Unconsolidated Financial Statements 2013

Erste Group Bank AG

Balance sheet at 31 December 2013
Erste Group Bank AG

Assets

	€	€	thsd € prev. Year	thsd € prev. Year
1. Cash in hand and balances with central banks		1,452,398,434.02		4,359,434
2. Treasury bills and other bills eligible for refinancing with central banks				
a) treasury bills and similar securities	5,092,697,619.46		5,138,951	
b) other bills eligible for refinancing with central banks	0.00	5,092,697,619.46		5,138,951
3. Loans and advances to credit institutions				
a) repayable on demand	479,919,294.08		1,031,352	
b) other loans and advances	24,776,199,297.11	25,256,118,591.19	27,610,007	28,641,359
4. Loans and advances to customers		13,827,077,400.62		13,056,789
5. Debt securities and other fixed-income securities		8,301,986,389.62		6,765,488
a) issued by public bodies	1,084,771,654.59		773,671	
b) issued by other borrowers	7,217,214,735.03		5,991,816	
of which: own debt securities	3,523,788,952.98		2,264,269	
6. Shares and other variable-yield securities		563,573,676.99		899,833
7. Participating interests		254,596,550.15		250,867
of which: in credit institutions	107,558,318.95		107,558	
8. Shares in affiliated undertakings		11,328,890,052.00		11,364,738
of which: in credit institutions	869,567,386.86		851,739	
9. Intangible fixed assets		65,528,936.86		48,658
10. Tangible fixed assets		19,356,031.56		29,432
of which: land and buildings used by the credit institution for its own business operations	7,941,479.35		15,277	
11. Own shares and shares in a controlling company		0.00		50
of which: par value	0.00		50	
12. Other assets		8,846,492,380.40		12,964,947
of which: deferred taxes	24,869,000.00		24,869	
13. Subscribed capital called but not paid		0.00		0
14. Prepayments and accrued income		359,436,710.73		271,966
Total Assets		75,368,152,773.60		83,792,512

Off-balance-sheet items

1. Foreign assets		39,059,952,947.93		48,084,554

Balance sheet at 31 December 2013
Erste Group Bank AG

Liabilities and Equity

			€	€	thsd € prev. Year	thsd € prev. Year
1.	**Liabilities to credit institutions**					
	a)	repayable on demand	2,017,358,293.89		900,016	
	b)	with agreed maturity dates or periods of notice	21,996,891,026.84	24,014,249,320.73	25,045,405	25,945,420
2.	**Liabilities to customers (non-banks)**					
	a)	savings deposits	0.00		0	
		of which:				
		aa) repayable on demand	0.00		0	
		bb) with agreed maturity dates or periods of notice	0.00		0	
	b)	other liabilities	4,789,508,515.18		4,750,635	
		of which:				
		aa) repayable on demand	1,619,781,604.44		1,930,800	
		bb) with agreed maturity dates or periods of notice	3,169,726,910.74	4,789,508,515.18	2,819,835	4,750,636
3.	**Securitised liabilities**					
	a)	Debt securities issued	19,944,671,136.80		21,419,544	
	b)	other securitiesed liabilities	3,248,503,648.64	23,193,174,785.44	2,748,793	24,168,337
4.	**Other liabilities**			7,255,215,110.21		11,711,057
5.	**Accruals and deferred income**			195,697,796.29		119,205
6.	**Provisions**					
	a)	provisions for severance payments	0.00		0	
	b)	pension provisions	329,027,401.00		339,479	
	c)	provisions for taxes	54,464,587.99		19,381	
	d)	other	261,840,536.13	645,332,525.12	345,701	704,561
6.A	**Special fund for general banking risks**			0.00		0
7.	**Subordinated liabilities**			3,410,760,688.62		3,192,200
8.	**Supplementary capital**			981,284,000.00		1,029,284
9.	**Subscribed capital**			859,600,000.00		789,137
9.A	**Participation capital**			0.00		1,763,744
10.	**Capital reserves**					
	a)	committed	7,300,056,000.00		6,449,930	
	b)	uncommitted	0.00		260,000	
	c)	for own shares and shares in a controlling company	0.00	7,300,056,000.00	0	6,709,930
11.	**Retained earnings**					
	a)	statutory reserve	1,537,900,000.00		34,156	
	b)	reserves provided for by the bye-laws	0.00		0	
	c)	other reserves	147,987,320.01		1,693,085	
	d)	for own shares and shares in a controlling company	10,634,000.00	1,696,521,320.01	26,639	1,753,881
	Carry forward			74,341,400,061.60		82,637,392

Liabilities and Equity

	€	€	thsd € prev. Year	thsd € prev. Year
Carry forward		74,341,400,061.60		82,637,392
12. Reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)		851,000,000.00		851,000
13. Net profit or loss for the year		170,619,712.00		298,927
14. Untaxed reserves				
a) valuation reserve resulting from special depreciation	5,133,000.00		5,193	
b) other untaxed reserves	0.00	5,133,000.00	0	5,193
of which:				
aa) investment reserve pursuant to Section 9 of the Austrian Income Tax Act (EStG) 1988	0.00		0	
bb) investment allowance pursuant to Section 10 of the Austrian Income Tax Act (EStG) 1988	0.00		0	
cc) rent reserve pursuant to Section 11 of the Austrian Income Tax Act (EStG) 1988	0.00		0	
dd) reserve transferred pursuant to Section 12 (7) of the Austrian Income Tax Act (EStG) 1988	0.00		0	
Total Liabilities and Equity		75,368,152,773.60		83,792,512

Off-balance-sheet items

	€	€	thsd € prev. Year	thsd € prev. Year
1. Contingent liabilities		4,958,195,464.73		4,449,799
of which:				
a) acceptances and endorsements	0.00		0	
b) guarantees and assets pledged as collateral security	4,611,719,411.65		3,951,345	
c) credit derivatives	346,476,053.08		498,454	
2. Commitments		5,777,356,031.66		6,100,744
of which: commitments arising from repurchase agreements	0.00		0	
3. Commitments arising from agency services		342,833.40		2,040
4. Eligible capital pursuant to Section 23 in conjunction with Section 29 of the Austrian Banking Act (BWG)		14,102,797,708.74		15,184,840
of which: capital pursuant to Section 23 (14) 7 of the Austrian Banking Act (BWG)	263,384,000.00		360,507	
5. Capital requirement pursuant to Section 22 (1) of the Austrian Banking Act (BWG)		3,028,364,290.85		3,332,997
of which: capital required pursuant to Section 22 (1) 1 and 4 of the Austrian Banking Act (BWG)	2,764,978,290.85		2,972,480	
6. Foreign liabilities		19,856,249,659.31		24,206,330

Profit and Loss Account 2013

Erste Group Bank AG

	€	€	thsd € prev. Year	thsd € prev. Year
1. Interest and similar income		1,560,401,449.15		1,733,496
of which: from fixed-income securities	402,472,652.00		452,799	
2. Interest and similar expenses		- 1,127,349,151.44		- 1,308,190
I. NET INTEREST INCOME		**433,052,297.71**		425,307
3. Income from securities and participating interests				
a) income from shares, other ownership interests and variable-yield securities	25,290,954.71		38,355	
b) income from participating interests	16,408,544.16		15,911	
c) income from shares in affiliated undertakings	103,943,888.15	145,643,387.02	325,591	379,856
4. Commissions income		169,313,068.38		161,194
5. Commissions expenses		- 140,189,121.15		- 143,500
6. Net profit or net loss on financial operations		58,262,240.85		72,816
7. Other operating income		28,280,010.34		47,485
II. OPERATING INCOME		**694,361,883.15**		**943,157**
8. General administrative expenses		- 399,301,854.79		- 416,630
a) staff costs	- 219,210,390.24		-259,540	
of which:				
aa) wages and salaries	- 145,938,071.55		- 158,826	
bb) expenses for statutory social-security contributions and compulsory contributions related to wages and salaries	- 34,694,211.71		- 33,617	
cc) other social expenses	- 1,740,786.03		- 2,199	
dd) expenses for pensions and assistance	- 14,986,960.92		- 45,982	
ee) allocation to the pension provision	- 19,110,428.29		- 14,892	
ff) expenses for severance payments and contributions to severnace and retirement funds	- 2,739,931.74		- 4,024	
b) other administrative expenses	- 180,091,464.55		- 157,090	
9. Value adjustments in respect of assets items 9 and 10		- 24,304,413.46		- 20,477
10. Other operating expenses		- 8,221,940.77		- 6,283
III. OPERATING EXPENSES		**- 431,828,209.02**		**- 443,390**
IV. OPERATING RESULT		**262,533,674.13**		**499,767**

	€	thsd € prev. Year
Carry forward (IV. Operating result)	262,533,674.13	499,767
11. Value adjustments of loans and advances and allocations to provisions for contingent liabilities and commitments	- 461,447,481.04	- 300,324
12. Value re-adjustments of loans and advances and provisions for contingent liabilities and commitments	171,342,925.96	456,942
13. Value adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	- 93,970,619.80	- 291,066
14. Value re-adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	28,201,058.38	130,552
V. PROFIT OR LOSS ON ORDINARY ACTIVITIES	**- 93,340,442.37**	**495,871**
15. Extraordinary income	350,000,000.00	0
of which: withdrawals from the special fund for general banking risks	0.00	0
16. Extraordinary expenses	0.00	0
of which: allocation to the special fund for general banking risks	0.00	0
17. Extraordinary result (sub-total of items 15 and 16)	350,000,000.00	0
18. Tax on profit or loss	11,374,850.20	31,044
19. Other taxes not reported under item 18	- 154,847,427.84	- 147,873
VI. PROFIT OR LOSS FOR THE YEAR AFTER TAX	**113,186,979.99**	**379,042**
20. Changes in reserves	57,418,252.01	- 80,140
off which: allocation to liability reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	0.00	0
reversal of liability reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	0.00	0
VII. NET INCOME FOR THE YEAR	**170,605,232.00**	**298,903**
21. Profit brought forward from previous year	14,480.00	24
22. Profit transferred on the basis of profit transfer agreement	0.00	0
VIII. NET PROFIT OR LOSS FOR THE YEAR	**170,619,712.00**	**298,927**

Notes

to 2013 financial statements

of Erste Group Bank AG

Table of Contents

I. General Information

2013 financial statements of Erste Group Bank AG have been prepared in accordance with the regulations of the Austrian Commercial Code (*Unternehmensgesetzbuch*) and in conjunction with the applicable provisions of the Austrian Federal Banking Act (*Bankwesengesetz*).

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

Erste Group Bank AG – just as nearly all Austrian savings banks – is a member of the Haftungsverbund of Sparkassengruppe.

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

In addition, the purpose of this scheme is:

- to identify any business issues of its member banks at an early stage and to provide effective assistance to its members in the resolution of business issues - this can range from offering technical assistance or giving guarantees to providing borrowed or qualifying capital;
- to provide customers with a deposit guarantee system that goes beyond the legal deposit guarantee requirement (sections 93 et seq. Federal Banking Act), which only guarantees certain types of customer deposits, by creating a suitable obligation to service the liabilities of other participating savings banks if the need arises.

