erste Group Bank AG effective 1 September 2013. The supervisory board furthermore approved a new distribution of responsibilities and representation rules for the management board members: Andreas Gottschling took over responsibility for risk management as successor to Gernot Mittendorfer, and Gernot Mittendorfer succeeded Manfred Wimmer as chief financial officer.

For details regarding the composition and independence of the supervisory board, the criteria for its independence, its working procedures, the number and type of committees and their decision-making powers, the meetings of the supervisory board and the main focus of its activities, please refer to the corporate governance report drawn up by the management board and reviewed by the supervisory board.

In the course of 44 supervisory board and committee meetings, the management board promptly and comprehensively informed the supervisory board in both written and oral reports on all business matters. This allowed us to act in accordance with the mandate laid down by law, the articles of association and the Corporate Governance Code, as well as to ascertain the proper conduct of business.

The financial statements (consisting of the balance sheet, income statement and notes), the management report, the consolidated financial statements and the group management report for 2013 were audited by the legally mandated auditor, Sparkassen-Prüfungsverband, and by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., as supplementary auditor, and received an unqualified audit opinion. Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. was also contracted to perform a discretionary audit of the corporate governance report 2013.

The audit did not give rise to any qualifications. Representatives of both auditors attended the financial statements review meetings of the audit committee and the supervisory board, and presented their comments on the audits they had conducted. Based upon our own review, we endorsed the findings of these audits.

The supervisory board approved the financial statements 2013 at its meeting of 13 March 2014 and these were thereby duly endorsed in accordance with section 96 (4) of the Aktiengesetz (Austrian Stock Corporation Act). The management report, consolidated financial statements, group management report and Corporate Governance Report have been reviewed and accepted.

The supervisory board is of the opinion that the result of the financial year 2013 justifies the distribution of dividends and therefore endorses the proposal of the management board to submit a recommendation to the annual general meeting regarding payment of a dividend to the shareholders and the former holders of participation certificates.

For the supervisory board:

Friedrich Rödler mp
Chairman of the Supervisory Board

Vienna, March 2014

Erste Group on the capital markets

In 2013, stock market performance was driven largely by the central banks' loose monetary policies. Most of the major central banks cut their key interest rates and continued their multi-billion bond purchases to support the economy. Injection of liquidity by the central banks and signs of a slight recovery of the US and European economies led to double-digit gains on most of the global stock markets and all-time highs at some of the key stock exchanges. After initial setbacks, European banking stocks were also up markedly in the second half of the year. The Erste Group share was 5.4% higher at yearend on the back of the steady development of the operating result, improved asset quality and further strengthening of its capital base.

EQUITY MARKET REVIEW

Record highs at key stock exchanges

Stock market rallies were mostly liquidity-driven. Strong gains on most global stock markets were realised due to abundant levels of liquidity provided in particular by the US central bank (Fed) and the European Central Bank (ECB) and a lack of alternative investment options in view of the decline in sovereign bond yields. At low volatilities and with stock prices rising across all sectors, US and German stock market indices surged to record highs: the Dow Jones Industrial advanced 26.5% to 16,576.66, the Standard & Poor's 500, which represents the 500 largest US companies, rose 29.6% to 1,848.36 and the German DAX climbed 22.8% to 9,552.16. The Euro Stoxx 600 Index, which is composed of the biggest European companies, gained 17.4%. Japan's leading Nikkei Index increased by more than 50%, hitting a new six-year high.

Continuation of expansionary monetary policy

Worldwide, investors focused primarily on the continuation of the Fed's monetary policy. In December, the Fed announced its plan to reduce its USD 85-billion-a-month purchases of US treasuries and mortgage bonds by USD 10 billion while keeping interest rates low as long as unemployment did not fall below the 6.5% threshold. There were also positive signals from the ECB, which cut its key interest rate two times last year to a historic low of 0.25%. The Fed's and the ECB's announcements to keep their monetary policies highly expansionary for a long time to come fuelled a year-end rally in the financial markets.

Improvement of economic data in the US and in the eurozone

In the third quarter 2013, the US economy posted the highest growth rate in almost two years as gross domestic product expanded faster than expected. This and the US central bank's commitment to continue its loose monetary policy brightened the prospects for moderate economic growth in the US. Additional encouraging signals came from the political settlement of the US budget dispute and the agreement reached between Republicans and Democrats to raise the debt ceiling for the fiscal year 2014. The ECB reported that there were clear indications that the European economy was stabilising and a turning point had been reached. After two years, 2014 is expected to be the first year in which the eurozone will return to economic growth. The German economy in particular is expected to see a noticeable recovery. On the other hand, developments in southern Europe will remain a challenge for the eurozone, despite the emergence of first positive signs of recovery.

European banking index up by more than a quarter

After the Cyprus crisis, in which bank customers were forced to contribute to the state bailout through levies on deposits, debates about the introduction of a single resolution mechanism for winding down failed banks in Europe and the planned establishment of a banking union including a tighter single supervisory mechanism sent prices of European banking stocks down in the first six months. Later in the year, sentiment improved amid positive signals from the central banks confirming a continuation of their loose monetary policies. In the second half of the year, the Dow Jones Euro Stoxx Bank Index, which is composed of leading European banking stocks, embarked on a steady upward trend and posted solid gains. At 141.43 points, the banking index was up 25.9%.

Vienna Stock Exchange lagging behind global markets

While other markets posted double-digit growth, the Austrian stock market advanced by just 6.1%. From 2,401.21 points at the beginning of the year, the Austrian Traded Index (ATX) rose to 2,546.54 points on the last trading day. The ATX's laggardly performance versus other stock market indices was largely due to a declining share of international investors and subdued demand from domestic retail investors, the introduction of a capital gains tax on securities, and a lack of momentum from major IPOs.

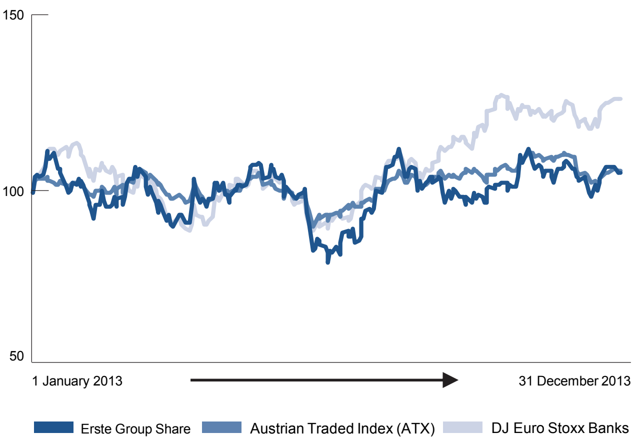
ERSTE GROUP SHARE

Erste Group share performance up 5.4%

In an environment in which European banking stocks declined by almost 10% in the first half of the year, the Erste Group share sustained a disproportionate decline in its valuation by more than 19% to under EUR 20.00. Against the backdrop of the general recovery of the European banking sector, the Erste Group share rebounded in the second half of the year, due also to the successful placement of the capital increase ahead of the full redemption of its participation capital.

Positive feedback from analysts on third-quarter results, which focused mainly on the higher-than-expected operating result, the improvement in asset quality and the capital increase, boosted the price of the Erste Group share to its yearly high of EUR 26.94. Despite a 31% rise from its 2013 low of EUR 19.34 on 3 July to its year-end price of EUR 25.33, the performance of the Erste Group share trailed the European Banking Index.

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



Performance of the Erste Group share versus indices*

	Erste Group share	ATX	DJ Euro Stoxx Banks Index
Since IPO (Dec 1997)	128.6%	95.2%	-
Since SPO (Sep 2000)	115.6%	117.9%	-59.8%
Since SPO (Jul 2002)	45.4%	108.8%	-43.7%
Since SPO (Jan 2006)	-43.7%	-34.6%	-62.7%
Since SPO (Nov 2009)	-12.7%	-2.3%	-37.9%
2013	5.4%	6.1%	25.9%

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

Number of shares, market capitalisation and trading volume

Following the resolution to repay the outstanding participation capital in the total amount of EUR 1.76 billion, a capital increase against cash contributions was conducted in early July. 35,231,353 new shares were placed with gross proceeds of EUR 660.6 million. This transaction increased the number of shares from 394,568,647 to 429,800,000. On 8 August 2013, Erste Group Bank AG was the first Austrian bank to repay the entire participation capital that it had received from the Austrian government (EUR 1.205 billion) and private investors (EUR 559 million) in 2009.

The market capitalisation of Erste Group rose – partly due to the capital increase – to EUR 10.9 billion at year-end 2013 from EUR 9.5 billion in 2012.

The Erste Group share is traded on the stock exchanges of Vienna, Prague, and Bucharest. In 2013, the trading volume on these three stock exchanges averaged 844,798 shares a day and accounted for about 41% of the total trading volume in Erste Group shares. More than half of the trading activity is executed over the counter (OTC) or through electronic trading systems.

Erste Group in sustainability indices

The Erste Group share has been included in VÖNIX, the Vienna Stock Exchange's sustainability index, since its launch in 2008. In addition, the Erste Group share has been included in the Euronext-Vigeo Eurozone 120 index and in the STOXX® Global ESG Leaders index.

DIVIDEND

The Erste Group's dividend policy has been guided by the bank's profitability, growth outlook and capital requirements. The dividend for the financial year 2012 was EUR 0.40 per share. The 8% p.a. dividend on the participation capital of EUR 1.76 billion was paid on 3 June 2013. The management board of Erste Group will propose to the annual general meeting to pay a dividend in the amount of EUR 0.20 per share for the financial year 2013 and to pay the dividend on the participation capital.

SUCCESSFUL FUNDING

In 2013, Erste Group issued bonds in a total volume of EUR 2.8 billion, with an average tenor of 7.8 years. The underlying funding structure has remained unchanged: to extend or flatten the redemption profile. Due to rather compressed spread differentials between senior and covered bonds, Erste Group shifted its focus towards senior funding. In contrast to the previous year, Erste Group – last but not least due to solid deposit growth – abstained from issuing a benchmark-sized bond at the beginning of the year. Demand for retail issues and private placements remained high. Issues of subordinated bonds alone amounted to EUR 590 million. The volume of covered bonds'-placements amounted to EUR 420 million. In the fourth quarter 2013, it was decided to pre-fund part of the 2014 redemptions by a benchmark transaction to benefit from low spreads in the constructive market environment. Erste Group successfully issued a 5 ½-year EUR 500 million unsecured bond.

INVESTOR RELATIONS

Open and regular communication with investors and analysts

In 2013, Erste Group's management and the investor relations team met with investors in a total of 480 one-on-one and group meetings. The presentation of the 2012 annual result was followed by the annual analysts' dinner in London. In the past year, three road shows were held in Europe and in the US: the spring road show conducted after the release of the first-quarter results, the second road show in early July marking the capital increase and the autumn road show following the release of the third-quarter results. Erste Group presented its strategy in the current operating environment at international banking and investor conferences organised by the Vienna Stock Exchange, UBS, Morgan Stanley, HSBC, VTB Capital, RCB, Deutsche Bank, Bank of America Merrill Lynch, Goldman Sachs, Barclays, Unicredit, Wood and Citigroup. Forty meetings were held to intensify the dialogue with bond investors. At conferences, road shows and workshops a large number of face-to-face meetings were held with analysts and portfolio managers.

On 8 April 2013, the internet chat with Erste Group's CEO was held for the eleventh time. The chat provided a chance for many retail investors and the general public to communicate directly with the chairman of the management board, Andreas Treichl.

At http://www.erstegroup.com/investorrelations comprehensive information on Erste Group and the Erste Group share is available. Investors and the broader public can also follow the investor relations team on the social media platform Twitter at http://twitter.com/ErsteGroupIR and on SlideShare at http://slideshare.net/Erste_Group. These sites provide users with the latest news on Erste Group in the social web. An overview of Erste Group's social media channels is available at http://www.erstegroup.com/en/about-us/socialmedia.

As an additional service for investors and analysts, Erste Group launched free Investor Relations Apps for iPhone, iPad and Android devices in August 2012. These applications enable users to access and download Erste Group Bank AG share price information, the latest investor news, multimedia files, financial reports and presentations as well as an interactive financial calendar and contact details for the investor relations team. More details on this service and downloading are available at http://www.erstegroup.com/en/investors/IR_App.

In late June 2013, Erste Group's investor relations team won the award for the best investor relations performance of an Austrian company for the third consecutive time. More than 500 buy-side and sell-side analysts and portfolio managers from across Europe took part in the survey conducted by IR Magazine. Its outcome impressively underlined the investor relations team's success in focusing on transparency and competent communication with investors as their top priority.

Analyst recommendations

In 2013, 26 analysts released research reports about Erste Group, including one initial coverage analysis. Another analyst started coverage in early 2014. The Erste Group Bank AG share was covered by financial analysts at the following national and international firms: Atlantik, Autonomous, Bank of America Merrill Lynch, Barclays, Berenberg, Citigroup, Commerzbank, Concorde, Credit Suisse, Deutsche Bank, Exane BNP Paribas, Goldman Sachs, HSBC, JP Morgan, KBW, Kepler, Macquarie, mBank, Mediobanca, Morgan Stanley, Natixis, Nomura, RCB, SocGen, UBS, VTB Capital and Wood. As of the year-end, 14 analysts had issued buy recommendations, eight rated the Erste Group share neutral and four had sell recommendations. The average year-end target price was EUR 25.68. The latest updates on analysts' estimates for the Erste Group share are posted at: http://www.erstegroup.com/en/Investors/Share/AnalystEstimates.

Strategy

A historic principle: serving customer needs

Ever since its foundation in 1819 as Central Europe's first savings bank, Erste Group has been pursuing a business strategy focused upon the real economy. The bank's activities also reflect the commitment to society as it pursues not only financial but also ecological goals and supports social initiatives. The strategic orientation was changed neither when Erste Group went public in 1997 nor by increasing regulatory and political interventions in the banking sector. Quite the contrary: The developments of recent years have even strengthened Erste Group's resolve to focus even more consistently on its core activities, which are to provide banking services on a sustainable basis to private individuals, businesses and the public sector in Austria and the eastern part of the European Union. This is what differentiates Erste Group from investment banks or other banks whose business is not embedded in the real economy.

As the Group's operations developed, the core activities evolved as well, from those of a savings bank focused on retail lending and deposit-taking into those of an international bank providing banking services to all sectors of the economy. In view of the increasing importance of internet and mobile banking, Erste Group not only values direct contacts with its customers at the branch offices but also turns its attention to technological developments and innovations to meet its customers' expectations even more effectively.

In addition to the traditional strength in serving private individuals, Erste Group's core activities also include advisory services and support for its corporate customers with regard to financing, investment, hedging activities and access to international capital markets. Public sector funding through investing parts of the bank's liquidity in sovereign bonds issued in its region is also part of the core activities. To meet the short-term liquidity management needs of the customer business, Erste Group also operates in the interbank market.

It is important to Erste Group to develop customer relationships beyond pure lending and deposit collection that benefit both its customers and Erste Group itself, for only a bank that is financially strong is able to offer services at sustainably attractive terms. Erste Group therefore strives to be the principal bank for its customers, or at least their most important banking relationship. This applies not only to the retail and SME business but also to the large corporate and real estate business and to the serving of entities in the public sector. It applies equally to every country in which Erste Group operates. As Erste Group occupies very strong market positions in most of its markets, it has the attributes to achieve this objective.

Geographic focus on Austria and the eastern part of the European Union

When Erste Group went public in 1997, it defined its region as consisting of Austria and Central and Eastern Europe, i.e. that part of Europe that offers the best structural and therefore long-term growth prospects. Many countries of Central and Eastern Europe have special ties to Austria, not only because of their geographical proximity but also due to a common cultural heritage. Their shared history was interrupted by the division of Europe after World War II but restored after the demise of the Communist dictatorships in the late 1980s. In the early 20th century, regions like today's Czech Republic and Hungary had been economically as advanced as or even more advanced than Austria. That had been true also in terms of banking, as the savings banks philosophy had spread across Central Europe.

Decades of a centrally planned economy, however, restrained development and the subsequent transition to a market economy has resulted in enormous potential for growth and the need to meet pent-up demand. Against the backdrop of emerging European integration and limited potential for growth in Austria, Erste Group grasped this opportunity and from the late 1990s onwards acquired savings banks and financial institutions in countries adjacent to Austria.

Erste Group intends to be the leading bank between Germany and Russia in the medium to long term. Today, Erste Group operates extensive branch networks in its markets of Austria, the Czech Republic, Slovakia, Romania, Hungary and Croatia – all of which are members of the European Union. Following significant investments in its subsidiaries, Erste Group holds leading market positions in many of these countries. In Serbia, which has been assigned European Union candidate status, the bank maintains a minor market presence, but one that may be quickly expanded through acquisitions or organic growth as the country makes progress on European Union integration. In addition to its core markets, Erste Group also holds direct and indirect majority and minority banking participations in Slovenia, Montenegro, Bosnia and Herzegovina, Macedonia and Moldova. These operations mainly focus on serving private individuals and corporate customers.

In its capital market business, Erste Group maintains additional presences in Poland, Turkey and Germany. In addition, the bank's branches in London, New York and Hong Kong engage in lending and treasury business since the strategic orientation has been shifted to focus on customer business.

Erste Group's strategy

Customer banking in Central and Eastern Europe				
Eastern part of EU		Focus on CEE, limited exposure to other Europe		
Retail banking	**Corporate banking**	**Capital markets**	**Public sector**	**Interbank business**
Focus on local currency mortgage and consumer loans funded by local deposits FX loans only where funded by local FX deposits (Romania, Croatia and Serbia) Savings products, asset management and pension products Potential future expansion into Poland	Large, local corporate and SME banking Advisory services, with focus on providing access to capital marekts and corporate finance Real estate business that goes beyond financing Potential future expansion into Poland	Focus on customer busines, incl. customer-based trading activities In addition to core markets, presences in Poland, Turkey, Germany and London with institutional client focus and selected product mix Building debt and equity capital markets in CEE	Financing sovereigns and municipalities with focus on infrastructure development in core markets Any sovereign holdings are only held for market-making, liquidity or balance sheet management reasons	Focus on banks that operate in the core markets Any bank exposure is only held for liquidity or balance sheet management reasons or to support client business

Erste Group's business model creates sustainability

The sustainability of Erste Group's business model is reflected by a consistent operating performance through economic cycles, which allows the absorption of higher risk costs in times of economic uncertainty. Erste Group creates value by doing exactly what a customer-centred bank should do for the real economy: Erste Group uses the money collected from depositors to make loans to people who wish to buy a home for their families or finance companies that make investments, pursue ideas and create jobs. Any material deviation from this principle that may have occurred in the past has been rigorously eliminated by reducing activities that are not part of the bank's core business or by realigning the core business. Consequently, Erste Group no longer grants for instance foreign currency loans to customers who do not have corresponding foreign currency income or are not hedged against currency volatility by other instruments. In practice, this means that Erste Group does not provide foreign currency loans to private individuals on any significant scale in Austria and in the countries of Central and Eastern Europe. The only exceptions from this rule are Croatia and Serbia, where the euro is widely used as a currency and customers not only take out loans in euro but also hold a significant part of their deposits in euro.

The same sustainable approach is employed in funding and capital planning. Due to Erste Group's strong deposit business, the bank has an altogether excellent funding position. That situation varies, however, at the level of individual entities: while the subsidiaries in the Czech Republic and Slovakia boast aggregate deposit surpluses, the reverse is true in Hungary and Romania, mainly due to the existence of legacy foreign currency loan portfolios. Therefore, it is the bank's aim to rebalance deposits and loans in the course of time, and in particular in each of the relevant currencies. Hence, Erste Group's strategy is in line with regulatory efforts to promote local deposits and funding on local capital markets.

THE STRATEGY IN DETAIL

The basis of Erste Group's banking operations is the retail and corporate customer business in Austria and the eastern part of the European Union. The capital markets and interbank activities as well as the public sector business are defined more broadly to be able to meet the bank's customer needs as effectively as possible.

Retail business

Erste Group's key business is the retail business, covering the entire spectrum from lending, deposit and investment products to current accounts and credit cards. This is where the largest part of the bank's capital is tied up, where the bank generates most of its income and funds the overwhelming part of its other core activities by drawing on its customers' deposits. The retail business represents Erste Group's strength and is the bank's top priority when developing its product offer. This includes Erste Group's focus on new technological developments and innovations such as mobile and internet banking that enable the bank to meet its customers' expectations even more effectively.

Erste Group's core competence in retail banking has historical roots. In 1819, wealthy Viennese citizens donated funds to establish Erste Group's predecessor, the first savings bank in Central Europe. It was their aim to bring basic banking services such as safe savings accounts and mortgage loans to wide sections of the population. Today, the bank serves a total of 16.5 million customers in its markets and operates more than 2,800 branches. In addition, Erste Group uses digital distribution channels such as internet and mobile banking. Wealthy private clients, trusts and foundations are served by the bank's private banking staff and benefit from services that are tailored to the needs of this target group.

Retail banking is attractive to Erste Group for a number of reasons: It offers a compelling business case that is built on market leadership, an attractive risk-reward profile and the principle of self-funding as well as on a comprehensive range of products that are simple and easy to understand and provide substantial cross-selling potential. Only a retail bank with an extensive distribution network is able to fund loans in local currency mainly from deposits made in the same currency. Erste Group is in such a position of strength. In short, Erste Group's retail banking model supports sustainable and deposit-funded growth even in economically more challenging times.

Another positive factor is diversification of the retail business across countries that are at different stages of economic development, such as Austria, the Czech Republic, Romania, Slovakia, Hungary, Croatia and Serbia.

Corporate business

The second main business line, which also contributes significantly to Erste Group's earnings, is the business with small and medium-sized enterprises, regional and multi-national groups, and real estate companies. Erste Group's goal is to enhance the relationships with these clients beyond pure lending business. Specifically, the bank's goal is for corporate customers to choose Erste Group as their principal bank and also route their payment transfers through the Group's banking entities and, in fact, regard Erste Group as their first point of contact for any kind of banking service.

Catering to their different requirements, Erste Group serves small and medium-sized enterprises locally in branches or separate commercial centres while multinational groups are serviced by the Group Corporate and Investment Banking division. This approach permits Erste Group to combine industry-specific and

product expertise with an understanding of regional needs and the experience of the bank's local customer relationship managers.
In view of the regulatory reform efforts commonly referred to as Basel 3, advising and supporting the bank's corporate customers in capital market transactions is becoming increasingly important. As these activities form an integral part of Erste Group's corporate business, the bank is also focused on becoming the leading investment bank in its core markets.

Capital markets business

Client-driven capital markets activities have been and will continue to be part of the comprehensive portfolio of products and services that Erste Group offers to its retail and corporate customers. The strategic significance of the bank's centrally governed and locally rooted capital markets operations consists in supporting all other business areas in their dealings with the capital markets and, hence, in providing the bank's customers with professional access to the financial markets. Erste Group, therefore, views its capital markets business as a link between the financial markets and the customers. As a key capital markets player in the region, Erste Group also performs important functions such as market-making, capital market research and product structuring.

The capital markets business serves the needs of Erste Group's retail and corporate customers as well as government entities and financial institutions. Due to Erste Group's organisation across countries and its strong network in Central and Eastern Europe, the bank has a thorough understanding of local markets and customer needs. In Erste Group's capital markets business, too, the bank concentrates on key markets of the retail and corporate business: Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia. For institutional customers, specialised teams have been established in Germany, Poland, Turkey as well as in London, Hong Kong and New York, which offer these customers a tailor-made range of products.

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

Public sector business

A solid deposit business is one of the key pillars of Erste Group's business model. Accordingly, customer deposits surpass lending volume in many of its geographic markets. Erste Group's banking entities make a significant part of this liquidity available as financing to the region's public-sector entities. In this way, the bank facilitates essential public-sector investment. Erste Group's public-sector customers are primarily municipalities, regional entities and sovereigns that the bank additionally supports and advises in capital market issuance, infrastructure financing and project financing. Furthermore, Erste Group cooperates with supranational institutions.

In terms of sovereign bond investments, Erste Group is equally focusing on Central and Eastern Europe.

Adequate transport and energy infrastructure and municipal services are absolute key prerequisites for sustainable economic growth in the long term. Therefore, Erste Group views infrastructure finance and all financial services associated with it to be of extreme importance. Between 2014 and 2020, the European Union has earmarked about EUR 90 billion from structural and investment funds available for the Czech Republic, Slovakia, Croatia, Hungary and Romania, which is one quarter of the total allocation for the European Union's cohesion policy. In this context, Erste Group's commitment to infrastructure development in Romania is to be highlighted. The Romanian subsidiary Banca Comercială Română supports investment in essential infrastructure by funding key companies in all sectors.

Interbank business

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

REGULATORY CHANGES IN BANKING

In the wake of the financial crisis, regulatory requirements placed on banks increased significantly with a view to establishing a framework for a more resilient global financial system. It has become the clear regulatory aim to prevent tax-payers from having to bail out financial institutions in future. To this effect, a new international regulatory framework for banks (Basel 3) has been developed by the Basel Committee on Banking Supervision. The new regime aims to strengthen the regulation, supervision and risk management of the banking sector. Within the European Union the Basel 3 legal framework is implemented through the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR).

These reform measures aim to improve the banking sector's ability to absorb any shocks arising from financial or economic stress, to strengthen the sector's transparency and disclosure requirements and to improve risk management and governance. Capital requirements have been tightened and minimum liquidity requirements have been introduced. To tackle potential weaknesses in the loss-absorbing capacity of banks additional capital buffers (capital conservation buffer, anti-cyclical buffer) are to be introduced in various steps. In addition, the quality of equity and own funds instruments follows stricter rules.

As of year-end 2013, Erste Group reported a fully-loaded Basel 3 CET 1 (common equity tier-1) ratio of 10.8% and a solvency ratio of 16.3%. Despite increasing regulatory pressure in general and additional burdens on the capacity of retaining earnings as a result of bank levies in Austria, Hungary and Slovakia, Erste Group remained well capitalised and boasted an excellent liquidity position enabling it to proactively serve clients' needs.

LONG-TERM GROWTH TRENDS IN CENTRAL AND EASTERN EUROPE

While the financial and economic crisis has slowed the economic catching-up process across the countries of Central and Eastern Europe, the underlying convergence trend continues unabated. This is on the one hand due to the fact that the region has to make up for almost half a century of Communist mismanagement of the economy and on the other hand due to the fact that banking activities were largely non-existent during that time. In addition, most countries of Central and Eastern Europe have human resources that are at least equivalent to those of Western European countries but do not need to struggle with the unaffordable costs in the long term of the western welfare states and have labour markets that are considerably more flexible. These advantages are complemented by – on average – highly competitive export industries that benefit from wage costs that are low relative to workforce productivity and from investor-friendly tax and welfare systems.

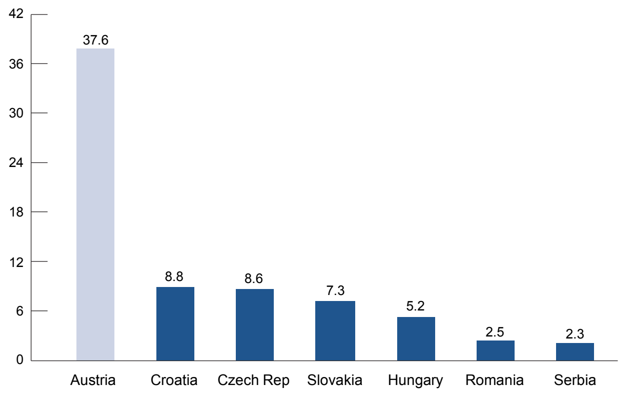
Over the upcoming 15 to 20 years, these countries are therefore expected to experience much faster growth than the countries of Western Europe, even though periods of rapid expansion may alternate with times of economic stagnation or even setbacks on this long-term path of sustainable growth.

BANKING GROWTH IN CENTRAL AND EASTERN EUROPE

In many of the countries in which Erste Group operates, modern banking services – with the exception of deposit-taking – were largely unknown until some ten to fifteen years ago. On the lending side, this was due to high nominal and real interest rates and also to disposable incomes that did not support household credit growth. In addition, a healthy competitive environment was lacking due to extensive state ownership. All this has changed since the late 1990s and the beginning of this century. In most of the countries, interest rates are in a process of convergence or have already converged to euro levels. Disposable incomes have risen strongly on the back of growing gross domestic products. Most formerly state-owned banks have been sold to strategic investors that have fostered product innovation and competition. Despite the recent economic slowdown and potential temporary negative impacts on the banking markets in Central and Eastern Europe, these factors will remain the driving force behind future development.

A comparison of per capita debt levels in Central and Eastern Europe with those of advanced economies reveals that even today an enormous gap exists between these markets. Countries such as the Czech Republic and Slovakia, but also Croatia and Hungary, are many years away from reaching Austrian or Western European levels of loans per capita; also in relative terms, these countries differ substantially in debt levels common in the West. The contrast to Serbia or Romania is even more pronounced: private debt levels, and particularly household debt, are substantially lower than in the advanced economies. Even though the developments of very recent years will probably lead to a reassessment of what constitutes acceptable debt levels and to only a gradual rise in lending in Central and Eastern Europe, Erste Group still firmly believes that credit expansion accompanied by sustainable economic growth will prove to be a lasting trend rather than a short-term process that has already peaked.

Customer loans/capita in CEE (2013) in EUR thousand



Source: Local central banks, Erste Group

CONTINUING DEVELOPMENT OF OUR CUSTOMER BUSINESS

Erste Group regards Central and Eastern Europe as a region offering above-average long-term growth potential in traditional banking as well as in wealth management. The Group has established a presence in all major countries in the eastern part of the European Union, with the exception of Poland. Erste Group's local banking subsidiaries are market leaders in the Czech Republic, Slovakia and Romania, and among the top three banks in Hungary and Croatia; it has a small market share in Serbia. Erste Group's future development will be driven mainly by organic growth, with the possible exception of an expansion into Poland in the medium term.

Management report

ECONOMIC ENVIRONMENT IN 2013

The global economy continued its recovery in 2013 with the world's major economies seeing significantly different growth patterns. Emerging markets and developing economies have continued to outgrow the industrialised countries. The single most important factor that shaped economic developments around the world was loose monetary policies throughout the year. These relaxed policies, supported by very limited inflationary pressure in advanced economies, were carried out by most of the major central banks of the world such as the Federal Reserve (Fed), the Bank of England, the Bank of Japan and the European Central Bank. The global macroeconomic developments in 2013 were also characterised by the Cyprus crisis in the first quarter of 2013, which fuelled discussions on the introduction of a European Single Resolution Mechanism for distressed banks and on the structure of deposit protection schemes. Further significant economic events comprised in particular the political debate in the budget dispute in the United States concerning the increase of the debt ceiling for the fiscal year 2014 (fiscal cliff) after drawn-out negotiations between Republicans and Democrats, the Federal Reserve's decision to wait with starting the tapering until December, parliamentary elections in Germany, presidential elections in Iran, volatile oil prices throughout the year impacted by events in the Middle East and declining agricultural and gold prices. All of these events shaped the global economy during 2013, which grew by 3.0% in 2013 after 3.2% in 2012.

In the wake of the global developments, a broad-based recovery commenced in the eurozone. This recovery was partly driven by export growth not only in Germany, Europe's leading economy, but also in other European countries and even on the periphery. Companies became more optimistic as a result of stronger demand and considered investments and new hiring again. Stabilisation became visible in most of the eurozone labour markets, which also contributed to improved domestic demand. The European Central Bank cut the key interest rate in two steps to a record low of 0.25% by the end of the year. The US economy developed positively again in 2013, with GDP growth of 1.9% and corresponding job creation at around 180,000 non-farm payrolls per month. The reduction in fiscal spending and the tax increases, which dampened consumer demand, was absorbed leading to an improvement in business confidence. Exports and investments also contributed to growth in the US. In addition, the Fed's asset purchase programme contributed to a strong revival of the housing market with rising sales and house prices. It was not until December that the Fed announced the reduction of its monthly purchases of US government bonds and mortgage securities totalling USD 85 billion by USD 10 billion. It also confirmed, however, the low interest rates as long as the unemployment rate remained above 6.5%. Economic growth in Asia continued to outperform that of Europe and the US, still driven mainly by China and India. Japan was clearly a bright spot and continued its recovery from its post-tsunami setback of 2011.

The Austrian economy continued to outperform the eurozone in 2013, with GDP growth of 0.3%. The country remained one of the most successful economies in the European Union with its robust and well-balanced structure, flexible and educated workforce, stable institutional frame-work and strong international competitiveness. Exports performed well, with Germany remaining the key export market with a share of more than 30%. Domestic demand also contributed to growth. The unemployment rate remained at 4.9%, one of the lowest in Europe. Measured in terms of GDP per capita at approximately EUR 37,000, Austria remained one of the eurozone's most prosperous countries in 2013. Parliamentary elections were held in September 2013, with the Social Democratic Party together with the People's Party achieving a parliamentary majority. As a result, stable and predictable political conditions prevailed.

Economic growth in Central and Eastern Europe improved in 2013. Within the region, GDP growth rates varied from 3.5% in Romania to -1.3% in the Czech Republic. Across the region, growth was mainly driven by the export sector; however, higher consumer confidence also resulted in improved domestic demand. The car industry, which was one of the main contributors to exports, had another great year supporting the Czech, Slovak, Romanian and Hungarian economies. Agriculture also had a very successful year and in particular had a pronounced impact on the Romanian economy, where this sec-tor plays a more important role for the overall economy than in other CEE countries. Investments into the region continued to flow, with Hungary being the only exception due to its unorthodox and unpredictable political decisions. In order to promote growth, national banks in the region continued to cut base rates throughout the year. As a result, benchmark interest rates remained at very low levels, reaching new record lows in Romania and Hungary. In the Czech Republic, the base rate remained at five basis points throughout the year. With the exception of the Czech koruna, which weakened after the National Bank announced that it would intervene to keep the currency at around 27 versus the euro, other currencies such as the Romanian lei or the Hungarian forint remained relatively stable in 2013.

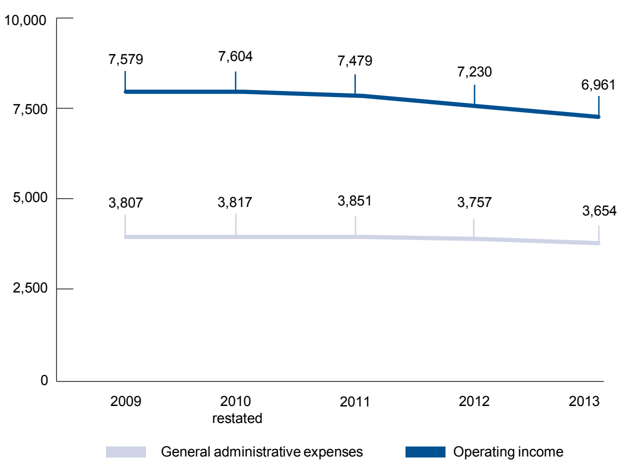
PERFORMANCE IN 2013

Acquisitions and disposals in Erste Group in 2013 did not have any significant impact and therefore no effects on the rates of changes stated below. Details are provided in the notes to the consolidated financial statements.

Overview

Despite a reduction in operating costs, the **operating result** declined to EUR 3,307.9 million in 2013 (-4.7% versus EUR 3,472.8 million in the financial year 2012) due to lower operating in-come.

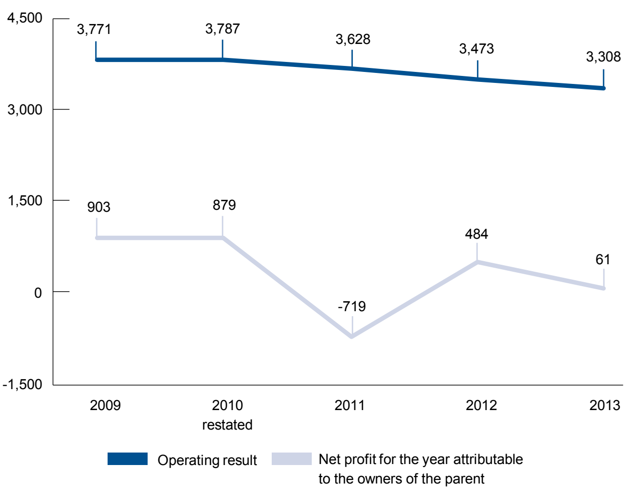
Operating income and operating expenses in EUR million



Operating income amounted to EUR 6,961.3 million in 2013 (2012: EUR 7,229.5 million). The 3.7% decline was mainly due to lower net inter-est income (-7.2% to EUR 4,858.1 million), which was not fully offset by rises in net fee and commission income (+5.2% to EUR 1,810.0 mil-lion) and in the net trading result (from EUR 273.4 million in 2012 to EUR 293.2 million). **General administrative expenses** were down 2.7% to EUR 3,653.5 million (2012: EUR 3,756.7 million). This resulted in a **cost/income ratio** of 52.5% (2012: 52.0%).

Net profit attributable to owner of the parent decreased from EUR 483.5 million to EUR 61.0 million.

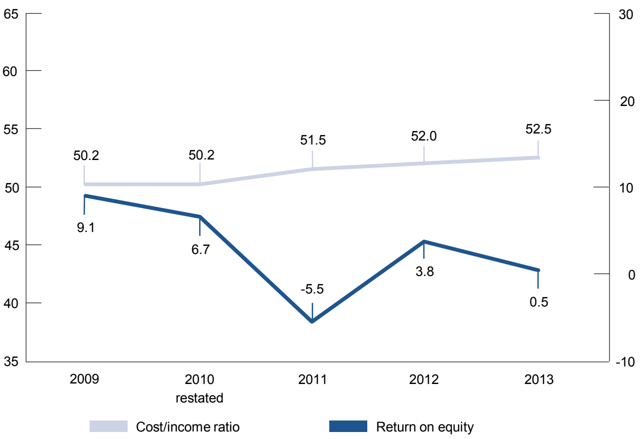
Operating result and net profit/loss for the year attributable to owners of the parent in EUR million



Cash return on equity, i.e. return on equity adjusted for non-cash expenses such as goodwill impairment and straight-line amortisation of customer relationships, stood at 3.4% (reported ROE: 0.5%) in 2013 versus 7.6% (reported ROE: 3.8%) in 2012.

Cash earnings per share for the financial year 2013 amounted to EUR 0.89 (reported EPS: EUR -0.06) versus EUR 2.17 (reported EPS: 0.87) in 2012.

Key profitability ratios in %



Total assets, at EUR 199.9 billion, were 6.5% lower than at year-end 2012. Risk-weighted as-sets declined by EUR 7.4 billion to EUR 97.9 billion.

The **solvency ratio** improved to 16.3% as of 31 December 2013 (year-end 2012: 15.5%) and was well above the legal minimum requirement of 8.0%. The **core tier 1 ratio** (excluding hybrid capital pursuant to section 23 (4a) and (4b) of the Austrian Banking Act) relating to total risk and as defined by Basel 2.5 was 11.4% as of 31 December 2013.

Dividend

The management board will propose to the annual general meeting to pay a dividend of EUR 0.20 (2012: EUR 0.40) per share for the financial year 2013 and the pro rata participation capital dividend.

Outlook

In order to ensure a like-for-like comparison, all P&L figures provided in this outlook statement are adapted in line with EBA FINREP reporting standards to be applied from Q1 2014. The full dataset of the adapted 2013 figures has been published in a release dated 28 February 2014.

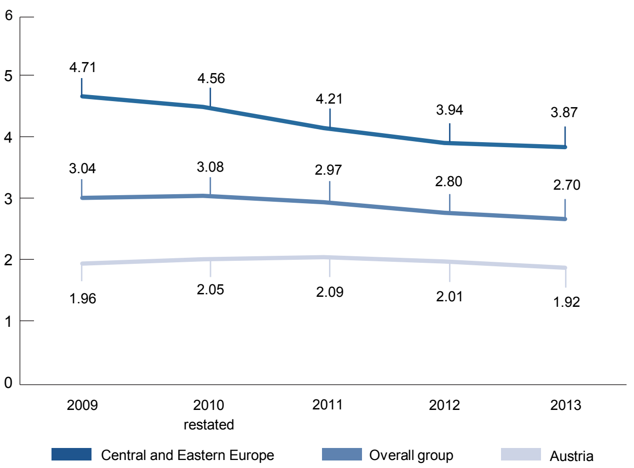
For 2014, Erste Group has planned with a stable operating environment in its markets in Austria and Central and Eastern Europe: while economic growth is forecast to average 1.7% (Erste Group Research), interest rates are expected to remain persistently low or fall even further in certain geographies. Against this backdrop, Erste Group anticipates a slow start to the year but aims to keep operating profit stable (± 2%) at about EUR 3.1 billion. Net customer loans are expected to remain equally stable (± 2%) at about EUR 120 billion. In light of the upcoming ECB Asset Quality Review, Erste Group does not expect a decline in risk costs beyond 5% or to about EUR 1.7 billion. Erste Group does not anticipate recognising deferred tax assets in the Austrian tax group in 2014, which will result in a significantly elevated tax rate of about 40%. The decline in banking taxes from EUR 311 million in 2013 to about EUR 270 million in 2014 should positively affect net profit.

ANALYSIS OF PERFORMANCE

Net interest income

Net interest income declined from EUR 5,235.3 million in 2012 to EUR 4,858.1 million in 2013, mainly due to the low interest rate environment and continuing subdued credit demand. Accordingly, the net interest margin (net interest income as a percentage of average interest-bearing as-sets) contracted from 2.80% to 2.70%.

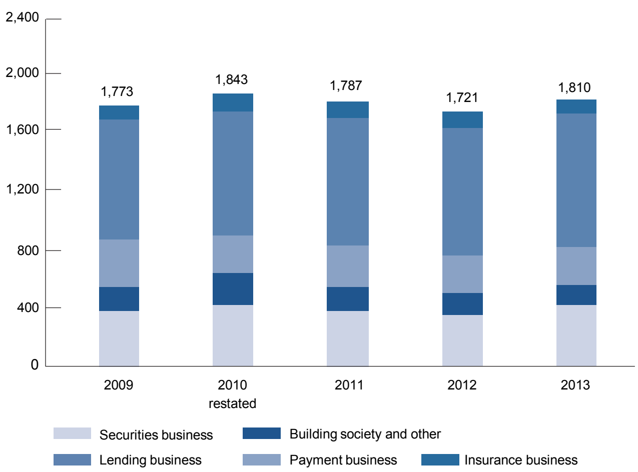
Net interest margin in %



Net fee and commission income

Net fee and commission income grew primarily on the back of improvements in payment transfers and in the securities business from EUR 1,720.8 million in 2012 to EUR 1,810.0 million in 2013.

Net fee and commission income, structure and trend in EUR million



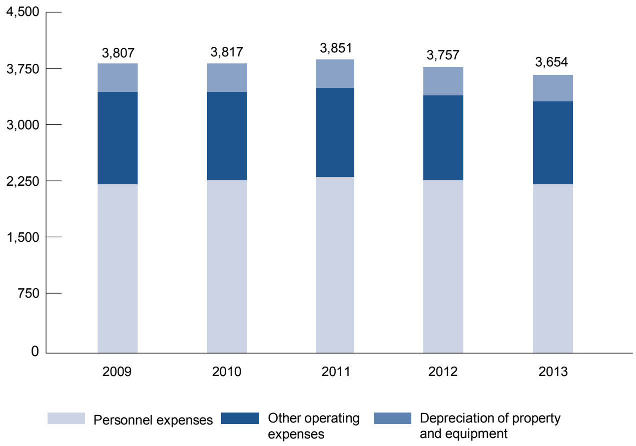
Net trading result

The net trading result improved from EUR 273.4 million to EUR 293.2 million in 2013, mainly as a result of a significant improvement in foreign exchange trading.

General administrative expenses

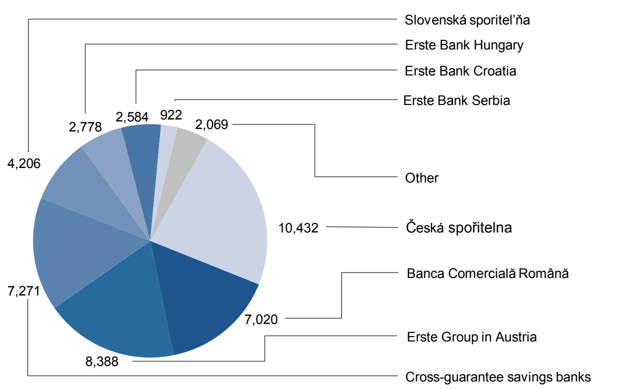
General administrative expenses declined by 2.7% from EUR 3,756.7 million to EUR 3,653.5 million (currency-adjusted: -2.1%).

General administrative expenses, structure and trend, in EUR million



Personnel expenses were down 2.3% (currency-adjusted -1.7%) from EUR 2,284.1 million to EUR 2,232.4 million. Further cost savings were achieved in **other administrative expenses**, which dropped by 3.4% (currency-adjusted: -2.5%) from EUR 1,106.1 million to EUR 1,068.8 million (mainly due to lower marketing and office-related expenses), and in **depreciation and amortisation**, which was down 3.9% (currency-adjusted: -3.1%) from EUR 366.5 million to EUR 352.3 million.

Headcount as of 31 December 2013



The **headcount** declined by 7.5% versus year-end 2012 to 45,670 employees. This was mainly due to successful restructuring measures in the Czech Republic and Romania and the sale of Erste Bank Ukraine.

Operating result

Driven by the decline in net interest income, **operating income** decreased by 3.7% to EUR 6,961.3 in 2013 from EUR 7,229.5 million in 2012. At the same time, **general administrative expenses** were reduced by 2.7% from EUR 3,756.7 million to EUR 3,653.5 million. This led to an **operating result** of EUR 3,307.9 million (2012: EUR 3,472.8 million).

Risk provisions

Risk provisions (i.e. the balance of the allocation and release of provisions for the lending business together with the costs of direct loan write-offs offset by income received from the recovery of loans already written off) decreased by 10.9% from EUR 1,980.0 million in 2012 to EUR 1,763.4 million. This was mostly attributable to a significant decline in retail and SME risk costs (in particular Romania and further improvements of the risk situation in the Czech Republic and Slovakia) which more than offset the deterioration in the commercial real estate business and in the large corporate business. In the financial year 2013, risk costs in relation to the average volume of customer loans were 136 basis points (2012: 148 basis points).

Other operating result

The other operating result deteriorated from EUR -724.3 million by EUR 357.6 million to EUR -1,081.9 million in 2013. The better result in 2012 had been mainly attributable to one-off income in the amount of EUR 413.2 million from the buyback of tier 1 and tier 1 instruments.

Goodwill write-downs declined to EUR 383.0 million (EUR 283.2 million in Romania, EUR 52.2 million in Croatia and EUR 47.6 million in Austria) versus EUR 514.9 million (EUR 469.4 million in Romania, with the remainder mainly in Austria) in 2012.

Other taxes rose from EUR 269.1 million to EUR 329.7 million, comprising mostly banking taxes. A large proportion of these – EUR 103.4 million (2012: EUR 47.3 million) – was levied in Hungary and comprised the following items: the regular financial transaction tax introduced in 2013 and subsequently doubled (EUR 31.1 million), an extraordinary financial transaction tax (EUR 16.3 million), banking tax for the year of 2013 (EUR 49.0 million), and the programme subsidising repayment of foreign-currency loans (EUR 7.0 million). The item “other taxes” also included banking levies charged in Austria in the amount of EUR 166.4 million (2012: EUR 165.2 million) and in Slovakia in the amount of EUR 41.2 million (2012: EUR 31.5 million).

In 2013, this item was also negatively impacted by EUR 76.6 million due to the sale of the Ukrainian subsidiary, mainly the negative currency translation effect related to capital and goodwill which was recycled through the income statement. This booking did not impact the capital position.

The other operating result also included straight-line amortisation of intangible assets (i.e. customer relationships) of EUR 65.2 million (2012: EUR 69.2 million) as well as deposit insurance contributions of EUR 77.2 million (2012: EUR 80.7 million).

Result from financial instruments

The result from all categories of financial instruments declined from EUR 32.7 million in 2012 to EUR -88.3 million in 2013. This was mainly due to negative valuation effects in the fair-value and available-for-sale portfolios (credit spread tightening of own issues, write-downs on securities and losses on the sale of securities).

Pre-tax profit/loss

The pre-tax profit for 2013 amounted to EUR 374.3 million, reflecting negative one-off effects, versus EUR 801.2 million in 2012, which had benefited from – on balance – positive extraordinary effects.

Taxes on income

The taxes on income line benefited from a positive one-off effect of EUR 127.7 million attributable to the release of a deferred tax liability in Romania. The deferred tax liability resulted from the difference between local regulatory and IFRS loan loss provisions upon transition to IFRS accounting.

In 2013, Erste Group only partly recognised deferred tax assets for tax losses carried forward, as it is unlikely that they will be realised within a reasonable time frame. This is directly related to the persistently high banking tax burden on the Austrian tax group as well as goodwill write-downs over the past years. The relatively reduced recognition of deferred tax assets in the Austrian tax group resulted in a significant increase in the tax rate.

Net profit after minorities attributable to owners of the parent

The net profit after minorities declined from EUR 483.5 million in 2012, which had benefited from net positive extraordinary effects, due to the effects already explained, to EUR 61.0 million in 2013.

Tax situation

Pursuant to section 9 of the Austrian Corporate Tax Act ("KStG"), 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 2013. The current tax loss carried forward increased in 2013.

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes.

In 2013 the reported total income tax expense amounted to EUR 178.5 Mio (2012: EUR 170.2 Mio). The tax rate increased in 2013 to 47.7% (2012: 21.2%).

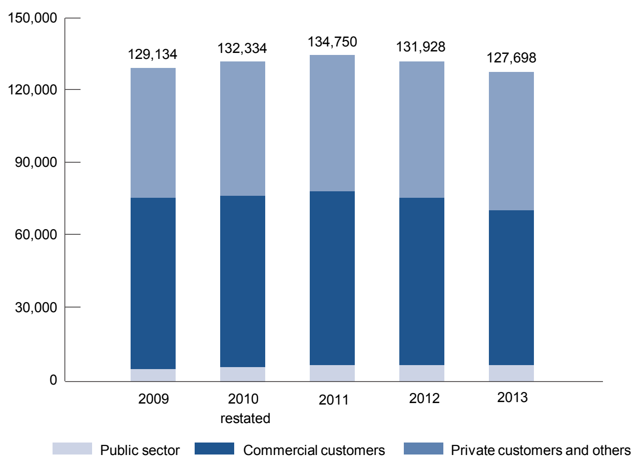
Balance sheet development

Total assets, at EUR 199.9 billion, were 6.5% lower than at year-end 2012. Risk-weighted assets declined by EUR 7.4 billion to EUR 97.9 billion.

Loans and advances to credit institutions, at EUR 9.1 billion as of 31 December 2013 were unchanged versus 31 December 2012.

Loans and advances to customers decreased from EUR 131.9 billion as of 31 December 2012 to EUR 127.7 billion. This was due to a decline in the lending business in Hungary and Romania, the deconsolidation of Erste Bank Ukraine and negative foreign currency translation effects primarily in relation to the Czech Republic.

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



Risk provisions increased from EUR 7.6 billion at year-end 2012 to EUR 7.8 billion at year-end 2013 due to additional allocations. The NPL ratio (non-performing loans as a percentage of loans to customers) stood at 9.6% as of 31 December 2013 (9.2% as of 31 December 2012). The NPL coverage ratio improved further from 62.6% to 63.1% at year-end 2013.

Investment securities held within the various categories of financial instruments were down 7.6% from EUR 42.1 billion at year-end 2012 to EUR 38.9 billion primarily due to a decline in the available-for-sale and held-to-maturity portfolios.

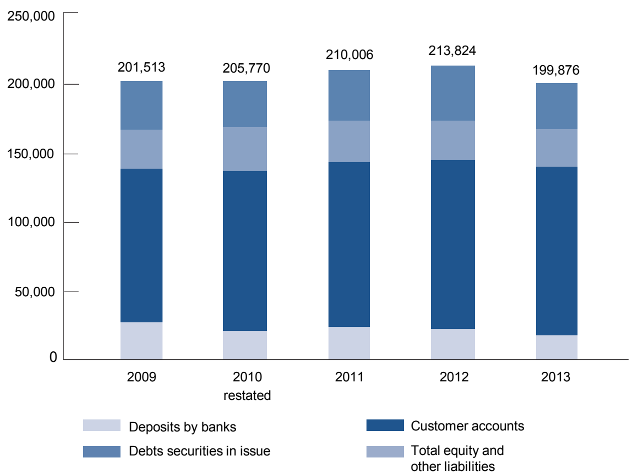
Customer deposits declined by 0.5% from EUR 123.1 billion as of 31 December 2012 to EUR 122.4 billion as of 31 December 2013.

At 104.3%, the **loan-to-deposit ratio** as of 31 December 2013 was lower than it had been as of 31 December 2012 (107.2%)

Debt securities in issue in particular bonds as well as mortgage and public sector covered bonds declined by 4.9% from EUR 29.4 billion to EUR 28.0 billion as of 31 December 2013, while subordinated liabilities were unchanged at EUR 5.3 billion.

Other liabilities, included in the line item sundry liabilities, declined from EUR 3.1 billion to EUR 2.7 billion as of 31 December 2013.

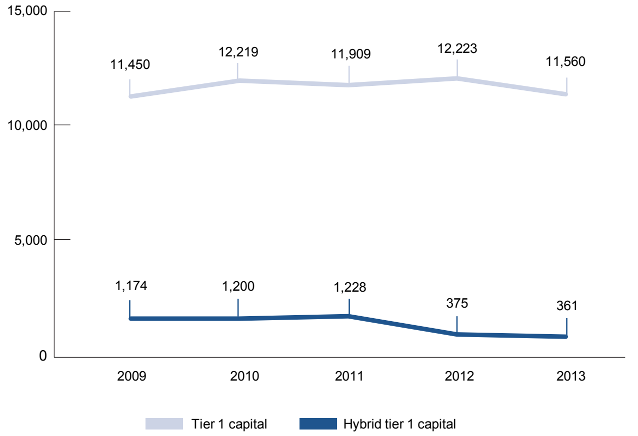
Balance sheet structure/liabilities and total equity in EUR million



Total **risk-weighted assets (RWA)** declined to EUR 97.9 billion as of 31 December 2013 from EUR 105.3 billion as of 31 December 2012, primarily due to the deconsolidation of the Ukrainian subsidiary, exposure reductions and the currency devaluation in the Czech Republic.

Following the redemption of the participation capital of EUR 1.76 billion in August 2013 and negative currency effects, Erste Group's **shareholders' equity** declined to EUR 11.3 billion as of 31 December 2013 from EUR 12.9 billion as of year-end 2012. The capital increase carried out in the third quarter of 2013 had a positive impact of EUR 660.6 million on this item. **Tier 1 capital** after the deductions defined in the Austrian Banking Act amounted to EUR 11.6 billion (year-end 2012: EUR 12.2 billion). Core tier 1 capital stood at EUR 11.2 billion (year-end 2012: EUR 11.8 billion).

Tier 1 capital under ABA and hybrid tier 1 capital in EUR million

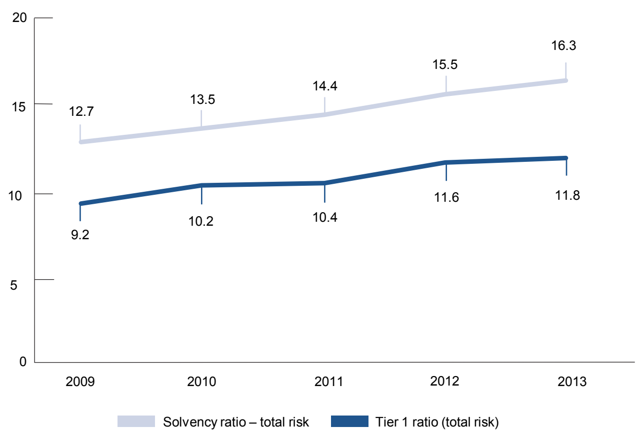


The **tier 1 ratio** (total risk) stood at 11.8% (year-end 2012: 11.6%). The **core tier 1 ratio** amounted to 11.4% as of 31 December 2013 (year-end 2012: 11.2%).

As of 2013, Erste Group has switched from Austrian GAAP to IFRS in the calculation of consolidated regulatory capital. Total eligible qualifying capital of the Erste Group credit institution group, as defined by the Austrian Banking Act, declined from EUR 16.3 billion as of 31 December 2012 to EUR 16.0 billion as of 31 December 2013 due to the early redemption of participation capital in August 2013.

The **solvency ratio** in relation to total risk (total eligible qualifying capital as a percentage of the assessment base for total risk pursuant to section 22 par. 1 Austrian Banking Act) was 16.3% as of 31 December 2013 (year-end 2012: 15.5%), well above the legal minimum requirement.

Solvency ratio and tier 1 ratio (total risk) in %



EVENTS AFTER BALANCE SHEET DATE

There were no significant events after the balance sheet date.

RISK MANAGEMENT

With respect to the explanations on substantial financial and non-financial risks at Erste Group as well as the goals and methods of risk management, we would like to draw the reader's attention to the information in the Notes 38 to the consolidated financial statements.

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 ongoing 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.

CORPORATE SOCIAL RESPONSIBILITY

As one of the leading retail and corporate banks in Austria and the CEE region, Erste Group has committed itself to strict ethical standards for all the activities it carries out in its markets. Almost 200 years ago, the very founding concept of Erste österreichische Spar-Casse already embraced the idea of contributing to the common good. It goes without saying that Erste Group acts responsibly towards customers, employees, investors and communities. This is why Erste Group has brought in a wide variety of measures.

Erste Group has introduced the Know-Your-Customer (KYC) policy in line with Corporate Governance Standards to prevent illegal cash flows. The Group has additionally adapted its internal corruption and bribery rules to these standards.

Commitment to society

Erste Group has always supported social, cultural, educational and sports projects. Parts of the profit made in Central and Eastern Europe go directly into projects in the region within the framework of Erste Group's *Mehr*WERT sponsorship programme.

Social activities

Erste Group's social commitment is marked by its long-term cooperation agreements with local and international organisations. These cooperation agreements focus on combating poverty through providing quick, direct assistance to people in difficult life situations. Most notably, Erste Bank Oesterreich supports *Caritas* projects, such as the annual *Inlandshilfe* and the Eastern Europe Campaigns. In Serbia alone, about 100 projects and initiatives were supported through partial financing in 2013. In Slovakia, Erste Group helps create new jobs in sheltered workshops and supports organisations for disabled people. Scholarships have been given to young people from children's homes for the sixth year in a row, as part of the *Durch Bildung zum Erfolg* (Success through Education) project. Special NGO seminars teaching NGO managers more efficient management methods are offered in the Czech Republic. The Group's social activities in Hungary focus on helping disadvantaged, young people. Supported organisations include SOS Children's Villages and the Maltese Charity Service.

Arts and culture

Erste Group supports partnerships between cultural and social institutions to carry out joint ideas and strategies within the framework of its partnership programmes. Erste Group also provides financial support for numerous cultural projects in the countries in which it operates. Erste Bank Oesterreich is the main sponsor of *Jeunesse*, a programme focusing on the support of young artists and the development of innovative concepts for sharing music. Erste Group also cooperates in this field with Caritas to make music more accessible to socially disadvantaged people. In Romania, Erste Group supports the *International Transylvanian Film Festival* and other important cultural events. Music festivals and young talent are also promoted in Slovakia, the Czech Republic and Hungary.

Financial education

One prerequisite for stable economic growth and long-term improvements in living standards is the accessibility of adequate financial and business know-how for as many people as possible, so that they are in a position to secure and improve their economic situation. Thus, Erste Group has initiated a number of activities to give people access to this know-how.

The video series *A Cup of Coffee* with Rainer Münz was produced in German and English in 2013. These approximately 50 short films provide answers to current economic questions and provide the basics for financial advice. Initially produced for in-house use, the videos are now available to the public via Erste Group's website and YouTube. The videos were given an official recommendation by the Federal Ministry of Economy, Family and Youth at the end of last year.

Further services are aimed at younger people, but also teachers. The website www.geldundso.at for instance was particularly designed for teenagers.

Corporate volunteering

Erste Group regards itself as an institution founded on the principle of social responsibility that has developed into a modern bank. This is why the social engagement of employees is supported. The Time Bank initiative, launched in 2012, encourages employees to get involved in social projects in their free time and boasted 1,000 new members in 2013. Moreover, Erste Group's employees made an amazing effort to help the victims of the disastrous summer floods in 2013. The Group supports various projects across its units and encourages its employees to volunteer for social activities. Employees of Česká spořitelna, for example, get two days leave per year as part of the company's Charity Days to actively support social projects.

Customers

Erste Group puts customers and their interests at the centre of attention. Understanding the customers' needs is essential to provide the corresponding solution at the right time. The bank strives to build and maintain long-term relationships with its customers by offering appropriate and understandable products and advice. Erste Group's websites have received a new look and are now more user-friendly and equipped with responsive design. This means that the websites adapt to the device and screen size and, therefore, improve the usability. All webpages have been adapted to suit the needs of the visually impaired, who can now select between three font sizes. Many ATMs and ATM cards already carry information in Braille and each branch in Austria features at least one ATM with an inbuilt voice module.

The products and services offered undergo regular quality and sustainability checks to maintain the top product quality standards. In 2013 Erste Group introduced a special product approval process that examines each new product and service carefully before launch.

The branch network remains an important distribution channel, even though comprehensive and widely-used online-banking services are provided. Personal customer contact has remained an essential pillar for good customer relations. One of Erste Group's highest priorities is the continuous improvement of customer relations. As a result, customer experience is evaluated on an annual basis with the help of the Bank Market Monitor. Erste Group held its overall position across all markets and segments in 2013. The results in the Czech Republic, Croatia and Hungary improved in comparison to those of Erste Group's competitors. Erste Group is the clear market leader in Croatia and Serbia in terms of customer satisfaction.

Since 2012 all asset management units have been centralised under the umbrella of Erste Asset Management, committing to the UN's Principles of Responsible Investments (UNPRI). With the signing of the 2013 *Bangladesh Memorandum*, Erste Asset Management has committed itself not to invest in textile industry companies that infringe human or labour rights in the country they are based in or that have suppliers who infringe on these labour and human rights. Anticipating the trend for sustainable investments, Erste Asset Management launched in addition to its existing funds the Erste Responsible Emerging Corporate fund, which invests in Emerging Markets on a global basis, focusing on sustainability aspects.

Good.bee Credit, founded as a joint venture in Romania in 2009 and fully-owned by Erste Group since August 2013, provides development-oriented loans to SMEs. As of year-end 2013 2,800 loans, amounting in total to EUR 14 million have been granted. Erste Bank Serbia granted start-up loans to ten entrepreneurs through the programme *SupERSTEp*. The micro loan initiative in Austria was continued together with the Federal Ministry of Labour, Social Affairs and Consumer Protection. About 300 small enterprises have been founded with assistance from this service up to now.

Another fundamental project is the Group's cooperation with the Schuldnerberatung Wien (Vienna City debt advisory service). This jointly established initiative provides debt advisory service clients with the opportunity to open assisted accounts – a vital step towards an independent life.

Employees

Retaining experienced and committed employees is fundamental to the long-term success of every company. Toward that end, Erste Group – as one of the largest employers in the region – strives to maintain its position as an employer of choice for talented people in Central and Eastern Europe. This was confirmed in the 2013 employee engagement survey.

The most important strategic fields are: diversity and talent management, efficiency and competitiveness, as well as knowledge transfer and staff training. In 2013 a Diversity Manager was appointed, ensuring that all employees receive equal opportunities. The main targets are to increase the number of women in management positions, promote intercultural exchange and provide a healthy work-life balance for all staff members. Furthermore, a great number of diversity indicators were evaluated.

Providing training and development opportunities is among the top priorities. Thus, Erste Group has developed three Business Colleges: the Group Corporate & Markets College, the Risk Management College and the Compliance College. Compliance training is compulsory for all employees. Erste Group offers top university graduates an attractive start in the banking sector with its one-year Group Graduate Programme. This programme is also designed to recruit the best graduates possible.

The service range provided by the Erste Group Health Center was extended in 2013. In addition to comprehensive health checks and various prevention services it now includes the evaluation of psychological stress factors at the workplace

Environment

At Erste Group respect for the environment is as important as respect for individuals. Erste Group believes it is necessary to monitor the impact of its business activity and behaviour on the environment and recognise that commercial activities and environmental responsibility do not exclude but even complement each other. In 2013 the management board of Erste Group approved the Erste Group Environment, Energy and Climate Strategy as a basic principle for all the local banks. Its goal is to integrate environmental aspects into daily banking business. The Group also strives to reduce energy consumption, thermal energy, paper consumption and CO_2 emissions significantly by 2016.

The Erste Campus – the new headquarters, which has already received several sustainability prizes for its energy efficiency and sustainability during its building phase – should serve as a model project. Energy saving programmes are rolled out systematically in all countries. Involving employees in this programme and raising awareness has proved a great success and will likely reduce energy consumption by 10% over the next two years. Moreover, the change to LED lighting has proved very effective and will save a significant amount of energy. To keep greenhouse gas emissions at low levels, business trips were reduced due to investments in more progressive video conferencing systems. Without doubt, besides measures relating to energy, one of the greatest direct contributions that a financial institution can make to protect the environment is cutting paper consumption. Wherever technically possible, only 100% recycled paper is to be used, especially in the case of copy paper and all paper used for internal purposes. The increased importance of digital banking also contributes positively to paper consumption. Fewer printed statements are delivered by physical mail. In addition, Erste Group cooperates with numerous environmental NGOs – on the one hand, it supports these groups, and on the other it also learns from them how to continue its environmental strategy innovatively and successfully.

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS

Disclosures pursuant to section 243a (1) UGB (Austrian Commercial Code)

With regard to the statutory disclosure requirements, connected to the composition of the capital as well as the class of shares, a special reference is made to the note 30 in the consolidated financial statements.

As of 31 December 2013, DIE ERSTE oesterreichische Spar-Casse Privatstiftung, a foundation, held 20.65% of the shares in Erste Group Bank AG. This makes the foundation the largest shareholder.

Under article 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, the Privatstiftung is entitled, pursuant to section 92 (9) of the Austrian Banking Act, to delegate up to one-third of the supervisory board members to be elected at the Annual General Meeting. Until now, the Privatstiftung has not exercised this right.

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 article 19.10 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

In 2013, collaboration with savings banks was further strengthened by way of an additional agreement. The purpose of the agreement concluded in 2013 and effective as of 1 January 2014 is not only to broaden the regulatory options available to Erste Group Bank AG but also to ensure compliance with point 127 of Article 4 (1) (1) CRR and Article 113 (7) CRR with a view to allowing recognition of minority interests at consolidated level in acc. with Article 84 (6) CRR. Savings banks that are party to the agreement concluded in 2013 also include Allgemeine Sparkasse Oberösterreich, which forms an institutional protection scheme as defined under Article 113 (7) CRR with the other members of the Haftungsverbund.

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

The following paragraphs list important 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 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.

Haftungsverbund

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 controlling interests

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

a) the insured ceases to exist as a result of 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 (giving rise to 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.

Cooperation 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 österreichische 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.

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 16 May 2013:

a) The management board is entitled to purchase up to 10% of the subscribed capital in treasury shares for trading purposes according to section 65 (1) no. 7 AktG (Austrian Stock Corporation Act). However, the trading portfolio of these shares may not exceed 5% of the subscribed capital at the end of any calendar day. The consideration for the shares to be purchased must not be less than 50% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed 20% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase. This authorisation is valid for a period of 30 months, i.e. until 15 November 2015.

b) The management board is entitled, pursuant to section 65 (1) no. 8 as well as (1a) and (1b) Stock Exchange Act and for a period of 30 months from the date of the resolution, i.e. until 15 November 2015, to acquire own shares of up to 10% of the subscribed capital, subject to approval by the supervisory board, with the option of making repeated use of the 10% limit, either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment. The authorisation may be exercised in whole or in part or in several instalments and in pursuit of one or several purposes. The market price per shall must not be below EUR 2.00 or above EUR 120.00. Pursuant to section 65 (1b) in conjunction with section 171 Stock Corporation Act, the management board is authorised, from the date of the resolution, i.e. until 15 May 2018, on approval by the supervisory board, to sell or use the company's own shares, also by means other than the stock exchange or a public offering for any purpose allowed by the law, particularly as consideration for the acquisition and financing of the acquisition of companies, businesses, business divisions or shares in one or several businesses in Austria or abroad to the exclusion of the shareholders' proportional purchase option. The authorisation may be exercised in whole or in part or in several instalments and in pursuit of one or several purposes. The management board is authorised to redeem own shares subject to the supervisory board's approval without requiring the Annual General Meeting to adopt any further resolution.

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR THE GROUP FINANCIAL REPORTING PROCEDURES

Control environment

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

The management in each Group unit is responsible for implementing Group-wide instructions. Compliance with Group rules, is monitored as part of the audits performed by internal and local auditors.

Consolidated financial statements are prepared by the Group Consolidation department and the IFRS and Tax Competence Center department. The assignment of powers, process description and the necessary control procedure are defined in the operating instructions.

Risks relating to the financial reporting procedures

The main risk in the financial reporting procedures is that errors or deliberate action (fraud) prevent facts from adequately reflecting the company's financial position and performance. This is the case 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 users of financial statements. Such decision may incur serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

Controls

Group Accounting and Group Performance Management are responsible for group reporting and report to Erste Group's CFO. Erste Group issues group policies used for preparation of consolidated financial statements in accordance with IFRS. A summary description of the accounting process is provided in Erste Group' IFRS Accounting Manual. All transactions have to be recorded, posted and accounted for in accordance with the accounting and measurement methods set out in this manual. The management of each subsidiary is responsible for the implementation of group policies.

The basic components of the internal control system (ICS) at Erste Group 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).

Group Consolidation

The data provided by the group entities are checked for plausibility by the IFRS Competence Center, and the Group Consolidation department. The subsequent consolidation steps are then performed using the consolidation system (TAGETIK). Those include consolidation of capital, expense and income consolidation, and debt consolidation. Lastly, possible intragroup gains are eliminated. At the end of the consolidation process, the notes to the financial statements are prepared in accordance with IFRS, the BWG and UGB.

The consolidated financial statements and the group management report are reviewed by the Audit Committee of the Supervisory Board and are also presented to the Supervisory Board for approval. They are published as part of the annual report, on Erste Group's website and in the Official Journal of Wiener Zeitung and finally filed with the Commercial Register.

Information and communication

Each year the annual report shows the consolidated results in the form of a complete set of consolidated financial statements. These consolidated financial statements are examined by an external auditor. In addition, the management summary (Group management report) provides verbal comments on the consolidated results in accordance with the statutory requirements. Throughout the year the Group produces consolidated monthly reports for Group management. Statutory interim reports are produced that conform to the provisions of IAS 34 and are also published quarterly in accordance with the Austrian Stock Corporation Act. Before publication, the consolidated financial statements are presented to senior managers and the Chief Financial Officer for final approval and then submitted to the Supervisory Board's Audit Committee.

Reporting is almost fully automated, based on source systems and automated interfaces, and guarantees up-to-date data for controlling, segment reporting, and other analyses. Accounting information is derived from the same data source and is reconciled monthly for reporting purposes. Close collaboration between accounting and controlling permits continual target/actual comparisons for control and reconciliation purposes. Monthly and quarterly reports to the Management Board and the Supervisory Board ensure a regular flow of financial information and monitoring of the internal control system.

Responsibilities of Internal Audit

Internal Audit is in charge of auditing and evaluating all areas of the bank based on risk oriented audit areas (according to the annual audit plan as approved by the Management Board and reported to the Audit Committee). Main focus of audit reviews is to monitor the completeness and functionality of the internal control system. Internal Audit has the duty of reporting its findings to the Group's Management Board, Supervisory Board and Audit Committee several times within one year.

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.

Vienna, 28 February 2014

Management board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Andreas Gottschling mp
Member

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

Segments

INTRODUCTION

The segment report of Erste Group complies with IFRS presentation and measurement requirements and shows the results of Erste Group's reportable segments. It is based on IFRS 8 - Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal reporting information that is regularly reviewed by the chief operating decision maker, i.e. the management board of Erste Group, to assess the performance of the reportable segments and to make decisions regarding the allocation of resources.

The segment report 2013 consists of four reportable segments that reflect Erste Group's internal management reporting systems: Retail & SME, Group Corporate & Investment Banking, Group Markets and Group Corporate Center.

The Retail & SME segment comprises the business activities that are in the responsibility of the retail and corporate network across Erste Group's geographical operations focusing on local customer business. To improve transparency and in accordance with the geographical presence of Erste Group's banking and other financial institutions, the Retail & SME segment is divided into the geographical areas of the core markets Austria and Central and Eastern Europe. The geographical area Austria is further split into Erste Bank Oesterreich (including majority-owned participations) and the remaining savings banks consolidated under the cross-guarantee system (Haftungsverbund). The geographical area CEE consists of the retail and SME business activities in the Czech Republic, Romania, Slovakia, Hungary, Croatia, Serbia and Ukraine (sold as of 29 April 2013).

The Group Corporate & Investment Banking (GCIB) segment includes Erste Group's large corporate business, the commercial real estate business – especially of Erste Group Bank AG – and Erste Group Immorent AG, equity capital markets (from the second quarter of 2012 onwards), the investment banking activities in CEE and the International Business unit (covering all investment and lending activities outside Erste Group's core markets, i.e. the branch offices in London, Hong Kong, New York, Stuttgart and Berlin).

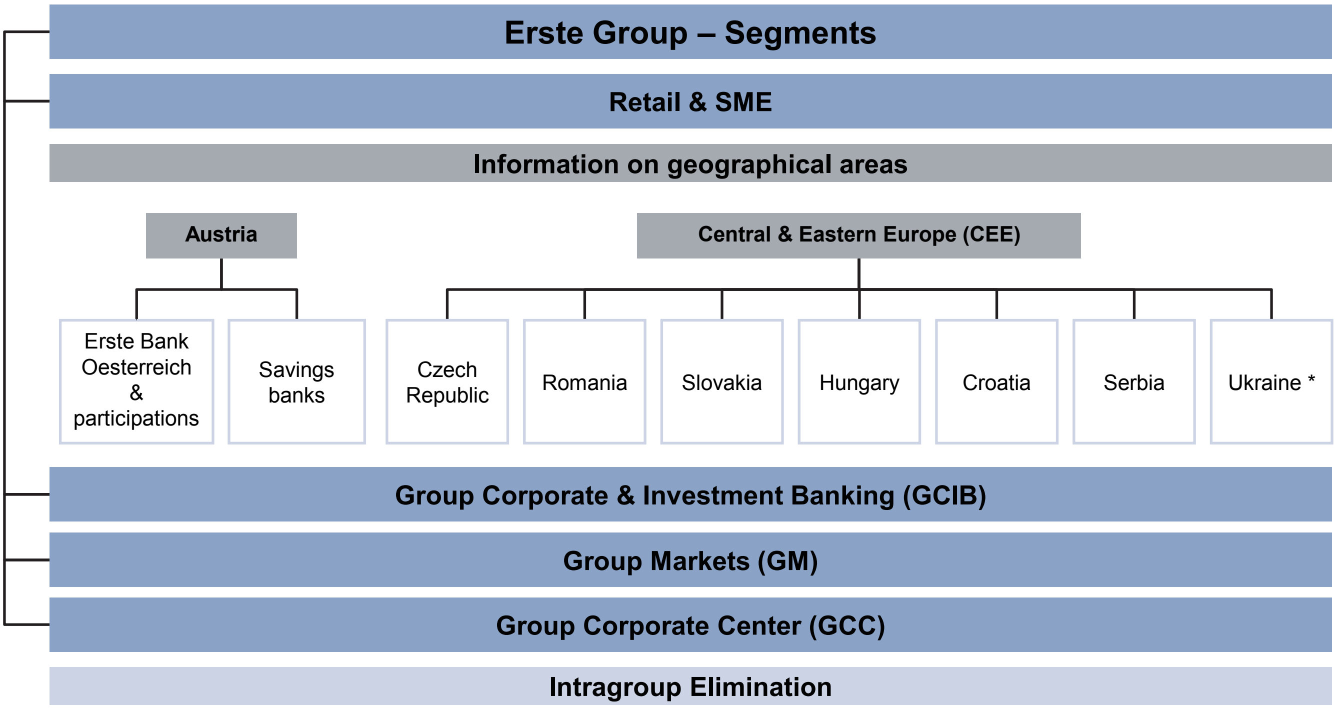
The Group Markets (GM) segment comprises the divisionalised business units Group Treasury and Group Capital Markets (except Equity Capital Markets, which has been allocated to the segment GCIB from the second quarter of 2012 onwards) and includes the treasury activities of Erste Group Bank AG, the CEE subsidiaries, the foreign branch offices as well as the business from Erste Asset Management.

The Group Corporate Center (GCC) segment mainly comprises all non-core and centrally managed business activities. These include internal service providers for the Group (such as facility management, IT and procurement) and the Asset and Liability Management of Erste Group Bank AG. Other components of this segment include the banking taxes paid by Erste Group Bank AG and impairments on participations.

The segment structure is aligned with Erste Group's management approach. This leads to a somewhat lower Group contribution from the CEE subsidiaries (the geographical segments), as part of their local results are allocated, in line with the management approach, to the GCIB and GM segments.

Intragroup Elimination is not defined as a segment as such but is the reconciliation to the consolidated accounting result.

Segment reporting structure at Erste Group



* Due to the deconsolidation following the sale of Erste Bank Ukraine, only the results of the first three months are included in 2013

Retail & SME

The Retail & SME segment comprises the business activities that are in the responsibility of the retail and corporate network across Erste Group's geographical operations focusing on local customer business. Targeted customers are mainly private individuals, micro businesses, small and medium-sized enterprises, free professions and public sector companies. According to the geographical presence of Erst Group's banking and other financial institutions, the Retail & SME segment is divided into the geographical areas of the core markets Austria and Central and Eastern Europe. The geographical area Austria is further split into Erste Bank Oesterreich (including majority-owned participations) and the remaining savings banks consolidated under the cross-guarantee system (Haftungsverbund). The geographical area CEE consists of the retail and SME business activities in the Czech Republic, Romania, Slovakia, Hungary, Croatia, Serbia and Ukraine (sold as of 29 April 2013).

AUSTRIA

Economic review

Following gradual signs of recovery in the second half of the year, Austria posted GDP growth of 0.3% in 2013. The Austrian economy is export driven. It owes its resilience to broad diversification, a well-balanced mix of industries and strong international competitiveness. With a share of approximately 30%, Germany remained Austria's key export market. Domestic demand strengthened but was still relatively weak despite improvements in business and consumer sentiments. Neither the low interest rate environment nor the solid corporate liquidity led to a significant increase in investments. Consumption remained subdued as household incomes were contracting in real terms. The labour market proved again to be robust. While the unemployment rate increased from 4.4% to 4.9% on the back of an increasing labour force, it remained the lowest in the European Union. At a GDP per capita of around EUR 37,100, Austria was again one of the wealthiest countries in the European Union.

The rating agencies Moody's and Fitch continued to rank Austria as one of the highest-rated countries worldwide with an AAA rating and a stable outlook based in particular on its competitive and diversified economy, social and political stability and the prudent management of fiscal resources, both now with outlook stable. S&P affirmed its AA+ rating with a stable outlook on continuing fiscal consolidation and a resilient economy.

Albeit increasing, to 74.6% of GDP, government debt was significantly lower than the eurozone average of 96%. In 2013, the general government budget benefited from one-off effects, namely revenues from the telecommunications multiband auction and a tax agreement with Switzerland. On the other hand, Hypo Alpe-Adria-Bank International AG has continued to negatively impact the fiscal situation. The overall financial sector support – mainly transfers to partially or fully nationalised banks – has been moderate to date by international comparison, at approximately 3.4% of GDP. The budget deficit was 2.3% after 2.5% in 2012.

Consumer price inflation slowed down to 2.0% (compared to 2.6% in 2012) mainly due to declining energy and food prices. The European Central Bank continued its low-interest rate policy and cut the key lending rate to 0.25% in 2013.

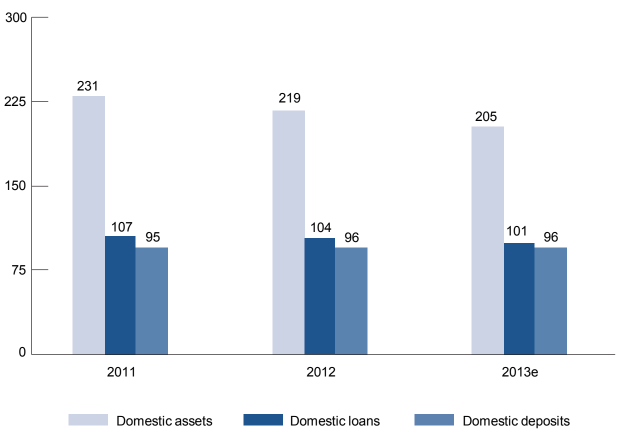
Key economic indicators – Austria	2010	2011	2012	2013e
Population (ave, million)	8.4	8.4	8.4	8.5
GDP (nominal, EUR billion)	286.4	300.7	307.0	314.6
GDP/capita (in EUR thousand)	34.2	35.8	36.5	37.1
Real GDP growth	2.1	2.7	0.9	0.3
Private consumption growth	1.7	0.7	0.5	-0.1
Exports (share of GDP)	38.2	40.5	40.2	40.8
Imports (share of GDP)	39.7	43.6	43.0	43.5
Unemployment (Eurostat definition)	4.4	4.2	4.4	4.9
Consumer price inflation (ave)	1.7	3.6	2.6	2.0
Short term interest rate (3 months average)	1.0	1.4	0.2	0.3
EUR FX rate (ave)	1.0	1.0	1.0	1.0
EUR FX rate (eop)	1.0	1.0	1.0	1.0
Current account balance (share of GDP)	3.4	0.6	1.6	2.3
General government balance (share of GDP)	-4.5	-2.5	-2.5	-2.3

Source: Erste Group

Market review

The Austrian banking sector, with total domestic assets of 205% of GDP in 2013, is a well-developed banking market. The market remained very competitive due to the large number of non-listed banks. In 2013, no significant market consolidation took place, even though the Austrian business of the nationalised Hypo Alpe-Adria-Bank International AG was sold. As a result, margins remained significantly lower than in Central and Eastern Europe, as did risk costs. Loans to customers declined slightly compared to 2012, while deposits remained flat. The banking system's loan-to-deposit ratio was approximately 103% at year-end 2013. The special banking tax aimed to lower the government deficit by a planned total of EUR 625 million in 2013.

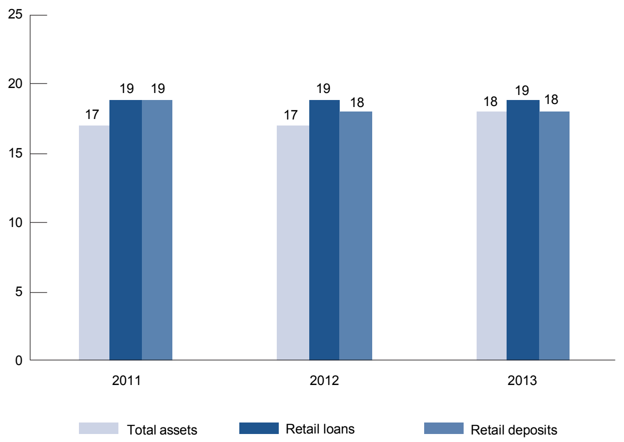
Financial intermediation – Austria (in % of GDP)



Source: Oesterreichische Nationalbank, Erste Group

On the back of reduced risk-weighted assets, capital ratios of Austrian banks improved. In general, Austrian banks have a more favourable leverage than their European peers. The foreign exposure of Austrian banks is strongly concentrated on the CEE region, where risk is broadly diversified.

Market shares – Austria (in %)



Source: Oesterreichische Nationalbank, Erste Group

In 2013, Erste Bank Oesterreich maintained its position and the savings banks increased their strong position in the Austrian banking market. At year-end 2013, their combined market share as measured by total assets stood at 18%. In the retail business, Erste Bank Oesterreich and the savings banks maintained their shares in customer loans and customer deposits at 19% and 18% respectively, while in the corporate business market shares ranged between 17% and 20% depending on the product.