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

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

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) 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.

1. Ongoing legal cases

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

Holocaust Hungary lawsuit

In 2010, a group of plaintiffs filed a class action in a Chicago federal court on behalf of Holocaust victims or their descendants. The plaintiffs allege that a number of Hungarian banks had profited from the wrongful appropriation of Jewish assets. The plaintiffs estimate that these assets had been worth 2 billion US dollars in 1944. With regard to Erste Group Bank AG, the allegations are not that the bank was party to the alleged wrongful appropriation of Jewish assets. Nonetheless, Erste Group Bank AG is a defendant in this lawsuit, since the plaintiffs allege that it is the legal successor of several banks active in Greater Hungary at the time. Erste Group Bank AG rejects all allegations made against it. The same applies, inter alia, to the allegation of it being the alleged legal successor. In January 2014, the Chicago federal court returned a verdict in favour of Erste Group Bank AG and ended the proceedings. The plaintiffs have appealed that decision. Erste Group Bank AG will continue to take all steps necessary to defend itself against the claims made.

2. Disclosure

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

II. Notes on accounting and measurement methods

1. Generally accepted accounting principles

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

2. Receivables and liabilities in foreign currency

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

3. Participating interests and shares in affiliated undertakings

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

4. Bonds and other fixed-income securities

For bonds and other fixed-income securities, the difference between acquisition cost and redemption value was amortised *pro rata temporis* pursuant to section 56 (2) Federal Banking Act or recognised as income *pro rata temporis* over the residual time to maturity until redemption in accordance with section 56 (3) Federal Banking Act. Sustained depreciation was written off pursuant to section 204 (2) Commercial Code at the lower present value as at the balance sheet date.

Securities in the trading portfolio and other securities in the available-for-sale portfolio were measured at market value pursuant to section 207 Commercial Code and section 56 (5) Federal Banking Act.

5. Loans and advances to credit institutions and customers, bills of exchange and other assets

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

6. Intangible and tangible assets

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

7. Securitised and subordinated liabilities

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

8. Issuing costs – premiums and discounts on issues

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

9. Provisions

a) Defined benefit plans

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

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

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

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

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

b) Tax provisions and other provisions

Unless the amounts were immaterial, provisions were set aside in the amount deemed necessary in standard commercial practice.

10. Assets held in trust

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

11. Derivative business

Hedging products and their underlying asset or liability are shown as one valuation unit in the balance sheet. Interest flows on other products of the non-trading portfolio (strategic positions) were accrued over the period in which they occur. Since 2012, reporting has been on a gross basis and the change has had no impact on P&L. Negative market values are recognised in the income statement, while positive market values have not been recognised. Trading portfolios were measured mark-to-market.

Credit value adjustment (CVA) and debit value adjustment (DVA) were taken into account when calculating the market values.

12. Securities lending transactions

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

III. Notes to the balance sheet

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

1. Maturity structure of loans and advances as well as liabilities to credit institutions and customers (by residual time to maturity):

a) Loans and advances

	31/12/2013	31/12/2012
Loans and advances to credit institutions	**25,256,118,591.19**	28,641,359
payable on demand	479,919,294.08	1,031,329
up to 3 months	10,908,868,776.96	9,598,707
more than 3 months and up to 1 year	3,348,433,733.69	3,988,849
more than 1 year and up to 5 years	9,054,935,772.20	11,451,920
more than 5 years	1,463,961,014.26	2,570,553
Loans and advances to customers	**13,827,077,400.62**	13,056,789
payable on demand	855,768,678.98	856,922
up to 3 months	1,103,906,122.78	839,688
more than 3 months and up to 1 year	2,867,822,499.27	1,827,964
more than 1 year and up to 5 years	4,690,530,438.60	5,521,144
more than 5 years	4,309,049,660.99	4,011,072

b) Liabilities

	31/12/2013	31/12/2012
Amounts owed to credit institutions	**24,014,249,320.73**	25,945,420
payable on demand	2,017,358,293.89	900,016
up to 3 months	17,330,020,131.57	15,435,921
more than 3 months and up to 1 year	1,482,144,340.39	657,683
more than 1 year and up to 5 years	2,322,696,113.61	5,432,075
more than 5 years	862,030,441.27	3,519,725
Liabilities to customers	**4,789,508,515.18**	4,750,635
Savings deposits	**0.00**	0
payable on demand	0.00	0
up to 3 months	0.00	0
more than 3 months and up to 1 year	0.00	0
more than 1 year and up to 5 years	0.00	0
more than 5 years	0.00	0
Other	**4,789,508,515.18**	4,750,635
payable on demand	1,619,781,604.44	1,930,800
up to 3 months	2,291,410,153.43	2,038,935
more than 3 months and up to 1 year	329,516,757.31	289,600
more than 1 year and up to 5 years	90,000,000.00	55,000
more than 5 years	458,800,000.00	436,300
Securitised liabilities	**23,193,174,785.44**	24,168,337
payable on demand	0.00	0
up to 3 months	3,953,092,759.59	930,082
more than 3 months and up to 1 year	3,146,184,403.99	3,284,959
more than 1 year and up to 5 years	9,078,172,297.46	12,753,369
more than 5 years	7,015,725,324.40	7,199,927

2. Debt securities due within one year

Purchased debt securities worth EUR 6,127,682,105.02 (prior year: EUR 1,251,982 thousand) and issued debt securities worth EUR 7,099,277,163.58 (prior year: EUR 4,215,041 thousand) are scheduled to mature on the balance sheet date following 31 December 2013.

3. Assets and liabilities in foreign currencies

	31/12/2013	31/12/2012
Assets	**22,437,372,275.21**	25,447,224
Liabilities	**14,190,515,345.10**	16,867,267

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

	Loans and advances to affiliated undertakings		**Loans and advances to companies in which interest is held**	
	31/12/2013	31/12/2012	**31/12/2013**	31/12/2012
Loans and advances to credit institutions	**17,679,915,064.11**	21,344,393	**398,973.86**	399
Loans and advances to customers	**4,806,291,035.93**	4,079,248	**0.00**	0
Debt securities and other fixed-income securities (incl. securitised loans and advances to credit institutions)	**1,767,239,064.86**	1,914,113	**0.00**	0
Shares and other variable-yield securities	**217,352,375.23**	134,274	**0.00**	0

	Liabilities to affiliated undertakings		**Liabilities to companies with participating interests**	
	31/12/2013	31/12/2012	**31/12/2013**	31/12/2012
Amounts owed to credit institutions	**11,214,736,980.14**	11,580,929	**268,802.53**	475
Liabilities to customers	**242,032,467.79**	81,705	**0.00**	0

Among these, the most important companies are:

Loans and advances to affiliated undertakings:

Erste Bank der oesterreichischen Sparkassen AG, Vienna
Erste Bank Hungary Rt, Budapest
Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz
Erste & Steiermärkische Bank d.d., Rijeka
Banca Comerciala Romana SA, Bucharest

Liabilities to affiliated undertakings:

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

5. Subordinated assets

		31/12/2013	31/12/2012
a)	Loans and advances to credit institutions	**1,290,792,314.30**	1,373,313
	thereof:		
	to affiliated undertakings	1,270,253,014.30	1,362,876
	to companies with participating interests	0.00	0
b)	Loans and advances to customers	**208,706,358.55**	215,763
	thereof:		
	to affiliated undertakings	5,939,590.00	8,028
	to companies with participating interests	570,481.75	570
c)	Shares and other fixed-income securities	**296,206,621.39**	190,700
	thereof:		
	to affiliated undertakings	5,487,798.00	4,956
	to companies with participating interests	0.00	0

6. Fiduciary business

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

7. Securities

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

pursuant to section 64 (1) no. 10 Federal Banking Act	**listed**		**not listed**	
	31/12/2013	31/12/2012	**31/12/2013**	31/12/2012
a) Bonds and other fixed-income securities	2,504,242,215.69	2,536,118	5,797,648,903.98	4,229,369
b) Shares and other variable-yield securities	170,976,525.11	164,947	88,931,362.38	334,630
c) Participating interests	49,579,556.91	50,604	0.00	0
d) Shares in affiliated undertakings	0.00	0	0.00	0
Total	**2,724,798,297.71**	**2,751,669**	**5,886,580,266.36**	**4,563,999**

pursuant to section 64 (1) no. 11 Federal Banking Act	**fixed assets**		**current assets**	
	31/12/2013	31/12/2012	**31/12/2013**	31/12/2012
a) Bonds and other fixed-income securities	2,473,856,327.02	2,708,549	5,828,034,792.65	4,056,939
b) Shares and other variable-yield securities	67,047,040.10	311,952	192,860,847.39	187,626
Total	**2,540,903,367.12**	**3,020,501**	**6,020,895,640.04**	**4,244,565**

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

The difference to the redemption value resulting from the pro-rata write-downs pursuant to section 56 (2) Federal Banking Act as at 31 December 2013 amounted to EUR 264,622,147.61 (prior year: EUR 295,633 thousand), while the difference to the redemption value from the pro-rata write-ups pursuant to section 56 (3) Federal Banking Act amounted to EUR 33,834,355.19 (prior year: EUR 30,967 thousand).

b) Differences of the securities listed for trade on the stock exchange not held as financial fixed assets

The difference between recognition at the higher market value on the balance sheet date and the purchase costs pursuant to section 56 (5) Federal Banking Act amounts to EUR 104,035,069.37 (prior year: EUR 113,263 thousand).

c) Repurchase agreements

The carrying amount of the assets subject to sale and repurchase agreements amounted to EUR 2,211,778,882.35 at the balance sheet date (prior year: EUR 1,609,024 thousand).

d) Breakdown of debt securities and other fixed-income securities

	31/12/2013	31/12/2012
Issued by public-sector issuers	1,084,771,654.59	773,671
own issues	3,523,788,952.98	2,264,269
bonds - domestic credit institutions	329,080,955.06	404,337
bonds - foreign credit institutions	1,313,871,197.15	1,247,247
mortgage and municipal securities	635,660,686.45	696,544
convertible bonds	24,392,998.19	17,017
other bonds	1,390,419,945.20	1,362,403
Total	**8,301,986,389.62**	**6,765,488**

8. Trading book

Erste Group Bank AG kept a trading book pursuant to section 22 n Federal Banking Act throughout the financial year. The **securities portfolio** assigned to the trading book as at 31 December 2013 was EUR 3,411,665,138.55 (prior year: EUR 2,492,761 thousand). **Money market instruments** worth EUR 12,170,393,168.86 (prior year: EUR 16,350,200 thousand) were assigned to the trading book on 31 December 2013.

The volume of **other financial instruments** included in the trading book had a par value of EUR 233,425,604,582.47 at 31 December 2013 (prior year: EUR 310,455,452 thousand).

	31/12/2013	31/12/2012	**31/12/2013**	31/12/2012	**31/12/2013**	31/12/2012
	Long position		**Short position**		**Total**	
Options	3,057,442,573.93	1,979,907	3,067,987,111.95	2,772,966	6,125,429,685.88	4,752,873
Caps and floors	20,521,309,066.03	28,840,913	20,763,761,086.14	26,966,610	41,285,070,152.17	55,807,523
Currency swaps	40,310,071,645.33	46,121,931	0.00	0	40,310,071,645.33	46,121,931
Interest rate swaps	144,030,327,121.85	193,769,344	0.00	0	144,030,327,121.85	193,769,344
Fwd rate agreem.	241,248,342.40	3,014,878	143,046,766.23	3,774,335	384,295,108.63	6,789,214
Financial futures	213,945,818.62	868,525	288,430,432.89	939,741	502,376,251.51	1,808,265
Loan derivatives	225,665,505.06	347,278	346,476,053.08	498,454	572,141,558.14	845,732
Commodity derivatives	114,393,058.96	299,070	0.00	0	114,393,058.96	299,070
Other	101,500,000.00	261,500	0.00	0	101,500,000.00	261,500
Total	**208,815,903,132.18**	**275,503,346**	**24,609,701,450.29**	**34,952,106**	**233,425,604,582.47**	**310,455,452**

9. Participating interests and shares in affiliated undertakings

Holdings as at 31 December 2013:

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

Company name, company location	Share (%) (interest of Erste Group)	Equity capital	Profit/Loss	Balance sheet date
1.) Credit institutions				
Erste Bank der oesterreichischen Sparkassen AG, Vienna	100.00	1,108,693,331.61	161,318,850.28	31/12/2013
Prvá stavebná sporitelna, a.s., Bratislava	35.00	247,748,000.00	28,291,000.00	31/12/2013
SPAR-FINANZ BANK AG, Salzburg	50.00	3,926,500.00	199,164.00	31/12/2013
Banka Sparkasse d.d., Ljubljana	28.00	76,090,390.98	-13,639,295.47	31/12/2013
2) Financial institutions				31/12/2013
ERSTE FACTORING d.o.o., Zagreb	76.95	26,504,425.36	9,279,797.97	31/12/2013
Erste Securities Istanbul Menkul Degerler AS, Istanbul	100.00	4,105,147.59	-1,175,961.19	31/12/2013
Erste Group Immorent AG, Vienna (sub-group)	100.00	280,907,360.00	137,039,390.00	31/12/2013
3.) Other holdings				31/12/2013
Capexit Private Equity Invest AG, Vienna	100.00	1,100,682.13	-830,317.69	31/12/2013
EB-Malta-Beteiligungen Gesellschaft m.b.H., Vienna	100.00	60,235,437.36	-563,588.73	31/12/2013
EGB e-business Holding GmbH, Vienna (sub-group)	100.00	16,950,941.19	-948,086.00	31/12/2013
EGB Ceps Beteiligungen GmbH, Vienna	100.00	9,920,175,189.53	505,208,189.18	31/12/2013
Valtecia Achizitii S.R.L., Voluntari, Ilfov County	100.00	-3,405,781.26	2,991,454.72	31/12/2012
Erste Group Services GmbH, Vienna	100.00	1,759,125.61	-3,708,395.33	31/12/2013
Harkin Limited, Dublin	100.00	1,250,000.00	0.00	31/12/2012
Erste Bank Beteiligungen GmbH, Vienna	100.00	222,743,436.17	14,610,036.17	31/12/2013
EH-Gamma Holding GmbH, Vienna	100.00	0.00	0.00	founded in 2013
Erste Reinsurance S.A., Howald	100.00	16,023,864.70	2,639,092.70	31/12/2013
OM Objektmanagement GmbH, Vienna	100.00	97,969,714.91	-4,438,339.03	31/12/2013
ERSTE d.o.o., Zagreb	41.66	11,451,381.63	1,931,928.48	31/12/2013
Erste Finance (Delaware) LLC, City of Wilmington	100.00	37,705.75	-28,616.61	31/12/2013
Erste GCIB Finance I B.V., Amsterdam	100.00	3,904,996.87	785,696.87	31/12/2013
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A, Amsterdam	66.67	5,374,436.35	420,860.00	31/12/2013
VBV - Betriebliche Altersvorsorge AG, Vienna	26.94	53,078,448.00	5,229,486.00	31/12/2013
ÖCI-Unternehmensbeteiligungsgesellschaft m.b.H., Vienna	43.19	59,122.92	40,881.00	31/12/2013
Haftungsverbund GmbH, Vienna	63.88	517,156.00	0.00	31/12/2013
“Sparkassen-Haftungs Aktiengesellschaft”, Vienna	43.19	197,767.31	-5,553.11	31/12/2013
s IT Solutions SK, spol. s.r.o., Bratislava	99.76	507,274.00	-8,997.00	31/12/2013

10. Fixed assets

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

The carrying amount of developed land was EUR 516,043.03 as at 31 December 2013 (prior year: EUR 4,432 thousand). The carrying amount at 31 December 2013 did not include leased assets.

For the next fiscal year, Erste Group Bank AG will have expenses from the use of tangible assets not disclosed in the balance sheet (rental and leasing contracts) of a total of EUR 18,918,699.00 (prior year: EUR 15,710 thousand), and of a total of EUR 88,836,754 (prior year: EUR 77,899 thousand) for the next five fiscal years.

Intangible fixed assets include assets of a value of EUR 33,837,851.71 (prior year: EUR 20,536 thousand) that have been acquired from an affiliated undertaking. During the year, assets in the value of EUR 20,771,502.59 were acquired (prior year: EUR 10,415 thousand).

11. Other assets

	31/12/2013	31/12/2012
securities transactions	17,957,633.98	12,619
derivative products*	7,041,975,361.69	11,604,421
accrued income	672,903,390.89	699,137
deferred taxes	24,869,000.00	24,869
receivables from participating interests and affiliated undertakings	316,901,418.30	373,041
other receivables in settlement **	771,885,575.53	250,860
Total	**8,846,492,380.39**	**12,964,947**

* Closing of OTC derivative positions that compensate each other

** Increase due to securities in settlement

12. Prepayments and accrued income

Prepayments and accrued income had increased to EUR 359,436,710.73 as at 31 December 2013 (prior year: EUR 271,966 thousand). Of these, EUR 158,836,763.71 (prior year: EUR 75,923 thousand) were accruals in connection with derivative instruments, and EUR 118,032,785.48 (prior year: EUR 129,836 thousand) were prepayments on commissions.

13. Securitised liabilities

	31/12/2013	31/12/2012
covered loans and bank bonds	957,267,283.42	961,767
non-covered loans and bank bonds	11,642,084,235.87	12,943,094
mortgage bonds and local government bonds	10,099,771,626.99	9,897,509
certificates of deposit and commercial paper	494,051,639.16	365,967
Total	**23,193,174,785.44**	**24,168,337**

14. Other liabilities

	31/12/2013	31/12/2012
securities transactions	7,391,538.35	468,780
derivative products*	6,271,590,396.30	10,536,015
accrued income	446,395,809.31	502,050
other payables in settlement	529,837,366.25	204,212
Summe	**7,255,215,110.21**	**11,711,057**

* Closing of OTC derivative positions that compensate each other

15. Provisions

	31/12/2013	31/12/2012
Provisions for pensions	329,027,401.00	339,479
Provisions for taxation	54,464,587.99	19,381
Provisions for contingent liabilities	34,078,126.69	93,839
Provisions for negative market values of open derivative without any hedge relationship	106,480,960.54	138,049
Other	121,281,448.90	113,813
Total	**645,332,525.12**	**704,561**

The following assumptions were made for the actuarial calculation of pension entitlements:

	31/12/2013	31/12/2012
Interest rate	3.65%	3.65%
Expected increase in pension benefits	2%	2%

The expected retirement age for each employee was individually calculated on the basis of the changes set out in the Budget Implementation Act of 2003 (*Budgetbegleitgesetz 2003*, Federal Law Gazette Vol. I No. 71/2003) regarding the increase in the minimum retirement age. The currently applicable legislation on the gradual rise in the retirement age for men and women to 65 was taken into consideration.

The reduction in the provision for pension in the year under review by EUR 10,451,866.00 was a consequence of the decrease in the number of eligible persons.

The following assumptions were made for the actuarial calculation of severance entitlements and jubilee benefits:

	31/12/2013	31/12/2012
Interest rate	3.65%	3.65%
Average salary rise (including career trend and collective agreement trend)	2.90%	2.90%

The obligations were calculated in accordance with the Pagler & Pagler mortality table "AVÖ 2008 P – Rechnungsgrundlagen für die Pensionsversicherung".

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

Severance entitlements measured in accordance with commercial law and based on the above parameters amounted to EUR 38,594,056.00 (prior year: EUR 40,076 thousand) and were posted as a contingent liability in the balance sheet. The credit intended for the performance of outsourced severance entitlements with the insurer as at 31 December 2013 amounted to EUR 40,236,401.00 (prior year: EUR 40,647 thousand). The outsourcing of severance entitlements to S-Versicherung AG has not resulted in any change to employee claims against Erste Group Bank AG; Erste Group Bank AG continues to be liable for the severance entitlements of employees.

Furthermore, a provision had been recognised in the prior year for the corporate part-time work scheme for elderly employees agreed in 2012. As employees did not make use of this corporate pension model as expected it was released.

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

16. Subordinated liabilities

Subordinated debt (subordinated liabilities and supplementary capital) amounted to EUR 4,392,044,688.62 (prior year: EUR 4,221,484 thousand) as per 31 December 2013. No subordinated liability taken by Erste Group Bank AG during the reporting year (including supplementary capital) was above the 10% limit for total subordinated liabilities. The terms of all other subordinated liabilities are in compliance with the requirements set forth in section 23 (8) Federal Banking Act.

Movements in total subordinated liabilities were as follows:

Increase due to new issues	EUR	588,000,000.00
Decrease due to maturity	EUR	427,018,502.50
Decrease due to partial extinguishment	EUR	11,200,000.00
Increase in carrying amount due to valuation price fluctuations	EUR	20,779,088.02

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

In 2013, Erste Group Bank AG expenses for subordinated liabilities and supplementary capital were EUR 193,329,773.15 (prior year: EUR 171,415 thousand).
The term “subordinated” is defined in sections 45 (4) and 51 (9) Federal Banking Act.

17. Own supplementary capital

At the balance sheet date for 2013, Erste Group Bank AG held supplementary own capital with a carrying amount of EUR 2,152,038.83 (prior year: EUR 2,634 thousand).

18. Own subordinated capital

At the balance sheet date for 2013, Erste Group Bank AG held subordinated own capital with a carrying value of EUR 17,212,400.93 (prior year: EUR 38,672 thousand).