ERSTE BANK OESTERREICH

In addition to Erste Bank Oesterreich itself, this geographical segment includes the three savings banks in which Erste Bank Oesterreich holds majority ownerships: Salzburger Sparkasse, Tiroler Sparkasse and Sparkasse Hainburg-Bruck-Neusiedl. Another component of this geographical segment is Erste Bank Oesterreich's residential real estate as well as mortgage business, which encompass retail mortgages and financing for subsidised and non-subsidised housing projects, as well as facility management and real estate brokerage. s Bausparkasse, who is one of the Austrian market leaders in financing for retail customers and for non-profit and commercial developers, is among the bank's key operating entities in this business. Since 2005, s Bausparkasse has also been responsible for the mortgage bond transactions of Erste Bank Oesterreich. The real estate broker s REAL and s Wohnbaubank, a bank specialised in housing loans, also play key roles.

Business review

Strategy. Erste Bank Oesterreich and its three majority-owned savings banks are universal banks focusing on private individuals, free professions and small and medium-sized enterprises as well as large corporate customers, the public sector and non-profit organisations. The strategic focus is on strengthening their market position and achieving market leadership jointly with the other savings banks. The banks aim to grow by acquiring new customers and intensifying existing customer relationships. In its core business of deposit-taking and lending, Erste Bank Oesterreich is focused on retail customers, corporate customers, the public sector and non-profit organisations. Through its subsidiaries, the bank also offers financial products related to investments, construction, housing and leasing. In private banking, Erste Bank Oesterreich is among the market leaders in Austria. Together with the savings banks, Erste Bank Oesterreich is striving to become Austria's strongest and most profitable banking group. To achieve this goal, the bank is optimising its service and advice standards and consistently improving the customer experience.

Highlights from 2013

Growth continuously driven by new customers. Top quality in customer relationship management is key to winning new customers. Despite customers' steadily rising expectations and the general public's critical attitude towards banks, current surveys conducted by the *Banking Market Study 2013* indicate a high degree of satisfaction, a willingness to recommend the bank, and a higher level of trust among customers of Erste Bank Oesterreich as compared to the banking industry as whole. Accordingly, approximately 30,000 new customers were acquired in 2013. More than one in four inhabitants of Vienna are already a customer of the bank. The bank successfully implemented a new customer relationship management approach. Considerable success, mainly visibly in terms of a higher recommendation rate, was already achieved in Private Banking.

New branch concept. Customers' needs change over the course of time. Customers expect their bank to offer better accessibility and more flexibility than it did a few years ago. Enhancing accessibility to banking services through a variety of channels is among the bank's key business efforts.

Erste Bank Oesterreich developed a new branch concept to meet the changed customer expectations. In spring 2013, the bank opened a pilot branch following the new concept. This allows the innovative account management and services concept to be tested in a real-life environment. The feedback from the customers contributes to the design of further branches.

Innovations in banking. Combined with the new branch concept, access to banking services for the customer base through digital channels is optimised on a continuous basis. In this context, the *Most Innovative Account* offers a wide range of possibilities. In addition to the well-established netbanking, the product range comprises a series of apps for smartphones.

To complement the existing apps, the *Quickcheck App* and the *Finance Manager* were introduced in 2013. The *Quickcheck App* allows customers to get information on their payments any time by simply using their fingertips, whereas the *Finance Manager* systematically gathers the information on incoming payments or payouts and allocates this data to specific categories. Customers are provided with a concise overview of their personal earnings and spending behaviour. Apart from that, since spring 2013 all new bank cards have been equipped for contactless payment and allow non-cash payments without a PIN for purchases of less than EUR 25.

In September 2013, Erste Bank Oesterreich together with the savings banks started to run the online-platform s Lab. This is an entirely new form of cooperation between the bank and its customers. Products and services are jointly developed and trends and developments are discussed. Through s Lab, Erste Bank Oesterreich is sending out a clear signal on the Austrian banking market: there is no other financial institution that cooperates this closely with its customers.

Focus on wealth management. Erste Bank Oesterreich successfully continued its focus on wealth management, which it started last year. Individual financial needs of the customer base, in particular a balance between expected yields and risk profiles, are at the centre of attention.

YOU INVEST, an actively managed wealth management tool offered by Erste Bank Oesterreich, is aimed at customers who do not wish to manage their investments by themselves but who are nonetheless highly interested in flexibility and transparency in their investments. Interactive tools allow customers to view detailed information on their investments on a daily basis and experts of Erste Sparinvest explain via videos or blogs the latest developments of the portfolio.

Awards for excellent private banking. The British business magazine *The Banke*r has named Erste Bank Oesterreich's Private Banking the best private banking services in Austria. This, together with the award by *Euromoney* for the best private banking in Croatia, underlines the success of Erste Group in positioning itself as a top private banking institution in Central and Eastern Europe.

Financial review

in EUR million	2013	2012
Pre-tax profit/loss	257.8	255.1
Net profit/loss after minority interests	184.4	192.4
Operating result	367.7	337.9
Cost/income ratio	61.8%	64.5%
Return on equity	14.4%	15.0%
Customer loans	28,049	28,052
Customer deposits	29,969	29,960

The decline in net interest income from EUR 617.8 million in the financial year 2012 by EUR 7.3 million, or 1.2%, to EUR 610.5 million in the financial year 2013 was mainly attributable to lower margins and subdued loan demand in the retail business. Net fee and commission income improved from EUR 339.0 million in the financial year 2012 by EUR 2.9 million, or 0.8%, to EUR 341.9 million on the back of a positive contribution from securities business. The rise in the net trading result from EUR -4.2 million in the financial year 2012 by EUR 13.5 million to EUR 9.3 million in the financial year 2013 was attributable to valuation gains. The decline in operating expenses from EUR 614.7 million by EUR 20.7 million, or 3.4%, to EUR 594.0 million was mainly driven by strict cost management. The operating result improved from EUR 337.9 million in the financial year 2012 by EUR 29.8 million, or 8.8%, to EUR 367.7 million. The cost/income ratio improved to 61.8% versus 64.5% in the financial year 2012. Risk provisions declined from EUR 96.2 million in the financial year 2012 by EUR 25.9 million, or 26.9%, to EUR 70.3 million in the financial year 2013.

The "other result" declined by EUR 53.0 million to EUR -39.6 million in the financial year 2013. This was mainly due to proceeds from the sale of securities held in the available-for-sale portfolio and from the sale of real estate recorded in the financial year 2012 as well as impairments from carrying amounts of participations in the financial year 2013. Banking tax amounted to EUR 9.7 million in 2013 (2012: EUR 9.7 million). Net profit after minorities decreased from EUR 192.4 million in the financial year 2012 by EUR 8.0 million, or 4.1%, to EUR 184.4 million. Return on equity declined from 15.0% in the financial year 2012 to 14.4%.

Credit risk

Total credit exposure in the Erste Bank Oesterreich geographical segment rose slightly by 0.6% to EUR 35.4 billion in 2013, while the volume of customer loans barely changed and totalled EUR 28 billion at year-end 2013. The share of Erste Bank Oesterreich in Erste Group's total loan portfolio was 22.0% at the end of December 2013, and therefore 0.8 percentage points higher than in 2012. The breakdown by customer segment showed a slight shift from retail customers towards medium-sized and larger companies. The share of retail customers in the total credit volume decreased from 42% to 41%, while the share of corporates increased to 43%. Loans to the self-employed, the free professions and small businesses are less significant than they are for the savings banks. At the end of 2013, these loans amounted to 10.2% of total lending to customers.

Driven by the specific advice campaign to promote the conversion of foreign currency loans, the share of Swiss franc loans in the total loan portfolio decreased noticeably from 11.8% to 9.7%.

The high quality of Erste Bank Oesterreich's loan portfolio remained essentially unchanged in 2013. At the end of 2013, the share of non-performing loans in total loans to customers was stable at 3.8%. The development was especially positive in the retail segment, with the further improvement of asset quality among the self-employed and smaller businesses being quite remarkable. Apart from the public sector, private households constituted the customer group with the fewest defaults.

SAVINGS BANKS

The Savings Banks geographical segment encompasses 43 Austrian savings banks with 736 branches across the country. They are consolidated due to their membership in the Haftungsverbund (cross-guarantee system). Erste Bank Oesterreich and Sparkasse Oberösterreich entered into a separate cross-guarantee agreement. Erste Bank Oesterreich has no or only minor shareholdings in these institutions. Savings banks that are majority owned by Erste Bank Oesterreich, i.e. Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg-Bruck-Neusiedl, are included in the Erste Bank Oesterreich geographical segment. The cross-guarantee system covers in total 49 Austrian savings banks and provides a sound legal basis for collaboration with Erste Bank Oesterreich.

In 2013, the cooperation between the savings banks was intensified on the basis of a further agreement. This agreement, concluded in 2013 and valid from 1 January onwards, aims to intensify the control elements through Erste Group Bank AG and implement the new regulatory requirements under Basel 3. The new agreement stipulates the liability of all savings banks for each other in case of remedial actions (within the scope of an institutional protection scheme).

Business review

Strategy. The savings banks are classic universal banks serving private individuals, free professions and small and medium-sized enterprises as well as large corporate clients, the public sector and non-profit organisations. The Austrian savings banks and Erste Bank Oesterreich are focused on becoming the market leaders in Austria over the medium term. The savings banks' close collaboration in key business areas is reflected in their common corporate identity and their harmonised business and market approach. Customers benefit from the wide variety of financial products and services developed through coordinated activities. At the same time, these common production and distribution activities, as well as the shared IT platform and applications (e.g. unified management information and control systems), yield synergies and cost advantages for the savings banks and Erste Bank Oesterreich. Providing outstanding quality and acquiring customers continue to be key goals.

Highlights from 2013

Successful customer acquisition. The Austrian savings banks continued to gain additional new customers in 2013. By continuing the upward trend of the previous year, the total number of customers rose to more than 3.3 million. Campaigns such as *Kunden werben Kunden* (tell a friend) contributed significantly to the successful acquisition of new customers. This proved just how much customers appreciate it when services are aimed at satisfying their actual needs.

Sales support. The savings banks are supported by a dedicated task-force of Erste Bank Oesterreich. The main priorities are the further optimisation of sales potential and sales management. By observing business developments, financial needs can be quickly identified, thus allowing pro-active steps to be taken and continuously improving the service quality of the savings banks.

Mobile banking. Enhancing accessibility to banking services through a variety of channels as well as facilitating mobile financial transactions have become crucial to meeting the changing needs of customers.

In addition to the existing savings products, such as *Impulssparen* (Impulse savings) and *Rundungssparen* (Keep the Change), further innovative products were launched in 2013. The *Quick-check App* allows customers to get information on their payments, whereas the *Finance Manager* systematically gathers the information on incoming payments or payouts and allocates this data to specific categories.

The savings banks together with Erste Bank Oesterreich started to run the online platform s Lab. Products and services are jointly developed and trends and developments are discussed.

Cost projects. Further expense-related projects were implemented in 2013 across the savings banks. Initiatives related to the optimisation of other administrative expenses and to personnel benchmarking at savings banks that enabled the participating institutions to compare their expenses with those of their peers and to identify potential action points. Another initiative supporting the savings banks in identifying further optimisation potential focused on the analysis of the branch locations, providing information on the performance of the branches and allowing peer comparison. Measures were drawn up to tackle weaknesses and to follow best practice examples. As a result, individual savings banks identify their optimisation potential and can exploit it quickly.

Financial review

in EUR million	2013	2012
Pre-tax profit/loss	190.6	202.3
Net profit/loss after minority interests	22.8	21.5
Operating result	418.3	425.7
Cost/income ratio	69.2%	68.7%
Return on equity	5.7%	5.8%
Customer loans	37,664	37,687
Customer deposits	35,075	34,215

The decline in net interest income from EUR 940.0 million in the financial year 2012 by EUR 31.6 million, or 3.4%, to EUR 908.4 million in the financial year 2013 was mainly attributable to lower income from securities. Net fee and commission income increased by EUR 29.8 million, or 7.5%, to EUR 427.8 million in the financial year 2013. This development was mainly due to higher income from securities business and payment transfers. The net trading result remained nearly unchanged and amounted to EUR 20.1 million in the financial year 2013. Operating expenses increased marginally from EUR 932.2 million by EUR 5.8 million, or 0.6%, to EUR 938.0 million. The cost/income ratio rose slightly from 68.7% to 69.2%.

Risk provisions increased from EUR 225.9 million by EUR 10.0 million, or 4.4%, to EUR 235.9 million in the financial year 2013. The "other result" improved from EUR 2.5 million by EUR 5.7 million to EUR 8.2 million on the back of fewer negative one-off effects. Banking tax amounted to EUR 8.9 million in the financial year 2013 (2012: EUR 8.1 million). Net profit after minorities rose from EUR 21.5 million in the financial year 2012 by EUR 1.3 million, or 6.0%, to EUR 22.8 million in the financial year 2013. Return on equity stood at 5.7% versus 5.8% in the financial year 2012.

Credit risk

Total credit exposure in the Savings Banks geographical segment declined by 0.8% from EUR 52.1 billion to EUR 51.7 billion in 2013. Loans to customers stagnated at EUR 37.7 billion and there were hardly any shifts in the distribution of borrowers by customer segment. Compared with other Group entities, the Austrian savings banks conduct a much larger proportion of their business with self-employed customers, the free professions and small businesses. At nearly one-fifth of total loans, the share of this customer segment is significantly larger than at Erste Group's subsidiaries in Central and Eastern Europe. This reflects the structure of Austria's economy, which features in an international comparison a very high share of small and medium-sized enterprises.

Foreign currency loans in Swiss francs continued to decline. At 12.2% of total loans, their share in total loans to customers was clearly more pronounced than that of Erste Bank Oesterreich. The trend towards higher collateralisation of loans continued in the past financial year.

The quality of the loan portfolio changed only slightly in the course of 2013 and remained satisfactory. Non-performing loans as a percentage of total loans to customers decreased by 10 basis points to 6.8% during the financial year. The migration trend of performing loans to better risk classes continued. Compared by customer segment, the development was especially positive among retail customers and smaller businesses, while the quality of loans to larger businesses deteriorated slightly. The NPL coverage ratio remained more or less stable and stood at 60.4% of the total non-performing loan portfolio at year-end 2013.

CZECH REPUBLIC

The Czech Republic geographical segment includes the retail, private banking and SME business of Česká spořitelna and its subsidiaries. Česká spořitelna is the leading retail bank in the country and the largest among Erste Group's operations in Central and Eastern Europe. The bank operates a network of 653 branches and 1,530 ATMs. It serves some 5.3 million retail customers, SME customers, large corporate customers and municipality customers. Česká spořitelna has issued more than 3.2 million bank cards, including roughly 320,000 credit cards. The bank's building society, pension fund and factoring subsidiaries also occupy leading positions in their respective fields.

Economic review

Despite strong and improving fundamentals, the Czech economy remained in recession in 2013. The development of 2013 was in particular positively influenced by a recovery of industry, whereas domestic consumption was still weak. The traditionally strong contribution of net exports to GDP was supported by a significant increase in exports in the second half of the year. Pointing to the constantly high competitiveness of the Czech economy, real GDP growth stood at -1.3% and GDP per capita amounted to EUR 13,900 at year-end 2013. While inflation dropped to 1.3%, the labour market remained relatively weak and the unemployment rate increased slightly to 7.5%.

After an increase in 2012, the general government deficit improved to 2.6% of GDP in 2013. The development reflects the overall better macroeconomic conditions and some positive effects of austerity measures. The Czech Republic maintained its traditionally lower public debt relative to its CEE peers at 47% of GDP. Rating agencies acknowledged the overall performance of the Czech economy, with S&P, Moody's and Fitch affirming the country's long-term sovereign credit rating at AA−, A1 and A+ respectively in 2013.

The Czech National Bank kept interest rates at 0.05% in 2013. As the inflation rates throughout the year were lower than expected the National Bank decided to weaken the Czech koruna in November 2013, aiming to ward off deflationary pressures and further support the economy.

The autumn of 2013 was also characterised by the parliamentary elections after the previous right-wing coalition collapsed in June 2013. The newly formed coalition consists of the election-winning Social Democrats (CSSD), the newly founded ANO-movement and the Christian Democrats (KDU-CSL).

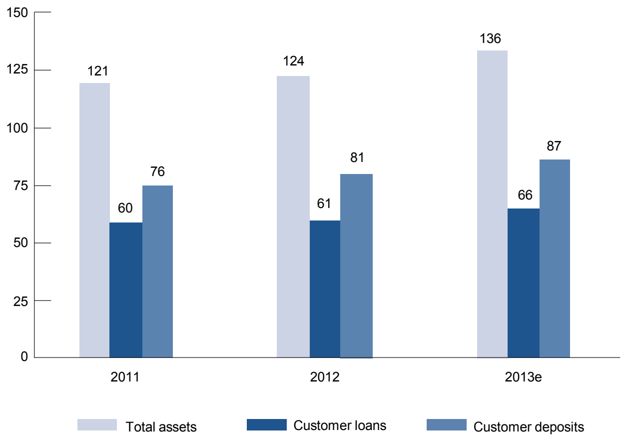
Key economic indicators – Czech Republic	2010	2011	2012	2013e
Population (ave, million)	10.5	10.5	10.5	10.5
GDP (nominal, EUR billion)	149.8	155.4	152.6	145.7
GDP/capita (in EUR thousand)	14.2	14.8	14.5	13.9
Real GDP growth	2.3	1.8	-0.9	-1.3
Private consumption growth	0.9	0.5	-2.1	-0.4
Exports (share of GDP)	65.8	75.7	64.4	73.2
Imports (share of GDP)	62.5	71.5	62.0	63.0
Unemployment (Eurostat definition)	7.3	6.7	7.0	7.5
Consumer price inflation (ave)	1.5	1.9	3.3	1.3
Short term interest rate (3 months average)	1.3	1.2	1.0	0.5
EUR FX rate (ave)	25.3	24.6	25.2	26.3
EUR FX rate (eop)	25.0	25.6	25.2	25.1
Current account balance (share of GDP)	-3.9	-2.7	-2.5	-1.6
General government balance (share of GDP)	-4.8	-3.3	-4.4	-2.6

Source: Erste Group

Market review

In 2013, the Czech banking market remained one of the most liquid and well-capitalised markets in Central and Eastern Europe. The solid fundamentals are demonstrated by a system-wide loan-to-deposit ratio of 75% and a strong capital adequacy ratio of 17%. Towards year-end, the growth of customer deposits slowed down as a result of central bank intervention and related spending activity. The NPL ratio remained stable at 6% and was lower than elsewhere in the CEE region. The attractiveness of the Czech banking market was also demonstrated by a stable return on equity of approximately 20%.

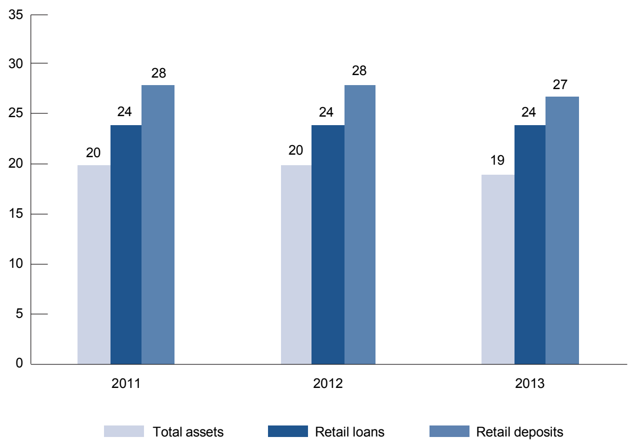
Financial intermediation – Czech Republic (in % of GDP)



Source: Czech National Bank, Erste Group

Česká spořitelna maintained its market leadership positions across all major product categories in 2013. Its retail market shares ranged from 24% to 27%, while its share in the corporate loans business remained lower at around 19%. Overall, its market share in terms of total assets remained at around 19%. Česká spořitelna also retained its number-one position in the payment card market with a market share of 32%.

Market shares – Czech Republic (in %)



Source: Czech National Bank, Erste Group

Business review

Strategy. Česká spořitelna's strategy is directed towards growing with the evolving needs of a retail customer base that is becoming wealthier. While catering to the mass market, the bank also offers a broad range of services to corporate and public sector customers. In line with this balanced business model that is focused on the real economy, Česká spořitelna aims to retain its leading market positions in all key product segments and to substantially increase its presence in the business with entrepreneurs, SMEs and local corporate customers while not losing sight of the need to further enhance client satisfaction. The bank aims at sustainable profit growth while maintaining high risk standards.

Highlights from 2013

Focus on export financing. Due to its open economy, demand for export financing has grown significantly in the recent past in the Czech Republic. Česká spořitelna managed to increase the volume of export financing in 2013. In addition to traditional industries (like mechanical engineering, chemicals, industrial engineering or the power industry), the bank also finances new technologies. The bank has significantly strengthened its capabilities in offering all types and sizes of export transactions. Česká spořitelna has built up very good coverage of all corporate business segments, ranging from SMEs to large multinational corporations.

Front-runner in electronic banking. Česká spořitelna maintained its leading position in electronic banking and strengthened its position as the leader in the payment cards market. The bank has issued more than 1.75 million contactless payment cards since October 2011. The contactless technology allows customers to pay for shopping worth up to CZK 500 without needing to enter the PIN. The aggregate spending volume using these cards exceeded CZK 13 billion in the Czech Republic in 2013, showing a steadily increasing trend. The clients of Česká spořitelna made seven times more transactions in 2013 than the year before.

Focus on customer relationships. Česká spořitelna launched *iBod* (iPoint), its wholly-owned multi-partner loyalty programme in October 2013. This loyalty programme is unique on the Czech market as there is no other programme where several partners are involved. iBods (points) are collected for every 25 Czech koruna spent and the clients may then exchange their collected iBods for various goods or vouchers. 320,000 clients registered for the programme until year-end and made it a huge success right from the start.

International and local recognition. Česká spořitelna defended its top position and was again named the *Best Bank in the Czech Republic* in 2013. A professional jury of experts from several countries chooses the winners of the *Euromoney Awards for Excellence*. Česká spořitelna also won the international award *Bank of the Year* in the Czech Republic, annually bestowed by the magazine *The Banker*. For the tenth time in a row, Česká spořitelna was awarded the title *The Most Trustworthy Bank of the Year* in the prestigious Fincentrum Bank of the Year competition, and Pavel Kysilka, CEO of Česká spořitelna, was again elected *Banker of the Year*. These awards confirmed Česká spořitelna's success in pursuing its strategic approach and highlighted the quality of the services that the bank provides.

Financial review

in EUR million	2013	2012
Pre-tax profit/loss	623.7	656.2
Net profit/loss after minority interests	493.6	518.0
Operating result	793.0	889.0
Cost/income ratio	44.8%	43.8%
Return on equity	37.8%	40.9%
Customer loans	17,023	17,891
Customer deposits	24,822	25,598

Net interest income in the Czech Republic geographical segment declined from EUR 1,113.8 million by EUR 127.5 million, or 11.4% (currency-adjusted: -8.6%), to EUR 986.3 million. This development was mainly attributable to the persistently low interest rate environment and subdued credit demand, especially for consumer loans. Net fee and commission income declined by EUR 39.6 million, or 8.9% (currency-adjusted: -5.9%), from EUR 447.2 million in the financial year 2012 to EUR 407.6 million, mainly as a result of lower income from payment transfers and from lending business. The net trading result improved from EUR 19.9 million by EUR 24.1 million to EUR 44.0 million on the back of a better result from the derivatives business. Cost-cutting measures, in particular, reduced operating expenses by EUR 47.1 million, or 6.8% (currency-adjusted: -3.8%), to EUR 644.8 million in the financial year 2013 (2012: EUR 691.9 million).

The operating result declined from EUR 889.0 million in the financial year 2012 by EUR 96.0 million, or 10.8% (currency-adjusted: -7.9%), to EUR 793.0 million. As the portfolio quality continued to improve, risk provisions fell by EUR 20.4 million, or 14.6% (currency-adjusted: -11.8%), to EUR 119.2 million in the financial year 2013. The item "other result" improved from EUR -93.2 million by EUR 43.0 million to EUR -50.2 million in the financial year 2013. Net profit after minorities declined in the financial year 2013 by EUR 24.4 million, or 4.7%, from EUR 518.0 million to EUR 493.6 million. However, on a currency-adjusted basis, a decrease of only 1.6% in net profit was posted. The cost/income ratio rose from 43.8% to 44.8%. Return on equity amounted to 37.8%.

Credit risk

In 2013, total credit exposure in the Czech Republic geographical segment declined significantly by EUR 2.1 billion to just over EUR 30 billion, which was mainly due to the depreciation of the Czech koruna against the euro. Loans to customers decreased by 9.5% to EUR 17.0 billion, with loans to corporates declining more steeply than loans to retail customers. As a result of this development, customer loans in the Czech Republic geographical segment as a percentage of Erste Group's total loans to customers dropped from 13.6% to 13.3% year on year. The Czech Republic is still by far the second most important market for Erste Group after Austria.

Even though economic output declined again in 2013, the negative effects were relatively mild compared with other countries of Central and Eastern Europe. Measured by the quality of the credit portfolio, the development was even contrary. Supported by effective credit risk management, the ratio of NPLs to total loans to customers dropped from 5.3% to 4.7%. In contrast to the trend in many other CEE markets, quality improvements were seen mainly in lending to corporates. In 2013 the NPL coverage ratio rose substantially from 72.2% to 79.4%.

ROMANIA

The Romania geographical segment includes the retail, private banking and SME business of Banca Comercială Română and its subsidiaries. The bank offers a full array of retail and corporate banking services through a network of 563 branches and 22 commercial centres as well as internet and phone banking. It also operates the largest national network of ATMs and POS terminals, numbering approximately 2,200 and approximately 13,300 units respectively. Banca Comercială Română is the market leader with total assets of EUR 14.9 billion and 3.2 million customers at year-end 2013. It is also top ranked in leasing and well positioned in the pension fund and brokerage business.

Economic review

Romania was among the best-performing economies in Europe in 2013. Real GDP grew by 3.5% in 2013 while GDP per capita rose to EUR 7,000. Agriculture played a pivotal role in supporting the country's economy mainly due to excellent weather conditions. In addition, land transportation, information technology, legal and management consultancy services, and real estate and leasing activities also had a positive impact on the economic performance. Dacia, a Romanian car producer, also had excellent results in 2013 and achieved the strongest increase of all car producers in terms of newly registered vehicles in the EU 27. Overall, exports proved to be a clear contributor to growth in 2013 while domestic consumption did not pick up significantly. Within domestic demand, the bright spot was private consumption. Disposable income was supported by falling inflation in the second half of the year. The unemployment rate did not change significantly in 2013 and stood at 7.2% at the end of the year.

After continuous political uncertainty in the previous year, 2013 brought a stable government led by the Social-Liberal Union. In acknowledgement of the progress made towards fiscal adjustments, and shortly after the European Commission authorised the exit from the Excessive Deficit Procedure, the International Monetary Fund green-lighted the successful conclusion of the second precautionary stand-by arrangement in the amount of EUR 4 billion. The government laid down a new set of fiscal measures aimed at fighting tax evasion. In addition, excise taxes were raised for alcohol and new excise duty was introduced for luxury goods and guns. As a result of these measures, the budget deficit improved further to 2.9% of GDP in 2013. Romania's public debt level to GDP remained one of the lowest in the European Union at 38.1% at the end of 2013.

Inflationary pressures eased in Romania during 2013. Although inflation remained relatively high in the first half of the year, in the summer it started to decline mainly due to the sharp drop in food prices. Overall, inflation stood at 1.6% at the end of the year, which is the lower bound of the National Bank's target range of 1.5% – 3.5%. The Romanian National Bank cut the base rate several times in 2013 to 4%. The Romanian lei did not change significantly versus the euro, trading in the range of 4.3 – 4.5 throughout the year.

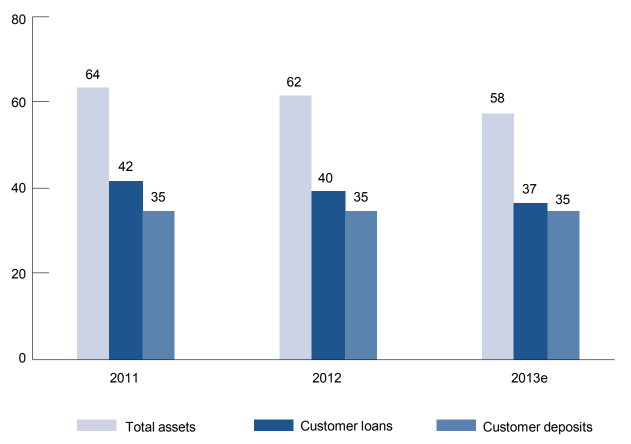
Key economic indicators – Romania	2010	2011	2012	2013e
Population (ave, million)	20.3	20.2	20.1	20.1
GDP (nominal, EUR billion)	124.4	131.3	131.8	141.3
GDP/capita (in EUR thousand)	6.1	6.5	6.6	7.0
Real GDP growth	-1.1	2.2	0.7	3.5
Private consumption growth	-0.2	1.1	1.1	0.7
Exports (share of GDP)	30.1	34.3	34.0	35.3
Imports (share of GDP)	37.7	41.7	39.5	38.0
Unemployment (Eurostat definition)	7.3	7.4	7.0	7.2
Consumer price inflation (ave)	6.1	5.8	5.0	4.0
Short term interest rate (3 months average)	6.8	5.8	5.3	4.2
EUR FX rate (ave)	4.2	4.2	4.5	4.4
EUR FX rate (eop)	4.3	4.3	4.4	4.5
Current account balance (share of GDP)	-4.4	-4.3	-3.8	-1.0
General government balance (share of GDP)	-6.8	-5.5	-3.0	-2.9

Source: Erste Group

Market review

Although the Romanian banking market was characterised by a declining interest rate environment throughout 2013, demand for customer loans remained low. The only loan growth driver of customer loans was mortgage lending, while other business segments saw declining volumes. The banking market was also characterised by a gradual shift towards local-currency lending which became more attractive with lower interest rates. In addition, *Prima Casa*, a government-guaranteed mortgage programme, was exclusively available in local currency after August 2013. Altogether, customer loans in 2013 declined by 3.1%. Customer deposits, on the other hand, were driven by a pronounced saving behaviour and grew by 9.1%. Similarly to lending, the growth in deposits mainly stemmed from the local currency side. As banks' profitability was still significantly impacted by high risk costs, financial institutions continued to implement cost efficiency measures, which included a reduction in workforce and further network optimisation. As a result of these efforts, the banking sector was profitable in 2013. Importantly, the banking market maintained sufficient capital buffers in 2013.

Financial intermediation – Romania (in % of GDP)

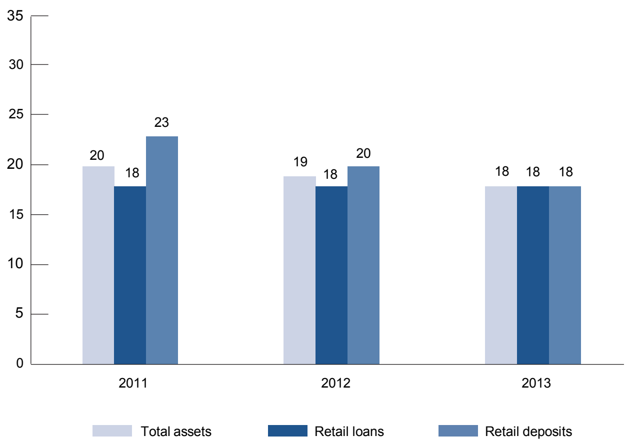


Source: National Bank of Romania, Erste Group

Generally market participants became more aware of the risks of foreign-currency-based lending. Although many market participants continued to offer foreign currency loans, parental funding of the Romanian banking system reflected the declining volume of foreign currency loans and decreased significantly by 6%. The Romanian National Bank continued to support local funding and local-currency-based lending throughout 2013 by imposing rules on tenor, debt-to-income ratio, loan-to-value ratio, and collateral coverage. The banking system's loan to deposit ratio improved to 103%.

Despite losing some market share on both the lending and deposit side, Banca Comercială Română kept its leadership position in almost all major product categories. By the end of 2013, the bank was ranked number one based on total assets, customer loans, customer deposits and asset management. Banca Comercială Română's customer loan market share, however, was impacted by the decision of not to offer foreign currency loans, while the declining development of customer deposit market shares reflected the company's deposit repricing activity throughout the year. Overall, Banca Comercială Română had a market share as measured by total assets of 18% at the end of 2013.

Market shares – Romania (in %)



Source: National Bank of Romania, Erste Group

Business review

Strategy. Banca Comercială Română's objective is to maintain its leading market position and to return to sustainable profitability. Meeting customer needs while providing understandable financial products and high-quality customer service are at the centre of attention. Special emphasis is given to continuously improving risk management and efficiency.

Following the bank's comprehensive turnaround programme (including the reorganisation of the branch network and the formation of a separate work-out unit), the strategic priorities aim to improve the asset quality, optimise the allocation of resources, and further develop the bank's commercial strengths.

Highlights from 2013

Focus on asset quality improvement. While the NPL ratio continued its increase in 2013, the NPL coverage ratio improved from 58.6% at year-end 2012 to 64.1% at year-end 2013. At the same time, risk costs decreased substantially compared to 2012.

The newly established workout unit to resolve legacy NPLs became fully operational in 2013. Its main focus is the remediation, restructuring and recovery of non-performing assets.

Focus on commercial capabilities. Banca Comercială Română holds leading market shares in retail deposits and retail loans and operates the largest national network of ATMs and POS terminals.

To improve its service quality and to optimise its profitability, the bank completed a review of its branch and ATM network. Banca Comercială Română implemented the re-designed retail management network model and an integrated corporate-retail services area has been set up in 130 retail units.

Further to that, the corporate client segmentation was optimised. It is based on industry expertise for large corporate clients and customer proximity for smaller corporates. The bank's corporate network comprises in total 22 commercial centres and in addition 23 mobile offices. Another measure to strengthen the corporate business includes the redesign of transaction banking and capital markets business to further improve service quality and fee income generation.

Improving cost efficiency. Significantly reducing the cost base was among the main targets of Banca Comercială Română in 2013. The bank successfully aligned the cost dynamics with the revenue generation capacity. The branch network and head office functions were critically reviewed. As a consequence, 60 retail branches were closed and the total headcount of the bank was reduced by approximately 17%. The bank is committed to maintaining efficiency at its current levels.

Local-currency lending. Banca Comercială Română was the first bank to shift the *Prima Casa* state-guaranteed programme to local-currency lending back in autumn 2012. Since then, only retail customers with foreign-exchange income have been eligible for FX loans. In a still FX-dominated market, the bank succeeded in launching competitive offers and got more than 30% of the industry's new originations. The mortgage loan book in Romanian lei has more than doubled from a very low base since October 2012.

New management information system. The design and implementation of a new management information system covering financial, risk and business-related indicators is among the key strategic priorities. The bank made visible progress in enforcing the performance management system in 2013. Banca Comercială Română has put a strong focus on optimising the subsidiaries portfolio and reinforcing their management to fully realise both business growth and further cost reduction.

Financial review

in EUR million	2013	2012
Pre-tax profit/loss	7.6	-378.6
Net profit/loss after minority interests	127.9	-294.3
Operating result	460.4	407.3
Cost/income ratio	40.6%	46.6%
Return on equity	19.3%	n.a.
Customer loans	9,549	10,682
Customer deposits	7,397	7,595

Net interest income in the Romania geographical segment rose from EUR 572.4 million by EUR 2.0 million, or 0.3%, to EUR 574.4 million in the financial year 2013. However, in currency-adjusted terms a decrease of 0.5% was posted. The increase in net fee and commission income by EUR 24.0 million, or 19.9% (currency-adjusted: +18.9%), from EUR 120.3 million in the financial year 2012 to EUR 144.3 million in the financial year 2013 was mainly attributable to higher income from payment transfers. The net trading result declined from EUR 70.5 million in the financial year 2012 by EUR 14.4 million, or 20.5% (currency-adjusted: -21.2%), to EUR 56.1 million, reflecting lower income from foreign exchange business. Operating expenses decreased due to comprehensive optimisation measures, especially in terms of personnel, by EUR 41.5 million, or 11.7% (currency-adjusted: -12.4%), from EUR 355.9 million in the financial year 2012 to EUR 314.4 million in the financial year 2013. Thus, the operating result improved by EUR 53.1 million, or 13.0% (currency-adjusted: +12.0%), to EUR 460.4 million in the financial year 2013.

Due to extensive provisioning in previous years, risk provisions declined by EUR 350.7 million, or 47.6% (currency-adjusted: -48.0%), from EUR 737.2 million in the financial year 2012 to EUR 386.5 million in the financial year 2013. The NPL coverage ratio improved to 64.1%. The "other result" deteriorated from EUR -48.7 million by EUR 17.6 million to EUR -66.3 million in the financial year 2013. The item "taxes on income" amounted to EUR 124.8 million versus EUR 65.3 million in the financial year 2012, reflecting a positive one-off impact – the release of deferred tax liabilities – of EUR 127.7 million. The net result after minorities improved from EUR -294.3 million by EUR 422.2 million to EUR 127.9 million in the financial year 2013. The cost/income ratio improved from 46.6% to 40.6%.

Credit risk

Total business volumes in the Romania geographical segment declined noticeably in almost all business areas in 2013. While total credit exposure declined from EUR 15.0 billion to EUR 14.0 billion, loans to customers contracted more severely, by 11.2% to EUR 9.5 billion. At year-end 2013, these accounted for a share of 7.5% (year-end 2012: 8.1%) of Erste Group's total loans to customers. The decrease in the loan portfolio was mainly due to subdued loan demand. Furthermore, selling of small portions of the NPL portfolio, especially of unsecured consumer loans, continued.

At year-end 2013, the loan portfolio was split equally into non-collateralised loans and collateralised loans. The share of foreign currency loans decreased from 62.6% to 61.0% and was almost completely denominated in euros. This development was due to the state-subsidised *Prima Casa* programme for residential housing loans. Since the autumn of 2012, Banca Comercială Română has been offering this programme exclusively in local currency.

The country's incipient economic recovery did not yet improve credit quality in 2013, but the increase in non-performing loans slowed significantly. Non-performing loans as a percentage of total loans to customers rose from 28.3% to 30.6%, with most of the deterioration – as in previous years – being due to corporate loans. The greatest economic difficulties were experienced by the self-employed and micro businesses. Nonetheless, this customer group accounted for only 6.1% of the total credit portfolio at year-end 2013. Loans to private households developed much better; non-performing loans declined and dropped over the course of the year by almost 8% to EUR 680 million. Risk provisions were substantially increased once again so that the NPL coverage ratio went up from 58.6% at year-end 2012 to 64.1% at the close of the financial year 2013.

SLOVAKIA

The Slovakia geographical segment encompasses the retail, private banking and SME business of Slovenská sporiteľňa and its subsidiaries. Slovenská sporiteľňa is the long-standing retail market leader and is also one of the top players in the corporate and municipality business. Slovenská sporiteľňa also occupies leading positions in asset management, leasing and factoring. It serves some 2.4 million clients, or about half of the Slovak population, through a network of 292 branches and 769 ATMs.

Economic review

The Slovak economy – one of the most open economies in the CEE region – was to a significant degree driven by net exports in 2013. While industrial production benefitted from the automotive industry, textiles and also electrical equipment, the construction sector still showed signs of weakness. Altogether, the Slovak economy grew by 0.9% in 2013 and GDP per capita amounted to EUR 13,300. In the absence of a major improvement in the labour market, the unemployment rate remained high at 14.3% at the end of 2013.

In 2013, public debt as a percentage of GDP stood at 55%. As a result of mainly revenue-based measures, the government deficit in relation to GDP declined to 3.2%. The measures to curb the deficit I 2013 comprised in particular the following: the corporate income tax rate rose from 19% to 23%, the marginal tax rate for higher personal incomes was increased to 25% (instead of 19%) and, since the fourth quarter of 2012, the basis from which the bank levy is derived has broadened to include all retail deposits. Further measures include a pension system reform and minor cuts in spending (in particular in the area of defence and of certain subsidies by the Ministry of Agriculture).

After the increase in the previous years, inflation declined to 1.4% in 2013. This development was largely due to a deceleration of energy, food, service and commodity prices, which had shown a pick-up in 2012.

Having adopted the euro in 2009, Slovakia continued to benefit from low eurozone interest rates. Rating agencies acknowledged the overall performance of the Slovak economy, with S&P, Moody's and Fitch affirming the country's long-term sovereign credit rating at A, A2 and A+ respectively in 2013.

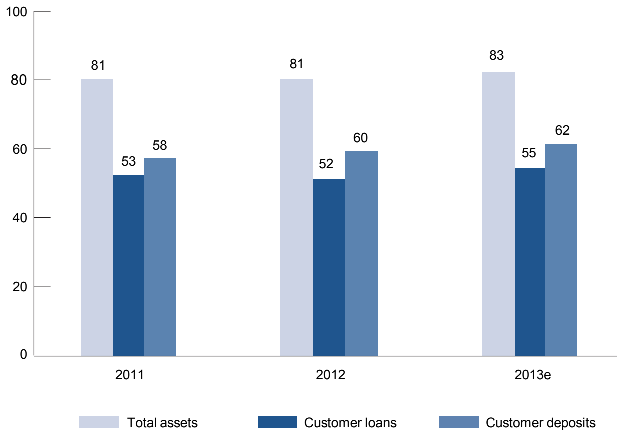
Key economic indicators – Slovakia	2010	2011	2012	2013e
Population (ave, million)	5.4	5.4	5.5	5.4
GDP (nominal, EUR billion)	65.9	69.1	71.5	72.1
GDP/capita (in EUR thousand)	12.1	12.7	13.1	13.3
Real GDP growth	4.4	3.2	2.0	0.9
Private consumption growth	-0.8	-0.5	-0.4	0.2
Exports (share of GDP)	73.3	82.4	87.8	90.9
Imports (share of GDP)	72.1	81.0	82.7	84.3
Unemployment (Eurostat definition)	14.4	13.5	13.9	14.3
Consumer price inflation (ave)	1.0	3.9	3.6	1.4
Short term interest rate (3 months average)	1.0	1.4	0.2	0.3
Current account balance (share of GDP)	-2.5	-2.1	2.1	3.8
General government balance (share of GDP)	-7.7	-4.8	-4.9	-3.2

Source: Erste Group

Market review

The comparably positive macroeconomic environment continued to impact favourably upon Slovakia's banking market, which was among the very few with visible loan growth in CEE. Customer loans increased by 6% in 2013, mainly driven by retail loans (particularly housing and consumer loans), while corporate loans showed less pronounced growth. Customer deposits grew by 4%, mainly driven by corporate customers and the public sector. With its loan-to-deposit ratio of 89%, Slovakia maintained its position as one of the most liquid and balanced banking sectors in the region. The banking market's asset quality remained strong; the NPL ratio amounted to 5.2% at year-end 2013.

Financial intermediation – Slovakia (in % of GDP)

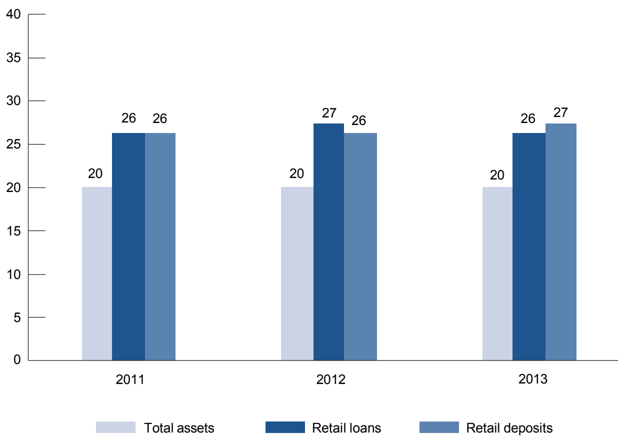


Source: National Bank of Slovakia, Erste Group

The banking tax, introduced in 2012 and later increased to 0.4% on the basis of all non-equity liabilities, fuels the resolution fund in Slovakia. Total banking tax paid by the end of 2013 amounted to EUR 370 million.

Slovenská sporiteľňa successfully retained its leading market positions. The bank continued to control one-fifth of the country's banking market in terms of total assets, while it also led the market in retail loans and retail deposits. In the retail loan business, Slovenská sporiteľňa's market share amounted to 25.8%. On the deposit side, its market share was significantly lower in the corporate customers business, at almost 10%, than in retail, at 26.5%.

Market shares – Slovakia (in %)



Source: National Bank of Slovakia, Erste Group

Business review

Strategy. The strategic focus of Slovenská sporiteľňa remains on maintaining its leading market positions in retail and SME banking by building on its unique strength in the retail business, its trustworthiness and its distribution network. In addition to the core mass market business, the bank targets the growing ranks of mass affluent clients and aims to strengthen its positions in the affluent customers' and corporate banking business. In the corporate business, Slovenská sporiteľňa aims to be the "bank of first choice" and its main focus is on SMEs. Special emphasis is placed on delivering added value to its customers by providing appropriate financial products and services. The bank is also committed to enhancing the customer experience by continuously improving accessibility.

Highlights from 2013

Focus on client activation in retail. Fostering long-term relationships with its customers is of utmost importance for Slovenská sporiteľňa. The bank therefore puts a strong emphasis on its loyalty programmes, which reward salary to accounts, card payments and the use of electronic banking. The schemes aim to increase client retention and support the use of digital banking instead of cash payments. Customers with current account packages, for instance, are refunded a certain percentage of effected card payments.

Addressing young people. Putting an emphasis on dedicated marketing campaigns resulted in increased product awareness among young people. Backed by marketing campaigns, more than 35,000 new accounts for people between the age of fifteen and twenty-six were opened. The bank is also highly successful in retaining the young customers once they are no longer eligible for dedicated youth products, as approximately 93% switch to a regular account.

Banking for corporate customers. In the corporate business, Slovenská sporiteľňa continued its support of businesses in the agricultural sector. The *AGRO PRO* programme includes financing, advice and payment services. The bank also initiated new deposit products and has participated in several cooperation programmes focusing on corporate clients. These cooperation programmes include the support of energy projects in the field of energetic effectiveness of residential buildings by the Council of Europe and the European Investment Bank loan programme to support SMEs.

Focus on loan growth. Slovenská sporiteľňa regards the retail business as one of the key priorities for the upcoming years. While the branch network will maintain its key role in the sales business, the bank aims to use digital sales channels more actively. The bank has also taken measures to improve client retention in housing loans.

International and local recognition. A strong market position, high profitability, an improved asset quality and a strengthened capital position are the main reasons why Slovenská sporiteľňa won prestigious awards in 2013. The bank defended its top position and was again named *Best Bank in Slovakia*. A professional jury of experts from several countries chose the winners of the *Euromoney Awards for Excellence*. Slovenská sporiteľňa also won the international *Bank of the Year* award in the Slovak Republic, annually bestowed by the magazine *The Banker*, as well as the *Bank of the Year* award granted by the local economic magazine *TREND* and, last but not least, the *Best Bank in Slovakia* award conferred by the *Global Finance magazine*.

Financial review

in EUR million	2013	2012
Pre-tax profit/loss	222.2	210.6
Net profit/loss after minority interests	173.8	169.3
Operating result	302.7	301.7
Cost/income ratio	44.0%	43.9%
Return on equity	42.4%	39.4%
Customer loans	6,990	6,598
Customer deposits	8,320	7,620

Net interest income in the Slovakia geographical segment improved from EUR 424.9 million in the financial year 2012 by EUR 4.6 million, or 1.1%, to EUR 429.5 million in the financial year 2013. This development was primarily driven by retail loan growth offsetting the impact of the low interest rate environment. Net fee and commission income decreased by EUR 4.0 million, or 3.6%, to EUR 106.0 million due to legislation limiting commission for payment transfers. The net trading result improved from EUR 2.8 million in the financial year 2012 by EUR 2.6 million to EUR 5.4 million in the financial year 2013 due to revaluation of derivatives. The increase of operating expenses by EUR 2.2 million, or 0.9%, to EUR 238.2 million was driven by the consolidation of the subsidiary Erste Group IT SK and a moderate increase in personnel expenses, mostly in connection with statutory social insurance.

Risk provisions fell from EUR 53.4 million in the financial year 2012 by EUR 14.2 million, or 26.6%, to EUR 39.2 million in the financial year 2013, reflecting lower allocations especially in the corporate and real estate business. The deterioration in the "other result" from EUR -37.7 million by EUR 3.6 million to EUR -41.3 million was due to the higher banking tax, which amounted to EUR 37.8 million in the financial year 2013 (2012: EUR 26.5 million). Net profit after minorities increased from EUR 169.3 million in the financial year 2012 by EUR 4.5 million, or 2.7%, to EUR 173.8 million in the financial year 2013. The cost/income ratio remained stable at 44.0% (2012: 43.9%). Return on equity increased from 39.4% to 42.4%.

Credit risk

Total credit exposure in the Slovakia geographical segment was EUR 11.1 billion at year-end 2013, which equals an increase of almost 2% versus year-end 2012. At 6.1%, loans to customers rose clearly more pronounced and amounted to EUR 7.0 billion as of the end of December 2013 (2012: EUR 6.6 billion). This resulted in Slovakia being the fastest-growing geographical segment within Erste Group; its share in total loans to customers rose from 4.7% to 5.5%.

A breakdown of the portfolio by customer segment shows a continuation of the trend seen in previous years: the percentage of better rated loans to retail customers and local governments in the total portfolio – as measured by asset quality – increased at the expense of corporate loans. At year-end 2013, loans to corporates accounted for approximately 22% of total loans to customers. Almost all lending was denominated in euros and the policy of not granting foreign currency loans to retail customers was continued.

The positive development in asset quality continued. The NPL ratio dropped from 6.6% to 5.6%, with improvements being seen across all customer segments, as in 2012. Apart from the decline in NPL among medium-sized and larger enterprises, the excellent quality of loans to private households is to be highlighted. In contrast to many other countries of Central and Eastern Europe, credit quality continued to improve among small businesses as well. The NPL coverage ratio based on risk provisions was exceptionally high, at 87.3% at year-end.

HUNGARY

The Hungary geographical segment comprises the retail, private banking and SME business of Erste Bank Hungary and its subsidiaries. Erste Bank Hungary operates a network of 135 branches and commercial centres plus 421 ATMs. Erste Bank Hungary serves approximately 900,000 customers and has market shares of 6% to 16%, varying by product category. The bank also has significant market positions in securities brokerage.

Economic review

The Hungarian economy recovered from its recession in 2013. Agriculture, construction and industry played important roles in the economic growth. Exports remained the main demand component to grow, while domestic demand did not contribute significantly to growth. The country's agricultural performance, in line with other CEE countries, was exceptionally favourable due to very good weather conditions. Car manufacturing also had a successful year, while construction was supported by the increased role of EU funds. The *Funding for Growth* programme of the Hungarian National Bank also supported the economy in 2013. Investments clearly lagged behind other CEE countries but were supported by government investment, which was primarily driven by increased absorption of EU funds. High distortionary taxes, most notably additional burdens on the financial sector, utilities and telecommunications, remained a drag on the economic performance. Altogether, Hungary's GDP performance, with a growth rate of 1.1%, was better than expected in 2013. Employment expanded mainly due to the extension of the *Public Work*

Scheme, while it stagnated in the private sector. Overall, the unemployment rate stood at 10.2% at the end of 2013.

At 79% at the end of 2013, the public debt ratio of Hungary continued to stay above the average of other CEE countries. Hungary exited the Excessive Deficit Procedure in May 2013. The government, however, needed to carry out numerous measures to keep the deficit below the 3% Maastricht criterion. Income from the financial transaction tax proved to be much lower than planned, while income from connecting cashiers to the tax authority remained below expectations as well. In addition, The *Job Protection Action Plan* also decreased budget revenues. In light of these developments, the government introduced a number of measures in order to keep the deficit under control. These measures mainly impacted the corporate sector and included additional taxes for banks, telecommunications and energy companies. In addition, strict cost control continued in the public sector while VAT remained at 27% throughout the year, the highest in the European Union. Altogether, the government budget balance showed a deficit of 2.7% in 2013.

Key economic indicators – Hungary	2010	2011	2012	2013e
Population (ave, million)	10.0	10.0	10.0	9.9
GDP (nominal, EUR billion)	96.6	99.9	96.9	96.7
GDP/capita (in EUR thousand)	9.7	10.1	9.7	9.7
Real GDP growth	1.3	1.6	-1.7	1.1
Private consumption growth	-2.7	-1.7	-1.7	0.0
Exports (share of GDP)	72.3	83.9	78.6	80.6
Imports (share of GDP)	68.9	71.8	80.0	74.9
Unemployment (Eurostat definition)	11.2	10.9	10.9	10.2
Consumer price inflation (ave)	4.9	3.9	5.7	1.7
Short term interest rate (3 months average)	5.5	6.2	7.0	4.3
EUR FX rate (ave)	275.4	279.2	289.4	296.9
EUR FX rate (eop)	278.8	311.1	291.3	296.9
Current account balance (share of GDP)	1.1	0.9	1.0	3.0
General government balance (share of GDP)	-4.2	4.3	-1.9	-2.7

Source: Erste Group

Inflation remained very much under control throughout 2013 and reached a 40-year low at 0.4% by the end of 2013. This was due to administrative price reductions of electricity and gas as well as some other services provided by local councils, such as water and refuse disposal. In addition, food prices increased only marginally due to a good harvest, while fuel prices declined in line with the oil price development. Finally, subdued consumer demand also limited price increases. Despite the unpredictable economic environment throughout the whole year, the Hungarian forint remained relatively stable against the euro in 2013. The base rate was cut several times throughout 2013 and fell from 6.25% to 3% by the end of the year, in line with the National Banks's communicated target.

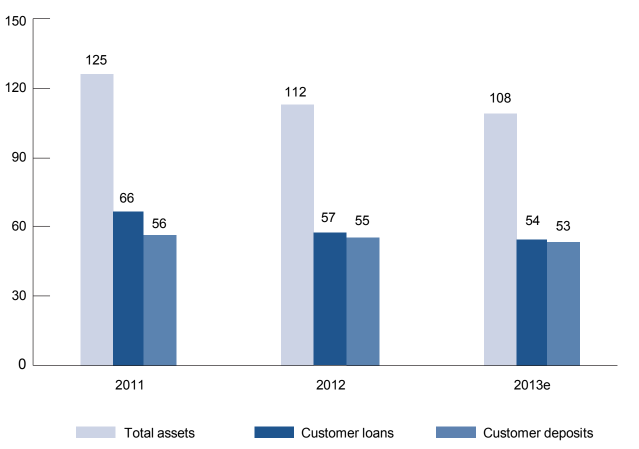
Market review

For Hungary's banking market, which was impacted by political decisions, 2013 was another extremely difficult year. The government decided to keep the special banking tax on a permanent basis and increased the financial transaction tax in August to 0.3% on the amount of transactions and to 0.6% on cash transactions. In addition, financial institutions were charged a one-off financial transaction tax, which amounted to 208% of the aggregate sum of the transactions made between January and April. The government also maximised the card interchange fees at 0.2% for bank cards and 0.3% for credit cards, while banks had to start offering free cash withdrawals twice a month up to a HUF 150,000 limit for their clients. In addition, the Competition Office levied a combined fine of HUF 9.5 billion on eleven banks for colluding in connection with preventing mortgage clients from paying off their loans in 2011 by setting interest rates in local currency.

In 2013, the Hungarian banking sector achieved a profit, which was due to positive one-off effects. Other commercial banks conducted capital increases by converting liabilities owed to the parent company into equity. This resulted in a significant positive contribution to the banking sector. Without it, the banking sector was loss-making.

Client demand stayed at a very low level, which led Hungarian banks to further scale down their operations. Moreover, ahead of an anticipated programme for foreign currency borrowers, moral hazard played a role in deteriorating asset quality in the second half of the year. The rising rate of non-performing loans was also impacted by weak commercial real estate and SME-related businesses. On the positive side, the National Bank introduced the *Funding for Growth* scheme for small and medium-sized enterprises with the aim of stimulating the economy. As part of the programme, the National Bank gave commercial banks free funding, while credit institutions could lend the central bank loan to SMEs at a preferential interest rate of 2.5% at maximum. The programme comprised two parts, amounting in total to HUF 2,750 billion.

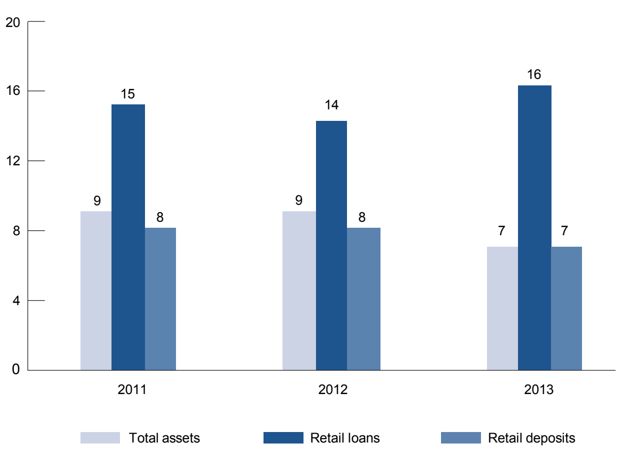
Financial intermediation – Hungary (in % of GDP)



Source: National Bank of Hungary, Erste Group

Despite its significantly shrinking balance sheet, Erste Bank Hungary continued to be a major market player in the country. After the loss in 2012, the bank remained loss making in 2013, mainly due to very limited loan demand, elevated risk provisions and the number of extraordinary items the government imposed on banks. The bank's market shares for customer loans remained stable at around 11%, while market shares for customer deposits declined to 6.5%.

Market shares – Hungary (in %)



Source: National Bank of Hungary, Erste Group

Business review

Strategy. Following the political and economic situation in Hungary, the bank optimised the size of its operation and improved the efficiency of its processes. The strategic orientation is focused on sustainable growth and returning to profitability. Loans are only granted in local currency funded from local liquidity sources. At the same time, funding through Erste Group Bank AG is being continuously reduced. Based on a redimensioned size and strengthened risk management, Erste Bank Hungary aims to position itself as the top relationship bank. It strives to further enhance the customer experience for its retail customers and further improve customer satisfaction and customer loyalty.

Highlights from 2013

New business initiatives. Affirming Erste Bank Hungary's strategic initiatives, first positive trends in the bank's business performance became visible. New retail lending improved in the second half of the year, albeit from a very low base. In addition, the volume of credit card sales and the number of active cash account clients increased.

Loans provided by building societies constitute an increasing part of the lending business in Hungary. Erste Bank Hungary entered the building society market in 2012 and ranks third in the market. In its second business year, the bank concluded more than 35,000 contracts, which is in line with the expansion plan.

Strengthened private banking. Following the acquisition of the wealth management unit of BNP Paribas, Erste Bank Hungary successfully positioned itself in private banking. The bank managed to increase assets under management significantly and defended its market share in a growing business. Erste Bank Hungary's new Private Banking centre in Budapest is the largest in the country.

Focus on process improvements. In line with the new strategic set-up of the bank, key processes have also been reviewed and optimised. These projects focus on the improvement of process efficiency and service quality for both retail and corporate business. The processing time for secured lending accelerated by 30%, unsecured lead time was even decreased by 40% and the documentation requirements for opening an account were halved. Projects were also launched for streamlining lending to micro and small and medium-sized enterprises.

To enhance customer service, Erste Bank Hungary introduced new retail internet banking services in May 2013. In addition, the call centre's interactive voice response was renewed and a new IT system was implemented.

Financial review

in EUR million	2013	2012
Pre-tax profit/loss	-107.7	-46.2
Net profit/loss after minority interests	-108.9	-55.1
Operating result	230.5	241.7
Cost/income ratio	41.7%	41.2%
Return on equity	n.a.	n.a.
Customer loans	5,287	6,185
Customer deposits	3,684	4,018

Net interest income in the Hungary geographical segment declined from EUR 335.2 million in the financial year 2012 by EUR 78.7 million, or 23.5% (currency-adjusted: -21.4%), to EUR 256.5 million in the financial year 2013. This development was driven by higher refinancing costs for the foreign currency business, a declining loan portfolio and falling market interest rates. Net fee and commission income improved on the back of higher income from payment transfers from EUR 91.9 million by EUR 31.7 million, or 34.5% (currency-adjusted: +38.1%), to EUR 123.6 million in the financial year 2013. The improvement in the net trading result from EUR -15.9 million by EUR 31.0 million to EUR 15.1 million in the financial year 2013 was due to valuation gains. Operating expenses declined from EUR 169.5 million by EUR 4.8 million, or 2.8% (currency-adjusted: -0.2%), to EUR 164.7 million. The cost/income ratio increased from 41.2% to 41.7%.

Risk provisions declined from EUR 215.0 million by EUR 8.9 million, or 4.1% (currency-adjusted: -1.6%), to EUR 206.1 million in the financial year 2013 on the back of decreased provisioning requirements in corporate business. The deterioration in the item “other result” from EUR -72.9 million in the financial year 2012 by EUR 59.2 million to EUR -132.1 million in the financial year 2013 was mainly caused by the introduction of a financial transaction tax in 2013 that amounted to EUR 45.5 million in total, EUR 16.3 million thereof being a one-off extraordinary financial transaction tax. The banking tax amounted to EUR 49.0 million. The net loss after minorities amounted to EUR 108.9 million versus EUR 55.1 million in the financial year 2012.

Credit risk

In the Hungary geographical segment, credit exposure declined even more strongly than in the previous years and dropped by more than 15% in 2013. The loan portfolio declined at a similar pace, dropping over the course of the year from EUR 6.2 billion to EUR 5.3 billion. As a result, the share of the Hungary geographical segment in the total loan portfolio of Erste Group decreased from 4.7% at year-end 2012 to 4.1% at the end of 2013. The composition of the loan portfolio by customer segment shows a shift from corporates to privates. Loans to retail customers as a percentage of total lending to customers reached almost 70% at the end of the financial year.

The marked downward trend in business volume was due to the extremely weak demand for loans. Repayments on loans were made in nearly equal parts in local currency and foreign currency so there was hardly any change in the respective ratios to total exposure: At year-end 2013, 70% of customer loans were denominated in foreign currency, mostly in Swiss francs, and 30% in local currency.

Asset quality deteriorated further, especially at the start of the financial year 2013, but from the second quarter onwards the ratio of non-performing loans to total loans stabilised. At year-end 2013, the NPL ratio stood at 26.8% versus 25.4% at year-end 2012. As in previous years, this development was driven by the business with retail customers and micro businesses, while the trend in corporates – supported by selling on the secondary market – was positive. NPL coverage by risk provisions was 62.2% at year-end 2013.

CROATIA

The Croatia geographical segment comprises the retail, private banking and SME business of Erste & Steiermärkische Bank, commonly referred to as Erste Bank Croatia, its subsidiary Erste Bank Montenegro as well as its other subsidiaries. It serves approximately one million customers through a state-of-the-art network of 150 branches and well-developed distribution channels, such as the internet, mobile communications and ATMs. With double-digit market shares in all key product categories, Erste Bank Croatia is one of the major banking institutions in Croatia. In addition to banking services, Erste Bank Croatia also occupies strong market positions in a wide range of other financial services, such as fund management, pension funds, brokerage and leasing.

Economic review

While domestic demand showed – at still low levels – some signs of improvement, net exports did not develop as positively as anticipated at the beginning of 2013. Croatia’s economy continued to face cyclical and structural headwinds throughout the year and remained in recession. Real GDP contracted by 0.9% and GDP per capita amounted to EUR 10,100. On 1 July 2013, Croatia joined the EU, triggering significant changes in its export and import balance. The exit from the Central European Free Trade Agreement resulted in more constrained access for the country’s exports to its former main trade partners, while still fragile EU demand weighed on EU exports, leading to a neutral net export contribution in 2013. Private consumption developed slightly better than in 2012 but had to cope with unchanged weak labour market fundamentals. The average unemployment rate in 2013 stood at 17.3%, approximately 1.5 percentage points higher compared to 2012. In light of the macroeconomic performance, Fitch downgraded the country’s long-term sovereign credit rating to BB+ in September 2013, and Standard & Poor’s even cut the rating to BB in January 2014

On the back of declining food, oil and energy prices, inflation decreased to 0.4% at year-end 2013, allowing average CPI to decelerate to 2.3% in 2013.The nominal euro exchange rate was kept relatively stable throughout the year. Fiscal policy faced the negative budgetary consequences of the recession, while the progress on expenditure adjustments and structural reforms remained fairly slow. The current account surplus, mainly supported by tourism, equalled 1.0% of GDP, whereas the budget deficit in relation to GDP is estimated at about 6.5%.

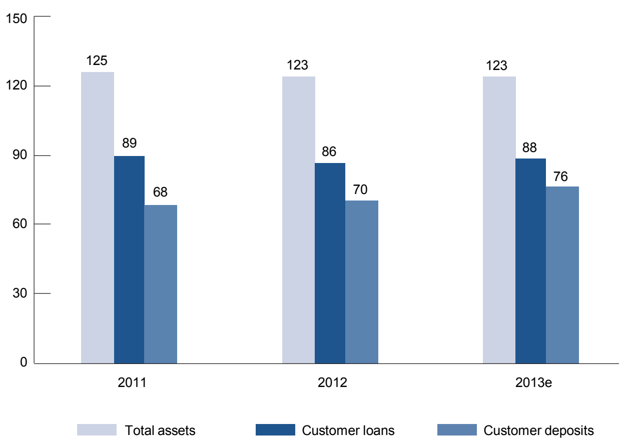
Key economic indicators – Croatia	2010	2011	2012	2013e
Population (ave, million)	4.4	4.3	4.3	4.3
GDP (nominal, EUR billion)	44.4	44.2	43.7	43.4
GDP/capita (in EUR thousand)	10.1	10.3	10.2	10.1
Real GDP growth	-2.3	-0.2	-1.9	-0.9
Private consumption growth	-1.3	0.3	-3.0	-0.8
Exports (share of GDP)	20.4	20.5	22.5	21.1
Imports (share of GDP)	4.6	33.9	36.4	36.1
Unemployment (Eurostat definition)	12.0	13.4	15.8	17.3
Consumer price inflation (ave)	1.1	2.3	3.4	2.3
Short term interest rate (3 months average)	2.4	3.1	3.4	1.5
EUR FX rate (ave)	7.3	7.4	7.5	7.6
EUR FX rate (eop)	7.4	7.5	7.6	7.6
Current account balance (share of GDP)	-1.0	-1.0	-0.1	1.0
General government balance (share of GDP)	-5.4	-5.5	-4.0	-6.5

Source: Erste Group

Market review

Croatia's banking market reflected the macroeconomic development of the country in 2013, with rising non-performing loans in the corporate sector. Overall, loans to customers increased by 1.6% and customer deposits by 8.6%.

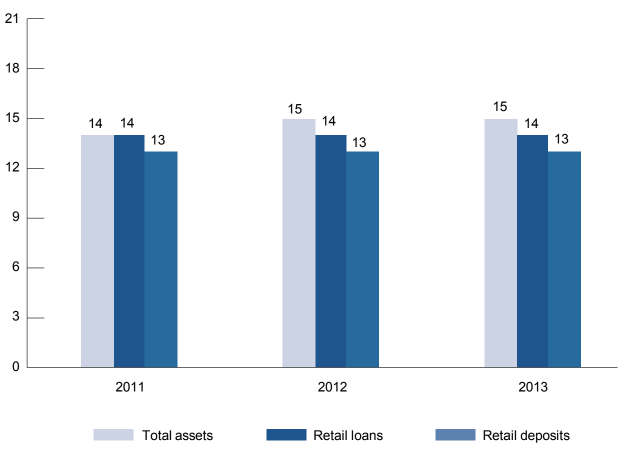
Financial intermediation – Croatia (in % of GDP)



Source: National Bank of Croatia, Erste Group

The slightly improved but still modest development of the lending market reflected the continued labour market weakness and challenges in the corporate business. On the lending side, the corporate sector showed more activity than private households. On the deposit side, households maintained steady growth, while the corporate sector showed a weak but nonetheless positive performance. Overall, the sector's loan-to-deposit ratio improved to 116% at the end of 2013. At above 20%, the capital adequacy of the Croatian banking sector remained among the highest in Europe. With total banking assets at 123% of GDP, Croatia's level of financial intermediation remained among the highest in the region.

Market shares – Croatia (in %)



Source: National Bank of Croatia, Erste Group

Erste Bank Croatia performed broadly in line with the overall trends in the country's banking market, marking a visible decline in profitability due to a rise in risk costs stemming from the corporate sector. Growth in corporate loans was the main driver behind loan expansion, and the positive development in the retail business was reflected in growing customer deposits. The bank's loan-to-deposit ratio amounted to 147% at year-end 2013. Erste Bank Croatia remained among the top three players in the market, with a total asset market share of 14.8%.

Business review

Strategy. Erste Bank Croatia's main objective is to further enhance its market positions in the medium and long term by providing simple and transparent products and excellent banking services to retail, SME and large corporate clients with favourable risk profiles. Efficiency and innovation remain a top priority. Special emphasis is put on continuous optimisation and the automation of processes and work flows while maintaining high risk management standards. These measures are designed to ensure efficiency in service delivery as well as high service quality and customer satisfaction.

Highlights from 2013

Optimisation of key processes. In 2013, Erste Bank Croatia continued its activities aimed at optimising key processes to strengthen the efficiency in service delivery further. A strong focus was set on reorganising and improving the lending processes in the corporate business. The project resulted in a higher degree of automation and centralisation, thus not only in a decrease of administrative expenses but in particular in freeing up time for improved and more active customer service.

Focus on customer relationships. Fostering long-term relationships with customers is of utmost importance for Erste Bank Croatia. In addition to the broad range of retail products, the bank also aims to improve the product range for corporate customers. In light of Croatia's accession to the European Union, Croatian companies have an increased need for products and services in this changed environment. Erste Bank Croatia supports its clients in tapping new business opportunities with several initiatives and programmes. The *Transaction Banking Initiative* focuses on cash management and trade finance, thus offering new and customised services for importers and exporters. In addition, the bank provides consultancy services to clients applying for co-financing of projects from EU funds.

Leading banking innovations. Erste Bank Croatia has always been active in developing innovative banking products and is actively cooperating with Erste Group's innovation hub. The bank improved its product offering for the retail customers. In 2013, *Erste Maestro Pay Pass Display Card*, the first of this type worldwide, was launched. The card is a "5 in one", as it can be used for ATM withdrawals, POS payments, contactless POS payments, secured internet shopping and, finally, the card is also equipped with a display showing transaction numbers for user authentication and transaction authorisation when used in direct channels.

International and local recognition. The bank's main strengths compared to its competitors are innovation, a wide range of products and a special emphasis on customer care. Along with satisfied customers, the bank won for the 6th time the prestigious *Zlatna Kuna* (Golden Weasel) competition for the *Best Bank of the Year,* presented by the Croatian Chamber of Commerce in 2013. In addition, the British magazine *Euromoney* has named Erste Bank Croatia's Private Banking the best private banking services in Croatia. Last but not least, the bank's subsidiary Erste Bank Montenegro was declared the *Bank of the Year* by the financial magazine *The Banker* in 2013.

Financial review

in EUR million	2013	2012
Pre-tax profit/loss	-8.6	55.5
Net profit/loss after minority interests	-10.8	23.7
Operating result	184.3	195.9
Cost/income ratio	40.9%	40.4%
Return on equity	n.a	8.2%
Customer loans	5,978	5,909
Customer deposits	4,344	4,156

Net interest income in the Croatia geographical segment declined from EUR 253.7 million in the financial year 2012 by EUR 19.4 million, or 7.6% (currency-adjusted: -6.9%), to EUR 234.3 million in the financial year 2013. This was attributable to narrower margins as well as to lower loan demand in the retail business and higher NPL volumes in the corporate business. The increase in net fee and commission income from EUR 65.6 million by EUR 2.2 million, or 3.4% (currency-adjusted: +4.2%), to EUR 67.8 million was attributable to increased payment transfers and card business. The net trading result remained nearly unchanged at EUR 9.9 million. Due to synergies with the Erste Card Club credit card company and additional optimisation measures, operating expenses declined by EUR 5.0 million, or 3.8% (currency-adjusted: -3.1%), from EUR 132.8 million to EUR 127.8 million in the financial year 2013.

The operating result decreased by EUR 11.6 million, or 5.9% (currency-adjusted: -5.2%), from EUR 195.9 million to EUR 184.3 million. The cost/income ratio stood at 40.9% after 40.4% in the financial year 2012. Increased risk provisioning requirements in the corporate business – partly due to new legislation regarding pre-bankruptcy proceedings – caused provisions to rise by EUR 31.2 million, or 22.7% (currency-adjusted: +23.7%), from EUR 137.4 million to EUR 168.6 million in the financial year 2013. The deterioration in the item "other result" from EUR -3.0 million by EUR 21.3 million to EUR -24.3 million was mainly attributable to litigation provisions. The net result after minorities declined from EUR 23.7 million by EUR 34.5 million to EUR -10.8 million in the financial year 2013.

Credit risk

In the Croatia geographical segment, total credit exposure widened by 2% to nearly EUR 8.4 billion in 2013. The volume of loans to customers also rose slightly and was EUR 6.0 billion at the close of the financial year. In terms of Erste Group's total loans to customers, the share of the Croatia geographical segment was 4.7%. The composition of the loan portfolio by customer segment remained mostly unchanged. Only the share of loans to municipalities rose significantly. Retail and corporates accounted for 44% and 42% respectively of the total customer loan portfolio.

The majority of loans are still denominated in foreign currency, mainly euros, even though the focus has recently been on lending in Croatian kuna. At year-end 2013, the share of foreign currency loans was 76%, while at the end of 2012 it had been close to 81%.

The high share of foreign currency loans is due to the widespread use of the euro in Croatia. Therefore, euro loans are typically matched by corresponding income or deposits in euros.

Against the backdrop of persistently challenging macroeconomic conditions – the Croatian economy contracted in 2013 just like in the preceding years – and partially also because of new legislation, asset quality continued to decline in 2013. Non-performing loans rose by around EUR 200 million to almost EUR 1.3 billion. As a percentage of total loans to customers, they increased from 18.8% to 21.1%. Most of the deterioration was seen in commercial lending – in loans to small businesses as well as in lending to medium-sized and large enterprises. NPL coverage by risk provisions was 53% at year-end, with the balance covered by collateral.

SERBIA

The Serbia geographical segment comprises the business of Erste Bank Serbia, which serves some 300,000 customers through a network of 68 branches, 8 commercial centres and 118 ATMs. Catering to the needs of a broad retail and mid-market corporate client base, the bank is represented in all of Serbia's major business centres. In terms of total assets, Erste Bank Serbia ranks 11th in the country.

Economic review

The Serbian economy recovered from recession in 2013, with real GDP growing by 2.4% and GDP per capita amounting to EUR 4,400. Economic growth was mainly driven by exports, with excellent performance by the automotive, pharmaceutical, chemical and petroleum industries. In addition, similarly to other countries in the region, agriculture had an excellent year. Domestic demand, however, remained subdued as did investments throughout the year. Although the unemployment rate stabilised in 2013, it still was among the highest in the region, at 22%. The government laid out a structural reform agenda, aimed at improving labour market efficiency and strengthening pension system finances.

In addition, the Serbian government introduced a series of fiscal consolidation and structural reform measures in 2013, including VAT hikes on the revenue side, and wage consolidation as well as lower subsidies to state-owned enterprises on the expense side. Additional measures focused on tackling the shadow economy through imposed tax collection. Still, these measures were not enough to meet the original fiscal targets and the government had to revise upwards the expected budget deficit figures which, at the end of 2013, stood at 5% of GDP. Public debt as a percentage of GDP also trended away from the 45% target set by the Fiscal Responsibility Law. In light of the missed fiscal commitments, the International Monetary Fund refused to start talks on a possible aid deal with the country. Importantly, the government expressed its preference towards a disciplined fiscal policy and readiness to strike a new deal with the IMF. Serbia started European Union membership talks in January 2014, which include negotiations on tough economic reforms and potentially unpopular compromises with Kosovo.

Consumer price inflation was influenced by weak domestic demand, the broadly stable exchange rate, and the favourable agricultural performance. The National Bank of Serbia cut the base rate several times in 2013 to 9.5%.

Key economic indicators – Serbia	2010	2011	2012	2013e
Population (ave, million)	7.4	7.3	7.2	7.2
GDP (nominal, EUR billion)	28.0	31.1	29.9	31.7
GDP/capita (in EUR thousand)	3.8	4.3	4.2	4.4
Real GDP growth	1.0	1.6	-1.7	2.4
Private consumption growth	na	na	na	na
Exports (share of GDP)	26.5	27.1	25.0	31.6
Imports (share of GDP)	43.5	44.6	40.4	44.0
Unemployment (Eurostat definition)	19.2	23.0	24.0	22.1
Consumer price inflation (ave)	6.1	11.2	7.3	7.9
Short term interest rate (3 months average)	10.8	12.9	11.6	10.0
EUR FX rate (ave)	103.1	102.0	113.1	113.1
EUR FX rate (eop)	105.5	104.6	113.7	116.0
Current account balance (share of GDP)	-7.4	-9.3	-10.5	-5.2
General government balance (share of GDP)	-4.7	-5.0	-6.4	-5.0

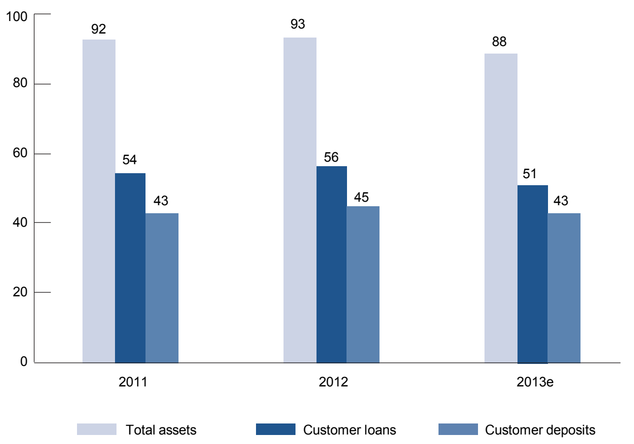
Source: Erste Group

Market review

In line with macroeconomic and political developments, the Serbian banking market also continued to make further steps towards adopting European Union standards. The National Bank of Serbia started to analyse the most suitable manner and timetable for the implementation of Basel 3 and continued to implement measures geared at a greater use of the Serbian dinar and a gradual reduction of the foreign exchange risk in the financial system. Still, as of the end of 2013, more than 70% of the system's customer loans were denominated in foreign currency, mainly in euros. Non-performing loans reached 21% and remained the main challenge for the banking sector. A deterioration of asset quality was especially visible in the corporate business with a non-performing loan ratio of 23%, while it remained below 10% in the retail business. Overall, customer loans fell by 4.2% while customer deposits increased by 2.6%, leading to an improvement of the system's loan-to-deposit ratio to 116%. Foreign-owned banks kept their dominant position in the banking sector with a market share of approximately 70%.

Erste Bank Serbia's customer loan market share increased in 2013. This trend was driven mainly by the corporate loan business where its market share went up marginally from 2.7% to 2.8%, while the retail market share remained stable at 3.3%. On the deposit side, Erste Bank Serbia's activities continued to be driven by local currency deposit-taking, where its market share increased significantly, from 4.5% to 6.0%. Overall, the bank's customer deposit market shares stood at 3.4% at the end of 2013.

Financial intermediation – Serbia (in % of GDP)



Source: National Bank of Serbia, Erste Group

Business review

Strategy. Erste Bank Serbia's main objective is to build long-term customer relationships and to become the bank of first choice for its customers. It aims to be recognised for the quality and efficiency of its services and to position itself as a long-term partner of Serbia's growing middle class. The bank strives to increase profitability and continuously extend its market shares in the key retail and SME business areas. To achieve these goals, the bank has developed a state-of-the-art branch network and digital distribution channels, in addition to a wide range of competitive financial products and services.

Highlights from 2013

Balanced business model. Erste Bank Serbia remained one of the most balanced financial institutions in the country, with a loan-to-deposit ratio of 94%. The bank managed to increase retail deposits both in euros and Serbian dinar. This development underscores that Erste Bank Serbia is one of the most trusted banks in the market.

Focus on innovation. As the oldest savings bank in the country, Erste Bank Serbia is committed to providing its customers with various tools to fulfil their financial needs. The bank launched several projects in the field of digitalisation. The internet banking solution was upgraded, a new design and new functionalities were added, and a mobile banking app was launched. Developments of further functionalities and full channel integration are planned in the upcoming future.

Supporting corporate customers. Along with its continuing attention to the retail segment, Erste Bank Serbia also set its focus on corporate clients. The bank continued its successful cooperation with the European Investment Bank and managed to provide its corporate clients with the best funding for their business developments and projects. Combined with the bank's initiatives towards environmental protection, Erste Bank Serbia also funded corporate energy efficiency projects.

Financial review

in EUR million	2013	2012
Pre-tax profit/loss	8.3	8.5
Net profit/loss after minority interests	6.3	7.8
Operating result	19.4	19.2
Cost/income ratio	64.4%	63.6%
Return on equity	11.9%	18.8%
Customer loans	562	569
Customer deposits	601	497

Net interest income of Erste Bank Serbia rose from EUR 37.1 million by EUR 1.6 million, or 4.4% (currency-adjusted: +4.5%), to EUR 38.7 million in the financial year 2013. This improvement was driven by a rise in lending volumes to corporate clients and wider margins in the retail business. Net fee and commission income remained nearly unchanged at EUR 13.4 million. The net trading result improved from EUR 2.4 million by EUR 0.2 million, or 6.5% (currency-adjusted: +6.6%), to EUR 2.6 million on the back of higher income from foreign exchange business.

Operating expenses increased from EUR 33.6 million in the financial year 2012 by EUR 1.6 million, or 4.8% (currency-adjusted: +4.9%), to EUR 35.2 million in the financial year 2013. The cost/income ratio went up to 64.4% from 63.6%. Risk costs rose from EUR 9.0 million by EUR 0.6 million, or 6.5% (currency-adjusted: +6.6%), to EUR 9.6 million due to higher allocations in the corporate business. Net profit after minorities declined by EUR 1.5 million, from EUR 7.8 million to EUR 6.3 million, in the financial year 2013.

Credit risk

Due to the steep rise in loans to banks, reflecting the investment of surplus liquidity that resulted from the substantial increase in customer deposits, total exposure in the Serbia geographical segment increased by over 17%, from EUR 736 million to EUR 865 million, in 2013. Loans to customers remained almost unchanged and amounted to EUR 562 million at the end of 2013 (2012: EUR 569 million). With a share of 0.4% in total customer loans, the Serbia geographical segment was still only of minor significance for Erste Group. Compared with other markets in Central and Eastern Europe in which Erste Group operates, the share of corporate loans in the total loan portfolio was above average at nearly 63%.

Even though the volume of loans denominated in Serbian dinar increased over the course of the year, a much larger share of loans is still denominated in foreign currency, especially in euros. The share of foreign currency loans in the total lending volume was 77.5% at year-end 2013. This is mainly due to the widespread use of the euro in Serbia. Loans in euros are usually matched by income or deposits in euros.

Asset quality worsened in 2013, with the ratio of non-performing loans to the total portfolio rising by 3.3 percentage points to 15.3%. Essentially, this development was driven by a marked increase in the NPL ratio of corporate loans, while the quality of loans to private individuals deteriorated only slightly. NPL coverage by risk provisions excluding collateral was 76.6% at year-end 2013.

UKRAINE

On 29 April 2013, Erste Group finalised the sale of 100% of Erste Bank Ukraine to the owners of FIDOBANK. The subsidiary has been deconsolidated. The Ukraine geographical segment therefore includes only the results of the first quarter of 2013.

Financial review

in EUR million	2013	2012
Pre-tax profit/loss	-9.4	-44.1
Net profit/loss after minority interests	-9.4	-44.3
Operating result	-6.0	-26.0
Cost/income ratio	247.1%	215.0%
Return on equity	n.a.	n.a.
Customer loans	0	426
Customer deposits	0	274

Group Corporate & Investment Banking (GCIB)

The Group Corporate & Investment Banking segment includes Erste Group's large corporate business, the commercial real estate business – especially of Erste Group Bank AG – and Erste Group Immorent AG. In addition, this segment comprises equity capital markets (from the second quarter of 2012 onwards), the investment banking activities in CEE and the International Business unit (covering all investment and lending activities outside Erste Group's core markets, i.e. the branch offices in London, Hong Kong, New York, Stuttgart and Berlin).