19. Subscribed capital and participation capital

On 8 August 2013, the participation capital issued in 2009 in acc. with section 23 (4) Federal Banking Act in the amount of EUR 1,763,744,000.00, which was subscribed by the Republic of Austria as well as private and institutional investors, was fully paid back, including the prorated dividend for 2013, which will presumably be paid out in June 2014 after the Annual General Meeting adopts a pertinent resolution.

In connection with the redemption of the participation capital as a whole, a capital increase in the amount of EUR 660,587,868.75 was implemented in July 2013.

Subscribed capital at 31 December 2013 was € 859,600,000.00 (prior year: EUR 789,137 thousand), represented by 429,800,000 voting bearer shares (ordinary shares). At the balance sheet date for 2013 there were no own shares at Erste Group Bank AG’s own stock.

20. Capital authorised and contingent as at 31 December 2013

Authorised capital:

Clause 5 of the Articles of Association authorises the Management Board, subject to approval by the Supervisory Board, – if necessary in several tranches – to increase the company’s subscribed capital until 12 May 2015 by up to EUR 97,332,768.00 by issuing up to 48,666,384 shares as follows (the type of share, issuing price, terms of issuing and – if intended – exclusion of subscription rights are to be determined by the Management Board with the approval of the Supervisory Board): by issuing shares against cash contributions without exclusion of the subscription rights of existing shareholders; however, where the capital increase is used for the issuance of shares to employees, managers or members of the Management Board of the company or an affiliated undertaking, the subscription rights of existing shareholders are excluded; by issuing shares against contributions in kind, while excluding the subscription rights of existing shareholders.

Contingent capital:

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

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

Authorised contingent capital:

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

21. Major shareholders

At 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%, with 3.66% of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the Privatstiftung; 1.59% was held by Austrian savings banks acting together with the Privatstiftung and affiliated to Erste Group Bank AG through the Haftungsverbund and 2.25% by other syndicate members. This makes the Privatstiftung the largest single investor. In addition, up to the repayment on 8 August 2013, the Privatstiftung held participation capital with a notional value of EUR 18,095,000.00 in Erste Group Bank AG.

A dividend in the amount of EUR 30,505,613.60 was paid (prior year: no dividend) on its stake in Erste Group Bank AG in 2013 (for fiscal year 2012). Moreover, a dividend in the amount of EUR 1,360,000.00 (prior year: EUR 1.4 million) was paid in 2013 (for the financial year 2012) for the participation capital of the Privatstiftung in Erste Group Bank AG. 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 promote the guiding principles of the savings bank philosophy. As at 31 December 2013, Theodora Eberle (chairwoman), Richard Wolf (vice chairman), Franz Karl Prüller and Bernhard Spalt were members of the Privatstiftung Management Board. The Privatstiftung's Supervisory Board had seven members at the end of 2013, two of whom are also members of the Supervisory Board of Erste Group Bank AG.

Under clause 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, Privatstiftung is entitled, pursuant to section 92 (9) Federal 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 at 31 December 2013, Erste Group Bank AG has accounts receivable in the amount of EUR 13.96 (prior year: EUR 16.22) in respect of the Privatstiftung. In addition, standard derivative transactions for hedging purposes were in place between Erste Group Bank AG and the Privatstiftung, namely interest rate swaps in the amount of EUR 282,000,000.00 (prior year: EUR 282,000 thousand) and foreign currency swaps of EUR 0.00 (prior year: EUR 29,973 thousand). In addition, the Privatstiftung held bonds of Erste Group Bank AG in the amount of EUR 5,242,986.11 as at 31 December 2013 and Erste Group Bank AG held issued debts securities issued in the amount of EUR 1,981,000.00. In 2013, the interest income of Erste Group Bank AG resulting from these derivative transactions for the reporting period amounted to EUR 11,912,020.87 (prior year: EUR 11,938 thousand) while interest expenses amounted to EUR 8,287,829.45 (prior year: EUR 9,296 thousand).

As at 31 December 2013, Caixabank S.A., which is based in Barcelona, Spain, held a total of 39,195,848 Erste Group Bank AG shares (prior year: 39,195,848 shares), equivalent to 9.12% (prior year: 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 15,000,000.00 in Erste Group Bank AG. Juan Maria Nin, Deputy Chairman of Caixabank S.A. is a member of the Supervisory Board of Erste Group Bank AG.

Caixabank S.A. received a dividend of EUR 15,678,339.00 (prior year: EUR 0.00) on its stake in Erste Group Bank AG in 2013 (for the financial year 2012). Moreover, a dividend in the amount of EUR 1,200,000.00 (prior year: EUR 1.2 million) was paid in 2013 (for the financial year 2012) for the participation capital of the Erste Group Bank AG.

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

The Articles of Association contain no restrictions in respect of voting rights or the transfer of shares.

Clause 19.9 of the Articles of Association (amendments to the Articles of Association) contains a provision that does not follow directly from statutory law: amendments of the Articles of Association, in so far as they do not alter the purpose of the company, may be passed with simple majority of votes cast and simple majority of the subscribed capital represented at the Annual General Meeting considering the amendment. Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Furthermore, clause 19.9 of the Articles of Association can only be amended with a majority of three-quarters of votes cast and with a majority of three-quarters of the subscribed capital represented at the meeting considering the resolution.

22. Reserves

a) Changes in capital reserves

Capital reserves at 31 December 2013 totalled EUR 7,300,056.00 (prior year: EUR 6,709,930 thousand). The increase in the capital reserves by EUR 590,126,000.00 is the result of the capital increase described in section III. 19 of these notes.

b) Changes in retained earnings:

As at 31 December 2013, retained earnings amounted to EUR 1,696,521,320.01 (prior year EUR 1,753,880 thousand). This includes a reserve for own shares of EUR 10,634,000.00 (prior year: EUR 26,639 thousand).

c) Changes in the liability reserves

As at 31 December 2013, the total liability reserve was EUR 851,000,000.00 just as in the year before.

d) Changes in untaxed reserves

The reduction in untaxed reserves to EUR 5,133,000,000.00 (prior year: EUR 5,193 thousand) is the result of the reversal of valuation reserves due to special depreciations pursuant to sec. 12 Income Tax Act (*Einkommenssteuergesetz 1988*).

23. Own shares

Own shares held by Erste Bank	No. of shares	Purchase price	Selling price	par value in share capital
Portfolio at 1 January 2013	0	0.00	0.00	0.00
Total additions	8,765,143	203,319,072.85	0.00	17,530,286.00
Total disposals	8,765,143	0.00	203,319,072.85	17,530,286.00
Portfolio as at 31 December 2013	0	0.00	0.00	0.00
Highest level of own shares held	0	0.00	0.00	0.00

The primary purpose of the transactions was market making. As at 31 December 2013, other liabilities include a short stand in Erste Bank shares amounting to 1,426,785 units (carrying value EUR 36,140,464.05), which is covered by lending.

Ordinary shares in Erste Group Bank AG are held by Sparkasse Mühlviertel-West Bank Aktiengesellschaft (affiliated undertaking).

24. Own funds

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

a) Assessment basis pursuant to section 22 (2) Federal Banking Act

	31/12/2013 unweighted	**31/12/2013** weighted	31/12/2012 unweighted	31/12/2012 weighted
Assets in standardised approach	50,675,277,278.05	22,433,080,550.05	47,678,785	23,911,953
Assets in internal-ratings-based (IRB) approach	26,487,058,548.61	11,091,763,352.72	28,497,108	11,943,138
Assessment basis for credit risk by exposure class as of 31/12/2013 pursuant to Basel II rules	**77,162,335,826.66**	**33,524,843,902.77**	**76,175,893**	**35,855,091**

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

		31/12/2013	31/12/2012
1.	Minimum capital requirement for credit risk pursuant to section 22 a–h Federal Banking Act		
	(8% of weighted assessment base)	2,681,987,512.22	2,868,407
	a) Standardised approach	1,794,646,444.00	1,912,956
	b) Internal-ratings-based (IRB) approach	887,341,068.22	955,451
2.	Settlement risk	2,000.00	0
3.	Minimum capital requirement for position risk in debt securities and equity instruments, foreign currency and commodity risk	263,384,000.00	360,507
4.	Capital requirement for operational risk	82,990,778.63	104,083
5.	Minimum qualifying capital requirement due to adoption of Basel II regulation (additional requirement applicable when falling short of the floor)	0	0
6.	Minimum capital requirement for qualified non-financial investments	0	0
	TOTAL MINIMUM CAPITAL REQUIREMENT	**3,028,364,290.85**	3,332,997

c) Own funds pursuant to section 23 Federal Banking Act

	31/12/2013	31/12/2012
Paid-up capital	859,600,000.00	2,552,881
Deduction of treasury shares	-2,021,721.74	-6,988
Reserves	7,300,056,000.00	6,709,930
Other eligible reserves	1,701,654,320.01	1,759,073
Liability reserve	851,000,000.00	851,000
Hybrid (Tier 1) capital	2,915,776.45	16,817
less prudent valuation and DVA	-36,552,864.92	0
less intangible assets	-65,528,936.86	-48,658
Core (Tier 1) capital pursuant to section 23 (14) no. 1 Federal Banking Act (before deductions)	**10,611,122,572.94**	**11,834,055**
Supplementary capital	48,500,000.00	208,787
Revaluation reserve	145,428,178.79	97,066
Excess loan loss provision for IRB items	114,350,168.67	87,663
Subordinated capital	3,222,543,577.46	2,925,371
Qualifying supplementary (Tier 2) capital	**3,530,821,924.92**	**3,318,887**
Rededication of own-fund components no longer eligible	263,384,000.00	360,507
Eligible short-term subordinated (Tier 3) capital	**263,384,000.00**	**360,507**
Deductions if ownership interest is greater than 10% - from other capital	-110,469,232.17	-112,249
Deductions if ownership interest is greater than 10% - from core (Tier 1) capital	-110,469,232.17	-112,249
Deductions due to ownership interest in insurers (from other capital)	-81,592,324.79	-81,811
Deductions due to loss provision shortfalls (from core [Tier 1] capital)		0
Deductions due to loss provision shortfalls (from core [Tier 1] capital)		0
Deductions due to securitisation positions (from core [Tier 1] capital)		-11,150
Deductions due to securitisation positions (from other capital)		-11,150
Deductions	**-302,530,789.12**	**-328,609**
Eligible capital pursuant to sec. 23 Federal Banking Act	**14,102,797,708.74**	**15,184,840**
Minimum capital requirement	3,028,362,290.85	3,332,997
Total qualifying capital surplus	11,074,433,417.89	11,851,842
Cover ratio	465.7%	455.6%
Core (Tier 1) ratio (2), in relation to credit risk	**31.32%**	**32.66%**
Solvency ratio (1), in relation to credit risk	**41.03%**	**41.05%**