The full range of banking services is provided to large corporate customers as well as institutional and public sector customers. The division employs some 1,050 professionals, who combine industry and product expertise with local knowledge, and offers services in debt financing, equity capital markets, mergers and acquisitions, debt advice, acquisition finance, infrastructure finance, project finance, syndication, real estate development, lending and leasing, as well as transaction banking. The division cooperates closely with the capital markets as well as the retail & SME network.

Business review

Segment strategy. Building on its strong presence in retail and SME banking, Erste Group aims to further expand its footprint in the CEE region's markets for large corporate and investment banking and aims to be the leading corporate bank in its markets by 2015. The GCIB division pursues a selective growth strategy reflecting the differing market conditions in complex environments due to restrictive banking regulations.

Deepening relationships with core customers by combining regional expertise, a sector-based coverage approach and a broadening of the product range to match the customers' needs remains key for the Group Large Corporates business.

Erste Group Immorent (EGI) focuses on real estate business, infrastructure financing and property development in CEE. EGI offers a one-stop-shop approach that covers the full real estate value chain (lending, leasing, investment, project development, construction services and infrastructure business) for corporate clients, specialised project developers, real estate investors, municipalities and other public agencies. As a result of a restrictive approach to new business and a focus on core markets and core customers, the size of the portfolio continued to decline.

Erste Group's investment banking business line focuses on all equity-related transactions and services across Erste Group. This includes in particular corporate finance advice, equity capital markets services (initial and secondary offerings), equity brokerage and institutional sales, and private-equity-related services (including acquisition finance). The business model is built on Group-wide integration with the corporate business. In addition to the business line departments in Erste Group Bank AG and in the subsidiaries in the Czech Republic, Romania, Croatia and Serbia, Investment Banking operates a branch office in London and brokerages in Istanbul, Warsaw and Budapest.

The International Business unit covers all lending and investing activities outside the Group's core markets (including the branches in London, Hong Kong and New York) and is responsible for business development with, as well as credit line management for, banks and non-banking financial institutions. In accordance with Erste Group's strategic business objective to exit non-core activities, the International Business portfolio was further reduced in 2013.

Highlights from 2013

Balanced portfolio in large corporate customer business. Based on the successfully implemented sector-based coverage approach and a clear focus on corporate customers with significant economic interest in Erste Group's home market, the Group Large Corporates coverage teams, acting and cooperating across borders, managed to generate stable revenues from intensified customer relations. As a response to the demanding economic and regulatory environment, initiatives were taken to enhance organisational efficiency and to foster the Group-wide product offering in the transactional banking area.

Erste Group again demonstrated its syndicated loan and debt capital market capabilities in the CEE region. Amongst other things, Erste Group acted successfully as a joint bookrunner in a EUR 1 billion benchmark bond transaction for ASFINAG, the Austrian motorway operator. Also, Erste Group acted as the sole dealer manager and coordinator in a EUR 500 million hybrid bond exchange of Voestalpine. Furthermore, Erste Group, as a joint lead manager, led a EUR 200 million Schuldscheindarlehen transaction for Verbund, and in the same amount as a joint lead manager and paying agent for Wiener Stadtwerke. In addition, Erste Group acted as a mandated lead arranger in a USD 545 million multicurrency revolving credit facility for MOL, a leading oil and gas company in CEE.

Erste Group Immorent focuses on real estate business in CEE. The size of the portfolio continued to decline in 2013. More than 90% of the exposure is located in Erste Group´s core markets, with more than half of it attributable to Austria, the Czech Republic and Slovakia. The majority of Erste Group Immorent's (EGI) business is located in or in close proximity to the major economic centres in Erste Group's core markets. The portfolio comprises mainly retail properties, office buildings, hotel/tourism and logistics. In 2013, EGI managed to reduce the cost base further and continued to follow a cautious and selective market approach to new business. Overall, the real estate market continues to be challenging, reflected in a continuously high level of risk provisioning. Operating income decreased, driven by declining volumes and elevated levels of non-performing loans.

Benchmark deals regarding real estate financing included the financing of the Institute of Science and Technology in Lower Austria (IST), the refinancing of the Shopping Centre Lugner City in Vienna, the financing of the Business Forum Centre in Prague and the co-refinancing of the City Business Centre in Bratislava. EGI generated additional income from project management, such as the office projects (in their earn-out phase) Futurama and Moulikova in Prague. Further to that, the sale of various residential projects in Austria and the sale of the logistics park Jastrebasko in Croatia contributed to the income. Currently, the main projects in Vienna are the office building silo and Erste Campus. Both Viennese projects received awards at the *Green & Blue Building Conference 2013* for energy efficiency, sustainability and technical innovation in the real estate sector.

Investment Banking franchise is growing. Erste Group's investment banking competitive advantage stems from delivering professional service at an international standard, efficient product organisation that builds upon local expertise, and very close cooperation between GCIB's customer coverage teams and the local corporate banking teams.

A substantial improvement of deal flows and results of Corporate Finance and Equity Capital Markets was achieved in 2013, with transactions being completed in nearly all countries of operation. Notable deals included bookrunning the IPO of Romgaz (the Romanian national gas company) in Bucharest and London, the capital increase of AT&S in Austria, the listing of Immofinanz Group in Warsaw, advising a Turkish conglomerate on an acquisition in Austria, advising a group of Austrian banks on the sale of Paylife bank, advising the Czech government on the sale of a minority stake in CSA (the national airline) and advising two private equity funds on the largest infrastructure transaction in CEE this year, the acquisition of Net4Gas (the Czech gas transmission network) from RWE.

In the field of private equity, the investment banking team continued to finance leveraged buy-outs and corporate acquisitions. Transaction highlights include the arrangement of a refinancing of Adria Cable Group (Serbia and Slovenia's largest cable TV operator, private equity owned) and several acquisition financings in the Czech and Slovak energy sectors. The debt financing portfolio was stable with a total exposure of around EUR 1 billion. Market standards in the leveraged finance area have become more aggressive in 2013 which has made it more difficult for Erste Group to attract additional business and to grow volume and income whilst maintaining the strict credit risk policy.

On the equity side, a few investments were committed to large, well-established European private equity fund managers who also offer cross-selling opportunities to Erste Group's investment banking franchise. Overall, equity commitments in the Merchant Banking portfolio amounted to approximately EUR 100 million.

The strategy of structured trade finance remains to originate initially bilateral and subsequently club or syndicated facilities with major corporates in Erste Group's core markets. Tailor-made structures capture current assets and sales cash flows to generate repayment and to mitigate transfer risk. The total portfolio size managed by the structured trade finance team amounts to approximately EUR 250 million.

A small team at the London branch successfully positioned itself in a highly specialised aerospace financing segment. The business model is to provide secured asset-based loans to investors in commercial aircraft and aircraft engines. The department increased the portfolio size from approximately EUR 100 million to EUR 150 million in 2013 with an expanded client base on the back of moderate growth in the global airline industry.

Financial review

in EUR million	2013	2012
Pre-tax profit/loss	-245.6	-58.3
Net profit/loss after minority interests	-224.2	-55.6
Operating result	343.5	390.5
Cost/income ratio	35.8%	33.5%
Return on equity	n.a.	n.a.
Customer loans	16,039	17,928
Customer deposits	5,585	5,517

Net interest income declined from EUR 495.9 million in the financial year 2012 by EUR 94.5 million, or 19.0%, to EUR 401.4 million in the financial year 2013. This development was attributable to volume declines across all business lines (Group Large Corporates, Group Real Estate and International Business). Net fee and commission income improved by EUR 29.5 million, or 33.9%, to EUR 116.6 million on the back of higher income from the large corporate business in Austria as well as new syndicated lending activities in the Czech Republic. The net trading result rose by EUR 12.7 million to EUR 17.1 million due partly to better performance in the International Business unit. Operating expenses declined from EUR 196.9 million by EUR 5.2 million, or 2.6%, to EUR 191.7 million as a result of lower expenses in the commercial real estate business and in the International Business unit. The operating result decreased by 47.0 million, or 12.0%, to EUR 343.5 million.

Risk provisions increased by EUR 183.3 million, or 52.8%, to EUR 530.5 million. This was mainly due to higher risk provisions in the commercial real estate business and in the large corporate business. The item “other result” improved by EUR 43.1 million, or 42.4%, to EUR -58.5 million in the financial year 2013, which was largely attributable to negative valuation results and losses on disposals of securities in the International Business unit in the previous year. The net result after minorities declined by EUR 168.6 million to EUR -224.2 million in the financial year 2013. The cost/income ratio rose from 33.5% to 35.8%.

Credit risk

In 2013, the credit exposure in the Group Corporate & Investment Banking segment decreased from EUR 26.1 billion to EUR 24.5 billion, thus continuing the downwards trend of the preceding years. Group Real Estate was down sharply, reflecting the weakness of the economy and the problems of the real estate industry in most countries of Central and Eastern Europe. Part of the contraction was also attributable to the further reduction of International Business, which is not a core business of Erste Group. Finally, the development of Group Large Corporates, the most important business of GCIB, was sluggish, with credit exposure stagnating at EUR 13.7 billion. One reason for this trend was the attractive situation on the capital markets that made refinancing possible for larger companies by issuing bonds.

Loans to customers in the total GCIB segment decreased significantly by 10.6% from EUR 17.9 billion to EUR 16.0 billion in 2013. The share of the GCIB loan portfolio in the total loan portfolio of Erste Group dropped from 13.6% to 12.6% year on year. Group Large Corporates and Group Real Estate accounted for over 95% of total loans to GCIB customers. In International Business, loans to non-banks play only a minor role, with the majority of the portfolio consisting of bonds and loans to credit institutions. 94% of total loans by GCIB related to corporates and project financing at year-end 2013, with the rest being loans to the public sector. 79.4% of the GCIB portfolio was denominated in euros.

The significant deterioration of the loan portfolio in the GCIB segment during the year 2013 was mainly attributable to the commercial real estate business. The share of NPLs in the total portfolio increased markedly from 7.4% to 11.1%. NPL coverage by risk provisions was 59.1% at year-end 2013, with the balance fully covered by collateral.

Group Markets (GM)

The Group Markets segment comprises the divisionalised business units Group Treasury and Group Capital Markets (except Equity Capital Markets, which has been allocated to the GCIB segment from the second quarter of 2012 onwards) and includes the treasury activities of Erste Group Bank AG, the CEE subsidiaries, the foreign branch offices as well as the business from Erste Asset Management.

In the case of institutional clients, GM covers the full customer relationship and all interactions with the clients. GM is the internal trading unit for all classic treasury products (such as FX, commodities and money market) and capital market products (such as bonds, interest rate derivatives, credit and equity products).

Business review

Strategy. The focus in the Group Markets segment is on client-oriented capital markets business. Group Capital Markets is the link between financial markets, customers and the bank. Erste Group provides solid knowledge of local markets and customer needs due to the divisionalised set-up and the strong network in the CEE region. To further improve customer relationships with institutional clients, designated teams have been established in Germany, Poland, London and Hong Kong that – in addition to the departments across Erste Group’s core markets – offer a selective product range with a clear focus on CEE. The goal is to combine the best of the various core markets while benefiting from synergies. Based on Erste Group's strategy, treasury products complement the product range for retail clients. In addition, Erste Group's customers benefit from market reports of Group Research. The research reports complete the comprehensive support offer and address both retail and institutional customers.

Highlights from 2013

Leading position in CEE new issues. Debt Capital Markets managed to defend the top 3 position for eurobond issuance in the core region. Erste Group thus managed to be for the 5th consecutive time the best Austrian issuance bank. Notable deals comprise the joint lead management of the issuance of the Republic of Austria totalling EUR 4 billion and of supplementary capital in the amount of EUR 500 million of Vienna Insurance Group. In CEE, Erste Group acted successfully among others as joint lead manager in the EUR 750 million bond issuance of eustream, the leading Slovak gas transmission company.

Increased focus on customer relationships. Success is a result of well managed customer relationships. In 2013, Erste Group acquired 13 new institutional customers in Asia. In South-east Europe (Macedonia, Montenegro, Serbia and Bosnia-Hercegovina) Erste Group launched a new and also successful initiative. In all those countries Erste Group acquired new customers. In Germany, the financial year ended again with all-time highs in terms of the number of customers, business volume and income. The lower number of new issuances was more than compensated for with numerous private placements and increased activity in the secondary market.

Growth in retail business. In 2013, overall business activity was characterised by two main topics, the still very low interest rate environment and the increasing regulatory requirements. Despite this environment, Erste Group managed to meet the retail clients' investment needs by offering tailor-made retail products. There was high demand for corporate bonds, supplementary capital with attractive yields, short-term structures (mainly indices) and broadly diversified portfolio solutions. The latter were offered as the demand for direct investments in shares was low, despite the overall very satisfying development of many stock markets. The successful launch of *Erste Investment App,* providing amongst other things information on stocks as well as analysis and recommendations of Erste Group Research, supported the sales activity.

Financial review

in EUR million	2013	2012
Pre-tax profit/loss	253.4	297.4
Net profit/loss after minority interests	197.1	227.6
Operating result	241.7	295.4
Cost/income ratio	47.8%	42.2%
Return on equity	51.1%	65.0%
Customer loans	238	77
Customer deposits	1,896	2,768

Net interest income increased by EUR 28.8 million, or 15.7%, to EUR 212.5 million in the financial year 2013. Net commission income rose from EUR 124.7 million by EUR 9.6 million, or 7.7%, to EUR 134.3 million, partly due to an improved result of Erste Asset Management. The net trading result declined by EUR 86.9 million, or 42.8%, to EUR 116.0 million. This was mainly attributable to the business areas Global Money Market & Government Bonds as well as Credit & Rates Trading, which had posted extraordinarily good results in the financial year 2012.

Operating expenses rose from EUR 215.9 by EUR 5.1 million, or 2.4%, to EUR 221.0 million in the financial year 2013. The operating result declined by EUR 53.7 million, or 18.2%, to EUR 241.7 million. The cost/income ratio increased to 47.8% versus 42.2% in the financial year 2012. Net profit after minorities decreased by EUR 30.5 million, or 13.4%, to EUR 197.1 million. Return on equity stood at 51.1% versus 65.0% in the previous year.

Group Corporate Center (GCC)

The Group Corporate Center segment mainly comprises all non-core and centrally managed business activities. These include amongst others internal service providers for the Group (such as facility management, IT and procurement) and the Asset and Liability Management of Erste Group Bank AG. Other components of this segment include the banking taxes paid by Erste Group Bank AG and impairments on participations.

Financial review

in EUR million	2013	2012
Pre-tax profit/loss	-817.9	-357.2
Net profit/loss after minority interests	-791.7	-227.5
Operating result	-47.7	-5.5
Cost/income ratio	137.8%	104.5%
Return on equity	n.a.	n.a.

Net interest income declined from EUR 237.2 million to EUR 199.4 million, which was mainly attributable to a lower result from securities and derivative business. The net trading result improved from EUR -31.5 million to EUR 1.0 million on the back of better valuation results in asset/liability management.

The increase in operating expenses to EUR 173.6 million in the financial year 2013 was largely due to intragroup consolidation of banking support operations. The item "other result" included amortisation of customer relationships of EUR 65.2 million as well as banking tax paid by the holding (Erste Group Bank AG) of EUR 147.5 million (2012: EUR 146.9 million). In addition, in the financial year 2013, this item was adversely impacted by goodwill impairments totalling EUR 380.8 million mainly for Banca Comercială Română (EUR 281.0 million) and Erste Bank Croatia (EUR 52.2 million) as well as for investments in Austria and a negative one-off impact from the sale of Erste Bank

Ukraine of EUR 76.6 million. In the financial year 2012, the main positive contribution was the proceeds of the buyback of tier 1 and tier 2 instruments (hybrid capital and subordinated bonds) of EUR 413.2 million, which almost offset goodwill impairments for Banca Comercială Română of EUR 469.4 million and investments in Austria in the total amount of EUR 45.5 million.

Intragroup Elimination

Intragroup Elimination is not defined as a segment as such but is the reconciliation to the consolidated accounting result. All intragroup eliminations between participations of Erste Group are comprised in this reconciliation (e.g. intragroup funding, cost charges etc.). Intragroup eliminations within partial groups are disclosed in the respective operating segments.

Commitment to society

Almost 200 years ago, the very founding concept of Erste österreichische Spar-Casse already embraced the idea of contributing to the common good. Erste Group has expanded its core activities from those of a traditional savings bank focused on retail lending and deposit-taking to include those of an international bank providing financial services to all sectors of the economy in its core markets. Unlike the operations of investment banks or many other financial institutions, Erste Group's business has always been firmly embedded in the real economy. Customer savings deposits fund the loans for housing construction or purchases or investments by companies. This is how Erste Group creates sustainable value for society. In conducting its business, bearing corporate responsibility towards its customers, employees, investors, local communities and national economies is a defining feature of the bank. As one of the leading providers of financial services in Central and Eastern Europe, Erste Group is also an important employer, a customer of – mostly local – suppliers and a tax payer.

In 2008, at the beginning of the most severe economic crisis of our time, the Austrian government took resolute action and provided Erste Group as well as other Austrian banks with funds in the form of participation capital to provide support in an uncertain economic environment. Over the five years that followed, Erste Group doubled its core capital ratio from own funds and, as a result, it is now stronger as a banking group than ever before. The bank appreciated the trust and confidence shown. Private investors and tax payers have always received the agreed dividend payments on the participation capital. In August 2013, Erste Group was the first Austrian bank to fully repay the participation capital of EUR 1.76 billion. Erste Group is convinced that only a stable and financially sound bank will be able to play a responsible role in society in the long term.

FINANCIAL LITERACY

A good understanding of money and finance is of the utmost importance, because it enables individuals and households to improve and secure their economic situation. The first pocket money, the first summer job, the decision on professional training, financing for an apartment, or retirement planning – the careful and responsible handling of money is a topic that people will be dealing with throughout their lives. Financial ignorance limits social, economic and cultural life, which might become a risk to the individual but also creates problems for communities, countries and society in general. Financial literacy is important for creating equal opportunities, social inclusion and economic well-being.

Erste Group strongly believes that knowledgeable and financially educated customers are more likely to make sound financial decisions. Financially secure individuals and families will contribute positively to communities and foster economic growth and development. This in turn supports sustainable economic development in a region and has a positive effect on market stability.

Therefore, Erste Group has been engaged in financial education activities for many years. The main objectives of Erste Group's financial education activities are to enable people of all ages to gain adequate skills and competencies to make informed and sound financial decisions and to assure that the employees of Erste Group have up-to-date knowledge as well as a comprehensive understanding of financial concepts and recent economic developments. Detailed knowledge of the range of financial products offered by the bank is simply not enough. Erste Group's employees have to be able to understand the bigger picture and to advise customers to choose the appropriate financial products.

In addition, Erste Group is committed to ensuring that the financial products and services offered are transparent and easy to understand and meet the customers' short- and long-term financial needs.

A weekly series of already 50 videos called *A cup of coffee with Rainer Münz* explaining basic financial concepts and current economic questions in an easy-to-understand manner proved very successful in 2013. The short three- to five-minute videos were initially produced for Erste Group employees and later made publicly available in German and English on the bank's website (www.erstebank.at/finanzbildung/erwachsene) and on YouTube. They are recommended by the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection.

The bank engages in many activities for children and young people. In Austria, the savings banks have been working closely together with youth organisations and debt counsellors for many years. Young adults with questions about financial issues or who need help are provided with advice. Employees of the savings banks visit up to 40,000 children and youths every year at schools to teach them how to handle money in a responsible manner. Educational modules designed for specific age groups and school grades were developed together with debt counselling experts. Primary school pupils are taught the fundamentals of economic and monetary cycles, while the focus for young people is on budgeting and debt prevention. The savings banks offer specialised workshops on various subject areas for teachers.

The platform www.geldundso.at was developed together with youths. The website includes information on a wide range of issues relating to responsibility for one's own finances, such as "Should I overdraw my account to buy the latest smartphone?" or "Can I afford to move into a shared flat?". Special education kits for schools are provided that contain extensive materials on current economic topics and how to deal with money. The materials were developed in cooperation with the *Institute for Business Education of the Vienna University of Economics and Business* and *Impulszentrum für Entrepreneurship-Education*. In the Czech Republic, the web platform www.dnesni-financni-svet.cz/cs/ (Today's Financial World Programme) offers textbooks and tools for teachers and students. It even includes a financial literacy board game for schools.

Within the special focus on educating financially vulnerable groups, Banca Comercială Română and the *New Horizon Foundation* trained 50 teachers and social workers as financial responsibility coaches. So far, 8,000 people have benefited from this programme. In a joint project of local commercial banks and the National Bank of Serbia, Erste Bank Serbia offers a course on how to manage personal finances for people who struggle with their debts. Thirty-four workshops with more than 500 attendees have been held in six towns.

Sparefroh TV is an animated video series about economics for primary school children produced by Erste Bank Oesterreich and the savings banks. The Sparefroh character explains economic principles in the context of the children's own finances in four episodes. It is accompanied by teaching materials that were designed in cooperation with the *Austrian Federal Ministry of Education, Arts and Culture*. All episodes are available in German and English on YouTube, www.facebook.com/sparefroh and www.sparefroh.at. Within the scope of the *Mehr*WERT sponsoring programme, an exhibition on the topic of money was designed to deal with the basic concepts of finance and money matters. The travelling exhibition for the target group of children aged six to twelve years of age has been to Vienna, Bratislava, Bucharest and Prague, and by the end of 2013 it had already recorded 100,000 visitors. In 2014, the exhibition on money will be on display in Belgrade.

*Mehr*WERT

For Erste Group, sponsoring is the voluntary promotion and support of institutions, initiatives and projects relating to social welfare, culture and education in our markets. The bank also has a long tradition in supporting specific sports. For Erste Group, sponsoring is not a covert form of advertising or a marketing instrument, but a way to pass on added value earned from business activities to society. The *Mehr*WERT sponsoring programme shows Erste Group's commitment to social responsibility and the values it considers worthy of support beyond its business activities.

SOCIAL ACTIVITIES

Erste Group's long tradition of cooperation with established local and international organisations reflects its commitment to the promotion of social welfare. The focus is on providing practical and swift assistance to people in difficult life situations and on support for initiatives for the long-term personal development of disadvantaged people and the creation of new opportunities.

Erste Bank Oesterreich has been a partner of *Caritas* for many years. The fight against poverty is a key priority within the wide range of joint aid projects. Erste Bank Oesterreich sponsored the annual domestic aid campaigns as well as campaigns in Eastern Europe. It also continued its support for the *youngcaritas.at* project. Since 2003, Erste Bank Oesterreich, the savings banks and s Bausparkasse have been sponsoring *Hilfswerk Österreich*, one of the largest non-profit providers of health care, social and family services in Austria. Additionally, Erste Bank Oesterreich has also been supporting the aid organisation *lobby.16*, which works to protect the right to education of unaccompanied young refugees and give them access to education, employment and participation in social life.

Banca Comercială Română operates www.BursaBinelui.ro, the only platform in Romania for no-fee donations. Donors know that even small donations fully benefit the selected projects of 200 small to medium-sized NGOs. Erste Bank Serbia supported around 100 different projects and initiatives in 2013. The bank continued to reward and support young, active, talented and creative people who have achieved outstanding results through a programme called *Club SUPERSTE*. Slovenská sporiteľňa continued its support for projects that create new jobs in sheltered workplaces and for organisations that work with handicapped people. Every year, Christmas and Easter markets are organised at which employees of sheltered workplaces from all over Slovakia offer their products for sale to bank employees. For the past six years, young people from children's homes have obtained scholarships under a project called *Vzdelávaním k úspechu* (Success through Education).

Česká spořitelna organised a series of educational seminars for NGOs. The common goal is to equip the representatives of non-profit organisations and social enterprises with knowledge that will enable them to do business in an efficient and socially conscious manner. Erste Bank Hungary's charitable activities again focused primarily on help for youths, aid to disadvantaged people and support to improve their standards of living, the promotion of healthy lifestyles and the prevention of diseases by supporting key local civic organisations such as *SOS Children's Villages* and the Hungarian *Maltese Charity Service*.

ART AND CULTURE

Erste Group supports and promotes partnerships between cultural and social institutions with the aim of jointly developing ideas and strategies for deepening the understanding and appreciation of art. Erste Bank Oesterreich is the principal sponsor of *Jeunesse*, which offers a broad concert programme covering classical, jazz, world and new music as well as children's concerts. The focus is on the promotion of young artists by giving them opportunities to perform professionally on stage as well as on the development of new concepts for teaching music appreciation. A further goal of cooperation is to give socially disadvantaged persons a chance to experience music. Erste Group also works with charitable social organisations such as *Caritas* to implement specific activities for bringing music to people. In Slovakia, Slovenská sporiteľňa is most visibly associated with the Bratislava Jazz Days, but also provided support to the music festival *Viva musica!*, to exhibitions held in a modern art museum, *Danubiana*, to the film festival *Jedensvet* (One World) as well as to five regional theatres. Česká spořitelna is the most dedicated long-term promoter of music in the Czech Republic. The portfolio includes the biggest multi-genre festivals – *Colours of Ostrava* and *United Islands*. Česká spořitelna is also a patron of *Pražské jaro* and *Smetanova Litomyšl*, two festivals of classic music.

For the tenth time, Erste Bank Oesterreich acted as the principal sponsor of the *Viennale*, Austria's largest international film festival. For the third time, Erste Bank Oesterreich awarded the *Mehr*WERT Film Prize to a film by an Austrian film director presented at the Viennale. Banca Comercială Română supported the two most important events of the Romanian film industry, *Gopo* (the Romanian Oscar equivalent) and the *Transylvania International Film Festival*, which awarded prizes to the best local and international film productions.

With the support of Erste Bank Oesterreich, selected designers are offered an opportunity to work on projects as part of the *Vienna Design Week* every year. In 2013, five projects with a focus on "Social Design" were funded. Each year, Česká spořitelna sponsors the prestigious Czech *Grand Design* award ceremony and *Designblok*, a festival of design and modern art.

Kontakt, Erste Group's art collection, concentrates on art from Central, Eastern and Southeast Europe. The collection reflects the political and historical transformation in Europe and the significance of art against the backdrop of specific cultural, social and economic developments in the post-Communist countries. Erste Bank Oesterreich acted again as a principal sponsor of *Viennafair*, an international art fair specialising in the CEE region, by enabling galleries from Central and Eastern Europe to participate in *Viennafair*. Erste Bank Croatia organised a well-known competition for emerging artists and art students, called *Erste fragments*, for the ninth time in 2013. The bank purchased the award-winning works of art and granted a cash prize. Additionally, one art student received an annual scholarship, while a special award was conferred by visitors to the bank's Facebook page. Many of the young artists who won awards in prior years have become renowned names in the art scene.

Erste Bank Serbia continued to support local cultural and social initiatives, including NGOs, across the country through its cultural programme *Centrifuge*. Erste Bank Hungary focused again on young talents and organised three dedicated programmes – *Junior Prima Award* for the best young journalists, *Erste az elsőkért* (Erste for the Best) for students of Ferenc Liszt University of Musical Arts, and the *Hungarian Press Photo* for the best photographic artist under the age of 30. Since 2008, Erste Bank Hungary has been the sponsor of *Művészetek Palotája* (Palace of Arts), a highly recognised and acclaimed institution both in Hungary and internationally.

CORPORATE VOLUNTEERING

"We are not a bank that is trying to act in a socially responsible manner. We are a socially responsible institution from which a modern bank was born." This fundamental belief, which is closely related to Erste Group's founding history, lies at the heart of all social initiatives. Driven by this spirit, Erste Group facilitates, supports and encourages employees to actively contribute and walk the extra mile to make this idea a reality. Donating money is not the only possibility of supporting communities or non-profit organisations.

Erste Group's Austrian initiative *Time Bank* is based on the idea that personal commitment and practical assistance are required more often than funds. Unlike spending money, donating time leads to personal contacts with people in need in the communities in which we live and work, and gives us a deeper insight into their plight. Giving time for a good cause is a very satisfying and humbling experience. The *Time Bank* initiative was launched in 2012 and is a scheme that matches employees who want to donate their spare time and skills with currently 32 partner organisations. Time Bank has proved highly successful in providing short-term assistance when urgently required, especially during the cold winter months when the need to help out at the aid organisations' winter shelters for the homeless is acute and urgent. In one instance, seven employees enrolled for this activity within four hours of the appeal for assistance being published. In 2013, *Time Bank* recorded over 10,000 visits on its web portal, and by the end of 2013, more than 1,000 employees had registered on the portal. In 2013, *Time Bank* arranged more than 120 new voluntary work agreements. Due to its success in the Vienna area, many of the regional savings banks joined *Time Bank*, enabling employees across Austria to volunteer their time in their local communities. Erste Bank Croatia has added corporate volunteering to its executive development programme run by Human Resources.

Another notable example of employees helping to improve their communities is the charity drive organised by the bank's Austrian Employees' Council in response to the serious floods that hit large parts of the country in 2013, leaving many people without food, clothing and shelter. The call to help the flood victims resulted in employees donating to *Caritas* and the *Red Cross*, and the collected amount was matched by the CEO of Erste Group Bank AG.

The *Good Deeds Bakery* project of Banca Comercială Română was organised as an internal competition that awards prizes to suitable projects in selected eligible categories including education, social solidarity, the environment, health and animal rights. Half of its employees were involved as volunteers or supporters. In addition, the bank found a creative way to use the 2013 Employee Engagement Survey to support local communities. Banca Comercială Română partnered with *Fondul Special pentru Copii al Fundaţiei Principesa Margareta a României* (Children's fund of Princess Margareta of Romania), a charity helping children from underprivileged families to return to school. The bank donated one euro to the charity for each employee completing the survey and, since a total of 5,261 employees participated, it ultimately doubled the figure and donated a total of EUR 10,000.

In 2013, Erste Bank Serbia organised volunteering activities in six towns. One hundred and fifty-four volunteers refurbished children's playgrounds, retirement homes, kindergartens and walking paths. Erste Bank Serbia was awarded the prize for the Best Volunteering Programme in Serbia by *Business Leaders Forum Serbia* and *Smart Kolektiv*. Slovenská sporiteľňa's employees used the possibility to support regional projects aimed at environmental quality improvement within the employee grant Euro-to-Euro. Employees took part in numerous voluntary actions aimed at the support of local communities. As part of the

Corporate Volunteering Day, the staff of Erste Bank Hungary participated in the *Közös Lábos* (Common Cooking Pot) programme organised by *Szimplakerti Háztáji Piac* (Simple Garden Home-grown Market) and prepared and sold meals. The money raised was given to *Deméter Alapítvány* (Deméter Foundation).

Česká spořitelna contributes to the development of the Czech non-profit sector by actively supporting the publicly beneficial volunteer work of its employees. Since 2007, employees have been granted two working days off each year to volunteer as part of Česká spořitelna's *Charity Days* programme. In 2013, a total of 1,883 employees volunteered their time in 134 non-profit organisations. For the fifth year running, the *Grant* programme supported non-profit organisations nominated by employees who work for them in their free time. In 2013, the bank started with the same *Grant* programme for Česká spořitelna's clients. The aim of the initiative is to support non-profit organisations in the strategic areas of CSR, helping seniors, persons with mental and multiple disabilities, and the prevention and treatment of persons with substance abuse issues. In 2013, Česká spořitelna awarded grants to 36 projects totalling CZK 2 million.

More than 400 employees of Erste Bank Oesterreich and the savings banks work on a voluntary basis at *Zweite Sparkasse*. People in financial difficulties with no access to banking services can open an account without an overdraft facility at *Zweite Sparkasse*. The accounts are offered only in close cooperation with partners such as Caritas and on the condition that the person consults a debt counsellor.

SPORTS

The capacity of sports to bring people together while encouraging them to pursue common goals embodies an idea that is also central to Erste Group's corporate philosophy. Erste Group has been supporting amateur and professional sporting events in Austria and Central Europe for many decades. Projects are carried out in a spirit of close partnership with the organisers and hosts of these events. Ice hockey, running and tennis are given particular emphasis, as is the promotion of activities for young athletes.

In tennis, activities range from support for amateur initiatives such as the *BCR Tennis Partner Circuit* in Romania to professional tennis. In 2013, Erste Bank Oesterreich was again the main, name-giving sponsor of Austria's most important tennis tournament, the *Erste Bank Open* in Vienna.

In 2013, Erste Group sponsored a large number of running events, including many in support of social projects such as the *erste bank vienna night run* in Austria, the *Bratislava Kids Run* in Slovakia and the *Homo si Tec Marathon* in Croatia. *Erste Bank Sparkasse Running* 2013 comprised more than 200 running events and more than 150,000 participants dashing some million kilometres through Austria. As Austria's largest running initiative, the *Erste Bank Sparkasse Running* community also maintains its own online presence on Facebook.

Since 2003, Erste Bank Oesterreich has been the name-giving main sponsor of the professional Austrian Ice Hockey League, the Austrian national ice hockey team as well as the local *Vienna Capitals* team. To support young Austrian ice hockey players, two youth series – *Erste Bank Young Stars League* and *Erste Bank Juniors League* – were introduced.

For almost 40 years, Erste Bank Oesterreich and the savings banks have supported the school leagues in soccer and volleyball. This commitment represents the longest-standing sponsorship of young athletes in Austrian sports. With more than 1,000 schools participating every year, these are the largest youth competitions in Austria.

If you are interested in the many other activities being pursued at Erste Group, you will find more information on the subsidiaries' websites in the respective local language and some also in English.

Supporting our customers

FOCUS ON CUSTOMER RELATIONS

Erste Group puts customers and their interests at the centre of its business activities. Only banks that understand the financial needs of their customers can offer the right solutions at the right time. Special attention is devoted to the quality of products and advisory services, as these are key factors for customer satisfaction, and therefore, for building up and maintaining long-term customer relations. Erste Group strives to offer its customers appropriate and understandable products and advisory services. This includes constant efforts to keep service quality and the range of products aligned to customers' needs and requirements. Factors such as financial literacy and experience in financial matters as well as the financial position and the risk appetite of the individual customer are taken into account. The high standard of quality aimed at in advisory services is guaranteed by the continuous training of Erste Group's employees. The focus of Erste Group is clearly on the relationship with the customer, not on the transaction.

ACCESSIBILITY

Customer centricity as the focus of all the activities also means providing customers with access to banking services through many different channels. Customer expectations of a modern bank are subject to constant change. Contacts through digital channels and social media are increasingly gaining significance in this context. Digital channels have become as natural to many customers as barrier-free access to branches. Customers wish to be able to and can perform many banking transactions conveniently without any restrictions in terms of place or time through the use of smartphones or the internet. Erste Group believes that despite technological developments, personal contact with customers remains important to clarify questions related to financial topics face-to-face. This is why the branch network of Erste Group remains a key element of its banking business.

The range of multilingual advisory services offered by Erste Bank Oesterreich has been enlarged and now includes product information in English, Turkish, Serbian, Croatian and Czech. Banca Comercială Română also offers product and service information in Hungarian.

For blind and partially sighted people, Erste Bank Oesterreich offers bank cards printed in braille for easier identification. In addition, Erste Bank Oesterreich operates at least one self-service machine with auditory instructions in each of its branches and in all VIVA shops of its cooperation partner OMV. Currently, there are around 180 such ATMs at Erste Bank Oesterreich and around 190 at VIVA shops. At Erste Bank Serbia, ATMs also have braille lettering. Eighty-six branches of Erste Bank Hungary are equipped with self-service machines featuring individual control of colour output and light intensity. The websites of Erste Group's local banks Erste Bank Oesterreich, Erste Bank Hungary, Erste Bank Croatia, Erste Bank Serbia, Banca Comercială Română and, most recently, Slovenská sporiteľňa have been modified to allow a choice of three character sizes.

To accommodate for the technical mobility of customers, the websites of Erste Group Bank AG, Erste Bank Oesterreich, Erste Bank Serbia, Erste Bank Croatia and Banca Comercială Română now feature responsive designs. This means that the website adapts automatically to the device and screen size, therefore improving the usability.

INNOVATION AND PRODUCT QUALITY

Further to developing new products, the aim is to identify and realise potential for improvement in order to guarantee optimal services. Erste Hub was founded at the end of 2012 to develop technical innovations that benefit the customer business. A multidisciplinary team of product, IT, design and marketing experts cooperates with experts from the banking business. The purpose is to initiate and promote initiatives across departments that focus on customer satisfaction. The teams of Erste Hub worked on some fifteen projects in 2013. Five of them have been implemented in Austria and two in Croatia so far.

Securing the high quality of the financial products and services offered is an essential element in product development. In 2013, Erste Group therefore implemented a specific approval process for all new products prior to their launch. It is planned that all local banking subsidiaries will be integrated into this product approval process in 2014.

CUSTOMER SATISFACTION

High levels of customer satisfaction and thus customer loyalty help secure the long-term success of a bank. The quality of customer relations ultimately depends on the customers' experiences with their banks. Such experiences may be direct or indirect, significant or less significant. In addition, conscious as well as unconscious experiences influence customer relations. Customer satisfaction is evaluated by representative and extensive surveys conducted across all countries of Erste Group.

Based on the results, the calculated index (the Customer Experience Index, CXI) describes the quality of customer relations. The CXI also ascertains the positioning as well as the strengths and weaknesses of the local banks of Erste Group in comparison to the top three competitors in each country. Furthermore, the CXI is a bonus criterion for both the management board of Erste Group and the management board of the local banking subsidiaries.

With respect to customer satisfaction, Erste Group managed to improve its position across all markets and segments in 2013. Erste Bank Oesterreich, Banca Comercială Română, Slovenská sporiteľňa, Erste Bank Croatia and Erste Bank Serbia developed positively, Česká spořitelna and Erste Bank Hungary remained at stable positions.

Erste Group is committed to continuously improving the customer experience and the quality of its services. Across Erste Group, more than 80 customer experience projects were successfully completed in 2013, and just as many are scheduled for the year 2014.

In the private banking business, Erste Group further strengthened its positions in Austria, the Czech Republic, Slovakia, Romania, Hungary and Croatia. The focus of the activities and services offered is particularly on long-term wealth creation and investment management, estate planning, philanthropy and foundation management. As a result of the underlying low interest rate environment, the focus was set on higher yielding products in 2013, without neglecting the higher risk attached to these financial instruments. Erste Group will continue its efforts in the upcoming years to achieve the overall market leadership in private banking in Central and Eastern Europe as well as the leading positions in the local countries.

Erste Group is particularly pleased about the awards won by its local banks in Central and Eastern Europe, which demonstrate the high level of customer satisfaction. At the same time, Erste Group regards it as its duty to continuously strive to maintain the status as one of the best and most trusted banks. The fact that all its banking subsidiaries operate under a brand name of very high recognition value and trustworthiness represents a significant competitive advantage in the banking business, which, among other ways, has manifested itself in solid deposit inflows at times of economic uncertainty.

ETHICAL INVESTING

Erste Asset Management was an early mover in anticipating the growing needs and intentions of investors to increasingly emphasise environmental and socio-ethical aspects in their investment decisions. Over the past decade, Erste Group has used these changes as an opportunity to develop the largest variety of sustainable funds in Austria. Since 2012, all asset management entities have been operating under the umbrella of Erste Asset Management UN PRI Signatories and have committed themselves to acknowledging the United Nations-backed Principles of Responsible Investment (PRI). In 2011, it had already been decided to prohibit investments in companies that are active in the field of controversial weapons such as land mines, nuclear weapons or cluster bombs for all actively managed mutual fund portfolios. By signing the Bangladesh Memorandum in 2013, Erste Asset Management has now also committed itself to refraining from investing in companies and their suppliers that commit violations of labour laws or human rights in the textile industry.

Erste Asset Management is an acknowledged provider of sustainable investment funds in Austria and in the CEE region. In 2013, the total volume of assets under management was EUR 48 billion. Of this, EUR 16 billion relates to actively managed funds. The actively managed fund assets totalled EUR 16 billion. The sustainable assets under management reached a volume of EUR 2.3 billion in 2013, an increase of 15% versus 2012.

In 2013, the sustainability specialists managed thirteen investment funds as well as several externally mandated portfolios. The managed mutual funds comprised four bond funds, five regional stock funds, one micro finance fund of funds and two theme funds for climate protection and the environment (the latter two are managed jointly with WWF Austria) as well as one asset allocation fund of funds. In 2013, *Erste Responsible Emerging Corporate* was launched, which invests in corporate bonds from emerging markets focusing on sustainability aspects.

FINANCIAL INCLUSION

Offering simple banking services to the otherwise unbanked part of the population was among the main reasons behind the foundation of Erste österreichische Spar-Casse in 1819. For a variety of reasons, even today some segments of the population do not have access to the financial services of commercial banks.

In 2013, the business focus of good.bee, the financial inclusion joint-venture owned by Erste Group (60%) and ERSTE Stiftung (40%), was again on micro banking and social enterprise financing geared towards supporting enterprises that address social issues. In addition, local networks promote the training of social entrepreneurs by supporting them in acquiring the expertise and skills required for running their businesses successfully. At Erste Bank Oesterreich, a specific team coordinates all activities related to social issues and enterprises. While commercial enterprises have access to a wide range of financing options and instruments, the social sector, especially in the region of Central and Eastern Europe, still lacks sufficient banking services. These efforts of Erste Group are indirectly supported by the EU programme *Horizon 2020* for research and development, which, amongst others, provides support for small and medium-sized business innovations and for coping with societal challenges.

Erste Group's banking subsidiaries have started a number of good.bee initiatives. In Romania, good.bee Credit was founded in 2009 in partnership with the Economic Development Center (CDE foundation) in Romania. The company, which has been fully owned by Erste Group since August 2013, offers development-oriented financing products for self-employed persons and small businesses. By the end of 2013, around 2,800 loans with a total volume of EUR 14 million had been granted. Smallholdings and micro entrepreneurs are provided with investment loans and working capital loans to develop their businesses on a long-term perspective.

In 2013, Erste Bank Serbia and the Serbian National Employment Agency continued *supERSTEp,* a programme designed to support unemployed young people and start-ups with capital and training to set up or continue developing their own businesses. Erste Bank Croatia also continued the project good.beginners. This initiative addresses people and businesses that have difficulties meeting standard requirements for obtaining loans. Twenty-five projects totalling EUR 260,000 have been funded up to now.

In Austria, the microfinance initiative was continued in cooperation with the Federal Ministry of Labour, Social Affairs and Consumer Protection and guaranteed by the European Investment Fund. On the initiative of Erste Bank Oesterreich, the campaign was taken over by the larger Austrian savings banks. Up to now, almost 300 micro enterprises have been founded within the framework of this initiative. In 2013, the evaluation of the project was started.

Social entrepreneurship means initiatives of individual persons or organisations that pursue charitable purposes through entrepreneurial activities. This may apply to non-profit organisations generating their own revenues as well as to profit-oriented enterprises pursuing social initiatives. In addition to the areas of labour, health and education, the social aspect in this context also includes environmental and cultural topics. These organisations offer products and services as well as employment opportunities that satisfy fundamental needs in society or offer alternative approaches that are socially and also ecologically more agreeable.

Erste Bank Oesterreich continued to support the customer group of social entrepreneurs in 2013. The bank provides financing, in some cases in cooperation with business angels and socially oriented investment funds, for business initiatives if the bank is convinced of the social impact. Furthermore, Erste Bank Oesterreich continued to support the student project *For Best Students*. In cooperation with Vienna's debtor counselling service, the initiative called *betreutes Konto* (assisted account) was successfully continued and also launched in other regions of Austria. On average, every week Erste Group grants two clients of the debtor counselling service such an account. Experience gained up to now shows that this service is capable of closing the gap between customers of full legal capacity and those who have become incapable of handling their own financial affairs.

As a result of closer cooperation with NGOs, more than 80 charitable organisations have their principal bank accounts with Erste Bank Oesterreich. The new support concept and the exemption from banking fees for charitable organisations ensure that every donation to an Erste Bank account is received without being burdened by any fees. Erste Bank Oesterreich is also the primary contact for joint activities with NGOs within this core area. A major aspect is the support provided to NGO customers for donations. Customers have the possibility to simply and directly donate money to some 40 aid, animal protection and environmental organisations through electronic distribution channels as well as at the local branches. Furthermore, Erste Bank Oesterreich designed the seminar *Das Geld kommt von der Bank* (The money is from the bank) in cooperation with the Competence Centre for Non-profit Organisations and Social Entrepreneurship of the Vienna University of Economics and Business for this interest group. This seminar will remain on the curriculum of the institute in 2014 as well.

All cooperation projects launched since the start of the Social Banking Initiative are still in place, which is a clear confirmation of Erste Group's commitment to sustainability. Some examples are its cooperation with *Verein Wohnen* (housing association), which pursues the goal of supporting people who are homeless or at risk of becoming homeless. In addition, a project to measure social effectiveness was launched. In future, apart from measuring the economic impact, the social impact of numerous campaigns will also be assessed.

In the area of social entrepreneurship, similar initiatives have been implemented at the local banking subsidiaries across Erste Group. Erste Bank Serbia, for instance, supports social enterprises that focus on agriculture or on healthcare. Česká spořitelna continued its programmes for social enterprises, as did Erste Bank Hungary, Banca Comercială Română and Slovenská sporiteľňa.

Employees

Retaining experienced and committed employees is fundamental to the long-term success of every company. Towards that end, Erste Group – as one of the largest employers in the region – strives to maintain its position as an employer of choice in Central and Eastern Europe; it encourages its employees to continually strive for professional and personal development and offers equal opportunities to everyone in the organisation. For employees, working for one of the most renowned banks also means a commitment to actively dealing with topics such as competence building and talent and career management.

Erste Group believes that employee engagement is vital for a successful company. Feedback from the employees is of the utmost importance for Erste Group, as it considers engagement and an open dialogue to be key. In 2013, Erste Group conducted its second Group-wide employee engagement survey to gain feedback on employee satisfaction, engagement, motivation and loyalty. 75% of the employees of more than 100 subsidiaries of the Group participated in this survey. The results of the survey allow the bank to evaluate initiatives and policies aimed at creating and promoting a balanced and healthy work environment as well as to assess success and identify areas that can be improved. Based on the results of the survey carried out in 2011, various measures were undertaken and have already yielded benefits. Team work and leadership have always been – and will continue to be – Erste Group's undisputed strengths. This shows that respectful behaviour towards each other, one of Erste Group's key values, is also practised.

The work-life balance of many employees has been impacted not only by the economic downturn across countries but also by an additional workload due to regulatory requirements as well as restructuring and process-efficiency improvements. Erste Group's Employees' Councils and the bank's Group Human Resources Department jointly developed guidelines aiming to avoid or reduce staff layoffs and to avoid violations of working time regulations. Erste Group has developed specific measures for employee reductions that consider the local legal environment and bring in the support of the respective Employees' Councils. An important measure, in addition to the well-established internal job market across Erste Group, is to recognise the competence and performance of employees in redundant job positions and help them find appropriate positions that become available through attrition, retirement and organisational changes in other entities.

Erste Group puts a strong emphasis on ensuring that its employees are provided with a safe and healthy work environment. As an employer of choice, Erste Group recognises that a satisfying work-life balance enhances a sustainable work environment, which in turn benefits all stakeholders. Employees are also encouraged to give back to the society and communities in which the bank operates, by volunteering their time and sharing their knowledge and expertise.

DIVERSITY AND INCLUSION

Companies that are committed to diversity and inclusion benefit from more engaged employees, a better brand image and higher customer satisfaction. Erste Group regards diversity as a vital part of its business strategy in attracting and retaining the best and brightest talents for offering the right products and services to a diverse client base. Innovation and sustainable success can only be achieved by leveraging the skills and abilities of individuals with a broad range of educational backgrounds, professional and other interests, work experience, life experience and cultural perspectives.

Erste Group provides a work environment free of discrimination and harassment and values the work of each and every person and treats the members of its organisation as unique individuals, regardless of gender, age, marital status, sexual orientation, skin colour, religious or political affiliation, ethnic background, nationality or any other aspect unrelated to their employment. Erste Group is firmly committed to creating conditions for greater diversity in decision-making bodies as well as a work environment where each and every employee has equal opportunities to develop at all professional levels.

In 2013, Erste Group confirmed its commitment to diversity and equal opportunities by appointing a Group Diversity Manager. This was in response to the 2011 employee engagement survey, where only 48% of the group-wide employees felt that the group was committed to providing equal opportunities. One of the key human resources targets is to increase the percentage of women in management bodies to 35% by 2019. The measures to reach this target comprise in addition to a succession pool and career planning for women, mentoring and coaching. Currently, 26% of senior management and 16% of supervisory board members across Erste Group are female. Other priorities include promoting intercultural dialogue, age management and work-life balance. Progress in reaching the above target will be monitored and reported on on a regular basis. Diversity principles were also incorporated into key human resources instruments and processes such as succession planning, talent management, leadership competencies and remuneration policy (equal pay for equal work).

At Česká spořitelna, the *Diversitas programme* is a comprehensive and systematic approach to diversity and inclusion. The bank received a grant from the European Social Fund for the project *Diverzita: flexibilní formy práce a slaďování pracovního a osobního života* (Diversity: Flexible Work Arrangements and Work-Life Balance). This programme aims to create a systematic approach to flexible work arrangements, which will lead to the successful integration of parents returning from parental leave as well as providing women over 55 years of age with more opportunities to balance work with caring for dependent family members. As of year-end 2013, a total of 10% of Česká spořitelna's work force was on maternity or parental leave and 7.5% were women over 55 years of age. Allowing these employee groups better access to flexible work arrangements will increase their motivation and loyalty, improve corporate culture and save the company high turnover costs. In 2014, 140 managers will be trained to better understand the benefits of flexible work arrangements.

Erste Bank Oesterreich is convinced that success in business correlates with highly effective and efficient diverse teams. To achieve a better gender balance at management levels, the bank launched the *WoMen Business programme* in 2011. This initiative covers a range of measures to support female leadership, talent development (also for women over 40 years of age) and customer relationships. In 2013, Erste Bank Oesterreich continued to support measures to increase the number of women in management positions and has set an internal target of 40% by 2017. At the end of 2013, it stood at 33%.

Respecting and promoting a work-life balance among its employees has been a long-standing priority of Erste Bank Oesterreich. The company offers a wide variety of family-friendly measures and evaluates them on a regular basis to ensure that they meet employees' needs. These measures include flexible work arrangements, short sabbaticals, regular meetings for employees on maternity/parental leave, a work-life centre focusing on work-life balance issues and a special Women and Families Committee in the Employees Council. In 2013, Erste Bank Oesterreich received the *Taten statt Worte* (Actions instead of Words) award for being the most family-friendly company in Vienna.

Erste Group's commitment towards diversity and inclusion is, of course, also visible in its smaller banking operations. Erste Bank Serbia is a signatory to the UN Global Compact's Women's Empowerment Principles.

The priorities for 2014 are establishing an Erste Women's Network, which will help develop and promote women in their professional careers, increasing the number of women in both the local and executive succession pools (both currently at 26%) and ensuring at least one new female supervisory board member across Erste Group. In addition, it is planned to sign the *Charta der Vielfalt* (Diversity Charter) in Austria and to encourage more diversity initiatives across Erste Group's subsidiaries in CEE.

LEARNING, TALENT MANAGEMENT, LEADERSHIP AND COMPETENCY DEVELOPMENT

Erste Group regards supporting the continuous development of its employees' professional and social skills as a top priority to ensure that the employees are well prepared to act professionally and in a socially responsible manner. The Erste School is the group's centre of competence for learning and development activities. It offers executive training and comprises open enrolment courses including personal development courses as well as programmes for specific business areas. Developed in cooperation with the respective business lines, these courses provide expert knowledge and assure a uniform understanding of standards and processes at fundamental, advanced and excellence levels. Erste School runs three business colleges that focus on key areas of the bank.

In 2013, the Group Corporates & Markets College offered seven standardised educational learning programmes. In addition, tailor-made as well as open enrolment courses focusing on large corporates, real estate, sales, treasury, transaction banking, investmentbanking and steering & support units are available. The Risk Management College conducts training courses covering all areas of risk management and also provides basic risk management training to employees in other divisions of the bank. To maintain and improve industry-specific knowledge, compliance education initiatives were introduced for all Erste Group employees. The courses include topics and learning modules on regulatory issues such as securities compliance, the prevention of money laundering and terrorist financing as well as fraud awareness training. Starting in 2014, all employees of Erste Group have to annually complete a set of online training courses to ensure appropriate awareness of compliance issues. The Project Management/Business Analyst (PM/BA) College aims to increase Erste Group's competency in project management and ensure that project success is sustainable. In 2013, the PM/BA College offered four programmes for group project managers and business analysts. To ensure a high performance level of the sales force, a group-wide certification process for advisors in the branch network was implemented across Erste Group. At Banca Comercială Română, the implementation is scheduled for 2014.

In addition, Erste Group offers an annual Graduate Programme for university graduates and continues its well-established Group Leadership Development Programme. The former aims to attract high-potential university graduates and provides them with fundamental banking knowledge, whereas the latter focuses on the development of highly qualified managers.

Erste Group's Talent Management has set its focus on the implementation of a group-wide succession pooling initiative. This initiative aims to prepare high-performing and high-potential managers for further career steps and align Erste Group's leadership talent pipeline with strategic business needs. This directly supports the group's strategic objective of being the leading bank in the region. Internationally mobile talents are supported in their individual development towards a defined career direction in the group. A similar process has been implemented in the local banks as well.

In 2013, each employee of Erste Group had on average 3.4 training days for professional development. In addition, Erste Group had an average of 4.1 training days per participant in all group-wide learning and training activities offered by Erste School. The total group-wide training budget amounted to EUR 12.2 million, which represents an average of EUR 370 per employee.

For 2014, it is planned to further review and adapt the needs for risk management education in order to be ahead of the ever increasing regulatory requirements. In the area of talent management, the scope of the target group will be extended beyond the group's key positions to include all management levels.

REMUNERATION AND PEOPLE PERFORMANCE MANAGEMENT

Across Erste Group, the focus was on implementing clear remuneration policies, processes and procedures that ensure sound remuneration structures. Erste Group's reward system is consistent, competitive and transparent. It is is to recognise individual, team and company performance. The remuneration policy aims to (i) create an environment where employees can perform, develop and be engaged, (ii) reward at the right level to attract and retain employees with the required competence and skills, (iii) be cost-competitive on the external job market and be cost-flexible to follow changes in the organisation and in the labour market and (iv) support leadership and employee behaviour, actions and decisions that are aligned with creating positive customer experiences and effective risk management practices.

Erste Group offers competitive but not market-leading compensation packages. The local banks' remuneration practices are well balanced with the business line needs and local country pay practices. In general, the remuneration schemes are designed according to the respective local CRD III (Capital Requirements Directive), bank laws and ESMA (European Securities and Markets Authority) guidelines for remuneration.

The fixed salary is the core component of any employee's salary and is based on the job complexity, individual contributions, responsibility and local market conditions. The fixed salary represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible, variable remuneration policy. The total remuneration is balanced in such a way that it is linked to sustainability and does not promote excessive risk-taking. The variable salary component may be offered to all employees. Awarding a variable salary is based on company, business line and individual performance and also reflects local country practices. On all these levels, Erste Group uses a balance between financial, business growth, risk, customer and cost indicators. The overall performance evaluation of the individual also includes behaviour and competence. Commission-based schemes are offered to selected employees working in the retail business line. Commission-based schemes are also based on company, business line and individual performance. The commission-based schemes take into account criteria such as customer service, sales, product quality, behaviour and competence.

Pension and insurance schemes aim to ensure that employees have an appropriate standard of living after retirement, as well as personal insurance during employment. Pension and insurance provisions are according to local laws, regulations and market practice. Benefits are provided as a means to stimulate well-being in the work environment and to support a work-life balance. Examples of benefits include flexible working time, study leave, parental leave and the availability of health centre expertise.

The Long-Term Incentive (LTI) programme is offered only to selected top management. The LTI is linked to the long-term competitive performance of Erste Group. The LTI-programme was launched in 2007 and has been awarded three times since then.

The supervisory board reviews and evaluates on an annual basis the remuneration policies and practices across Erste Group. This is to ensure that remuneration practices comply with the respective international and national regulations. The evaluation covers the entire remuneration process from determining bonus budget pools to target setting and performance evaluation, awarding bonuses in relation to performance and fixed salary and the actual pay-out of bonuses.

In 2014, Erste Group plans to continue with the remuneration strategy set forward in 2012 – to create an environment where performance (target setting and evaluation) and development (career, employability) are fully integrated in the bank's reward and promotion decisions.

HEALTH, SAFETY & WORK-LIFE BALANCE

The workplace is the centre for health promotion in the 21st century, as it directly influences the physical, mental, economic and social well-being of employees and affects the health of their families, communities and society. It offers an ideal setting and infrastructure to support and promote health issues to large groups of people, thus making occupational health an important contributor to public health.

The Erste Group Health Centre has a professional team of occupational physicians, industrial psychologists and physiotherapists. In 2013, the Health Centre focused on the following areas: (i) ensuring full compliance with local labour laws on a group-wide scale, (ii) prevention of diseases by focusing on risk factors or on changing personal habits and behaviours and (iii) prevention of psycho-social diseases. The Health Centre offers voluntary medical check-ups, screening of the carotid artery for stroke prevention, stress reduction and nutritional consulting. In Austria, the Health Centre serves some 7,000 employees, and more than 15,000 employee contacts with the Health Centre were registered in 2013. The Austrian Ministry of Health awarded the Erste Health Centre the *Seal of Quality for Health Promotion* in recognition of the quality of its activities.

Mental health issues are among the most important contributors to the burden of disease and disability worldwide. Five of the ten leading causes of disability worldwide are related to mental health. Therefore, Erste Group has also started to focus on the prevention of psycho-social diseases. In addition to person-focused interventions (training courses for managers, promotion of good mental health practices and providing tools for recognition and early identification of mental health problems), the Health Centre also involves employees, management and other stakeholders in integrating health-promoting policies, systems and practices. In the past four years, sick-leave due to mental illness at Erste Group has been more than 40% lower than for all other Austrian white collar employees. As a result, the European Network of Workplace Health Promotion recognised Erste Group and its Health Centre as a model of good practice.

Erste Group was one of just a few companies asked by the OECD to contribute to their research on mental health in Europe in 2013. A representative of the Erste Group Health Centre was asked by the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection to lead a task group on retirement due to mental illness. For 2014, the Health Centre plans to continue the initiatives started in 2013, such as tools for early detection of mental health issues and focusing on rehabilitation.

As a supporting measure for a satisfying work-life balance, Erste Group strives to fully reintegrate employees returning from parental leave into the work force by offering flexible work arrangements, the opportunity to work from home and a monthly childcare subsidy. Erste Group encourages communication during paternal leave to keep the employees informed on topics such as organisational changes or vacancies. Information meetings offer parents the opportunity to meet managers and discuss current issues that concern the company or the team. Moreover, flexible work arrangements are offered not only to returning parents – who are empowered to organise their work to fit in better with the current phase of their lives. All employees of Erste Group are entitled to benefit from these opportunities and are encouraged to use them in order to achieve a satisfying work-life balance.

Staff indicators *

	Share of female staff		Share of part-time staff		Share of female part-time staff from total part-time workforce		Share of male part-time staff from total male workforce		Share of executive positions	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Austria	53.1%	53.4%	25.2%	31.0%	88.3%	78.7%	6.3%	n.a.	1.4%	1.4%
Czech Republic	74.5%	74.5%	8.8%	10.6%	94.1%	95.0%	2.0%	n.a.	0.5%	0.5%
Slovakia	72.5%	78.6%	0.6%	0.7%	83.3%	92.0%	0.3%	n.a.	1.1%	0.8%
Hungary	65.7%	67.0%	1.3%	1.6%	82.9%	86.0%	0.7%	n.a.	1.4%	1.5%
Croatia	68.9%	74.0%	1.2%	0.9%	83.3%	95.0%	0.6%	n.a.	2.6%	1.1%
Serbia	71.3%	67.0%	0.1%	0.4%	0.0%	64.4%	0.4%	n.a.	1.7%	1.7%
Romania	70.9%	75.6%	5.0%	0.3%	84.5%	80.6%	2.7%	n.a.	1.1%	0.9%

	Other managerial positions		Share of women in executive positions		Share of women in other managerial positions		Average number of sick leave days per employee		Number of employees with health disability	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Austria	8.2%	8.8%	15.9%	23.0%	28.0%	33.0%	7.8	7.8	102	n.a.
Czech Republic	4.5%	4.3%	26.9%	23.2%	35.0%	41.0%	5.4	5.7	73	n.a.
Slovakia	8.5%	9.0%	28.3%	29.4%	54.6%	57.3%	7.3	6.4	65	n.a.
Hungary	12.6%	14.0%	25.0%	23.0%	53.5%	56.0%	6.0	6.8	6	n.a.
Croatia	13.4%	12.6%	38.5%	21.7%	58.2%	60.0%	4.0	3.7	2	n.a.
Serbia	16.2%	15.4%	58.8%	62.5%	49.7%	49.0%	6.1	5.8	0	n.a.
Romania	6.5%	13.9%	39.7%	28.3%	55.5%	62.0%	8.2	7.1	23	n.a.

Turnover rate		<30 yrs		31-40 yrs		41-50 yrs		>50 yrs	
2013	Total	initiated by the employee	initiated by the employer	initiated by the employee	initiated by the employer	initiated by the employee	initiated by the employer	initiated by the employee	initiated by the employer
Austria	5.0%	42.5%	0.4%	29.8%	1.1%	16.8%	1.1%	7.6%	0.7%
Czech R.	16.8%	15.4%	15.8%	20.7%	12.3%	10.9%	7.8%	14.4%	2.7%
Slovakia	8.6%	19.6%	14.3%	14.9%	20.4%	6.3%	12.4%	4.1%	8.0%
Hungary	14.5%	21.3%	5.8%	29.5%	18.7%	10.8%	12.1%	0.3%	1.6%
Croatia	7.9%	6.4%	10.4%	17.3%	12.9%	5.0%	4.0%	0.5%	43.6%
Serbia	4.1%	7.5%	7.5%	27.5%	15.0%	2.5%	7.5%	0.0%	32.5%
Romania	31.4%	7.9%	4.8%	8.5%	18.0%	3.5%	32.0%	0.7%	24.6%

* Executive positions cover all the board and board-1 positions. Other managerial positions cover all the board-2 and board-3 positions.
The scope of reporting was extended in 2013, the subsidiaries of the CEE banks were included.

Environment

ENVIRONMENTAL STRATEGY

Respect for the environment, just like respect for individuals, is an integral part of Erste Group's corporate philosophy. Erste Group believes it is necessary to monitor the impact of its business activity and behaviour on the environment and recognise that commercial activities and environmental responsibility do not exclude but even complement each other.

Based on the experience gained since the establishment of Erste Group's Environmental Management unit in 2011, a group-wide Environmental, Energy & Climate Strategy (environmental strategy) was approved by Erste Group's management board in 2013. As the environmental strategy provides a general framework that is binding for all group companies, the approval was a big step towards incorporating not only economic and social but also environmental issues into Erste Group's strategy.

The environmental strategy is built on four pillars:
_ Implementation of an Environmental Management System
_ Implementation of a Supply Chain Management System for all products and services needed to run the banking business
_ Integration of environmental criteria into banking products and services (especially financing products)
_ Co-operation with environmental NGOs.

An Environmental Steering Committee consisting of the CEO and COO of Erste Group and the Head of Group Environmental Management was set up to monitor the group-wide implementation of the environmental strategy. In each banking subsidiary, one board member took over the responsibility for implementing the environmental strategy on local levels. Over the next few years, it will become common practice to integrate environmental aspects in day-to-day banking business wherever appropriate.

Medium-term priorities

In line with the environmental strategy, the following key priorities were confirmed:
_ Climate protection and sustainable use of natural resources: increased use of energy from renewable sources, improvement of energy efficiency at all office locations and branches across Erste Group, improving the energy efficiency of data centres, reduction in the number of business trips supported by increased use of telephone and video conferences
_ Ecological impact of procured products and services: further development and implementation of ecological procurement criteria
_ Waste management: implementation and optimisation of internal waste management and waste separation
_ Sustainable banking products: definition of criteria for sustainable financing and investments, participation in international environmental agreements

ENVIRONMENTAL TARGETS

To improve the environmental footprint of the business activities, Erste Group defined the following measurable group-wide reduction targets by 2016 compared to 2012 data:

_ Electricity consumption by -10%
_ Heating energy by -10%
_ Copy paper consumption by -20%
_ Carbon dioxide (CO_2, scope 1 and 2) emissions by -30%

Development of the environmental footprint in 2013 versus 2012

_ Electric energy:	- 5.0 % to 177 GWh
_ Heating energy:	+ 1.6 % to 165 GWh
_ Copy paper:	- 10.6 % to 1,530,121 t
_ CO_2 emissions (scope 1 and 2):	- 10.0 % to 113,204 t

GROUP-WIDE ACTIVITIES IN 2013

Energy efficiency and greenhouse gas emissions

The Supply Chain Management System will ensure that ecological and commercial considerations are equally taken into account in future purchasing decisions. Not surprisingly, energy is key in optimising Erste Group's environmental impact.

Erste Group defined the following group-wide criteria for the selection of heating and electricity suppliers. Whenever available, district heating – preferably from renewable sources or waste – is to be used followed by natural gas or LNG (liquefied natural gas), electricity and, finally, heating oil. If available, electricity is to be purchased from 100% renewable sources or from local suppliers with the highest share of renewable energy or the lowest CO_2/kWh ratio.

In Austria, Erste Group has been using exclusively green electricity – CO_2 free, from renewable sources only – since the switch to the certified electricity provider Naturkraft in 2012. In August 2013, Erste Bank Croatia followed as the second company purchasing only 100% CO_2-free electricity – the first Croatian bank to do so.

Erste Bank Croatia was also a pilot for an energy-saving programme with the aim of decreasing energy consumption in the branch network without installing new technical equipment just by increasing the awareness of employees. Within three months, electricity consumption decreased by an impressive 17% in the summer of 2013 compared with the same period in 2012.

Based on this experience, similar energy-saving programmes will be implemented in all local banking subsidiaries within the next two years. It is expected that this initiative will be a major contributor to the planned reduction of electricity consumption by 10% on group level.

In 2013, Česká spořitelna implemented several measures to decrease energy consumption. The roll-out of the remote monitoring of building technologies continued and monitoring devices for energy consumption and management were installed in 15 buildings. Energy audits for 65 buildings were conducted to identify further areas to improve energy efficiency. In addition, all heating systems older than 15 years were replaced where appropriate.

Erste Bank Hungary placed a special focus on energy savings. All refrigerators and other technical equipment located in the branch network were checked and replaced, if necessary, to meet high energy efficiency standards. The installation of new thermostats in 40 branches requiring a PIN to change the temperature setting proved to be a very efficient measure as it was accompanied by proper communication and training of the employees. Overall, Erste Bank Hungary reduced the electricity consumption of its entire branch network by 10% in 2013.

Slovenská sporiteľňa continued the inspection of all technical equipment at the 30 buildings with the highest energy consumption. A reduction of the office temperature from 23°C to 22°C resulted in an immediate and quick success in terms of heating savings.
A very effective way to reduce the consumption of electricity is to switch to LED lighting. At the underground car park of the Austrian headquarters, the existing fluorescent tubes were replaced with LED tubes. Since the lighting has to be on around the clock for security reasons, the costs involved will amortise within one year. Erste Bank Hungary reduced its electricity costs considerably by various measures including the installation of LED sign boards at the headquarters and 61 branches and a change of the lighting system in the car park and the main entrance lobby. Erste Bank Serbia decided to turn off the illumination of the sign boards between midnight and the early hours of the morning, thus saving energy without any investment.

To identify further potential for energy efficiency at its business sites, Erste Bank Serbia together with an external advisor started a feasibility study at one office building in Novi Sad, which will be completed in 2014.

Another well-proven way of tackling greenhouse gas emissions is to reduce business travel. In 2013, the roll-out of state-of-the-art video conferencing equipment across Erste Group was completed. Employees increasingly appreciate the advantages of video conferences. The system reduces the CO_2 emissions and carbon footprint as well as travel time, as employees can maintain personal contact with colleagues and customers without having to use trains, cars or planes. Additional non-environmental benefits include increased employee productivity, a better work-life balance and faster decision-making.

Across Erste Group, all air conditioning systems with R22 refrigerants – one of the most dangerous greenhouse gases – are being replaced on an ongoing basis with state-of-the-art systems or approved refrigerants as required by EU law by 2015 at the latest.

An excellent example of a forward-thinking approach to energy efficiency and environmental sustainability is Erste Group's new headquarters Erste Campus, which are under construction in Vienna and scheduled to be ready for use in 2016. Even during the construction phase, only electricity from renewable sources is being used. The building has been awarded preliminary DGNB

Gold certification by the Austrian Society for Sustainable Real Estate (ÖGNI). Further information about the project is available at www.erstecampus.at.

Erste Group participated again in the Carbon Disclosure Project (CDP) and improved its score slightly from 56D to 58D. This result equalled the average of the thirteen participating Austrian companies. As announced, Erste Group provided data for all local banking subsidiaries in 2013, while in 2012 only the Austrian data was included (for more details, see www.cdp.net/CDPResults/CDP-DACH-350-Report-2013-german.pdf).

Measures to reduce office paper consumption

Without doubt, besides measures relating to energy, one of the greatest direct contributions that a financial institution can make to protect the environment is cutting paper consumption. Therefore, Erste Group established group-wide sourcing rules for paper:

- When purchasing paper, environmental criteria are to be as important as other business criteria such as price, availability, product quality and regulatory requirements.
- Wherever technically possible, only 100% recycled paper is to be used, especially in the case of copy paper and all paper used for internal purposes.
- If recycled paper cannot be used, only FSC- or PEFC-certified paper is to be chosen, to prevent the use of paper from illegally harvested wood sources.

Erste Group's advanced electronic banking solutions including different apps for mobile phones and other mobile electronic devices not only increase convenience for the clients. They enable clients to carry out banking transactions wherever and whenever they want. But digital banking also helps the environment, as it saves paper – fewer printed statements are delivered by physical mail, the handling of payment forms is reduced as well.

In most of Erste Group's local banking subsidiaries, recycling copy paper has been used although it is sometimes more expensive than the previously used fresh fibre paper. The overall consumption of copy paper was reduced in 2013 by 10.6% to approximately 1,530 tonnes compared with 2012. Even more significant is the sharp rise in the consumption of recycled paper from 76 tonnes to close to 724 tonnes. Fresh-fibre copy paper consumption was more than halved. Slovenská sporiteľňa started to limit paper consumption by setting paper consumption targets for all departments and branches and reduced its consumption by 24%. Erste Bank Croatia replaced – in line with group standards – small copy machines with a reduced number of multifunctional devices and introduced general guidelines to print double-sided and in black and white.

Waste management activities

Waste separation and waste paper collection were introduced in most banking subsidiaries, even in countries where it is not standard procedure yet, like in Serbia. Erste Bank Serbia promoted an initiative to produce bags for children from recycled plastic posters that had previously been used for advertising purposes. Erste Bank Croatia's main focus remained the reduction of PET bottles. Special devices purify tap water to make water dispensers or PET water bottles on its premises redundant. In addition, the PET plastic packaging collection initiative to support a local non-governmental institution was continued.

Other environmental initiatives

One element of Erste Group's environmental strategy is the cooperation with NGOs. Independent environmental NGOs offer access to their local and international know-how and provide valuable assistance in Erste Group's efforts to become an even more environmentally sustainable company. Since 2011, Erste Group has been one of the Austrian partners of the WWF's Climate Savers programme. The aim of the initiative is to mobilise companies to cut global carbon dioxide emissions. Further information is available at www.climategroup.at.

Impact of procured products and services

Erste Group Procurement continued its efforts to include environmental criteria in its purchasing activities by screening the top 150 suppliers and adapting its sourcing criteria in line with Erste Group's environmental strategy. The supply audit evaluation includes further sustainability aspects. In addition to governance-related issues such as ethical trading, conflicts of interest, bribery or stakeholder engagement, social issues (e.g. child labour, fair working conditions, health and safety, freedom of association) are covered as well.

Less than 15% of Erste Group's purchases are made across borders. The dominance of local procurement positively impacts the economy in Erste Group's core countries and underscores the bank's commitment to the communities where it operates.

Environmental data

The cornerstone for an effective Environmental Management System is the collection of comprehensive environmental data. Although the reported figures starting from 2012 had improved due to data collection based on international best practice standards, the scope of the collected environmental data still does not cover all companies that are consolidated in Erste Group Bank AG's financial statements. Apart from smaller entities, the most significant omissions derive from the Austrian savings banks sector. Considering that roughly a quarter of Erste Group's 48,000 employees work for a savings bank, the impact of the savings banks is estimated to be equivalent to an increase of approximately 30% in all environmental figures. One of the initiatives planned for 2014 is the extension of the scope of data collection to be able to get a complete report on Erste Group's environmental impact.

Environmental indicators 2013*

Tonnes CO_2eq	Total	Austria	Croatia	Czech Rep	Hungary	Romania	Serbia	Slovakia
Heating/ warm water	31,867	2,787	887	11,424	1,690	11,093	424	3,561
Electricity	71,109	0	2,490	32,915	3,772	20,522	2,645	8,765
Diesel for electricity	29	5	4	11	n.a.	n.a.	3	6
Mobility	9,067	1,631	574	2,705	1,087	1,910	235	923
Cooling agents	1,133	184	255	262	262	128	41	2
Total	**113,204**	**4,606**	**4,211**	**47,317**	**6,812**	**33,654**	**3,348**	**13,257**

* CO_2eq = CO_2 equivalents (scope 1 and 2 – in the annual report 2012 the data referred to scope 1, 2 and 3)

Relative values per FTE or m²	Heating kWh/m²	Electricity kWh/m²	Copy paper kg/FTE	Waste kg/FTE	CO_2eq t/FTE
Austria	82	176	34	251	0.81
Croatia	66	141	45	12	1.85
Czech Republic	106	99	24	153	3.83
Hungary	113	168	54	321	2.14
Romania	136	94	101	na	5.52
Serbia	97	138	58	43	3.62
Slovakia	92	110	27	285	3.08

* FTE (full-time equivalent) is defined as an employee times his/her employment factor.
CO_2eq = CO_2 equivalents (scope 1 and 2)

Environmental indicators 2012*

Tonnes CO_2eq	Total	Austria	Croatia	Czech Rep	Hungary	Romania	Serbia	Slovakia
Heating/ warm water	37,394	3,223	977	14,721	2,491	10,378	679	4,925
Electricity	77,557	0	4,436	35,087	3,978	21,457	2,426	10,174
Diesel for electricity	50	14	5	18	n.a.	n.a.	3	9
Mobility	9,262	1,484	536	2,543	1,646	1,543	314	1,196
Cooling agents	1,480	0	215	262	74	694	42	194
Total	**125,743**	**4,721**	**6,170**	**52,631**	**8,188**	**34,072**	**3,464**	**16,498**

* CO_2eq = CO_2 equivalents (scope 1 and 2 – in the annual report 2012 the data referred to scope 1, 2 and 3)

Relative values per FTE or m²	Heating kWh/m²	Electricity kWh/m²	Copy paper kg/FTE	Waste kg/FTE	CO_2eq t/FTE
Austria	86	198	33	259	0.86
Croatia	60	151	44	27	2.84
Czech Republic	122	114	22	135	4.13
Hungary	132	167	58	546	2.79
Romania	105	84	106	na	4.73
Serbia	131	138	68	28	3.66
Slovakia	113	130	35	138	3.75

* FTE (full-time equivalent) is defined as an employee times his/her employment factor
CO_2eq = CO_2 equivalents (scope 1 and 2)

Corporate governance

Corporate Governance Report

In 2003, Erste Group Bank AG declared its commitment to comply with the rules of the Austrian Code of Corporate Governance (Austrian CCG) with the objective of ensuring responsible and transparent corporate governance. The Corporate Governance Report has been prepared in accordance with section 243b of the Austrian Commercial Code and Rules 60 et seq of the Austrian Code of Corporate Governance and also complies with sustainability reporting guidelines (www.globalreporting.org). The current version of the Austrian CCG as well as its English translation are publicly available on the website www.corporate-governance.at.

The Austrian CCG is based on voluntary, self-imposed obligations and its requirements are more stringent than the legal requirements for stock corporations. The aim is to establish responsible corporate management and control oriented to creating value over the long term. Application of the Austrian CCG guarantees a high degree of transparency for all stakeholders including investors, customers and employees. The Code contains the following sets of rules: L-Rules (Legal Requirements – mandatory legal norms), C-Rules (Comply-or-Explain – deviations are permitted, but must be explained) and R-Rules (Recommendations – these rules are more similar to recommendations; non-compliance does not need to be disclosed or explained).

In the financial year 2013, Erste Group complied with all L-Rules and R-Rules of the Austrian CCG as well as with all C-Rules with the exception of the one described below.

Pursuant to C-Rule 57 of the Austrian CCG, supervisory board members holding a position on the management board of a listed company are not permitted to hold more than a total of four supervisory board mandates in non-Group stock corporations (chairmanship counts double). Companies included in the consolidated financial statements or in which an investment with a business interest is held are not considered non-Group stock corporations. Juan María Nin Génova, a member of the management board of the listed company CaixaBank S.A., held five supervisory board mandates in non-Group stock corporations in 2013. CaixaBank S.A., in which he serves as a member of the management board, became a listed company only after he had assumed his supervisory board mandates.

Working methods of the management board and the supervisory board

Erste Group Bank AG has a two-tier governance structure with a management board and a supervisory board as management bodies.

The management board of Erste Group Bank AG is responsible for the management of the company. Its duty is to promote the welfare of the company with due regard to the shareholders' and the employees' interests. The management board develops the strategic orientation of the company and aligns it with the supervisory board. It ensures effective risk management and risk control. The management board takes its decisions in compliance with all relevant legal provisions, the articles of association and its internal rules of procedure.

The supervisory board advises the management board on its strategic planning and actions. It takes part in making decisions as provided for by law, the articles of association and its internal rules of procedure. The supervisory board has the task of overseeing the management board in the management of the company.

Selection and assessment of members of management bodies

The qualification requirements for members of the management bodies (management board and supervisory board) of Erste Group Bank AG are governed by the internal guidelines for the selection and assessment of members of the management and supervisory boards. These guidelines define, in accordance with applicable legal provisions, the internal framework for the selection and assessment of proposed and appointed members of the management bodies and are also an important tool for ensuring good corporate governance and control. The assessment of proposed and appointed members of management bodies is based on the following criteria: personal reputation, professional qualifications and experience as well as governance criteria (potential conflicts of interest, independence, time availability, overall composition of the management or supervisory board and diversity).

Training and development

To maintain an appropriate level of professional qualification of members of the management bodies, Erste Group regularly organises events and seminars for its staff and management. Speakers at these events are in-house and outside experts.

MANAGEMENT BOARD

In the financial year 2013, the management board of Erste Group Bank AG consisted of five members.

Management board member	Year of birth	Date of initial appointment	End of the current period of office
Andreas Treichl (Chairman)	1952	1 October 1994	30 June 2017
Franz Hochstrasser (Vice Chairman)	1963	1 January 1999	30 June 2017
Herbert Juranek	1966	1 July 2007	30 June 2017
Gernot Mittendorfer	1964	1 January 2011	30 June 2017
Andreas Gottschling	1967	1 September 2013	30 June 2017
Manfred Wimmer*	1956	1 September 2008	31 August 2013

Manfred Wimmer resigned from the management board as of 31 August 2013. Andreas Gottschling joined the management board on 1 September 2013.

Distribution of responsibilities on the management board

Management board member	Areas of responsibility
Andreas Treichl (Chairman)	Group Strategy & Participation Management, Group Secretariat (including Corporate Social Responsibility, Group Environmental Management), Group Communications, Group Investor Relations, Group Human Resources (including Group Diversity), Group Audit, Group Brands, Employees' Council
Franz Hochstrasser (Vice Chairman)	Group Large Corporates Banking, Erste Group Immorent Client, Industries and Infrastructure, Group Capital Markets, Group Research, Group Investment Banking, Steering & Operating Office Markets, Steering & Operating Office Large Corporates/Erste Group Immorent
Herbert Juranek	Group Organisation/IT, Group Banking Operations, Group Services
Gernot Mittendorfer	Since 28 October 2013: Group Accounting, Group Performance Management, Group Asset Liability Management Until 27 October 2013: Group Strategic Risk Management, Group Corporate Risk Management, Group Retail Risk Management, Group Corporate Workout, Group Compliance Legal & Security, Erste Group Immorent Real Estate Risk Management, Group Risk Governance and Projects, Quantitative Risk Methodologies
Andreas Gottschling	Since 28 October 2013: Operational Risk, Compliance & Security, Group Workout, Risk Methods and Models, Corporate Credit Risk Management, Group Risk Operating Office, Group Validation, Enterprise wide Risk Management, Group Legal, Group Retail and SME Risk Management
Manfred Wimmer	Until his resignation: Group Accounting, Group Performance Management, Group Asset Liability Management

Supervisory board mandates and similar functions

In the financial year 2013, the management board members of Erste Group Bank AG held the following supervisory board mandates or similar functions in domestic or foreign companies not included in the consolidated financial statements:

Andreas Treichl

DONAU Versicherung AG Vienna Insurance Group (Vice Chairman), MAK – Österreichisches Museum für angewandte Kunst (Chairman), Sparkassen Versicherung AG Vienna Insurance Group (Chairman)

Franz Hochstrasser

CEESEG Aktiengesellschaft, Oesterreichische Kontrollbank Aktiengesellschaft (Vice Chairman), Wiener Börse AG

Manfred Wimmer

Österreichische Galerie Belvedere

Herbert Juranek, Gernot Mittendorfer and Andreas Gottschling did not hold any supervisory board mandates or similar functions in domestic or foreign companies not included in the consolidated financial statements.

SUPERVISORY BOARD

In the financial year 2013, the following persons were members of the supervisory board of Erste Group Bank AG:

Position	Name	Year of birth	Occupation	Date of initial appointment	End of the current period of office
Chairman	Friedrich Rödler	1950	Auditor and tax advisor	4 May 2004	AGM 2014
1st Vice Chairman	Georg Winckler	1943	Former rector of the University of Vienna; Professor emeritus of Economics	27 April 1993	AGM 2015
2nd Vice Chairwoman	Theresa Jordis	1949	Lawyer	26 May 1998	29 July 2013
Member	Bettina Breiteneder	1970	Entrepreneur	4 May 2004	AGM 2014
Member	Jan Homan	1947	General Manager, ret.	4 May 2004	AGM 2014
Member	Brian D. O'Neill	1953	Vice Chairman Lazard International	31 May 2007	AGM 2017
Member	Juan María Nin Génova	1953	Vice Chairman and CEO CaixaBank	12 May 2009	AGM 2014
Member	Wilhelm Rasinger	1948	Consultant	11 May 2005	AGM 2015
Member	John James Stack	1946	CEO, ret.	31 May 2007	AGM 2017
Member	Werner Tessmar-Pfohl	1942	Entrepreneur, ret.	6 May 2008	16 May 2013
Delegated by the employees' council					
Member	Andreas Lachs	1964		9 August 2008	Until further notice
Member	Friedrich Lackner	1952		24 April 2007	Until further notice
Member	Bertram Mach	1951		9 August 2008	Until further notice
Member	Barbara Smrcka	1969		9 August 2008	29 July 2013
Member	Karin Zeisel	1961		9 August 2008	Until further notice

Changes in the supervisory board in the financial year:
Werner Tessmar-Pfohl resigned at the end of the annual general meeting (AGM) on 16 May 2013. Theresa Jordis resigned on 29 July 2013. The delegation of Barbara Smrcka was revoked as of the same date.

Membership in supervisory board committees

Committee membership as of 31 December 2013:

Name	Construction committee	Executive committee	Nomination committee	Audit committee	Risk management committee	Remuneration committee
Friedrich Rödler	Vice Chairman	Chairman	Chairman	Vice Chairman*	Chairman	Chairman**
Georg Winckler	Member	Vice Chairman	Vice Chairman	Chairman	Vice Chairman	Vice Chairman
Bettina Breiteneder	Chairwoman	-	-	Member	Member	-
Jan Homan	-	Member	-	Substitute	Member	Substitute
Brian D. O'Neill	-	-	-	-	-	Member
Juan María Nin Génova	-	Member	-	-	-	Member
Wilhelm Rasinger	-	Substitute	-	Member	Member	-
John James Stack	-	-	-	-	-	Member
Delegated by the employees' council						
Andreas Lachs	-	Substitute	-	Member	Member	Substitute
Friedrich Lackner	Member	Member	Member	Member	-	Member
Bertram Mach	Substitute	Member	Substitute	-	Member	Member
Karin Zeisel	-	-		Substitute	Member	Member

*Financial expert, **Remuneration expert

Mandates on supervisory boards or similar functions

As of 31 December 2013, the supervisory board members of Erste Group Bank AG held the following additional supervisory board mandates or similar functions in domestic or foreign companies. Listed companies are marked with *.