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

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

d) Consolidated own funds and consolidated capital requirement

	31.12.2013	31.12.2012
	IFRS	**UGB**
Paid up capital	859,600,000.00	
Share premium	6,387,853,798.00	
Retained earnings	4,257,372,870.00	
Accumulated Other Comprehensive Income	96,980,004.00	
Deductions of Erste Group Bank shares (directly held)	-241,727,834.00	
Regulatory deductions of financed Erste Group Bank shares and participation capital	-229,315,238.86	
Minority interests	3,167,452,279.00	
Deduction of Goodwill	-1,237,690,068.00	
Deduction of Customer Relationship	-271,470,429.00	
Deduction of Brand	-288,835,831.00	
Deduction of other intangible assets	-605,695,551.00	
50% deduction for non-consolidated credit and financial institutions pursuant to section 23 (13) 3 and 4 of the Austrian Banking Act	-114,070,609.89	
50% deduction for non-consolidated insurances pursuant to section 23 (13) 4a of the Austrian Banking Act (1)	-83,789,355.11	
50% deduction of IRB-shortfall pursuant to section 23 (13) 4c of the Austrian Banking Act	0.00	
50% deduction of securitisations pursuant to section 23 (13) 4d of the Austrian Banking Act (2)	0.00	
Prudential filter on net positive AfS reserves (eligible with 70% within tier-2)	-401,573,580.00	
Prudential filter on gains and losses due to changes in own credit standing	-68,923,942.43	
Prudential filter for Cash flow hedges, excluding those for AfS-instruments	10,305,667.00	
Prudential Filter für zum fair value bewertete Instrumente gem. § 23 (13) 4e BWG (3)	-37,298,327.00	
Core tier-1 capital	**11,199,173,851.71**	**11,848,000**
Hybrid tier-1 capital pursuant to section 23 (4a) and (4b) of the Austrian Banking Act	361,000,000.00	
Direct holdings of own hybrid tier-1 capital pursuant to section 23 (4a) and (4b) Austrian Banking Act	-0.08	
Tier-1 capital	**11,560,089,851.63**	**12,223,000**
Eligible supplementary capital	292,768,053.00	
Eligible subordinated liabilities	3,702,594,947.00	
70% of AfS-reserve deducted from Core Tier-1 eligible within tier-2	281,101,506.00	
IRB - surplus	127,210,000.00	
Qualifying supplementary capital (tier-2)	**4,403,674,506.00**	**4,074,000**
50% deduction for non-consolidated credit and financial institutions pursuant to section 23 (13) 3 and 4 of the Austrian Banking Act	-114,070,609.89	-107,000
50% deduction for non-consolidated insurances pursuant to section 23 (13) 4a of the Austrian Banking Act (1)	-83,789,355.11	-164,000
50% deduction of IRB-shortfall pursuant to section 23 (13) 4c of the Austrian Banking Act	0.00	0.00
50% deduction of securitisations pursuant to section 23 (13) 4d of the Austrian Banking Act (2)	0.00	-12,000
Short-term subordinated capital (tier-3)	**228,142,000.00**	**297,000**
Total eligible qualifying capital	**15,994,046,392.64**	**16,311,000**
Total Capital Requirement	7,832,046,000.00	8,426,000
Surplus capital	8,162,000,392.64	7,885,000
Core tier-1 ratio – total risk (in %) (4)	11.44	11.25
Tier-1 ratio – total risk (in %) (5)	11.81	11.61
Solvency ratio (in %) (6)	16.38	15.49

(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

	Dec 2013		Dec 2012	
	IFRS		**UGB**	
	Calculation base/ total risk(1)	**Capital requirement(2)**	**Calculation base/ total risk(1)**	**Capital requirement(2)**
Risk pursuant to section 22 (1) 1 of the Austrian Banking Act(3)	84,856,550,000.00	6,788,524,000.00	90,434,000	7,235,000
a) Standardized approach	19,589,825,000.00	1,567,186,000.00	22,936,000	1,835,000
b) Internal ratings based approach	65,037,775,000.00	5,203,022,000.00	67,498,000	5,400,000
c) Securitizations with a 1,250% Risk Weight (4)	228,950,000.00	18,316,000.00	0	0
Risk pursuant to section 22 (1) 2 of the Austrian Banking Act(5)	2,708,050,000.00	216,644,000.00	3,583,000	287,000
Risk pursuant to section 22 (1) 3 of the Austrian Banking Act(6)	143,725,000.00	11,498,000.00	131,000	10,000
Risk pursuant to section 22 (1) 4 of the Austrian Banking Act(7)	10,192,250,000.00	815,380,000.00	11,175,000	894,000
Total	**97,900,575,000.00**	**7,832,046,000.00**	**105,323,000**	**8,426,000**

(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 persuant 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

25. List of assets pledged as collateral for liabilities (acc. to sec. 64 (1) no. 8 Federal Banking Act)

Assets	31/12/2013	Disability description	Balance sheet item
Collateral pool for covered Erste Bank bonds:			
Fixed-income securities	1,347,395,691.78	Covered Erste Bank bonds	Liability 3
OeNB asset pool (tender):			
Fixed-income securities	0.00	Refinancing by OeNB / ECB	Liability 1
Pledge agreements:			
Money market loan	570,671,438.16	Guarantees and contingent liabilities pledged as collateral	
Collateral for unregistered OTC derivatives:			
Cash collateral	477,561,599.00	Other liabilities	Liability 4
Securities collateral	20,642,000.00	Other liabilities	Liability 4
Total	***2,416,270,728.93***		
Collateral for exchange-traded derivatives:			
Securities collateral	78,941,857.35	UBS margin requirement	
Cash collateral	106,319.01	Hungary margin requirement	
Cash collateral	19,579,819.55	Poland margin requirement	
Total	***98,627,995.91***		
Blocked securities account as collateral with Österreichische Kontrollbank AG:			
Fixed-income securities	300,689,870.69	Margin requirement	
Collateral pool for municipal and mortgage bonds:			
Loans and advances to customers	637,646,562.62	Issued municipal and mortgage bonds	Liability 3
Fixed-income securities	279,891,424.91	Issued municipal and mortgage bonds	Liability 3
Total	***1,218,227,858.22***		
Total	***3,733,126,583.06***		

26. Total volume of unsettled derivatives

		Time to maturity for notional amounts			
		< 1 year	1-5 years	5 years	total
INTEREST RATE CONTRACTS		**63,946,973,730.42**	**172,926,494,502.22**	**125,932,346,774.94**	**362,805,815,007.58**
OTC products:					
Interest rate options	Purchase	0.00	13,941,779,688.47	6,614,214,193.74	20,555,993,882.21
	Sale	159,987,781.04	14,931,356,765.47	7,742,288,953.42	22,833,633,499.93
Interest rate swaps	Purchase	31,453,236,574.03	72,026,679,024.14	55,753,714,813.89	159,233,630,412.06
	Sale	31,453,236,574.03	72,026,679,024.14	55,753,714,813.89	159,233,630,412.06
FRAs	Purchase	241,248,342.40	0.00	0.00	241,248,342.40
	Sale	143,046,766.23	0.00	0.00	143,046,766.23
Exchange-traded products					
Futures		496,217,692.69	0.00	0.00	496,217,692.69
Interest rate options		0.00	0.00	68,414,000.00	68,414,000.00
CURRENCY CONTRACTS		**79,226,978,153.92**	**5,055,425,344.16**	**1,959,150,821.34**	**86,241,554,319.42**
OTC products:					
Currency options	Purchase	775,621,702.33	73,296,881.51	4,176,000.00	853,094,583.84
	Sale	725,997,056.51	51,024,853.17	573,000.00	777,594,909.68
Currency swaps	Purchase	39,100,674,786.04	2,491,044,709.41	974,033,888.49	42,565,753,383.94
	Sale	38,622,614,109.04	2,440,058,900.07	980,367,932.85	42,043,040,941.96
Exchange-traded products					
Futures		0.00	0.00	0.00	0.00
Currency options		2,070,500.00	0.00	0.00	2,070,500.00
SECURITIES-RELATED CONTRACTS		**1,375,671,758.31**	**436,514,726.54**	**784,203,500.02**	**2,596,389,984.87**
OTC products:					
Equity options	Purchase	894,150,904.18	101,052,472.83	778,567,500.01	1,773,770,877.02
	Sale	429,821,513.31	70,730,586.21	5,636,000.01	506,188,099.53
Equity swaps	Purchase	0.00	0.00	0.00	0.00
	Sale	0.00	0.00	0.00	0.00
Exchange-traded products					
Futures		0.00	0.00	0.00	0.00
Stock options		51,699,340.82	264,731,667.50	0.00	316,431,008.32
COMMODITY CONTRACTS		**300,723,463.33**	**14,472,183.12**	**0.00**	**315,195,646.45**
OTC products:					
Commodity options	Purchase	26,433,806.10	0.00	0.00	26,433,806.10
	Sale	5,146,042.22	0.00	0.00	5,146,042.22
Commodity swaps	Purchase	130,860,159.97	7,236,091.56	0.00	138,096,251.53
	Sale	131,164,896.22	7,236,091.56	0.00	138,400,987.78
Exchange-traded products					
Futures		6,158,558.82	0.00	0.00	6,158,558.82
COMMODITY options		960,000.00	0.00	0.00	960,000.00
CREDIT DERIVATIVES		**117,185,552.90**	**377,899,863.54**	**166,692,752.53**	**661,778,168.97**
OTC products:					
Credit default swaps	Purchase	61,605,552.90	233,696,562.99	20,000,000.00	315,302,115.89
	Sale	55,580,000.00	144,203,300.55	146,692,752.53	346,476,053.08
OTHER		**63,500,000.00**	**83,900,000.00**	**393,081,303.65**	**540,481,303.65**
OTC products:					
Inflation options	Purchase	2,500,000.00	13,900,000.00	288,831,303.65	305,231,303.65
	Sale	0.00	0.00	32,250,000.00	32,250,000.00
Inflation swaps	Purchase	30,500,000.00	35,000,000.00	36,000,000.00	101,500,000.00
	Sale	30,500,000.00	35,000,000.00	36,000,000.00	101,500,000.00
TOTAL		**145,031,032,658.88**	**178,894,706,619.58**	**129,235,475,152.48**	**453,161,214,430.94**
thereof OTC products in thousand		145,473,926.57	178,629,974.95	129,167,061.15	452,270,962.67
thereof exchange-traded products in thousand		557,106.09	264,731.67	68,414.00	890,251.76

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

a) Derivative financial instruments

	Notional amount Purchase	Notional amount Sale	Carrying amount	Fair value positive	Fair value negative
INTEREST RATE CONTRACTS					
OTC products:					
Interest rate options	20,555,993,882.21	22,833,633,499.93	143,106,635.59	1,281,908,063.64	-1,172,208,831.16
Interest rate swaps	159,233,630,412.06	159,233,630,412.06	302,191,934.98	12,770,201,173.38	-11,684,216,890.22
FRAs	241,248,342.40	143,046,766.23	-342,395.96	14,560,409.98	-14,902,805.94
Exchange-traded products					
Futures	213,866,586.90	282,351,105.79	0.00	0.00	0.00
Interest rate options	0.00	68,414,000.00	-404,010.60	0.00	-404,010.60
CURRENCY CONTRACTS					
OTC products:					
Currency options	853,094,583.84	777,594,909.68	9,567,249.56	37,537,585.30	-27,864,553.15
Currency swaps	42,565,753,383.94	42,043,040,941.96	57,658,125.58	379,728,086.96	-326,194,680.34
Exchange-traded products					
Futures	0.00	0.00	0.00	0.00	0.00
Currency options	0.00	2,070,500.00	-26,524.27	0.00	-26,524.27
SECURITIES-RELATED CONTRACTS					
OTC products:					
Stock options	1,773,770,877.02	506,188,099.53	-13,017,180.99	121,728,500.99	-149,284,646.36
Equity swaps	0.00	0.00	0.00	0.00	0.00
Exchange-traded products					
Futures	0.00	0.00	0.00	0.00	0.00
Stock options	103,112,003.32	213,319,005.00	-2,246,542.71	2,188,191.69	-4,434,734.40
COMMODITY CONTRACTS					
OTC products:					
Commodity options	26,433,806.10	5,146,042.22	-246,505.88	6,152,224.20	-6,398,730.08
Commodity swaps	138,096,251.53	138,400,987.78	-9,842,724.00	4,931,160.68	-4,984,189.97
Exchange-traded products					
Futures	79,231.72	6,079,327.10	0.00	0.00	0.00
Commodity options	0.00	960,000.00	-4,202.08	0.00	-4,202.08
CREDIT DERIVATIVES					
OTC products:					
Credit default options	0.00	0.00	0.00	0.00	0.00
Credit default swaps	315,302,115.89	346,476,053.08	-6,734,948.54	15,482,995.80	-22,077,504.02
OTHER					
OTC products:					
Inflation options	305,231,303.65	32,250,000.00	10,186,760.81	24,783,257.30	-10,223,372.60
Inflation swaps	101,500,000.00	101,500,000.00	-1,639,112.01	3,283,712.75	-6,707,038.73
OTC products:	226,110,054,958.64	226,160,907,712.47	490,887,839.14	14,660,297,170.98	-13,425,063,242.57
Exchange-traded products	317,057,821.94	573,193,937.89	-2,681,279.66	2,188,191.69	-4,869,471.35
TOTAL	**226,427,112,780.59**	**226,734,101,650.36**	**488,206,559.49**	**14,662,485,362.67**	**-13,429,932,713.92**

b) Fixed-asset instruments

	Carrying amount	Fair value positive	Hidden losses	Hidden reserves
Treasury bills	1,063,192,872.61	1,045,953,792.19	17,239,080.42	
	3,643,751,130.00	3,834,215,834.08		190,464,704.08
Loans and advances to credit institutions	623,630,212.45	613,873,873.64	9,756,338.81	
	1,134,492,104.44	1,147,269,081.84		12,776,977.40
Loans and advances to customers	801,041,757.37	779,763,833.96	21,277,923.41	
	207,563,295.66	211,460,544.44		3,897,248.77
Debt securities	552,055,288.78	513,934,433.87	38,120,854.91	
	1,777,183,953.76	1,854,857,537.93		77,673,584.18
Shares	168,133,483.98	160,174,871.50	7,958,612.48	
	17,596,103.67	17,969,902.80		373,799.13
Total	**3,208,053,615.19**	**3,113,700,805.16**	**94,352,810.03**	
	6,780,586,587.53	**7,065,772,901.09**		**285,186,313.56**

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

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

28. Fair value for securities in inactive markets

Erste Group AG calculates theoretical prices for securities in an inactive market. A market is assumed to be inactive when prices for the relevant security are formed only sporadically, there is only small-volume trading or no current prices are available.
Of the securities admitted for trading at stock exchanges and marked to market, theoretical prices were used for the following volumes:

Carrying value of securities not marked on the basis of market prices	Fair value on the basis of the price in the inactive market	Difference
828,485,196.56	830,536,814.01	2,051,617.45
224,512,418.29	no current price available	n.a.

29. Reclassification of securities

In 2013 a need for reclassification for some trading positions to the available-for-sales portfolio was deducted by reviewing the abidance by the Kriterienkatalog. Already passed and planned duration of the position does not justify classification as trading position. Reclassified securities are AT0000541719, Bank Austria nachr. Anl 2000 – 2020 (Notional EUR 20 Mio, amounting to EUR 23.808.000,00) and AT0000626031, ESPA Asset Backed Thesaurierend (355.910 pieces, in the amount of EUR 36.815.330,40). The value for the reclassification was given by the market values of the securities. Reclassification has no impact on the valuation of the concerned positions.

30. Hedging transactions

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

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

	31/12/2013	31/12/2012	Change
Positive market value fair value hedge	1,256,719,060.32	1,855,303,069.41	-598,584,009.09
Positive market value cash flow hedge	27,913,595.65	43,175,788.43	-15,262,192.78
Negative market value fair value hedge	-761,395,508.89	-465,416,791.73	-295,978,717.16
Negative market value cash flow hedge	-27,853,665.50	0.00	-27,853,665.50
Total			
Positive market values	**1,284,632,655.97**	**1,898,478,858**	**-613,846,201.87**
Negative market values	**-789,249,174.39**	**-465,416,792**	**-323,832,382.66**

The market values are given based on clean prices. Where market values are negative, they represent off-balance-sheet losses from derivatives in a hedge relationship. As per 31 December 2013, fair value hedges with a 2045 horizon and cash flow hedges with a 2023 horizon were available. The negative market values (accrued interest not considered) of derivatives used to hedge against payment flows are not recognised in the annual financial statements because these payment flows are – with a level of probability verging on certainty – offset by recognised payment counter-flows from the underlying transactions .

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

31. Consideration of CVA/DVA in derivative valuation

Credit value adjustments (CVA) for counterparty risk and debt value adjustments (DVA) for the own default credit risk are applied to all 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 Bank AG's credit quality. Erste Group Bank AG 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 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. Erste Group Bank AG's probability of default has been derived from the buy-back levels of Erste group Bank AG's issuances. For collateralized derivatives the effect of collateral received is considered and reduces the amount of CVA accordingly. 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 counterparties with CSA-agreements in place no CVA was taken into account for all cases with small threshold amounts.

For trading derivatives, which are valued "mark-to-market", a CVA and DVA in the amount of EUR -25,927,643.12 respectively EUR 9,315,336.92 was considered. For banking book derivatives due to principle of prudence only CVA was taken into consideration and amount for EUR -7,471,913.46.

32. Risk provisions

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

	31/12/2013	31/12/2012
At the beginning of the year	663,793,739.21	672,476
use	-237,184,162.86	-187,496
releases	-149,112,106.54	-73,143
additions	424,955,218.09	252,893
transfer from Immorent Bank AG merger	30,928,223.87	0
Changes in valuation of foreign currency	-5,850,807.23	-936
At end of year	**727,530,104.54**	**663,794**

33. Contingent liabilities

EUR 4,611,719,411.65 (prior year: EUR 3,951,345 thousand) of the contingent liabilities refer to guarantees and warranties from the pledging of collateral and EUR 346,476,053.08 (prior year: EUR 498,454 thousand) to credit derivatives. Any required provisions were subtracted from the contingent liabilities.

34. Credit risk

At EUR 5,602,048,067.35 (prior year: EUR 5,980,861 thousand), credit risk accounts for loan and guarantee commitments not yet exercised.

IV. Notes to the profit & loss account

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

1. Gross income by region

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

	2013			2012		
	Domestic	**Abroad**	**Total**	Domestic	Abroad	Total
Interest and similar income	1,469,016,401.44	91,385,047.71	1,560,401,449.15	1,620,279	113,218	1,733,497
Income from securities and participating interests	145,639,947.94	3,439.08	145,643,387.02	379,855	0	379,855
Commission income	164,939,605.29	4,373,463.09	169,313,068.38	156,792	4,402	161,194
Income from financial operations	57,897,052.81	365,188.04	58,262,240.85	73,016	-200	72,816
Other operating income	28,118,541.23	161,469.11	28,280,010.34	47,317	168	47,485
Total	**1,865,611,548.71**	**96,288,607.03**	**1,961,900,155.74**	**2,277,259**	**117,588**	**2,394,847**

2. Income from participating interests and shares in affiliated undertakings

Profits of affiliated undertakings for group members (the subsidiaries that came to be part of a tax group with Erste Group Bank AG as a result of the group taxation regulations that took effect in 2005) posted in the income statement of Erste Group Bank AG under income from participating interests and shares in affiliated undertakings reached a value of EUR 101,073,033.00 (prior year: EUR 322,615 thousand). Of this, EUR 11,000,000.00 originated from Erste Bank Beteiligungen GmbH and EUR 90,000,000.00 from Erste Bank der oesterreichischen Sparkassen AG.

3. Other operating income

Other operating income of EUR 28,280,010.34 (prior year: EUR 47,485 thousand) included selling gains from real estate in the amount of 16,733,507.64 (prior year: EUR 12,134 thousand). In 2012, this position also included income from the repayment of a supplementary capital loan (EUR 22,567 thousand).

4. Personnel expenses

In terms of personnel expenses, the item expenses for severance payments and payments to severance-payment funds included expenses for severance payments of EUR 1,424,113.04 (prior year: EUR 2,916 thousand).

5. General administrative expenses

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

	2013	2012
Fees charged for auditing the financial statements	2,630,673.82	1,875
Fees charged for audit-related services	3,079,893.88	890
Fees charged for tax advisory services	342,311.07	474
Total	**6,052,878.77**	**3,239**

6. Other operating expenses

Other operating expenses of Erste Group Bank AG, which amounted to EUR 8,221,940.77 (prior year: EUR 6,283 thousand), essentially consisted of the payment of insurance against operational risk in the amount of EUR 5,612,066.52 (prior year: EUR 5,556 thousand).

7. Income from the release of value adjustments for claims and provisions for contingent liabilities

In 2012, income from the release of value adjustments for claims and provisions for contingent liabilities primarily includes income from the sale of Tier 1 and Tier 2 instruments (EUR 331,075 thousand).

8. Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings

During the reporting year, requirements for impairment and other expenses for group members (the subsidiaries that came to be part of a tax group with Erste Group Bank AG as a result of the group taxation regulations that took effect in 2005) amounted to EUR 56,258,999.73 (prior year: EUR 193,585 thousand), of this EUR 56,258,999.73 (prior year: EUR 180,787 thousand) originated from write-offs for Erste Group Immorent AG. There were no profits from sales for Group members (prior year: EUR 0 thousand).

9. Income from value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings

In 2012, income from value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings mainly included the allocation of write-offs for Erste Bank Beteiligungen GmbH in the amount of EUR 54,427 thousand.

10. Taxes on profit and loss

Under the item taxes on profit or loss, tax income amounted to EUR 11,347,850.20 (prior year: EUR 31,044 thousand). Net income from taxes on profit or loss was EUR 53,502,290.77 (prior year: EUR 48,666 thousand) under the current tax allocation system while tax revenue from foreign taxes on income of previous years amounted to EUR 1,931,452.33 (prior year: payment of EUR 9,064 thousand) according to section 9 Corporate Tax Act (*Körperschaftssteuergesetz*) on group taxation.