Friedrich Rödler

Erste Bank der oesterreichischen Sparkassen AG, Erste Bank Hungary Zrt.

Georg Winckler

Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung (Chair), DIE ERSTE österreichische Spar-Casse Privatstiftung (Chair), Educational Testing Service (ETS) (Trustee), Erste Bank der oesterreichischen Sparkassen AG, UNIQA Insurance Group AG* (Vice Chair)

Bettina Breiteneder

ZS Einkaufszentren Errichtungs- & Vermietungs-Aktiengesellschaft

Jan Homan

Allianz Elementar Versicherungs-Aktiengesellschaft, Billerud Korsnäss AB, Constantia Flexibles Group GmbH (Chair), Frapag Beteiligungsholding AG (Chair), Slovenská sporiteľňa, a.s.

Brian D. O'Neill

Council of the Americas (BoD), Emigrant Bank (BoD), Inter-American Dialogue (BoD), Banca Comercială Română S.A., Seven Seas Water (BoD)

Juan María Nìn Génova

APD – Association for the Advancement of Management (Member of the Academic Board), Banco BPI, S.A.* (Portugal) (BoD), CaixaBank, S.A.* (Vice Chair), Criteria CaixaHolding S.A. (Vice Chair), Gas Natural SDG, S.A.* (BoD), Grupo Financiero Inbursa, S.A.B. DE C.V.* (BoD), Repsol YPF* (BoD), VidaCaixa Grupo, S.A.U. (BoD), "la Caixa" Foundation (Vice Chair), Circulo Ecuestre (BoD), Aspen Institute Spain Foundation (Trustee), CEDE Foundation (BoD), Deusto University (BoD), Deusto Business School (BoD), Esade Business School Foundation (Trustee), Federico Garcia Lorca Foundation (Trustee), FUOC-Foundation for the Open University of Catalonia (Member of the Global Strategy Council), Spain-China Council Foundation (BoD), Spain-India Council Foundation (BoD), Spain-United States Council Foundation (BoD)

Wilhelm Rasinger
Friedrichshof Wohnungsgenossenschaft reg. Gen. mbH (Chair), S IMMO AG*, Wienerberger AG*, Haberkorn Holding AG

John James Stack
Ally Bank (BoD), Česká spořitelna, a.s. (Chair), Mutual of America* (BoD)

Theresa Jordis (resigned on 29 July 2013)
Austrian Airlines AG, Miba Aktiengesellschaft* (Chair), Mitterbauer Beteiligungs-Aktiengesellschaft (Chair), Prinzhorn Holding GmbH (Chair), Wolford Aktiengesellschaft* (Chair), Österreichische Industrieholding AG

Werner Tessmar-Pfohl (resigned on 16 May 2013)
Sattler AG (Chair), Steiermärkische Bank und Sparkassen Aktiengesellschaft (Chair), Teufelberger Holding Aktiengesellschaft (Vice Chair)

Delegated by the employees' council:

Friedrich Lackner
DIE ERSTE österreichische Spar-Casse Privatstiftung

Andreas Lachs
VBV-Pensionskasse AG

Bertram Mach, Barbara Smrcka and Karin Zeisel did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies.

Mechanism for shareholders and employees to provide recommendations and direction to the supervisory board
In accordance with the law and the articles of association, the Employees' Council has the right to delegate one member from among its ranks for every two members appointed by the annual general meeting (statutory one-third parity rule). If the number of shareholder representatives is an odd number, then one more member is appointed as an employee representative.

Under the articles of association (Art. 15.1), DIE ERSTE österreichische Spar-Casse Privatstiftung, a private foundation, is accorded the right to delegate up to one third of the members of the supervisory board to be elected by the annual general meeting. The Privatstiftung has not exercised this right to date.

Measures to avoid conflicts of interest
The members of the supervisory board are annually obligated to consider the regulations of the Austrian CCG regarding conflicts of interest. Furthermore, new members of the supervisory board receive comprehensive information regarding the avoidance of conflicts of interest when taking up their supervisory board functions.

Independence of the supervisory board
At its meeting of 15 March 2006, the supervisory board of Erste Group Bank AG defined the guidelines set out in Annex I of the Austrian Code of Corporate Governance as independence criteria pursuant to C-Rule 53 of the Austrian CCG:

A member of the supervisory board is deemed to be independent if such person does not have any business or personal relations with the company or its management that would constitute a material conflict of interest and, therefore, might influence the member's conduct.

- The supervisory board member shall not have been a member of the management board or a managing employee of the company or of a subsidiary of the company in the past five years.
- The supervisory board member shall not have or not have had in the past year any business relations with the company or a subsidiary of the company to an extent of significance for the supervisory board member. This shall also apply to business relations with companies in which the supervisory board member has a significant economic interest, but not to positions held in the Group's managing bodies. The approval of individual transactions by the supervisory board pursuant to L-Rule 48 does not automatically qualify the respective supervisory board member as not being independent.
- The supervisory board member shall not have served as auditor for the company or been involved in an audit or worked as an employee of the audit firm that audited the company in the past three years.
- The supervisory board member shall not serve as a management board member at another company in which a member of the company's management board is a supervisory board member.
- The supervisory board member shall not serve on the supervisory board for more than 15 years. This shall not apply to members of the supervisory board that hold investments with a business interest or that represent the interests of such a shareholder.
- The supervisory board member shall not be a close family relation (child, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the management board or of persons holding one of the positions described in the points above.

Based on the above criteria, all members of the supervisory board have declared their independence.

In 2013, two members of the supervisory board (Georg Winckler, Friedrich Lackner) served on a management body of a company holding more than 10% of the shares of Erste Group Bank AG. One member (Wilhelm Rasinger) represented in particular the interests of retail shareholders.

Attendance of supervisory board meetings
In 2013, all members of the supervisory board attended at least half of its meetings.

Self-evaluation of the supervisory board

The supervisory board performed a self-evaluation of its activity pursuant to C-Rule 36 of the Austrian CCG. In the supervisory board meeting of 28 October 2013, it considered the efficiency of its activity, including in particular its organisation and methods of work.

Contracts subject to approval pursuant to section 95 (5) 12 Austrian Stock Corporation Act (C-Rule 49 Austrian CCG)

In 2013, the firm DORDA BRUGGER JORDIS Rechtsanwälte GmbH, in which Theresa Jordis was a partner, invoiced companies of Erste Group for consulting work in the total amount of EUR 314,727.77. Friedrich Rödler was a Senior Partner at PricewaterhouseCoopers Austria until 30 June 2013. Companies of this group billed companies of Erste Group for consulting work in the total amount of EUR 348,471 up to and including 30 June 2013.

SUPERVISORY BOARD COMMITTEES AND THEIR DECISION-MAKING POWERS

The supervisory board has set up six committees: the risk committee (until 31 December 2013 the risk management committee), the executive committee, the audit committee, the nomination committee, the remuneration committee and the construction committee.

Risk committee

The risk committee is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the management board defined in the approval authority regulation. The approval of the risk committee is required for any exposure or large exposure as defined in section 27 (beginning with 1 January 2014 section 28a) of the Austrian Banking Act if the carrying value of such an investment exceeds 10% of the company's eligible own funds or of the banking group's eligible consolidated own funds. In addition, it may grant advance approvals to the extent permitted by law. The risk committee is responsible for monitoring the risk management of Erste Group Bank AG. The supervisory board has delegated to the risk committee the right to approve the establishment of branches, to grant special statutory power of attorney (Prokura) or commercial power (Handlungsvollmacht) for all business operations. The committee is responsible for monitoring the Group's portfolio of participations except in cases where this is the responsibility of the audit committee. The tasks of the risk committee include the acknowledgement of reports on legal disputes and on the risk impact and costs of major IT projects as well as of reports on important audits of subsidiaries conducted by regulatory authorities.

Executive committee

The executive committee meets on an ad hoc basis at the supervisory board's request for the purpose of preparing specific topics for meetings or for resolutions to be taken by circular. The committee may also be assigned the power to take final decisions. In case of imminent danger and to prevent severe damage, the executive committee may be convened by its chairperson in order to take action in the interest of the company even without a specific mandate from the supervisory board.

Audit committee

The audit committee is responsible for overseeing the accounting process; monitoring the effectiveness of the company's internal control system, internal audit system and risk management system; overseeing the annual audit of single-entity and consolidated financial statements; reviewing and monitoring the qualification and independence of the auditor (Group auditor); reviewing and preparing the adoption of annual financial statements, the proposal for the appropriation of profits, the management report and the corporate governance report and submitting a report on the results of the review to the supervisory board; reviewing the consolidated financial statements of Erste Group and the Group management report; preparing the supervisory board's proposal for the selection and revocation of the auditor; conclusion of the contract with the appointed auditor for the performance of the annual audit and agreement on the auditor's remuneration; acknowledging timely information on the focal points of the audit and submitting proposals for additional focal points of the audit; taking note of the annual financial statements of key subsidiaries; acknowledging the audit plan of the company's internal audit function; acknowledging information on current matters relevant for the internal audit of the Group and on the efficiency and effectiveness of the internal audit; acknowledging the internal auditors' report on the audit areas and material audit findings and the activity report pursuant to section 20 in connection with section 21 (2) of the Austrian Securities Supervisory Act (Wertpapieraufsichtsgesetz); acknowledging immediate information on material findings of the auditor, the internal audit function or an audit conducted by a regulatory authority; acknowledging immediate information on loss events that could exceed 5% of consolidated equity or 10% of the budgeted net result; acknowledging reports of the management board on current developments and compliance regarding corporate governance and anti-money laundering rules; acknowledging the compliance activity report pursuant to section 18 in connection with section 21 of the Austrian Securities Supervisory Act (Wertpapieraufsichtsgesetz).

Nomination committee

Meetings of the nomination committee are held as needed (beginning with 1 January 2014 at least once a year) or when a member of the committee or of the management board requests a meeting. The nomination committee submits proposals to the supervisory board for filling management board mandates that become vacant and deals with issues of succession planning. The committee discusses and decides on the content of employment contracts for members of the management board. It deals with and decides on relationships between the company and the members of the management board except for resolutions to appoint members to the management board or revoke such appointments and on the granting of company stock options. Furthermore, the nomination committee submits proposals to the supervisory board for filling supervisory board mandates that become vacant. Particular attention is given to the members' personal and professional qualifications, a well-balanced composition of the supervisory board in terms of expertise and to diversity.

Remuneration committee

The remuneration committee approves the general principles of remuneration policy, reviews them regularly and is also responsible for their implementation. The committee monitors remuneration policy, remuneration practices and remuneration-linked incentive programmes. The committee monitors the payment of variable remuneration to members of the management board and to the company's second management level as well as to management board members of major subsidiaries. Furthermore, the remuneration of senior managers in risk management and in compliance functions is reviewed directly by the remuneration committee. Once a year, the committee is presented with a comprehensive report on the remuneration system including key performance indicators as well as a report on the situation regarding personnel and management in the Group.

Construction committee

The construction committee is responsible for advising the management board and for preparing resolutions of the supervisory board with respect to Erste Campus, the future headquarters of Erste Group. The supervisory board may assign further tasks to the committee, if necessary.

MEETINGS OF THE SUPERVISORY BOARD AND REPORT ON PRINCIPAL ACTIVITIES

Eight meetings of the supervisory board were held in the financial year 2013.

At each ordinary meeting of the supervisory board, the monthly developments of the balance sheet and the income statement were presented, reports were given on individual risk types and the bank's total risk; the status of individual banking subsidiaries in Central and Eastern Europe was discussed and reports were delivered on the areas audited and on the internal audit department's material audit findings. The chairpersons of the committees reported on the main topics dealt with by the committees since the last supervisory board meeting. A recurring topic at the supervisory board meetings was the status of the future banking supervisory regime at the European level and in Austria and its implications for Erste Group. The management board regularly presented proposals to the supervisory board that require its approval under the law, the articles of association and the rules of procedure.

On 8 March 2013, the financial statements and the management report 2012, the consolidated financial statements and consolidated management report 2012 as well as the corporate governance report 2012 were reviewed; the bank auditors' reports were discussed, the financial statements 2012 were adopted in accordance with the recommendation of the audit committee, and the proposal for the appropriation of the profit 2012 was approved. Furthermore, the resolutions proposed for the annual general meeting were discussed and approved.

At the joint extraordinary meeting of the management board, the audit committee and the supervisory board held on 9 April 2013, previously passed resolutions on the financial statements prepared in February 2013 by the management board and adopted by the supervisory board in March 2013 were revoked due to an error in the calculation of risk-weighted assets. The auditors were requested to revoke their auditors' opinion on the financial statements for the year ended on 31 December 2012 of Erste Group Bank AG. The auditors complied with this request. At the meeting, the financial statements for 2012 were restated and adopted. The error concerned exclusively the single-entity financial statements prepared in accordance with the Austrian Commercial Code and hence did not have any impact on the consolidated financial statements 2012 to which, therefore, no changes had to be made. The changes made were regarded as not material.

On 8 May 2013, a report was given on the status quo and developments at the foreign branches of Erste Group Bank AG in New York, London, Hong Kong and Malta. This meeting also approved the internal guidelines of Erste Group Bank AG on the selection and assessment of members of the management board and the supervisory board as well as of persons holding key functions.

At the constituent meeting of 16 May 2013 after the annual general meeting, the distribution key for the remuneration of supervisory board members approved by the annual general meeting was adopted.

On 19 June 2013, the report on major participations for 2012 and the first quarter of 2013, the report on directors' dealings and the annual compliance report were presented and discussed. The resignation of Manfred Wimmer was accepted and amongst others the appointment of Andreas Gottschling as a new member of the management board of Erste Group Bank AG was approved. In this context it was decided that, because of his expertise and experience, Andreas Gottschling will succeed Gernot Mittendorfer as chief risk officer while Gernot Mittendorfer will succeed Manfred Wimmer as chief financial officer. Due to these changes, responsibilities were newly assigned and new rules of representation were adopted.

On 5 September 2013, a detailed report was given on developments regarding Erste Campus, the future headquarters building of Erste Group, and on the entire Quartier Belvedere. It was furthermore advised that Theresa Jordis had resigned for health reasons from her function as member of the supervisory board and as second vice chairwoman of the supervisory board. Consequently, the Employees' Council revoked the nomination of Barbara Smrcka and committee appointments were adjusted.

The meeting on 28 October started with a moment of silence in remembrance of Theresa Jordis, who had passed away on 7 September 2013. After discussion of the results of the supervisory board's self-evaluation 2012/13, a report was given on the activities of Erste Hub, the Erste Group's innovation centre for new banking solutions. The diversity strategy of Erste Group was approved.

On 19 December 2013, the budget and the investment plan 2014 of Erste Group Bank AG were approved and a report on the consolidated budget for the year 2014 was presented. Furthermore, a detailed report on the restructuring programme for the Romanian subsidiary Banca Comercială Română was presented. Information was provided on anti-corruption measures taken within the Group, on the recovery and resolution plan of Erste Group Bank AG and on the status of the ECB's Asset Quality Review. At this meeting, the supervisory board approved the restructuring of the Austrian savings banks' cross-guarantee system (*Haftungsverbund*), which had become necessary due to new regulatory requirements. Finally, the meeting adopted the rules of procedure of the management board, the supervisory board and its committees that had been amended to comply with the new provisions of the Austrian Banking Act.

MEETINGS OF THE COMMITTEES AND REPORT ON ACTIVITIES

The risk committee held seventeen meetings in 2013 at which it regularly took decisions on exposures and loans exceeding the powers of the management board and was briefed on loans granted within the scope of authorisation of the management board. The committee was regularly informed of the individual risk types, risk-bearing capacity and large exposures. Furthermore, reports were given on the situation of specific sectors and industries, on the audits conducted by supervisory authorities, on various legal disputes as well as on risk development in certain countries and subsidiaries, on the activities of Group Compliance and on the new supervisory regime at the European level and in Austria.

The executive committee met twice in 2013 within the scope of the powers assigned to it by the supervisory board to adopt the resolutions needed to carry out the capital increase in connection with the redemption of the participation capital.

The audit committee met six times in 2013. Among other things, the auditors reported on the status of the audit of the single-entity financial statements and consolidated financial statements. Subject to the approval of the supervisory board, the decision was taken to propose Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. to the annual general meeting as an additional auditor of the (consolidated) financial statements for the financial year 2014. The supervisory board approved this proposal at its next meeting. The audit committee also conducted the final discussion. The financial statements and the management report, the consolidated financial statements and the consolidated management report as well as the corporate governance report were audited and recommended to the supervisory board for adoption, and the proposal of the management board for the appropriation of the net profit for the financial year 2012 was acknowledged. The head of the internal audit department reported on the audit subjects and material audit findings for the year 2012 and explained the audit plan for 2013. The internal audit department presented its reports pursuant to section 42 (3) of the Austrian Banking Act. A report was given on the audit of the functionality of the risk management system according to Rule 83 of the Austrian CCG and on the effectiveness of the internal control system. The audit committee also discussed its work plan and defined which topics were to be on the agendas of which meetings.

The nomination committee met three times in 2013 and dealt with various personnel matters relating to the management board and the supervisory board. One of the meetings assessed the qualification of the new chief risk officer Andreas Gottschling, a subsequent one reassessed Gernot Mittendorfer due to his change from chief risk officer to chief financial officer. Furthermore, the nomination committee dealt with proposals for membership of the supervisory board to be approved at the annual general meeting 2014.

The remuneration committee met four times in 2013 and discussed various remuneration topics relating to Erste Group and its subsidiaries including the structure of key performance indicators and the bonus policy, and was informed about regulatory developments relating to remuneration.

The construction committee met four times in 2013. Its main topics were project planning, project organisation, the budget, costs and risks as well as procedures relating to tenders, scheduling and developments regarding Erste Campus, the Erste Group's headquarters building currently under construction in Vienna.

MEASURES TAKEN TO PROMOTE WOMEN ON MANAGEMENT BOARDS, SUPERVISORY BOARDS AND IN MANAGING POSITIONS

Erste Group was founded on the principles of accessibility and inclusion. Diversity and equal opportunities are firmly embedded in Erste Group's corporate philosophy and corporate culture, thus providing a solid foundation for building strong and mutually beneficial relationships between Erste Group, its employees and the communities and societies in Erste Group's markets.

Erste Group institutionalised its commitment to promoting equal opportunities and diversity by appointing a Diversity Manager in mid-2013. She is responsible for developing a Group-wide diversity policy, identifying targets and measures, as well as regular monitoring and reporting on targets.

Based on in-depth fact-finding and an analysis of the gender balance in the Group, the management board set an internal target to increase the share of women on the management board, in senior management positions as well as on supervisory boards (Group-wide) to 35% by 2019. Currently, 26% of senior management and 16% of supervisory board members are female. The management board also approved an action plan to reach greater gender parity through succession planning, mentoring and leadership development.

Local initiatives to support measures to promote gender parity in management positions also continued in 2013. Erste Bank Oesterreich set its own internal target to increase the share of women in management positions from the current 33% to 40% by 2017. Its WoMen Business programme contributes towards the development and promotion of female leadership by offering special training programmes and networking events for women. Česká spořitelna's diversity and inclusion programme *Diversitas*, which was launched in 2008, supports mentoring and networking for women and has received many awards and recognitions for its diversity efforts. It is considered a best practice model on the Czech labor market and within Erste Group.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Principles governing the remuneration policy

The principles governing management board remuneration are specified in the remuneration policy of Erste Group Bank AG, including in particular the definition and evaluation of performance criteria. In accordance with legal provisions, performance-linked payments to the CEO and the management board member responsible for Corporate and Markets shall not exceed 200% of the respective annual gross salary, those to other management board members shall not exceed 100% of gross annual salary. The method for determining whether the performance criteria have been met is defined at the beginning of the year by the supervisory board following a proposal of the responsible organisational units (Group Performance Management, Group Risk Management and Group Human Resources). For 2013, both the ratio between fixed and short-term variable remuneration components and the maximum levels remained unchanged. The performance criteria for the management board are defined at both company level and individual level. The first criterion is Erste Group's overall performance. For the year 2013, this criterion is measured by reference to the solvency ratio and the payment of dividends to shareholders and investors holding participation capital. The second performance criterion is the achievement of individual objectives: these include return on equity, common equity tier-1 ratio, solvency ratio, NPL coverage ratio, cost/income ratio as well as customer satisfaction and leadership.

Since the financial year 2010, the variable part of the management board's remuneration, including both cash payments and share-equivalents, is distributed over five years in accordance with legal requirements and is paid out only under certain conditions. Share- equivalents are not exchange-traded shares but phantom shares that are paid out in cash after a one-year vesting period based on defined criteria.

Remuneration of management board members

Remuneration in 2013

			Performance-linked remuneration		
in EUR thousand	Fixed salaries	Other remuneration	for 2012	for previous years	Total
Andreas Treichl	1,262.4	470.9	392.6	65.4	2,191.4
Franz Hochstrasser	750.0	177.4	203.0	42.7	1,173.1
Herbert Juranek	631.2	98.8	120.0	16.9	866.9
Gernot Mittendorfer	633.0	97.6	129.0	0.0	859.6
Andreas Gottschling (since 9/2013)	211.0	25.8	0.0	0.0	236.8
Total	**3,487.6**	**870.6**	**844.6**	**125.0**	**5,327.8**

The item "Other remuneration" comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remuneration in kind. Apart from performance-linked remuneration and share equivalents for the financial year 2012, deferred portions of performance-linked remuneration for 2010 were also paid out or vested in 2013.

Non-cash performance-linked remuneration in 2013

Share-equivalents (in units)	For 2012	For previous years
Andreas Treichl	24,898	2,182
Franz Hochstrasser	12,449	1,423
Herbert Juranek	7,013	563
Gernot Mittendorfer	7,539	0
Andreas Gottschling (since 9/2013)	0	0
Total	**51,899**	**4,168**

Share-equivalents were valued at the average weighted daily share price of Erste Group Bank AG of the year 2013 in the amount of EUR 23.85 per share. Pay-outs will be made in the year 2014 after the one-year vesting period.

Long-term incentive programme

Currently, one long-term incentive programme (LTI), which is based on changes in the share price of Erste Group Bank AG versus a group of peers and the Dow Jones Euro Stoxx Banks, is still active. It was started on 1 January 2010 and led to the following payments in 2013.

in EUR thousand	LTI 2010
Andreas Treichl	226.5
Franz Hochstrasser	56.6
Herbert Juranek	56.6
Gernot Mittendorfer	0
Andreas Gottschling (since 9/2013)	0
Total	**339.8**

Manfred Wimmer resigned from the management board as of 31 August 2013. In 2013, he received EUR 421,000 in fixed and EUR 137,000 in performance-linked remuneration from previous years as well as EUR 111,000 in other remuneration. In addition, he was awarded 7,584 share-equivalents. He received EUR 57,000 under the LTI programme 2010. The severance payment, payments for unused holidays and compensatory payment to the pension fund made on his departure are included in the remuneration of previous members of management bodies and their dependants. In 2013, EUR 3,095,000 was paid in cash and 1,066 share-equivalents were assigned to former members of management bodies and their dependants.

Principles governing the pension scheme for management board members

Members of the management board participate in the defined contribution pension plan of Erste Group on the basis of the same principles as employees. For two members of the management board, compensatory payments have to be made to the pension fund in case the management board member's tenure ends before he or she reaches the age of 65 by no fault of the member.

Principles governing vested benefits and entitlements of management board members in case of termination of the position

Regarding vested benefits and entitlements of management board members in the event of termination of their position, the standard legal severance benefit provisions of section 23 of the Austrian Salaried Employees Act (Angestelltengesetz) still apply to two members of the management board. All other members of the management board are not entitled to receive any severance benefits.

The remuneration granted to the management board members complies with the banking rules on management remuneration.

Remuneration of members of the supervisory board

in EUR thousand	Attendance fees for 2013	Supervisory board remuneration for 2012	Total
Friedrich Rödler	45.0	81.4	126.4
Georg Winckler	39.0	75.0	114.0
Bettina Breiteneder	26.0	50.0	76.0
Jan Homan	16.0	50.0	66.0
Wilhelm Rasinger	34.0	50.0	84.0
Brian D.O´Neill	9.0	50.0	59.0
John James Stack	7.0	50.0	57.0
Juan María Nin Génova	6.0	50.0	56.0
Theresa Jordis	8.0	75.0	83.0
Werner Tessmar-Pfohl	5.0	50.0	55.0
Heinz Kessler	0.0	37.4	37.4
Elisabeth Gürtler	0.0	18.7	18.7
Friedrich Lackner	0	0	0
Andreas Lachs	0	0	0
Bertram Mach	0	0	0
Karin Zeisel	0	0	0
Barbara Smrcka	0	0	0
Total	**195.0**	**637.5**	**832.5**

The annual general meeting 2013 granted the members of the supervisory board remuneration totalling EUR 637,568.30 for the financial year 2012, whereby the distribution of this remuneration is at the supervisory board's discretion. In addition, attendance fees paid to the members of the supervisory board were set at EUR 1,000 per meeting of the supervisory board or one of its committees.

Directors' and officers' liability insurance

Erste Group Bank AG has directors' and officers' liability insurance. The insurance policy covers former, current and future members of the management board or managing directors, of the supervisory board, the administrative board and the advisory board as well as senior management, holders of statutory powers of attorney (Prokuristen) and management staff of Erste Group Bank AG and the subsidiaries in which Erste Group Bank AG holds more than 50% of the shares or voting rights either directly or indirectly through one or more subsidiaries. The costs are borne by the company.

EXTERNAL EVALUATION

Erste Group Bank AG commissioned an external evaluation of compliance with the Austrian Code of Corporate Governance in accordance with R-Rule 62 of the Austrian CCG in the years 2006, 2009 and 2012 for the respective preceding business years. All evaluations reached the conclusion that Erste Group Bank AG had met all requirements of the Code. Summary reports on these evaluations are available at the website of Erste Group Bank AG.

SHAREHOLDERS' RIGHTS

Voting rights

Each share of Erste Group Bank AG entitles its holder to one vote at the annual general meeting. In general, shareholders may pass resolutions at an annual general meeting by a simple majority of the votes cast or, in the event that the majority of the share capital present is required to approve a measure, by a simple majority of the share capital present, unless Austrian law or the articles of association require a qualified majority vote.
The articles of association differ from the statutory majority requirements in three cases: First, the appointment of supervisory board members can be revoked before the end of their respective term by a resolution of the annual general meeting that requires a majority of 75% of the votes cast and a majority of 75% of the share capital present at such meeting. Second, the articles of association may be amended by a resolution of the annual general meeting. Provided that such amendment does not concern the business purpose, this requires a simple majority of the votes cast and a simple majority of the share capital present at such meeting. Third, any provision regulating increased majority requirements can only be amended with the same increased majority.

Dividend rights

Each shareholder is entitled to receive dividends, if and to the extent the distribution of dividends is resolved by the annual general meeting.

Liquidation proceeds

In case of dissolution of Erste Group Bank AG, the assets remaining after the discharge of liabilities and repayment of supplementary capital will be distributed pro rata to the shareholders. The dissolution of Erste Group Bank AG requires a majority of at least 75% of the share capital present at an annual general meeting.

Subscription rights

All holders of shares have subscription rights allowing them to subscribe to any newly issued shares to maintain their existing share in the share capital of Erste Group Bank AG. Such subscription rights are in proportion to the number of shares held by such shareholders prior to the issue of the new shares. The said subscription rights do not apply if the respective shareholder does not exercise these subscription rights, or subscription rights are excluded in certain cases by a resolution of the annual general meeting or by a resolution of the management board and the supervisory board.

The Austrian Stock Corporation Act contains provisions that protect the rights of individual shareholders. In particular, all shareholders must be treated equally under equal circumstances unless the shareholders affected have consented to unequal treatment. Furthermore, measures affecting shareholders' rights, such as capital increases and the exclusion of subscription rights, generally require a shareholders' resolution.
The articles of association of Erste Group Bank AG do not contain any provisions regarding a change in the share capital, the rights associated with the shares or the exercise of the shareholders' rights that differ from statutory requirements.
Stock corporations like Erste Group Bank AG must hold at least one annual general meeting (ordinary shareholders' meeting) per year, which must be held within the first eight months of any financial year and cover at least the following items:

_ Presentation of certain documents
_ Appropriation of profit
_ Discharge of the members of the management board and the supervisory board for the financial year ended.

At annual general meetings, shareholders may ask for information about the company's affairs to the extent that this is required for the proper assessment of an agenda item.

Vienna, 28 February 2014

Management board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Andreas Gottschling mp
Member

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

ADDITIONAL CORPORATE GOVERNANCE PRINCIPLES

Compliance

The responsibility for all compliance issues at Erste Group rests with Operational Risk, Compliance and Security. In organisational terms it is assigned to the Chief Risk Officer but reports directly to the management board. The compliance rules of Erste Group are based on the relevant legislation, such as the Austrian Stock Exchange Act and the Securities Supervision Act; on the Standard Compliance Code of the Austrian banking industry as well as on international practices and standards. Conflicts of interest between customers, Erste Group and employees are covered by clear rules regarding "Chinese walls", provisions on employee transactions, research disclaimer, gift policy etc. Further key topics are procedures and measures to prevent money laundering and terrorist financing and to monitor sanctions and embargoes, as well as the establishment and coordination of measures to prevent financial crimes within Erste Group.

Directors' dealings

In accordance with the Austrian Stock Exchange Act and the Issuer Compliance Regulation of the Austrian Financial Market Authority (FMA), individual trades by members of the management board and supervisory board in Erste Group shares are published on the websites of Erste Group (www.erstegroup.com/investorrelations) and the FMA.

Transparency

Investor confidence in public companies is essential to the functioning of the global economy. Transparent operations and reporting play a crucial part in establishing and upholding confidence. Accordingly, it is one of the main goals of Erste Group and its investors that the financial results fairly reflect the results of its operations. Erste Group has always been diligent in maintaining compliance with its established financial accounting policies, which are consistent with the requirements of the International Financial Reporting Standards (IFRS), and in reporting its results with objectivity and the highest degree of integrity.

Risk management

Erste Group's approach to risk management seeks to achieve the best balance between risks and returns for earning a sustained high return on equity. A detailed report on risk policy, risk management strategy and organisation, as well as a thorough discussion of the individual risk categories, are included in the Notes beginning on page 153. In addition, credit risk is analysed in detail in a separate section starting on page 30, in the "Segments" section of this report.

Accounting and auditors

The company financial statements, company management report, consolidated financial statements and group management report of Erste Group Bank AG for the financial year 2013 were audited by Sparkassen-Prüfungsverband as the legally mandated auditor and by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., appointed by the Annual General Meeting, as the supplementary auditor.

Your Notes

Group Consolidated Financial Statements 2013 (IFRS)

I. Group Statement of Comprehensive Income of Erste Group for the year ended 31 December 2013

Income statement

in EUR thousand	Notes	2013	2012
Interest and similar income		7,650,799	8,795,123
Interest and similar expenses		(2,814,484)	(3,576,224)
Income from equity method investments		21,818	16,403
Net interest income	1	4,858,134	5,235,302
Risk provisions for loans and advances	2	(1,763,413)	(1,979,970)
Fee and commission income		2,305,643	2,245,712
Fee and commission expenses		(495,605)	(524,878)
Net fee and commission income	3	1,810,038	1,720,834
Net trading result	4	293,177	273,410
General administrative expenses	5	(3,653,492)	(3,756,673)
Other operating result	6	(1,081,882)	(724,306)
Result from financial instruments - at fair value through profit or loss	7	(76,281)	(3,600)
Result from financial assets - available for sale	8	(13,490)	56,159
Result from financial assets - held to maturity	9	1,507	(19,939)
Pre-tax profit/loss		**374,297**	**801,217**
Taxes on income	10	(178,539)	(170,207)
Net profit/loss for the year		**195,758**	**631,010**
attributable to			
non-controlling interests		134,788	147,533
owners of the parent	**11**	**60,970**	**483,477**

Earnings per share

Earnings per share constitute net profit/loss for the year attributable to owners of the parent – adjusted for dividend on participation capital in the amount of EUR 84.7 million (2012: EUR 141.1 million) – divided by the average number of ordinary shares outstanding. Diluted earnings per share represent the maximum potential dilution (through an increase in the average number of shares) that would occur if all subscription and conversion rights granted were exercised (also see Note 30 Total equity).

		2013	2012
Net profit/loss for the year attributable to owners of the parent	in EUR thousand	60,970	483,477
Dividend on participation capital	in EUR thousand	(84,660)	(141,100)
Net profit/loss for the year attributable to owners of the parent after deduction of dividend on participation capital	in EUR thousand	(23,690)	342,377
Weighted average number of shares outstanding	Number	411,553,048	391,631,603
Earnings per share	**in EUR**	**(0.06)**	**0.87**
Weighted average number of shares taking into account the effect of dilution	Number	411,553,048	393,823,929
Diluted earnings per share	in EUR	(0.06)	0.87

Statement of comprehensive income

in EUR thousand		2013		2012
Net profit/loss for the year		**195,758**		**631,010**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of net liability of defined pension plans		(6,713)		(45,911)
Deferred taxes relating to items that will not be reclassified		2,260		11,193
Total items that will not be reclassified to profit or loss		**(4,453)**		**(34,718)**
Items that may be reclassified to profit or loss				
Available for sale-reserve (including currency translation)		(114,339)		975,888
Gain/loss during the year	(128,829)		1,237,929	
Reclassification adjustments	14,490		(262,041)	
Cash flow hedge-reserve (including currency translation)		(71,942)		(3,411)
Gain/loss during the year	(72,380)		33,744	
Reclassification adjustments	438		(37,155)	
Currency translation		(241,390)		16,218
Gain/loss during the year	(321,192)		16,218	
Reclassification adjustments	79,802		0	
Deferred taxes on items recognised in other comprehensive income		44,931		(195,102)
Gain/loss during the year	40,962		(195,589)	
Reclassification adjustments	3,969		487	
Total items that may be reclassified to profit or loss		**(382,740)**		**793,593**
Total other comprehensive income		**(387,193)**		**758,875**
Total comprehensive income		**(191,435)**		**1,389,885**
attributable to				
non-controlling interests		16,517		479,077
owners of the parent		**(207,952)**		**910,808**

Amendments of IAS 1 and IAS 19 have led to changes in the presentation of the statement of comprehensive income and have been applied retrospectively.

II. Group Balance Sheet of Erste Group as of 31 December 2013

in EUR thousand	Notes	2013	2012
ASSETS			
Cash and balances with central banks	12	8,670,266	9,740,458
Loans and advances to credit institutions	13	9,061,858	9,074,069
Loans and advances to customers	14	127,697,724	131,927,528
Risk provisions for loans and advances	15	(7,810,165)	(7,643,724)
Derivative financial instruments	16	8,284,848	13,289,392
Trading assets	17	5,940,808	5,177,984
Financial assets - at fair value through profit or loss	17	528,984	715,800
Financial assets - available for sale	17	20,581,192	22,417,659
Financial assets - held to maturity	17	17,781,202	18,974,725
Equity method investments	18	207,595	174,099
Intangible assets	19	2,440,833	2,893,886
Property and equipment	19	2,056,568	2,227,859
Investment property	19	950,572	1,022,911
Current tax assets	20	100,398	127,634
Deferred tax assets	20	719,015	657,508
Assets held for sale	21	74,774	708,119
Other assets	22	2,589,671	2,338,089
Total assets		**199,876,142**	**213,823,996**
LIABILITIES AND EQUITY			
Deposits by banks	23	17,126,105	21,822,081
Customer deposits	24	122,442,044	123,052,912
Debt securities in issue	25	27,986,124	29,427,347
Value adjustments from Portfolio fair value hedges		733,747	1,219,997
Derivative financial instruments	16	6,731,257	10,878,380
Trading liabilities	26	387,807	480,995
Provisions	27	1,447,605	1,487,745
Current tax liabilities	20	84,519	53,022
Deferred tax liabilities	20	169,392	323,507
Other liabilities	28	2,653,713	3,077,264
Liabilities associated with assets held for sale	21	0	338,870
Subordinated liabilities	29	5,332,565	5,323,358
Total equity	30	14,781,264	16,338,518
attributable to			
non-controlling interests		3,456,918	3,483,213
owners of the parent		11,324,346	12,855,305
Total liabilities and equity		**199,876,142**	**213,823,996**

III. Group Statement of Changes in Total Equity

A) GROUP STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

in EUR million	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Remeasurement of defined benefit plans	Deferred tax	Total owners of the parent	Non-controlling interests	Total equity
Total equity as of 31 December 2012	**2,547**	**6,472**	**4,395**	**41**	**227**	**(555)**	**(268)**	**(4)**	**12,855**	**3,483**	**16,338**
Changes in treasury shares			100						100		100
Purchase			(183)						(183)		(183)
Sale			276						276		276
Result			7						7		7
Dividends			(299)						(299)	(44)	(343)
Capital increases[1)]	70	571							642		642
Participation capital	(1,757)	(7)							(1,764)		(1,764)
Repurchase	(1,757)	(7)							(1,764)		(1,764)
Sale									0		0
Result									0		0
Change in interest in subsidiaries			(2)						(2)	1	0
Acquisition of non-controlling interest	0		0						0		0
Total comprehensive income	0	0	61	(73)	38	(231)	(9)	5	(208)	17	(191)
Net profit/loss for the year			61						61	135	196
Other comprehensive income				(73)	38	(231)	(9)	5	(269)	(118)	(387)
Total equity as of 31 December 2013	**860**	**7,037**	**4,256**	**(33)**	**265**	**(785)**	**(277)**	**2**	**11,324**	**3,457**	**14,781**

1) Expenses incurred by the capital increase decreased the equity by EUR 18 million; the included tax amounted to EUR 6 million. The expense in the amount of EUR 7 million is relating to the issuance of the participation capital in 2009.

For further details, see Note 30 Total equity.

B) GROUP STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

in EUR million	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Remeasurement of defined benefit plans	Deferred tax[2]	Total owners of the parent	Non-controlling interests	Total equity
Total equity as of 1 January 2012	**2,539**	**6,413**	**3,830**	**35**	**(316)**	**(541)**	**0**	**77**	**12,037**	**3,143**	**15,180**
Restatement			242				(242)		0		0
Total restated equity as of 1 January 2012	**2,539**	**6,413**	**4,072**	**35**	**(316)**	**(541)**	**(242)**	**77**	**12,037**	**3,143**	**15,180**
Changes in treasury shares			(7)						(7)		(7)
Purchase			(455)						(455)		(455)
Sale			466						466		466
Result			(18)						(18)		(18)
Dividends			(141)						(141)	(38)	(179)
Capital increases[1]	8	59							67		67
Participation capital			0						0		0
Purchase			(5)						(5)		(5)
Sale			5						5		5
Result									0		0
Change in interest in subsidiaries									0	(101)	(101)
Acquisition of non-controlling interest			(12)						(12)		(12)
Total comprehensive income	0	0	483	6	543	(14)	(26)	(81)	911	479	1,390
Net profit/loss for the year			483						483	148	631
Other comprehensive income				6	543	(14)	(26)	(81)	428	331	759
Total equity as of 31 December 2012	**2,547**	**6,472**	**4,395**	**41**	**227**	**(555)**	**(268)**	**(4)**	**12,855**	**3,483**	**16,338**

1) Capital increase in connection with the issue of new ordinary shares for the acquisition of additional shares in Banca Comercială Română SA.
2) For disclosure of tax effects relating to each component of other comprehensive income, see Note 10 Taxes on income.

IV. Group Cash Flow Statement

in EUR million	2013	2012
Net profit/loss for the year	**196**	**631**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	972	1,112
Allocation to and release of provisions (including risk provisions)	1,808	2,131
Gains/(losses) from the sale of assets	7	227
Other adjustments	(273)	(416)
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Loans and advances to credit institutions	12	(1,496)
Loans and advances to customers	4,230	2,822
Trading assets and positive market value from derivative financial instruments	4,241	(1,660)
Financial assets - at fair value through profit or loss	179	778
Financial assets - available for sale	1,931	(1,605)
Other assets from operating activities	(1,586)	(1,645)
Deposits by banks	(4,696)	(1,963)
Customer deposits	(611)	4,173
Debt securities in issue	(1,459)	(1,337)
Trading liabilities and negative market values from derivative financial markets	(3,506)	1,486
Other liabilities from operating activities	(1,878)	724
Cash flow from operating activities	**(433)**	**3,962**
Proceeds of disposal		
Financial assets - held to maturity and associated companies	5,660	3,682
Property and equipment, intangible assets and investment properties	347	474
Acquisition of		
Financial assets - held to maturity and associated companies	(4,500)	(6,842)
Property and equipment, intangible assets and investment properties	(674)	(727)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	62	0
Cash flow from investing activities	**895**	**(3,413)**
Capital increases	642	67
Capital decrease	(1,764)	0
Acquisition of non-controlling interest	0	(38)
Dividends paid to equity holders of the parent	(299)	(141)
Dividends paid to non-controlling interests	(44)	(38)
Other financing activities (mainly changes of subordinated liabilities)	28	(65)
Cash flow from financing activities	**(1,437)**	**(215)**
Cash and cash equivalents at beginning of period[1)]	**9,740**	**9,413**
Cash flow from operating activities	(433)	3,962
Cash flow from investing activities	895	(3,413)
Cash flow from financing activities	(1,437)	(215)
Effect of currency translation	(95)	(7)
Cash and cash equivalents at end of period[1)]	**8,670**	**9,740**
Cash flows related to taxes, interest and dividends	**4,649**	**5,066**
Payments for taxes on income (included in cash flow from operating activities)	(209)	(170)
Interest received	7,583	8,691
Dividends received	90	121
Interest paid	(2,814)	(3,576)

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

V. Notes to the Group Financial Statements of Erste Group

A. GENERAL INFORMATION

Erste Group Bank AG is Austria's oldest savings bank and the largest wholly privately owned Austrian credit institution listed on the Vienna Stock Exchange. It is also quoted on the Prague Stock Exchange (since October 2002) and on the Bucharest Stock Exchange (since 14 February 2008). The registered office of Erste Group Bank AG is located at Graben 21, 1010 Vienna, Austria.

Erste Group offers a complete range of banking and other financial services, such as savings accounts, asset management (including investment funds), consumer credit and mortgage lending, investment banking, securities and derivatives trading, portfolio management, project finance, foreign trade financing, corporate finance, capital market and money market services, foreign exchange trading, leasing and factoring.

It is planned for the Management (following a presentation to the supervisory board) to approve the consolidated financial statements for publication on 28 February 2014.

The Erste Group is subject to the regulatory requirements of Austrian (National Bank, FMA) and European supervisory bodies. These regulations include those pertaining to minimum capital adequacy requirements, categorisation of exposures and off-balance sheet commitments, credit risk connected with clients of the Group, liquidity and interest rate risk, items denominated in foreign currencies and operating risk.

In addition to the banking entities, some group companies are subject to regulatory requirements, specifically in relation to asset management.

B. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION

The consolidated financial statements of Erste Group for the 2013 financial year and the comparative information were prepared in compliance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. This satisfies the requirements of Section 59a of the Austrian Banking Act and Section 245a of the Austrian Commercial Code.

The consolidated financial statements have been prepared on a cost basis, except for available-for-sale financial assets, derivative financial instruments, financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss, all of which have been measured at fair value.

The consolidated financial statements have been prepared on a going concern basis.

Except as otherwise indicated, all amounts are stated in millions of euro. The tables in this report may contain rounding differences.

b) BASIS OF CONSOLIDATION

Subsidiaries

All subsidiaries directly or indirectly controlled by Erste Group Bank AG are consolidated in the Group financial statements on the basis of the subsidiaries' annual accounts as of 31 December 2013 and for the year then ended.

Subsidiaries are consolidated from the date upon which control is transferred to the bank. Control is achieved when the bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal. The financial statements of the bank's subsidiaries are prepared for the same reporting year as that of Erste Group Bank AG and using consistent accounting policies. All intra-Group balances, transactions, income and expenses as well as unrealised gains and losses and dividends are eliminated. Non-controlling interests represent those portions of total comprehensive income and net assets that are not attributable directly or indirectly to the owners of Erste Group Bank AG. Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet.

Acquisitions of non-controlling interests as well as disposals of non-controlling interests that do not lead to a change of control are accounted for as equity transactions, whereby the difference between the consideration transferred and the share in the carrying amount of the net assets acquired is recognised as equity.

Erste Group Bank AG is a member of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. As of the balance sheet date, almost all of Austria's savings banks, in addition to Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG, formed part of this Haftungsverbund. The provisions of the agreement governing the Haftungsverbund are implemented by the steering company Haftungsverbund GmbH. Erste Group Bank AG always holds indirectly at least 51% of the subscribed capital of the steering company, through Erste Bank der oesterreichischen Sparkassen AG. Two of the four members of the steering company's management, including the CEO, who has the casting vote, are appointed by Erste Bank der oesterreichischen Sparkassen AG. The steering company is vested with the power to monitor the common risk policies of its members. If a member encounters serious financial difficulties – and specific key indicators are continually monitored – the steering company has the mandate to provide support measures and/or to intervene, as required, in the business management of the affected member savings bank. As Erste Group Bank AG owns the controlling interest in the steering company, it exercises control over the members of the cross-guarantee system.

Before the end of 2013, the provisions of the Haftungsverbund were revised in order to ensure that IFRS control criteria will continue to be fulfilled after the adoption of IFRS 10 'Consolidated Financial Statements' on 1 January 2014. Therefore, in accordance with IFRS, all Haftungsverbund members are fully consolidated as at 31 December 2013 and will continue to be integral part of the IFRS consolidation scope of Erste Group starting with 2014.

Investments in associates

Investments in companies over which Erste Group Bank AG exercises significant influence ('associates') are accounted for using the equity method. As a general rule, significant influence is presumed to mean an ownership interest of between 20% and 50%. Under the equity method, an interest in an associate is recognised on the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's profit or loss is recognised in the income statement. Entities accounted for using the equity method are recognised on the basis of annual financial statements as of 31 December 2013 and for the year then ended.

Acquisitions in 2013

Erste Group did not make any significant acquisitions during 2013.

Disposals in 2013

Public Company 'Erste Bank' (Erste Bank Ukraine)

On 29 April 2013, following the signing of the contract in December 2012 and having received the formal approval of the transaction by the market supervising authorities in Austria and Ukraine, Erste Group finalised the sale of its 100% participation in Erste Bank Ukraine to FIDOBANK, an unrelated party.

Having met the qualifying criteria of IFRS 5 'Discontinued operations and non-current assets held for sale', Erste Bank Ukraine was classified as a disposal group held for sale and included in the consolidated balance sheet items 'Assets held for sale' and 'Liabilities associated with assets held for sale' in the Annual Report 2012. Upon the closing of the transaction, these assets and liabilities were derecognised from the balance sheet of Erste Group.

The proceeds from the transaction, all in the form of cash, amounted to EUR 62.3 million (USD 81.8 million), compared to the sold net equity of Erste Bank Ukraine amounting to EUR 132.5 million as the of closing date.

An impairment loss in the amount of EUR 75.0 million for the negative difference between the selling price and net equity of Erste Bank Ukraine as of 31 December 2012 was already recognised in the income statement of Erste Group for the financial year 2012.

The income statement of Erste Group for the financial year 2013 is affected by a further negative EUR 76.6 million, resulting mainly from the reclassification of the cumulated negative currency translation reserve in relation to Erste Bank Ukraine from other comprehensive income to income statement. This impact is recognised in 'Other operating result'.

Acquisitions in 2012

Banca Comercială Română SA

Erste Group raised its participation in Banca Comercială Română SA from 89.9% by 3.4 percentage points to 93.3% by acquisition of shares from owners of non-controlling interests.

Consideration for acquisition of 3.4% of the voting shares paid out to the owners of the non-controlling interests in Banca Comercială Română SA amounted to EUR 75.6 million. Consideration of EUR 8.6 million was settled in cash and EUR 67.0 million was settled by issuance of Erste Group Bank AG shares. The carrying amount of the net assets attributable to the acquired shares was EUR 75.5 million. The EUR 0.1 million difference between the costs of acquisition and the carrying amount was recognised in equity in retained earnings.

Based on written options existing at the end of 2011, in February 2012 a total of 3,801,385 new Erste Group Bank AG shares were issued in the amount of EUR 67 million and the put option in the amount of EUR 29 million was exercised in cash.

Shareholdings in significant companies and their representation in the consolidated financial statements are detailed in Note 47 Details of the companies wholly or partly owned by Erste Group as of 31 December 2013.

c) ACCOUNTING AND MEASUREMENT METHODS

Foreign currency translation

The consolidated financial statements are presented in euro, which is the functional currency of Erste Group Bank AG. The functional currency is the currency of the primary business environment in which an entity operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

For foreign currency translation, exchange rates quoted by the central banks in each country are used. For Group entities with the euro as functional currency, these are the European Central Bank reference rates.

(i) Transactions and balances in foreign currency
Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as of the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as of the balance sheet date. All resulting exchange differences that arise are recognised in the income statement under the line item 'Net trading result' or under the line item 'Result from financial instruments – at fair value through profit or loss'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

(ii) Translation of the statements of Group companies
Assets and liabilities of foreign operations (foreign subsidiaries and branches) are translated into Erste Group's presentation currency, the euro, at the rate of exchange as of the balance sheet date (closing rate). Their statements of comprehensive income are translated at average exchange rates calculated on the basis of daily rates. Goodwill and intangible assets recognised on acquisition of foreign subsidiaries (i.e. customer relationships and brand) and fair value adjustments to the carrying amounts of assets and liabilities on the acquisition are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate. Exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the cumulative amount of translation differences recognised in other comprehensive income is recognised in the income statement under the line item 'Other operating result'.

Financial instruments – recognition and measurement

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IAS 39, all financial assets and liabilities – which also include derivative financial instruments – have to be recognised on the balance sheet and measured in accordance with their assigned categories.

Erste Group uses the following categories of financial instruments:
_ financial assets or financial liabilities at fair value through profit or loss
_ available-for-sale financial assets
_ held-to-maturity investments
_ loans and receivables
_ financial liabilities measured at amortised cost

IAS 39 categories of financial instruments are not necessarily the line items presented on the balance sheet. Specific relationships between the balance sheet line items and categories of financial instruments are described in the table at point (xi).

(i) Initial recognition
Financial instruments are initially recognised when Erste Group becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at settlement date, which is the date that an asset is delivered. The classification of financial instruments at initial recognition depends on their characteristics as well as the purpose and management's intention for which the financial instruments were acquired.

(ii) Initial measurement of financial instruments
Financial instruments are measured initially at their fair value including transaction costs. In the case of financial instruments at fair value through profit or loss, however, transaction costs are not included but are recognised directly in profit or loss. Subsequent measurement is described in the chapters below.

(iii) Cash and balances with central banks
Balances with central banks include only claims (deposits) against central banks that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

(iv) Derivative financial instruments
Derivatives used by Erste Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps. Derivatives are measured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. All kinds of derivatives without regard to their internal classification are disclosed under the line item 'Derivative financial instruments', which can be found, depending on their fair value as of the balance sheet date, on the assets or liabilities side of the balance sheet. Hence, the line item 'Derivative financial instruments' contains both derivatives held in the trading book and banking book and also includes derivatives designated for hedge accounting.

Changes in fair value (clean price) are recognised in the income statement under the line item 'Net trading result', except for those resulting from the effective part of cash flow hedges which are reported in other comprehensive income. Furthermore, changes in fair value (clean price) of derivatives related to financial liabilities designated at fair value through profit or loss are presented on the income statement under the line item 'Result from financial instruments – at fair value through profit or loss'.

Interest income/expense related to derivative financial instruments is recognised in the income statement under the line item 'Net interest income' if held in the banking book or designated as hedging instruments in fair value hedges, or under the line item 'Net trading result' if held in the trading book. Interest income/expense from hedging derivatives in cash flow hedges are recognised in other comprehensive income (together with clean price changes).

(v) Financial assets and financial liabilities held for trading
Financial assets and financial liabilities held for trading include debt securities as well as equity instruments acquired or issued principally for the purpose of selling or repurchasing in the near term. Financial instruments held for trading are measured at fair value and are presented as 'Trading assets' or 'Trading liabilities' on the balance sheet. Changes in fair value (clean price) resulting from financial instruments held for trading are reported in the income statement under the line item 'Net trading result'. Nonetheless, interest income and expenses are reported in the income statement under the line item 'Net interest income'.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Trading liabilities'.

(vi) Financial assets or financial liabilities designated at fair value through profit or loss
Financial assets or financial liabilities classified in this category are those that have been designated by management on initial recognition (fair value option).

Erste Group uses the fair value option in the case of financial assets managed on a fair value basis. In accordance with a documented investment strategy, the performance of the portfolio is evaluated and regularly reported to the management board. The portfolio contains mostly items of Asset Backed Securities (predominantly Mortgage Backed Securities), Funds, Financials and Sovereigns.

Financial assets designated at fair value through profit or loss are recorded on the balance sheet at fair value under the line item 'Financial assets – at fair value through profit or loss', with changes in fair value recognised in the income statement under the line item 'Result from financial instruments – at fair value through profit or loss'. Interest earned on debt instruments as well as dividend income on equity instruments is shown under the item 'Interest and similar income'.

Erste Group uses the fair value option in case of some hybrid financial liabilities, if:
- such classification eliminates or significantly reduces an accounting mismatch between the financial liability otherwise measured at amortised cost and the related derivative measured at fair value; or
- the entire hybrid contract is designated at fair value through profit or loss due to the existence of an embedded derivative.

The amount of fair value change attributable to changes in own credit risk for financial liabilities designated at fair value through profit or loss is calculated by the method described by IFRS 7. This amount is the difference between the present value of the liability and the observed market price of the liability at the end of the period. The rate used for discounting the liability is the sum of the observed (benchmark) interest rate at the end of the period and the instrument-specific component of the internal rate of return determined at the start of the period.

Financial liabilities designated at fair value through profit or loss are reported under the respective financial liabilities items 'Customer deposits', 'Debt securities in issue' or 'Subordinated liabilities'. Changes in fair value are recognised in the income statement under the line item 'Result from financial instruments – at fair value through profit or loss'. Interest incurred is reported under the line item 'Interest and similar expenses'.

(vii) Available-for-sale financial assets
Available-for-sale assets include equity and debt securities as well as other interests in non-consolidated companies. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses are recognised in other comprehensive income and reported in the 'Available-for-sale reserve' until the financial asset is disposed of or impaired. If available-for-sale assets are disposed of or impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss and reported under the line item 'Result from financial assets – available for sale'. On the balance sheet, available-for-sale financial assets are disclosed under the line item 'Financial assets – available for sale'.

If the fair value of investments in non-quoted equity instruments cannot be measured reliably, they are recorded at cost less impairment. This is the case when the range of reasonable fair value estimates as calculated by valuation models is significant and the probabilities of the various estimates cannot be reasonably assessed. There is no market for such investments.

Interest and dividend income on available-for-sale financial assets are reported in the income statement under the line item 'Interest and similar income'.

(viii) Held-to-maturity financial assets
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity and reported on the balance sheet as 'Financial assets – held to maturity' if Erste Group has the intention and ability to hold them until maturity. After initial recognition, held-to-maturity financial assets are measured at amortised cost. Amortised cost is calculated by taking into account any discount, premium and/or transaction costs that are an integral part of the effective interest rate. Interest earned on financial assets held to maturity is reported in the income statement under the line item 'Interest and similar income'. Losses arising from impairment of such investments as

well as occasional realised gains or losses from selling are recognised in the income statement on the line item ‘Result from financial assets – held to maturity’. Provisions for incurred but not reported losses are shown in the item ‘Risk provisions for loans and advances’.

(ix) Loans and advances

The balance sheet line items ‘Loans and advances to credit institutions’ and ‘Loans and advances to customers’ include financial assets meeting the definition of loans and receivables. Furthermore, finance lease receivables that are accounted for using IAS 17 are presented under these balance sheet line items.

Loans and receivables are non-derivative financial assets (including debt securities) with fixed or determinable payments that are not quoted in an active market, other than:

- those that Erste Group intends to sell immediately or in the near term and those that Erste Group upon initial recognition designates as at fair value through profit or loss;
- those that Erste Group, upon initial recognition, designates as available for sale; or
- those for which Erste Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial recognition, loans and receivables are measured at amortised cost. Finance lease receivables are subsequently measured as specified in the chapter 'Leasing'. Interest income earned is included under the line item ‘Interest and similar income’ in the income statement.

Allowances for impairment and incurred but not reported losses are reported under the balance sheet line item ‘Risk provisions for loans and advances’. Losses arising from impairment are recognised in the income statement on the line item ‘Risk provisions for loans and advances’.

(x) Deposits and other financial liabilities

Financial liabilities are measured at amortised cost, unless they are measured at fair value through profit or loss. Except those that are held for trading, financial liabilities are reported on the balance sheet under the line items ‘Deposits by banks’, ‘Customer deposits’ ‘Debt securities in issue’ or ‘Subordinated liabilities’. Interest expenses incurred are reported under the line item ‘Interest and similar expenses’ in the income statement.

(xi) Relationships between balance sheet items and categories of financial instruments:

Balance sheet positions	Measurement value			Financial instrument category
	Fair value	At amortised cost	Other	
ASSETS				
Cash and balances with central banks		x	Nominal value	n/a / Loans and receivables
Loans and advances to credit institutions		x		Loans and receivables
thereof finance lease			IAS 17	n/a
Loans and advances to customers		x		Loans and receivables
thereof finance lease			IAS 17	n/a
Risk provisions for loans and advances		x		Loans and receivables Financial assets - held to maturity
Derivative financial instruments	x			Financial assets - at fair value through profit or loss
thereof hedging derivatives	x			n/a
Trading assets	x			Financial assets - at fair value through profit or loss
Financial assets - at fair value through profit or loss	x			Financial assets - at fair value through profit or loss
Financial assets - available for sale	x			Financial assets - available for sale
Financial assets - held to maturity		x		Financial assets - held to maturity
LIABILITIES				
Deposits by banks		x		Financial liabilities at amortised cost
Customer deposits	x	x		Financial liabilities measured at amortised cost/ Financial liabilities - at fair value through profit or loss
Debt securities in issue	x	x		Financial liabilities measured at amortised cost/ Financial liabilities - at fair value through profit or loss
Derivative financial instruments	x			Financial liabilities - at fair value through profit or loss
thereof hedging derivatives	x			n/a
Trading liabilities	x			Financial liabilities - at fair value through profit or loss
Subordinated liabilities	x	x		Financial liabilities measured at amortised cost/ Financial liabilities - at fair value through profit or loss

Furthermore, two additional classes of financial instruments which are not presented in the table above are part of IFRS 7 disclosures. These are financial guarantees and irrevocable credit commitments.

Embedded derivatives

Erste Group, as part of its business, is confronted with debt instruments containing structured features. Structured features mean that a derivative is embedded in the host instruments. Embedded derivatives are separated from the host debt instruments if

- the economic characteristics of the derivatives are not closely related to the economic characteristics and risks of the host debt instruments;
- the embedded derivative meets the IAS 39 definition of derivative; and
- the hybrid instrument is not a financial asset or liability held for trading or designated at fair value through profit or loss.

Embedded derivatives that are separated are accounted for as stand-alone derivatives and presented on the balance sheet under the line item ‘Derivative financial instruments’.

At Erste Group, derivatives that are not closely related and are separated are predominantly embedded in issued host debt instruments recognised as liabilities. The most typical cases are issues of bonds and deposits that contain interest caps, floors or collars in the money, contractual features linking payments to non-interest variables such as FX rates, equity and commodity prices and indices, or third-party credit risk.

Reclassifications of financial assets

IAS 39 provides various possibilities to reclassify financial assets between categories of financial instruments. It also places restrictions on some reclassifications. Erste Group makes use of reclassification alternatives only in the case of held-to-maturity financial assets. If a significant credit deterioration in a held-to-maturity financial asset results in a change in the intention and ability to hold the asset until maturity, the asset is reclassified into available-for-sale financial assets category. Such reclassifications are not included in the limit that triggers automatic reclassification of the entire held-to-maturity portfolio.

Derecognition of financial assets and financial liabilities

A financial asset (or where applicable part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired; or
- Erste Group has transferred its rights to receive cash flows from the asset
- or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement;
  and either:
  - it has transferred substantially all the risks and rewards connected with the ownership of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards connected with the ownership of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Repurchase and reverse repurchase agreements

Transactions where securities are sold under an agreement to repurchase at a specified future date are also known as ‘repos’ or ‘sale and repurchase agreements’. Securities sold are not derecognised from the balance sheet, as Erste Group retains substantially all the risks and rewards of ownership because the securities are repurchased when the repo transaction ends. Furthermore, Erste Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the repo transactions. These payments are remitted to Erste Group or are reflected in the repurchase price.

The corresponding cash received is recognised on the balance sheet with a corresponding obligation to return it as a liability under the respective line items ‘Deposits by banks’ or ‘Customer deposits’ reflecting the transaction’s economic substance as a loan to Erste Group. The difference between the sale and repurchase prices is treated as interest expense and recorded in the income statement under the line item ‘Interest and similar expenses’ and is accrued over the life of the agreement. Financial assets transferred out by Erste Group under repurchase agreements remain on the Group’s balance sheet and are measured according to the rules applicable to the respective balance sheet item.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised on the balance sheet. Such transactions are also known as ‘reverse repos’. The consideration paid is recorded on the balance sheet under the respective line items ‘Loans and advances to credit institutions’ or ‘Loans and advances to customers’, reflecting the transaction’s economic substance as a loan by Erste Group. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement and recorded in the income statement under the line item ‘Interest and similar income’.

Securities lending and borrowing

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the lending. The transfer of the securities to counterparties via securities lending does not result in derecognition. Substantially all the risks and rewards of ownership are retained by Erste Group as a lender because the securities are received at the end of the securities lending transaction. Furthermore, Erste Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the securities lendings.

Securities borrowed are not recognised on the balance sheet unless they are then sold to third parties. In this case, the obligation to return the securities is recorded as a trading liability.

Impairment of financial assets and credit risk losses of contingent liabilities

Erste Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments. Erste Group uses the Basel II definition of default as a primary indicator of loss events. Default, as a loss event, occurs when

_ the obligor is more than 90 days past due on any material credit obligation;
_ as a result of specific information or an event, the obligor is unlikely to fulfil its credit obligations in full, without recourse to actions such as realising security;
_ the obligor is subject to distressed restructuring, i.e. a change in contract terms, for clients in financial difficulties, resulting in a material loss;
_ the obligor is subject to bankruptcy or similar protection proceedings.

For assessment at portfolio level, Erste Group uses the incurred but not reported losses concept. It identifies the time period between the moment of the loss event causing future problems and actual detection of the problems by the bank at the moment of default.

Credit risk losses resulting from contingent liabilities are recognised if it is probable that there will be an outflow of resources to settle a credit risk bearing contingent liability that will result in a loss.

(i) Financial assets carried at amortised cost

Erste Group first assesses individually for significant loans and held-to-maturity securities whether objective evidence of impairment exists. If no objective evidence of impairment exists for an individually assessed financial asset, Erste Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset also reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

In cases of loans and advances, any impairment is reported in the allowance account referred to as 'Risk provisions for loans and advances' on the balance sheet and the amount of the loss is recognised in the income statement on the line item 'Risk provisions for loans and advances'. Risk provisions for loans and advances include specific risk provisions for loans and advances for which objective evidence of impairment exists. In addition, 'Risk provisions for loans and advances' include portfolio risk provisions for incurred but not reported losses. For held-to-maturity financial assets, impairment is recognised directly by reducing the asset account and in the income statement under the line item 'Result from financial assets – held to maturity'. Incurred but not reported losses on held-to-maturity financial assets recognised at portfolio level are presented both on the balance sheet and in the income statement under the line item 'Risk provisions for loans and advances'.

Loans together with the associated allowance are removed from the balance sheet when there is no realistic prospect of future recovery and all collaterals have been realised by Erste Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases, the previously recognised impairment loss is increased or reduced by adjusting the allowance account in the case of loans and advances and portfolio provisions for held-to-maturity financial assets. In the case of individually impaired held-to-maturity financial assets, no allowance account is used, but the carrying amount is increased or decreased directly.

(ii) Available-for-sale financial assets

In cases of debt instruments classified as available for sale, Erste Group assesses individually whether there is objective evidence of impairment based on the same criteria as used for financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement. On recognising impairment, any amount of losses retained in the other comprehensive income item 'Available for sale reserve' is reclassified to the income statement and shown as impairment loss under the line item 'Result from financial assets – available for sale'.

If, in a subsequent period, the fair value of a debt instrument increases, the impairment loss is reversed through the income statement under the line item 'Result from financial assets – available for sale'. Impairment losses and their reversals are recognised directly against the assets on the balance sheet.

In cases of equity investments classified as available for sale, objective evidence also includes a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. For this purpose at Erste Group, 'significant' decline means a market price below 80% of the acquisition cost and 'prolonged' decline refers to a market price that is permanently below the acquisition cost for a period of nine months up to the reporting date.

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is shown as an impairment loss in the income statement under the line item 'Result from financial assets – available for sale'. Any amount of losses previously recognised under the other comprehensive income item 'Available for sale reserve' has to be reclassified to the income statement as part of an impairment loss under the line item 'Result from financial assets – available for sale'.

Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised directly in other comprehensive income. Impairment losses and their reversals are recognised directly against the assets on the balance sheet.

For investment in unquoted equity instruments carried at cost because their fair value cannot be determined reliably the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(iii) Contingent liabilities
Provisions for credit losses of contingent liabilities (particularly financial guarantees as well as credit commitments) are included under the balance sheet line item 'Provisions'. The related expense is reported in the income statement under the line item 'Risk provisions for loans and advances'.

Hedge accounting

Erste Group makes use of derivative instruments to manage exposures to interest rate risk and foreign currency risk. At inception of a hedge relationship, the bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset the fair value changes of the hedging instrument in a range of 80% to 125%. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Exact conditions for particular types of hedges and for testing the hedge effectiveness by Erste Group are specified internally in hedge policy.

(i) Fair value hedges
Fair value hedges are employed to reduce market risk. For qualifying and designated fair value hedges, the change in the fair value (clean price) of a hedging instrument is recognised in the income statement under the line item 'Net trading result'. Interest income and expenses on hedging derivatives are reported under the line item 'Net interest income'. The change in the fair value of the hedged item attributable to the hedged risk is also recognised in the income statement under the line item 'Net trading result' and adjusts the carrying amount of the hedged item.

Erste Group also applies portfolio fair value hedges of interest rate risk as regulated by IAS 39.AG114-AG132. Currently only interest rate risk from issued bonds is being hedged (i.e. no assets are included as hedged items). The change in the fair value of the hedged items attributable to the hedged interest risk is presented on the balance sheet under the line item 'Value adjustment for portfolio fair value hedges'. Erste Group does not make use of the relaxation of hedge accounting requirements provided for portfolio fair value hedges by the EU carve-out.

If the hedging instrument expires, is sold, is terminated or is exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the fair value adjustment of the hedged item is amortised to the income statement under the line item 'Net interest income' until maturity of the financial instrument.

(ii) Cash flow hedges
Cash flow hedges are used to eliminate uncertainty in the future cash flows in order to stabilise net interest income. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and reported under the 'Cash flow hedge reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement under the line item 'Net trading result'. For determination of the effective and ineffective portions, the derivative is considered at its dirty price, i.e. including the interest component. If the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is reclassified from other comprehensive income in the corresponding income or expense line item in the income statement (mainly 'Net interest income'). As far as accounting for hedged items in cash flow hedges is concerned there is no change compared to the situation when no hedging is applied.

When a hedging instrument expires, is sold, is terminated, is exercised, or when a hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income remains separate in 'Cash flow hedge reserve' until the transaction occurs.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Details on valuation techniques applied for fair value measurement and on fair value hierarchy are disclosed in Note 40 Fair value of assets and liabilities.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. A finance lease at Erste Group is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. All other lease agreements at Erste Group are classified as operating leases.

Erste Group as a lessor

The lessor in the case of a finance lease reports a receivable from the lessee under the line item 'Loans and advances to customers' or 'Loans and advances to credit institutions'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the income statement under the line item 'Net interest income'.

In the case of operating leases, the leased asset is reported by the lessor in 'property and equipment' or in 'investment property' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the income statement under the line item 'Net interest income'.

Lease agreements in which Erste Group is the lessor almost exclusively comprise finance leases.

Erste Group as a lessee

As a lessee, Erste Group has not entered into any leases meeting the conditions of finance leases. Operating lease payments are recognised as an expense in the income statement on the line item 'General administrative expenses' on a straight-line basis over the lease term.

Business combinations and goodwill

(i) Business combinations

Business combinations are accounted for using the acquisition method of accounting. Goodwill represents the future economic benefits resulting from the business combination, arising from assets that are not individually identified and separately recognised. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests and the fair value of the previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired as well as the liabilities assumed. At the acquisition date, the identifiable assets acquired and the liabilities assumed are generally recognised at their fair values.

If, after reassessment of all components described above, the calculation results in a negative amount, it is recognised as a bargain purchase gain and reported in the income statement under the line item 'Other operating result' in the year of acquisition.

Non-controlling interests that are present ownership interests in the acquiree are measured at the proportionate share of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Acquisition costs incurred are expensed and included under the income statement line item 'Other operating result'.

(ii) Goodwill and goodwill impairment testing

Goodwill arising on acquisition of a business is carried at cost as established as of the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is tested for impairment annually in November, or whenever there is an indication of possible impairment during the year, with any impairment determined recognised in profit or loss. The impairment test is carried out for each cash-generating unit (CGU) to which goodwill has been allocated. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is tested for impairment by comparing the recoverable amount of each CGU to which goodwill has been allocated with its carrying amount. The carrying amount of a CGU is based on the amount of net asset value allocated to the CGU taking into account any goodwill and unamortised intangible assets recognised for the CGU at the time of business combination.

The recoverable amount is the higher of a CGU's fair value less costs of disposal and its value in use. Where available, the fair value less costs of disposal is determined based on recent transactions, market quotations or appraisals. The value in use is determined using a discounted cash flow model (DCF model), which incorporates the specifics of the banking business and its regulatory environment. In determining value in use, the present value of future earnings distributable to shareholders is calculated.

The estimation of future earnings distributable to shareholders is based on financial plans for the CGUs as agreed by the management while taking into account the fulfilment of the respective regulatory capital requirements. The planning period is five years. Any forecasted earnings beyond the planning period are derived on the basis of the last year of the planning period and a long-term growth rate. The present value of such perpetual earnings growing at a stable rate (referred to as terminal value) takes into consideration macroeconomic parameters and economically sustainable cash flows for each CGU. Values for the long-term growth rates are disclosed in Note 19.2 Intangible assets in the subsection 'Development of goodwill'.

The cash flows are determined by subtracting the annual capital requirement generated by a change in the amount of risk-weighted assets from the net profit. The capital requirement was defined through the target tier 1 ratio in light of the expected future minimum regulatory capital requirements.

The value in use is determined by discounting the cash flows at a rate that takes into account present market rates and the specific risks of the CGU. The discount rates have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium component is considered in calculation of the discount rate. The values used to establish the discount rates are determined using external sources of information. Discount rates applied to determine the value in use are disclosed in Note 19.2 Intangible assets in the subsection 'Development of goodwill'.

Where the recoverable amount of a CGU is less than its carrying amount, the difference is recognised as an impairment loss in the income statement under the line item 'Other operating result'. The impairment loss is allocated first to write down the CGU's goodwill. Any remaining impairment loss reduces the carrying amount of the CGU's other assets, though not to an amount lower than their fair value less costs of disposal. There is no need to recognise an impairment loss if the recoverable amount of the CGU is higher than or equal to its carrying amount. Impairment losses relating to goodwill cannot be reversed in future periods.

Property and equipment

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment. Borrowing costs for qualifying assets are capitalised into the costs of property and equipment.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is recognised under the income statement on the line item 'General administrative expenses' and impairment under the line item 'Other operating result'.

The estimated useful lives are as follows:

	Useful life in years
Buildings	15-50
Office furniture and equipment	4-10
Passenger cars	4-8
Computer hardware	4-6

Land is not depreciated.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the income statement under the line item 'Other operating result' in the year the asset is derecognised.

Investment property

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation. In the case of partial own use, the property is investment property only if the owner-occupied portion is insignificant. Investments in land and buildings under construction, where the future use is expected to be the same as for investment property, are treated as investment property.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment. Together with rental income, depreciation is recognised in the income statement under the line item 'Interest and similar income' using the straight-line method over an estimated useful life. The useful lives of investment properties are identical to those of buildings reported under property and equipment. Any impairment losses, as well as their reversals, are recognised under the income statement line item 'Other operating result'. Investment property is presented on the balance sheet under the line item 'Investment property'.

Property Held for Sale (Inventory)

The Group also invests in property that is held for sale in the ordinary course of business or property in the process of construction or development for such sale. This property is presented as 'Other assets' and is measured at the lower of cost and net realisable value in accordance with IAS 2 Inventories.

The cost of acquiring inventory includes not only the purchase price but also all other directly attributable expenses, such as transportation costs, customs duties, other taxes and costs of conversion of inventories, etc. Borrowing costs are capitalised to the extent to which they directly relate to the acquisition of real estate.

Sales of these assets/apartments are recognised as revenues under the income statement line item 'Other operating result', together with costs of sales and other costs incurred in selling the assets.

Intangible assets

In addition to goodwill, Erste Group's intangible assets include computer software and customer relationships, the brand, the distribution network and other intangible assets. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank.

Costs of internally generated software are capitalised if Erste Group can demonstrate the technical feasibility and intention of completing the software, the ability to use it, how it will generate probable economic benefits, the availability of resources and the ability to measure the expenditures reliably. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition. In the case of Erste Group, these are brands, customer relationships and distribution networks, and they are capitalised on acquisition if they can be measured with sufficient reliability.

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation period and method are reviewed at least at each financial year-end and adjusted if necessary. The amortisation expense on intangible assets with finite lives is recognised in the income statement under the line item 'General administrative expenses' except for amortisation of customer relationships, which is reported under the line item 'Other operating result'.

The estimated useful lives are as follows:

	Useful life in years
Computer software	4-8
Customer relationships	10-20
Distribution network	5.5

Brands are not amortised as they are assumed to have an indefinite useful life. An intangible asset has an indefinite useful life, if there are no legal, contractual, regulatory or other factors limiting that useful life. Brands are tested for impairment annually within the cash-generating unit to which they belong, and impairment is recognised if appropriate. Furthermore, each period brands are reviewed as to whether current circumstances continue to support the conclusion as to indefinite life. In the event of impairment, impairment losses are recognised in the income statement under the line item 'Other operating result'.

Impairment of non-financial assets (property and equipment, investment property, intangible assets)

The bank assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Testing for impairment is done at individual asset level if the asset generates cash inflows that are largely independent of those from other assets. The typical case is investment property. Otherwise the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For specific rules related to impairment of goodwill and impairment allocation rules for CGUs please see the chapter 'Business combination and goodwill', part (ii) Goodwill and goodwill impairment testing.

If any indication of impairment exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs of disposal and its value in use. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In measuring value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the bank estimates the asset's or CGU's recoverable amount. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairments and their reversals are recognised in the income statement under the line item 'Other operating result'.

Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of their being classified as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. a subsidiary) they are referred to as disposal group held for sale.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line item 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet under the line item 'Liabilities associated with assets held for sale'.

Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Should the impairment loss in a disposal group exceed the carrying amount of the assets that are within the scope of IFRS 5 measurement requirements, there is no specific guidance on how to treat such a difference. Erste Group recognises this difference as a provision under the balance sheet line item 'Provisions'.

Financial guarantees

In the ordinary course of business, Erste Group provides financial guarantees, consisting of various types of letters of credit and guarantees. According to IAS 39, a financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

If Erste Group is in a position of being a guarantee holder, the financial guarantee is not recorded on the balance sheet but is taken into consideration as collateral when determining impairment of the guaranteed asset.

Erste Group as a guarantor recognises financial guarantees as soon as it becomes a contracting party (i.e. when the guarantee offer is accepted). Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. If no premium is received at contract inception, the fair value of a financial guarantee is nil, as this is the price that would be paid to transfer the liability in an orderly transaction between market participants. Subsequent to initial recognition, the financial guarantee contract is reviewed for the possibility that provisioning will be required under IAS 37.

The premium received is recognised in the income statement under the line item 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

Defined employee benefit plans

Defined employee benefit plans operated by Erste Group are for pensions, severance and jubilee benefits.

The defined benefit pension plans relate only to retired employees. The pension obligations for current employees were transferred to external pension funds in previous years. Remaining with Erste Group is a defined-benefit obligation for entitlements of former employees who were already retired as of 31 December 1998 before the pension reform took effect, and for those former employees who retired only in 1999 but remained entitled to a direct pension from Erste Group under individual agreements. Also included are entitlements to resulting survivor pensions.

Severance benefit obligations exist in relation to Austrian employees who entered the Group's employment before 1 January 2003. The severance benefit is one-time remuneration to which employees are entitled when their employment relationship ends. The entitlement to this severance payment arises after three years of employment.

Defined-benefit plans include jubilee benefits. Jubilee payments (payments for long service and/or loyal service) are remuneration tied to the length of an employee's service to the employer. The entitlement to jubilee benefits is established by collective agreement, which defines both the conditions and amount of the entitlement.

Obligations ensuing from defined employee benefit plans are determined using the projected unit credit method. Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those salaries, pensions and vested rights to future pension payments known as of the balance sheet date but also anticipated future rates of increase in salaries and pensions.

The liability recognised under a defined-benefit plan represents the present value of the defined benefit obligation less the fair value of the plan assets available for the direct settlement of obligations. For all plans, the present value of the obligation exceeds the fair value of the plan assets. The resulting defined benefit liability is reported on the balance sheet under the line item 'Other provisions'. At Erste Group, the plan assets consist of qualifying insurance policies purchased to back severance and jubilee benefit provisions.

Remeasurements consist of actuarial gains and losses on the defined benefit obligations and the return on plan assets. Remeasurements of pension and severance defined-benefit plans are recognised in OCI. Remeasurements of jubilee defined-benefit plans are recognised in the income statement under the line item 'General administrative expenses'.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. On the balance sheet, provisions are reported under the line item 'Other provisions'. They include credit risk loss provisions for contingent liabilities (particularly financial guarantees and loan commitments) as well as provisions for litigation and restructuring. Expenses or income from allocation or release relating to credit risk loss provisions for contingent liabilities are presented under the income statement line item 'Risk provisions for loans and advances'. All other expenses or income related to provisions are reported under the line item 'Other operating result'.

Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured as the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as of the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilised. Deferred taxes are not recognised on temporary differences arising from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date. For the subsidiaries, local tax environments apply.

Deferred tax relating to items recognised in other comprehensive income is also recognised in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to offset exists and the deferred taxes relate to the same taxation authority.

Treasury shares and contracts on treasury shares

Equity instruments of Erste Group that it or any of its subsidiaries acquire (referred to as treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of Erste Group's own equity instruments is recognised directly in equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of its own equity instruments.

Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of Erste Group.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by Erste Group's shareholders.

Recognition of income and expenses

Revenue is recognised to the extent that the economic benefits will flow to the entity and the revenue can be reliably measured. The description and revenue recognition criteria of the line items reported in the income statement are as follows:

(i) Net interest income

Interest income or expense is recorded using the effective interest rate (EIR) method. The calculation includes origination fees resulting from the lending business as well as transaction costs that are directly attributable to the instrument and are an integral part of the EIR (apart from financial instruments at fair value through profit or loss), but no future credit losses. Interest income from individually impaired loans is calculated by applying the original effective interest rate used to discount the estimated cash flows for the purpose of measuring the impairment loss.

Interest and similar income mainly includes interest income on loans and advances to credit institutions and customers, on balances with central banks and on bonds and other interest-bearing securities in all portfolios. Interest and similar expenses mainly include interest paid on deposits by banks and customer deposits, deposits of central banks, debt securities in issue and subordinated debt. In addition, net interest income includes interest on derivative financial instruments held in the banking book.

Also reported in interest and similar income is current income from shares and other equity-related securities (especially dividends) as well as income from other investments in companies categorised as available for sale. Such dividend income is recognised when the right to receive the payment is established.

Net interest income also includes rental income and the corresponding depreciation charge from investment properties. Such rental income constitutes income from operating leases and is recognised on a straight-line basis over the lease term.

Income from associates recorded by applying the equity method (share of profit or loss in associates) is also included in the total of the net interest income. Impairment losses, reversal of impairment losses, and realised gains and losses on investments in associates accounted for using the equity method are reported under the line item 'Other operating result'.

(ii) Risk provisions for loans and advances

This item includes allocations to and releases of specific and portfolio risk provisions for loans and advances and for contingent liabilities bearing credit risk. Also reported in this item are direct write-offs of loans and advances as well as recoveries on written-off loans removed from the balance sheet. Furthermore allocations to and releases of portfolio risk provisions for held-to-maturity investments with respect to incurred but not reported losses are part of this item.

(iii) Net fee and commission income
Erste Group earns fee and commission income from a diverse range of services that it provides to its customers.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include lending fees, guarantee fees, commission income from asset management, custody and other management and advisory fees as well as fees from insurance brokerage, building society brokerage and foreign exchange transactions.

Fee income earned from providing transaction services, such as arranging the acquisition of shares or other securities or the purchase or sale of businesses, is recognised upon completion of the underlying transaction.

(iv) Net trading result
Results arising from trading activities include all gains and losses from changes in fair value (clean price) on financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedges. In addition, for derivative financial instruments held in the trading book, 'Net trading result' also contains interest income or expense. However, interest income or expenses on non-derivative trading assets and liabilities and on derivatives held in the banking book are not part of 'Net trading result' as they are reported as 'Net interest income'. It also includes any ineffective portions recorded in hedging transactions as well as foreign exchange gains and losses.

(v) General administrative expenses
General administrative expenses represent the following expenses accrued in the reporting period: personnel and other administrative expenses, as well as depreciation and amortisation, apart from amortisation of customer relationships and impairment of goodwill, which are reported under 'Other operating result'.

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies. They also include expenses and income for severance payment, pension and jubilee obligations (covering service cost, net interest cost and remeasurements of jubilee obligations).

Other administrative expenses include information technology expenses, expenses for office space, office operating expenses, advertising and marketing, expenditures for legal and other consultants as well as sundry other administrative expenses.

(vi) Other operating result
Other operating result reflects all other income and expenses not directly attributable to Erste Group's ordinary activities. This especially includes impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment and intangible assets. Also included here are amortisation and impairment of customer relationships and any impairment losses on goodwill.

In addition, other operating result encompasses the following: expenses for other taxes, including special banking and transaction taxes and for deposit insurance contributions; income from the release of and expenses for allocations to other provisions; impairment losses (and their reversal if any) on investments in associates accounted for using the equity method; and realised gains and losses from the disposal of investments accounted for using the equity method.

In the case of sales of non-impaired loans and advances or repurchases of financial liabilities that are measured at amortised cost, gains and losses are reported under 'Other operating result'.

(vii) Result from financial instruments
Result from financial instruments consists of the following line items in the income statement:

_ *Result from financial instruments – at fair value through profit or loss:* changes in the clean price of assets and liabilities designated at fair value through profit or loss are reported here. Furthermore, this item contains changes in the clean prices of derivatives that are related to financial liabilities designated at fair value through profit or loss. Designation of such liabilities at fair value was chosen to eliminate or reduce an accounting mismatch between the liability and the derivative.
_ *Result from financial assets – available for sale:* realised gains and losses from selling as well as impairment losses and reversals of impairment losses from financial assets available for sale are reported in this item. However, interest and dividend elements for these assets and reversals of impairment losses on equity instruments are not part of this item.
_ *Result from financial assets – held to maturity:* impairment losses and reversals of impairment losses as well as occasional selling gains and losses from financial assets held to maturity are reported in this item. However, this item does not include incurred but not reported losses recognised for financial assets held to maturity on portfolio level, which are part of the item 'Risk provisions for loans and advances'.

d) SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

The consolidated financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are as follows:

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Disclosures for valuation models, the fair value hierarchy and fair values of financial instruments can be found in Note 40 Fair value of assets and liabilities.