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

The principal expenses under this item are foreign income tax and other foreign income-related taxes of EUR 4,260,338.30 (prior year: EUR 3,591 thousand).

11. Extraordinary income

Starting with the 2013 financial statements, received profit distributions that, in financial terms, represent the return of a capital contribution by equity investors and do not have the nature of an income from investments attainable over the longer term will be posted as extraordinary income.

12. Changes within reserves

During the reporting year retained earnings in the amount of EUR 57,418,252.01 had been released (prior year: allocation of EUR 80,140 thousand).

13. Branches consolidated

Name	**London Branch**	**New York Branch**	**Hong Kong Branch**	**Berlin and Stuttgart Branch**
Business	commercial lending to foreign banks, leasing companies and sovereign debtors			institutional sales-business
Country of domicile	Great Britain	USA	China	Germany
Net interest income in EUR	37,952,598.46	33,442,151.18	10,944,754.26	669.54
Operating result in EUR	42,002,548.77	34,223,418.39	10,919,304.09	857,738.91
Headcount	32	22	22	13
Profit or loss for theyear before tax in EUR	8,007,931.00	25,427,696.01	12,952,631.55	-3,459,649.91
Taxes on income in EUR	-426,993.92	-4,333,952.04	155,507.84	135,732.88
Public benefits received	none	none	none	none

14. Return on assets

Net profit for the year before changes in reserves expressed in proportion to average total assets was 0.1% in 2013.

V. Information on board members and employees

1. Employees

The average number of employees at Erste Group Bank AG (weighted, excluding employees on leave and Management Board members) was 1,829.5 during the financial year 2013 (prior year: 1,793.2).

Of these, 242 employees (prior year: 269) worked for other companies in exchange for reimbursed expenses. Total reimbursement was EUR 23,906,716.36 (prior year: EUR 23,687 thousand) and was recognised - as a factor that decreased costs - under general administrative expenses (personnel expenses) in the income statement.

2. Corporate bodies

At the end of 2013, loans and advances granted by Erste Group Bank AG to members of the Management Board totalled EUR 117,897.90 (prior year: EUR 207 thousand). Loans to members of the Supervisory Board totalled EUR 168,546.85 (prior year: EUR 189 thousand). The applicable interest rates and other terms (maturity dates and collateral) represent market terms. During the financial year no substantive repayments were made on the loans granted to Management Board and Supervisory Board members.

a) Management Board members

The breakdown of compensation received by Management Board members in 2013 is as follows:

Remuneration

Fixed salaries	**Financial year 2013**	Financial year 2012
Andreas Treichl	1,262,400.04	1,237
Franz Hochstrasser	750,000.04	691
Herbert Juranek	631,199.96	631
Gernot Mittendorfer	632,999.92	599
Andreas Gottschling (from 9/2013)	210,999.27	0
Total	**3,487,599.23**	**3,158**

Since the financial year 2010, the variable component of Management Board member salaries, both cash payments and share equivalents, has been spread over five years in accordance with statutory regulations and is paid out only under specific circumstances. Share equivalents are not shares traded in the stock exchange but phantom shares that are paid out in cash in accordance with defined criteria after a one-year restriction period.

Not only performance bonuses and share equivalents for 2012 were paid out and/or awarded in 2013 but also the accrued parts of performance bonuses for 2010. In 2012 no performance bonuses for previous years were paid and/or awarded.

Performance bonus Salaries	Financial year 2013				Financial year 2012			
	for 2012		for previous years **		for 2011		for previous year	
	cash in EUR	Share equivalent in units *	cash in EUR	Share equivalent in units	cash	Share equivalent in units	cash	Share equivalent in units
Andreas Treichl	392,626.40	24,898	65,424.71	2,182	0	0	0	0
Franz Hochstrasser	203,000.00	12,449	42,669.24	1,423	0	0	0	0
Herbert Juranek	120,000.00	7,013	16,886.36	563	0	0	0	0
Gernot Mittendorfer	129,000.00	7,539	0.00	0	0	0	0	0
Andreas Gottschling (from 9/2013)	0.00	0	0.00	0	0	0	0	0
Total	**844,626.40**	**51,899**	**124,980.31**	**4,168**	**0**	**0**	**0**	**0**

*Share equivalents indicated here have been firmly granted on account of the previous year's result. Valuation of the share equivalents is based on the average, weighted daily share price of Erste Group Bank AG in 2013 amounting to EUR 23.85 per share. Pay-outs will be made in 2014 after a one-year holding period.

**Exclusively concerns the financial year 2010. No performance bonuses were paid out to the Management Board for the financial year 2011.

One long-term incentive programme (LTI) is currently still ongoing. This programme 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. It was launched on 1 January 2010 and resulted in a payout in 2013. The final payout under LTI 2007 was made in 2012. In accordance with its terms, the following payments were made in 2013:

LTI programme	Financial year 2013		Financial year 2012	
	LTI 2007	LTI 2010	LTI 2007	LTI 2010
Andreas Treichl	0.00	226,519.29	240.9	0.0
Franz Hochstrasser	0.00	56,634.10	60.2	84.0
Herbert Juranek	0.00	56,634.10	60.2	84.0
Gernot Mittendorfer	0.00	0.00	0.0	0.0
Andreas Gottschling (from 9/2013)	0.00	0.00	0.0	0.0
Total	**0.00**	**339,787.49**	**361.3**	**167.9**

The item 'other compensation' includes pension fund contributions, contribution to Vorsorgekasse (for the new severance payments scheme) and various other forms of compensation.

OTHER compensation	Financial year 2013	Financial year 2012
Andreas Treichl	470,914.51	470.9
Franz Hochstrasser	177,448.75	164.4
Herbert Juranek	98,804.42	60.9
Gernot Mittendorfer	97,630.49	55.0
Andreas Gottschling (from 9/2013)	25,787.24	0.0
Total	**870,585.41**	**751.2**

Manfred Wimmer from the Management Board on 31 August 2013. In 2013, he received EUR 420,800.72 (prior year: EUR 631 thousand) in the form of fixed salaries, EUR 137,126.36 (prior year: EUR 0 thousand) in the form of performance bonuses for the previous years and EUR 111,268.62 (prior year:

EUR 163 thousand) in the form of other compensation. In addition, he was granted 7,584 share equivalents (prior year: none). Under the LTI 2010 programme he received EUR 56,634.10 (prior year: EUR 84 thousand). Severance payments, payment in lieu of holiday leave and compensation to the pension fund paid out on the occasion of his departure have been included in the salaries for former board members and their surviving dependents. In the financial year 2013, EUR 3,095,317.80 (prior year: EUR 947 thousand) was paid out to former board members and their surviving dependants and 1,066 share equivalents (prior year: none) were granted.

Principles of the company retirement plan for the Management Board

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

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

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

The paid compensation was granted in accordance with the provisions of the Federal Bank Act pertaining to compensation for Management Board members.

b) Supervisory Board members

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 Supervisory Board members ends at the end of the Annual General Meeting resolving on the approvals of their actions for the fourth business year following their election; re-election is admissible. In addition, membership in the Supervisory Board ceases in the event of death, by revocation, by 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.

Supervisory Board members of Erste Group Bank AG were paid EUR 832,568.30 (prior year: EUR 898 thousand) in the reporting year for their board function. The following members of the Supervisory Board received the following compensation for their board services in fully consolidated subsidiaries of Erste Group Bank AG: Friedrich Rödler EUR 12,750.00, John James Stack EUR 30,000.00 and Werner Tessmar-Pfohl EUR 28,400.00. No other legal transactions were concluded with members of the Supervisory Board.

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

	2013	2012
Supervisory Board compensation (1)	637,568.30	700
Attendance fees	195,000.00	198
Total	**832,568.30**	**898**

(1) In 2013, the Supervisory Board (without employee representatives) consisted of 12 members.

Pursuant to the decision at the Annual General Meeting of 16 May 2013, the Supervisory Board adopted the following compensation structure in its constituent meeting for the financial year 2012:

	Number	Compensation per person	Total compensation
Chair	1	100,000.00	100,000.00
Vice President	2	75,000.00	150,000.00
Members	9	50,000.00	450,000.00
Total	**12**		**700,000.00**

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

Management Board members	2012/12/31	Additions	Disposal	2013/12/31
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 2013/08)	18.132	0	18.132	**0**
Andreas Gottschling (from 2013/09)	0	0	0	**0**

Supervisory Board members	2012/12/31	Additions	Disposal	2013/12/31
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 2013/07/29)	2.900	0	2.900	**0**
John James Stack	32.761	0	0	**32.761**
Werner Tessmar-Pfohl (until 2013/05/16)	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 2013/07/29)	281	0	281	**0**
Karin Zeisel	35	0	0	**35**

The Erste Group Bank AG shares that Management Board and Supervisory Board members, whose office term began or ended during the financial year, held as at the date of inception or termination of their term in office were recognised as additions or disposals.

Supervisory Board members did not receive any options on Erste Group Bank AG shares for exercising their office.

Persons related to Management Board or Supervisory Board members held 3,786 Erste Group Bank AG shares as of 31 December 2013 (prior year: 3,786).

Expenses for severance payments and pensions for members of the Management Board and managers amounted to EUR 2,590,861.22 (prior year: EUR 7,293 thousand). Expenses for severance payments and pensions for other employees amounted to EUR 34,246,459.73 (prior year: EUR 57,605 thousand). Each of the amounts indicated includes the required expenses for surviving dependants.

Information pursuant to section 239 (2) Commercial Code regarding Management Board and Supervisory Board members is disclosed separately in section 1 of the Appendix to the Notes.

VI. Appropriation of profit

At the Annual General Meeting, the Management Board will propose to pay out a dividend in the amount of EUR 0.20 per share (prior year: EUR 0.40) to the shareholders. The holders of participation capital are to receive a prorated (repayment as of 8 August 2013) dividend of 8% (EUR 84.7 million in total) on the notional value.