Impairment of financial assets
Erste Group reviews its financial assets not measured at fair value through profit or loss at each balance sheet date to assess whether an impairment loss should be recorded in the income statement. In particular, it is required to determine whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and to estimate the amount and timing of future cash flows when determining an impairment loss.

Disclosures concerning impairment are provided in Note 38 Risk management in the 'Credit risk' subsection entitled – 'Non-performing credit risk exposure, risk provisions and collateral'. The development of loan loss provisions is described in Note 15 Risk provisions for loans and advances.

Impairment of non-financial assets
Erste Group reviews its non-financial assets at each balance sheet date to assess whether there is an indication of impairment loss that should be recorded in the income statement. Furthermore, cash-generating units to which goodwill is allocated are tested for impairment on a yearly basis. Judgement and estimates are required to determine the value in use and fair value less costs of disposal by estimating the timing and amount of future expected cash flows and the discount rates. Assumptions and estimates used for impairment on non-financial assets calculations are described in the parts 'Business combinations and goodwill' and 'Impairment of non-financial assets (property and equipment, investment property, intangible assets)' in the Accounting Policies discussion under the Notes. Inputs used for goodwill impairment testing and their sensitivities can be found in Note 19.2 Intangible assets in the section 'Development of goodwill'.

Deferred tax assets
Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Disclosures concerning deferred taxes are in Note 20 Tax assets and liabilities.

Defined benefit obligation plans
The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Assumptions, estimates and sensitivities used for the defined benefit obligation calculations as well as related amounts are disclosed in Note 27a Long-term employee provisions.

Provisions
Recognition of provisions requires judgement with respect to whether Erste Group has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Provisions are disclosed in Note 27 Provisions and further details on provisions for contingent credit liabilities in Note 38.5 Credit risk. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 43 Contingent liabilities.

Leases
From Erste Group's perspective as a lessor, judgement is required to distinguish whether a given lease is a finance or operating lease based on the transfer of substantially all the risk and rewards from the lessor to the lessee. Disclosures concerning leases are in Note 33 Leases.

e) APPLICATION OF AMENDED AND NEW IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning on or after 1 January 2013. As regards new standards and interpretations and their amendments, only those that are relevant for the business of Erste Group are listed below.

Effective standards and interpretations
The following standards and their amendments have been mandatory since 2013:

- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
- IAS 19 (revised 2011) Employee Benefits
- Amendments to IFRS 7 – Offsetting Financial Assets and Liabilities
- IFRS 13 Fair Value Measurement
- Annual improvements to IFRSs (issued in 2012)

Application of these standards had no material effect on the recognition and measurement methods of Erste Group. However, there were the following presentation and disclosure impacts:

_ Amendments to IAS 1 bring new rules on how OCI items and their tax effects are grouped in the statement of comprehensive income
_ Application of IAS 19 (revised 2011) leads to a new column 'Remeasurement of net liability of defined benefit plans' in the statement of changes in equity and additional disclosures (e.g. sensitivity analysis) in Note 27a Long-term employee provisions
_ Amendments to IFRS 7 result in new disclosures for offsetting in the area of derivatives and repo transactions in Note 37 Offsetting
_ Application of IFRS 13 results in enhanced disclosures about fair value measurements for financial instruments and non-financial assets in Note 40 Fair value of assets and liabilities

Standards and interpretations not yet effective

The standards and interpretations shown below were issued by the IASB but are not yet effective. Thereof, the following standards and amendments have been endorsed by the EU:

_ Amendments to IAS 36 – Recoverable Amounts Disclosures for Non-financial Assets
_ Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting
_ IAS 27 (revised 2011) Separate Financial Statements
_ IAS 28 (revised 2011) Investments in Associates and Joint Ventures
_ Amendments to IAS 32 – Offsetting Financial Assets and Liabilities
_ IFRS 10 Consolidated Financial Statements
_ IFRS 11 Joint Arrangements
_ IFRS 12 Disclosure of Interests in Other Entities

Although they have been endorsed by the EU, Erste Group decided not to apply them before they become effective.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
Amendments to IAS 19 were issued in November 2013 and are effective for annual periods beginning on or after 1 July 2014.

The amendments clarify that contributions from employees or third parties that are linked to service must be attributed to periods of service using the same attribution method as used for the gross benefit. However, the contribution may be recognised as a reduction in the service cost if the amount of the contributions is independent of the number of years of service.

Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

IAS 27 (revised 2011) Separate Financial Statements
The revised IAS 27 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. As adopted by the European Union, however, the revised IAS 27 becomes effective, at the latest, as from the commencement date of the first financial year starting on or after 1 January 2014.

After revision, only the part relevant for individual financial statements was kept in IAS 27. This is due to the fact that IFRS 10 has become a new standard relevant for consolidated financial statements. This resulted in a change of the name of IAS 27.

The revised IAS 27 is not expected to have a significant impact on Erste Group's financial statements.

IAS 28 (revised 2011) Investments in Associates and Joint Ventures
The revised IAS 28 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. As adopted by the European Union, however, the revised IAS 28 becomes effective, at the latest, as from the commencement date of the first financial year starting on or after 1 January 2014.

Joint ventures are added to the scope of the revised IAS 28, which also results in a change in the name of the standard. This is due to the fact that under IFRS 11 the equity method is the only way of including joint ventures in the consolidated financial statements.

The revised IAS 28 is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 32 – Offsetting Financial Assets and Liabilities
Amendments to IAS 32 were issued in December 2011 and are effective for annual periods beginning on or after 1 January 2014.

The amendments clarify the meaning of the terms 'currently' and 'settlement on net basis'.

The amendments are not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 36 – Recoverable Amounts Disclosures for Non-financial Assets
Amendments to IAS 36 were issued in May 2013 and are effective for annual periods beginning on or after 1 January 2014.

The amendments require an entity to disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period. Additional disclosures are required if the recoverable amount is determined based on fair value less costs of disposal.

Application of these amendments will result in new disclosures concerning recoverable amounts.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting
Amendments to IAS 39 were issued in June 2013 and are effective for annual periods beginning on or after 1 January 2014.

Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative were novated, provided certain criteria are met.

Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

IFRS 9: Financial Instruments
IFRS 9 relating to the classification and measurement of financial assets was issued in November 2009 then supplemented by regulation for financial liabilities in October 2010. In November 2013, apart for hedge accounting was issued. Currently, IFRS 9 is available for application, but there is no effective date.

IFRS 9 introduces two classification criteria for financial assets: 1) an entity's business model for managing the financial assets, and 2) the contractual cash flow characteristics of the financial assets. As a result, a financial asset is measured at amortised cost only if both the following conditions are met: a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All financial assets that do not fulfil these conditions are measured at fair value with changes recognised in profit or loss. For investments in equity instruments that are not held for trading, an entity may make an irrevocable election at initial recognition to measure them at fair value with changes recognised in other comprehensive income.

Based on changes in the business model, an entity shall reclassify all affected assets from fair value to the amortised cost category or vice versa.

The objective of the new hedge accounting model is to reflect in accounting actual risk management practices of entities hedging risks. For Erste Group, the following areas are expected to be relevant to achieve this objective: only the prospective effectiveness test is required and the retrospective effectiveness test with the 80%-125% corridor was abandoned; when options are used as hedging instruments, the volatility of the time value is recognised through OCI rather than profit or loss; the possibility of hedging synthetic items containing derivatives.

This standard will have a significant effect on balance sheet items and measurement methods for financial instruments. As IFRS 9 has not yet been published in its final version, its impact cannot be quantified.

IFRS 10 Consolidated Financial Statements
IFRS 10 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. As adopted by the European Union, however, IFRS 10 becomes effective, at the latest, as from the commencement date of the first financial year starting on or after 1 January 2014. It replaces IAS 27, 'Consolidated and Separate Financial Statements' and interpretation SIC-12, 'Consolidation – Special Purpose Entities'.

IFRS 10 defines the principle of control for all entities, including those that were previously considered special purpose entities under SIC-12. An investor controls an investee when the investor is exposed or has rights to variable returns from the investee and has the ability to affect these returns through its power over the investee. The assessment of control is based on all facts and circumstances, and the conclusion is reassessed if there are changes in these facts and circumstances.

Furthermore, IFRS 10 addresses other issues such as control with less than majority voting rights, control solely through rights other than voting rights, and delegated decision rights. Parts dealing with consolidation procedures, non-controlling interests and loss of control were taken over into IFRS 10 from IAS 27.

IFRS 10 also brings clarification in the area of protective rights, which normally do not lead to control of a subsidiary. During 2013, Erste Group undertook a thorough review aimed at assessing whether its rights arising from the provisions of the agreement governing the cross-guarantee system of the Austrian savings bank sector (Haftungsverbund) are substantive and not merely protective, in light of the forthcoming control criteria provided by IFRS 10. As a result of this review, several relevant provisions of the Haftungsverbund have been revised and will come into effect on 1 January 2014. Therefore, the adoption by Erste Group of IFRS 10 on 1 January 2014 will not trigger any modification of Group's IFRS scope of consolidation in respect of the member savings banks of the Haftungsverbund.

At the same time, as a result of adopting IFRS 10 on 1 January 2014, Erste Group will enlarge its consolidation scope by a number of investment funds managed by Erste Group subsidiaries (notably Erste-SparInvest Kapitalanlagegesellschaft m.b.H.) and have the Group as investor via one or more of its subsidiaries (notably savings banks). Based on SIC 12 'Consolidation – Special Purpose Entities', these funds did not meet the consolidation criteria up to 31 December 2013.

Also, as at the date of publication of these financial statements, an analysis of the impact of adopting IFRS 10 on the accounting treatment of the pension funds managed by Group subsidiaries is still in process and expected to be completed by the end of the first quarter of 2014, based on ongoing regulatory and/or statutory developments.

IFRS 11 Joint Arrangements
IFRS 11 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. As adopted by the European Union, however IFRS 11 becomes effective, at the latest, as from the commencement date of the first financial year starting on or after 1 January 2014. It supersedes IAS 31, 'Interests in Joint Ventures', and SIC-13, 'Jointly-controlled Entities – Nonmonetary Contributions by Venturers'.

The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for these rights and obligations in accordance with that type of joint arrangement. IFRS 11 classifies joint arrangements as either joint ventures or joint operations. IFRS 11 requires the use of the equity method of accounting for joint ventures by eliminating the option to use the proportionate consolidation method. A joint operator recognises its assets, liabilities, revenues and expenses separately in relation to its interest in the arrangement.

As Erste Group did not apply the proportionate consolidation method allowed in IAS 31, application of this standard is not expected to have a significant impact on Erste Group's financial statements.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. As adopted by the European Union, however, IFRS 12 becomes effective, at the latest, as from the commencement date of the first financial year starting on or after 1 January 2014.

The objective of IFRS 12 is to require the disclosure of information enabling users of financial statements to evaluate the nature of, and risks associated with, an investor's interests in other entities as well as the effects of those interests on the investor's financial position, financial performance and cash flows. Disclosures are provided separately for subsidiaries, joint operations, joint ventures, associates and unconsolidated structured entities. IFRS 12 is a comprehensive disclosures standard. Therefore, there are no specific disclosure requirements in IFRS 10, IFRS 11 and IAS 28.

Application of this standard is not expected to have a significant impact on Erste Group's financial statements. However, it will result in new disclosures especially in the area of non-controlling interests. No disclosures are expected for unconsolidated structured entities.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance
Amendments to IFRS 10, IFRS 11 and IFRS 12 were issued in June 2012 and their effectiveness is aligned with the effective date of the standards.

The amendments change the transition guidance to provide further relief from retrospective application.

Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities
Amendments to IFRS 10, IFRS 12 and IAS 27 were issued in October 2012 and are effective for annual periods beginning on or after 1 January 2014.

The amendments provide an exemption from consolidation of subsidiaries under IFRS 10 for entities that meet the definition of an investment entity, such as certain investment funds. Instead, such entities will measure their investments in subsidiaries at fair value through profit or loss.

Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycle
In December 2013, the IASB issued two sets of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 July 2014.

Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

IFRIC 21 Levies
IFRIC 21 was issued in May 2013 and is effective for annual periods beginning on or after 1 January 2014.

The interpretation addresses when a liability for a levy imposed by a government is recognised. The liability is recognised progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

C. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND THE BALANCE SHEET OF ERSTE GROUP

1) Net interest income

in EUR million	2013	2012
Interest income		
Lending and money market transactions with credit institutions	1,161.2	944.5
Lending and money market transactions with customers	5,072.7	5,957.8
Bonds and other interest-bearing securities	1,028.6	1,383.9
Other interest income	15.9	7.3
Similar income		
Equity-related securities	50.7	56.1
Investments		
Non-consolidated subsidiaries	9.5	17.4
Other investments	21.0	20.1
Investment properties and operating lease	73.1	73.2
Interest and similar income	**7,432.6**	**8,460.3**
Interest income from financial assets - at fair value through profit or loss	218.1	334.8
Total interest and similar income	**7,650.8**	**8,795.1**
Interest expenses		
Deposits by banks	(438.8)	(642.3)
Customer deposits	(1,279.7)	(1,741.1)
Debt securities in issue	(862.1)	(926.5)
Subordinated liabilities	(166.3)	(204.9)
Other	(4.8)	(2.8)
Interest and similar expenses	**(2,751.7)**	**(3,517.6)**
Interest expenses from financial liabilities - at fair value through profit or loss	(62.8)	(58.6)
Total interest and similar expenses	**(2,814.5)**	**(3,576.2)**
Income from equity method investments	**21.8**	**16.4**
Total	**4,858.1**	**5,235.3**

In interest income, an amount of EUR 73.1 million (2012: EUR 73.2 million) was reported as income from investment properties and operating leases (net position consisting of rental income and depreciation). Without these items, Total interest and similar income would reach EUR 7,576.9 million (2012: EUR 8,721.9 million). Net interest income also contains the item Income from equity method investments in the amount of EUR 21.8 million (2012: EUR 16.4 million). Without the above items, the net interest income would be EUR 4,763.2 million (2012: EUR 5,145.7 million).

Rental income from investment properties that are classified in accordance with IAS 40 totalled EUR 79.3 million (2012: EUR 87.6 million).

For financial assets or liabilities that are not measured at fair value through profit or loss, the total interest income amounted to EUR 6,484.2 million (2012: EUR 7,555.1 million) and the total interest expense to EUR (2,549.2) million (2012: EUR (3,236.5) million). Net interest income for these items is therefore EUR 3,935.0 million (2012: EUR 4,318.6 million).

2) Risk provisions for loans and advances

in EUR million	2013	2012
Allocation to risk provisions for loans and advances	(3,538.2)	(3,203.7)
Release of risk provisions for loans and advances	1,913.9	1,364.0
Direct write-offs of loans and advances	(257.3)	(237.3)
Recoveries on written-off loans and advances	118.2	97.0
Total	**(1,763.4)**	**(1,980.0)**

3) Net fee and commission income

in EUR million	2013	2012
Lending business	256.8	263.4
Payment transfers	903.5	862.3
Card business	210.7	202.2
Securities business	411.7	356.9
Investment fund transactions	222.0	195.2
Custodial fees	69.1	39.7
Brokerage	120.6	122.0
Insurance brokerage	99.7	99.3
Building society brokerage	22.9	31.2
Foreign exchange transactions	23.1	25.2
Investment banking business	30.6	20.4
Other	61.7	62.1
Total	**1,810.0**	**1,720.8**

4) Net trading result

in EUR million	2013	2012
Securities and derivatives trading	60.6	74.2
Foreign exchange transactions	232.5	199.2
Total	**293.1**	**273.4**

From cash flow and fair value hedges, an amount of EUR 7.4 million (2012: EUR (21.0) million) is reported under the line item ‘Net trading result’.

5) General administrative expenses

in EUR million	2013	2012
Personnel expenses	(2,232.4)	(2,284.1)
Other administrative expenses	(1,068.8)	(1,106.1)
Depreciation and amortisation	(352.3)	(366.5)
Total	**(3,653.5)**	**(3,756.7)**

Personnel expenses

in EUR million	2013	2012
Wages and salaries	(1,706.2)	(1,737.0)
Compulsory social security contributions	(440.0)	(433.3)
Long-term employee provisions	(48.0)	(70.4)
Other personnel expenses	(38.2)	(43.4)
Total	**(2,232.4)**	**(2,284.1)**

Personnel expenses include expenses of EUR 49.5 million (2012: EUR 52.0 million) for defined contribution plans, of which EUR 0.9 million (2012: EUR 0.9 million) relates to members of the management board.

Average number of employees during the financial year (weighted according to the level of employment)

	2013	2012
Employed by Erste Group	**46,843**	**49,537**
Domestic	**15,810**	**16,111**
Haftungsverbund savings banks	7,329	7,433
Abroad	**31,033**	**33,426**
Banca Comercială Română Group	7,418	8,690
Česká spořitelna Group	10,629	10,760
Slovenská sporiteľňa Group	4,247	4,200
Erste Bank Hungary Group	2,770	2,639
Erste Bank Croatia Group	2,551	2,615
Erste Bank Serbia	929	937
Erste Bank Ukraine	374	1,569
Other subsidiaries and foreign branch offices	2,115	2,016

Other administrative expenses

in EUR million	2013	2012
IT expenses	(258.9)	(250.0)
Expenses for office space	(256.4)	(280.1)
Office operating expenses	(138.7)	(145.6)
Advertising/marketing	(164.0)	(184.7)
Legal and consulting costs	(138.2)	(130.5)
Sundry administrative expenses	(112.6)	(115.2)
Total	**(1,068.8)**	**(1,106.1)**

Operating expenses (including repair and maintenance) for ‘Investment properties’ held for rental income totalled EUR 2.8 million (2012: EUR 3.6 million).

Depreciation and amortisation

in EUR million	2013	2012
Software and other intangible assets	(146.8)	(149.4)
Real estate used by the Group	(84.1)	(85.7)
Office furniture and equipment and sundry property and equipment	(121.3)	(131.4)
Total	**(352.3)**	**(366.5)**

Amortisation of customer relationships is included in the item 'Other operating result' instead of under 'Depreciation and amortisation'.

6) Other operating result

in EUR million	2013	2012
Other operating income	352.8	842.8
Other operating expenses	(1,434.7)	(1,567.1)
Total	**(1,081.9)**	**(724.3)**
Result from real estates/movables/properties/software	(50.4)	(73.0)
Allocation/release of other provisions/risks	(40.3)	25.9
Expenses for deposit insurance contributions	(77.2)	(80.7)
Amortisation of customer relationships	(65.2)	(69.2)
Other taxes	(329.7)	(269.1)
Impairment of goodwill	(383.0)	(514.9)
Result from repurchases of liabilities measured at amortised cost	5.5	413.4
Result from other operating expenses/income	(141.5)	(156.7)
Total	**(1,081.9)**	**(724.3)**

Operating expenses (including repair and maintenance) for 'Investment properties' not held for rental income totalled EUR 3.5 million (2012: EUR 24.6 million).

The amount of impairment loss on assets held for sale recognised in the result from real estate/moveables/properties/software is EUR (2.9) million (2012: EUR (69.8) million).

Banking tax in the amount of EUR 256.6 million was recognised in the year 2013 (2012: EUR 244.0 million). Moreover, additional transaction and other banking related taxes in the amount of EUR 54.4 million was imposed by the Hungarian government.

In line item 'Result from other operating expenses/income' an amount of EUR 76.6 million was recognised for disposal of Erste Bank Ukraine in 2013.

7) Result from financial instruments – at fair value through profit or loss

in EUR million	2013	2012
Gain / (loss) from measurement / sale of financial assets designated for fair value through profit or loss	10.5	40.0
Gain / (loss) from measurement / sale of financial liabilities designated for fair value through profit or loss	(23.6)	(97.5)
Gain / (loss) from derivatives used for Fair Value Option	(63.2)	53.9
Total	**(76.3)**	**(3.6)**

The amounts of the fair value changes that are attributable to changes in own credit risk can be found in the Notes 24 Customer deposits, 25 Debt securities in issue and 29 Subordinated liabilities.

8) Result from financial assets – available for sale

in EUR million	2013	2012
Gain / (loss) from sale of financial assets available for sale	28.7	121.9
Impairment / reversal of impairment of financial assets available for sale	(42.2)	(65.7)
Total	**(13.5)**	**56.2**

During the reporting period, the amount of EUR 14.5 million was reclassified from 'Other comprehensive income' and recognised as expense in 'Result from Financial assets – available for sale' (2012: income EUR 262.0 million).

The carrying amount of investments in equity instruments measured at cost that were sold during the period was EUR 1.9 million (2012: EUR 9.9 million). The resulting gain on sale was EUR 1.0 million (2012: EUR 6.7 million).

9) Result from financial assets – held to maturity

in EUR million	2013	2012
Income		
Income from sale of financial assets held to maturity	7.4	7.7
Reversal of impairment loss of financial assets held to maturity	7.9	0.0
Expenses		
Loss from sale of financial assets held to maturity	(0.2)	(14.3)
Impairment of financial assets held to maturity	(13.6)	(13.3)
Total	**1.5**	**(19.9)**

10) Taxes on income

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes.

in EUR million	2013	2012
Current tax expense / income	(311.1)	(314.5)
current period	(284.8)	(294.2)
prior period	(26.3)	(20.3)
Deferred tax expense / income	132.6	144.3
current period	117.8	126.2
prior period	14.7	18.1
Total	**(178.5)**	**(170.2)**

Tax effects relating to each component of other comprehensive income:

The following table reconciles the income taxes reported in the income statement to the pre-tax profit/loss multiplied by the nominal Austrian tax rate.

in EUR million	2013	2012
Pre-tax profit/loss	374.3	801.2
Income tax expense for the financial year at the domestic statutory tax rate (25%)	(93.6)	(200.3)
Impact of different foreign tax rates	40.5	43.4
Impact of tax-exempt earnings of investments and other tax-exempt income	132.3	150.4
Tax increases due to non-deductible expenses, additional business tax and similar elements	(99.2)	(32.9)
Impact of the goodwill impairment loss recognized at Group level, added back to theoretical tax	(95.8)	(109.4)
One-off release of loan loss risk provision related deferred tax liabilities	127.7	0.0
Net impact of non-valued fiscal losses for the year	(97.0)	(19.3)
Impact of non-valuation of carried forward fiscal losses and of temporary deductible differences previously valued	(81.9)	0.0
Tax income not attributable to the reporting period	(11.5)	(2.2)
Total	**(178.5)**	**(170.2)**

In June 2013, deferred tax liabilities in amount of EUR 127.7 million have been released by Banca Comerciala Romana, as a result of risk provision-related taxable differences converting from temporary to permanent due to updates in local fiscal regulations and interpretations.

On the other hand, Group's effective tax expense for the full year 2013 has been adversely impacted by current fiscal loss related deferred tax assets which could not be recognised and by write-offs of deferred tax assets which had been recognised as at the end of prior year.

Some of the comparative figures for the year 2012 have been adjusted in order to ensure alignment to the more detailed presentation of the tax reconciliation for the current year, for the purpose of enhancing its informative value.

in EUR million	2013 Before-tax amount	2013 Tax benefit	2013 Net-of-tax amount	2012 Before-tax amount	2012 Tax benefit	2012 Net-of-tax amount
Available for sale-reserve (including currency translation)	(114.3)	27.6	(86.8)	975.9	(199.7)	776.2
Cash flow hedge-reserve (including currency translation)	(71.9)	17.4	(54.6)	(3.4)	4.6	1.2
Remeasurement of net liability of defined pension plans	(6.7)	2.3	(4.5)	(45.9)	11.2	(34.7)
Currency translation	(241.4)	0.0	(241.4)	16.2	0.0	16.2
Other comprehensive income	**(434.4)**	**47.2**	**(387.2)**	**942.8**	**(183.9)**	**758.9**

11) Appropriation of profit

It will be proposed at the Annual General Meeting of Erste Group Bank AG that shareholders be paid a dividend of EUR 0.20 per share or EUR 85,960,000.00 in total. Shareholders of participation capital will be paid a dividend of 8% per annum till 7 August 2013; this amounts to EUR 84,659,712.00. In 2013, a dividend of EUR 0.40 per share was paid (in total EUR 157,827,458.80), as well as a dividend to shareholders of participation capital in the amount of EUR 141,099,520.00 for the financial year 2012. In 2012, EUR 141,099,520.00 was paid out to shareholders of participation capital and no dividend per share was paid for the financial year 2011. The total profit of Erste Group Bank AG distributable under Austrian accounting regulations is EUR 170.6 million (2012: EUR 298.9 million).

12) Cash and balances with central banks

in EUR million	2013	2012
Cash in hand	2,327	2,342
Balances with central banks	6,343	7,398
Total	**8,670**	**9,740**

A portion of ‘Balances with central banks’ represents mandatory reserve deposits that are not available for use in the day-to-day operations of Erste Group.

13) Loans and advances to credit institutions

in EUR million	2013	2012
Loans and advances to domestic credit institutions	621	1,029
Loans and advances to foreign credit institutions	8,441	8,045
Total	**9,062**	**9,074**

14) Loans and advances to customers

Loans and advances to customers classified regionally

in EUR million	2013	2012
Loans and advances to domestic customers	63,016	65,615
Loans and advances to foreign customers	64,681	66,313
Total	**127,698**	**131,928**

Loans and advances to customers broken down by asset classes

in EUR million	2013	2012
Public sector	6,864	6,493
Commercial customers	63,735	69,855
Private customers	56,793	54,792
Unlisted securities	306	788
Total	**127,698**	**131,928**

15) Risk provisions for loans and advances

Development in risk provisions 2013

in EUR million	2012	Acquisition/ disposal of subsidiaries	Currency translation	Allo-cations	Use	Releases	Interest income from impaired loans	Reclassifi-cation	2013
Specific loan loss provisions	**6,940**	**0**	**30**	**2,977**	**(1,160)**	**(1,357)**	**(270)**	**(4)**	**7,156**
Loans and advances to credit institutions	61	0	0	2	(7)	(2)	0	0	54
Loans and advances to customers	6,879	0	30	2,975	(1,153)	(1,355)	(270)	(4)	7,102
Portfolio loan loss provisions	**704**	**0**	**(11)**	**343**	**0**	**(377)**	**0**	**(5)**	**654**
Loans and advances to credit institutions	6	0	(8)	16	0	(20)	0	8	1
Loans and advances to customers	695	0	(3)	326	0	(356)	0	(11)	651
Financial assets - held to maturity	3	0	0	2	0	0	0	(2)	2
Risk provisions for loans and advances[1]	**7,644**	**0**	**19**	**3,321**	**(1,160)**	**(1,734)**	**(270)**	**(10)**	**7,810**

1) Risk provisions for loans and advances are recognised on the balance sheet as a deduction from assets.

Development in risk provisions 2012

in EUR million	2011	Acquisition/ disposal of subsidiaries	Currency translation	Allo-cations	Use	Releases	Interest income from impaired loans	Reclassifi-cation[2]	2012
Specific loan loss provisions	**6,113**	**12**	**75**	**2,785**	**(1,056)**	**(738)**	**(201)**	**(50)**	**6,940**
Loans and advances to credit institutions	64	0	0	1	(3)	(1)	0	0	61
Loans and advances to customers	6,049	12	75	2,784	(1,053)	(737)	(201)	(50)	6,879
Portfolio loan loss provisions	**914**	**1**	**6**	**273**	**0**	**(479)**	**0**	**(11)**	**704**
Loans and advances to credit institutions	9	0	(1)	13	0	(15)	0	0	6
Loans and advances to customers	891	1	7	260	0	(458)	0	(6)	695
Financial assets - held to maturity	14	0	0	0	0	(6)	0	(5)	3
Risk provisions for loans and advances[1]	**7,027**	**13**	**81**	**3,058**	**(1,056)**	**(1,217)**	**(201)**	**(61)**	**7,644**

1) Risk provisions for loans and advances are recognised on the balance sheet as a deduction from assets.
2) Due to classification of Erste Bank Ukraine as a disposal group, risk provisions of Erste Bank Ukraine in the amount of EUR 67 million were presented within 'Assets held for sale' in 2012 and accordingly reclassified from risk provisions.

Impairment loss for financial instruments

in EUR million	2013	2012	Position in Statement of Comprehensive income[1)]
Loans and advances to credit institutions	23.5	16.6	Risk provisions for loans and advances (Note 2)
Loans and advances to customers	3,552.5	3,278.7	Risk provisions for loans and advances (Note 2)
Financial assets - available for sale	54.2	75.3	Result from financial assets - available for sale (Note 8)
Financial assets - held to maturity	15.6	13.3	Result from financial assets - held to maturity (Note 9), Risk provisions for loans and advances (Note 2)
Contingent credit risk liabilities	217.5	145.7	Risk provisions for loans and advances (Note 2)

1) Amounts presented under these items are not directly reconcilable with Notes 2, 8 and 9 as under Note 15 only impairment losses consisting of allocation of risk provisions and direct write-off expenses are considered. Notes 2, 8 and 9 comprise profit or loss impairment effects consisting of allocation, release of risk provisions, direct write-off expenses and income on loss and advances written off (including contingent credit risk liabilities in Note 2).

Loans and receivables and investment held to maturity 2013

in EUR million	Balance sheet positions (gross carrying amount)	Specific loan loss provisions	Portfolio loan loss provisions	Net carrying amount
Loans and advances to credit institutions	9,062	(54)	(1)	9,007
Loans and advances to customers	127,698	(7,102)	(651)	119,945
Financial assets - held to maturity	17,781	n/a	(2)	17,779
Risk provisions for loans and advances	(7,810)	7,156	654	0
Total	**146,731**	**0**	**0**	**146,731**

Loans and receivables and investment held to maturity 2012

in EUR million	Balance sheet positions (gross carrying amount)	Specific loan loss provisions	Portfolio loan loss provisions	Net carrying amount
Loans and advances to credit institutions	9,074	(61)	(6)	9,007
Loans and advances to customers	131,928	(6,879)	(695)	124,354
Financial assets - held to maturity	18,975	n/a	(3)	18,972
Risk provisions for loans and advances	(7,644)	6,940	704	0
Total	**152,332**	**0**	**0**	**152,332**

16) Derivative financial instruments according to risk classes

in EUR million	2013 Notional amount	2013 Fair value Positive	2013 Fair value Negative	2012 Notional amount	2012 Fair value Positive	2012 Fair value Negative
Derivatives held for trading						
Interest rate	151,475	4,463	4,546	235,342	8,655	8,517
Equity	734	50	13	731	22	7
Foreign exchange	29,601	746	653	33,039	1,083	688
Credit	331	0	6	606	6	9
Commodity	252	2	4	496	5	8
Other	84	8	1	147	4	0
Total derivatives held for trading	**182,478**	**5,269**	**5,223**	**270,361**	**9,775**	**9,229**
Derivatives held in banking book						
Fair value hedges						
Interest rate	30,693	1,866	594	28,450	2,394	695
Equity	0	0	0	0	0	0
Foreign exchange	3,051	2	10	321	11	12
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	70	2	1	27	3	0
Total fair value hedges	**33,814**	**1,870**	**605**	**28,798**	**2,408**	**707**
Cash flow hedges						
Interest rate	4,866	73	32	2,434	102	0
Equity	0	0	0	0	0	0
Foreign exchange	443	1	7	1,553	2	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	20	1	1	0	0	0
Total cash flow hedges	**5,328**	**74**	**40**	**3,987**	**104**	**0**
Other derivatives						
Interest rate	21,175	720	608	15,749	853	719
Equity	1,860	41	40	1,009	37	40
Foreign exchange	14,353	252	141	15,784	89	165
Credit	496	9	8	580	10	4
Commodity	44	4	5	56	13	13
Other	313	45	63	106	0	1
Total other derivatives	**38,240**	**1,072**	**864**	**33,284**	**1,002**	**942**
Total derivatives in banking book	**77,382**	**3,016**	**1,509**	**66,069**	**3,514**	**1,649**
Total derivatives	**259,861**	**8,285**	**6,731**	**336,430**	**13,289**	**10,878**

17) Securities

					Financial assets							
	Loans and advances to customers and credit institutions		Trading assets		At fair value through profit or loss		Available for sale		Held to maturity		Total	
in EUR million	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Bonds and other interest-bearing securities	**831**	**1,312**	**5,668**	**4,872**	**322**	**526**	**18,554**	**20,226**	**17,781**	**18,975**	**43,156**	**45,911**
Listed	0	0	3,448	4,404	286	467	16,754	18,924	17,033	18,216	37,520	42,011
Unlisted	831	1,312	2,220	468	36	59	1,800	1,302	748	759	5,636	3,900
Equity-related securities	**0**	**0**	**273**	**306**	**207**	**190**	**1,622**	**1,725**	**0**	**0**	**2,102**	**2,221**
Listed	0	0	86	104	151	190	874	573	0	0	1,112	867
Unlisted	0	0	186	202	56	0	748	1,152	0	0	991	1,354
Equity holdings	0	0	0	0	0	0	405	467	0	0	405	467
Total	**831**	**1,312**	**5,941**	**5,178**	**529**	**716**	**20,581**	**22,418**	**17,781**	**18,975**	**45,663**	**48,599**

Investment funds are disclosed within equity-related securities.

Held-to-maturity financial assets include bonds and other interest-bearing securities that are quoted in active markets and are intended to be held to maturity.

The carrying amount of investments in equity instruments measured at cost is EUR 341 million (2012: EUR 376 million). Of this, Erste Group intends to dispose of investments in carrying the amount of EUR 82 million through direct sales.

Securities lending and repurchase transactions are disclosed in Note 36 Transfers of financial assets – repurchase transactions and securities lending.

During the financial year 2013, three bond investments with a carrying amount of EUR 29.1 million were reclassified from the category HtM to AfS, of which EUR 25.6 million were sold up to 31 December 2013. The reclassification was determined by significant deterioration of the issuer's creditworthiness, which triggered a reassessment of the original intention to hold those investments until maturity.

A total negative effect of EUR 9.8 million was recognised in the income statement during the year. Of this effect, a total amount of EUR 3.0 million was reflected in the item 'Result from financial assets – held to maturity' representing impairment loss recognised prior to the reclassification, and a total amount of EUR 6.8 million in the item 'Result from financial assets – available for sale' representing the impact of remeasurement and partial sale.

18) Equity method investments

in EUR million	2013	2012
Credit institutions	93	94
Financial institutions	3	0
Non-credit institutions	111	80
Total	**208**	**174**

The table below shows the aggregated financial information of companies accounted for using the equity method:

in EUR million	2013	2012
Total assets	3,278	2,662
Total liabilities	2,716	2,262
Income	436	350
Profit/loss	60	43

As of 31 December 2013 and 31 December 2012, none of Erste Group's investments accounted for using the equity method published price quotations.

19) Movements in fixed assets schedule

19.1) Property, equipment and other assets

A) AT COST

in EUR million	Property and equipment: Land and buildings (used by the Group)	Property and equipment: Office and plant equipment/ other fixed assets	Property and equipment: IT assets (hardware)	Property and equipment	Investment properties	Movable other property[1]
Balance as of 1 Jan 2012	**2,917**	**1,200**	**720**	**4,837**	**1,620**	**62**
Additions in current year (+)	128	80	44	253	43	267
Disposals (-)	(110)	(70)	(63)	(243)	(116)	(8)
Acquisition of subsidiaries (+)	0	0	0	0	0	0
Disposal of subsidiaries (-)	0	(1)	0	(2)	(52)	0
Reclassifications (+/-)	4	(5)	6	5	1	0
Assets held for sale (+/-)	(85)	(9)	(5)	(99)	(9)	0
Currency translation (+/-)	8	4	1	14	23	(1)
Balance as of 31 Dec 2012	**2,863**	**1,199**	**704**	**4,766**	**1,510**	**321**
Additions in current year (+)	133	62	54	249	42	175
Disposals (-)	(156)	(250)	(96)	(502)	(37)	(98)
Acquisition of subsidiaries (+)	15	1	0	17	82	25
Disposal of subsidiaries (-)	0	0	(1)	(1)	(100)	0
Reclassifications (+/-)	0	0	0	0	0	0
Assets held for sale (+/-)	0	0	0	0	0	0
Currency translation (+/-)	(72)	(21)	(17)	(110)	(53)	(4)
Balance as of 31 Dec 2013	**2,783**	**990**	**645**	**4,418**	**1,444**	**419**

1) Movable other property is part of 'Other Assets' on the balance sheet.

B) ACCUMULATED DEPRECIATION

in EUR million	Property and equipment					
	Land and buildings (used by the Group)	Office and plant equipment/ other fixed assets	IT assets (hardware)	Property and equipment	Investment properties	Movable other property[1)]
Balance as of 1 Jan 2012	**(1,019)**	**(879)**	**(578)**	**(2,476)**	**(481)**	**(18)**
Amortisation and depreciation (-)	(86)	(80)	(63)	(229)	(34)	(10)
Disposals (+)	37	62	58	158	50	1
Acquisition of subsidiaries (+)	0	0	0	0	(1)	(88)
Disposal of subsidiaries (+)	0	1	0	1	18	5
Impairment (-)	(25)	(1)	0	(26)	(36)	(4)
Reversal of impairment (+)	7	0	0	7	2	3
Reclassifications (+/-)	(4)	0	(3)	(6)	0	0
Assets held for sale (+/-)	31	7	5	43	1	1
Currency translation (+/-)	(4)	(4)	0	(9)	(6)	0
Balance as of 31 Dec 2012	**(1,063)**	**(894)**	**(581)**	**(2,538)**	**(487)**	**(110)**
Amortisation and depreciation (-)	(84)	(69)	(52)	(204)	(27)	(73)
Disposals (+)	78	181	86	345	32	48
Acquisition of subsidiaries (-)	(6)	(1)	0	(6)	(38)	(19)
Disposal of subsidiaries (+)	0	0	0	0	36	0
Impairment (-)	(4)	(1)	(1)	(7)	(26)	(3)
Reversal of impairment (+)	0	0	0	0	1	0
Reclassifications (+/-)	0	0	0	1	0	0
Assets held for sale (+/-)	0	0	0	0	0	0
Currency translation (+/-)	25	14	10	47	15	2
Balance as of 31 Dec 2013	**(1,053)**	**(769)**	**(538)**	**(2,361)**	**(494)**	**(156)**

1) Movable other property is part of ‘Other Assets’ on the balance sheet.

C) CARRYING AMOUNTS

in EUR million	Property and equipment					
	Land and buildings (used by the Group)	Office and plant equipment/ other fixed assets	IT assets (hardware)	Property and equipment	Investment properties	Movable other property[1)]
Balance as of 31 Dec 2012	**1,800**	**305**	**123**	**2,228**	**1,023**	**211**
Balance as of 31 Dec 2013	**1,729**	**221**	**107**	**2,057**	**951**	**263**

1) Movable other property is part of ‘Other Assets’ on the balance sheet.

Carrying amount of investment properties includes investment properties under operating leases in amount of EUR 184 million (2012: EUR 325 million).

In the reporting period, borrowing costs of EUR 3.6 million (2012: EUR 6.5 million) were capitalised. The related interest rate was at 2.8% (2012: range between 0.7% to 2.9%).

The carrying amount of expenditure recognised in the items fixed assets and investment properties during their construction is EUR 11.2 million (2012: EUR 39.4 million). The contractual commitments for purchase of fixed assets and investment properties are EUR 301.3 million (2012: EUR 277.2 million).

19.2) Intangible assets

A) AT COST

in EUR million	Goodwill	Customer relation-ships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
	Intangible assets						
Balance as of 1 Jan 2012	**3,981**	**776**	**299**	**1,258**	**251**	**495**	**7,060**
Additions in current year (+)	0	0	0	102	27	34	163
Disposals (-)	0	0	0	(35)	(10)	(2)	(47)
Acquisition of subsidiaries (+)	0	0	0	0	0	0	0
Disposal of subsidiaries (-)	0	0	0	0	0	0	0
Reclassifications (+/-)	0	0	0	9	3	(12)	0
Assets held for sale (+/-)	0	0	0	(27)	0	0	(27)
Currency translation (+/-)	(31)	(4)	(8)	10	2	3	(29)
Balance as of 31 Dec 2012	**3,950**	**772**	**291**	**1,317**	**273**	**518**	**7,120**
Additions in current year (+)	0	3	0	128	64	13	208
Disposals (-)	0	0	0	(172)	0	(97)	(269)
Acquisition of subsidiaries (+)	0	0	0	2	0	0	2
Disposal of subsidiaries (-)	(21)	0	0	0	0	0	(22)
Reclassifications (+/-)	0	0	0	0	0	0	0
Assets held for sale (+/-)	0	0	0	0	0	0	0
Currency translation (+/-)	(4)	(3)	(2)	(37)	(5)	(24)	(75)
Balance as of 31 Dec 2013	**3,924**	**771**	**289**	**1,237**	**333**	**411**	**6,965**

B) ACCUMULATED DEPRECIATION

in EUR million	Goodwill	Customer relation-ships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
	Intangible assets						
Balance as of 1 Jan 2012	**(1,809)**	**(343)**	**0**	**(838)**	**(221)**	**(317)**	**(3,528)**
Amortisation and depreciation (-)	0	(69)	0	(113)	(18)	(23)	(223)
Disposals (+)	0	0	0	31	10	2	43
Acquisition of subsidiaries (+)	0	0	0	0	0	0	0
Disposal of subsidiaries (+)	0	0	0	0	0	0	0
Impairment (-)	(515)	0	0	0	0	0	(515)
Reversal of impairment (+)	0	0	0	0	0	0	0
Reclassifications (+/-)	0	0	0	0	0	0	0
Assets held for sale (+/-)	0	0	0	10	0	0	10
Currency translation (+/-)	0	0	0	(6)	0	(7)	(13)
Balance as of 31 Dec 2012	**(2,324)**	**(412)**	**0**	**(916)**	**(229)**	**(345)**	**(4,226)**
Amortisation and depreciation (-)	0	(65)	0	(115)	(11)	(21)	(212)
Disposals (+)	0	0	0	173	0	78	251
Acquisition of subsidiaries (-)	0	0	0	0	0	0	(1)
Disposal of subsidiaries (+)	21	0	0	0	0	0	21
Impairment (-)	(383)	(3)	0	(10)	(2)	0	(398)
Reversal of impairment (+)	0	0	0	0	0	0	0
Reclassifications (+/-)	0	0	0	0	0	0	0
Assets held for sale (+/-)	0	0	0	0	0	0	0
Currency translation (+/-)	0	0	0	20	(6)	25	39
Balance as of 31 Dec 2013	**(2,685)**	**(480)**	**0**	**(847)**	**(248)**	**(263)**	**(4,525)**

C) CARRYING AMOUNTS

in EUR million	Intangible assets: Goodwill	Customer relation-ships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31 Dec 2012	**1,626**	**359**	**291**	**401**	**44**	**173**	**2,894**
Balance as of 31 Dec 2013	**1,239**	**291**	**289**	**390**	**85**	**147**	**2,441**

As of 31 December 2013, customer relationships included the customer relationships of Banca Comercială Română at EUR 199.0 million (2012: EUR 253.4 million), the customer relationship and distribution network of Erste Card Club d.d. Croatia at EUR 6.1 million (2012: EUR 10.7 million), as well as the customer relationships of Ringturm Kapitalanlagegesellschaft m.b.H at EUR 61.1 million (2012: EUR 68.5 million). The remaining amortisation period of customer relationships in Banca Comercială Română is 3.7 years, in Erste Card Club d.d. Croatia 0.6 years, and in Ringturm Kapitalanlagegesellschaft m.b.H 14.8 years.

The item 'Brand' as of 31 December 2013 consisted of the brand of Banca Comercială Română, at EUR 288.8 million (2012: EUR 290.6 million).

Development of goodwill

The changes in the carrying amount of goodwill, as well as gross amounts and accumulated impairment losses of goodwill, for the years ended 31 December 2013 and 2012 are shown below by country of subsidiary:

in EUR million	Romania	Czech Republic	Slovakia	Hungary	Croatia	Austria	Other countries	Total
Balance as of 1 Jan 2012	**1,101**	**544**	**226**	**0**	**114**	**187**	**0**	**2,172**
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	(470)	0	0	0	0	(45)	0	(515)
Exchange rate changes	(31)	0	0	0	0	0	0	(31)
Balance as of 31 Dec 2012	**600**	**544**	**226**	**0**	**114**	**142**	**0**	**1,626**
Gross amount of goodwill	2,249	544	226	313	114	363	141	3,950
Cumulative impairment	(1,649)	0	0	(313)	0	(221)	(141)	(2,324)
Balance as of 1 Jan 2013	**600**	**544**	**226**	**0**	**114**	**142**	**0**	**1,626**
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	(283)	0	0	0	(52)	(48)	0	(383)
Exchange rate changes	(4)	0	0	0	0	0	0	(4)
Balance as of 31 Dec 2013	**313**	**544**	**226**	**0**	**61**	**94**	**0**	**1,239**
Gross amount of goodwill	2,245	544	226	313	114	363	120	3,924
Cumulative impairment	(1,932)	0	0	(313)	(52)	(269)	(120)	(2,685)

In the goodwill development summary presented above, all relevant entities (cash generating units) are grouped by country of domicile of the relevant subsidiaries.

The gross amounts of the goodwill elements presented above are the amounts as determined at the time of the related acquisitions, less accumulated amortisations up to 31 December 2004, including the effects of exchange rate changes.

The goodwill elements having non-nil carrying amounts as of 31 December 2012 have been assessed for impairment on a quarterly basis throughout the year 2013. Thus, the goodwill impairment assessment for the year 2013 addressed the following subsidiaries (cash generating units):

_ Banca Comercială Română SA ('BCR')
_ Česká spořitelna a.s. ('CSAS')
_ Erste & Steiermarkische Bank d.d., Erste Bank Croatia ('EBC')
_ Slovenská sporiteľňa a.s. ('SLSP')
_ Steiermärkische Bank und Sparkassen Aktiengesellschaft ('STMK')
_ Erste Group Bank AG – Girocredit ('GIRO')

The analysis per subsidiary (cash generating unit) of both the carrying goodwill as of 31 December 2013 (1 January 2013) and of the impairment losses recognised for the year 2013 (2012) is presented in the table below. The table also summarizes the key elements of the approach taken in designing and performing the goodwill impairment test as of the end of 2013.

in EUR million	BCR	CSAS	EBC	SLSP	STMK	GIRO
Carrying amount of goodwill as of 1 January 2013	600	544	114	226	57	85
Effect of exchange rate changes for the year 2013	(4)	0	0	0	0	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)					
Key input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium					
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 2.73% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 29 November 2013.					
Description of approach to determining values assigned to terminal growth rate	For Austrian CGUs: Terminal Growth Rate has been equated to 1.00% reflecting expected Austrian annual average long-term inflation rate. For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 "European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements" published by the European Securities and Markets Authority (ESMA).					
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Bloomberg as of the reference date 29 November 2013. Thus, the β values used have been set at 1.223 for Austrian tested entities and 1.218 for non-Austrian (CEE) tested entities.					
Description of approach to determining values assigned to market risk premium	Set at 6.0% throughout relevant Group's CGUs based on publicly available evaluations by Austrian Chamber of Chartered Accountants and Tax Advisers (Kammer der Wirtschaftstreuhänder).					
Period of cash flow projection (years)	5 years (2014 - 2018); extrapolation to perpetuity based on Terminal Growth Rate.					
Discount rate applied to cash flow projections (pre-tax)	15.76%	13.96%	16.98%	14.67%	11.70%	15.30%
Amount of goodwill impairment loss recognised in profit or loss for the year 2013	(283)	0	(52)	0	(17)	(31)
Post-impairment carrying amount of Goodwill as of 31 December 2013	313	544	61	226	40	54
Recoverable amount (value in use) as of 31 December 2013 (100%)	2,516	5,680	1,037	2,099	1,227	54

In respect of the assessed cash generating units located outside the Eurozone, an inflation differential rate of 1% per annum has been considered in the determination of the discount rates applicable to the related 2014-2018 cash flow projections.

The comparative subsidiary-level summary as of 31 December 2012 is presented below:

in EUR million	ASK	BCR	CSAS	EBC	SLSP	SSK	STMK	GIRO
Carrying amount of goodwill as of 1 January 2012	23	1,101	544	114	226	22	57	85
Effect of exchange rate changes for the year 2012	0	(31)	0	0	0	0	0	0
Basis upon which recoverable amount has been determined	Value in use (discounted cash flow model)							
Key input parameters into the discounted cash flow model	Risk free rate, terminal growth rate, β factor, market risk premium							
Description of approach to determining value assigned to risk free rate	Risk free rate has been set at 2.4% p.a. across relevant Erste Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as of the reference date 30 November 2012							
Description of approach to determining values assigned to terminal growth rate	For Austrian CGUs: Terminal growth rate has been set to 1.0% reflecting expected the Austrian annual average long-term inflation rate. For non-Austrian (CEE) CGUs: Terminal growth rate has been set to expected annual growth rate necessary for convergence to the economic level of the euro area, considering projections for each related national banking system until reaching a mature level similar to that of the euro area's saturated market.							
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Bloomberg as of the reference date 30 November 2012. Thus, the β values used have been set at 1.0922 for Austrian tested entities and 1.2476 for non-Austrian (CEE) tested entities.							
Description of approach to determining values assigned to market risk premium	Set at 6.0% across relevant Group's CGUs based on publicly available evaluations by Austrian Chamber of Chartered Accountants and Tax Advisers (Kammer der Wirtschaftstreuhänder).							
Period of cash flow projection (years)	5 years (2013 - 2017); extrapolation to perpetuity based on terminal growth rate							
Terminal growth rate used to extrapolate cash flow projection beyond projection	1.0%	5.1%	2.5%	4.3%	3.0%	1.0%	1.0%	1.0%
Discount rate applied to cash flow projections (pre-tax)	11.7%	15.8%	14.0%	17.4%	14.8%	11.4%	10.3%	10.53%
Amount of goodwill impairment loss recognised in profit or loss for the year 2012	(23)	(470)	0	0	0	(22)	0	0
Post-impairment carrying amount of Goodwill as of 31 December 2012	0	600	544	114	226	0	57	85
Recoverable amount (value in use) as of 31 December 2012 (100%)	554	2,667	6,875	1,019	1,988	193	1,384	328

In connection with those tested cash-generating units for which no goodwill impairment loss was determined as existing as of 31 December 2013, the table below summarises the outcome of the sensitivity analysis performed to determine by how much the key input parameters into the applied discounted cash flow models would need to vary adversely in order to cause the unit's calculated recoverable amount to decrease down to its related carrying amount:

in EUR million	CSAS	SLSP
Amount by which recoverable amount exceeds carrying amount	1,296	614
Risk free rate increase that would cause recoverable amount to equal carrying amount (basis points)	282	374
Terminal growth rate decrease that would cause recoverable amount to equal carrying amount (basis points)	(1,122)	(1,360)
β factor increase that would cause recoverable amount to equal carrying amount (coefficient value)	0.471	0.623
Market risk premium increase that would cause recoverable amount to equal carrying amount (basis points)	232	307

As of 31 December 2012, the comparative sensitivity analysis figures were as follows:

in EUR million	CSAS	EBC	SLSP	STMK	GIRO
Amount by which recoverable amount exceeds carrying amount	2,648	3	563	6	243
Risk free rate increase that would cause recoverable amount to equal carrying amount (basis points)	655	4	363	13	1,938
Terminal growth rate decrease that would cause recoverable amount to equal carrying amount (basis points)	(3,799)	(14)	(1,187)	(45)	(11,740)
β factor increase that would cause recoverable amount to equal carrying amount (coefficient value)	1.0913	0.0069	0.6050	0.0283	3.2278
Market risk premium increase that would cause recoverable amount to equal carrying amount (basis points)	525	3	291	16	1,773

20) Tax assets and liabilities

in EUR million	Tax assets 2013	Tax assets 2012	Tax liabilities 2013	Tax liabilities 2012	Net variance 2013 Total	Through profit or loss	Through other compre-hensive income
Temporary differences relate to the following items:							
Loans and advances to credit institutions and customers	212	227	(107)	(263)	141	118	0
Financial assets - available for sale	62	53	(169)	(236)	76	12	28
Property and equipment	17	36	(24)	(21)	(22)	(22)	0
Amortisation of investments in subsidiaries (tax-effective in subsequent years)	217	241	0	0	(24)	(24)	0
Financial liabilities at amortized cost (deposits and bond issues)	47	2	(2)	(25)	47	47	0
Long-term employee provisions	88	123	(9)	0	(44)	(46)	2
Sundry provisions	60	34	(8)	2	15	15	0
Carry forward of tax losses	202	208	0	0	(6)	(6)	0
Customer relationships and brand	11	11	(103)	(117)	14	29	0
Other	379	259	(323)	(202)	19	11	17
Effect of netting gross deferred tax position	(576)	(537)	576	537	0	0	0
Total deferred taxes	**719**	**658**	**(169)**	**(324)**	**215**	**133**	**47**
Current taxes	**100**	**128**	**(85)**	**(53)**	**(59)**	**(59)**	**0**
Total taxes	**819**	**785**	**(254)**	**(377)**	**156**	**74**	**47**

Out of the total net amount of EUR 215 million representing the year-on-year variance in Group's consolidated net deferred tax position, an amount of EUR 133 million is reflected as net deferred tax income in Group's income statement for the year 2013, whilst an amount of EUR 47 million reflects as favorable impact in Group's other comprehensive income for the year. The remaining EUR 35 million are attributable to other categories of variances in the consolidated net deferred tax position, notably due to direct movements through equity, foreign exchange differences, and changes in the consolidation scope.

The EUR 133 million net deferred tax income for the year can be further analysed per EUR 139 million net deferred tax income resulting from origination or reversal of temporary differences and EUR 6 million net deferred tax expense due to the net decrease in the recognised deferred tax assets from tax losses carried forward.

The most significant single element having contributed to the EUR 133 million net deferred tax income for the year is the EUR 128 million one-off release of loan risk provision-related deferred tax liabilities effected by Banca Comercială Română in June 2013, based on updates and clarifications of the relevant fiscal regulations.

Group's consolidated deferred tax asset position in amount of EUR 719 million as of 31 December 2013 is expected to be recoverable in the foreseeable future. This expectation has resulted from year-end recoverability assessments undertaken by Group's entities, either at individual level, or at relevant taxation sub-group level. Such assessments involved comparing net temporary deductible differences and available fiscal losses at year-end versus fiscal profit forecasts for time horizons from 5 to 10 years, depending on the fiscal jurisdiction and applicable facts and circumstances.

In compliance with IAS 12.39, no deferred tax liabilities were recognised for temporary differences relating to investments in subsidiaries in the amount of EUR 1,138 million (31 December 2012: EUR 997 million - prior year amount adjusted due to the availability of more detailed data), as they are not expected to reverse in the foreseeable future.

As of 31 December 2013, no deferred tax assets were recognized for tax losses carried forward and deductible temporary differences in total amount of EUR 4,690 million, of which EUR 2,414 related to tax losses carried forward (31 December 2012: EUR 4,074 million, of which EUR 1,821 million related to tax losses carried forward), as they are not expected to be realized in the foreseeable future. The figure includes an amount of EUR 1,378 million (31 December 2012: EUR 1,374 million) representing temporary differences in connection with investments in subsidiaries for which no deferred tax assets have been recognised in accordance with IAS 12.44.

21) Assets held for sale and liabilities associated with assets held for sale

in EUR million	2013	2012
Assets held for sale	75	708
Liabilities associated with assets held for sale	0	339

As of the end of 2013, 'Assets held for sale' include mainly properties. As of 31 December 2012, the disposal group held for sale (Erste Bank Ukraine), which was sold in the financial year 2013, was also presented under the balance sheet items 'Assets held for sale' and 'Liabilities associated with assets held for sale'.

22) Other assets

in EUR million	2013	2012
Accrued commissions	83	119
Deferred income	212	198
Sundry assets	2,294	2,021
Total	**2,590**	**2,338**

'Sundry assets' consist mainly of clearing items from the settlement of securities and payment transactions and as well as advanced payments for assets under construction.

23) Deposits by banks

in EUR million	2013	2012
Deposits by banks - domestic credit institutions	4,234	8,770
Deposits by banks - foreign credit institutions	12,892	13,052
Total	**17,126**	**21,822**

24) Customer deposits

Classification by region

in EUR million	2013	2012
Loans and advances to domestic customers	61,953	61,466
Loans and advances to foreign customers	60,489	61,587
Total	**122,442**	**123,053**

Classification by liability-class

in EUR million	2013	2012
Savings deposits	**54,502**	**56,289**
Other deposits		
Public sector	5,780	4,338
Commercial customers	24,631	26,177
Other deposits	37,530	36,249
Total other deposits	**67,941**	**66,764**
Total	**122,442**	**123,053**

Customer deposits include a total of EUR 460 million (2012: EUR 632 million) of liabilities to which the fair value option was applied. As of 31 December 2013, the total amount repayable on these liabilities at maturity was EUR 466 million (2012: EUR 629 million). The difference between the fair value of the customer deposits to which the fair value option was applied and the amount repayable at maturity totalled EUR (6) million (2012: EUR 3 million). Fair value changes that are attributable to changes in own credit risk amount to EUR (3.3) million for reporting period 2013 (2012: EUR (5.4) million); the cumulative amount of the fair value changes at 31 December 2013 attributable to the changes in own credit risk is EUR 1.7 million (2012: EUR (5.4) million).

25) Debt securities in issue

in EUR million	2013	2012
Bonds	15,489	16,117
Certificates of deposit	811	376
Other certificates of deposits/ name certificates	1,900	2,199
Mortgage and municipal bonds	9,519	10,732
Asset backed securities	267	0
Other	0	3
Total	**27,986**	**29,427**

In 1998, Erste Group Bank AG launched a debt issuance programme (DIP) amounting to EUR 30 billion. The DIP is a programme for issuing debt instruments in various currencies and with a wide array of available structures and maturities. In 2013, 106 new issues with a total volume of approximately EUR 1.5 billion were issued under the DIP.

Furthermore, in July 2010 a programme to offer bonds to retail customers and an equity-linked programme were implemented. In 2013, 117 new retail issues with a total volume of EUR 593.5 million were floated.

The Euro Commercial Paper and Certificates of Deposit Programme from August 2008 has an overall volume of EUR 10 billion. In all, 62 issues amounting to EUR 2.8 billion were placed in 2013. Issues totalling approximately EUR 2.8 billion were redeemed over the same period.

In December 2013, Erste Group Bank AG securitised part of EBV Leasing's auto lease portfolio with a volume of EUR 266.9 million structured in four tranches with ratings from AAA to BB+.

Furthermore, Namenspfandbriefe and Namensschuld-verschreibungen, Schuldscheindarlehen and other issues that were not part of the above programmes were issued with a volume of EUR 623.5 million.

'Debt securities in issue' includes EUR 1,604 million (2012: EUR 1,641 million) in liabilities to which the fair value option was applied. As of 31 December 2013, the total amount repayable on these liabilities at maturity was EUR 1,673 million (2012: EUR 1,552 million). The difference between the fair value of the debt securities for which the fair value option was applied and the amount repayable at maturity was EUR (69) million (2012: EUR 89 million). Fair value changes attributable to changes in own credit risk amount to EUR (44.4) million for the reporting period 2013 (2012: EUR (35.4) million), the cumulative amount of the fair value changes at 31 December 2013 attributable to the changes in own credit risk is EUR (61.5) million (2012: EUR (5.4) million).

26) Trading liabilities

in EUR million	2013	2012
Debt instruments	52	63
Trading liabilities	336	418
Total	**388**	**481**

27) Provisions

in EUR million	2013	2012
Long-term employee provisions	1,032	1,096
Sundry provisions	415	392
Total	**1,448**	**1,488**

a) Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee payments	Total
Present value of long-term employee benefit obligations, 31 Dec 2009	**887**	**409**	**72**	**1,368**
Present value of long-term employee benefit obligations, 31 Dec 2010	**833**	**405**	**73**	**1,311**
Present value of long-term employee benefit obligations, 31 Dec 2011	**825**	**397**	**73**	**1,295**
Increase from acquisition of subsidiaries	0	0	0	0
Decrease from disposal of subsidiaries	0	0	0	0
Settlements	0	0	0	0
Curtailments	0	0	0	0
Service cost	0	14	4	18
Interest cost	38	18	3	59
Payments	71	39	5	115
Exchange rate difference	0	0	0	0
Components recognised in other comprehensive income (Remeasurements)				
Actuarial gains/losses arising from changes in demographic assumptions	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	0	0	0	0
Actuarial gains/losses arising from changes from experience assumptions	31	20	0	51
Actuarial gains/losses recognised in income	0	0	1	1
Present value of long-term employee benefit obligations, 31 Dec 2012	**823**	**410**	**76**	**1,309**
Obligations covered by plan assets	0	184	29	213
Obligations covered by provisions	0	226	47	273
Less fair value of plan assets	**0**	**184**	**29**	**213**
Provisions as of 31 Dec 2012	**823**	**226**	**47**	**1,096**
Present value of long-term employee benefit obligations, 31 Dec 2012	**823**	**410**	**76**	**1,309**
Increase from acquisition of subsidiaries	0	0	0	0
Decrease from disposal of subsidiaries	0	0	0	0
Settlements	0	0	0	0
Curtailments	0	(6)	0	(6)
Service cost	(1)	13	5	17
Interest cost	29	15	3	47
Payments	71	38	6	115
Exchange rate difference	0	1	0	1
Components recognised in other comprehensive income (Remeasurements)				
Actuarial gains/losses arising from changes in demographic assumptions	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	0	0	0	0
Actuarial gains/losses arising from changes from experience assumptions	7	0	0	7
Actuarial gains/losses recognised in income	0	0	2	2
Present value of long-term employee benefit obligations, 31 Dec 2013	**787**	**395**	**76**	**1,258**
Obligations covered by plan assets	0	194	32	226
Obligations covered by provisions	0	201	44	245
Less fair value of plan assets	**0**	**194**	**32**	**226**
Provisions as of 31 Dec 2013	**787**	**201**	**44**	**1,032**

Actuarial assumptions

The actuarial calculation of pension obligations is based on the following assumptions:

in %	2013	2012
Interest rate	3.65	3.65
Expected increase in retirement benefits	2.0	2.0

The expected retirement age for each employee was individually calculated on the basis of the changes set out in the Budget Implementation Act of 2003 (Austrian Federal Law Gazette Vol. I No. 71/2003) regarding the increase in the minimum retirement age. The currently applicable legislation on the gradual raising of the retirement age for men and women to 65 was taken into consideration.

The actuarial calculation of severance payment and jubilee provisions is based on the following assumptions:

in %	2013	2012
Interest rate	3.65	3.65
Average increase in salary (incl. career trend and collective agreement trend)	2.9	2.9

Obligations were calculated in accordance with the Pagler & Pagler mortality tables entitled 'AVÖ 2008 P – Rechnungsgrundlagen für die Pensionsversicherung'.

The effects of CEE countries are insignificant compared to Austrian entities for which the data is in the table. Interest rates in the following ranges were used for these countries 2.72% (previously: 2.51%) to 5.75% (previously: 6.25%).

The movement in plan assets during the reporting period was as follows:

in EUR million	Severance payments	Jubilee payments	Total
Fair value of plan assets as of 31 Dec 2011	**182**	**12**	**194**
Addition	0	17	17
Interest income on plan assets	7	0	7
Contributions by the employer	11	1	12
Benefits paid	(22)	(1)	(23)
Return on plan assets recognised in other comprehensive income (excluding amounts already recognised in interest income) - remeasurements	6	0	6
Return on plan assets recognised in P&L	0	0	0
Fair value of plan assets as of 31 Dec 2012	**184**	**29**	**213**
Addition	13	3	16
Interest income on plan assets	7	1	8
Contributions by the employer	9	3	12
Benefits paid	(19)	(4)	(23)
Return on plan assets recognised in other comprehensive income (excluding amounts already recognised in interest income) - remeasurements	0	0	0
Return on plan assets recognised in P&L	0	0	0
Fair value of plan assets as of 31 Dec 2013	**194**	**32**	**226**

In 2013, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 10.9 million (2012: EUR 10.8 million).

The following table presents the portfolio structure of the plan assets.

in EUR million	2013	2012
Debt instruments	172	169
Shares	36	30
Others	18	14
Total	**226**	**213**

All equity and debt instruments are quoted in an active market.

In 2013, the actual gain (loss) on plan assets amounted to EUR 7.8 million (2012: EUR 14.5 million).

The following table presents profit or loss effects for post-employment defined-benefit plans (pensions and severance payments).

in EUR million	2013	2012
Curtailments	6	0
Service cost	(12)	(14)
Net interest	(36)	(49)
Total	**(42)**	**(63)**

The whole amount is included in the income statement under the line item 'General administrative expenses'.

In 2013 the cumulative amount of remeasurements recognised in other comprehensive income was EUR (388.6) million (2012: EUR (382.1) million).

Sensitivity to Key Assumption

The following table presents, how the reasonably possible changes of individual parameters effect post-employment benefit obligations as of year-end 2013.

in EUR million	Pensions	Severance payments	Total
Change in discount rate + 1.0 %	719	334	1,053
Change in discount rate (1.0) %	852	418	1,270
Change in future salary increases + 0.5 %	783	394	1,177
Change in future salary increases (0.5) %	783	352	1,135
Change in future benefit increases + 0.5 %	840	382	1,222
Change in future benefit increases (0.5) %	725	382	1,107

Impact on Cash Flows

The following table reflects the benefits expected to be paid by the defined benefit plans in each of the respective periods.

in EUR million	Pensions	Severance payments	Total
2014	68	12	80
2015	66	12	78
2016	64	13	77
2017	61	19	80
2018	58	29	87
2019-2023	250	215	465

Duration

The following table presents the weighted average duration of the defined-benefit obligations as of year-end 2013.

in EUR million	Pensions	Severance payments	Total
Duration	8.23	10.87	9.08

b) Sundry provisions

Sundry provisions 2013

in EUR million	2012	Acquisition/ disposal of subsidiaries	Currency translation	Alloca- tions	Use	Releases	Reclassifi- cation	2013
Provisions for contingent credit risk liabilities	186	0	(2)	217	(13)	(180)	11	219
Provisions for legal proceedings and litigations[1)]	146	0	(3)	57	(7)	(29)	7	172
Other provisions[1)]	60	0	0	22	(45)	(8)	(5)	24
Total	**392**	**0**	**(5)**	**297**	**(65)**	**(217)**	**13**	**415**

1) For a more detailed presentation, provisions for legal proceedings and provisions for litigations were reclassified from other risk provisions and other provisions and constitute a separate item now.

Sundry provisions 2012

in EUR million	2011	Acquisition/ disposal of subsidiaries	Currency translation	Alloca- tions	Use	Releases	Reclassifi- cation[2)]	2012
Provisions for contingent credit risk liabilities	316	0	2	146	(46)	(147)	(56)	215
Other provisions[1)]	163	0	(2)	20	(26)	(46)	68	177
Total	**479**	**0**	**0**	**166**	**(72)**	**(193)**	**12**	**392**

1) Other provisions consist mainly of provisions for litigation. It is considered highly likely that use will be made of other sundry provisions next year.
2) Other risk provisions in the amount of EUR 67 million were reclassified into other sundry provisions as a result of an analysis of legal cases related to the lending business.

28) Other liabilities

in EUR million	2013	2012
Deferred income	280	326
Accrued commissions	24	17
Sundry liabilities	2,350	2,734
Total	**2,654**	**3,077**

Sundry liabilities consist mainly of clearing items from the settlement of securities and payment transactions.

29) Subordinated liabilities

in EUR million	2013	2012
Subordinated issues and deposits	3,752	3,653
Supplementary capital	1,218	1,292
Hybrid issues	363	378
Total	**5,333**	**5,323**

Subordinated liabilities include EUR 275 million (2012: EUR 279 million) in liabilities to which the fair value option was applied. As of 31 December 2013, the total amount repayable on these liabilities at maturity was EUR 273 million (2012: EUR 273 million). The difference between the fair value of the subordinated liabilities for which the fair value option was applied and the amount repayable at maturity was EUR 2 million (2012: EUR 6 million). Fair value changes that are attributable to changes in own credit risk amount to EUR (6.1) million for reporting period 2013 (2012: EUR (2.4) million); the cumulative amount of the fair value changes at 31 December 2013 attributable to the changes in own credit risk is EUR 5.5 million (2012: EUR 15.3 million).

30) Total equity

in EUR million	2013	2012
Subscribed capital	860	2,547
Share capital	860	790
Participation capital	0	1,757
Additional paid-in capital	7,037	6,472
Retained earnings	3,428	3,836
Owners of the parent	**11,324**	**12,855**
Non-controlling interests	3,457	3,483
Total[1)]	**14,781**	**16,338**

1) Details on equity are provided in Section III, Statement of Changes in Total Equity.

As of 31 December 2013, subscribed capital (also known as registered capital) consists of 429,800,000 (2012: 394,568,647) voting bearer shares (ordinary shares). The pro rata amount of registered capital, per no-par value share, was EUR 2.00. Additional paid-in capital (or share premium) represents the amount by which the issue price of the shares exceeded their par value. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

Participation capital

In April 2009, Erste Group Bank AG issued participation capital for subscription. Within the context of this offer, Erste Group Bank AG placed EUR 540 million of participation capital with private and institutional investors. In March 2009, the Republic of Austria subscribed to EUR 1.0 billion of participation capital and in May 2009, another EUR 224 million of participation certificates. In total, the participation capital issued in measures to strengthen the bank at that time amounted to EUR 1.76 billion. The participation capital securities are perpetual and non-transferable. The notional amount of each participation capital security is EUR 1,000.00. Erste Group is entitled to repay the participation capital securities only if the repayment amount would not be below 100% (or 150% after 1 January 2019) of the nominal amount.

Participation capital participates in losses of Erste Group in the same manner as does share capital, but the holders of participation capital have no voting rights. The participation capital securities confer no conversion right for ordinary shares of Erste Group.

Dividend payments to holders of participation capital securities are made prior to distributions of dividends to shareholders of Erste Group. Erste Group is not obliged to make up for any dividends that were not paid as a result of losses. The dividend on the participation capital is 8.0% per annum for the business years 2009 to 2013. For the business years starting from 2014, the dividend is stepped up as follows: 2014, 8.5% p.a.; 2015, 9.0% p.a.; 2016, 9.75%; and from 2017, a 1 percentage point increase each year. However, the dividend must never exceed the 12-month EURIBOR plus 10% per annum.

Redemption of participation capital and implementation of a capital increase

The management and supervisory boards of Erste Group Bank AG resolved on 24 June 2013 to fully redeem the outstanding participation capital of EUR 1.76 billion, of which EUR 1.205 billion was held by the Republic of Austria and EUR 559 million by private investors, in the third quarter of 2013. The full redemption took place on 8 August 2013.

Against this backdrop, a capital increase against cash contributions was implemented with gross proceeds of approximately EUR 660.6 million. The capital increase was carried out by offering qualified institutional investors new shares by way of an accelerated bookbuilding offer (‘pre-placement to institutional investors’) followed by a subscription offering to existing shareholders of Erste Group Bank AG (‘subscription offering’).

On 2 July 2013, Erste Group Bank AG successfully placed 35.2 million new shares by way of an accelerated bookbuilding offering with gross proceeds of EUR 660.6 million.

On 2 July 2013, the management board, with the consent of the supervisory board, set the offer price for the accelerated bookbuilding offering and the subscription price for the subsequent subscription offering at EUR 18.75 per share and resolved to issue 35,231,353 new shares, to increase the share capital from EUR 789,137,294 by EUR 70,462,706 to EUR 859,600,000 and to offer existing shareholders subscription rights a ratio of 4 new shares for each 45 shares held. The supervisory board also approved the amendments to the Articles resulting from the above resolutions. The capital increase and the amendments to the Articles were entered into the Companies Register on 4 July 2013.

In February 2012, SIF Muntenia and SIF Banat-Crisana contributed 486,418,882 shares of BCR to Erste Group Bank AG in kind. A total of 3,801,385 new Erste Group Bank AG shares were issued to the two SIFs and the share capital of the company was accordingly increased by EUR 7,602,770. This transaction was part of the purchase of a non-controlling interest in BCR by Erste Group Bank AG that started in 2011 and finished in 2012.

Changes in number of shares and participation capital securities

Shares in units	2013	2012
Shares outstanding as of 1 January	**375,715,367**	**371,443,804**
Acquisition of treasury shares	(13,131,830)	(22,556,758)
Disposal of treasury shares	17,262,044	23,026,936
Capital increases due to ESOP and MSOP	0	0
Capital increase	35,231,353	3,801,385
Shares outstanding as of 31 December	**415,076,934**	**375,715,367**
Treasury shares	14,723,066	18,853,280
Number of shares as of 31 December	**429,800,000**	**394,568,647**
Weighted average number of shares outstanding	411,553,048	391,631,603
Dilution due to MSOP/ESOP	0	2,192,326
Dilution due to options	0	0
Weighted average number of shares taking into account the effect of dilution	411,553,048	393,823,929

Participation capital securities in units	2013	2012
Participation capital securities outstanding as of 1 January	**1,763,694**	**1,763,274**
Acquisition of own participation capital securities	(1,768,437)	(5,167)
Disposal of own participation capital securities	4,743	5,587
Participation capital securities outstanding as of 31 December	**0**	**1,763,694**
Participation capital securities	0	50
Number of participation capital securities as of 31 December	**0**	**1,763,744**

Transactions and shares held by the management board and supervisory board

Information on shares held and transactions in Erste Group Bank AG shares by members of the management board (in number of shares):

Managing board member	31.12.2012	Additions	Disposals	31.12.2013
Andreas Treichl	184,640	0	20,000	164,640
Franz Hochstrasser	25,260	0	10,000	15,260
Herbert Juranek	656	0	0	656
Gernot Mittendorfer	2,100	0	0	2,100
Manfred Wimmer (until 8/2013)	18,132	0	18,132	0
Andreas Gottschling (since 9/2013)	0	0	0	0

Supervisory board members held the following numbers of Erste Group Bank AG shares:

Supervisory board member	31.12.2012	Additions	Disposals	31.12.2013
Friedrich Rödler	1,702	0	0	1,702
Georg Winckler	2,500	0	0	2,500
Jan Homan	4,400	0	0	4,400
Wilhelm Rasinger	15,303	0	0	15,303
Theresa Jordis (until 29.7.2013)	2,900	0	2,900	0
John James Stack	32,761	0	0	32,761
Werner Tessmar-Pfohl (until 16.5.2013)	1,268	0	1,268	0
Andreas Lachs	52	0	0	52
Friedrich Lackner	500	0	0	500
Bertram Mach	95	0	0	95
Barbara Smrcka (until 29.7.2013)	281	0	281	0
Karin Zeisel	35	0	0	35

As of 31 December 2013, supervisory board members did not hold options in Erste Group Bank AG shares. Persons related to members of the management board or supervisory board held 3,786 shares of Erste Group Bank AG as of 31 December 2013.

Remaining authorised and contingent capital as of 31 December 2013

Clause 5 of the articles of association authorises the management board until 12 May 2015, subject to approval by the supervisory board, to increase – if necessary in several tranches – the subscribed capital of Erste Group Bank AG up to EUR 97,332,768.00 by issuing up to 48,666,384 shares as follows (type of share, issue price, terms of issue, and – if intended – exclusion of subscription rights are assigned by the management board with approval by the supervisory board): by issuing of shares by cash contributions without exclusion of subscription rights of existing shareholders; if, however, the capital increase is used for the issue of shares to employees, management or members of the management board of Erste Group Bank AG or a subsidiary while excluding the subscription rights of existing shareholders, by issuing of shares by contribution in kind while excluding the subscription rights of existing shareholders.

Under clause 6.3 of the articles of association, based on decisions of the management board taken from 2002 to 2010, there is contingent capital of EUR 21,923,264.00, which may be utilised by issuing up to 10,961,632 bearer or registered shares at an issue price of at least EUR 2.00 (payable in cash) while excluding the subscription rights of existing shareholders. This contingent capital is used for granting options to other staff, other management and members of the management board of the entity or of one of its related undertakings.

Under clause 6.4 of the articles of association, the company has contingent capital of EUR 124,700,000.00 available, which may be utilised by issuing up to 62,350,000 bearer shares. This contingent capital can be used for granting conversion or subscription rights to holders of convertible bonds.

Under clause 7 of the articles of association, currently no authority for granting contingent capital is available.

31) Segment reporting

The following segment report reflects the results of the segments within Erste Group. The segment information below is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal reporting information that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources to the reportable segments.

Within Erste Group, the function of the chief operating decision maker is exercised by the management board.

Erste Group's Segments

The following segments represent Erste Group's management approach as reflected in its internal management reporting systems in 2013. Thus the segment report of Erste Group consists of four segments:

Retail & SME comprises the business activities that are the responsibility of the Retail and Corporate network across our geographical operations. Targeted customers are mainly private individuals, SMEs, freelancers, small public sector companies and small financial institutions.

Group Corporate & Investment Banking consists of the large corporate business, the commercial real estate business especially from Erste Group Bank AG and Erste Group Immorent AG. Moreover, the equity capital market (from the second quarter of 2012 onwards) as well as the investment banking activities in Central and Eastern Europe and the international business covering all investment and lending activities outside of the Group's core market (branches located in London, Hong Kong, New York, Stuttgart and Berlin) are included in this segment.

Group Markets (GM) comprises the divisional business units Group Treasury and Capital Markets (except Equity Capital Markets, which was allocated to the segment Group Corporate & Investment Banking from the second quarter of 2012 onwards) and includes the treasury activities of Erste Group Bank AG, the CEE subsidiaries, foreign branch offices in Hong Kong, New York, Berlin and Stuttgart as well as the business from Erste Asset Management. The focus in the Group Markets segment is on client-oriented capital market business. In the case of institutional clients, Group Markets covers the full client relationship and all interactions with the clients. Group Markets is the internal trading unit for all classic treasury (such as FX, commodities and money market) and capital market products (such as bonds, interest rate derivatives, credit and equity products).

Group Corporate Center (GCC) consists of all non-core and centrally managed business activities such as:

- Corporate Center of Erste Group, which mainly consists of dividends and the corresponding refinancing costs from participations whereas the majority of dividends (fully consolidated subsidiaries) are eliminated in the same segment. General administrative expenses which are not allocated to other operating segments and extraordinary items such as impairments on participations, banking tax etc. are also included.
- Asset and Liability Management of Erste Group Bank AG
- Non-core financial institutions located in Central and Eastern Europe
- Internal service providers for the whole Erste Group, such as Facility Management, IT, procurement etc. which operate on a non-profit basis, allocate their non-interest expenses to the recipient of the service. Service level agreements determine the allocation of revenues/expenses based on different allocation keys (e.g. price per unit, fixed prices, defined percentage key).
- Free Capital of Erste Group, defined as the difference between of the average IFRS shareholder's equity and the average allocated economic equity.
- Goodwill impairment in 2013 amounted in total to EUR 380.8 million (in 2012: EUR 514.9 million), of which in 2013 EUR 281.0 million were dedicated to Banca Comercială Română, EUR 52.2 million to Erste Bank Croatia and EUR 47.6 million to Austrian participations (in 2012: EUR 469.4 million for Banca Comercială Română and EUR 45.5 million for Austrian participations).
- Customer list amortisation for the customer relationships at Banca Comercială Română, Erste Card Club d.d. and Ringturm KAG totalling EUR 65.2 million for 2013 (EUR 69.2 million for 2012).
- Banking tax from Erste Group Bank AG in the amount of EUR 147.5 million (EUR 146.9 million for 2012). Banking tax from all other participations is mainly disclosed in the segment Retail & SME and to a minor extent also in the segments Group Markets and Group Corporate and Investment Banking.
- A negative one-off impact from the sale of Erste Bank Ukraine in the amount of EUR 76.6 million is included in this segment in 2013 (2012: with reference to the selling of Erste Bank Ukraine, see chapter Significant Accounting Policies/Disposals in 2013, the impairment loss for non-current assets in the disposal group and the provision for onerous contract amounted to EUR 75.0 million).

Intragroup Elimination (IC) is not defined as an operating segment as such but is the reconciliation to the Consolidated Accounting result. All intragroup eliminations between participations of Erste Group are comprised in this segment (e.g. intragroup funding, internal cost charges etc.). Intragroup eliminations within partial groups are disclosed in the respective operating segments.

Information on geographical areas

Geographical areas are defined according to the different market environments in which Erste Group is operating. Based on the locations of the banking and other financial institution participations, the geographical areas consist of two core markets, Austria and Central and Eastern Europe.

For the purpose of the segment reporting by geographical areas segment profit or loss and other information are presented based on the location of the booking entity. In case of a partial group, the disclosure is according to the location of the mother entity.

In line with the internal reporting to Erste Group's management board the Retail & SME segment is divided into the following geographical areas:

- **Austria** consisting of Erste Bank Oesterreich AG and participations as well as savings banks in the cross-guarantee system.
- **Central & Eastern Europe** consisting of Retail & SME business activities in the Czech Republic, Romania, Slovakia, Hungary, Croatia, Serbia and Ukraine (sold as of 29 April 2013).

Measurement

The profit and loss statement of the reportable segments is based on the measures reported to the Erste Group management board for the purpose of allocating resources to the segment and assessing its performance. The sum of the segments together with the reconciliation, which is presented in the 'Intragroup elimination' column of this segment report, add up to the consolidated financial statement.

Segment report for Erste Group is based on IFRS.

Accounting standards and methods as well as measurements used for the segment report are the same as for the consolidated financial statement of accounting.

Capital consumption per segment is regularly reviewed by the management of Erste Group, therefore the average allocated equity is disclosed for each segment. The average allocated equity is determined by the credit risk, market risk and operational risk. Erste Group discloses average credit risk weighted assets per segment as they are regularly reviewed by the chief operating decision maker.

For measuring and assessing the profitability of segments, Erste Group uses the **return on equity** defined as Net profit/loss for the year attributable to the owners of the parent in relation to the average allocated equity of the respective segment.

In addition, the **cost/income ratio** is calculated for each segment as Operating expense (General administrative expenses) in relation to Operating income (total of Net interest income, Net fee and commission income, and Net trading result).

in EUR million	Retail & SME 2013	Retail & SME 2012	Group Corporate & Investment Banking 2013	Group Corporate & Investment Banking 2012	Group Markets 2013	Group Markets 2012	Group Corporate Centre 2013	Group Corporate Centre 2012	Intra-group elimination 2013	Intra-group elimination 2012	Total Erste Group 2013	Total Erste Group 2012
Net interest income	4,044.8	4,318.5	401.4	495.9	212.5	183.7	251.8	303.9	(52.4)	(66.7)	4,858.1	5,235.3
thereof income from associates accounted for at-equity[2)]	11.1	8.9	(0.2)	(0.6)	0.0	0.0	10.8	8.0	0.0	0.0	21.8	16.4
Risk provisions for loans and advances	(1,239.4)	(1,629.4)	(530.5)	(347.2)	12.2	0.0	(5.6)	(3.4)	0.0	0.0	(1,763.4)	(1,980.0)
Net fee and commission income	1,633.5	1,591.5	116.6	87.1	134.3	124.7	68.0	299.8	(142.4)	(382.3)	1,810.0	1,720.8
Net trading result	159.0	97.6	17.1	4.4	116.0	202.9	(33.4)	(57.0)	34.4	25.5	293.2	273.4
General administrative expenses	(3,067.1)	(3,215.2)	(191.7)	(196.9)	(221.0)	(215.9)	(561.6)	(550.9)	387.9	422.2	(3,653.5)	(3,756.7)
thereof depreciation and amortization[2)]	(273.5)	(284.3)	(17.5)	(14.5)	(19.0)	(17.9)	(44.9)	(49.8)	2.6	0.0	(352.3)	(366.5)
Other operating result[2)]	(323.5)	(328.2)	(42.7)	(38.4)	(0.4)	(1.1)	(487.8)	(357.9)	(227.4)	1.3	(1,081.9)	(724.3)
Result from financial instruments AfS/FV/HtM[2)]	(23.0)	84.5	(15.9)	(63.2)	(0.1)	3.1	(49.3)	8.3	0.0	0.0	(88.3)	32.7
Pre-tax profit/loss	**1,184.3**	**919.3**	**(245.6)**	**(58.3)**	**253.4**	**297.4**	**(817.9)**	**(357.2)**	**0.0**	**0.0**	**374.3**	**801.2**
Taxes on income	(180.8)	(246.1)	17.3	4.4	(50.9)	(61.7)	35.9	133.2	0.0	0.0	(178.5)	(170.2)
Net profit/loss for the year	**1,003.5**	**673.2**	**(228.3)**	**(53.9)**	**202.5**	**235.7**	**(782.0)**	**(224.0)**	**0.0**	**0.0**	**195.8**	**631.0**
attributable to												
non-controlling interests	123.8	134.2	(4.1)	1.7	5.4	8.1	9.7	3.5	0.0	0.0	134.8	147.5
owners of the parent	**879.7**	**539.0**	**(224.2)**	**(55.6)**	**197.1**	**227.6**	**(791.7)**	**(227.5)**	**0.0**	**0.0**	**61.0**	**483.5**
Average risk-weighted assets	67,237	70,311	19,806	20,830	2,429	2,697	(1,225)	9	0.0	0.0	88,247	93,847
Average attributed equity	4,848	4,919	1,972	2,085	386	350	5,316	5,395	0.0	0.0	12,521	12,748
Cost/income ratio	**52.5%**	**53.5%**	**35.8%**	**33.5%**	**47.8%**	**42.2%**	**196.0%**	**100.8%**	**241.7%**	**99.7%**	**52.5%**	**52.0%**
ROE[1)]	**18.1%**	**11.0%**	**n.a**	**n.a**	**51.1%**	**65.0%**	**n.a**	**n.a**	**n.a.**	**n.a.**	**0.5%**	**3.8%**
Total impairments[2)]	**(1,339.6)**	**(1,716.2)**	**(598.8)**	**(394.7)**	**12.1**	**(0.9)**	**(397.8)**	**(596.8)**	**0.0**	**0.0**	**(2,324.0)**	**(2,708.7)**
thereof Risk Provisions for loans and advances[2)]	(1,239.4)	(1,629.4)	(530.5)	(347.2)	12.2	0.0	(5.6)	(3.4)	0.0	0.0	(1,763.4)	(1,980.0)
thereof impairments for financial assets[2)]	(47.3)	(18.4)	(26.4)	(44.7)	(0.1)	(0.9)	(2.4)	(15.0)	0.0	0.0	(76.2)	(79.1)
thereof impairments of goodwill[2)]	(2.2)	(0.4)	0.0	0.0	0.0	0.0	(380.8)	(514.5)	0.0	0.0	(383.0)	(514.9)
thereof Other impairments/reversals[2)]	(50.6)	(68.0)	(41.9)	(2.8)	0.0	0.0	(8.9)	(63.9)	0.0	0.0	(101.4)	(134.8)

1) ROE = return on equity = Net profit/loss attributable to owners of the parent divided by average attributed equity. Negative values are replaced with n.a.
2) 2012 comparatives were amended by introduction of the new items. "Other operating result" and "Result from financial instruments AfS/FV/HtM" were presented in total under the item "Other result" in 2012 annual report.

in EUR million	Erste Bank Oesterreich 2013	Erste Bank Oesterreich 2012	Saving banks 2013	Saving banks 2012	Total Austria 2013	Total Austria 2012	Central and Eastern Europe 2013	Central and Eastern Europe 2012	Total Retail & SME 2013	Total Retail & SME 2012
Net interest income	610.5	617.8	908.4	940.0	1,518.9	1,557.8	2,525.9	2,760.7	4,044.8	4,318.5
thereof income from associates accounted for at-equity[2]	0.0	0.0	0.0	0.0	0.0	0.0	11.1	8.9	11.1	8.9
Risk provisions for loans and advances	(70.3)	(96.2)	(235.9)	(225.9)	(306.2)	(322.1)	(933.2)	(1,307.3)	(1,239.4)	(1,629.4)
Net fee and commission income	341.9	339.0	427.8	398.0	769.6	737.0	863.9	854.5	1,633.5	1,591.5
Net trading result	9.3	(4.2)	20.1	19.9	29.4	15.7	129.6	81.9	159.0	97.6
General administrative expenses	(594.0)	(614.7)	(938.0)	(932.2)	(1,532.0)	(1,546.9)	(1,535.1)	(1,668.3)	(3,067.1)	(3,215.2)
thereof depreciation and amortization[2]	(22.5)	(22.4)	(57.1)	(53.6)	(79.6)	(75.9)	(193.9)	(208.4)	(273.5)	(284.3)
Other operating result[2]	(21.2)	(8.2)	0.6	(24.9)	(20.6)	(33.1)	(302.9)	(295.1)	(323.5)	(328.2)
Result from financial instruments AfS/FV/HtM[2]	(18.4)	21.6	7.6	27.4	(10.8)	49.0	(12.2)	35.5	(23.0)	84.5
Pre-tax profit/loss	**257.8**	**255.1**	**190.6**	**202.3**	**448.3**	**457.4**	**736.0**	**461.9**	**1,184.3**	**919.3**
Taxes on income	(67.6)	(55.8)	(65.0)	(61.5)	(132.6)	(117.3)	(48.3)	(128.8)	(180.8)	(246.1)
Net profit/loss for the year	**190.2**	**199.3**	**125.6**	**140.8**	**315.8**	**340.1**	**687.7**	**333.1**	**1,003.5**	**673.2**
attributable to										
non-controlling interests	5.8	6.9	102.8	119.3	108.5	126.2	15.2	8.0	123.8	134.2
owners of the parent	**184.4**	**192.4**	**22.8**	**21.5**	**207.2**	**213.9**	**672.5**	**325.1**	**879.7**	**539.0**
Average risk-weighted assets	12,672	13,045	22,413	23,444	35,085	36,489	32,153	33,821	67,237	70,311
Average attributed equity	1,282	1,284	399	370	1,681	1,654	3,167	3,264	4,848	4,919
Cost/income ratio	**61.8%**	**64.5%**	**69.2%**	**68.7%**	**66.1%**	**67.0%**	**43.6%**	**45.1%**	**52.5%**	**53.5%**
ROE[1]	**14.4%**	**15.0%**	**5.7%**	**5.8%**	**12.3%**	**12.9%**	**21.2%**	**10.0%**	**18.1%**	**11.0%**
Total impairments[2]	**(97.3)**	**(101.8)**	**(254.2)**	**(240.4)**	**(351.5)**	**(342.2)**	**(988.1)**	**(1,374.0)**	**(1,339.6)**	**(1,716.2)**
thereof Risk Provisions for loans and advances[2]	(70.3)	(96.2)	(235.9)	(225.9)	(306.2)	(322.1)	(933.2)	(1,307.3)	(1,239.4)	(1,629.4)
thereof impairments for financial assets[2]	(23.9)	(5.8)	(12.1)	(12.5)	(36.0)	(18.4)	(11.4)	0.0	(47.3)	(18.4)
thereof impairments of goodwill[2]	0.0	0.0	0.0	0.0	0.0	0.0	(2.2)	(0.4)	(2.2)	(0.4)
thereof Other impairments/reversals[2]	(3.1)	0.2	(6.3)	(2.0)	(9.3)	(1.7)	(41.3)	(66.3)	(50.6)	(68.0)

1) ROE = return on equity = Net profit/loss attributable to owners of the parent divided by average attributed equity. Negative values are replaced with n.a.
2) 2012 comparatives were amended by introduction of the new items. “Other operating result” and “Result from financial instruments AfS/FV/HtM” were presented in total under the item “Other result”in 2012 annual report.

	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Ukraine		Total CEE	
in EUR million	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013[3]	2012	2013	2012
Net interest income	986.3	1,113.8	574.4	572.4	429.5	424.9	256.5	335.2	234.3	253.7	38.7	37.1	6.2	23.6	2,525.9	2,760.7
thereof income from associates accounted for at-equity[2]	0.0	(0.1)	0.8	0.0	9.9	8.5	0.0	0.0	0.4	0.5	0.0	0.0	0.0	0.0	11.1	8.9
Risk provisions for loans and advances	(119.2)	(139.6)	(386.5)	(737.2)	(39.2)	(53.4)	(206.1)	(215.0)	(168.6)	(137.4)	(9.6)	(9.0)	(4.0)	(15.7)	(933.2)	(1,307.3)
Net fee and commission income	407.6	447.2	144.3	120.3	106.0	110.0	123.6	91.9	67.8	65.6	13.4	13.3	1.2	6.2	863.9	854.5
Net trading result	44.0	19.9	56.1	70.5	5.4	2.8	15.1	(15.9)	9.9	9.4	2.6	2.4	(3.3)	(7.2)	129.6	81.9
General administrative expenses	(644.8)	(691.9)	(314.4)	(355.9)	(238.2)	(236.0)	(164.7)	(169.5)	(127.8)	(132.8)	(35.2)	(33.6)	(10.1)	(48.6)	(1,535.1)	(1,668.3)
thereof depreciation and amortization[2]	(77.6)	(86.2)	(41.5)	(43.1)	(44.6)	(44.6)	(17.3)	(17.3)	(9.4)	(9.1)	(2.2)	(1.9)	(1.4)	(6.3)	(193.9)	(208.4)
Other operating result[2]	(35.0)	(121.4)	(69.9)	(50.6)	(41.4)	(37.6)	(131.5)	(72.7)	(24.0)	(10.9)	(1.5)	(1.7)	0.4	(0.2)	(302.9)	(295.1)
Result from financial instruments AfS/FV/HtM[2]	(15.2)	28.2	3.6	1.9	0.1	(0.1)	(0.6)	(0.2)	(0.3)	7.9	0.0	0.0	0.1	(2.2)	(12.2)	35.5
Pre-tax profit/loss	**623.7**	**656.2**	**7.6**	**(378.6)**	**222.2**	**210.6**	**(107.7)**	**(46.2)**	**(8.6)**	**55.5**	**8.3**	**8.5**	**(9.4)**	**(44.1)**	**736.0**	**461.9**
Taxes on income	(126.3)	(135.7)	124.8	65.3	(48.3)	(41.0)	(1.1)	(8.9)	4.2	(9.8)	(1.5)	1.5	0.0	(0.2)	(48.3)	(128.8)
Net profit/loss for the year	**497.3**	**520.5**	**132.5**	**(313.3)**	**173.9**	**169.6**	**(108.9)**	**(55.1)**	**(4.4)**	**45.7**	**6.8**	**10.0**	**(9.4)**	**(44.3)**	**687.7**	**333.1**
attributable to																
non-controlling interests	3.7	2.5	4.6	(19.0)	0.0	0.3	0.0	0.0	6.4	22.0	0.5	2.2	0.0	0.0	15.2	8.0
owners of the parent	**493.6**	**518.0**	**127.9**	**(294.3)**	**173.8**	**169.3**	**(108.9)**	**(55.1)**	**(10.8)**	**23.7**	**6.3**	**7.8**	**(9.4)**	**(44.3)**	**672.5**	**325.1**
Average risk-weighted assets	12,612	12,521	6,819	8,156	3,857	4,148	3,960	3,775	3,814	4,040	597	493	493	688	32,153	33,821
Average attributed equity	1,307	1,266	662	779	410	430	407	386	274	288	53	42	54	74	3,167	3,264
Cost/income ratio	**44.8%**	**43.8%**	**40.6%**	**46.6%**	**44.0%**	**43.9%**	**41.7%**	**41.2%**	**40.9%**	**40.4%**	**64.4%**	**63.6%**	**247.1%**	**215.0%**	**43.6%**	**45.1%**
ROE[1]	**37.8%**	**40.9%**	**19.3%**	**n.a**	**42.4%**	**39.4%**	**n.a**	**n.a**	**n.a**	**8.2%**	**11.9%**	**18.8%**	**n.a**	**n.a**	**21.2%**	**10.0%**
Total impairments[2]	**(150.5)**	**(188.2)**	**(391.6)**	**(739.1)**	**(38.8)**	**(51.7)**	**(223.9)**	**(232.1)**	**(169.5)**	**(137.6)**	**(9.8)**	**(9.0)**	**(4.0)**	**(16.5)**	**(988.1)**	**(1,374.0)**
thereof Risk Provisions for loans and advances[2]	(119.2)	(139.6)	(386.5)	(737.2)	(39.2)	(53.4)	(206.1)	(215.0)	(168.6)	(137.4)	(9.6)	(9.0)	(4.0)	(15.7)	(933.2)	(1,307.3)
thereof impairments for financial assets[2]	(10.5)	0.2	0.0	0.0	(0.3)	0.1	(0.2)	(0.1)	(0.5)	(0.3)	0.0	0.0	0.0	0.0	(11.4)	0.0
thereof impairments of goodwill[2]	0.0	0.0	(2.2)	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(2.2)	(0.4)
thereof Other impairments/reversals[2]	(20.8)	(48.8)	(2.9)	(1.5)	0.7	1.7	(17.7)	(17.0)	(0.4)	0.1	(0.2)	0.0	0.0	(0.8)	(41.3)	(66.3)

1) ROE = return on equity = net profit/loss attributable to owners of the parent divided by average attributed equity. Negative values are replaced with n.a.
2) 2012 comparatives were amended by introduction of the new items. “Other operating result” and “Result from financial instruments AfS/FV/HtM” were presented in total under the item “Other result” in 2012 annual report.
3) Includes only the results of the first three months of the financial year 2013 (on 29 April 2013 Erste Group finalised the sale of Erste Bank Ukraine).

32) Assets and liabilities denominated in foreign currencies and outside Austria and return on assets

Assets and liabilities not denominated in EUR were as follows:

in EUR million	2013	2012 amended[1]
Assets	75,072	80,942
Liabilities	61,545	59,332

1) The values shown for 2012 were amended for data coming from Erste Group Bank AG and Erste Bank Oesterreich

The assets and liabilities outside Austria are given below:

in EUR million	2013	2012
Assets	119,086	124,000
Liabilities	86,729	92,568

Return on assets:
Return on assets (net profit for the year divided by average total assets) was 0.09% at 31 December 2013.

33) Leases

a) Finance leases

Finance leases receivables are included under the balance sheet item 'Loans and advances to customers'.

Erste Group leases both movable property and real estate to other parties under finance lease arrangements. For the finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of the minimum lease payments is as follows:

in EUR million	2013	2012
Outstanding minimum lease payments	4,175	4,855
Non-guaranteed residual values	1,066	1,070
Gross investment	**5,241**	**5,925**
Unrealised financial income	645	796
Net investment	**4,596**	**5,129**
Present value of non-guaranteed residual values	722	733
Present value of minimum lease payments	**3,874**	**4,396**

The maturity analysis of gross investment in leases and present values of minimum lease payments under non-cancellable leases is as follows (residual maturities):

	Gross investment		Present value of non-guaranteed residual values	
in EUR million	2013	2012	2013	2012
< 1 year	932	932	703	824
1-5 years	2,389	2,803	1,861	2,120
> 5 years	1,920	2,190	1,311	1,452
Total	**5,241**	**5,925**	**3,874**	**4,396**

In the reporting period, the total amount of accumulated allowance for uncollectable minimum lease payments, presented as risk provisions for loans and advances, was EUR 291 million (2012: EUR 160 million).

The total amount of contingent rents from finance leases recognised as income in the period was EUR 33 million (2012: EUR 23 million).

b) Operating leases

Under operating leases, Erste Group leases both real estate and movable property to other parties.

Operating leases from the view of Erste Group as lessor:
Minimum lease payments from non-cancellable operating leases were as follows:

in EUR million	2013	2012
< 1 year	24	58
1-5 years	89	134
> 5 years	71	55
Total	**184**	**247**

The total amount of contingent rents from operating leases recognised as income in the period was EUR 4 million (2012: EUR 8 million).

Operating leases from the view of Erste Group as lessee:
Minimum lease payments from non-cancellable operating leases were as follows:

in EUR million	2013	2012
< 1 year	84	47
1-5 years	124	120
> 5 years	35	74
Total	**243**	**241**

Lease payments from operating leases recognised as expense in the period amounted to EUR 108.4 million (2012: EUR 32.8 million).

34) Related-party transactions and principal shareholders

In addition to principal shareholders, Erste Group also defines as related parties other investments and associates that are included in the consolidated financial statements by the equity method. Furthermore related parties consist of management and supervisory board members of Erste Group Bank AG as well as companies over which these persons have control or significant influence. Moreover, Erste Group also defines close family members of management and supervisory board members of Erste Group Bank AG as related parties.

Transactions between Erste Group Bank AG and fully consolidated companies are not recognised in the consolidated financial statements as they have been eliminated.

Principal shareholders

As of 31 December 2013, the foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (hereinafter referred to as the 'Privatstiftung') controlled a 20.65% interest in Erste Group Bank AG. 13.14% of the shares were held directly by the Privatstiftung. Indirect participation of the Privatstiftung was at 7.50%, thereof 3.66% of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the Privatstiftung; 1.59% of the shares held by Austrian savings banks, which act together with the Privatstiftung and are affiliated with Erste Group by virtue of the Haftungsverbund; and 2.25% of the shares held by other syndicate members. This makes the Privatstiftung the largest single investor in Erste Group Bank AG. In addition, up to the repayment on 8 August 2013, the Privatstiftung held participation capital with a notional value of EUR 18.1 million in Erste Group Bank AG.

In 2013 (for the financial year 2012), the Privatstiftung received a dividend of EUR 30.5 million (2012: no dividend) on its stake in Erste Group Bank AG. Additionally, in 2013 the Privatstiftung received a dividend for participation capital of Erste Group Bank AG (for the financial year 2012) in the amount of EUR 1.4 million (2012: 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 of 31 December 2013, Theodora Eberle (chairwoman), Richard Wolf (vice chairman), Franz Karl Prüller and Bernhard Spalt were members of the Privatstiftung management board. The supervisory board of the Privatstiftung had seven members at the end of 2013, two of whom are also members of the supervisory board of Erste Group Bank AG.

Under article 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, the Privatstiftung is entitled, pursuant to section 92 (9) of the Austrian Banking Act, to delegate up to one-third of the supervisory board members to be elected at the Annual General Meeting. Until now, the Privatstiftung has not exercised this right.

As of 31 December 2013, Erste Group had in relation to the Privatstiftung accounts payable of EUR 49.9 million (2012: EUR 200.7 million) and accounts receivable of EUR 48.7 million (2012: EUR 84.2 million). In addition, standard derivative transactions for hedging purposes were in place between Erste Group and the Privatstiftung as of the end of 2013, namely interest rate swaps with caps in the notional amount of EUR 282.0 million (2012: EUR 282.0 million). As of the end of 2012, foreign currency swaps in the notional amount of EUR 30.0 million were in place between Erste Group and the Privatstiftung. Furthermore, as of 31 December 2013 the Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 5.2 million, and Erste Group held debt securities issued by the Privatstiftung in the amount of EUR 7.0 million.

In 2013, the interest income of Erste Group for the reporting period amounted to EUR 13.2 million (2012: EUR 13.8 million) while the interest expenses amounted to EUR 8.7 million (2012: EUR 10.9 million), resulting from the said accounts receivable and accounts payable as well as derivative transactions and debt securities.

As of 31 December 2013, Caixabank S.A., which is based in Barcelona, Spain, held a total of 39,195,848 (2012: 39,195,848) Erste Group Bank AG shares, equivalent to 9.12% (2012: 9.93%) of the share capital of Erste Group Bank AG. In addition, up to the repayment on 8 August 2013, Caixabank S.A. held participation capital with a notional value of EUR 15.0 million in Erste Group Bank AG. Juan Maria Nin, the Deputy Chairman and CEO of Caixabank S.A., is a member of the supervisory board of Erste Group Bank AG.

In 2013 (for the financial year 2012), Caixabank S.A received a dividend of EUR 15.7 million (2012: no dividend) on its stake in Erste Group Bank AG. Additionally, in 2013 (for the financial year 2012), Caixabank S.A. received a dividend for the participation capital in Erste Group Bank AG in the amount of EUR 1.2 million (2012: EUR 1.2 million).

Loans and advances to and amounts owed to related parties

in EUR million	2013	2012
Loans and advances to credit institutions		
Equity method investments	4	7
Other investments	1	50
Total	**5**	**57**
Loans and advances to customers		
Equity method investments	504	435
Other investments	578	1,010
Total	**1,083**	**1,445**
Financial assets - at fair value through profit or loss		
Equity method investments	23	0
Other investments	0	7
Total	**23**	**7**
Financial assets - available for sale		
Equity method investments	39	0
Other investments	10	36
Total	**49**	**36**
Financial assets - held to maturity		
Equity method investments	5	0
Other investments	0	54
Total	**5**	**54**
Deposits by banks		
Equity method investments	6	5
Other investments	1	6
Total	**7**	**11**
Customer deposits		
Equity method investments	95	13
Other investments	109	221
Total	**204**	**234**

Transactions with related parties are done at arm's length.

Remuneration of management and supervisory board members

The remuneration paid to the management board in 2013 is as follows:

Fixed salaries

in EUR thousand	2013	2012
Andreas Treichl	1,262	1,237
Franz Hochstrasser	750	691
Herbert Juranek	631	631
Gernot Mittendorfer	633	599
Andreas Gottschling (since 9/2013)	211	0
Total	**3,488**	**3,158**

Since the financial year 2010, the variable part of the management board's remuneration, including both cash payments and share-equivalents, is distributed over five years in accordance with legal requirements and is paid out only under certain conditions. Share-equivalents are not exchange-traded shares but phantom shares that are paid out in cash after a one-year vesting period based on defined criteria.

Apart from performance-linked remuneration and share-equivalents for the financial year 2012, deferred portions of performance-linked remuneration for 2010 was also paid out or vested in 2013. In 2012 neither performance-linked remuneration nor share-equivalents for previous years were paid out or vested.

Performance-linked remuneration

	2013				2012			
	for 2012		for previous years[2]		for 2011		for previous years	
	cash in EUR thousand	share-equivalents in units[1]	cash in EUR thousand	share-equivalents in units[1]	cash in EUR thousand	share-equivalents in units	cash in EUR thousand	share-equivalents in units
Andreas Treichl	393	24,898	65	2,182	0	0	0	0
Franz Hochstrasser	203	12,449	43	1,423	0	0	0	0
Herbert Juranek	120	7,013	17	563	0	0	0	0
Gernot Mittendorfer	129	7,539	0	0	0	0	0	0
Andreas Gottschling (since 9/2013)	0	0	0	0	0	0	0	0
Total	**845**	**51,899**	**125**	**4,168**	**0**	**0**	**0**	**0**

1) Share-equivalents indicated here have been firmly awarded based on the previous year's result. Share-equivalents were valued at the average weighted daily share price of Erste Group Bank AG of the year 2013 in the amount of EUR 23.85 per share. Pay outs will be made in the year 2014 after the one-year vesting period.
2) Exclusively concerns the financial year 2010. No performance-linked remuneration was paid out to the management board for the financial year 2011.

Long-Term Incentive-Programme

Currently, one long-term incentive programme (LTI) which is based on changes in the share price of Erste Group Bank AG versus a group of peers and the Dow Jones Euro Stoxx Banks is still active. It was started on 1 January 2010, and led to the following payments in 2013. The final payment under LTI 2007 was made in 2012.

LTI programme

in EUR thousand	2013 from 2010	2012 from 2007	2012 from 2010
Andreas Treichl	227	241	0
Franz Hochstrasser	57	60	84
Herbert Juranek	57	60	84
Gernot Mittendorfer	0	0	0
Andreas Gottschling (since 9/2013)	0	0	0
Total	**340**	**361**	**168**

The item 'Other remuneration' comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remunerations in kind.

Other remuneration

in EUR thousand	2013	2012
Andreas Treichl	471	471
Franz Hochstrasser	177	164
Herbert Juranek	99	61
Gernot Mittendorfer	98	55
Andreas Gottschling (since 9/2013)	26	0
Total	**871**	**751**

Manfred Wimmer resigned from the management board as of 31 August 2013. In 2013 he received EUR 421 thousand (2012: EUR 631 thousand) in fixed salaries, EUR 137 thousand (2012: EUR 0) in performance-linked remuneration from previous years and EUR 111 thousand (2012: EUR 163 thousand) in other remuneration. In addition, Mr Wimmer was awarded 7,584 share-equivalents (2012: none). He received EUR 57 thousand under the LTI programme 2010 (2012: EUR 84 thousand). The severance payment, payments for unused holidays and compensatory payment to the pension fund made on occasion of his resignation are included in remuneration of previous members of management bodies and their dependents.

The remuneration of the members of the management board represented 0.3% (2012: 0.2%) of the total personnel expenses of Erste Group.

In 2013, EUR 3.1 million (2012: EUR 0.9 million) were paid in cash and 1,066 share-equivalents (2012: none) were assigned to former members of management board and their dependents.

Principles governing the pension scheme for management board members

Members of the management board participate in the defined contribution pension plan of Erste Group on the basis of the same principles as employees. For two members of the management board, compensatory payments have to be made to the pension fund in case the management board member's tenure ends before he or she reaches the age of 65 by no fault of the member.

Principles governing vested benefits and entitlements of management board members in case of termination of the position

Regarding vested benefits and entitlements of management board members in the event of termination of their position, the standard legal severance benefit provisions of section 23 of the Angestelltengesetz (Austrian Salaried Employees Act) still apply to two members of the management board. All other members of the management board are not entitled to receive any severance benefits.

The remuneration granted to the management board members complies with the management remuneration rules under banking rules.

Breakdown of supervisory board remuneration

in EUR thousand	2013	2012
Supervisory board remuneration	638	700
Attendance fees	195	198
Total	**833**	**898**

In 2013, the members of the supervisory board of Erste Group Bank AG were paid EUR 833 thousand (2012: EUR 898 thousand) for their board function. The following members of the supervisory board received the following remuneration for their board function in fully consolidated subsidiaries of Erste Group Bank AG: Friedrich Rödler EUR 12,750, John James Stack EUR 30,000 and Werner Tessmar-Pfohl EUR 28,400.

No other legal transactions were concluded with members of the supervisory board.

Pursuant to the decision at the Annual General Meeting of 16 May 2013, the supervisory board adopted in its constituent meeting the following remuneration structure for the financial year 2012:

in EUR	Number	Allowance per person	Total allowance
President	1	100,000	100,000
Vice Presidents	2	75,000	150,000
Members	9	50,000	450,000
Total	**12**		**700,000**

The supervisory board consists 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 ends at the close of the Annual General Meeting that resolves on the approvals of their actions for the fourth business year following their election; re-election is permitted. In addition, membership of the supervisory board ceases upon death, revocation, resignation or in the event of a defined impediment. Revocation requires a majority of three fourths of valid votes cast and a majority of three fourths of the registered capital represented at the time of the resolution.

Loans and advances to key management employees and persons related to key management employees

As of the end of 2013, loans and advances granted to members of the management board totalled EUR 848 thousand (2012: EUR 2,336 thousand). Loans and advances to persons related to members of the management board totalled EUR 18 thousand as of 31 December 2013 (2012: EUR 10 thousand). Loans to members of the supervisory board totalled EUR 169 thousand (2012: EUR 189 thousand). Loans and advances to persons related to members of the supervisory board totalled EUR 111 thousand as of 31 December 2013 (2012: EUR 310 thousand). The applicable interest rates and other terms (maturity dates and collateral) represent market conditions.

Other transactions with companies related to key management employees

Companies related to members of the supervisory board invoiced the following amounts from other transactions:

In the year 2013, up until 29 July 2013, DORDA BRUGGER JORDIS Rechtsanwälte GmbH, a law firm in which Theresa Jordis was a partner, invoiced the companies of Erste Group with a total of EUR 315 thousand (2012: EUR 236 thousand) for consultancy contracts.

Friedrich Rödler was up until 30 June 2013 a senior partner at PricewaterhouseCoopers Austria. Companies of this group invoiced the companies of Erste Group in the year 2013 till 30 June 2013 in total EUR 348 thousand (2012: EUR 501 thousand) for consultancy contracts.

35) Collateral

The following assets were pledged as security for liabilities:

in EUR million	2013	2012
Loans and advances to credit institutions	5	915
Loans and advances to customers	16,013	19,645
Trading assets	1,692	506
Financial assets - at fair value through profit or loss	51	232
Financial assets - available for sale	1,754	3,237
Financial assets - held to maturity	3,030	2,711
Total	**22,545**	**27,246**

The financial assets pledged as collateral consist of loan receivables, bonds and other interest-bearing securities.

Collaterals were pledged as a result of repo transactions, refinancing transactions with the European Central Bank, loans backing issued mortgage bonds and other collateral arrangements.

The fair value of collateral received held which may be repledged or resold even without the security provider's default was EUR 3,708 million (2012: EUR 1,607 million). Collateral with fair value of EUR 94 million (2012: EUR 418 million) was resold. Collateral with fair value of EUR 70 million was repledged. The bank is obliged to return the resold and repledged collateral.

36) Transfers of financial assets – repurchase transactions and securities lending

in EUR million	2013 Carrying amount of transferred assets	2013 Carrying amount of associated liabilities	2012 Carrying amount of transferred assets	2012 Carrying amount of associated liabilities
Repurchase agreements				
Loans and advances to credit institutions	0	0	4	4
Loans and advances to customers	0	0	1	1
Trading assets	871	875	461	458
Financial assets - at fair value through profit or loss	0	0	74	73
Financial assets - available for sale	1,372	1,367	1,316	1,300
Financial assets - held to maturity	1,326	1,358	161	174
Total - repurchase agreements	**3,569**	**3,600**	**2,016**	**2,010**
Securities lendings				
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	0	0	0	0
Trading assets	15	0	9	0
Financial assets - at fair value through profit or loss	0	0	0	0
Financial assets - available for sale	69	0	78	0
Financial assets - held to maturity	0	0	0	0
Total - securities lendings	**84**	**0**	**86**	**0**
Total	**3,653**	**3,600**	**2,103**	**2,010**

The transferred financial instruments consist of bonds and other interest-bearing securities.

The total amount of EUR 3,653 million (2012: EUR 2,103 million) represents the carrying amount of financial assets under the respective balance sheet items for which the transferee has a right to sell or repledge.

Liabilities from repo transactions in the amount of EUR 3,600 million (2012: EUR 2,010 million), which are measured at amortised cost, represent an obligation to repay the borrowed funds.

The following table shows the fair values of the transferred assets and associated liabilities that have recourse only to the transferred assets. In case of Erste Group, these assets and liabilities relate to repo transactions.

in EUR million	2013 Fair value of transferred assets	2013 Fair value of associated liabilities	2013 Net position	2012 Fair value of transferred assets	2012 Fair value of associated liabilities	2012 Net position
Loans and advances to credit institutions	0	0	0	4	4	0
Loans and advances to customers	0	0	0	1	1	0
Trading assets	871	875	(4)	461	458	3
Financial assets - at fair value through profit or loss	0	0	0	74	73	1
Financial assets - available for sale	1,372	1,367	5	1,316	1,299	16
Financial assets - held to maturity	1,355	1,358	(3)	166	174	(8)
Total	**3,598**	**3,600**	**(2)**	**2,022**	**2,010**	**12**

37) Offsetting

Financial assets subject to offsetting and potential offsetting agreements in 2013

in EUR million	Gross amounts in balance sheet	Amounts set off against financial liabilities	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting: Financial instruments	Cash collateral received	Non-cash financial collateral received	Net amount after potential offsetting
Derivatives	8,285	0	8,285	5,083	1,659	0	1,543
Reverse repurchase agreements	3,892	0	3,892	0	11	3,649	233
Total	**12,177**	**0**	**12,177**	**5,083**	**1,670**	**3,649**	**1,775**

Financial liabilities subject to offsetting and potential offsetting agreements in 2013

in EUR million	Gross amounts in balance sheet	Amounts set off against financial assets	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting: Financial instruments	Cash collateral pledged	Non-cash financial collateral pledged	Net amount after potential offsetting
Derivatives	6,731	0	6,731	5,083	647	0	1,001
Repurchase agreements	3,600	0	3,600	0	0	3,591	8
Total	**10,331**	**0**	**10,331**	**5,083**	**647**	**3,591**	**1,010**

Financial assets subject to offsetting and potential offsetting agreements in 2012

in EUR million	Gross amounts in balance sheet	Amounts set off against financial liabilities	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting: Financial instruments	Cash collateral received	Non-cash financial collateral received	Net amount after potential offsetting
Derivatives	13,289	0	13,289	8,471	2,010	0	2,808
Reverse repurchase agreements	1,728	0	1,728	0	0	1,605	123
Total	**15,018**	**0**	**15,018**	**8,471**	**2,010**	**1,605**	**2,932**

Financial liabilities subject to offsetting and potential offsetting agreements in 2012

in EUR million	Gross amounts in balance sheet	Amounts set off against financial assets	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting: Financial instruments	Cash collateral pledged	Non-cash financial collateral pledged	Net amount after potential offsetting
Derivatives	10,878	0	10,878	8,471	959	0	1,448
Repurchase agreements	2,010	0	2,010	0	0	1,998	12
Total	**12,888**	**0**	**12,888**	**8,471**	**959**	**1,998**	**1,460**

Erste Group employs repurchase agreements and master netting agreements as a means of reducing credit risk of derivative and financing transactions. They qualify as potential offsetting agreements.

Master netting agreements are relevant for counterparties with multiple derivative contracts. They provide for the net settlement of all the contracts in the event of default of any counterparty. For derivatives transactions the amount of assets and liabilities which would be set off as a result of master netting agreements is presented in the column Financial instruments. If the net position is further secured by cash collateral the effect is disclosed in the respective columns Cash collateral received/pledged.

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities stay in hands of lender as collateral in case that borrower defaults in fulfilling any of its obligations. Offsetting effects from repurchase agreements are disclosed in the column Non-cash financial collateral received / pledged. Collateral is presented at fair value of the transferred securities. However, if fair value of collateral exceeds the carrying amount of the receivable/liability from the repo transaction the value is capped at the level of the carrying amount. Remaining position may be secured by cash collateral.

Cash and non-cash financial collateral involved in these transactions is restricted from using it by the transferor during the time of the pledge.

38) Risk management

38.1) Risk policy and strategy

It is a core function of every bank to take risks in a conscious and selective manner and to manage such risks professionally. Erste Group's proactive risk policy and strategy aims to achieve an optimal balance of risk and return in order to achieve a sustainable, high return on equity.

Erste Group uses a control and risk management system that is proactive and tailored to its business and risk profile. It is based on a clear risk strategy that is consistent with the Group's business strategy and focused on early identification and management of risks and trends. In addition to meeting the internal goal of effective and efficient risk management, Erste Group's control and risk management systems have been developed to fulfil external and, in particular, regulatory requirements.

Given Erste Group's business strategy, the key risks for Erste Group are credit risk, market risk, liquidity risk and operational risk. Erste Group also focuses on managing macroeconomic risks as well as concentrations within and across risk types. In addition, Erste Group's control and risk management framework takes into account a range of other significant risks faced by the banking Group. The bank always seeks to enhance and complement existing methods and processes, in all areas of risk management.

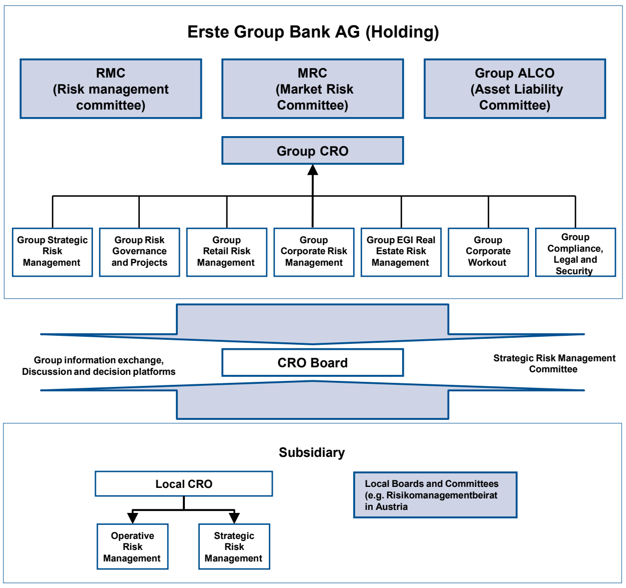
The year 2013 has been dominated by preparations for Basel 3 and its impacts as well as by the upcoming changes to the regulatory oversight landscape. Emphasis was also put on improving and upgrading risk-weighted asset measurement, control, steering and stress testing capabilities. A further focus was given to continuous consideration of more risk-sensitive measures in the Internal Capital Adequacy Assessment Process (ICAAP).

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

38.2) Risk management organisation

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities, and risk limits. The following diagram presents an overview of Erste Group's risk management and control governance and responsibility.

Risk management organisation and decision bodies



Overview of risk management structure

The management board, and in particular Erste Group's chief risk officer (Group CRO), must perform its oversight function within Erste Group's risk management structure. Risk control and management functions within Erste Group are performed based on the business and risk strategies approved by the management board and contained in the strategic risk framework. The 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. 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 limit-setting for the relevant risks are performed at the operating entity level within Erste Group. At 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; and
_ Group Compliance, Legal and Security.

Group Strategic Risk Management
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. The Group Strategic Risk Management unit performs the function of the central and independent risk control unit required by Section 39 (2) of the Austrian Banking Act. One objective of Group Strategic Risk Management, a unit that is independent of the business units, is to ensure that all risks measured or taken are within the limits approved by the management board. The division is composed of the departments Group Credit Risk Methods and Reporting, Group Enterprise-wide Risk Management, Group Market and Liquidity Risk Management, and Group Operational Risk Control. Group Credit Risk Methods and Reporting is responsible for credit risk methods and rating models. Another key task of the department is the Group-wide credit risk reporting. Group Enterprise-wide Risk Management is in charge of the essential elements of the risk management framework, Erste Group's risk policy principles and the Group data pool. The Group-wide daily calculation, analysis and reporting of market and liquidity risks is provided by the department Group Market and Liquidity Risk Management. Group Operational Risk Control is responsible for the modelling, management and reporting of operational risks.

Group Risk Governance and Projects
Group Risk Governance and Projects was established to ensure central management and oversight within risk management on key topics such as risk IT (risk project– portfolio), risk policy framework, risk reporting framework, and change management in the risk area. Key tasks are oversight and control of the Group-wide CRO division project portfolio, the role as interface to One IT, Erste Group's IT subsidiary, and the constant improvement of risk IT. Furthermore, the division is responsible for the Group-wide risk policy framework, the development of a Group-wide integrated risk reporting framework, and change management in those divisions that report to the CRO.

Group Corporate Risk Management
Group Corporate Risk Management is the operative credit risk management function for Erste Group's divisionalised corporate business (Group Corporate and Investment Banking – GCIB) and Group Markets. It is responsible for the formal and material verification, recommendation and approval of all credit risks of Erste Group Bank AG. Group Corporate Risk Management is also responsible for credit risk management for the GCIB segment as well as all credit applications where the amount involved exceeds the approval limits granted to the respective subsidiary. This unit covers sovereigns, other credit institutions, securitisations and large corporates. Group Corporate Risk Management provides specific credit risk reports on the aforementioned centrally managed portfolios of Erste Group Bank AG as a holding company. It is in charge of process development for credit risk management and implementation of Group standards for these exposure classes. It also monitors compliance with counterparty, industry and country limits.

Group EGI Real Estate Risk Management
Group EGI Real Estate Risk Management performs the function of 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 that Erste Group Bank AG is taking. Furthermore, this organisational unit is responsible for managing credit risk in Erste Group Immorent AG (EGI) and for all credit applications with exposures exceeding the authority levels granted to the respective subsidiaries. The division structures and steers the respective alignment and decision-making processes. Furthermore, in close cooperation with EGI as the defined competence center for real estate business within Erste Group, business and risk policies are prepared and implemented as the basis for business activities and reporting. Additionally, tools and systems for project analyses and valuation are developed in order to standardise the assessment of transactions and risks.

Group Retail Risk Management
Group Retail Risk Management is responsible for monitoring and steering the Group's retail lending portfolio and defining the retail risk management lending framework. It provides a Group-level analytical framework that enables local banks to monitor the performance of retail loan portfolios and to address adverse developments early on. Another important function of Group Retail Risk Management is to assess if prudent lending requirements have been applied when countries launch new products on the market or change their existing risk parameters. In addition, the unit ensures knowledge transfer across Erste Group entities in the area of retail lending. The local chief risk officers and the local retail risk heads are primarily responsible for managing retail credit risk and the corresponding risk–reward trade-off at country level. In line with Group Retail Risk Management's policies, additional local credit policy rules are defined in every entity, respecting the local regulatory and business environment.

Group Corporate Workout
Group Corporate Workout is responsible for managing problematic transactions of the Group-wide Group Corporate and Investment Banking (GCIB) segment as well as of the local segments for lending to small and medium-sized enterprises (SME) where the exposure exceeds the authority of the management board of the respective subsidiary. This task includes the operative restructuring as well as workout function for exposures booked in Erste Group Bank AG and the risk management function for all substandard and non-performing clients in the local SME segments mentioned above. An important task in this regard is also to set

up Group-wide standards and policies for handling problematic corporate clients. Additionally, this area organises expert training programmes as well as workshops to ensure knowledge transfer across Erste Group entities. Another important task of the division is its responsibility for the Group-wide collateral management. This includes the setup of standards for collateral management, the framework for a Group collateral catalogue, and principles for collateral evaluation and revaluation.

Group Compliance, Legal and Security

This division consists of three departments. Group Compliance contains the departments Central Compliance, Securities Compliance, Anti-Money Laundering (AML) Compliance and Fraud Management, and is responsible for addressing compliance risks. Compliance risks are those of legal or regulatory sanctions, material financial loss, or loss of reputation that Erste Group might suffer as a result of failure to comply with laws, regulations, rules and standards. Group Legal, with its two units Banking & Corporate Legal and Markets Legal, acts as the central legal department of Erste Group, mitigates legal risk by providing legal support and counsel for the business and centre functions, and take care ofdispute resolution and litigation. Legal support for the business of the banking subsidiaries in their domestic jurisdictions is performed at the local level. Group Security Management is in charge of the strategy, definition of security standards, quality assurance and monitoring, as well as of the further development of issues relevant for security at Erste Group.

In addition to the risk management activities performed at the Erste Group level in its special role as a holding company, each subsidiary also has a risk control and management unit, the responsibilities of which are tailored to the applicable local requirements. Each subsidiary's risk control and management unit is headed by the respective entity's chief risk officer.

New organisational structure from the beginning of 2014

At the beginning of 2014 the risk management organisation at Group level was redesigned. The prime objective was a clearer separation between steering and modelling tasks. Furthermore, similar activities were combined and the number of divisions was reduced by one unit.

By the establishment of distinct divisions for enterprise-wide risk steering, for methods and models as well as for operations, reporting and regulatory affairs, the changes mainly concern the former Group Strategic Risk Management division. The validation of models for all risk types is now done in a separate department that directly reports to the CRO.

Group co-ordination of risk management activities

The management board deals with risk issues in its regular board meetings. All types of risks are reported periodically and actions are taken when needed. In addition, the board is concerned with current risk issues and, through the internal risk reporting, receives ad hoc reports for all types of risk.

In order to carry out risk management activities within Erste Group, certain committees have been established, including the following:

_ Risk Management Committee,
_ CRO Board,
_ Strategic Risk Management Committee,
_ Group Asset Liability Committee,
_ Group Operational Liquidity Committee,
_ Market Risk Committee, and
_ Group Operational Risk Committee.

The Risk Management Committee is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the management board according to the approval authority regulation. It is charged with granting approval to exposures or large exposures pursuant to Section 27 of the Austrian Banking Act, if such an investment in credit institutions exceeds 10% of the entity's own funds or if the investment amounts to at least 10% of the consolidated banking Group's own funds. Within the competence assigned to it, the committee may grant advance approvals to the extent permitted by law. In addition, it is responsible for supervising the risk management of Erste Group Bank AG. The Risk Management Committee meets regularly. As the central risk control body, the Risk Management Committee is regularly briefed on the risk status across all risk types.

The CRO Board and the Strategic Risk Management Committee are responsible for consistent co-ordination and implementation of risk management activities within Erste Group, including the cross-guarantee system of Austrian savings banks ('Haftungsverbund'). The CRO Board is made up of the Group CRO and the chief risk officers of the subsidiaries within Erste Group. Chaired by the Group CRO, the CRO Board has responsibility for Group-wide co-ordination of risk management and for ensuring uniformity of risk management standards across Erste Group.

The Strategic Risk Management Committee (SRMC), which is made up of the division heads of the strategic risk management department at each subsidiary, provides support to the CRO Board in decision-making on current risk-related topics.

Group Asset Liability Committee (Group ALCO) manages the consolidated Group balance sheet, focusing on trade-offs between all consolidated balance sheet risks (interest rate, exchange rate and liquidity risks) as well as taking care of Erste Group Bank's profit and loss account by performing management actions on the holding's balance sheet and by setting the Group standards and limits for Erste Group members. Additionally, it approves policies and strategies for controlling liquidity risk, interest rate risk (net interest income), capital management of the banking book, as well as examining proposals, statements and opinions of ALM, risk management, controlling and accounting functions. The approved investment strategy is within the guidelines agreed with Risk Management.

The Group Operational Liquidity Committee (Group OLC) is responsible for day-to-day management of the global liquidity position of Erste Group. It analyses the liquidity situation of Erste Group on a regular basis and reports directly to the Group Asset/Liability Committee (Group ALCO). It also proposes measures to the Group ALCO within the scope of the management policies and principles laid down in the Liquidity Risk Management Rule Book. Furthermore, members of the Group OLC are points of contact for other departments or Erste Group members for liquidity-related matters. Each local bank has its own local operational liquidity committee.

The Market Risk Committee (MRC) is the main steering body for all risks related to currencies, money market and capital market trading operations in Erste Group. The MRC meets quarterly, approves Group-wide market risk limits and elaborates on the current market situation. The members of the MRC are the Group CRO, the Head of Group Corporates and Markets, the Group Chief Financial Officer (CFO), the Head of Group Capital Markets, the Head of Group Strategic Risk Management, and the Head of Group Market and Liquidity Risk Management.

The objectives of the Group Operational Risk Committee (GORCO) are to reduce operational risk at Group level through decisions on risk mitigation measures, monitor these risks and handle substantial operational risks within the Group. GORCO has the authority to decide on risk mitigation and risk steering measures at Group level.

In addition, committees are established at local level, such as the 'Risikomanagementbeirat' in Austria. This implements a common risk approach within the Austrian members of Erste Group (i.e. Erste Bank Oesterreich and the Savings Banks).

As a result of the principle of segregating risk origination and risk control, at every level of the risk management structure of Erste Group – and particularly concerning market and credit risks – the risk control functions are exercised independently of the front-office functions.

38.3) Current topics

Current regulatory topics

Activities in the context of changes in regulatory requirements
Since 2010, Erste Group has been scrutinising the impacts of the planned regulatory changes commonly known as Basel 3. The Group has established a Group-wide Basel 3 programme, which ensures that all requirements arising from the Capital Requirements Directive IV (CRD IV) and from related national and international regulations are implemented in time and completely within the whole Group. The programme includes a stream covering capital requirements, changes in risk-weighted asset (RWA) calculations, counterparty credit risk (CCR), and the new capital charge for credit value adjustments (CVA). Further streams focus on new legal requirements for regulatory capital, new disclosure requirements, the new liquidity rules, the planned introduction of a leverage ratio as well as transitional provisions up to 31 December 2022, based on definitions within the CRD IV.

Due to the established programme structure, Erste Group has an integrated view of all requirements arising from Basel 3. Furthermore, a close alignment is being undertaken with programmes focusing on other internal or regulatory requirements in the areas of risk management and accounting, such as the IFRS 9 project.

Regarding changes in risk-weighted assets according to Basel 3, since 2010 Erste Group has actively participated in the semi-annual Quantitative Impact Study (QIS) which is co-ordinated by Austrian and European regulatory authorities. In future, Erste Group will also participate in the exercises. The bank has completed several calculations to evaluate the impact of the new accord on its risk-weighted assets, both within and beyond the scope of the QIS exercises.

Erste Group has also calculated the Basel 3-compliant liquidity ratios which were also collected within the scope of the planned exercises. The Group has made several calculations to assess the status of the entities with regards to these ratios, and the preparation for the Common Reporting (COREP) is currently underway.

Regulatory changes for the internal model approach to market risk according to the Capital Requirements Directive III (CRD III) became effective for Erste Group at year-end 2011. The inclusion of stressed value-at-risk (VaR) and event risk (for equity-related risks) in the internal model was developed and received approval from regulators after a successful audit by the Austrian regulator in the fourth quarter of 2011.

Implementation of Basel 3 in the European Union
On 16 April 2013 the European Parliament adopted the new capital and liquidity requirements for the implementation of Basel 3 in the European Union. On 27 June 2013, the final Capital Requirements Directive IV (CRD IV) and the final Capital Requirements Regulation (CRR) were published in the Official Journal of the European Union.

The new regulatory requirements for credit institutions and investment firms have to be applied starting 1 January 2014. From then onwards, the regulatory capital (own funds) and the regulatory capital requirements will be calculated and published in accordance to the CRR. The Leverage Ratio has to be disclosed starting 2015.

Switch of Accounting Principles for calculation of regulatory capital ratios as of 31 March 2013
From 31 March 2013 the consolidated regulatory capital (own funds) and the consolidated regulatory capital requirements of Erste Group are calculated in accordance with IFRS. In addition to the legal requirements previously applied in determining the

regulatory capital and the regulatory capital requirement, the regulations defined in article 29a Austrian Banking Act take effect in regard to the application of IFRS.

The switch to IFRS had no material impact on the regulatory capital ratios of Erste Group.

Capital increase and repayment of participation capital
In July 2013 Erste Group's share capital was increased by EUR 660.6 million by the issuance of 35,231,353 new shares. As a consequence, the regulatory Tier-1 capital increased by around EUR 642 million after deduction of costs related to the capital increase.

In August 2013 the participation capital of Erste Group in an amount of EUR 1.76 billion was fully redeemed.

The Tier 1 ratio of Erste Group as of 31 December 2013 amounts to 11.8%.

Asset Quality Review of the European Central Bank
In preparation of assuming full responsibility for supervision as part of the single supervisory mechanism (SSM) the European Central Bank (ECB) will conduct a comprehensive review of the asset quality and the risk assessment in Erste Group and those banks which will fall under ECB-supervision. The review will be finalised by November 2014.

Current economic topics

The tables below illustrate that Erste Group's net exposure to European countries that are particularly affected by the sovereign debt crisis was further reduced in the course of the financial year 2013. The net exposure to Greece, Ireland, Italy, Portugal and Spain decreased from EUR 1.89 billion at year-end 2012 to EUR 1.54 billion as of 31 December 2013. The net exposure to Greece decreased to EUR 3 million, as compared to EUR 5 million as of 31 December 2012. The net exposures to Italy, Ireland, Portugal and Spain also decreased. Due to increases in the net exposure to the sovereigns of Italy, Spain and Portugal, the total sovereign net exposure increased to EUR 211 million as of 31 December 2013.

As of 31 December 2013, Erste Group had a net exposure of EUR 224 million to the Slovenian sovereign and EUR 9 million to Slovenian banks. In total, Erste Group reduced its net exposure to to the Slovenian sovereign and the Slovenian banking sector since 31 December 2012 by EUR 121 million.

The following tables show the net exposure to sovereigns and institutions in selected European countries as of 31 December 2013 and 31 December 2012, respectively. The net exposure includes all on- and off-balance-sheet items after counterparty netting and risk transfer to guarantors. Derivatives are netted (ISDA Master Agreement with netting agreement) and collateral for derivatives reduces the exposure, provided that the respective contracts are in force (Credit Support Annex to ISDA Master Agreement). In the case of repo transactions, the book value of the securities sold under repurchase agreements is recognised as exposure to the issuer. Moreover, an exposure to the counterparty amounting to the difference between the funds received and a potentially higher market value of the securities sold plus a percentage of the nominal value is considered in order to take into account price fluctuations. In the case of reverse repurchase agreements, the respective counterparty risk is considered as for repurchase agreements (the difference between the funds placed and a potentially lower market value of the securities purchased plus a percentage of the nominal value in order to take into account price fluctuations), but the issuer risk is not considered. The net exposure represents the net risk view. It differs from the credit risk exposure, which is treated in the 'Credit risk' section, primarily by applying the risk transfer to guarantors, by the deduction of collateral and by taking into consideration of netting agreements. Therefore, the two are not comparable. The sovereign net exposure includes central banks, central governments and institutions that are explicitly guaranteed by a central government.

Total net exposure to selected European countries

in EUR million	Sovereigns		Banks		Other[1]		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Greece	0	0	0	0	3	5	3	5
Ireland	65	74	24	29	29	36	118	139
Italy	116	100	302	411	549	656	967	1,167
Portugal	5	3	14	48	8	10	27	61
Spain	25	13	199	249	205	253	429	515
Total	**211**	**190**	**540**	**737**	**793**	**960**	**1,544**	**1,887**

1) Other contains securitisations and receivables from non-banking corporations.

Sovereigns net exposure to selected European countries

in EUR million	Fair value		Available for Sale		At amortised cost		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Greece	0	0	0	0	0	0	0	0
Ireland	0	0	65	59	0	15	65	74
Italy	(7)	(11)	116	100	1	0	116	100
Portugal	(9)	(16)	5	3	0	0	5	3
Spain	(11)	(22)	25	11	3	2	25	13
Total	**(27)**	**(49)**	**211**	**173**	**4**	**17**	**211**	**190**

Most of the short positions relating to sovereigns in Italy, Portugal and Spain as of 31 December 2013 mature before the corresponding long positions or are booked in a different legal entity. Therefore, these are not offset in the exposure figures above. If these were considered in the calculations, total exposure would accordingly be lower. The short positions originate from Credit Default Swap transactions and are stated in the fair value section in the table above.

Banks net exposure to selected European countries

in EUR million	Fair value		Available for Sale		At amortised cost		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Greece	0	0	0	0	0	0	0	0
Ireland	15	16	4	5	6	8	24	29
Italy	38	44	121	149	143	218	302	411
Portugal	(3)	2	2	16	15	30	14	48
Spain	41	69	12	34	146	146	199	249
Total	**91**	**131**	**139**	**204**	**311**	**402**	**540**	**737**

As of 31 December 2013, no specific provisions were allocated to sovereigns and banks in the above mentioned countries.

38.4) Group-wide risk and capital management

Overview

In light of the lessons learned from recent turbulence on the financial markets, among other reasons, Erste Group's risk management framework has been continuously strengthened. In particular, Group Strategic Risk Management and its Enterprise-wide Risk Management (ERM) have been developed into a comprehensive framework. This includes as its fundamental pillar the Internal Capital Adequacy Assessment Process (ICAAP), as required under Pillar 2 of the Basel framework.

The ERM framework is designed to support the bank's management in managing the risk portfolios as well as the coverage potential to assure at all times adequate capital reflecting the nature and magnitude of the bank's risk profile. ERM is tailored to the Group's business and risk profile, and it reflects the strategic goal of protecting shareholders and senior debt holders while ensuring sustainability of the organisation.

ERM is a modular and comprehensive management and steering system within Erste Group and is integral to the bank's and Group's overall steering and management system. The components necessary to ensure all aspects of ERM, regulatory requirements, but particularly internal value adding needs, can be clustered as follows:

- Risk appetite statement
- Portfolio & risk analytics including
  - Risk materiality assessment
  - Concentration risk management and
  - Stress testing
- Risk-bearing capacity calculation
- Risk planning & forecasting including
  - Risk-weighted assets management and
  - Capital allocation, and
- Recovery and resolution plans

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the ERM components serve to support the bank's management in pursuing its strategy.

Risk appetite statement

The risk appetite statement (RAS) is a high-level strategic statement and forms an integral part of Erste Group's business and risk strategy. It also serves as a formalised, high-level steering tool from which top-down targets for the bank's limit system on lower aggregation levels can be derived.

The objective of Erste Group's RAS is to contain earnings volatility, avoid net losses, ensure a stable target rating for Erste Group (including all associated aspects, e.g. funding costs) and protect external and internal stakeholders. In order to reach these goals, general indicators are defined as well as indicators for credit, market and liquidity risk. To ensure that the RAS is operationally efficient, the indicators are classified as either targets, limits or principles, where the main differences are in the mechanisms triggered in case of a breach of the RAS.

Targets are in general derived as part of the planning process, where the final budget is aligned with the targets set. A significant deviation from a target usually triggers management action, and a 'cure' plan for the next 12 months must be formulated. Regular reviews are performed and management reports are prepared in order to ensure effective limit oversight and identify any excesses. Counterbalancing measures must be taken to close any limit breach exceptions as soon as possible. Principles are the equivalent to a qualitative strategic statement/directive and are monitored ex ante and operationalised, e.g. via guidelines and policies.

In 2013, the risk indicator framework was further enhanced by broadening the scope and increasing the level of granularity. Tighter limits and targets were defined, which serve especially for managing the economic capital. Furthermore, the strategic pillars were revised in order to optimise the capital allocation and establish an effective linkage to the risk-bearing capacity framework.

Portfolio and risk analytics

For the purpose of adequately managing the Group's risk portfolios according to the strategy, risks are systematically analysed within the scope of portfolio and risk analytics. Therefore, Erste Group has developed a corresponding infrastructure, systems and processes with which extensive analyses are ensured. Risks are quantified, qualified and discussed in a consistent management process in order to decide on appropriate measures on a timely basis.

Risk materiality assessment

For the purpose of systematically and continuously assessing all relevant risk types and identifying risks that are significant for the Group, Erste Group has defined a clear and structured risk materiality assessment approach that is based on defined quantitative and qualitative factors for each risk type and is carried out annually.

This process constitutes the basis for the determination of material risk types to be included in the risk-bearing capacity calculation. Insights generated by the assessment are also used to improve risk management practices per se to further mitigate risks within the Group but also as an input for the design and definition of the Group's Risk Appetite Statement. Furthermore, insights from the risk materiality assessment are considered in the stress test when defining stress parameters.

Concentration risk management

Erste Group has implemented a framework to identify, measure, control, report and manage concentration risks. This is essential to ensuring the long-term viability of Erste Group, and especially in times of stressed economic conditions.

Concentration risk management at Erste Group is based on a framework of processes, methodologies and reports covering both intra- and inter-risk concentrations. Concentration risks also comprise an integral part of stress test analyses. Furthermore, the outcome of a stress test is directly considered in the Risk-bearing Capacity Calculation of the Group

Additionally, the results of concentration risk assessments are used in defining the Risk Appetite Statement, defining stress factors for stress tests, and when setting or calibrating Erste Group's limit system.

Based on the results of concentration risk studies, potential regional, country, industry and specific asset class concentration risks are analysed across the portfolio. Country concentrations mainly reflect the Group's strategy to operate in its core CEE region.

Stress testing

Modelling sensitivities of the Group's assets, liabilities and profit or loss provide management and steering impulses and help in optimising the Group's risk-return profile. The additional dimension of stress tests should help to factor in severe but plausible scenarios and provide further robustness to the measuring, steering and management system. Risk modelling and stress testing are vital forward-looking elements of the ICAAP. Finally, sensitivities and stress scenarios are explicitly considered within the Group's planning and budgeting process as well as in the risk-bearing capacity calculation and the setting of the maximum risk exposure limit.

Erste Group's most complex stress tests take comprehensive account of the impact of stress scenarios, including second-round effects on all risk types (credit, market, liquidity and operational) and in addition impacts on the associated volumes of assets and liabilities as well as on profit and loss sensitivities.

Erste Group has developed specific tools to support the stress testing process, which combines bottom–up and top–down approaches. In addition, Erste Group leverages the intimate knowledge of its professionals located in the different regions to further calibrate the model-based stress parameters. Special attention is given to take into account adequate granularity and special characteristics when defining the stress parameters (e.g. the particular developments in the respective region, industry, product type or segment). The adequacy of scenarios and stress parameters is reviewed on a quarterly basis.

Results from all of Erste Group's stress tests are checked as to their explanatory power in order to decide on appropriate measures. All stress tests performed in the reporting period clearly showed capital adequacy to be sufficient.

Erste Group additionally participated in a stress test exercise at national level (OeNB) and international level (EBA), respectively. The results of these stress tests showed that Erste Group's regulatory capital was adequate.

Risk-bearing capacity calculation

The risk-bearing capacity calculation (RCC) is ultimately the tool to define the capital adequacy required by the ICAAP. Within the RCC, all material risks are aggregated and compared to the coverage potential and the bank´s own funds. The integral forecast, risk appetite limit as well as a traffic light system support management in its discussions and decision processes.

The traffic light system embedded in Erste Group's RCC helps to alert the management in case there is a need to decide, plan and execute actions to either replenish the capital base or to take measures for reducing the risk.

The management board and risk management committees are briefed regularly, at least on a quarterly basis, in relation to the results of the capital adequacy calculation. The report includes movements in risks and available capital and coverage potential after consideration of potential losses in stress situations, the degree of the risk limit's utilisation and the overall status of capital adequacy according to the traffic light system. The Group Risk Report also includes a comprehensive forecast of risk-weighted assets and capital adequacy.

Besides the Pillar 1 risk types (credit, market and operational risks), in the context of Pillar 2, interest rate risks in the banking book, foreign exchange risks arising from equity investments and credit spread risks in the banking book are explicitly considered within the required economic capital via internal models. During 2013 the utilisation of the economic capital was between 68% and 72%. The methodologies that are applied for the different risk types are diverse and range from historic simulations and value at risk approaches to the regulatory approach for residual portfolios. Moreover, calculations for portfolios under the standard regulatory approach are extended by risk parameters from the internal ratings-based approach in order to give a more economic view. The focus in 2013 was on further development of the risk-sensitive measures in relation to the trading book market risk components.

In addition to the Risk-bearing Capacity Calculation, liquidity, concentration and macroeconomic risks in particular are managed by means of a proactive management framework that includes forward-looking scenarios, stress testing, trigger levels and traffic light systems.

Based on Erste Group's business and risk profile, the three main types of banking risks – credit risk, market risk and operational risk – are currently considered directly in the Risk-bearing Capital Calculation. Credit risk accounts for approximately 74% of the total economic capital requirement. Reflecting Erste Group's conservative risk management policy and strategy, the Group does not offset diversification effects between these three risk types. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99.95% confidence level, which reflects the implied default risk consistent with a long-term credit rating of AA.

The capital or coverage potential required to cover economic risks and unexpected losses is based on regulatory own funds combined with several economic effect-driven adaptations, and consider subordinated liabilities and regulatory deductibles as well. The coverage potential must be sufficient to absorb unexpected losses resulting from the Group's operations.

Risk planning and forecasting

The responsibility for risk management within the Group and each subsidiary includes to ensure sound risk planning and forecasting processes. The numbers determined by risk management are a consequence of close co-operation with all stakeholders in the Group's overall planning process, and in particular with Group Performance Management (GPM), Asset Liability Management and the business lines. The relevant numbers flow directly into the Group steering and planning process, which is hosted by GPM.

A particular role and forward-looking element is played by the rolling one-year forecast within the RCC which is vital in determining the trigger level of the traffic light system.

Risk-weighted asset management

As risk-weighted assets (RWA) determine the actual regulatory capital requirement of a bank and influence the capital ratio as a key performance indicator, particular emphasis is devoted to meeting targets and to the planning and forecasting capacity for this parameter. Insights from monthly RWA analyses are used to improve the calculation infrastructure, the quality of input parameters and data as well as the most efficient application of the Basel framework.

There is a process in place for tracking compliance with RWA targets, forecasting their future developments and thereby defining further targets. Deviations are brought to the attention of the board within a short time frame. This process is carried out by a task force with dedicated experts from the relevant areas of risk management, controlling and statutory reporting. The task force's steering committee is co-headed by the CFO and CRO, and its meetings take place at least monthly. In addition to discussions in the steering committee, the Group's management board is regularly informed about the current status, and findings are taken into account in the context of Erste Group's regular steering process. Furthermore, RWA targets are included in the Risk Appetite Statement.

Capital allocation

An important task integral to the risk planning process is the allocation of capital to entities, business lines and segments. This is done with close co-operation between Risk Management and Controlling. All insight from the ICAAP and controlling processes is used to allocate capital with a view to risk-return considerations.

Recovery and resolution plans

In compliance with the newly introduced Austrian Banking Intervention and Restructuring Law ('Bankeninterventions- und Restrukturierungsgesetz' – BIRG) and the European Banking Authority's (EBA) formal recommendations, Erste Group has prepared recovery and resolution plans for potential crisis situations. In 2013, the Group Recovery Plan was submitted to the regulators.

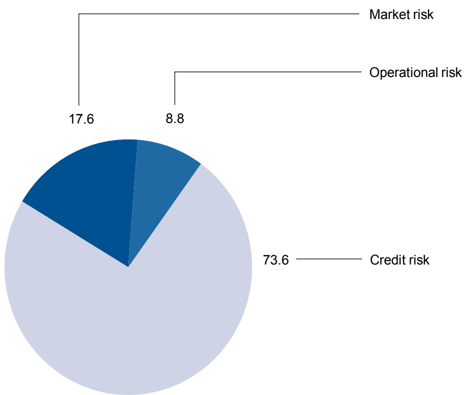
The Group Recovery Plan identifies options for restoring financial strength and viability if Erste Group comes under severe stress. The plan specifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of scenarios including both idiosyncratic and market-wide stress. Erste Group's former Emergency Response Plan has been replaced by this Group Recovery Plan.

According to BIRG requirements, the Group Resolution Plan will be developed and the Group Recovery Plan will be updated in 2014, and both will be submitted to the regulators.

Erste Group's aggregate capital requirement by risk type

The following diagram presents the composition of the economic capital requirement as of 31 December 2013 according to type of risk:

Economic capital allocation
in %, 31.12.2013



38.5) Credit risk

Definition and overview

Credit risk arises in Erste Group's traditional lending and investment businesses. It involves losses incurred as a result of default by borrowers and the need to set aside provisions as a result of the deteriorating credit quality of certain borrowers, as well as due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk, too, is recognised in the calculation of credit risk. Operative credit decisions are made locally by the credit risk management units in each of the banking subsidiaries, and by Group Corporate Risk Management and Group EGI Real Estate Risk Manangement at Group level. A detailed explanation of the role and responsibilities of Group Corporate Risk Management and Group EGI Real Estate Risk Management is covered in section 'Risk management organisation'.

The central database used for credit risk management is the Group Data Pool. All data relevant to credit risk management, performance management and determination of risk-weighted assets and the regulatory capital requirement are regularly input into this database. Relevant subsidiaries not yet integrated into the Group data pool regularly deliver reporting packages.

The department Group Credit Risk Methods and Reporting department uses the Group data pool for centralised credit risk reporting. This ensures centralised analysis and application of ratios according to unified methods and segmentation across the entire Erste Group as a whole. The credit risk reporting comprises regular reports on Erste Group's credit portfolio for external and internal recipients and permits continuous monitoring of credit risk developments, thus enabling management to take control measures. In-house recipients of these reports include, above all, the supervisory and management boards of Erste Group Bank AG, as well as the risk managers, business unit directors and internal audit staff.

The Credit Limit System organisational unit, which is part of Group Corporate Risk Management, is in charge of the roll-out and continuous technical improvement of a Group-wide online limit system for capping counterparty risk arising from treasury transactions, as well as for the monitoring of credit risk from exposure to clients that fall into the financial institutions, sovereigns and international large corporates asset segments and that work with several different members of Erste Group.

Internal rating system

Overview

Erste Group has business and risk strategies in place, as well as policies for lending and credit approval processes, that are reviewed and adjusted regularly, at minimum on a yearly basis. They cover the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. Credit approval is also based on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of counterparty default risk within Erste Group is based on the customer's probability of default (PD). For each credit exposure and lending decision, Erste Group assigns an internal rating, which is a unique measure of the counterparty default risk. The internal rating of each customer is updated at least on an annual basis (annual rating review). Ratings of customers in weaker rating classes are reviewed with higher frequency.

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities to be extended. However, internal ratings also determine the level of decision-making authority within Erste Group and the monitoring procedures for existing exposures. At a quantitative level, internal ratings drive the level of required risk pricing and risk provisions.

For internal ratings-based (IRB) Approach compliant entities of Erste Group, internal ratings are a key element of the risk-weighted assets calculation. They are also used in the Group's assessment of economic capital requirement according to Basel 2 Pillar 2 (ICAAP). For these purposes, a distinct PD value is assigned to each rating grade for its IRB portfolios within the calibration process. Calibration is performed individually for each rating method. PD values reflect the 12-month probability of default based on long-term average default rates. The bank assigns margins of conservatism to the calculated PD depending on the granularity of portfolios and relevant data history. Calibration of PD values is validated annually in line with all the rating methods validations.

Internal ratings take into account all available essential information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, company information and external credit history information, where available. For the wholesale segment, internal ratings also take into account market information such as access to capital markets linked to external ratings or credit spreads. The willingness of the market to provide funds to the counterparty can be derived from these variables. For retail clients, internal ratings are based mainly on behavioral and application scoring, but they also utilise demographic and financial information, supplemented by credit bureau information, where available. Rating ceiling rules on credit quality are applied based on membership in a Group of economically related entities and country of main economic activity. Country ceilings are applied for cross-border financing facilities.

Internal teams of specialists (Competence Centers) provide internal rating models and risk parameters and develop them further. Rating development follows an internal methodology that is formalised in a Group-wide methodology and documentation standard. Rating models are developed based on relevant and accurate data covering the respective market. In this way, Erste Group has established highly predictive rating models covering its entire core region.

All scorecards, whether retail or non-retail, are regularly validated by the central validation unit based on Group-wide standard methodology. Validations are provided using statistical techniques in respect to default prediction performance, rating stability, data quality, completeness and relevancy, and, last but not least, the review of documentation and user acceptance. The results of this validation process are reported to the management and regulatory bodies. In addition to the validation process, the Group applies a monthly monitoring process on the performance of rating tools, reflecting the month-to-month new defaults and any early delinquencies.

A Holding Model Committee is established as an elementary steering and control body for the model development and maintenance process. The Holding Model Committee reports to the CRO Board. All new models and modifications of existing models in the Group (rating models and risk parameters), as well as methodology standards, are reviewed by the Holding Model Committee. The Holding Model Committee ensures Group-wide integrity and consistency of models and methodologies. Besides its review function for new models and methodologies, the Holding Model Committee organises the Group-wide validation process, reviews validation results, and approves remedial actions. All development and validation activities are coordinated by the Group Credit Risk Methods organisational unit.

Risk grades and categories
The classification of credit assets into risk grades is based on Erste Group's internal ratings. Erste Group uses two internal risk scales for risk classification: for customers that have not defaulted, a risk scale of 8 risk grades (for retail) and 13 risk grades (for all other segments) is used. Defaulted customers are classified into a separate risk grade. For newly acquired subsidiaries of Erste Group, the respective local risk classification is mapped to Group standard classifications until internal rating systems according to Group methodology are introduced.

For the purpose of external reporting, internal rating grades of Erste Group are grouped into the following four risk categories:

Low risk: Typically regional customers with well-established and rather long-standing relationships with Erste Group or large internationally recognised customers. Strong and good financial position and no foreseeable financial difficulties. Retail clients having long relationships with the bank, or clients with a wide product pool use. No late payments currently or in the most recent 12 months. New business is generally done with clients in this risk category.

Management attention: Vulnerable non-retail clients that may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium-term. Retail clients with limited savings or probable payment problems in the past triggering early collection reminders. These clients typically have good recent histories and no current delinquencies.

Substandard: The borrower is vulnerable to negative financial and economic developments. Such loans are managed in specialised risk management departments.

Non-performing: One or more of the default criteria under Basel 2 are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. For purposes of analysing non-performing positions, Erste Group applies the customer view in Austria. Accordingly, if an Austrian customer defaults on one product then all of that customer's performing products are classified as non-performing. For corporate borrowers in CEE, the customer view is also applied. However, in the retail and SME segment in some subsidiaries in CEE, Erste Group uses the product view, so that only the product actually in default is counted as a non-performing exposure whereas the other products of the same customer are considered performing.

Credit risk review and monitoring

Credit monitoring
In order to manage the credit risk for large corporates, banks, sovereigns and country risk, credit limits are established to reflect the maximum exposure that Erste Group is willing to take on that particular customer or Group of connected customers. All credit limits and the transactions booked within the limits are reviewed at least once a year. For smaller enterprises and retail customers, the monitoring and credit review are based on an automated early warning system and a rating model that is updated monthly. For weaker small companies (with a risk category of 'Management attention' or 'Substandard'), a continuous review process is undertaken.

Credit portfolio reports for asset classes and business lines are prepared on a regular basis. Watch-list meetings and remedial committee meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures to help a particular debtor avoid default.

For retail businesses, local operational risk management is responsible for undertaking these monitoring activities and fulfilling the minimum requirements of Group Retail Risk Management.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

_ loans and advances to credit institutions;
_ loans and advances to customers;
_ debt securities held for trading, at fair value through profit or loss, available for sale, and held to maturity;
_ derivatives; and
_ credit risks held off balance sheet (primarily financial guarantees and undrawn credit commitments).

The credit risk exposure comprises the gross amount without taking into account loan loss provisions, any collateral held (including risk transfer to guarantors), netting effects, other credit enhancements or other credit risk mitigating transactions.

The credit risk exposure of Erste Group decreased by 4.7%, or almost EUR 10.3 billion, from EUR 219.7 billion as of 31 December 2012 to approximately EUR 209.4 billion as of 31 December 2013.

Erste Group's credit risk exposure is presented below divided into the following classes:

_ by Basel 2 exposure class and financial instrument,
_ by industry and financial instrument,
_ by risk category,
_ by industry and risk category,
_ by region and risk category, and
_ by business segment and risk category.

Thereafter, a breakdown is presented of
_ contingent liabilities by region and risk category,
_ contingent liabilities by product,
_ credit risk exposure to sovereigns by region and financial instrument, and
_ credit risk exposure to institutions by region and financial instrument.

This is followed by presentation of
_ non-performing credit risk exposure by business segment and credit risk provisions,
_ the composition of provisions,
_ credit risk exposure by business segment and collateral,
_ credit risk exposure by financial instrument and collateral, and
_ credit risk exposure past due and not covered by specific provisions by Basel 2 exposure class and collateralisation.

and a breakdown of
_ loans and advances to customers by business segment and risk category
_ non-performing loans and advances to customers by business segment and coverage by loan loss provisions and collateral, and
_ loans and advances to customers by business segment and currency.

Credit risk exposure by Basel 2 exposure class and financial instrument

The following tables include Erste Group's credit risk exposure broken down by Basel 2 exposure class and financial instrument as of 31 December 2013 and 31 December 2012, respectively. The assignment of obligors to Basel 2 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 2 exposure classes are presented in aggregated form in the tables below and in other tables in the section 'Credit Risk'. The aggregated exposure class 'sovereigns' also contains regional and local governments as well as public sector entities in addition to central governments, central banks, international organisations and multinational development banks.

Credit risk exposure by Basel 2 exposure class and financial instrument in 2013

			Debt instruments						
	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
in EUR million	At amortised cost			Fair value					
Sovereigns	1,462	7,659	15,449	5,026	144	11,945	524	1,227	43,436
Institutions	7,585	57	1,476	384	112	3,943	7,183	420	21,159
Corporates	14	57,288	856	258	65	2,660	576	15,446	77,164
Retail	0	62,695	0	0	0	6	2	4,940	67,643
Total	**9,062**	**127,698**	**17,781**	**5,668**	**322**	**18,554**	**8,285**	**22,033**	**209,402**

Credit risk exposure by Basel 2 exposure class and financial instrument in 2012

in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
			Debt instruments						
	At amortised cost			Fair value					
Sovereigns	2,556	7,799	16,371	4,267	236	13,016	623	881	45,748
Institutions	6,504	52	1,720	360	211	4,425	11,806	267	25,346
Corporates	15	60,302	884	245	79	2,784	857	14,640	79,805
Retail	0	63,774	0	0	0	0	4	4,990	68,768
Total	**9,074**	**131,928**	**18,975**	**4,872**	**526**	**20,225**	**13,289**	**20,779**	**219,668**

Credit risk exposure by industry and financial instrument

The following tables present Erste Group's credit risk exposure by industry, broken down by financial instruments, as of each reporting date indicated.

Credit risk exposure by industry and financial instrument in 2013

in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
			Debt instruments						
	At amortised cost			Fair value					
Agriculture and forestry	0	2,218	0	0	0	0	3	185	2,405
Mining	0	439	0	0	0	8	0	142	589
Manufacturing	0	9,316	44	6	1	117	93	3,701	13,278
Energy and water supply	0	2,797	39	28	0	63	41	978	3,946
Construction	0	6,743	292	43	0	312	10	2,952	10,352
Trade	0	8,376	0	5	0	10	45	2,145	10,581
Transport and communication	0	3,516	187	48	0	576	21	1,079	5,427
Hotels and restaurants	0	3,822	9	0	0	2	30	457	4,320
Financial and insurance services	9,062	5,576	2,146	1,359	250	6,159	7,360	2,587	34,498
Real estate and housing	0	19,975	15	4	0	204	162	1,611	21,972
Services	0	4,743	24	49	0	90	32	1,255	6,194
Public administration	0	6,062	15,018	4,122	61	10,679	460	909	37,312
Education, health and art	0	2,646	0	0	0	0	12	282	2,940
Private households	0	51,266	0	0	0	0	1	3,166	54,434
Other	0	202	8	4	9	333	14	583	1,154
Total	**9,062**	**127,698**	**17,781**	**5,668**	**322**	**18,554**	**8,285**	**22,033**	**209,402**

Credit risk exposure by industry and financial instrument in 2012

in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
	Debt instruments: At amortised cost			Debt instruments: Fair value					
Agriculture and forestry	0	2,195	0	0	0	0	3	211	2,409
Mining	0	396	0	1	0	0	0	191	588
Manufacturing	0	10,259	54	23	1	146	102	3,770	14,356
Energy and water supply	0	2,387	51	24	0	66	43	847	3,418
Construction	0	7,067	110	4	0	76	36	2,636	9,930
Trade	0	8,903	0	1	0	13	90	2,293	11,300
Transport and communication	0	3,717	185	17	0	446	26	759	5,150
Hotels and restaurants	0	4,048	9	0	0	2	40	461	4,560
Financial and insurance services	9,074	6,208	2,423	1,302	439	7,670	12,039	1,980	41,135
Real estate and housing	0	20,534	28	22	0	225	254	1,640	22,703
Services	0	4,839	164	50	0	293	43	1,061	6,451
Public administration	0	6,615	15,932	3,422	81	10,941	581	758	38,331
Education, health and art	0	2,606	0	0	0	0	9	316	2,931
Private households	0	52,028	0	0	0	0	3	3,225	55,256
Other	0	125	18	6	3	347	20	632	1,151
Total	**9,074**	**131,928**	**18,975**	**4,872**	**526**	**20,225**	**13,289**	**20,779**	**219,668**

Credit risk exposure by risk category

The following table presents the credit risk exposure of Erste Group divided by risk category as of 31 December 2013, compared with the credit risk exposure as of 31 December 2012.

Credit risk exposure by risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Total exposure as of 31 Dec 2013	172,357	19,915	4,302	12,828	209,402
Share of credit risk exposure	82.3%	9.5%	2.1%	6.1%	
Total exposure as of 31 Dec 2012	179,455	22,833	4,785	12,595	219,668
Share of credit risk exposure	81.7%	10.4%	2.2%	5.7%	
Change in credit risk exposure in 2013	(7,098)	(2,918)	(483)	233	(10,266)
Change	(4.0)%	(12.8)%	(10.1)%	1.8%	(4.7)%

From 31 December 2012 to 31 December 2013, the share of credit risk exposure in the best and weakest categories increased, while it decreased in the other two categories. Non-performing claims as a percentage of total credit risk exposure (i.e. the non-performing exposure ratio, NPE ratio) rose from 5.7% to 6.1%. Of Erste Group's total credit exposure, 82.3% fell into the best risk category and 9.5% was in the management attention category. The combined proportion of the two weaker risk categories scarcely changed between 31 December 2012 and 31 December 2013, growing by 0.3 percentage points from 7.9% to 8.2% of total credit risk exposure.

Credit risk exposure by industry and risk category

The following tables present the credit risk exposure of Erste Group broken down by industry and risk category as of 31 December 2013 and 31 December 2012, respectively.

Credit risk exposure by industry and risk category in 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Agriculture and forestry	1,580	471	84	270	2,405
Mining	390	131	5	63	589
Manufacturing	9,362	1,763	451	1,702	13,278
Energy and water supply	3,223	410	96	217	3,946
Construction	6,872	1,471	198	1,811	10,352
Trade	7,137	1,597	310	1,536	10,581
Transport and communication	4,432	588	73	335	5,427
Hotels and restaurants	2,318	908	230	864	4,320
Financial and insurance services	32,303	1,650	49	497	34,498
Real estate and housing	17,451	2,720	556	1,244	21,972
Services	4,672	888	170	464	6,194
Public administration	36,709	548	32	22	37,312
Education, health and art	2,064	449	62	365	2,940
Private households	43,383	6,281	1,362	3,408	54,434
Other	460	42	623	29	1,154
Total	**172,357**	**19,915**	**4,302**	**12,828**	**209,402**

Credit risk exposure by industry and risk category in 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Agriculture and forestry	1,529	546	79	255	2,409
Mining	399	110	5	74	588
Manufacturing	9,611	2,436	535	1,773	14,356
Energy and water supply	2,767	340	42	269	3,418
Construction	5,950	1,843	315	1,821	9,930
Trade	7,792	1,810	375	1,324	11,300
Transport and communication	3,890	796	65	399	5,150
Hotels and restaurants	2,447	986	310	816	4,560
Financial and insurance services	39,386	1,276	80	392	41,135
Real estate and housing	17,570	3,267	658	1,208	22,703
Services	4,798	953	161	539	6,451
Public administration	37,476	817	10	28	38,331
Education, health and art	2,024	668	48	191	2,931
Private households	43,337	6,891	1,560	3,468	55,256
Other	478	92	544	37	1,151
Total	**179,455**	**22,833**	**4,785**	**12,595**	**219,668**

Credit risk exposure by region and risk category

The geographic analysis of credit exposure is based on the risk country of the borrower. Accordingly, the distribution among Erste Group entities of the credit risk exposure by geography differs from the composition of credit risk exposure in terms of reporting segments of Erste Group.

The following tables present the credit risk exposure of Erste Group divided by region as of 31 December 2013 and 31 December 2012, respectively.

Credit risk exposure by region and risk category in 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Core market	**144,581**	**18,335**	**4,004**	**11,935**	**178,855**
Austria	75,166	8,224	1,599	3,289	88,278
Croatia	6,448	1,440	476	1,538	9,902
Romania	10,729	3,080	704	3,346	17,860
Serbia	731	327	45	139	1,242
Slovakia	13,636	879	269	509	15,294
Slovenia	1,063	356	86	344	1,849
Czech Republic	29,632	2,695	532	1,098	33,956
Hungary	7,176	1,334	292	1,671	10,474
Other EU	**22,348**	**789**	**211**	**521**	**23,869**
Other industrialised countries	**2,855**	**151**	**30**	**132**	**3,168**
Emerging markets	**2,573**	**641**	**57**	**240**	**3,510**
South-Eastern Europe/CIS	1,442	596	57	205	2,300
Asia	675	12	0	17	704
Latin America	66	2	0	3	72
Middle East/Africa	389	30	0	15	434
Total	**172,357**	**19,915**	**4,302**	**12,828**	**209,402**

Credit risk exposure by region and risk category in 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Core market	**145,789**	**20,790**	**4,564**	**11,661**	**182,803**
Austria	75,642	8,419	1,534	3,423	89,017
Croatia	6,147	1,808	470	1,295	9,720
Romania	10,678	3,113	993	3,346	18,129
Serbia	805	276	49	79	1,209
Slovakia	13,107	1,176	232	502	15,017
Slovenia	1,328	267	127	228	1,951
Czech Republic	31,219	3,961	742	1,063	36,984
Hungary	6,864	1,770	417	1,726	10,777
Other EU	**27,409**	**1,202**	**112**	**559**	**29,283**
Other industrialised countries	**4,096**	**140**	**19**	**143**	**4,398**
Emerging markets	**2,161**	**702**	**90**	**232**	**3,184**
South-Eastern Europe/CIS	1,322	634	87	187	2,230
Asia	510	10	1	24	546
Latin America	86	19	1	8	114
Middle East/Africa	243	38	1	13	294
Total	**179,455**	**22,833**	**4,785**	**12,595**	**219,668**

Between 31 December 2012 and 31 December 2013, the credit risk exposure fell by EUR 10.3 billion to EUR 209.4 billion. In the CEE core markets, it decreased by EUR 3.2 billion, or 3.4%, while it decline by approximately EUR 739 million, or 0.8%, in Austria. In the other EU member states (EU 28 excluding core markets), the credit risk exposure dropped by EUR 5.4 billion, or 18.5%, from EUR 29.3 billion to less than EUR 24 billion between the two balance sheet dates. Contrasting with a decrease of EUR 1,230 million, or 28%, in other industrialised countries, the credit risk exposure increased by EUR 326 million, or 10.2%, in emerging markets. In total, the countries of Erste Group's core market and the EU accounted for 96.8% of credit risk exposure as of 31 December 2013. At 1.7%, the share of emerging markets remained of minor importance.

Credit risk exposure by business segment and risk category

The following tables show the credit risk exposure of Erste Group broken down by reporting segment as of 31 December 2013 and 31 December 2012, respectively.

Credit risk exposure by business segment and risk category in 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Retail & SME	**126,680**	**16,379**	**3,154**	**10,823**	**157,037**
Austria	72,858	9,004	1,417	3,819	87,098
Erste Bank Oesterreich	31,423	2,447	400	1,143	35,413
Savings Banks	41,435	6,557	1,018	2,675	51,685
Central and Eastern Europe	53,822	7,375	1,737	7,004	69,939
Czech Republic	26,722	2,094	433	821	30,070
Romania	8,222	2,330	477	2,996	14,024
Slovakia	9,867	629	236	405	11,137
Hungary	2,786	1,005	235	1,419	5,445
Croatia	5,697	1,078	346	1,277	8,397
Serbia	528	241	10	86	865
Group Corporate & Investment Banking	**19,140**	**2,595**	**800**	**2,001**	**24,535**
Group Markets	**17,864**	**271**	**30**	**3**	**18,168**
Corporate Center	**8,672**	**671**	**318**	**1**	**9,662**
Total	**172,357**	**19,915**	**4,302**	**12,828**	**209,402**

Credit risk exposure by business segment and risk category in 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Retail & SME	**128,207**	**18,548**	**3,590**	**11,069**	**161,413**
Austria	72,950	9,165	1,382	3,816	87,313
Erste Bank Oesterreich	31,244	2,462	329	1,134	35,169
Savings Banks	41,706	6,703	1,054	2,682	52,145
Central and Eastern Europe	55,257	9,383	2,208	7,253	74,100
Czech Republic	28,063	3,107	598	989	32,758
Romania	8,766	2,523	631	3,086	15,007
Slovakia	9,449	877	197	448	10,971
Hungary	2,949	1,510	348	1,575	6,382
Croatia	5,558	1,186	417	1,085	8,246
Serbia	471	180	16	69	736
Group Corporate & Investment Banking	**19,840**	**3,895**	**861**	**1,521**	**26,117**
Group Markets	**22,479**	**186**	**20**	**2**	**22,688**
Corporate Center	**8,929**	**205**	**314**	**3**	**9,450**
Total	**179,455**	**22,833**	**4,785**	**12,595**	**219,668**

Contingent liabilities by region and risk category
The following tables present the credit risk exposure of Erste Group's off-balance-sheet items broken down by region and risk category, as well as by product, as of 31 December 2013 and 31 December 2012, respectively.

Contingent liabilities by region and risk category in 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Core market	**16,664**	**2,169**	**654**	**431**	**19,918**
Austria	10,704	751	546	197	12,199
Croatia	539	98	27	26	690
Romania	889	858	13	106	1,866
Serbia	98	8	0	0	107
Slovakia	1,196	34	12	52	1,294
Slovenia	74	60	3	20	158
Czech Republic	2,772	308	50	23	3,152
Hungary	392	52	1	7	452
Other EU	**1,345**	**100**	**9**	**15**	**1,468**
Other industrialised countries	**169**	**4**	**1**	**0**	**174**
Emerging markets	**330**	**133**	**3**	**7**	**473**
South-Eastern Europe/CIS	226	131	3	7	367
Asia	18	1	0	0	19
Latin America	15	0	0	0	15
Middle East/Africa	71	0	0	0	72
Total	**18,507**	**2,406**	**666**	**453**	**22,033**

Contingent liabilities by region and risk category in 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Core market	**15,592**	**2,129**	**705**	**394**	**18,820**
Austria	9,976	820	545	240	11,580
Croatia	473	113	17	21	624
Romania	978	367	34	66	1,445
Serbia	129	14	2	0	146
Slovakia	1,042	81	16	16	1,155
Slovenia	74	30	3	8	115
Czech Republic	2,624	642	83	31	3,380
Hungary	295	62	6	12	375
Other EU	**1,290**	**105**	**22**	**13**	**1,431**
Other industrialised countries	**95**	**7**	**0**	**0**	**103**
Emerging markets	**317**	**101**	**4**	**3**	**426**
South-Eastern Europe/CIS	207	78	4	3	291
Asia	24	1	0	0	25
Latin America	3	15	0	0	18
Middle East/Africa	83	8	0	0	91
Total	**17,294**	**2,343**	**731**	**411**	**20,779**

Contingent liabilities by product

in EUR million	2013	2012
Financial guarantees	6,887	6,363
Irrevocable commitments	15,146	14,415
Total	**22,033**	**20,779**

Credit risk exposure to sovereigns by region and financial instrument

The following tables show Erste Group's credit risk exposure to sovereigns broken down by region and financial instrument as of 31 December 2013 and 31 December 2012, respectively. The assignment of obligors to sovereigns is based on Basel 2 exposure classes.

Credit risk exposure to sovereigns by region and financial instrument in 2013

			Debt instruments						
	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
in EUR million	At amortised cost			Fair value					
Core market	**804**	**7,340**	**14,690**	**4,834**	**139**	**9,817**	**522**	**1,126**	**39,272**
Austria	48	3,419	3,077	3	1	4,093	100	720	11,461
Croatia	690	1,185	94	200	0	496	0	15	2,680
Romania	0	1,226	2,351	976	5	1,166	0	225	5,949
Serbia	65	31	53	28	0	15	0	1	193
Slovakia	0	357	3,656	297	28	1,640	16	6	6,001
Slovenia	0	33	47	13	0	157	0	2	252
Czech Republic	0	610	4,576	1,344	105	2,014	406	151	9,206
Hungary	0	478	835	1,974	0	236	0	7	3,529
Other EU	**0**	**4**	**741**	**176**	**6**	**1,789**	**0**	**0**	**2,716**
Other industrialised countries	**650**	**0**	**0**	**0**	**0**	**190**	**0**	**0**	**840**
Emerging markets	**9**	**314**	**18**	**16**	**0**	**150**	**1**	**101**	**609**
South-Eastern Europe/CIS	0	196	18	8	0	145	0	101	468
Asia	0	109	0	0	0	2	0	0	111
Latin America	3	0	0	0	0	0	0	0	3
Middle East/Africa	6	9	0	8	0	3	1	0	26
Total	**1,462**	**7,659**	**15,449**	**5,026**	**144**	**11,945**	**524**	**1,227**	**43,436**

Credit risk exposure to sovereigns by region and financial instrument in 2012

in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
	Debt instruments								
	At amortised cost			Fair value					
Core market	**728**	**7,479**	**15,749**	**3,949**	**229**	**10,900**	**623**	**875**	**40,532**
Austria	3	3,631	2,433	33	1	4,656	54	574	11,384
Croatia	690	990	101	111	0	530	0	5	2,427
Romania	5	1,267	2,497	587	5	980	0	85	5,425
Serbia	0	50	51	8	0	10	0	0	119
Slovakia	0	236	3,244	219	29	2,544	1	18	6,291
Slovenia	0	28	47	84	0	162	0	3	323
Czech Republic	0	681	6,175	1,867	194	1,314	567	180	10,978
Hungary	31	597	1,203	1,040	0	704	0	11	3,585
Other EU	**0**	**44**	**607**	**317**	**8**	**1,692**	**0**	**6**	**2,673**
Other industrialised countries	**1,818**	**0**	**0**	**0**	**0**	**276**	**0**	**0**	**2,093**
Emerging markets	**10**	**276**	**15**	**1**	**0**	**148**	**0**	**0**	**450**
South-Eastern Europe/CIS	0	104	15	0	0	142	0	0	262
Asia	0	128	0	0	0	2	0	0	130
Latin America	3	35	0	0	0	1	0	0	39
Middle East/Africa	7	9	0	1	0	3	0	0	19
Total	**2,556**	**7,799**	**16,371**	**4,267**	**236**	**13,016**	**623**	**881**	**45,748**

Credit risk exposure to institutions by region and financial instrument

The following tables present Erste Group's credit risk exposure to institutions broken down by region and financial instrument as of 31 December 2013 and 31 December 2012, respectively. The assignment of obligors to institutions is based on Basel 2 exposure classes.

Credit risk exposure to institutions by region and financial instrument in 2013

			Debt instruments						
	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
in EUR million	At amortised cost			Fair value					
Core market	**2,794**	**52**	**745**	**218**	**38**	**1,474**	**491**	**279**	**6,091**
Austria	579	29	238	217	36	743	343	191	2,376
Croatia	90	9	0	0	0	0	1	11	111
Romania	248	0	3	0	0	0	8	58	316
Serbia	0	0	0	0	0	0	0	0	0
Slovakia	97	0	19	0	0	67	11	2	197
Slovenia	2	0	0	0	0	0	1	2	6
Czech Republic	1,098	0	485	0	2	664	125	14	2,387
Hungary	679	13	0	0	0	0	3	2	698
Other EU	**3,819**	**0**	**640**	**139**	**54**	**2,274**	**6,403**	**54**	**13,382**
Other industrialised countries	**272**	**0**	**81**	**27**	**20**	**185**	**287**	**16**	**889**
Emerging markets	**700**	**4**	**10**	**0**	**0**	**10**	**2**	**70**	**796**
South-Eastern Europe/CIS	73	4	0	0	0	1	0	22	100
Asia	454	0	10	0	0	0	2	18	484
Latin America	1	0	0	0	0	0	0	0	1
Middle East/Africa	172	0	0	0	0	9	0	30	211
Total	**7,585**	**57**	**1,476**	**384**	**112**	**3,943**	**7,183**	**420**	**21,159**

Credit risk exposure to institutions by region and financial instrument in 2012

in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Debt instruments: Held to maturity	Debt instruments: Trading assets	Debt instruments: At fair value through profit or loss	Debt instruments: Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
	At amortised cost			Fair value					
Core market	**2,227**	**52**	**817**	**252**	**83**	**1,810**	**699**	**163**	**6,102**
Austria	1,087	25	285	249	57	1,003	465	98	3,268
Croatia	38	3	0	0	0	0	3	0	44
Romania	37	1	2	2	0	0	15	52	109
Serbia	12	4	0	0	0	1	0	0	17
Slovakia	51	0	2	0	0	62	16	0	131
Slovenia	19	0	0	0	0	4	1	2	27
Czech Republic	883	0	527	0	26	739	194	7	2,376
Hungary	101	20	0	0	0	0	5	3	129
Other EU	**3,625**	**0**	**801**	**101**	**89**	**2,405**	**10,601**	**32**	**17,653**
Other industrialised countries	**236**	**0**	**93**	**8**	**40**	**209**	**504**	**6**	**1,095**
Emerging markets	**416**	**0**	**10**	**0**	**0**	**1**	**2**	**66**	**496**
South-Eastern Europe/CIS	80	0	0	0	0	1	0	32	113
Asia	279	0	10	0	0	0	2	23	315
Latin America	1	0	0	0	0	0	0	2	3
Middle East/Africa	56	0	0	0	0	0	0	9	66
Total	**6,504**	**52**	**1,720**	**360**	**211**	**4,425**	**11,806**	**267**	**25,346**

Non-performing credit risk exposure, risk provisions and collateral

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection 'Internal rating system'.

Credit risk provisions (specific and portfolio provisions) covered 62.6% of the reported non-performing credit risk exposure as of 31 December 2013. For the portion of the non-performing credit risk exposure that is not covered by provisions, Erste Group assumes there are sufficient levels of collateral and expected other recoveries.

In the 12 months ended 31 December 2013, the non-performing credit risk exposure increased by EUR 233 million, or 1.8%, from EUR 12.6 billion as of 31 December 2012 to slightly more than EUR 12.8 billion as of 31 December 2013. Credit risk provisions were increased by EUR 199 million, or 2.5%, from EUR 7.8 billion as of 31 December 2012 to EUR 8.0 billion as of 31 December 2013. These movements resulted in a net increase by 0.4 percentage points, from 62.2% to 62.6%, in the coverage of the non-performing credit risk exposure by credit risk provisions.

The following tables show the coverage of the non-performing credit risk exposure across the reporting segments by credit risk provisions (without taking into consideration collateral) as of 31 December 2013 and 31 December 2012, respectively. The differences in provisioning levels for the segments result from the risk situation in the respective markets, different levels of collateralisation, as well as the local legal environment and regulatory requirements.

The non-performing exposure ratio (NPE ratio) is calculated by dividing non-performing credit risk exposure by total credit risk exposure. The non-performing exposure coverage ratio (NPE coverage ratio) is calculated by dividing credit risk provisions by non-performing credit risk exposure. Collateral or other recoveries are not taken into account.

Non-performing credit risk exposure by business segment and credit risk provisions in 2013

in EUR million	Credit risk exposure Non-performing	Credit risk exposure	Risk provisions	NPE ratio	NPE coverage ratio
Retail & SME	**10,823**	**157,037**	**6,851**	**6.9%**	**63.3%**
Austria	3,819	87,098	2,330	4.4%	61.0%
Erste Bank Oesterreich	1,143	35,413	719	3.2%	62.9%
Savings Banks	2,675	51,685	1,611	5.2%	60.2%
Central and Eastern Europe	7,004	69,939	4,521	10.0%	64.5%
Czech Republic	821	30,070	650	2.7%	79.1%
Romania	2,996	14,024	1,892	21.4%	63.2%
Slovakia	405	11,137	350	3.6%	86.5%
Hungary	1,419	5,445	885	26.1%	62.4%
Croatia	1,277	8,397	677	15.2%	53.0%
Serbia	86	865	67	10.0%	77.9%
Group Corporate & Investment Banking	**2,001**	**24,535**	**1,172**	**8.2%**	**58.6%**
Group Markets	**3**	**18,168**	**1**	**0.0%**	**18.2%**
Corporate Center	**1**	**9,662**	**4**	**0.0%**	**465.0%**
Total	**12,828**	**209,402**	**8,028**	**6.1%**	**62.6%**

Non-performing credit risk exposure by business segment and credit risk provisions in 2012

in EUR million	Credit risk exposure Non-performing	Credit risk exposure	Risk provisions	NPE ratio	NPE coverage ratio
Retail & SME	**11,069**	**161,413**	**6,821**	**6.9%**	**61.6%**
Austria	3,816	87,313	2,343	4.4%	61.4%
Erste Bank Oesterreich	1,134	35,169	740	3.2%	65.3%
Savings Banks	2,682	52,145	1,603	5.1%	59.8%
Central and Eastern Europe	7,253	74,100	4,478	9.8%	61.7%
Czech Republic	989	32,758	707	3.0%	71.4%
Romania	3,086	15,007	1,784	20.6%	57.8%
Slovakia	448	10,971	376	4.1%	83.9%
Hungary	1,575	6,382	1,009	24.7%	64.1%
Croatia	1,085	8,246	543	13.2%	50.0%
Serbia	69	736	59	9.4%	85.7%
Group Corporate & Investment Banking	**1,521**	**26,117**	**1,003**	**5.8%**	**66.0%**
Group Markets	**2**	**22,688**	**0**	**0.0%**	**9.8%**
Corporate Center	**3**	**9,450**	**5**	**0.0%**	**192.1%**
Total	**12,595**	**219,668**	**7,830**	**5.7%**	**62.2%**

The general principles and standards for credit risk provisions within Erste Group are described in internal policies.
The bank, in line with regulatory and accounting standards, evaluates the need and allocates credit risk provisions for expected losses. Provisions are calculated

_ for financial assets carried at amortised cost (loans and advances, financial assets held to maturity) in accordance with IAS 39, and
_ for contingent liabilities (financial guarantees, loan commitments) in accordance with IAS 37.

Credit loss provisioning is done on customer-level. The process includes the default and impairment identification and the type of assessment (individual or collective); it also includes the decision responsibilities. Customer level means, if one of the customer's exposures is classified as defaulted then normally, all of that customer's exposures are classified as defaulted.

During the process the bank distinguishes between

_ specific provisions calculated for exposures to defaulted customers that are deemed to be impaired, and
_ portfolio provisions (provisions for incurred but not reported losses) calculated for exposures to non-defaulted customers or defaulted customers that are not deemed to be impaired.

For the calculation of specific provisions, the discounted cash flow model is applied. This means that a difference between carrying amount and net present value (NPV) of the expected cash flows leads to an impairment and defines the amount of the provisioning requirement. All estimated interest and redemption payments as well as estimated collateral recoveries and costs for selling and obtaining collateral are considered as expected cash flows. The effective interest rate is used as the discount rate for the calculation of the NPV of the expected cash flows. The calculation of specific provisions is performed either on an individual basis or as a collective assessment (rule-based approach). In case of significant customers, expected cash flows are estimated individually by workout or risk managers. A customer is considered as significant if the total exposure defined as the sum of all on- and off-balance sheet exposures exceeds a determined materiality limit. Otherwise, the customer is considered as insignificant and a rule-based approach is used for the calculation of the provision. Under this approach, specific provisions are calculated as a multiplication of the carrying amount and the loss given default (LGD), where LGD reflects time in default or the stage of workout process.

Portfolio provisions are calculated on exposures to non-defaulted customers for which a default has not been detected or reported. The level of portfolio provisions depends on the carrying amount, the probability of default (PD), the loss given default (LGD) and the loss identification period (LIP). LIP corresponds to the average period between the incurrence and the detection of the loss and ranges from four months to one year. The result of discounting future cash flows to their present values is taken into consideration in the LGD calculation.

According to the Group's principles, a one-year PD is applied to the calculation of portfolio provisions. In general, through-the-cycle PDs (TTCPDs) are used. If the PD for a customer class is not specific enough, an Erste Group entity is entitled to use a more granular PD, as long as it is in compliance with Group methodology. Moreover, it is also possible to use point-in-time PDs if they are higher than TTCPDs and their usage has been confirmed by external auditors.

Portfolio provisions are also calculated in case of exposures to defaulted customers which are not identified as impaired. For these customers, no specific provisions are allocated. Portfolio provisions are calculated according the following methods:

- either based on the historical loss experience for the relevant customer segment,
- or based on adjusted PDs. In this instance, the customer is treated as if it were not defaulted and an adequate conservative PD lower than 100% is assigned. Subsequently, the standard formula for the calculation of portfolio provisions is applied, without taking into account the LIP factor.

The following table shows the credit risk provisions divided into specific and portfolio provisions and provisions for guarantees as of 31 December 2013 and 31 December 2012, respectively.

in EUR million	2013	2012
Specific provisions	7,156	6,940
Portfolio provisions	654	704
Provision for guarantees	218	186
Total	**8,028**	**7,830**

Restructurings
Restructuring as contractual modification of clients' loan contract is a way to support long term, profitable client relationships. Contractual modifications can be employed in the following two contexts:

Restructuring as business restructuring is a potential and effective customer retention tool involving re-pricing or offering an additional loan or both in order to maintain the bank's valuable, good clientele in an increasingly competitive market environment.

Distressed restructuring on the other hand is a way to support clients' who are facing financial setbacks. Contractual modifications in this case aim at identifying a reasonable repayment schedule that can be serviced by the client and can include tenor extension, interest, fee or principal waivers or a combination of these. Contractual modifications at the same time provide the bank with an opportunity to strengthen the collateralization as and when feasible.

Restructuring of financial obligations of clients who are facing financial difficulties can contribute to maintaining clients' ability and willingness to service their debt and can lead to a full rehabilitation with strengthened long term client relationships.

In order to ensure that Erste Group's principles are met, the internal credit policies set out specific restructuring related requirements. Overall in retail lending, actions are generally required to be rules-based. Accordingly, the assessment of clients' eligibility for distressed restructuring must be a simple and straightforward approach. By contrast, a case-to-case approach prevails in corporate lending.

The existing distressed restructuring related internal policies are currently being revisited and updated for the purpose of ensuring full conformity with EBA's requirements for reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No. 575/2013. Along with the content-based alignment, the IT systems will be upgraded in order to improve and strengthen the tracking and reporting mechanisms. In future, all clients and exposures will be tracked whenever the bank is willing to make contractual concessions due to financial difficulties of the debtor. In due consideration of the internal default definition a differentiation is made between a performing and a non-performing forbearance status. These rules will be aligned with all Erste Group banks until the end of February and afterwards the regulations will be implemented throughout the banking Group until the end of 2014.

Recognition of collateral
The Collateral Management department is a staff unit within the Group Corporate Workout division. The 'Group Collateral Management Policy' defines, among other things, uniform valuation standards for credit collateral across the entire Group. It ensures that the credit risk decision processes are standardised with respect to accepted collateral values.

All the collateral types acceptable within the Group are given in an exhaustive list in the Group Collateral Catalogue. Locally permitted collateral is defined by the respective bank in accordance with applicable national legal provisions. The valuation and revaluation of collateral is done according to the principles defined in the Group Catalogue broken down by class and based on the internal work instructions in accordance with the individual supervisory requirements. Whether a type of security or a specific collateral asset is accepted for credit risk mitigation is decided by strategic risk management after determining if the applicable regulatory capital requirements are met. Adherence to the standard work processes stipulated for assigning the acceptable collateral assets to the categories available is monitored by operative risk management.

Main types of collateral
The following types of collateral are the most frequently accepted:

- Real estate: This includes both private and commercial real estate.
- Financial collateral: This category primarily includes securities portfolios and cash deposits as well as life insurance policies.
- Guarantees: Guarantees are provided mainly by states, banks and companies. All guarantors must have a minimum credit rating, whicht is reviewed annually.

Other types of collateral, such as real collateral in the form of movable property or the assignment of receivables, are accepted less frequently. Protection by credit default swaps is only marginally used in the banking book.

Collateral valuation and management
Collateral valuation is based on current market prices while taking into account an amount that can be recovered within a reasonable period. The valuation processes are defined and technically implemented by authorised staff with the assistance of software applications. The allocated collateral values are capped by the amount of the secured transaction, imputed excess values of collateral values are therefore not possible. Only independent appraisers not involved in the lending decision process are permitted to conduct real estate valuations, and the valuation methods to be applied are defined. For quality assurance purposes, the real estate valuations are validated on an ongoing basis.

The methods and discounts used for valuations are based on empirical data representing past experience of the workout departments and on the collected data on loss recovery from realising collateral. The valuation methods are adjusted regularly – at least once a year – to reflect current recoveries. Financial collateral assets are recognised at market value.

The revaluation of collateral is done periodically and is automated as far as possible. In the case of external data sources, the appropriate interfaces are used. The maximum periods for the revaluation of individual collateral assets are predefined and compliance is monitored by risk management using software applications. Apart from periodic revaluations, collateral is assessed when information becomes available that indicates a decrease in the value of the collateral for exceptional reasons.

Concentration risks resulting from credit risk mitigation techniques may affect a single customer, but also a portfolio defined by region, industry or type of security. Erste Group is a retail bank, and, due to its customer structure and the markets in which it does business, it does not have any concentrations with respect to collateral from customers. Concerning other areas of a potentially detrimental correlation of risks, the collateral portfolios are analysed using statistical evaluations for, among other things, regional or industry-specific concentrations within the scope of portfolio monitoring. The response to those risks identified includes, above all, the adjustment of volume targets, setting of corresponding limits and modification of the staff's discretionary limits for lending.

Collateral obtained in foreclosure proceedings is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, Erste Group does not occupy repossessed properties for its own business use. The main part of assets taken onto its own books is commercial land and buildings. In addition, privately occupied properties and transport vehicles are taken into Erste Group's possession. As of 31 December 2013, the carrying value of these assets amounted to EUR 507 million (2012: EUR 493 million).

The following tables compare the credit risk exposure broken down by business segment as of 31 December 2013 and 31 December 2012 respectively to the collateral received.

Credit risk exposure by business segment and collateral in 2013

in EUR million	Credit risk exposure	Collateral total	Collateralised by Guarantees	Collateralised by Real estate	Collateralised by Other	Credit risk exposure net of collateral
Retail & SME	**157,037**	**68,925**	**5,397**	**54,813**	**8,715**	**88,112**
Austria	87,098	45,001	3,618	34,707	6,676	42,097
Erste Bank Oesterreich	35,413	21,329	1,925	16,353	3,051	14,084
Savings Banks	51,685	23,672	1,693	18,354	3,625	28,013
Central and Eastern Europe	69,939	23,924	1,779	20,106	2,039	46,015
Czech Republic	30,070	8,856	690	7,294	872	21,215
Romania	14,024	5,024	819	3,828	377	9,000
Slovakia	11,137	4,438	51	4,244	143	6,699
Hungary	5,445	2,711	13	2,305	392	2,734
Croatia	8,397	2,697	163	2,311	222	5,701
Serbia	865	199	44	124	31	666
Group Corporate & Investment Banking	**24,535**	**8,218**	**2,101**	**5,012**	**1,104**	**16,318**
Group Markets	**18,168**	**4,640**	**156**	**0**	**4,484**	**13,528**
Corporate Center	**9,662**	**777**	**334**	**83**	**360**	**8,885**
Total	**209,402**	**82,560**	**7,988**	**59,908**	**14,663**	**126,842**

Credit risk exposure by business segment and collateral in 2012

in EUR million	Credit risk exposure	Collateral total	Collateralised by Guarantees	Collateralised by Real estate	Collateralised by Other	Credit risk exposure net of collateral
Retail & SME	**161,413**	**74,357**	**5,574**	**57,910**	**10,873**	**87,056**
Austria	87,313	45,061	3,850	34,731	6,480	42,252
Erste Bank Oesterreich	35,169	21,367	1,989	16,464	2,915	13,801
Savings Banks	52,145	23,694	1,861	18,267	3,565	28,451
Central and Eastern Europe	74,100	29,296	1,724	23,179	4,393	44,803
Czech Republic	32,758	9,674	658	7,998	1,017	23,084
Romania	15,007	7,456	690	4,483	2,284	7,551
Slovakia	10,971	4,971	58	4,641	272	6,000
Hungary	6,382	3,931	94	3,310	526	2,451
Croatia	8,246	2,995	183	2,569	243	5,251
Serbia	736	269	41	178	51	467
Group Corporate & Investment Banking	**26,117**	**9,144**	**1,817**	**5,664**	**1,663**	**16,974**
Group Markets	**22,688**	**3,502**	**169**	**0**	**3,332**	**19,186**
Corporate Center	**9,450**	**826**	**404**	**55**	**367**	**8,624**
Total	**219,668**	**87,828**	**7,963**	**63,629**	**16,235**	**131,840**

The following tables compare the credit risk exposure broken down by financial instrument and the received collateral as of 31 December 2013 and 31 December 2012 respectively.

Credit risk exposure by financial instrument and collateral in 2013

			Collateralised by						
in EUR million	Credit risk expo-sure	Collateral total	Guaran-tees	Real estate	Other	Credit risk exposure net of collateral	Neither past due nor impaired	Past due (>90 days) but not impaired	Impaired
Loans and advances to credit institutions	9,062	3,039	128	0	2,912	6,022	8,988	9	65
Loans and advances to customers	127,698	72,901	5,816	57,897	9,188	54,797	115,198	483	12,016
Debt instruments - Held to maturity	17,781	412	383	30	0	17,369	17,771	1	9
Debt instruments - Trading assets	5,668	147	147	0	0	5,521	5,668		
Debt instruments - At fair value through profit or loss	322	0	0	0	0	322	322		
Debt instruments - Available for sale	18,554	974	974	0	0	17,580	18,478	1	75
Positive fair value of derivative financial instruments	8,285	1,740	4	0	1,736	6,544	8,285		
Contingent liabilities	22,033	3,346	536	1,982	828	18,686	22,033		
Total	**209,402**	**82,560**	**7,988**	**59,908**	**14,663**	**126,842**	**196,743**	**494**	**12,165**

Credit risk exposure by financial instrument and collateral in 2012

			Collateralised by						
in EUR million	Credit risk exposure	Collateral total	Guaran-tees	Real estate	Other	Credit risk exposure net of collateral	Neither past due nor impaired	Past due (>90 days) but not impaired	Impaired
Loans and advances to credit institutions	9,074	1,553	119	2	1,432	7,521	9,002	0	72
Loans and advances to customers	131,928	78,566	5,766	61,503	11,296	53,362	119,400	512	12,015
Debt instruments - Held to maturity	18,975	410	373	35	2	18,565	18,963	1	11
Debt instruments - Trading assets	4,872	165	165	0	0	4,707	4,872		
Debt instruments - At fair value through profit or loss	526	0	0	0	0	526	526		
Debt instruments - Available for sale	20,225	1,206	1,132	0	74	19,019	20,111	0	114
Positive fair value of derivative financial instruments	13,289	2,264	0	0	2,264	11,025	13,289		
Contingent liabilities	20,779	3,664	408	2,089	1,167	17,115	20,779		
Total	**219,668**	**87,828**	**7,963**	**63,629**	**16,235**	**131,840**	**206,943**	**513**	**12,212**

The following tables show credit risk exposure that was past due but for which specific provisions had not been established as of 31 December 2013 and 31 December 2012 respectively. Whereas the table for 2012 only includes exposures overdue more than 90 days, the table for 2013 was extended by claims past due between 30 and 90 days in order to enhance the overview on the credit risk exposure past due and not covered by specific provisions.

Credit risk exposure past due and not covered by specific provisions by Basel 2 exposure class and collateralisation in 2013

	Credit risk exposure					Thereof collateralised				
in EUR million	Total	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Total	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due
Sovereigns	182	28	26	85	43	97	10	15	53	19
Institutions	9	0	0	9	0	9	0	0	9	0
Corporates	879	425	224	52	178	561	277	149	34	101
Retail	895	489	278	41	86	546	274	186	21	64
Total	**1,965**	**942**	**529**	**187**	**307**	**1,213**	**562**	**350**	**117**	**184**

Credit risk exposure past due and not covered by specific provisions by Basel 2 exposure class and collateralisation in 2012

	Credit risk exposure			Thereof collateralised		
in EUR million	Total	Thereof 91-180 days past due	Thereof more than 180 days past due	Total	thereof 91-180 days past due	thereof more than 180 days past due
Sovereigns	88	20	68	41	11	30
Institutions	0	0	0	0	0	0
Corporates	258	113	146	171	75	96
Retail	167	65	103	115	35	80
Total	**513**	**197**	**316**	**327**	**121**	**206**

All claims presented in the tables above were classified as non-performing, if they are more than 90 days past due. Provisions are, as a rule, established for assets that are more than 90 days past due. However, specific provisions are not established if the loans and other advances are covered by adequate collateral.

Loans and advances to customers by business segment

The following tables present the customer loan book as of 31 December 2013 and 31 December 2012 respectively, excluding loans to financial institutions and commitments, broken down by business segment and risk category.

Loans and advances to customers by business segment and risk category in 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total loans
Retail & SME	**83,532**	**14,263**	**2,790**	**10,517**	**111,103**
Austria	52,972	7,984	1,122	3,636	65,713
Erste Bank Oesterreich	24,586	2,145	247	1,070	28,049
Savings Banks	28,386	5,838	875	2,565	37,664
Central and Eastern Europe	30,560	6,280	1,668	6,881	45,389
Czech Republic	14,034	1,783	402	804	17,023
Romania	4,275	1,889	464	2,921	9,549
Slovakia	5,766	597	233	394	6,990
Hungary	2,653	984	234	1,416	5,287
Croatia	3,450	943	325	1,261	5,978
Serbia	383	84	10	86	562
Group Corporate & Investment Banking	**11,317**	**2,202**	**741**	**1,778**	**16,039**
Group Markets	**207**	**30**	**0**	**0**	**238**
Corporate Center	**206**	**87**	**25**	**1**	**318**
Total	**95,263**	**16,582**	**3,557**	**12,296**	**127,698**

Loans and advances to customers by business segment and risk category in 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total loans
Retail & SME	**83,171**	**16,455**	**3,180**	**10,766**	**113,573**
Austria	52,803	8,197	1,095	3,643	65,738
Erste Bank Oesterreich	24,607	2,182	204	1,058	28,052
Savings Banks	28,196	6,014	891	2,585	37,687
Central and Eastern Europe	30,368	8,258	2,085	7,123	47,834
Czech Republic	13,797	2,610	528	956	17,891
Romania	4,856	2,200	605	3,021	10,682
Slovakia	5,137	831	193	437	6,598
Hungary	2,809	1,459	345	1,572	6,185
Croatia	3,373	1,068	399	1,069	5,909
Serbia	397	90	14	68	569
Group Corporate & Investment Banking	**12,557**	**3,261**	**781**	**1,330**	**17,928**
Group Markets	**69**	**7**	**0**	**0**	**77**
Corporate Center	**229**	**102**	**17**	**2**	**350**
Total	**96,027**	**19,825**	**3,978**	**12,098**	**131,928**

In the tables below, the non-performing loans and advances to customers subdivided by business segment are contrasted with loan loss provisions and the collateral for non-performing loans (NPL) as of 31 December 2013 and 31 December 2012 respectively. The NPL ratio, the NPL coverage ratio and the NPL total coverage ratio are also included. The NPL total coverage ratio specifies the coverage of non-performing loans by loan loss provisions and collateral for non-performing loans.

Non-performing loans and advances to customers by business segment and coverage by risk provisions and collateral in 2013

in EUR million	Non-performing	Loans and advances to customers	Risk provisions	NPL Ratio	NPL coverage ratio	Collateral for NPL	NPL total coverage ratio
Retail & SME	**10,517**	**111,103**	**6,702**	**9.5%**	**63.7%**	**4,403**	**105.6%**
Austria	3,636	65,713	2,231	5.5%	61.4%	1,462	101.6%
Erste Bank Oesterreich	1,070	28,049	682	3.8%	63.7%	370	98.3%
Savings Banks	2,565	37,664	1,549	6.8%	60.4%	1,091	102.9%
Central and Eastern Europe	6,881	45,389	4,471	15.2%	65.0%	2,942	107.7%
Czech Republic	804	17,023	638	4.7%	79.4%	267	112.6%
Romania	2,921	9,549	1,873	30.6%	64.1%	1,347	110.2%
Slovakia	394	6,990	344	5.6%	87.3%	167	129.7%
Hungary	1,416	5,287	880	26.8%	62.2%	562	101.8%
Croatia	1,261	5,978	670	21.1%	53.1%	583	99.4%
Serbia	86	562	66	15.3%	76.6%	16	95.3%
Group Corporate & Investment Banking	**1,778**	**16,039**	**1,050**	**11.1%**	**59.1%**	**794**	**103.7%**
Group Markets	**0**	**238**	**0**	**0.0%**	**432.0%**	**0**	**432.0%**
Corporate Center	**1**	**318**	**1**	**0.3%**	**110.9%**	**0**	**110.9%**
Total	**12,296**	**127,698**	**7,753**	**9.6%**	**63.1%**	**5,197**	**105.3%**

Non-performing loans and advances to customers by business segment and coverage by risk provisions and collateral in 2012

in EUR million	Non-performing	Loans and advances to customers	Risk provisions	NPL Ratio	NPL coverage ratio	Collateral for NPL	NPL total coverage ratio
Retail & SME	**10,766**	**113,573**	**6,681**	**9.5%**	**62.1%**	**5,107**	**109.5%**
Austria	3,643	65,738	2,251	5.5%	61.8%	1,578	105.1%
Erste Bank Oesterreich	1,058	28,052	696	3.8%	65.7%	442	107.5%
Savings Banks	2,585	37,687	1,556	6.9%	60.2%	1,137	104.2%
Central and Eastern Europe	7,123	47,834	4,429	14.9%	62.2%	3,529	111.7%
Czech Republic	956	17,891	690	5.3%	72.2%	365	110.4%
Romania	3,021	10,682	1,771	28.3%	58.6%	1,630	112.6%
Slovakia	437	6,598	369	6.6%	84.3%	249	141.2%
Hungary	1,572	6,185	1,008	25.4%	64.1%	731	110.7%
Croatia	1,069	5,909	534	18.1%	50.0%	520	98.6%
Serbia	68	569	58	12.0%	84.1%	34	134.0%
Group Corporate & Investment Banking	**1,330**	**17,928**	**893**	**7.4%**	**67.2%**	**494**	**104.3%**
Group Markets	**0**	**77**	**0**	**0.0%**	**6,439.9%**	**0**	**6,439.9%**
Corporate Center	**2**	**350**	**0**	**0.5%**	**26.9%**	**0**	**26.9%**
Total	**12,098**	**131,928**	**7,574**	**9.2%**	**62.6%**	**5,601**	**108.9%**

The 'NPL ratio' in this section ('loans and advances to customers') is calculated by dividing non-performing loans and advances by total loans and advances to customers. Hence, it differs from the 'NPE ratio' in the section 'Credit risk exposure'.

The loan loss provisions that are shown in the tables above in the amount of EUR 7,753 million as of 31 December 2013 (2012: EUR 7,574 million) are composed of specific provisions amounting to EUR 7,102 million (2012: EUR 6,878 million) and portfolio provisions amounting to EUR 651 million (2012: EUR 695 million). Collateral for non-performing loans mainly consists of real estate.

The following tables show the loans and advances to customers broken down by business segment and currency as of 31 December 2013 and 31 December 2012 respectively.

Loans and advances to customers by business segment and currency in 2013

in EUR million	EUR	Local currencies	CHF	USD	Other currencies	Total loans
Retail & SME	**76,436**	**22,955**	**10,504**	**277**	**931**	**111,103**
Austria	57,350	0	7,311	137	915	65,713
Erste Bank Oesterreich	25,065	0	2,718	42	225	28,049
Savings Banks	32,285	0	4,594	96	690	37,664
Central and Eastern Europe	19,085	22,955	3,193	140	16	45,389
Czech Republic	889	16,113	2	18	2	17,023
Romania	5,705	3,730	0	106	8	9,549
Slovakia	6,982	0	0	6	2	6,990
Hungary	1,166	1,581	2,538	2	0	5,287
Croatia	3,928	1,404	636	6	4	5,978
Serbia	415	127	16	4	0	562
Group Corporate & Investment Banking	**12,739**	**1,085**	**168**	**1,301**	**745**	**16,039**
Group Markets	**165**	**44**	**0**	**21**	**8**	**238**
Corporate Center	**271**	**0**	**0**	**47**	**0**	**318**
Total	**89,610**	**24,084**	**10,673**	**1,647**	**1,685**	**127,698**

Loans and advances to customers by business segment and currency in 2012

in EUR million	EUR	Local currencies	CHF	USD	Other currencies	Total loans
Retail & SME	**74,818**	**24,344**	**12,525**	**345**	**1,540**	**113,573**
Austria	55,277	0	8,782	159	1,520	65,738
Erste Bank Oesterreich	24,293	0	3,310	58	391	28,052
Savings Banks	30,984	0	5,472	101	1,129	37,687
Central and Eastern Europe	19,541	24,344	3,743	187	20	47,834
Czech Republic	622	17,236	2	26	4	17,891
Romania	6,539	4,001	0	131	12	10,682
Slovakia	6,587	0	0	9	2	6,598
Hungary	1,312	1,849	3,018	5	0	6,185
Croatia	4,052	1,140	705	12	1	5,909
Serbia	429	118	18	4	0	569
Group Corporate & Investment Banking	**14,191**	**1,244**	**275**	**1,263**	**955**	**17,928**
Group Markets	**24**	**11**	**1**	**33**	**8**	**77**
Corporate Center	**347**	**0**	**0**	**0**	**3**	**350**
Total	**89,381**	**25,599**	**12,801**	**1,642**	**2,505**	**131,928**

Securitisations

As of 31 December 2013, Erste Group held a conservative portfolio of securitisations; there was no new investments undertaken and all repayments were made as scheduled in 2013.

As at year-end 2013, the carrying amount of Erste Group's securitisation portfolio totalled EUR 1.3 billion, which was EUR 0.2 billion lower than at the year-end 2012. Changes in the carrying amount were due to repayments, currency effects, changes in prices and disposals of assets. 92.69% of the securitisation portfolio was rated investment grade at the year-end 2013

As of 31 December 2013 and 31 December 2012 respectively, the composition of the total portfolio of securitisations according to products and balance sheet line items was as follows:

Composition of the total portfolio of securitisation 2013

	Financial assets								
	Loans and advances to customers and credit institutions		Held to maturity		At fair value through profit or loss	Available for sale	Trading assets	Total	
in EUR million	Carrying amount	Fair value	Carrying amount	Fair value	Fair value[1)]	Fair value[1)]	Fair value[1)]	Carrying amount	Fair value
Prime RMBS	0	0	177	167	1	105	27	311	301
CMBS	0	0	31	29	1	53	3	88	86
SME ABS	0	0	5	4	0	21	0	27	26
Leasing ABS	0	0	4	4	0	1	1	6	6
Other ABS	0	0	0	0	1	6	0	8	8
CLOs	0	0	0	0	43	664	0	706	706
Other CDOs	0	0	0	0	0	0	0	0	0
Other RMBS	0	0	0	0	1	15	6	22	22
Total ABS / CDO	**0**	**0**	**217**	**204**	**48**	**866**	**37**	**1,168**	**1,155**
Student Loans	0	0	0	0	1	105	0	106	106
Total securitisations[2)]	**0**	**0**	**217**	**204**	**49**	**972**	**37**	**1,275**	**1,262**

1) Carrying amount is equal to fair value.
2) Including cash from funds.

Composition of the total portfolio of securitisation 2012

	Financial assets								
	Loans and advances to customers and credit institutions		Held to maturity		At fair value through profit or loss	Available for sale	Trading assets	Total	
in EUR million	Carrying amount	Fair value	Carrying amount	Fair value	Fair value[1)]	Fair value[1)]	Fair value[1)]	Carrying amount	Fair value
Prime RMBS	0	0	207	174	1	129	26	364	331
CMBS	0	0	49	37	1	58	2	110	98
SME ABS	0	0	16	9	1	20	2	38	31
Leasing ABS	0	0	14	14	0	3	0	17	17
Other ABS	0	0	13	13	2	36	1	52	52
CLOs	0	0	0	0	43	754	0	797	797
Other CDOs	0	0	0	0	0	3	0	3	3
Other RMBS	0	0	0	0	1	14	2	17	17
Total ABS / CDO	**0**	**0**	**299**	**247**	**49**	**1,016**	**34**	**1,397**	**1,345**
Student Loans	0	0	0	0	1	133	0	134	134
Total securitisations[2)]	**0**	**0**	**299**	**247**	**50**	**1,149**	**34**	**1,531**	**1,479**

1) Carrying amount is equal to fair value.
2) Including cash from funds.

European prime residential mortgage backed securities (Prime RMBS)
Prime RMBS are backed by mortgages on residential real estate. Erste Group is primarily invested in British transactions in this asset class.

Commercial mortgage backed securities (CMBS)
CMBs are secured by mortgages on commercial property (i.e. offices, retail outlets, etc).

Collateralised loan obligations (CLOs)
CLOs are securitisations backed by pools of corporate loans. Erste Group is invested in European and US CLOs.

Other securitisations
Erste Group holds securitisations of loans to small and medium-sized enterprises (SME ABS), lease receivables (Leasing ABS), credit card receivables (Other ABS), and other collateralized debt obligations (Other CDOs).

Erste Group is further invested in securitisations of US student loans, all of which are triple-A rated securities. These securitisations carry the guarantee of the US Department of Education for 97% of their value while the remaining 3% is covered by subordination. Their associated credit risk is therefore considered very low.

38.6) Market risk

Definition and overview
Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived therefrom. At Erste Group, market risk is divided into interest rate risk, currency risk, equity risk, commodity risk and volatility risk. This concerns both trading and bank book positions.

Methods and instruments employed
At Erste Group, potential losses that may arise from market movements are assessed using the Value at Risk (VaR). The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under normal market conditions.

Back-testing is used to constantly monitor the validity of the statistical methods. This process is conducted with a one-day delay to monitor if the model projections regarding losses have actually materialised. At a confidence level of 99%, the actual loss on a single day should exceed the VaR statistically only two to three times a year (1% of around 250 workdays).

This shows one of the limits of the VaR approach: On the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years, and calculates the VaR for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted at Erste Group. These events include mainly market movements of low probability.

The stress tests are carried out according to several methods: 'Stressed VaR' is derived from the normal VaR calculation. But instead of simulating only over the two most recent years, an analysis of a much longer period is carried out in order to identify a one-year period that constitutes a relevant period of stress for the current portfolio mix. According to the legal framework, that one-year period is used to calculate a VaR with a 99% confidence level. This enables Erste Group on the one hand to hold sufficient own funds available for the trading book also in periods of elevated market volatility, while on the other hand also enabling it to incorporate these resulting effects in the management of trading positions.

In the 'extreme value theory', a Pareto distribution is adjusted to the extreme end of the loss distribution. In this manner, a continuous function is created from which extreme confidence levels such as 99.95% can be evaluated. Furthermore, standard scenarios are calculated in which the individual market factors are exposed to extreme movements. Such scenarios are calculated at Erste Group for interest rates, stock prices, exchange rates and volatilities. Historic scenarios are a modification of the concept of standard scenarios. In this case, risk factor movements after certain events such as '9/11'or the 'Lehman bankruptcy' form the basis of the stress calculation. In order to calculate historical probabilistic scenarios, the most significant risk factors for the current portfolio are determined and their most adverse movement during the last years is applied. For the probabilistic scenarios shifts of important market factors are determined for various quantiles of their distributions, and these values are then used to calculate stress results. These analyses are made available to the management board and the supervisory board within the scope of the monthly market risk reports.

The VaR model was approved by the Financial Market Authority (FMA) as an internal market risk model to determine the capital requirements of Erste Group pursuant to the Austrian Banking Act.

Methods and instruments of risk mitigation
At Erste Group, market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of VaR for the trading book is decided by the board while taking into account the risk-bearing capacity and projected earnings. A further breakdown is done by the Market Risk Committee on the basis of a proposal from the Market Risk Management unit.

All market risk activities of the trading book are assigned risk limits that are statistically consistent in their entirety with the VaR overall limit. The VaR limit is assigned in a top–down procedure to the individual trading units. This is done up to the level of the individual trading groups or departments. Additionally, in a bottom–up procedure, sensitivity limits are assigned to even smaller units all the way down to the individual traders. These are then aggregated upwards and applied as a second limit layer to the VaR limits. The consistency between the two limit approaches is verified regularly.

Limit compliance is verified at two levels: by the appropriate local decentralised risk management unit and by Group Market & Liquidity Risk Management. The monitoring of the limits is done within the course of the trading day based on sensitivities. This can also be carried out by individual traders or chief traders on an ad hoc basis.

The VaR is calculated every day at Group level and made available to the individual trading units as well as to the superior management levels all the way up to the management board.

Banking book positions are subjected to a monthly VaR analysis. In this manner, the total VaR is determined. In addition to VaR, a long-horizon interest rate risk measure is used to gauge the interest rate risk of the banking book. For this purpose, a historical simulation approach looking back five years and with a one-year holding period was chosen. The result of these calculations is presented in the monthly market risk report that is made available to the management and supervisory boards.

Analysis of market risk

Value at Risk of banking book and trading book

The following tables show the VaR amounts as of 31 December 2013 and 31 December 2012 respectively at the 99% confidence level using equally weighted market data and with a holding period of one day:

Value at Risk of banking book and trading book 2013

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
Erste Group	51,806	51,026	1,070	2,667	261	538
Core Group	49,689	47,657	1,070	2,667	261	538
Banking book	47,034	46,758	998	1	0	15
Trading book	3,885	2,224	921	2,667	261	538

Value at Risk of banking book and trading book 2012

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
Erste Group	27,619	25,817	1,170	3,588	471	502
Core Group	16,522	14,043	1,170	3,588	471	502
Banking book	13,833	13,237	769	72	0	0
Trading book	4,097	1,994	776	3,516	471	502

In the above table, 'Erste Group' comprises the entire Group, and 'Core Group' comprises all units that are directly or indirectly majority-owned by Erste Group Bank AG. The method used is subject to limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved. This restriction applies to the inclusion of credit spreads in the calculation of the VaR. Credit spreads are only applied to sovereign issuers. For all other positions, only the general market risk is considered.

Interest rate risk of banking book

Interest rate risk is the risk of an adverse change in the fair value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognised on the balance sheet, are grouped into maturity bands based on their remaining terms to maturity or terms to an interest rate adjustment. Positions without a fixed maturity (e.g. demand deposits) are included on the basis of modeled deposit rates that are determined by means of statistical methods.

The following tables list the open fixed-income positions held by Erste Group in the four currencies that carry a significant interest rate risk – EUR, CZK, HUF and RON – as of 31 December 2013 and 31 December 2012.

Only the open fixed-income positions that are not allocated to the trading book are presented. Positive values indicate fixed-income risks on the asset side, i.e. a surplus of asset items; negative values represent a surplus on the liability side.

Open fixed-income positions not assigned to the trading book in 2013

in EUR thousand	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Fixed-interest gap in EUR positions	(3,828.5)	1,247.5	2,765.6	2,807.3	1,749.5
Fixed-interest gap in CZK positions	(469.3)	708.5	(569.6)	(1,645.0)	796.2
Fixed-interest gap in HUF positions	256.9	(57.3)	(127.3)	(179.5)	0.0
Fixed-interest gap in RON positions	638.0	536.9	(28.0)	(203.3)	1.8

Open fixed-income positions not assigned to the trading book in 2012

in EUR thousand	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Fixed-interest gap in EUR positions	(7,489.6)	2,373.8	1,875.7	1,927.0	768.2
Fixed-interest gap in CZK positions	(3,759.9)	49.2	1,112.3	1,030.1	776.4
Fixed-interest gap in HUF positions	148.5	119.7	(77.9)	(47.5)	0.0
Fixed-interest gap in RON positions	505.4	501.0	(30.7)	(118.8)	(102.2)

Exchange rate risk
The bank is exposed to several types of risks related to exchange rates. These concern risks from open foreign exchange positions and others.

Risk from open currency positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis. Foreign currency exposure is subject to regulatory and internal limits. The internal limits are set by the Market Risk Committee.

Erste Group separately measures and manages other types of risks relating to the Group's balance sheet and earnings structure. The translation risk related to the valuation of the balance sheet items, earnings, dividends and participations/net investments in local currency or foreign exchange has an impact on consolidated earnings and consolidated capital. Erste Group is also reducing the negative impact related to volatility of foreign exchange on asset performance (for example as a result of foreign exchange lending in the CEE countries).

In order to manage its multi-currency earnings structure, Erste Group regularly discusses hedging opportunities and takes decisions in the Group Asset Liability Committee (Group ALCO). Asset Liability Management (ALM) uses as the usual source of information the current financial results and the financial budget prepared for the upcoming period to obtain as much information as possible on the future foreign cash flows. The proposal, which mainly includes the volume, hedging level, hedge ratio and timeline of the hedging, is submitted by ALM to the Group ALCO. The impact of translation on consolidated capital is monitored and reported to the Group ALCO. The Group ALCO decisions are then implemented by ALM and the implementation status is reported on a monthly basis to the Group ALCO.

The following table shows the largest open exchange rate positions of Erste Group per year-end 2013 as of 31 December 2013 and 31 December 2013 respectively..

Open exchange rate positions

in EUR thousand	2013	2012
Hungarian forint (HUF)	(49,506)	17,759
Hong Kong dollar (HKD)	25,315	38,255
Swiss franc (CHF)	(20,052)	(36,245)
US dollar (USD)	(18,677)	(68,095)
Czech koruna (CZK)	17,877	(13,620)
Romanian Lei (RON)	5,774	25,275
Polish Zloty (PLN)	(5,031)	(8,441)
Turkish lira (TRY)	4,314	2,262

Hedging
Banking book market risk management consists of optimising Erste Group's risk position by finding the proper trade-off between the economic value of the balance sheet and forecasted earnings. Decisions are based on the balance sheet development, economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. The steering body responsible for interest rate risk management is the Group ALCO. ALM submits proposals for actions to steer the interest rate risk to the Group ALCO and implements the Group ALCO's decisions.

In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. In a broader sense, hedging refers to an economic activity that mitigates risk but does not necessarily qualify for hedge accounting under IFRS rules. Within the scope of IFRS-compliant hedge accounting, cash flow hedges and fair value hedges are used. If IFRS-compliant hedge accounting is not possible, the fair value option is applied, where appropriate, for the hedging of market values. Most of the hedging within Erste Group concerns hedging of interest rate risk. The remainder is hedging of foreign exchange rate risk. IFRS hedge accounting is one of the tools for managing the risk.

38.7) Liquidity risk

Definition and overview

The liquidity risk is defined in Erste Group in line with the principles set out by the Basel Committee on Banking Supervision and the Austrian regulators ('Liquiditätsriskomanagement-Verordnung' – LRMV; from 2014: ('Kreditinstitute-Risikomanagement-verordnung' – KI-RMV). Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the Group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

Erste Group's 2013 liquidity strategy was implemented successfully. The original issuance plan of EUR 1.5 billion was increased during the year to EUR 2.78 billion including pre-funding for 2014. This amount consists of EUR 1.77 billion in senior bonds (including an EUR 500 million benchmark transaction), EUR 0.42 billion in covered bonds ('Pfandbriefe'), and EUR 0.59 billion in subordinated debt.

Well-functioning capital markets and the solid liquidity and capital situation of Erste Group also triggered the repayment of the 3-year longer-term refinancing operations (LTRO) of the ECB in the amount of EUR 4.15 billion, and the repayment of EUR 1.76 billion participation capital.

Erste Group continues its ongoing project activities to improve the framework for Group-wide liquidity risk reporting. Besides the preparation for the new regulatory reporting requirements, current projects are aimed at continuously improving the internal stress testing methodology and the data quality used in the risk measurement.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period for each currency on both entity and Group levels. This analysis determines the maximum period during which the entity can survive a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of the customer, as well as the potential outflows from collateralised derivative transactions estimating the effect from collateral outflow in the case of adverse market movements. To reflect the reputational risk from callable own issues, the principal outflows from these liabilities are modelled to the next call date in all stress scenarios.

Legal lending limits (LLLs) exist in all CEE countries where Erste Group is represented. They restrict liquidity flows between Erste Group's subsidiaries in different countries. LLLs set limits on a bank's claims against a Group of related companies. The limits refer to the bank's own funds and typical amounts are up to 25%. This restriction is taken into account for assessment of liquidity risk in the survival period model as well as in the calculation of the Group Liquidity Coverage Ratio.

As far back as 2011, Erste Group´s risk control has been based on the new Basel 3 liquidity risk measures, especially Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). In the past years, Erste Group took part in the Quantitative Impact Study (QIS) coordinated by the European Banking Authority (EBA) monitoring Group LCR and NSFR on a quarterly basis. Internally, the ratios are monitored on both entity and Group level, and from 2014 on internal targets are set for them. In 2013, Erste Group started to prepare for the official monitoring phase starting at the end of Q1/2014. At the end of Q3/2013, both LCR and NSFR for the Group were above 100%.

Additionally, the traditional liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the Group as a whole are reported and monitored regularly. Funding concentration risk is continuously analysed in respect to counterparties. Erste Group's fund transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

Methods and instruments of risk mitigation

General standards of liquidity risk controlling and management (standards, limits and analysis) have been defined and are continuously reviewed and improved by Erste Group.

The short-term liquidity risk is managed by limits resulting from the survival period model and by internal LCR targets on both entity and Group level. Limit breaches are reported to the Group Asset Liability Committee. Another important insturment for managing the liquidity risk within Erste Group Bank AG and in relation to its subsidiaries is the FTP system. As the process of planning funding needs provides important data for liquidity management, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across Erste Group.

The Comprehensive Contingency Plan ensures the necessary co-ordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency plans of the subsidiaries are co-ordinated as part of the plan for Erste Group Bank AG.

Analysis of liquidity risk

Liquidity gap

The long-term liquidity position is managed using liquidity gaps on the basis of expected cash flows. This liquidity position is calculated for each materially relevant currency and based on the assumption of ordinary business activity.

Expected cash flows are broken down by contractual maturities in accordance with the amortisation schedule and arranged in maturity ranges. The change from 2012 to 2013 was mainly caused by the fact that for the end of 2013 the products without contractual maturities (such as demand deposits and overdrafts) are shown in the first time bucket, while for the end of 2012 their cash flows are modelled on the basis of statistical analysis.

The following table shows the liquidity gaps as of 31 December 2013 and 31 December 2012

	< 1 month		1-12 months		1-5 years		> 5 years	
in EUR million	2013	2012	2013	2012	2013	2012	2013	2012
Liquidity GAP	20,492	32,443	(35,569)	(38,930)	(4,668)	(9,717)	19,746	16,204

An excess of assets over liabilities is indicated by a positive value, while an excess of liabilities over assets is indicated by a negative value. The callable own issues are modelled to their next call dates. The cash inflows from liquid securities, which are accepted as collateral by the central banks to which the Group has access, are shifted to the first time bucket instead of showing them at their contractual maturity.

Counterbalancing capacity

Erste Group regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserve at the central banks as well as unencumbered central bank eligible assets and other liquid securities, including changes from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation. The term structure of the Group's counterbalancing capacity as of year-end 2013 and year-end 2012 are shown in the tables below:

Term structure of counterbalancing capacity 2013

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	2,473	(565)	0	0	0
Liquid assets	31,071	(1,531)	(123)	(205)	(111)
Other central bank eligible assets	6,357	0	0	0	0
Thereof retained covered bonds	3,218	0	0	0	0
Thereof credit claims	3,140	0	0	0	0
Counterbalancing capacity	**39,902**	**(2,096)**	**(123)**	**(205)**	**(111)**

Term structure of counterbalancing capacity 2012

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	6,174	(631)	0	0	0
Liquid assets	33,713	(392)	288	249	561
Other central bank eligible assets	0	1,609	0	0	0
Thereof retained covered bonds	0	1,234	0	0	0
Thereof credit claims	0	375	0	0	0
Counterbalancing capacity	**39,887**	**586**	**288**	**249**	**561**

The figures above show the total amount of potential liquidity available for the Group in a going concern situation, taking into account the applicable central bank haircuts. In a crisis situation adverse market movements and legal transfer restrictions among Group members can decrease this amount. Taking into account these effects, the initial Counterbalancing Capacity used for the internal stress testing amounts to 74% of that shown above.

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2013 and 31 December 2012 respectively, were as follows:

Financial liabilities 2013

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5- years	> 5 years
Non-derivative liabilities	**172,509**	**179,767**	**77,602**	**43,897**	**36,403**	**21,864**
Deposits by banks	17,299	18,062	10,214	2,794	2,062	2,992
Customer deposits	121,982	123,432	66,132	35,896	16,498	4,905
Debt securities in issue	27,894	31,731	956	4,803	15,098	10,875
Subordinated liabilities	5,333	6,542	300	404	2,746	3,092
Derivative liabilities	**6,731**	**7,043**	**399**	**1,981**	**3,410**	**1,253**
Contingent liabilities	**0**	**22,033**	**22,033**	**0**	**0**	**0**
Financial guarantees	0	6,887	6,887	0	0	0
Irrevocable commitments	0	15,146	15,146	0	0	0
Total	**179,240**	**208,843**	**100,035**	**45,878**	**39,814**	**23,117**

Financial liabilities 2012 (amended)

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5- years	> 5 years
Non-derivative liabilities[1]	**179,626**	**189,407**	**75,329**	**49,089**	**43,983**	**21,007**
Deposits by banks	21,822	22,377	9,770	3,057	7,573	1,977
Customer deposits	123,053	125,793	64,852	40,475	16,131	4,336
Debt securities in issue	29,445	33,746	669	4,971	17,002	11,104
Subordinated liabilities[1]	5,305	7,491	37	586	3,277	3,590
Derivative liabilities[2]	**1,649**	**1,451**	**47**	**444**	**588**	**372**
Contingent liabilities	**0**	**20,778**	**20,778**	**0**	**0**	**0**
Financial guarantees	0	6,363	6,363	0	0	0
Irrevocable commitments	0	14,415	14,415	0	0	0
Total[1]	**181,275**	**211,636**	**96,154**	**49,533**	**44,571**	**21,379**

1) The values for the maturity ranges shown for 2012 were amended.
2) The maturity analysis of undiscounted contractual cash flows of derivative financial instruments includes only the remaining contractual maturities for derivative financial liabilities in the banking book.

The currency composition of the non-derivative liabilities consists of approximately 73% EUR, 14% CZK, 4% USD, 4% RON and the rest 5% in other currencies.

Besides the contingent liabilities from unused credit lines and guarantees, material potential cash outflow is estimated from the collateralised derivative transactions for the stress testing, which amounted to EUR 621.3 billion in the worst case scenario as of 31 December 2013.

As of 31 December 2013, the volume of customer deposits due on demand amounted to EUR 52.1 billion (2012: EUR 51.1 billion). Observation of customer behaviour has shown that 95% of this volume is stable during the ordinary course of business. This means that only a minor part of the on-demand portfolio is withdrawn by the customer, whereas the major part generally remains in the bank.

According to customer segments, the customer deposits are composed as follows: 67% private individuals, 8% small and medium-sized enterprises, 15% other corporates, 4% public sector and 6% non-banking financial institutions. The deposits by banks include the top five providers of funds.

38.8) Operational risk

Definition and overview

In line with Section 2, (57) (d) of the Austrian Banking Act, Erste Group defines operational risk as the risk of loss resulting from inadequacy or failure of internal processes, people or systems, or from external events, including legal risks. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Methods and instruments employed

The quantitative measurement methods are based on internal loss experience data, which is collected across Erste Group using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. Erste Group sources external data from a leading non-profit risk-loss data consortium.

Erste Group received regulatory approval for the Advanced Measurement Approach (AMA) in 2009. AMA is a sophisticated approach to measuring operational risk. Pursuant to AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors. In 2012, Erste Group received approval to use insurance contracts for mitigation within the AMA pursuant to Section 22l of the Austrian Banking Act.

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk assessment surveys (risk and control self-assessments). The results of and suggestions for risk control in these surveys, which are conducted by experts, are reported to the line management and thus help to reduce operational risks. Erste Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

Erste Group uses a Group-wide insurance programme, which, since its establishment in 2004, has reduced the cost of meeting Erste Group's traditional property insurance needs and made it possible to buy additional insurance for previously uninsured bank-specific risks. This programme uses a captive reinsurance entity as a vehicle to share losses within the Group and access the external market.

The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above, form the operational risk framework of Erste Group. Information on operational risk is periodically communicated to the management board via various reports, including the quarterly top management report, which describes the recent loss history, loss development, qualitative information from risk assessments and key risk indicators as well as the operational VaR for Erste Group.

Distribution of operational risk events

Detailed below is the percentage composition by type of event of operational risk sources as defined by the Basel 2 Capital Accord. The observation period is from 1 January 2009 to 31 December 2013.

The event type categories are as follow:

Internal fraud:
Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity or discrimination events, that involve at least one internal party.

External fraud:
Losses due to acts by a third party of a type intended to defraud, misappropriate property or circumvent the law.

Employment practices and workplace safety:
Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity or discrimination events.

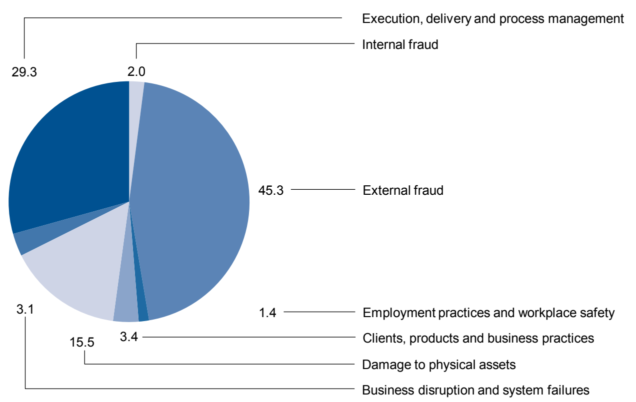
Clients, products and business practices:
Losses arising from unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of a product.

Damage to physical assets:
Losses arising from loss of or damage to physical assets caused by natural disaster or other events.

Business disruption and system failures:
Losses arising from disruption of business or system failures.

Execution, delivery and process management:
Losses from failed transaction processing or process management. Losses pertaining to relationships with trading counterparties and vendors or suppliers.

Event type categories (in %)



39) Hedge accounting

The interest rate risk of the banking book is managed by Group ALM. Preference in managing interest rate risk is given to using bonds, loans or derivatives, with hedge accounting for derivatives usually applied in accordance with IFRS. The main guideline for interest rate risk positioning is the Group Interest Rate Risk Strategy that is approved by the Group ALCO for the relevant time period.

Fair value hedges are employed to reduce interest rate risk of issued bonds, purchased securities, loans or deposits on the Erste Group balance sheet. In general, the Erste Group policy is to swap all substantial fixed or structured issued bonds to floating items and as such to manage the targeted interest rate risk profile by other balance sheet items. Interest rate swaps are the most common instruments used for fair value hedges. Concerning loans, purchased securities and securities in issuance, fair value is also hedged by means of cross-currency swaps, swaptions, caps, floors and other types of derivative instruments.

Cash flow hedges are used to eliminate uncertainty in future cash flows in order to stabilise net interest income. The most common such hedge in Erste Group consists of interest rate swaps hedging variable cash flows of floating assets into fixed cash flows. Floors or caps are used to secure the targeted level of interest income in a changing interest rate environment.

In the reporting period, EUR 0.4 million (2012: EUR 37 million) was taken from the cash flow hedge reserve and recognised as expense in the consolidated income statement (2012: as income); while EUR (72) million (2012: EUR 34 million) was recognised directly in other comprehensive income. The majority of the hedged cash flows are likely to occur within the next five years and will then be recognised in the consolidated income statement. Ineffectiveness from cash flow hedges amounting to EUR (0.5) million (2012: EUR (0.3) million) is reported in the net trading result.

Fair value hedges in 2013 resulted in losses of EUR 408.6 million (2012: gains of EUR 444.9 million) on hedging instruments and gains of EUR 416.5 million on hedged items (2012: losses of EUR 465.6 million).

Fair values of hedging instruments are disclosed in the following table:

	2013		2012	
in EUR million	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Hedging instrument - fair value hedge	1,870	605	2,408	707
Hedging instrument - cash flow hedge	74	40	105	0

40) Fair value of assets and liabilities

The best indication of fair value is quoted market prices in an active market. Where such prices are available, they are used to measure the fair value (level 1 of the fair value hierarchy).

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

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

40.1) Fair values of financial instruments

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

Financial instruments measured at fair value in the balance sheet

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

Description of the valuation models and inputs

Erste Group uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently.

Securities

For plain vanilla (fixed and floating) debt securities the fair value is calculated by discounting the future cash-flows using a discounting curve depending on the interest rate for respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instruments. If no close proxy is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash-flow models and more sophisticated modeling techniques including also methods described for OTC-derivatives. The fair value of financial liabilities designated at Fair Value through Profit and Loss under the fair value option is determined in consistency with similar instruments held as assets. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances. Techniques for equity securities may also include models based on earnings multiples.

OTC-derivative financial instruments

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

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

Credit value adjustments (CVA) for counterparty risk and debt value adjustments (DVA) for the own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and Erste group's credit quality. Erste Group has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. This modeling approach is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default of counterparties which are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles being present in the central European market. Thereby market based valuation concepts have been incorporated. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. Erste Group's probability of default has been derived from the buy-back levels of Erste group's issuances. Netting has only been considered for a few counterparties where the impact was material. For those netting has been applied for both CVA and DVA.

For collateralised derivatives the effect of collateral received is considered and reduces the amount of CVA accordingly. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

According to the described methodology the cumulative CVA-adjustments amounts to EUR (55.2) million and the total DVA-adjustment amounts to EUR 14.5 million.

Description of the valuation process for fair value measurements categorised within Level 3

A level 3 position involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking to similar transactions, among others. This involves estimation and expert judgment.

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

Fair value hierarchy

The table below details the methods used to determine the fair value with respect to levels of fair value hierarchy.

	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
in EUR million	2013	2012	2013	2012	2013	2012	2013	2012
Financial assets - available for sale	14,442	14,879	5,601	7,016	197	147	20,241	22,042
Financial assets - at fair value through profit or loss	233	329	240	364	56	23	529	716
Trading assets - securities	1,966	2,509	3,975	2,660	0	9	5,941	5,178
Positive market value - derivatives	84	1	8,105	13,149	96	139	8,285	13,289
Total assets	**16,724**	**17,718**	**17,921**	**23,189**	**350**	**318**	**34,995**	**41,225**
Customer deposits	0	0	460	633	0	0	460	633
Debt securities in issue	0	79	1,604	1,562	0	0	1,604	1,641
Subordinated liabilities	0	0	275	279	0	0	275	279
Trading liabilities	336	0	52	481	0	0	388	481
Negative market value - derivatives	27	0	6,704	10,878	0	0	6,731	10,878
Total liabilities and equity	**362**	**79**	**9,096**	**13,833**	**0**	**0**	**9,458**	**13,912**

The allocation of positions to levels and any changes between the levels are reflected at the end of the reporting period.

Changes in volumes of Level 1 and Level 2

This paragraph describes the changes in Volumes of Level 1 and Level 2 of financial instruments measured at fair value in the balance sheet.

In 2013 the total amount of Level 1 financial assets decreased by EUR 0.993 billion. The change in volume of Level 1 securities (reduction by EUR 1.076 billion) is determined on the one side by matured or sold assets in the amount of EUR 2.8 billion and on the other side by new investments in the amount of EUR 2.7 billion. The reduction in volume for securities that have been allocated to Level 1 at both reporting dates (2012 and 2013) has amounted to EUR 1.0 billion (due to partial sales and purchases and fair value changes caused by market movements). Due to improved market liquidity assets in the amount of EUR 1.0 billion could be reclassified from Level 2 to Level 1. This applies mainly to securities issued by central governments (60%) but also to securities issued by financial institutions and other corporates (40%). Due to lower market activity and change to modelled fair value securities in total of EUR 0.7 billion have been moved from Level 1 to Level 2. The remaining decrease in the amount of EUR 0.2 billion is due to partial sales and fair value changes of reclassified instruments. The increase in derivatives in Level 1 by EUR 83.0 million has a relatively small contribution to the overall changes.

The total amount of Level 2 financial assets has decreased between 2012 and 2013 by EUR 5.268 billion. The reduction of

Level 2 derivatives of about EUR 5.044 billion is mainly caused by changes in market value. The Level 2 securities fair value change (down by EUR 0.224 billion) is due to matured or sold positions in the amount for EUR 4.7 billion and new investments in the amount of EUR 5.6 billion. The reduction in volume for securities that have been allocated to Level 2 at both reporting dates 2012 and 2013 has amounted to EUR 0.3 billion (due to partial sales and purchases and fair value changes caused be market movements). Due to reduced market depth a total volume of EUR 0.7 billion has been reclassified from Level 1 to Level 2 in 2013. This applies mainly to bonds issued by financial institutions and other corporates. Securities in the amount auf EUR 1.0 billion could be reclassified from Level 2 to Level 1 for the reporting date. The remaining decrease in the amount of EUR 0.5 billion is due to partial sales and fair value changes of reclassified instruments

Movements in Level 3 of financial instruments measured at fair value

The following tables show the development of fair value of securities for which valuation models are based on non-observable inputs:

in EUR million	2012	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purch-ases	Sales/ Settle-ments	Additions to the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	2013
Financial assets - available for sale	147	(2)	0	4	(39)	19	68	0	0	197
Financial assets - at fair value through profit or loss	24	(2)	0	0	(2)	0	37	0	0	56
Trading assets - securities	9	2	0	0	(9)	0	0	(1)	0	0
Positive market value - derivatives	139	(61)	0	0	(3)	0	21	0	0	96
Total assets	**318**	**(63)**	**0**	**4**	**(52)**	**19**	**126**	**(1)**	**0**	**349**

in EUR million	2011	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purch-ases	Sales/ Settle-ments	Additions to the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	2012
Loans to credit institutions	4	0	0	0	(4)	0	0	0	0	0
Financial assets - available for sale	148	(7)	4	44	(25)	0	3	(20)	0	147
Financial assets - at fair value through profit or loss	27	(3)	0	0	0	0	0	0	0	24
Trading assets - securities	0	0	0	9	0	0	0	0	0	9
Positive market value - derivatives	0	0	0	0	0	0	139	0	0	139
Total assets	**179**	**(10)**	**4**	**53**	**(29)**	**0**	**142**	**(20)**	**0**	**318**
Negative market value - derivatives	2	(2)	0	0	0	0	0	0	0	0
Total liabilities and equity	**2**	**(2)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

The reclassification of securities to level 3 was caused by decrease in market liquidity and in-depth analysis of broker quotes. This mainly affects securitizations (40%) and corporate bonds (60%). On the opposite, the volume of securities that have been upgraded from level 3 to level 2 in 2013 is immaterial.

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

in EUR million	2013 Gain/loss in profit or loss	2012 Gain/loss in profit or loss
Financial assets - at fair value through profit or loss	(1.3)	(2.2)
Trading assets	0.0	(0.2)
Positive market value - derivatives	(60.1)	0.4
Negative market value - derivatives	0.0	(0.2)
Total	**(61.4)**	**(2.2)**

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

- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Financial Assets	Type of instrument	Fair Value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (Weighted Average)
Positive market value - derivatives	Forwards, Swaps, Options	96	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.23% - 100% (17.8%)
				LGD	40%
Financial assets - at fair value through profit and loss	Fixed and variable coupon bonds	6.8	Discounted Cash Flow	Credit spread	2.1% - 12% (3.3%)
Financial assets available for sale	Fixed and variable coupon bonds	156.3	Discounted Cash Flow	Credit spread	0.5% - 4.5% (2.0%)

If the value of financial instruments is dependent on unobservable input parameters, the precise Level for these parameters could be drawn from a range of reasonably possible alternatives. In preparing the financial statements, Levels for the parameters are chosen from these ranges using judgment consistent with prevailing market evidence.

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

in EUR million	2013 Fair Value changes from using reasonable alternatives		2012 Fair Value changes from using reasonable alternatives	
	Positive	Negative	Positive	Negative
Derivatives	41.5	(31.0)	3.1	(3.1)
Debt instruments	12.9	(17.2)	8.2	(11.0)
Equity instruments	2.4	(4.7)	3.1	(6.2)
Total	**56.7**	**(52.9)**	**14.4**	**(20.3)**

In estimating these impacts, mainly changes in credit spreads (for bonds), PDs, LGDs (for CVA of derivatives) and market values of comparable equities were considered. An increase (decrease) of spreads, PDs and LGDs result in a decrease (increase) of the corresponding market values. Positive correlation effects between PDs and LGDs are taken into account in the sensitivity analysis.

Following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis table:

_ for debt securities range of credit spreads between +100 basis points and – 75 basis points,
_ for equity related instruments the price range between -10% and +5%,
_ for CVA on derivatives PDs rating upgrade/downgrade by one notch, the range for LGD between -5% and +10%.

Financial instruments whose fair value is disclosed in the notes

The following table shows fair values and fair value hierarchy of financial instruments whose fair value is disclosed in the notes for the year-end 2013.

31 December 2013 in EUR million	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
ASSETS					
Cash and balances with central banks	8,670	8,670	8,670	0	0
Loans to credit institutions	9,007	8,839	0	0	8,839
Loans and advances to customers	119,945	118,177	0	470	117,707
Financial assets - held to maturity	17,779	18,919	15,383	3,378	158
LIABILITIES					
Deposits by banks	17,126	16,814	0	0	16,814
Customer deposits	122,442	120,208	0	0	120,208
Debt securities in issue	26,382	27,946	6,168	16,193	5,585
Subordinated liabilities	5,058	5,357	1,183	3,104	1,071
Financial guarantees and commitments					
Financial guarantees	n/a	(223)	0	0	(223)
Irrevocable commitments	n/a	466	0	0	466

1 December 2012 in EUR million	Carrying amount	Fair value
ASSETS		
Cash and balances with central banks	9,740	9,740
Loans to credit institutions	9,007	9,054
Loans and advances to customers	124,354	127,170
Financial assets - held to maturity	18,972	20,292
LIABILITIES		
Deposits by banks	21,822	22,042
Customer deposits	122,421	122,286
Debt securities in issue	27,786	29,340
Subordinated liabilities	5,044	5,394

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

The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available, otherwise it is estimated by taking into consideration the actual interest rate environment and in this case they are allocated to Level 3.
The fair value of other liabilities measured at amortized cost is estimated by taking into consideration the actual interest rate environment and own credit spreads, and these are allocated to Level 3.

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

40.2) Fair values of non-financial assets

The following table shows fair values and fair value hierarchy of non-financial instruments at the year-end 2013:

in EUR million	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	951	989	0	306	683
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	20	20	0	0	20

Investment property is measured at fair value on recurring basis. Assets held for sale are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

The fair values of non-financial assets are determined by experts with recognised and relevant professional qualification.

Fair values of non-financial assets owned by Erste Group through Austrian companies which are located in developed and active real estate markets such as Austria, Czech Republic and Slovakia are based on valuation reports relying essentially on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets). Such measurements are disclosed as Level 2 of the fair value hierarchy.

If fair values of non-financial assets result from valuation models using expected future rental income method they are presented in Level 3 of the fair value hierarchy.

For non-financial assets owned by Erste Group through subsidiaries located in CEE countries the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

41) Financial instruments per category according to IAS 39

31 December 2013	Category of financial instruments									
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
ASSETS										
Cash and balances with central banks	6,343	0	0	0	0	0	2,327	0	0	8,670
Loans and advances to credit institutions	9,062	0	0	0	0	0	0	0	0	9,062
Loans and advances to customers	123,102	0	0	0	0	0	0	0	4,596	127,698
Risk provisions for loans and advances	(7,517)	(2)	0	0	0	0	0	0	(291)	(7,810)
Derivative financial instruments	0	0	6,341	0	0	0	0	1,944	0	8,285
Trading assets	0	0	5,941	0	0	0	0	0	0	5,941
Financial assets - at fair value through profit or loss	0	0	0	529	0	0	0	0	0	529
Financial assets - available for sale	0	0	0	0	20,581	0	0	0	0	20,581
Financial assets - held to maturity	0	17,781	0	0	0	0	0	0	0	17,781
Total financial assets	**130,989**	**17,780**	**12,282**	**529**	**20,581**	**0**	**2,327**	**1,944**	**4,305**	**190,737**
Net gains / losses recognized through profit or loss[1]	(1,726)	(1)	28[2]	11	(14)	n/a	n/a	n/a	n/a	(1,703)
Net gains / losses recognized through OCI	n/a	n/a	n/a	n/a	(114)	n/a	n/a	n/a	n/a	(114)
LIABILITIES										
Deposits by banks	0	0	0	0	0	17,126	0	0	0	17,126
Customer deposits	0	0	0	460	0	121,982	0	0	0	122,442
Debt securities in issue	0	0	0	1,604	0	26,382	0	0	0	27,986
Derivative financial instruments	0	0	6,087	0	0	0	0	644	0	6,731
Trading liabilities	0	0	388	0	0	0	0	0	0	388
Subordinated liabilities	0	0	0	275	0	5,058	0	0	0	5,333
Total financial liabilities	**0**	**0**	**6,475**	**2,339**	**0**	**170,548**	**0**	**644**	**0**	**180,006**
Net gains / losses recognized through profit or loss	n/a	n/a	6[2]	(24)	n/a	5	n/a	n/a	n/a	(12)

1) Including impairments
2) Net gains/ losses on derivatives in amount of EUR (28) million were not tracked in respect of assets and liabilities and thus were not included in the table.

31 December 2012	Category of financial instruments									
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
ASSETS										
Cash and balances with central banks	7,398	0	0	0	0	0	2,342	0	0	9,740
Loans and advances to credit institutions	9,074	0	0		0	0	0	0	0	9,074
Loans and advances to customers	126,799	0	0	0	0	0	0	0	5,129	131,928
Risk provisions for loans and advances	(7,641)	(3)	0	0	0	0	0	0	0	(7,644)
Derivative financial instruments	0	0	10,777	0	0	0	0	2,512	0	13,289
Trading assets	0	0	5,178	0	0	0	0	0	0	5,178
Financial assets - at fair value through profit or loss	0	0	0	716	0	0	0	0	0	716
Financial assets - available for sale	0	0	0	0	22,418	0	0	0	0	22,418
Financial assets - held to maturity	0	18,975	0	0	0	0	0	0	0	18,975
Total financial assets	**135,630**	**18,972**	**15,955**	**716**	**22,418**	**0**	**2,342**	**2,512**	**5,129**	**203,674**
LIABILITIES										
Deposits by banks	0	0	0	0	0	21,822	0	0	0	21,822
Customer deposits	0	0	0	633	0	122,420	0	0	0	123,053
Debt securities in issue	0	0	0	1,641	0	27,786	0	0	0	29,427
Derivative financial instruments	0	0	10,171	0	0	0	0	707	0	10,878
Trading liabilities	0	0	481	0	0	0	0	0	0	481
Subordinated liabilities	0	0	0	279	0	5,044	0	0	0	5,323
Total financial liabilities	**0**	**0**	**10,652**	**2,553**	**0**	**177,072**	**0**	**707**	**0**	**190,984**

42) Audit fees and tax consultancy fees

The following table contains fundamental audit fees and tax fees charged by the auditors (of Erste Group Bank AG and subsidiaries; the auditors primarily being Sparkassen-Prüfungsverband, Ernst & Young and Deloitte) in the financial years 2013 and 2012:

in EUR million	2013	2012
Audit fees	13.8	15.3
Other services involving the issuance of a report	5.8	5.1
Tax consultancy fees	3.4	3.1
Other services	4.3	2.4
Total	**27.2**	**25.8**

For auditing services provided by the Group's auditors EUR 9.6million (2012: EUR 9.3 million) was paid by Erste Group. The Group's auditors also performed tax consultancy for Erste Group with a value of EUR 0.5 million (2012: EUR 0.3 million).

43) Contingent liabilities

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the Bank (see Note 38.5 Credit risk).

Legal proceedings

Erste Group Bank AG and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group or Erste Group Bank AG. Erste Group is also subject to the following ongoing proceedings:

Hungarian Holocaust litigation

In 2010, a group of plaintiffs filed a putative class action complaint, in a federal court in Chicago, on behalf of alleged victims of the Holocaust or their heirs, alleging that several Hungarian banks improperly benefited from the seizure of assets of Jewish customers during World War II. The assets claimed total $2 billion in 1944 dollars. Although Erste Group Bank AG is not alleged to have participated in the alleged misappropriation of Jewish assets, it is nevertheless named as a defendant in the litigation, as plaintiffs allege that Erste Group Bank AG is the legal successor to a number of banks that were active during that time in Greater Hungary. Erste Group Bank AG has denied all of the material allegations against it, including, but not limited to, allegations of successorship. In January 2014, the federal district court entered judgment in favor of Erste Group Bank AG, terminating the civil case. The plaintiffs have filed an appeal. Erste Group Bank AG intends to continue taking all steps necessary to defend itself against this complaint.

Consumer protection claims

Several banking subsidiaries of Erste Group in CEE have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings, filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The lawsuits mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and that certain fees charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as of contractual provisions for the adjustment of interest rates and currencies.

44) Analysis of remaining maturities

in EUR million	2013 < 1 year	2013 > 1 year	2012 < 1 year	2012 > 1 year
Cash and balances with central banks	8,670	0	9,740	0
Loans and advances to credit institutions	6,898	2,164	5,868	3,206
Loans and advances to customers	28,008	99,690	35,404	96,524
Risk provisions for loans and advances	(3,752)	(4,058)	(2,011)	(5,633)
Derivative financial instruments	1,677	6,608	1,496	11,793
Trading assets	4,065	1,876	3,331	1,847
Financial assets - at fair value through profit or loss	116	413	144	572
Financial assets - available for sale	3,523	17,058	4,893	17,525
Financial assets - held to maturity	2,172	15,609	3,401	15,574
Other assets	2,826	6,313	1,153	8,997
Total	**54,202**	**145,674**	**63,419**	**150,405**
Deposits by banks	12,917	4,210	14,055	7,767
Customer deposits	68,144	54,298	80,200	42,853
Debt securities in issue	4,939	23,048	5,268	24,159
Derivative financial instruments	1,555	5,177	2,267	8,611
Trading liabilities	28	360	16	465
Subordinated liabilities	473	4,859	564	4,759
Other liabilities	2,398	2,691	396	5,767
Total	**90,452**	**94,642**	**102,766**	**94,381**

45) Own funds and capital requirements

Erste Group as a group of credit institutions is subject to the Austrian Banking Act and must comply with the capital requirements set out therein.

Erste Group is subject to regulatory limitations (e.g. concentration risk) that restrict the ability of Erste Group to transfer funds among subsidiaries in different countries.

The items of own funds as disclosed below are also used for internal capital management purposes. As in the previous year, the minimum capital requirements under the Austrian Banking Act were fulfilled at all times.

Own funds and capital requirements are as follows:

in EUR million	2013	2012
Paid up capital	860	
Share premium	6,388	
Retained earnings	4,257	
Accumulated Other Comprehensive Income	97	
Deductions of Erste Group Bank shares (directly held)	(242)	
Regulatory deductions of financed Erste Group Bank shares and participation capital	(229)	
Minority interests	3,167	
Deduction of Goodwill	(1,238)	
Deduction of Customer Relationship	(271)	
Deduction of Brand	(289)	
Deduction of other intangible assets	(606)	
50% deduction for non-consolidated credit and financial institutions pursuant to section 23 (13) 3 and 4 of the Austrian Banking Act	(114)	
50% deduction for non-consolidated insurances pursuant to section 23 (13) 4a of the Austrian Banking Act[1)]	(84)	
50% deduction of IRB-shortfall pursuant to section 23 (13) 4c of the Austrian Banking Act	0	
50% deduction of securitisations pursuant to section 23 (13) 4d of the Austrian Banking Act[2)]	0	
Prudential filter on net positive AfS reserves (eligible with 70% within tier-2)	(402)	
Prudential filter on gains and losses due to changes in own credit standing	(69)	
Prudential filter for Cash flow hedges, excluding those for AfS-instruments	10	
Additional deduction for instruments measured at fair value pursuant to section 23 (13) 4e of the Austrian Banking Act [3)]	(37)	
Core tier-1 capital	**11,199**	**11,848**
Hybrid tier(1) capital pursuant to section 23 (4a) and (4b) of the Austrian Banking Act	361	
Direct holdings of own hybrid tier-1 capital pursuant to section 23 (4a) and (4b) Austrian Banking Act	0	
Tier-1 capital	**11,560**	**12,223**
Eligible supplementary capital	293	
Eligible subordinated liabilities	3,703	
70% of AfS-reserve deducted from Core Tier-1 eligible within tier-2	281	
IRB - surplus	127	
Qualifying supplementary capital (tier-2)	**4,404**	**4,074**
50% deduction for non-consolidated credit and financial institutions pursuant to section 23 (13) 3 and 4 of the Austrian Banking Act	(114)	(107)
50% deduction for non-consolidated insurances pursuant to section 23 (13) 4a of the Austrian Banking Act[1)]	(84)	(164)
50% deduction of IRB-shortfall pursuant to section 23 (13) 4c of the Austrian Banking Act	0	0
50% deduction of securitisations pursuant to section 23 (13) 4d of the Austrian Banking Act[2)]	0	(12)
Short-term subordinated capital (tier-3)	**228**	**297**
Total eligible qualifying capital	**15,994**	**16,311**
Total Capital Requirement	7,832	8,426
Surplus capital	8,162	7,885
Core tier-1 ratio – total risk (in %)[4)]	11.4	11.2
Tier-1 ratio – total risk (in %)[5)]	11.8	11.6
Solvency ratio (in %)[6)]	16.3	15.5

1) 50% tier-1 capital deduction starting with January 2013.
2) Consideration within risk pursuant to section 22 (1) 1 Austrian Banking Act starting July 2013.
3) Prudent valuation according to section 201 of the Solvability Directive for securities and derivatives, in the trading book, which are evaluated at fair value.
4) Core tier-1 ratio – total risk is the ratio of core tier-1 capital (excluding hybrid capital pursuant to section 23 (4a) and (4b) of the Austrian Banking Act) to the calculation base for the capital requirement pursuant to section 22 (1) of the Austrian Banking Act.
5) Tier-1 ratio – total risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 23 (4a) and (4b) of the Austrian Banking Act) to the calculation base for the capital requirement pursuant to section 22 (1) of the Austrian Banking Act.
6) Solvency ratio is the ratio of total eligible qualifying capital to the calculation base for the capital requirement pursuant to section 22 (1) of the Austrian Banking Act.

In reporting period 2013 calculation of consolidated own funds was converted from UGB to IFRS. Due to different position assignment comparison figures for 2012 can only be presented in a limited way.

The risk-weighted basis pursuant to Section 22 (1) of the Austrian Banking Act and the resulting capital requirement are as follows:

in EUR million	2013 Calculation base/total risk[1)]	2013 Capital requirement[2)]	2012 Calculation base/total risk[1)]	2012 Capital requirement[2)]
Risk pursuant to Section 22 (1) 1 of the Austrian Banking Act[3)]	84,857	6,789	90,434	7,235
a) Standardised approach	19,590	1,567	22,936	1,835
b) Internal ratings based approach	65,038	5,203	67,498	5,400
c) Securitizations with a 1,250% Risk Weight[4)]	229	18		
Risk pursuant to Section 22 (1) 2 of the Austrian Banking Act[5)]	2,708	217	3,583	287
Risk pursuant to Section 22 (1) 3 of the Austrian Banking Act[6)]	144	11	131	10
Risk pursuant to Section 22 (1) 4 of the Austrian Banking Act[7)]	10,192	815	11,175	894
Total	**97,901**	**7,832**	**105,323**	**8,426**

1) Internal calculation base used for calculation of the tier-1 ratio, core tier-1 ratio and the solvency ratio (capital requirement multiplied by 12.5).
2) Capital requirement pursuant to the Austrian Banking Act.
3) Risk weighted assets – credit risk
4) Consideration within total risk instead of capital deduction pursuant to section 23 (13) 4d Austrian Banking Act starting July 2013.
5) Market risk (trading book).
6) Commodities risk and foreign exchange-risk, including the risk arising from gold positions, each for positions outside the trading book.
7) Operational risk

46) Events after the balance sheet date

There were no significant events after the balance sheet date.

47) Details of the companies wholly or partly owned by Erste Group as of 31 December 2013

The tables below present material, fully consolidated subsidiaries, investments in associates accounted for at equity and other investments.

Since Erste Group Immorent AG is disclosed here as a sub-group, the single entities are not listed separately.

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Fully consolidated subsidiaries			
Credit institutions			
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	Linz	29.8	29.8
Banca Comerciala Romana Chisinau S.A.	Chişinău	93.6	93.3
Banca Comerciala Romana SA	Bucharest	93.6	93.3
Banka Sparkasse d.d.	Ljubljana	28.0	28.0
Bankhaus Krentschker & Co. Aktiengesellschaft	Graz	25.0	25.0
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft	Vienna	95.0	95.0
BCR Banca pentru Locuinte SA	Bucharest	93.9	93.6
Brokerjet Bank AG	Vienna	100.0	100.0
Ceska sporitelna, a.s.	Prague	99.0	99.0
Die Zweite Wiener Vereins-Sparcasse	Vienna	0.0	0.0
Dornbirner Sparkasse Bank AG	Dornbirn	0.0	0.0
Erste & Steiermärkische Bank d.d.	Rijeka	69.3	69.3
Erste Asset Management GmbH	Vienna	100.0	100.0
Erste Bank (Malta) Limited	Pieta	100.0	100.0
ERSTE BANK AD NOVI SAD	Novi Sad	80.5	80.5
ERSTE BANK AD PODGORICA	Podgorica	69.3	69.3
Erste Bank der oesterreichischen Sparkassen AG	Vienna	100.0	100.0
Erste Bank Hungary Zrt	Budapest	100.0	100.0
Erste Group Bank AG	Vienna	0.0	0.0
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	Vienna	74.2	74.2
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.	Vienna	86.5	86.5
Intermarket Bank AG	Vienna	84.3	91.5
Kärntner Sparkasse Aktiengesellschaft	Klagenfurt	25.0	25.0
KREMSER BANK UND SPARKASSEN AKTIENGESELLSCHAFT	Krems an der Donau	0.0	0.0
Lienzer Sparkasse AG	Lienz, Osttirol	0.0	0.0
RINGTURM Kapitalanlagegesellschaft m.b.H.	Vienna	95.0	95.0
s Wohnbaubank AG	Vienna	90.8	90.8
Salzburger Sparkasse Bank Aktiengesellschaft	Salzburg	98.7	98.7
Slovenska sporitelna, a. s.	Bratislava	100.0	100.0
Sparkasse Baden	Baden	0.0	0.0
Sparkasse Bank dd	Sarajevo	24.3	24.3
SPARKASSE BANK MAKEDONIJA AD SKOPJE	Skopje	24.9	24.9
Sparkasse Bank Malta Public Limited Company	Sliema	0.0	0.0
Sparkasse Bludenz Bank AG	Bludenz	0.0	0.0
Sparkasse Bregenz Bank Aktiengesellschaft	Bregenz	0.0	0.0
Sparkasse der Gemeinde Egg	Egg	0.0	0.0
Sparkasse der Stadt Amstetten AG	Amstetten	0.0	0.0
Sparkasse der Stadt Feldkirch	Feldkirch	0.0	0.0
Sparkasse der Stadt Kitzbühel	Kitzbühel	0.0	0.0
Sparkasse Eferding-Peuerbach-Waizenkirchen	Eferding	0.0	0.0
Sparkasse Feldkirchen/Kärnten	Feldkirchen in Kärnten	0.0	0.0
Sparkasse Frankenmarkt Aktiengesellschaft	Frankenmarkt	0.0	0.0
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	Hainburg an der Donau	75.0	75.0
Sparkasse Haugsdorf	Haugsdorf	0.0	0.0
Sparkasse Herzogenburg-Neulengbach	Herzogenburg	0.0	0.0

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Sparkasse Horn-Ravelsbach-Kirchberg Aktiengesellschaft	Horn	0.0	0.0
Sparkasse Imst AG	Imst	0.0	0.0
Sparkasse Korneuburg AG	Korneuburg	0.0	0.0
Sparkasse Kufstein, Tiroler Sparkasse von 1877	Kufstein	0.0	0.0
Sparkasse Lambach Bank Aktiengesellschaft	Lambach	0.0	0.0
Sparkasse Langenlois	Langenlois	0.0	0.0
Sparkasse Mittersill Bank AG	Mittersill	0.0	0.0
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	Rohrbach	40.0	40.0
Sparkasse Mürzzuschlag Aktiengesellschaft	Mürzzuschlag	0.0	0.0
Sparkasse Neuhofen Bank Aktiengesellschaft	Neuhofen an der Krems	0.0	0.0
Sparkasse Neunkirchen	Neunkirchen	0.0	0.0
SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT	St. Pölten	0.0	0.0
Sparkasse Oberösterreich Kapitalanlagegesellschaft m.b.H.	Linz	29.6	29.6
Sparkasse Pöllau AG	Pöllau bei Hartberg	0.0	0.0
Sparkasse Pottenstein N.Ö.	Pottenstein, Triesting	0.0	0.0
Sparkasse Poysdorf AG	Poysdorf	0.0	0.0
Sparkasse Pregarten - Unterweißenbach AG	Pregarten	0.0	0.0
Sparkasse Rattenberg Bank AG	Rattenberg, Inn	0.0	0.0
Sparkasse Reutte AG	Reutte	0.0	0.0
Sparkasse Ried im Innkreis-Haag am Hausruck	Ried im Innkreis	0.0	0.0
Sparkasse Salzkammergut AG	Bad Ischl	0.0	0.0
Sparkasse Scheibbs AG	Scheibbs	0.0	0.0
Sparkasse Schwaz AG	Schwaz	0.0	0.0
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	Voitsberg	5.0	5.0
Stavebni sporitelna Ceske sporitelny, a.s.	Prague	98.8	98.8
Steiermärkische Bank und Sparkassen Aktiengesellschaft	Graz	25.0	25.0
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	Innsbruck	75.0	75.0
Tirolinvest Kapitalanlagegesellschaft mbH.	Innsbruck	77.9	77.9
Waldviertler Sparkasse Bank AG	Zwettl	0.0	0.0
Wiener Neustädter Sparkasse	Wiener Neustadt	0.0	0.0

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Other financial institutions			
"Die Kärntner" Trust- Vermögensverwaltungsgesellschaft m.b.H. & Co KG	Klagenfurt	25.0	0.0
"Die Kärntner" Trust-Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Asset Management Slovenskej sporitelne, správ. spol., a. s.	Bratislava	100.0	100.0
AVS Beteiligungsgesellschaft m.b.H.	Innsbruck	75.0	75.0
BCR Leasing IFN SA	Bucharest	93.5	93.2
brokerjet Ceske sporitelny, a.s.	Prague	99.5	99.5
Derop B.V.	Amsterdam	100.0	100.0
Diners Club BH d.o.o. Sarajevo	Sarajevo	69.3	69.3
Drustvo za lizing nekretnina, vozila, plovila i masina "S-Leasing" doo Podgorica	Podgorica	62.5	62.5
EB Erste Bank Internationale Beteiligungen GmbH	Vienna	100.0	100.0
EB-Malta-Beteiligungen Gesellschaft m.b.H.	Vienna	100.0	100.0
EBV - Leasing Gesellschaft m.b.H. & Co. KG.	Vienna	100.0	100.0
EGB Ceps Beteiligungen GmbH	Vienna	100.0	100.0
EGB Ceps Holding GmbH	Vienna	100.0	100.0
EGB e-business Holding GmbH	Vienna	100.0	100.0
Erste & Steiermärkische S-Leasing drustvo s ogranicenom odgovornoscu za leasing vozila i strojeva	Zagreb	59.4	59.4
Erste Alapkezelo Zrt.	Budapest	100.0	100.0
Erste Asset Management d.o.o.	Zagreb	100.0	100.0
Erste Bank Beteiligungen GmbH	Vienna	100.0	100.0
Erste Bank und Sparkassen Leasing GmbH (vorm. s Autoleasing GmbH)	Vienna	100.0	100.0
ERSTE CARD CLUB d.o.o.	Zagreb	69.3	69.3
ERSTE CARD poslovanje s kreditnimi karticami, d.o.o.	Ljubljana	69.3	0.0
ERSTE DELTA DRUSTVO S OGRANICENOM ODGOVORNOSCU ZA POSLOVANJE NEKRETNINAMA	Zagreb	69.3	69.3
ERSTE FACTORING d.o.o.	Zagreb	76.9	76.9
Erste Group Immorent AG	Vienna	100.0	100.0
Erste Lakaslizing Zrt.	Budapest	100.0	100.0
Erste Lakas-Takarekpenztar Zartkoruen Mukodo Reszvenytarsasag	Budapest	100.0	100.0
Erste Leasing Berlet Szolgaltato Kft. (vm. Erste Leasing Szolgaltato Kft.)	Budapest	100.0	100.0
Erste Leasing, a.s.	Znojmo	99.0	99.0
Erste Securities Istanbul Menkul Degerler AS	Istanbul	100.0	100.0
Erste Securities Polska S.A.	Warsaw	100.0	100.0
Factoring Ceske sporitelny a.s.	Prague	99.0	99.0
Factoring Slovenskej sporitelne, a.s.	Bratislava	100.0	100.0
Flottenmanagement GmbH	Vienna	51.0	51.0
Immorent - Süd Gesellschaft m.b.H., S - Leasing KG	Graz	46.4	46.4
IMMORENT ALFA leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT BETA, leasing druzba, d.o.o.	Ljubljana	62.5	62.5
IMMORENT DELTA, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT leasing nepremicnin d.o.o.	Ljubljana	44.9	44.9
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
Immorent-Smaragd Grundverwertungsgesellschaft m.b.H.	Schwaz	0.0	0.0
Immorent-Süd Gesellschaft m.b.H.	Graz	51.3	51.3
IMMORENT-TOPAS Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
Investicni spolecnost Ceske sporitelny, a.s.	Prague	100.0	100.0
Kärntner Sparkasse Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Leasing Slovenskej sporitelne, a.s.	Bratislava	100.0	100.0
NÖ-Sparkassen Beteiligungsgesellschaft m.b.H.	Vienna	2.5	2.5
PREDUZECE ZA LIZING NEKRETNINA, VOZILA I MASINA S-LEASING DOO BEOGRAD	Belgrade	62.5	62.5
REICO investicni spolecnost Ceske sporitelny, a.s.	Prague	99.0	99.0
RUTAR INTERNATIONAL trgovinska d.o.o.	Ljubljana	62.5	62.5

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
s Autoleasing a.s.	Prague	99.0	99.0
S IMMORENT ZETA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	84.9	84.9
S Slovensko, spol. s r.o.	Bratislava	100.0	100.0
SAI Erste Asset Management S.A.	Bucharest	100.0	100.0
S-Factoring, faktoring druzba d.d.	Ljubljana	28.0	53.4
Sieben-Tiroler-Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein	0.0	0.0
S-IMMORENT nepremicnine d.o.o.	Ljubljana	50.0	50.0
S-Leasing OÖ Gesellschaft m.b.H.	Linz	100.0	44.7
S-Mobilienleasing GmbH	Vienna	100.0	100.0
Sparkasse (Holdings) Malta Ltd.	Sliema	0.0	0.0
Sparkasse Leasing S,družba za financiranje d.o.o.	Ljubljana	28.0	28.0
SPARKASSEN LEASING druzba za financiranje d.o.o.	Ljubljana	50.0	50.0
Sparkassenbeteiligungs und Service AG für Oberösterreich und Salzburg	Linz	69.3	69.3
SPK Immobilien- und Vermögensverwaltungs GmbH	Graz	25.0	25.0
S-RENT DOO BEOGRAD	Belgrade	62.5	62.5

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Other			
"Sparkassen-Haftungs Aktiengesellschaft"	Vienna	43.2	43.2
Atrium Center s.r.o.	Bratislava	19.8	0.0
AWEKA - Kapitalverwaltungsgesellschaft m.b.H.	Graz	25.0	25.0
Bee First Finance S.A. acting for and on behalf of its compartment Edelweiss 2013(1)	Luxembourg	100.0	0.0
BCR Finance BV	Amsterdam	93.6	93.3
BCR Fleet Management SRL	Bucharest	93.5	93.2
BCR Partener Mobil SRL	Bucharest	93.6	93.3
BCR Payments Services SRL	Sibiu	93.6	93.3
BCR PENSII, SOCIETATE DE ADMINISTRARE A FONDURILOR DE PENSII PRIVATE SA	Bucharest	93.6	93.3
BCR Procesare SRL	Bucharest	93.6	93.3
BCR Real Estate Management SRL	Bucharest	93.6	93.3
BECON s.r.o.	Prague	19.8	0.0
Beta-Immobilienvermietung GmbH	Vienna	100.0	100.0
BGA Czech, s.r.o.	Prague	19.8	0.0
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.	Graz	25.0	25.0
Campus Park a.s.	Prague	99.0	19.8
Capexit Beteiligungs Invest GmbH	Vienna	100.0	100.0
Capexit Private Equity Invest GmbH	Vienna	100.0	100.0
CEE Property Development Portfolio 2 N.V.	Amsterdam	99.0	19.8
CEE Property Development Portfolio B.V.	Amsterdam	19.8	19.8
Ceska sporitelna - penzijni spolecnost, a.s.	Prague	99.0	99.0
CP Praha s.r.o.	Prague	19.8	19.8
CPDP 2003 s.r.o.	Prague	99.0	19.8
CPDP Logistics Park Kladno I a.s.	Prague	99.0	19.8
CPDP Logistics Park Kladno II a.s.	Prague	99.0	19.8
CPDP Polygon s.r.o.	Prague	99.0	19.8
CPDP Prievozska a.s.	Bratislava	99.0	19.8
CPDP Shopping Mall Kladno, a.s.	Prague	99.0	19.8
CPP Lux S. 'ar.l.	Luxembourg	19.8	19.8
CS DO DOMU, A.S.	Prague	99.0	99.0
CS Investment Limited	St Peter Port	99.0	99.0
CS Property Investment Limited	Nicosia	99.0	99.0
Czech and Slovak Property Fund B.V.	Amsterdam	19.8	0.0
Czech TOP Venture Fund B.V.	Groesbeek	83.1	83.1
DIE ERSTE Immobilienvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
EBB Beteiligungen GmbH	Vienna	100.0	100.0
EB-Beteiligungsservice GmbH	Vienna	99.9	99.9
EB-Grundstücksbeteiligungen GmbH	Vienna	100.0	100.0
EB-Restaurantsbetriebe Ges.m.b.H.	Vienna	100.0	100.0
EGB Capital Invest GmbH	Vienna	100.0	100.0
Erste Befektetesi Zrt.	Budapest	100.0	100.0
Erste Campus Mobilien GmbH & Co KG	Vienna	100.0	100.0
Erste Capital Finance (Jersey) PCC	St. Helier	100.0	100.0
ERSTE DMD d.o.o.	Zagreb	69.3	69.3
Erste Energy Services, a.s.	Prague	99.0	99.0
Erste Finance (Delaware) LLC	City of Wilmington	100.0	100.0
Erste Finance (Jersey) (6) Limited	St. Helier	100.0	100.0
Erste Finance (Jersey) Limited IV	St. Helier	100.0	100.0
Erste GCIB Finance I B.V.	Amsterdam	100.0	100.0
Erste Group IT International, spol. s.r.o.	Bratislava	100.0	100.0
Erste Group IT SK, spol. s r.o.	Bratislava	100.0	100.0

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Erste Group Services GmbH	Vienna	100.0	100.0
Erste Group Shared Services (EGSS), s.r.o.	Hodonin	99.6	99.6
ERSTE IN-FORG Korlatolt felelossegu tarsasag	Budapest	100.0	0.0
Erste Ingatlan Fejleszto, Hasznosito es Mernoki Kft. (vm. PB Risk Befektetesi es Szolgaltato Kft).	Budapest	100.0	100.0
ERSTE NEKRETNINE d.o.o. za poslovanje nekretninama	Zagreb	69.3	69.3
Erste Private Equity Limited	London	100.0	100.0
Erste Reinsurance S.A.	Luxembourg	100.0	100.0
Euro Dotacie, a.s.	Žilina	65.3	65.3
Financiara SA	Bucharest	91.2	90.9
Gallery MYSAK a.s.	Prague	99.0	19.8
Gladiator Leasing Limited	Pieta	99.9	99.9
GLL 29235 LIMITED	Pieta	99.9	99.9
GLL A330 Limited	Dublin 2	99.9	0.0
GLL MSN 038 / 043 LIMITED	Pieta	99.9	99.9
GRANTIKA Ceske sporitelny, a.s.	Brno	99.0	99.0
Haftungsverbund GmbH	Vienna	63.9	63.4
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS - Dienstleistungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Beteiligungs- und Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
LANED a.s.	Bratislava	100.0	100.0
LIEGESA Immobilienvermietung GmbH Nfg OG	Graz	25.0	25.0
Lighthouse 449 Limited	Pieta	99.9	99.9
MBU d.o.o.	Zagreb	100.0	100.0
Nove Butovice Development s.r.o.	Prague	19.8	0.0
ÖCI-Unternehmensbeteiligungsgesellschaft.m.b.H.	Vienna	99.6	99.6
OM Objektmanagement GmbH	Vienna	100.0	100.0
Portfolio Kereskedelmi, Szolgaltato es Szamitastechnikai Kft.	Budapest	100.0	100.0
Procurement Services CZ s.r.o.	Prague	99.5	99.5
Procurement Services GmbH	Vienna	99.9	99.9
Procurement Services HR d.o.o.	Zagreb	99.9	99.9
Procurement Services HU Kft.	Budapest	99.9	99.9
Procurement Services RO srl	Bucharest	99.9	99.9
Procurement Services SK, s.r.o.	Bratislava	99.9	99.9
Quest Investment Services Limited	Sliema	0.0	0.0
Realitna spolocnost Slovenskej sporitelne, a.s.	Bratislava	100.0	100.0
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz	62.6	62.6
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.	Graz	59.8	59.7
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0	25.0
s IT Solutions AT Spardat GmbH	Vienna	82.2	82.2
s IT Solutions CZ, s.r.o.	Prague	99.6	99.6
s IT Solutions Holding GmbH	Vienna	100.0	100.0
s IT Solutions HR drustvo s ogranicenom odgovornoscu za usluge informacijskih tehnologija	Bjelovar	93.9	93.9
s IT Solutions SK, spol. s r.o.	Bratislava	99.8	99.8
s REAL Immobilienvermittlung GmbH	Vienna	96.1	96.1
s ServiceCenter GmbH (vm. CSSC)	Vienna	57.3	57.3
S Tourismus Services GmbH	Vienna	100.0	100.0
s Wohnbauträger GmbH	Vienna	90.8	90.8
s Wohnfinanzierung Beratungs GmbH	Vienna	75.4	75.4
sBAU Holding GmbH	Vienna	95.0	95.0
SC Bucharest Financial Plazza SRL	Bucharest	93.6	93.3
sDG Dienstleistungsgesellschaft mbH (vm. Sparkassen Zahlungsverkehrsabwicklungs GmbH)	Linz	57.8	57.8

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
S-Immobilien Weinviertler Sparkasse GmbH	Vienna	100.0	100.0
Sio Ingatlan Invest Kft.	Budapest	100.0	100.0
SK - Immobiliengesellschaft m.b.H.	Krems an der Donau	0.0	0.0
Smichov Real Estate, a.s.	Prague	19.8	0.0
Sparkasse Kufstein Immobilien GmbH & Co KG	Kufstein	0.0	0.0
Sparkasse S d.o.o.	Ljubljana	25.0	25.0
Sparkassen Real Vorarlberg Immobilienvermittlung GmbH	Dornbirn	48.1	48.1
Sparkassen-Real-Service für Kärnten und Osttirol Realitätenvermittlungs-Gesellschaft m.b.H.	Klagenfurt	55.6	55.5
Sparkassen-Real-Service -Tirol Realitätenvermittlungs-Gesellschaft m.b.H.	Innsbruck	66.8	66.8
Steiermärkische Verwaltungssparkasse Immobilien & Co KG	Graz	25.0	25.0
S-Tourismusfonds Management Aktiengesellschaft	Vienna	100.0	100.0
SUPORT COLECT SRL	Bucharest	93.6	93.3
SVD-Sparkassen-Versicherungsdienst Versicherungsbörse Nachfolge GmbH & Co. KG	Innsbruck	75.0	75.0
Transformovany fond penzijniho pripojisteni se statnim prispevkem Ceska sporitelna - penzijni spolecnost, a.s.	Prague	0.0	0.0
Trencin Retail Park a.s.	Bratislava	19.8	0.0
VERNOSTNI PROGRAM IBOD, a.s.	Prague	99.0	0.0

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Equity method investments			
Credit institutions			
NÖ Beteiligungsfinanzierungen GmbH	Vienna	30.0	30.0
NÖ Bürgschaften GmbH	Vienna	25.0	25.0
Prvá stavebná sporitelna, a.s.	Bratislava	35.0	35.0
SPAR-FINANZ BANK AG	Salzburg	50.0	50.0
Other financial institutions			
Fondul de Garantare a Creditului Rural IFN SA	Bucharest	31.2	31.1
Other			
APHRODITE Bauträger Aktiengesellschaft	Vienna	45.4	45.4
ASC Logistik GmbH	Vienna	24.0	24.0
EBB-Gamma Holding GmbH	Vienna	49.0	49.0
ERSTE d.o.o.	Zagreb	41.7	41.7
Erste ÖSW Wohnbauträger GmbH	Vienna	45.7	90.8
Gelup GesmbH	Vienna	31.7	31.7
Hochkönig Bergbahnen GmbH	Horn	45.35	45.35
Immobilien West GmbH	Salzburg	49.3	49.3
KWC Campus Errichtungsgesellschaft m.b.H.	Klagenfurt	12.5	12.5
Let's Print Holding AG	Graz	42.0	42.0
LTB Beteiligungs GmbH	Vienna	25.0	25.0
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A.	Amsterdam	66.7	66.7
RSV Beteiligungs GmbH	Vienna	33.3	33.3
Slovak Banking Credit Bureau, s.r.o.	Bratislava	33.3	33.3
VBV - Betriebliche Altersvorsorge AG	Vienna	26.9	26.9

Erste Group holds more than 50% of the equity shares of ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A. which is classified as a joint venture.

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Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Other investments			
Credit institutions			
Adria Bank Aktiengesellschaft	Vienna	0.0	0.0
BRB Burgenländische Risikokapital Beteiligungen AG	Eisenstadt	6.4	6.4
Bürgschaftsbank Salzburg GmbH	Salzburg	18.0	18.0
EUROAXIS BANK AD Moskva	Moscow	0.0	0.0
Gorenjska Banka d.d.	Kranj	2.3	2.3
JUBMES BANKA AD BEOGRAD	Belgrade	0.0	1.6
Oberösterreichische Kreditgarantiegesellschaft m.b.H.	Linz	4.5	4.5
Oesterreichische Kontrollbank Aktiengesellschaft	Vienna	12.9	12.9
Open Joint Stock Company Commercial Bank "Center Invest"	Rostov-on-Don	9.8	9.8
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.	Vienna	18.8	18.8
Steirische Beteiligungsfinanzierungsgesellschaft m.b.H.	Graz	4.7	4.7
Swedbank AB	Stockholm	0.1	0.1
VBV - Vorsorgekasse AG	Vienna	24.5	24.5
Waldviertler Volksbank Horn registrierte Genossenschaft mit beschränkter Haftung	Horn, Niederösterreich	0.0	0.0
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG (vorm.Kapital-Beteiligungs Aktiengesellschaft)	Vienna	15.6	16.0
Other financial institutions			
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	12.88	12.88
AS-WECO 4 Grundstückverwaltung Gesellschaft m.b.H.	Salzburg	29.98	29.98
Beogradska Berza, Akcionarsko Drustvo Beograd	Belgrade	12.57	9.28
C+R Projekt s r.o.	Prague	100.00	100.00
Company for Investment Funds Management "Erste Invest" a.d. Belgrade - in liquidation	Belgrade	0.00	100.00
Diners Club Bulgaria AD	Sofia	3.57	3.57
Diners Club Russia	Moscow	10.98	10.98
DINESIA a.s.	Prague	98.97	98.97
E-C-A-Holding Gesellschaft m.b.H.	Vienna	65.54	65.54
E-C-B Beteiligungsgesellschaft.m.b.H.	Vienna	24.67	24.67
EFH-Beteiligungsgesellschaft m.b.H.	Vienna	50.00	50.00
EWU Wohnbau Unternehmensbeteiligungs-Aktiengesellschaft	St. Pölten	12.80	12.80
FINANSIJSKI BERZANSKI POSREDNIK BEOGRADSKI ESKONTNI CENTAR AKCIONARSKO DRUŠTVO, BEOGRAD (STARI GRAD) - U STECAJU	Beograd	0.00	0.00
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii privati SA	Bucharest	8.90	8.88
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Maria Enzersdorf	12.17	12.17
Gemeinnützige Bau- und Siedlungsgenossenschaft "Waldviertel" registrierte Genossenschaft mit beschränkter Haftung	Raabs an der Thaya	0.00	0.00
Gemeinnützige Bau- und Siedlungsgesellschaft MIGRA Gesellschaft m.b.H.	Vienna	19.80	19.80
Gemeinnützige Baugenossenschaft in Feldkirch, registrierte Genossenschaft mit beschränkter Haftung	Feldkirch	0.00	0.00
Gemeinnützige Wohn- und Siedlungsgesellschaft Schönere Zukunft, Gesellschaft m.b.H.	Vienna	15.00	15.00
Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft	Mödling	12.68	12.68
German Property Invest Immobilien GmbH	Vienna	10.77	10.77
good.bee Holding GmbH	Vienna	60.00	60.00
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.50	7.50
I+R Projekt Fejlesztési Korlátolt Felelösségü Társaság	Budapest	100.00	100.00
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach in Upper Austria	40.00	40.00
K+R Projekt s.r.o.	Prague	100.00	100.00
KERES-Immorent Immobilienleasing GmbH	Vienna	25.00	25.00
Lorit Immobilien Leasing Gesellschaft m.b.H. in Liquidation	Vienna	56.24	56.24

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
MONTENEGRO BERZA AD Podgorica	Podgorica	0.08	0.00
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H.	Eisenstadt	49.98	49.98
NÖ. HYPO LEASING - Sparkasse Region St. Pölten Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	0.00	0.00
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung	Vienna	100.00	100.00
ÖSW Wohnbauvereinigung Gemeinnützige Gesellschaft m.b.H.	Salzburg	15.37	15.37
ÖWB Gemeinnützige Wohnungsaktiengesellschaft	Salzburg	25.09	22.73
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	2.50	2.50
REWE Magyarország Ingatlankezelö és - forgalmazó Korlátolt Felelösségü Társaság	Budapest	100.00	100.00
s Autoleasing SK, s.r.o.	Bratislava	98.97	98.97
S IMMOKO Leasing Gesmbh	Korneuburg	0.00	0.00
S-Leasing d.o.o., Sarajevo	Sarajevo	24.64	24.93
S-Leasing d.o.o., Skopje	Skopje	24.99	24.99
SPARKASSE Bauholding Gesellschaft m.b.H.	Salzburg	98.69	98.69
Sparkasse Bauholding Leasing I GmbH	Salzburg	98.69	98.69
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Vienna	50.32	50.32
T+R Projekt Fejelsztési Korlátolt Felelösségü Társaság	Budapest	100.00	100.00
VISA INC.	Wilmington	0.00	0.00
Vorarlberger Sparkassen Beteiligungs GmbH	Dornbirn	0.00	0.00
WIEPA-Vermögensverwaltungsgesellschaft m.b.H.	Dornbirn	0.00	0.00
WNI Wiener Neustädter Immobilienleasing Ges.m.b.H.	Wiener Neustadt	0.00	0.00
Wohnungseigentum, Tiroler gemeinnützige Wohnbaugesellschaft m.b.H.	Innsbruck	19.06	19.06
Other			
"Die Kärntner - Förderungs- und Beteiligungsgesellschaft für die Stadt Friesach Gesellschaft m.b.H.	Friesach	25.00	25.00
"Die Kärntner" - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Gurk	25.00	25.00
"Die Kärntner"-BTWF-Beteiligungs- und Wirtschaftsförderungsgesellschaft für die Stadt St. Veit/Glan Gesellschaft m.b.H.	St. Veit an der Glan	25.00	25.00
"Die Kärntner"-Förderungs- und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Wolfsberg, Kärnten	25.00	25.00
"Gasthof Löwen" Liegenschaftsverwaltung GmbH & Co., KG	Feldkirch	0.00	0.00
"Photovoltaik-Gemeinschaftsanlage" der Marktgemeinde Wolfurt	Wolfurt	0.00	0.00
"SIMM" Liegenschaftsverwertungsgesellschaft m.b.H.	Graz	25.00	25.00
"TBG" Thermenzentrum Geinberg Betriebsgesellschaft m.b.H.	Geinberg	1.08	1.08
"THG" Thermenzentrum Geinberg Errichtungs-GmbH	Linz	1.14	1.14
"TROPS" Beteiligungsgesellschaft m.b.H	St. Martin im Mühlkreis	5.00	5.00
1. Obermurtaler Brauereigenossenschaft in Murau registrierte Genossenschaft mit beschränkter Haftung	Murau	0.63	0.63
A.D.I. Immobilien Beteiligungs GmbH	Vienna	10.77	10.77
AB Banka, a.s. v likvidaci	Mlada Boleslav	4.45	0.00
Accession Mezzanine Capital III L.P.	St. Helier	3.33	3.73
Achenseebahn Aktiengesellschaft	Jenbach	0.00	0.00
Achtundsechzigste Sachwert Rendite-Fonds Holland GmbH & Co KG	Hamburg	0.00	0.00
Actera Partners L.P.	St. Helier	4.65	4.65
AD SPORTSKO POSLOVNI CENTAR MILLENNIUM VRŠAC	Vršac	0.18	0.00
Agrargemeinschaft Kirchschlag	Kirchschlag	0.00	0.00
AGRI-BUSINESS Kft. (in Konkurs)	Hegyeshalom	100.00	100.00
AKCIONARSKO DRUŠTVO DUNAV ZA PROIZVODNJU TEKSTILNIH I AMBALAŽNIH PROIZVODA CELAREVO - U STECAJU	Celarevo	4.69	0.00
AKCIONARSKO DRUŠTVO PETAR DRAPŠIN NOVI SAD - U RESTRUKTURIRANJU	Novi Sad	1.05	0.00

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU DELOVA ZA MOTORE GARANT, FUTOG	Futog	6.16	0.00
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU KABLOVA I PROVODNIKA NOVOSADSKA FABRIKA KABELA NOVI SAD	Novi Sad	1.14	0.00
AKIM Beteiligungen GmbH	Vienna	10.77	10.77
Alpbacher Bergbahn Gesellschaft m.b.H.	Alpbach	0.00	0.00
Alpendorf Bergbahnen AG	St. Johann im Pongau	0.02	0.17
AMAG Austria Metall AG	Braunau	0.30	0.30
aptus Immobilien GmbH	Berlin	10.77	0.00
Arena Melk GmbH	Melk	0.00	0.00
Argentum Immobilienverwertungs Ges.m.b.H.	Linz	28.29	28.29
ARWAG Holding-Aktiengesellschaft	Vienna	19.20	19.20
AS LEASING Gesellschaft m.b.H.	Linz, Donau	29.78	29.78
ASTRA BANKA AKCIONARSKO DRUŠTVO BEOGRAD - U STECAJU	Beograd	0.00	0.00
AS-WECO Grundstückverwaltung Gesellschaft m.b.H.	Linz	28.29	28.29
ATHOS Immobilien Aktiengesellschaft	Linz	0.99	0.99
Ausserferner Musical GmbH & Co KG	Bach	0.00	0.00
Austrian Reporting Services GmbH	Vienna	16.82	0.00
AWEKA-Beteiligungsgesellschaft m.b.H.	Vienna	25.00	25.00
B.A.O. Immobilienvermietungs GmbH	Vienna	9.93	9.93
Bad Leonfelden Hotelbetriebs Gesellschaft mbH	Bad Leonfelden	63.38	63.38
Bad Tatzmannsdorf Thermal- und Freizeitzentrum GesmbH & Co KG	Bad Tatzmannsdorf	0.87	0.87
Bäder - Betriebs - Gesellschaft m.b.H. der Stadt Schladming & Co Kommanditgesellschaft	Schladming	0.00	0.00
Balance Resort GmbH (vm. Wellness Hotel Stegersbach)	Stegersbach	100.00	100.00
BaltCap Private Equity Fund L.P.	St. Helier	7.94	7.94
Bancroft 3 L.P.	St. Helier	8.83	8.83
Bank-garázs Ingatlanfejlesztési és Vagyonhasznosító Kft.	Budapest	10.77	10.77
Bäuerliches Blockheizkraftwerk reg. Gen.m.b.H.	Kautzen	0.00	0.00
BBH Hotelbetriebs GmbH	Vienna	69.02	69.02
BC European Capital IX(3) LP	St.Peter Port	0.15	0.17
BCR Asigurari de Viata Vienna Insurance Group SA	Bucharest	5.06	5.04
BeeOne GmbH	Vienna	100.00	100.00
Berg- und Schilift Schwaz-Pill Gesellschaft m.b.H.	Schwaz	0.00	0.00
Bergbahn Aktiengesellschaft Kitzbühel	Kitzbühel	0.00	0.00
Bergbahn Lofer Ges.m.b.H.	Lofer	7.84	9.23
Bergbahn- und Skilift Gesellschaft St. Jakob i.D., Gesellschaft m.b.H.	St. Jakob in Defereggen	0.00	0.00
Bergbahnen Oetz Gesellschaft m.b.H.	Oetz	0.00	0.00
Bergbahnen Westendorf Gesellschaft m.b.H.	Westendorf	0.00	0.00
Betriebliche Altersvorsorge - Software Engineering GmbH	Vienna	24.25	24.25
BGM - IMMORENT Aktiengesellschaft & Co KG	Vienna	2.38	2.38
Biogenrohstoffgenossenschaft Kamptal und Umgebung registrierte Genossenschaft mit beschränkter Haftung	Gars am Kamp	0.00	0.00
Biomasse Heizwerk Zürs GmbH	Zürs	0.00	0.00
Biroul de credit SA	Bucharest	17.79	22.64
Biroul de Credit SRL	Chişinău	6.27	9.53
Bregenz Tourismus & Stadtmarketing GmbH	Bregenz	0.00	0.00
BSV Mountain Immobilieninvest GmbH	Klosterneuburg	0.00	0.00
BTV-Beteiligungs-, Treuhand-, Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.00	25.00
Buda Kereskedelmi Kozpont Kft	Budapest	10.77	10.77
Bursa Romana de Marfuri SA	Bucharest	2.44	2.43
Burza cennych papierov v Bratislave, a.s.	Bratislava	3.93	0.29

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Business Capital for Romania - Opportunity Fund Cooperatief UA	Amsterdam	77.98	77.73
BVP-Pensionsvorsorge-Consult G.m.b.H.	Vienna	26.94	26.94
Camelot Informatik und Consulting Gesellschaft.m.b.H.	Villach	4.11	4.11
Camping- und Freizeitanlagen Betriebsgesellschaft m.b.H.	St. Pölten	0.00	0.00
CAMPUS 02-Fachhochschule der Wirtschaft GmbH	Graz	3.75	3.75
Cargo-Center-Graz Betriebsgesellschaft m.b.H.	Kalsdorf bei Graz	1.63	1.63
Cargo-Center-Graz Betriebsgesellschaft m.b.H. & Co KG	Graz-St. Peter	1.63	1.63
Carlyle Europe Partners,L.P. (in Liquidation)	Vale	0.56	0.56
Casa de Compensare Bucuresti SA	Bucharest	0.35	0.34
Casa Romana de Compensatie Sibiu	Sibiu	0.35	0.35
CBCB-Czech Banking Credit Bureau, a.s.	Prague	19.79	19.79
CEE Beteiligungen GmbH	Vienna	10.77	10.77
CEE CZ Immobilien GmbH	Vienna	10.77	10.77
CEE Immobilien GmbH	Vienna	10.77	10.77
CEE PROPERTY BULGARIA EOOD	Sofia	10.77	10.77
CEE PROPERTY INVEST ROMANIA SRL	Bucharest	10.77	10.77
CEE Property-Invest Hungary 2003 Ingatlan Kft	Budapest	10.77	10.77
CEE PROPERTY-INVEST Immobilien GmbH	Vienna	10.77	10.77
CEE Property-Invest Ingatlan Kft.	Budapest	10.77	10.77
CEE Property-Invest Office 2004 Kft	Budapest	10.77	10.77
CEESEG Aktiengesellschaft	Vienna	12.57	12.57
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH	Graz	25.00	25.00
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH & Co KG	Graz	25.75	25.75
Croatia osiguranje d.d.	Zagreb	0.11	0.11
Dachstein Tourismus AG	Gosau	0.00	0.00
DC TRAVEL d.o.o. putnicka agancija	Zagreb	69.26	69.26
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor	25.00	25.00
Dolomitencenter Verwaltungs GmbH	Lienz	49.99	49.99
Dolomitengolf Osttirol GmbH (vm. Golf Errichtungs- und Betriebs GmbH)	Lavant, Lienz	0.00	0.00
DONAU Versicherung AG Vienna Insurance Group	Vienna	0.76	0.76
Dornbirner Seilbahn GmbH	Dornbirn	0.00	0.00
DRUŠTVO ZA KONSALTING I MENADŽMENT POSLOVE TRŽIŠTE NOVCA A.D. BEOGRAD (SAVSKI VENAC)	Beograd	0.80	0.00
DUAL Construct Invest S.R.L.	Bucharest	10.13	10.02
Duna Szalloda Zrt.	Budapest	10.77	10.77
E.I.A. eins Immobilieninvestitionsgesellschaft m.b.H.	Vienna	10.77	10.77
E.V.I. Immobilienbeteiligungs GmbH	Vienna	10.77	10.77
EBB Hotelbetriebs GmbH	Imst	100.00	100.00
EBB-Delta Holding GmbH	Vienna	100.00	100.00
EBB-Epsilon Holding GmbH	Vienna	100.00	0.00
EBG Europay Beteiligungs-GmbH	Vienna	22.41	22.41
EBSPK-Handelsgesellschaft m.b.H.	Vienna	29.67	29.68
EBV-Leasing Gesellschaft m.b.H.	Vienna	51.00	50.00
EC Energie Center Lipizzanerheimat GmbH	Bärnbach	0.05	0.05
ECE Einkaufs-Center Sofia Management OOD	Sofia	7.11	7.11
Egg Investment GmbH	Egg	0.00	0.00
E-H Liegenschaftsverwaltungs-GmbH	Etsdorf am Kamp	0.00	0.00
EH-Gamma Holding GmbH	Vienna	100.00	0.00
ELAG Immobilien AG	Linz	1.58	1.61
ELTIMA PROPERTY COMPANY s.r.o.	Prague	10.77	10.77
Energie AG Oberösterreich	Linz	0.15	0.15
Erste alpenländische Volksbrauerei Schladming registrierte Genossenschaft mit beschränkter Haftung	Schladming	0.06	0.06

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Erste Asset Management Deutschland Ges.m.b.H.	Zorneding	100.00	100.00
Erste Bank - Wiener Stadthalle Marketing GmbH	Vienna	60.00	60.00
Erste Campus Mobilien GmbH	Vienna	100.00	100.00
Erste Corporate Finance GmbH	Vienna	100.00	100.00
Erste Corporate Finance, a.s.	Prague	98.97	98.97
Erste Group Beteiligungen GmbH	Vienna	100.00	100.00
ERSTE Immobilien Aspernbrückengasse 2 GmbH & Co KG	Vienna	0.10	0.10
ERSTE OSIGURANJE VIENNA INSURANCE GROUP D.D.	Zagreb	3.46	3.46
ERSTE Vienna Insurance Group Biztosito Zrt.	Budapest	5.00	5.00
Erz und Eisen Regional Entwicklungs GmbH	Eisenerz	6.50	6.50
ESB Holding GmbH	Vienna	69.27	69.27
ESPA- Financial Advisors GmbH	Vienna	84.20	84.20
EUROCENTER d.o.o.	Zagreb	10.77	10.77
European Directories Parent S.A.	Luxembourg	2.19	0.00
EUROPEAN INVESTMENT FUND	Luxembourg	0.10	0.10
Fejer- Kondor Immobilienverwaltungsgesellschaft m.b.H.	Budapest	4.62	4.62
Fender KG, Hotel Hochfirst (vm.Gstrein & Fender KG)	Obergurgl	0.00	0.00
Fifth Cinven Fund (No.6) Limited Partnership	St Peter Port	0.20	0.00
Finanzpartner GmbH	Vienna	50.00	50.00
FINTEC-Finanzierungsberatungs- und Handelsgesellschaft m.b.H.	Vienna	25.00	25.00
FMTG Development GmbH	Vienna	0.00	0.00
FOTEC Forschungs- und Technologietransfer GmbH	Wiener Neustadt	0.00	0.00
Frankenmarkter Errichtungs- und Finanzierungsgesellschaft m.b.H.	Frankenmarkt	0.00	0.00
Freizeitanlage St. Martin i.M. Nachfolge GmbH & Co KG	St. Martin im Mühlkreis	5.00	5.00
Freizeitpark Zell GmbH	Zell am Ziller	0.00	0.00
Freizeitzentrum Zillertal GmbH	Fügen	0.00	0.00
Fügen Bergbahn Ges.m.b.H. & Co.KG	Fügenl	0.00	0.00
FWG-Fernwärmeversorgung Engelbrechts registrierte Genossenschaft mit beschränkter Haftung	Kautzen	0.00	0.00
FWG-Fernwärmeversorgung Raabs a.d. Thaya registrierte Genossenschaft mit beschränkter Haftung	Raabs an der Thaya	0.00	0.00
Galsterbergalm Bahnen Gesellschaft m.b.H. & Co KG	Pruggern	0.42	0.42
GALVÁNIHO 2, s.r.o.	Bratislava	10.77	10.77
GALVÁNIHO 4, s.r.o.	Bratislava	10.77	10.77
Galvaniho Business Centrum, s.r.o.	Bratislava	10.77	10.77
Garantiqa Hitelgarancia Zrt.	Budapest	2.17	3.53
Gastberger Hotelbetriebe GmbH & Co KG	St. Wolfgang im Salzkammergut	0.00	0.00
Gasteiner Bergbahnen AG	Bad Hofgastein	13.24	13.24
Gasthof Mitterwirt Ulrike Ottino-Haider	Dienten am Hochkönig	0.00	0.00
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.	Vienna	0.91	0.94
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m. b. H.	Korneuburg	0.82	0.82
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Linz	8.55	8.55
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H. & Co.KG	Linz	9.49	9.50
Genesis Private Equity Fund 'B' L.P.	St.Peter Port	98.97	98.97
Gerlitzen - Kanzelbahn - Touristik Gesellschaft m.b.H.&Co KG	Sattendorf	0.00	0.00
GERMAN PROPERTY INVESTMENT I APS (GPI I APS)	Arhus C	10.74	10.74
GERMAN PROPERTY INVESTMENT II APS (GPI II APS)	Arhus C	0.57	0.57
GERMAN PROPERTY INVESTMENT III APS (GPI III APS)	Arhus C	10.74	10.74
Gewerbe- und Dienstleistungspark der Gemeinde Bad Radkersburg und Radkersburg-Umgebung Kommanditgesellschaft	Bad Radkersburg	4.57	4.57

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
GIRO Elszámolásforgalmi Zrt.	Budapest	8.33	8.33
GLL 29235 Sweden AB	Stockholm	99.89	99.89
Goldegger-Skilifte Gesellschaft m.b.H. & Co. KG (vm. Buchberg - Skilift - Gellschaft m.b.H. & Co. KG	Goldegg	8.94	8.94
Golf Ressort Kremstal GmbH	Kematen an der Krems	0.00	0.00
Golf Ressort Kremstal GmbH & Co. KG.	Kematen an der Krems	0.00	0.00
Golfanlage Deutschlandsberg Errichtungs- und Betriebsgesellschaft m.b.H. & Co KG	Deutschlandsberg	1.00	1.00
Golfclub Bludenz-Braz GmbH	Bludenz - Braz	0.00	0.00
Golfclub Brand GmbH	Brand bei Bludenz	0.00	0.00
Golfclub Pfarrkirchen im Mühlviertel GmbH	Pfarrkirchen im Mühlkreis	0.23	0.23
GOLF-CLUB Schärding/Pramtal GMBH & CO KG	Taufkirchen a. d. Pram	0.14	0.14
Golfplatz Hohe Salve - Brixental Errichtergesellschaft m.b.H. & Co KG	Westendorf	0.00	0.00
Golfresort Haugschlag GmbH & Co KG	Haugschlag	0.00	0.00
good.bee credit IFN S.A.	Bucharest	60.00	29.40
Grema - Grundstückverwaltung Gesellschaft m.b.H.	Innsbruck	74.99	74.99
Großarler Bergbahnen Gesellschaft mit beschränkter Haftung & Co KG	Großarl	0.48	0.48
GW St. Pölten Integrative Betriebe GmbH	St.Pölten-Hart	0.00	0.00
GXT Vermögensverwaltung GmbH & Co KG	Vienna	0.00	0.00
H.S.E. Immobilienbeteiligungs GmbH	Vienna	10.77	10.77
H.W.I. I APS	Arhus C	10.74	10.74
H.W.I. IV APS	Arhus C	10.74	10.74
Hansa Immobilien OOD	Sofia	10.77	10.77
HAPIMAG Verwaltungs- und Vertriebsgesellschaft Havag AG	Baar	0.00	0.00
Harkin Limited	Dublin	100.00	100.00
Harrys Hotel Home Wien Millenium GmbH	Innsbruck	0.00	0.00
Hauser Kaibling Seilbahn- und Liftgesellschaft m.b.H. & Co. KG.	Haus im Ennstal	0.41	0.41
Health and Fitness International Holdings N.V.	Willemstad	3.47	3.47
Heiltherme Bad Waltersdorf GmbH	Bad Waltersdorf	4.50	4.50
Heiltherme Bad Waltersdorf GmbH & Co KG	Bad Waltersdorf	4.13	4.13
Hinterstoder-Wurzeralm Bergbahnen Aktiengesellschaft	Hinterstoder	0.29	0.29
HOLDING RUDARSKO METALURŠKO HEMIJSKI KOMBINAT TREPCA AD ZVECAN - U RESTRUKTUIRANJU	Zvecan	0.00	0.00
Hollawind - Windkraftanlagenerrichtungs- und Betreibergesellschaft mit beschränkter Haftung	Göllersdorf	25.00	25.00
Hotel Chesa Monte GmbH	Fiss	0.00	0.00
Hotel Corvinus Gesellschaft m.b.H. & Co KG	Vienna	100.00	100.00
Hotel DUNA Beteiligungs Gesellschaft m.b.H.	Vienna	10.77	10.77
HPBM Unternehmensberatung GmbH (vm. H & H Catering GmbH)	Vienna	0.00	0.00
Hrvatski olimpijski centar Bjelolosica d.o.o. (Kroatisches Olympiazentrum)	Jesenak	1.15	1.15
Hrvatski registar obveza po kreditima d.o.o. (HROK)	Zagreb	7.28	7.28
HV-Veranstaltungsservice GmbH	Stotzing	100.00	100.00
Ikaruspark GmbH	Berlin	10.77	10.77
ILGES - Liegenschaftsverwaltung G.m.b.H.	Rohrbach in Upper Austria	40.00	40.00
IMMO Primum GmbH	St. Pölten	0.00	0.00
IMS Nanofabrication AG	Vienna	0.01	0.01
Informativni centar Bjelovar d.o.o.	Bjelovar	1.44	1.44
Innofinanz-Steiermärkische Forschungs- und Entwicklungsförderungsgesellschaft m.b.H.	Graz	3.13	3.13
Innovationszentrum Reutte GmbH	Reutte/Pflach	0.00	0.00

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Innovationszentrum Reutte GmbH & CO KG	Reutte/Pflach	0.00	0.00
Investicniweb s.r.o.	Prague	99.48	99.48
IPD - International Property Development, s.r.o.	Bratislava I	10.77	10.77
JADRAN dionicko drustvo za hotelijerstvo i turizam	Crikvenica	0.03	0.03
JAVNO SKLADIŠTE SLOBODNA CARINSKA ZONA NOVI SAD AD NOVI SAD	Novi Sad	5.20	0.00
JUGOALAT-JAL - U STECAJU	Novi Sad	5.02	0.00
Kapruner Freizeitzentrum Betriebs GmbH	Kaprun	0.02	0.02
Kapruner Promotion und Lifte GmbH	Kaprun	6.41	6.41
Kisvallalkozas-fejlesztö Penzügyi Zrt.	Budapest	1.14	1.14
Kitzbüheler Anzeiger Gesellschaft m.b.H.	Kitzbühel	0.00	0.00
Kleinkraftwerke-Betriebsgesellschaft m.b.H.	Vienna	100.00	100.00
Kommanditgesellschaft MS "SANTA LORENA" Offen Reederei GmbH & Co.	Hamburg	0.00	0.00
Kommanditgesellschaft MS "SANTA LUCIANA" Offen Reederei GmbH & Co.	Hamburg	0.00	0.00
Kraftwerksmanagement GmbH	Vienna	100.00	100.00
Kreco Realitäten Aktiengesellschaft	Vienna	19.75	19.75
Kreditni Biro Sisbon d.o.o.	Ljubljana	1.65	1.03
KULSKI ŠTOFOVI' FABRIKA ZA PROIZVODNJU VUNENIH TKANINA I PREDIVA AKCIONARSKO DRUŠTVO IZ KULE - U	Kula	6.15	0.00
Kurzentrum "Landsknechte" Bad Schönau Gesellschaft m.b.H.	Bad Schönau	0.00	0.00
ländleticket marketing gmbh	Bregenz	0.00	0.00
Landzeit Restaurant Angath GmbH	St. Valentin	0.00	0.00
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois	0.00	0.00
Lantech Innovationszentrum GesmbH	Landeck, Tirol	0.00	0.00
Latifundium Holding Gesellschaft m.b.H.	Vienna	100.00	100.00
LBH Liegenschafts- und Beteiligungsholding GmbH	Innsbruck	74.99	74.99
Lead Equities II. Auslandsbeteiligungs AG	Vienna	12.96	0.00
Lead Equities II. Private Equity Mittelstandsfinanzierungs AG	Vienna	12.96	12.96
Lebens.Resort & Gesundheitszentrum GmbH	Ottenschlag	0.00	0.00
Lebensquell Bad Zell Gesundheits- und Wellnesszentrum GmbH&CoKG	Bad Zell	0.00	0.00
Lienzer-Bergbahnen-Aktiengesellschaft	Gaimberg	0.00	0.00
Liezener Bezirksnachrichten Gesellschaft m.b.H.	Liezen	1.14	1.14
LINEA Beteiligungs-Gesellschaft m.b.H.	Vienna	100.00	100.00
LOCO 597 Investment GmbH	Egg	0.00	0.00
Luitpoldpark-Hotel Betriebs- und Vermietungsgesellschaft mbH	Füssen	74.99	71.24
Lützow-Center GmbH	Berlin	10.77	10.77
LV Holding GmbH	Linz	28.48	28.49
Maior Domus Hausverwaltung GmbH	Berlin	10.77	10.77
Maissauer Amethyst GmbH	Maissau	0.00	0.00
MAJEVICA HOLDING AKCIONARSKO DRUŠTVO, BACKA PALANKA - U RESTRUKTURIRANJU	Backa Palanka	5.18	0.00
Mariazeller Schwebebahnen Gesellschaft m. b. H.	Mariazell	1.25	1.25
Markt Carree Halle Immobilien GmbH	Berlin	10.77	10.77
Marktbürgerschaft Gröbming Dachstein-Therme Bohr- und Erschließungs GmbH & Co KG	Gröbming	0.26	0.26
Marktgemeinde Bad Mitterndorf Thermalquelle Erschließungsges. m.b.H.	Bad Mitterndorf	0.63	0.63
Maros utca Kft.	Budapest	10.77	10.77
MasterCard Incorporated	Purchase	0.03	0.03
Mayrhofner Bergbahnen Aktiengesellschaft	Mayrhofen	0.00	0.00
MCG Graz e.gen.	Graz	1.39	1.39
Medimurske novine d.o.o., Cakovec nema fin. Izvjesca	Cakovec	4.90	4.90
MEG-Liegenschaftsverwaltungsgesellschaft m.b.H.	Vienna	100.00	100.00
Mittersiller Golf- und Freizeitanlagen Gesellschaft m.b.H.	Mittersill	0.00	0.00
Montana Tech Components AG	Menziken	1.50	0.00
MOPET CZ a.s.	Prague	90.04	12.37

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
MPC Rendite-Fonds Leben plus spezial III GmbH & Co KG	Quickborn	0.00	0.00
MUNDO FM & S GmbH	Vienna	100.00	100.00
Murauer WM Halle Betriebsgesellschaft m.b.H.	Murau	3.06	3.06
Musikkonservatoriumserrichtungs- und vermietungsgesellschaft m.b.H.	St. Pölten	0.00	0.00
Nagymezo utcai Projektfejlesztesi Kft	Budapest	10.77	10.77
Natursee und Freizeitpark Wechselland GmbH	Pinggau	0.40	0.40
Natursee und Freizeitpark Wechselland GmbH & Co KG in Liqu.	Pinggau	0.12	0.12
Neubruck Immobilien GmbH	St. Anton an der Jeßnitz	0.00	0.00
Neuhofner Bauträger GmbH	Neuhofen an der Krems	0.00	0.00
Neutorgasse 2(8) Projektverwertungs GmbH	Vienna	10.77	10.77
Newstin, a.s.	Prague	17.64	17.64
Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H.	Linz	4.50	4.50
Oberpinzgauer Fremdenverkehrsförderungs- und Bergbahnen AG	Neukirchen	0.00	0.00
Obertilliacher Bergbahnen-Gesellschaft m.b.H.	Obertilliach	0.00	0.00
Öhlknecht-Hof Errichtungs- und Verwaltungsgesellschaft m.b.H.	Horn	0.00	0.00
ÖKO-Heizkraftwerk GmbH	Pöllau	0.00	0.00
ÖKO-Heizkraftwerk GmbH & Co KG	Pöllau	0.00	0.00
Omniasig Vienna Insurance Group SA	Bucharest	0.10	0.16
OÖ HightechFonds GmbH	Linz	6.09	6.09
OÖ Science-Center Wels Errichtungs-GmbH	Wels	0.69	0.69
Ortswärme Fügen Gesellschaft m.b.H.	Fügen	0.00	0.00
Österreichische Wertpapierdaten Service GmbH	Vienna	32.69	32.69
Osttiroler Wirtschaftspark GesmbH	Lienz	0.00	0.00
ÖVW Bauträger GmbH	Vienna	100.00	100.00
Panoramabahn Kitzbüheler-Alpen GmbH	Hollersbach	0.00	0.00
PCC- Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co. KG	Vienna	7.56	7.56
PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H.	Vienna	10.77	10.77
Planai - Hochwurzen - Bahnen Gesellschaft m.b.H.	Schladming	0.69	0.69
Planung und Errichtung von Kleinkraftwerken Aktiengesellschaft	Vienna	82.74	82.74
Poistovna Slovenskej sporitelne, a.s. Vienna Insurance Group	Bratislava	5.00	5.00
Pojistovna Ceske sporitelny, a.s., Vienna Insurance Group	Pardubice	4.95	0.00
PREDUZECE ZA PRUŽANJE CONSULTING USLUGA BANCOR CONSULTING GROUP DOO NOVI SAD	Novi Sad	2.62	1.92
PRIVREDNO DRUŠTVO ZA PROIZVODNJU I PRERADU CELIKA ŽELEZARA SMEDEREVO DOO SMEDEREVO	Smederevo	0.00	0.00
Prvni certifikacni autorita, a.s.	Prague	23.01	23.01
PSA Payment Services Austria GmbH (vormals ADF Services GmbH)	Vienna	18.22	18.22
Radio Osttirol GesmbH	Lienz	0.00	0.00
RADIO VRŠAC DRUŠTVO SA OGRANICENOM ODGOVORNOŠCU U MEŠOVITOJ SVOJINI, VRŠAC - U STECAJU	Vršac	6.37	0.00
Radstadt Tourismusaufschließungsgesellschaft n.b.R.	Radstadt	12.55	12.55
Rätikon-Center Errichtungs- und Betriebsgesellschaft m.b.H.	Bludenz	0.00	0.00
Realitäten und Wohnungsservice Gesellschaft m.b.H.	Köflach	4.78	4.78
Realitni spolecnost Ceske sporitelny, a.s.	Prague	98.97	98.97
REGA Property Invest s.r.o.	Prague	10.77	10.77
Regionale Entwicklungs GmbH - Vöcklatal	Frankenburg	0.00	0.00
REGIONALNA AGENCIJA ZA RAZVOJ MALIH I SREDNJIH PREDUZECA ALMA MONS D.O.O.	Novi Sad	3.32	3.83
RegioZ Regionale Zukunftsmanagement und Projektentwicklung Ausseerland Salzkammergut GmbH	Bad Aussee	5.00	5.00
RegioZ Regionale Zukunftsmanagement und Projektentwicklung Ausseerland Salzkammergut GmbH & Co KEG	Bad Aussee	3.13	3.13
Respa GmbH	Kempten	0.00	0.00

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Reuttener Seilbahnen GmbH	Höfen	0.00	0.00
Reuttener Seilbahnen GmbH & CO KG	Höfen	0.00	0.00
Riesneralm - Bergbahnen Gesellschaft m.b.H. & Co. KG.	Donnersbach	0.01	0.01
ROTER INVESTITII IMOBILIARE S.R.L.	Bucharest	10.77	10.77
RTG Tiefgaragenerrichtungs und -vermietungs GmbH	Graz	25.00	25.00
RVG Czech, s.r.o.	Prague	19.79	0.00
RVS, a.s.	Bratislava	0.00	0.00
S - Leasing und Vermögensverwaltung - Gesellschaft m.b.H.	Peuerbach	0.00	0.00
S IMMO AG	Vienna	10.77	10.77
S IMMO Germany GmbH	Berlin	10.77	10.77
S Immo Geschäftsimmobilien GmbH	Berlin	10.77	10.77
S IMMO Hungary Kft.	Budapest	10.77	10.77
S IMMO Property Invest GmbH	Vienna	10.77	10.77
S Immo Wohnimmobilien GmbH	Berlin	10.77	10.77
S IMMOKO Holding GesmbH	Korneuburg	0.00	0.00
S Servis, s.r.o.	Znojmo	98.97	98.97
SALIX-Grundstückserwerbs Ges.m.b.H.	Eisenstadt	50.00	50.00
SALZBURG INNENSTADT, Vereinigung zur Förderung selbständiger Unternehmer der Salzburger Innenstadt, registrierte Genossenschaft mit beschränkter Haftung	Salzburg	1.98	1.98
Salzburger Unternehmensbeteiligungsgesellschaft mbH	Salzburg	18.80	18.80
SC World Trade Center Bucuresti SA	Bucharest	7.21	7.19
Schauersberg Immobilien Gesellschaft m.b.H.	Graz	25.00	25.00
Schiliftbetriebe Gemeinden Weer, Kolsassberg, Kolsass KEG	Kolsassberg	0.00	0.00
Schweighofer Gesellschaft m.b.H. & Co KG	Friedersbach	0.00	0.00
S-City Center Wirtschaftsgütervermietungsgesellschaft m.b.H.	Wiener Neustadt	0.00	0.00
S-Commerz Beratungs- und Handelsgesesellschaft m.b.H.	Neunkirchen	0.00	0.00
Seniorenresidenz "Am Steinberg" GmbH	Graz	25.00	25.00
Senningerfeld Projektenwicklungs und Verwertungs GmbH	Bramberg am Wildkogel	0.00	0.00
S-Finanzservice Gesellschaft m.b.H.	Baden bei Wien	0.00	0.00
S-Haugsdorf s.r.o.	Hodonice	0.00	0.00
SIAG Berlin Wohnimmobilien GmbH	Vienna	10.75	10.75
SIAG Deutschland Beteiligungs GmbH & Co. KG	Berlin	10.21	10.21
SIAG Deutschland Beteiligungs-Verwaltungs GmbH	Berlin	10.77	10.77
SIAG Fachmarktzentren, s.r.o.	Bratislava	10.77	10.77
SIAG FINANCING LIMITED	Nicosia	10.77	10.77
SIAG HOLDING LIMITED	Nicosia	10.77	10.77
SIAG Hotel Bratislava, s.r.o.	Bratislava	10.77	10.77
SIAG Leipzig Wohnimmobilien GmbH	Berlin	10.75	10.75
SIAG Multipurpose Center, s.r.o.	Bratislava	10.77	10.77
SIAG Property I GmbH	Berlin	10.77	10.77
SIAG Property II GmbH	Berlin	10.77	10.77
Silvrettaseilbahn Aktiengesellschaft	Ischgl	0.00	0.00
Skilifte Unken - Heutal Gesellschaft m.b.H. & Co, KG	Unken	0.00	0.00
Skilifte Unken Heutal Gesellschaft m.b.H.	Unken	2.19	2.19
SM-Immobiliengesellschaft m.b.H.	Melk	0.00	0.00
SN - Biogas GmbH	St.Pölten	0.00	0.00
SO Immobilienbeteiligungs GmbH	Vienna	10.77	10.77
Societate Dezvoltare Comercial Sudului (SDCS) S.R.L.	Bucharest	10.77	10.77
Societatea de Transfer de Fonduri si Decontari TransFonD SA	Bucharest	3.04	3.03
Society for Worldwide Interbank Financial Telecommunication scrl	La Hulpe	0.27	0.27
SPAKO Holding GmbH	Innsbruck	74.99	74.99
Sparfinanz-, Vermögens-, Verwaltungs- und Beratungs- Gesellschaft m.b.H.	Wiener Neustadt	0.00	0.00

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Sparkasse Amstetten Service und Verwaltungsges. m. b. H.	Amstetten	0.00	0.00
Sparkasse Bludenz Beteiligungsgesellschaft mbH	Bludenz	0.00	0.00
Sparkasse Bludenz Immoblienverwaltungsgesellschaft mbH	Bludenz	0.00	0.00
Sparkasse Imst Immobilienverwaltung GmbH	Imst	0.00	0.00
Sparkasse Imst Immobilienverwaltung GmbH & Co KG	Imst	0.00	0.00
Sparkasse Kufstein Immobilien GmbH	Kufstein	0.00	0.00
Sparkasse Lambach Versicherungsmakler GmbH	Lambach	0.00	0.00
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach in Upper Austria	40.00	40.00
Sparkasse Nekretnine d.o.o.	Sarajevo	26.38	33.67
Sparkasse Niederösterreich Mitte West Beteiligungsgesellschaft m.b.H.	St. Pölten	0.00	0.00
Sparkasse Niederösterreich Mitte West Immobilien GmbH	St.Pölten	0.00	0.00
Sparkasse Niederösterreich Mitte West Stadtentwicklungs GmbH	St. Pölten	0.00	0.00
Sparkasse Reutte Liegenschaftsverwertungs GmbH	Reutte	0.00	0.00
Sparkassen - Betriebsgesellschaft mbH.	Linz	29.78	29.78
Sparkassen Bankbeteiligungs GmbH	Dornbirn	0.00	0.00
Sparkassen Beteiligungs GmbH & Co KG	Vienna	13.15	14.13
Sparkassen Facility Management GmbH	Innsbruck	74.99	74.99
Sparkassen IT Holding AG	Vienna	29.67	29.68
Sparkassen Versicherung AG Vienna Insurance Group	Vienna	5.00	5.00
SPES Bildungs- u. Studiengesellschaft m.b.H.& Co KG	Schlierbach	0.00	0.00
SPKB Beteiligungs- und Verwaltungsgesellschaft m.b.H.	Bregenz	0.00	0.00
Sport- und Freizeitanlagen Gesellschaft m.b.H.	Schwanenstadt	9.83	9.83
SPV - Druck Gesellschaft m.b.H	Vienna	99.86	99.86
S-Real, Realitätenvermittlungs- und -verwaltungs Gesellschaft m.b.H.	Wiener Neustadt	0.00	0.00
SREDISNJE KLIRINSKO DEPOZITARNO DRUSTVO D.D.(CENTRAL DEPOZITORY & CLEARING COMPANY Inc.)	Zagreb	0.21	0.21
St. Urbaner Schiliftgesellschaft m.b.H.	St. Urban	0.00	0.00
Stadtgemeinde Weiz - Wirtschaftsentwicklung KG	Weiz	0.50	0.50
Stadtmarketing-Ternitz Gmbh	Ternitz	0.00	0.00
Sternstein Sessellift Gesellschaft m.b.H.	Bad Leonfelden	7.56	7.56
Stoderzinken - Liftgesellschaft m.b.H. & Co KG	Gröbming	0.43	0.43
students4excellence GmbH	Vienna	25.75	20.00
Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H.	Vienna	10.71	10.71
Szegedi út Ingatlankezelö Korlátolt Felelöségü Társaság	Budapest	10.77	10.77
SZG-Dienstleistungsgesellschaft m.b.H.	Salzburg	98.69	98.69
Tannheimer Bergbahnen GmbH & Co KG	Tannheim	0.00	0.00
Tauern SPA World Betriebs- Gmbh & Co KG	Kaprun	9.76	9.76
Tauern SPA World Betriebs-GmbH	Kaprun	12.01	12.01
Tauern SPA World Errichtungs- Gmbh & Co KG	Kaprun	9.76	9.76
Tauern SPA World Errichtungs-GmbH	Kaprun	12.01	12.01
TDZ Technologie- und Dienstleistungszentrum Donau-Böhmerwald Bezirk Rohrbach GmbH.	Neufelden	0.96	0.96
TECH21 Bürohaus und Gewerbehof Errichtungs- und Betriebsgesellschaft mbH & Co KG	Vienna	0.10	0.00
Technologie- und Dienstleistungszentrum Ennstal GmbH	Reichraming	0.00	0.00
TECHNOLOGIE- und GRÜNDERPARK ROSENTAL GmbH	Rosental an der Kainach	0.32	0.32
Technologie- und Innovationszentrum Kirchdorf GmbH	Schlierbach	0.00	0.00
Technologie- und Marketing Center Frohnleiten GmbH	Frohnleiten	2.50	2.50
Technologiezentrum Deutschlandsberg GmbH	Deutschlandsberg	7.25	7.25
Technologiezentrum Freistadt-Mühlviertel-Errichtungs- und Betriebsgesellschaft m.b.H.	Freistadt	1.17	1.17
Technologiezentrum Inneres Salzkammergut GmbH	Bad Ischl	0.00	0.00

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Technologiezentrum Kapfenberg Vermietungs-GmbH	Kapfenberg	6.00	6.00
Technologiezentrum Perg GmbH	Perg	1.10	1.10
Technologiezentrum Salzkammergut GmbH	Gmunden	0.48	0.48
Technologiezentrum Salzkammergut-Bezirk Vöcklabruck GmbH (atyp.st. Einlage)	Attnang-Puchheim	0.00	0.00
Techno-Z Braunau Technologiezentrum GmbH	Braunau am Inn	0.00	0.00
Techno-Z Ried Technologiezentrum GmbH	Ried im Innkreis	0.00	0.00
TELEPARK BÄRNBACH Errichtungs- und Betriebsges.m.b.H.	Bärnbach	0.20	0.20
Tennis-Center Hofkirchen i. M. GmbH	Hofkirchen im Mühlkreis	7.28	7.28
TGZ Technologie- und Gründerzentrum Schärding GmbH	Schärding	2.99	2.99
Thayatal Hotel- und Golfanlagen Errichtungs- und Betriebsgesellschaft m.b.H.	Waidhofen an der Thaya	0.00	0.00
Thermalquelle Loipersdorf Gesellschaft m.b.H. & Co KG	Loipersdorf bei Fürstenfeld	0.00	0.00
Therme Wien Ges.m.b.H.	Vienna	15.00	15.00
Therme Wien GmbH & Co KG	Vienna	15.00	15.00
Tiefgarage Anger, Gesellschaft m.b.H. & Co. KG.	Lech	0.00	0.00
TIRO Bauträger GmbH	Innsbruck	74.99	74.99
Tispa Liegenschaftsverwaltungsgesellschaft mbH	Füssen	74.99	74.99
TIZ Landl - Grieskirchen GmbH	Grieskirchen	0.00	0.00
Tolleson a.s.	Prague	10.77	10.77
Tölz Immobilien GmbH	Berlin	10.75	10.75
Tourismus- u. Freizeitanlagen GmbH	Hinterstoder	0.00	0.00
Trencin Retail Park 1 a.s.	Bratislava	19.79	0.00
Trencin Retail Park 2 a.s.	Bratislava	19.79	0.00
Triglav d.d.	Rijeka	0.06	0.06
Trionis S.C.R.L.	Brüssel	1.24	1.24
Trziste novca d.d.	Zagreb	8.63	8.63
Tuxer Bergbahnen Aktiengesellschaft	Tux	0.00	0.00
UBG-Unternehmensbeteiligungsgesellschaft m.b.H.	Vienna	100.00	100.00
Unzmarkter Kleinkraftwerk-Aktiengesellschaft	Vienna	81.44	81.44
Valneva SE	Lyon	0.00	0.00
Valtecia Achizitii S.R.L.	Voluntari	100.00	100.00
Vasudvar Hotel Kft.	Budapest	100.00	100.00
VBV - Beratungs- und Service GmbH	Vienna	26.94	26.94
VBV - Pensionsservice-Center GmbH	Vienna	26.94	26.94
VBV-Pensionskasse Aktiengesellschaft	Vienna	26.94	26.94
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH	Vienna	25.60	25.60
VICTORIEI BUSINESS PLAZZA S.R.L.	Bucharest	10.77	10.77
Viertel Zwei Hoch GmbH & Co KG	Vienna	10.77	10.77
Viertel Zwei Hotel GmbH & Co KG	Vienna	10.77	10.77
Viertel Zwei Plus GmbH & Co KG	Vienna	10.77	10.77
VINIS Gesellschaft für nachhaltigen Vermögensaufbau und Innovation m.b.H.	Vienna	26.94	26.94
Visa Europe Limited	London	0.02	0.01
VMG Versicherungsmakler GmbH	Vienna	5.00	5.00
W.E.I.Z. Immobilien GmbH	Weiz	6.00	6.00
Waldviertel-Incoming Fremdenverkehrsförderungs- und Betriebsgesellschaft m.b.H.	Weitra	0.00	0.00
Waldviertler Leasing s.r.o.	Jindrichuv Hradec	0.00	0.00
Waldviertler Sparkasse von 1842 Leasing GmbH	Waidhofen an der Thaya	0.00	0.00
Wärmeversorgungsgenossenschaft Tamsweg registrierte Genossenschaft mit beschränkter Haftung	Tamsweg	0.28	0.29
Wassergenossenschaft Mayrhofen	Mayrhofen	0.00	0.00

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
WBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H.	Feldkirch	0.00	0.00
WEB Windenergie AG	Pfaffenschlag	0.00	0.00
WECO Treuhandverwaltung Gesellschaft m.b.H.	Salzburg	49.34	49.34
WED Holding Gesellschaft m b H	Vienna	19.24	19.24
WED Wiener Entwicklungsgesellschaft für den Donauraum Aktiengesellschaft	Vienna	11.93	11.93
Weißsee-Gletscherwelt GmbH	Uttendorf	0.00	0.00
WEST CONSULT Bauten- und Beteiligungsverwaltung GmbH	Salzburg	49.34	49.34
WEVA - Veranlagungs- und Beteiligungsgesellschaft m.b.H.	Linz	28.29	28.29
Wien 3420 Aspern Development AG	Vienna	23.24	23.24
Wirtschaftspark Kleinregion Fehring Errichtungs- und Betriebsgesellschaft m.b.H.	Fehring	2.01	0.00
WORLD TRADE HOTEL SA	Bucharest	7.21	7.19
Zagreb Stock Exchange, Inc.	Zagreb	2.28	2.28
Zweite Beteiligungsgesellschaft Reefer-Flottenfonds mbH & Co KG	Hamburg	0.00	0.00
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl	0.00	0.00

Vienna, 28 February 2014

The management board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Andreas Gottschling mp
Member

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

AUDITORS REPORT (REPORT OF THE INDEPENDENT AUDITORS)[1)]

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Sparkassen-Prüfungsverband and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, have audited the accompanying consolidated financial statements of Erste Group Bank AG, Vienna, for the financial year from 1 January 2013 to 31 December 2013. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2013, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year ended 31 December 2013, and the notes.

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

The management of Erste Group Bank AG is responsible for the Group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB (Austrian Commercial Code). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain a reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated 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 the Group'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 consolidated 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 consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2013 and of its financial performance and its cash flows for the fiscal year from 1 January 2013 to 31 December 2013 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the Management Report for the Group

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

Vienna, 28 February 2014

Sparkassen-Prüfungsverband
(Austrian Savings Bank Auditing Association)

Audit Agency
(Bank Auditor)

Friedrich O. Hief Certified Accountant	Herwig Hierzer Certified Accountant

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Helmut Maukner Certified Accountant	Andrea Stippl Certified Accountant

1) 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 that to the best of our knowledge the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties to which the Group is exposed.

Vienna, 28 February 2014

The management board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Andreas Gottschling mp
Member

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

Glossary

Book value per share
Total equity attributable to owners of the parent of a public company, excluding participation capital, divided by the number of shares outstanding (excluding treasury shares).

Cash return on equity
Also referred to as cash ROE. Calculated as return on equity, but excluding the impact of non-cash items on net profit/loss for the year attributable to owners of the parent such as goodwill impairment and amortisation of customer relationships.

Cash earnings per share
Calculated as earnings per share based on net profit/loss for the year attributable to owners of the parent, adjusted for dividends on participation capital, excluding goodwill impairments and amortisation of customer relationships.

CEE (Central and Eastern Europe)
Encompasses the new member states of the EU that joined in 2004 and 2007, the CIS countries, states that evolved from the former Yugoslavia, as well as Albania.

Core tier-1 ratio (total risk in %)
The ratio of tier-1 capital (excluding hybrid capital pursuant to Section 23 (4a) and (4b) of the Austrian Banking Act) after regulatory deductions to the calculation basis for the capital requirement pursuant to Section 22 (1) of the Austrian Banking Act.

Cost/income ratio
General administrative expenses as a percentage of operating income.

Dividend yield
Dividend payment of the financial year as a percentage of the year-end closing price or the most recent price of the share.

Earnings per share
Net profit for the year attributable to owners of the parent adjusted for dividends of participation capital, divided by average shares outstanding.

Interest-bearing assets
Total assets less cash, derivative financial instruments, tangible and intangible assets, tax assets, assets held for sale and other assets.

Net interest margin
Net interest income as a percentage of average interest-bearing assets, calculated on a monthly basis.

Operating income
Consists of net interest income, net commission income and trading result.

Operating result
Operating income less operating expenses (i.e. general administrative expenses).

Price/earnings ratio
Closing share price of the financial year divided by earnings per share. Usually used for valuation comparisons.

Market capitalisation
Overall value of a company calculated by multiplying the share price by the number of shares outstanding.

Non-performing exposure (NPE) coverage ratio
Risk provisions for the credit risk exposure as a percentage of the non-performing credit risk exposure.

Non-performing exposure (NPE) ratio
Non-performing credit risk exposure as a percentage of total credit risk exposure.

Non-performing loans (NPL) coverage ratio
Risk provisions for loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) ratio
Non-performing loans and advances to customers as a percentage of total loans and advances to customers.

Non-performing loans (NPL) total coverage ratio
Risk provisions and collateral for non-performing loans and advances to customers as a percentage of non-performing loans and advances to customers.

Return on equity
Also referred to as ROE. Net profit/loss for the year attributable to owners of the parent, as a percentage of average equity. The average equity is calculated based upon the equity outstanding as of the close of each of the 12 months during the year.

Risk categories
Risk categories are based on internal customer ratings and are used for classification of the bank's assets and contingent credit liabilities. Erste Group applies internal rating systems, which for private individuals comprise eight rating grades for non-defaulted customers and one rating grade for customers in default. For all other customer segments, the Group uses thirteen rating grades for non-defaulted customers and one rating grade for defaulted customers.

Risk category – low risk
Typically regional customers with well-established and rather long-standing relationships with Erste Group or large, internationally recognised customers. Strong and good financial positions and no foreseeable financial difficulties. Retail clients with long relationships with the bank, or clients with wide product

pool use. No late payments currently or in the most recent 12 months. New business is generally done with clients in this risk category.

Risk category – management attention
Vulnerable non-retail clients, that may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with limited savings or possible payment problems in the past triggering early collection reminders. These clients typically have good recent histories and no current delinquencies.

Risk category – substandard
The borrower is vulnerable to negative financial and economic developments. Such loans are managed in specialised risk management departments.

Risk category – non-performing
One or more of the default criteria under Basel II are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings.

Share capital
Total equity attributable to owners of the parent of a company, subscribed to by the shareholders at par.

Solvency ratio
The ratio of the sum of tier-1, tier-2 and tier-3 capital, after regulatory deductions, to the calculation basis for the capital requirement pursuant to Section 22 (1) of the Austrian Banking Act.

Tax rate
Taxes on income/loss as a percentage of pre-tax profit from continuing operations.

Tier-1 ratio (total risk)
The ratio of tier-1 capital (including hybrid capital pursuant to Section 23 (4a) and (4b) of the Austrian Banking Act) after regulatory deductions to the calculation basis for the capital requirement pursuant to Section 22 (1) of the Austrian Banking Act.

Total shareholder return
Annual performance of an investment in Erste Group Bank AG shares including all income streams (e.g. dividend for the year plus or minus gain or loss in the share price from the beginning to the end of the year).

Your notes

Important Addresses

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IR-App:

iPad

iPhone

Android

Social Media:

To read the QR codes you need a smartphone or a tablet equipped with a camera and a QR code app (free to download). Line up your device with the QR code until the app recognises the code.

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

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

Austria (Erste Bank)

Czech Republic (Česká spořitelna)

Slovakia (Slovenská sporiteľňa)

Hungary (Erste Bank Hungary)

Croatia (Erste Bank Croatia)

Serbia (Erste Bank Serbia)

Romania (Banca Comercială Română)

GB Englisch E189024

www.erstegroup.com