Appendix to the Notes

1. Corporate bodies of Erste Group Bank AG

Supervisory Board

Friedrich Rödler
President
Auditor and tax consultant

Georg Winckler
1st Vice President
Former rector of the University of Vienna
Professor of Economics at the University of Vienna

Theresa Jordis
2nd Vice President
Attorney-at-law — until 29 July 2013

Bettina Breiteneder
Businesswoman

Jan Homan
Chief Executive Officer of Teich AG

Juan María Nín Génova
President and CEO of "La Caixa"

Brian D. O´Neill
Vice Chairman of Lazard International

Wilhelm Rasinger
Consultant

John James Stack
President and retired CEO

Werner Tessmar-Pfohl
Retired businessman — until 16 May 2013

Representatives of the Employees' Council:

Friedrich Lackner
Chairman of the Employees' Council

Andreas Lachs
Member of the Employees' Council

Bertram Mach
Vice Chairman of the Employees' Council

Barbara Smrcka
Vice Chairwoman of the Employees' Council until 29 July 2013

Karin Zeisel
Vice Chairwoman of the Employees' Council

Representatives of the Supervisory Authority

Robert Spacek
State Commissioner until 30 November 2013

Dietmar Griebler
Deputy State Commissioner until 30 November 2013

Wolfgang Bartsch
State Commissioner since 1 December 2013

Michael Kremser
Deputy State Commissioner since 1 December 2013

Silvia Maca
State Controller for Premium Reserve

Erhard Moser
Deputy State Controller for Premium Reserve

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

Thomas Schimetschek
Deputy trustee under the Mortgage Bank Act

Management Board

Andreas Treichl
Chairman of the Management Board

Franz Hochstrasser
Vice Chairman of the Management Board

Andreas Gottschling
Member of the Management Board since 1 September 2013

Herbert Juranek
Member of the Management Board

Gernot Mittendorfer
Member of the Management Board

Manfred Wimmer
Member of the Management Board until 31 August 2013

2. Statement of changes in fixed and long-term assets 2013

	in EUR	At cost as of 01/01/2013	Additions	Disposals	At cost as of 31/12/2013	Write-ups acc. to sec. 56 (3) Federal Banking Act Currency translations	Accumulated depreciation 31/12/2013	Carrying amount 31/12/2013	Carrying amount 01/01/2013	Write-ups 2013	Depreciation 2013
1.	**Participating interests**	**276,387,150.20**	**11,092,997.81**	**6,830,815.64**	**280,649,332.37**	**0.00**	**26,052,782.22**	**254,596,550.15**	**250,866,869.48**	**0.00**	**1,456,617.32**
2.	**Shares in affiliated undertakings**	**11,745,883,267.62**	**56,705,245.27**	**30,066,473.05**	**11,772,522,039.84**	**0.00**	**443,631,987.84**	**11,328,890,052.00**	**11,364,738,277.52**	**0.00**	**62,496,622.09**
3.	**Intangible assets**	**139,818,848.44**	**37,212,811.98**	**1,707,518.44**	**175,324,141.98**	**0.00**	**109,795,205.12**	**65,528,936.86**	**48,658,063.63**	**0.00**	**20,457,077.38**
4.	**Tangible assets**	**109,042,379.73**	**934,473.95**	**40,194,141.55**	**69,782,712.13**	**0.00**	**50,426,680.57**	**19,356,031.56**	**29,432,143.48**	**0.00**	**3,847,336.08**
5.	**Securities**										
	Treasury bills and similar securities	4,714,275,425.40	961,831,770.87	895,399,952.33	4,780,707,243.94	2,565,086.45	76,328,327.78	4,706,944,002.61	4,683,039,128.72	2,448,716.80	50,365,690.01
	Loans and advances to credit institutions	1,831,390,988.02	0	80,406,331.70	1,750,984,656.32	1,546,560.06	-5,591,100.51	1,758,122,316.89	1,837,509,489.25	1,546,560.06	2,896.93
	Loans and advances to customers	1,280,735,262.08	9,372,623.69	279,136,757.59	1,010,971,128.18	62,448.47	2,428,523.61	1,008,605,053.03	1,278,706,787.25	18,953.37	839,113.06
	Bonds and other fixed-income securities	2,624,701,843.47	260,142,552.37	405,276,765.66	2,479,567,630.18	2,192,130.50	152,520,518.14	2,329,239,242.54	2,510,116,895.39	3,710,110.86	35,492,236.71
	Shares and other non-fixed-income securities	473,186,991.50	7,853,107.31	295,802,053.51	185,238,045.30	109,265.33	-382,277.02	185,729,587.65	473,602,636.73	109,265.33	3,307.25
		10,924,290,510.47	**1,239,200,054.24**	**1,956,021,860.79**	**10,207,468,703.92**	**6,475,490.81**	**225,303,992.00**	**9,988,640,202.73**	**10,782,974,933.34**	**7,833,606.42**	**86,703,243.96**
	Total	**23,195,422,156.46**	**1,345,145,583.25**	**2,034,820,809.47**	**22,505,746,930.24**	**6,475,490.81**	**855,210,647.75**	**21,657,011,773.30**	**22,476,670,287.45**	**7,833,606.42**	**174,960,896.83**

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

	01/01/2013	Additions (+)	Disposals (-)	31/12/2013
Investments	5,133,024.23	0.00	24.23	5,133,000.00
Property and buildings	59,975.77	0.00	59,975.77	0.00
Securities	0.00	0.00	0.00	0.00
	5,193,000.00	**0.00**	**60,000.00**	**5,133,000.00**

Vienna, 28 February 2014

Management Board

Andreas Treichl	**Franz Hochstrasser**
Chairman	Vice Chairman
Andreas Gottschling	**Herbert Juranek**
Member	Member
Gernot Mittendorfer	
Member	

MANAGEMENT REPORT 2013

Erste Group Bank AG

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 framework 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 sector 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.

Financial performance indicators

Operating income of Erste Group Bank AG was down by 26.4% to EUR 694.4 million (prior year: EUR 943.2 million), with the decline essentially attributable to a decline in income from shares in subsidiaries (EUR 221.1 million lower year-on-year). From now on, this income will be recognised as extraordinary income unless it represents profit distribution that does not result from operating income.

Operating expenses grew by 2.6% to EUR 431.8 million (prior year: EUR 443.4 million).

As reductions in operating expenses were unable to offset the lower operating income, **net operating income** declined by 47.5% to EUR 262.5 million (prior year: EUR 499.8 million).

At 62.2%, the **cost-income ratio** (operating expenses as a percentage of operating income) was above the previous year's figure of 47.0%.

Taking into account the charges to and releases from impairment adjustments for receivables, securities and participating interest, **pre-tax profit for the year** dipped from EUR 495.9 million last year to EUR -93.3 million. In the previous year, the returns from the early buyback of Tier 1 and Tier 2 instruments had a positive impact on net interest income, other operating income and current asset securities.

After recognising the distribution not resulting from operating income as extraordinary income, **net profit for the year before changes in reserves** was EUR 113.2 million, 70.1% lower than in the previous year (EUR 379.0 million).

Return on equity (ROE, net profit for the year before changes in reserves expressed in proportion to average equity capital, which consists of share capital, reserves less treasury shares and profit available for distribution) was 1.0% (prior year: 3.3%).

The **core (Tier 1) capital** of Erste Group Bank AG pursuant to sec. 23 (14) (1) Federal Banking Act totalled EUR 10.6 billion on 31 December 2013 (prior year: EUR 11.8 billion), or EUR 10.5 billion after deductions pursuant to sec. 23 (13) (3) and (4) Federal Banking Act (prior year: EUR 11.7 billion).

The **core (Tier 1) ratio** of Erste Group Bank AG expressed in proportion to credit risk – regulatory core (Tier 1) capital pursuant to the Federal Banking Act after deductions expressed as a percentage of the risk-weighted assets pursuant to sec. 22 (2) Federal Banking Act – totalled 31.3% at 31 December 2013 (prior year: 32.7%).

The **qualifying capital** of Erste Group Bank AG, pursuant to sec. 23 Federal Banking Act, including non-credit-risk-related risk requirements (in particular, operational risk and position risk for securities and foreign exchange) amounted to EUR 14.1 billion at 31 December 2013 (prior year: EUR 15.2 billion).

The legal minimum requirement was approx. EUR 3.0 billion at the balance sheet date, resulting in a coverage ratio of approx. 466% (prior year: 456%).

The **solvency ratio** in relation to the overall risk (total own funds as a percentage of the assessment base for total risk pursuant to section 22 (1) Federal Banking Act) was 37.3% (prior year: 36.5%) as at 31 December 2013 and thus markedly higher than the 8% minimum requirement stipulated by section 22 (1) Federal Banking Act.

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

Details on earnings

Net interest income improved by 1.8% to EUR 433.1 million (prior year: EUR 425.3 million). The decrease in the negative market values of the derivatives in the banking book had a positive effect on earnings.

The 61.7% decline in **income from securities and participating interests** to EUR 145.6 million (prior year: EUR 379.9 million) can essentially be attributed to a reduction in shares in affiliated undertakings from EUR 325.6 million in the previous year to EUR 103.9 million.

Net commission income increased by 64.4% from EUR 17.7 million in the previous year to EUR 29.1 million. This improvement was primarily driven by improvements in the securities business.

Although strategic FX positions were successful due to the development of the CZK exchange rate, particularly in the fourth quarter of 2013, **net profit on financial operations** decreased from EUR 72.8 million in the previous year to EUR 58.3 million in the current financial year. This can be attributed to lower fixed-income results – interest rate trading with derivatives and securities, incl. structures.

In addition to salaries (both fixed and variable) and social expenses, **personnel expenses** also include expenses for long-term employee provisions and pension fund contributions. Total personnel expenses decreased by 15.5% to EUR 219.2 million (prior year: EUR 259.5 million). What needs to be taken into account is that higher expenses had been incurred in the previous year for the allocation of the pension provision, since the actuarial losses had to be recognised as income due to the discontinuation of the corridor method in 2012.

The **number of employees** at Erste Group Bank AG (in full-time equivalents) grew by 3.5% in the fiscal year and compares to the previous year as follows:

	Status 2013/12/31	**Status 2012/12/31**
Domestic	1,918.6	1,827.3
International	89.0	93.0
London	*32.0*	*37.0*
New York	*22.0*	*24.0*
Hong Kong	*22.0*	*19.0*
Germany	*13.0*	*13.0*
Total	**2,007.6**	**1,940.3**
of which on unpaid leave	*166.7*	*118.5*

Other administrative expenses rose by 14.6% to EUR 180.1 million (prior year: EUR 157.1%), with costs moving up particularly as a result of additional advisory services.

Value adjustments on tangible fixed assets increased by 18.5% from EUR 20.5 million in the previous year to EUR 24.3 million. This rise was also due to impairment losses on account of software solutions that were not put into operation.

Owing to defaults in parts of large corporate business in Erste Group Bank AG's core markets, **required net allocation for receivables** (including receivable write-offs offset against income from written off receivables and cancellation of valuation allowances and risk provision) increased from EUR 201.2 million in the previous year to EUR 292.8 million in the financial year 2013.

Current asset securities (valuation and price earnings) as well as the income and value adjustment positions on **participating interests and fixed-asset securities** was EUR -63.1 million in 2013 (prior year: EUR 197.3 million). The early buyback of the Tier 1 and Tier 2 instruments, in particular, had a positive effect on earnings in 2012. For evaluations of the participating interests, see points 8 and 9 in Annex IV.

Tax situation: Pursuant to section 9 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.

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

Changes in reserves during the year resulted in the net release of EUR 57.4 million (prior year: allocation to reserves of EUR 80.1 million). **Net income for the year** was at EUR 170.6 million, clearly above the previous year's level of EUR 298.9 million. Together with profit brought forward of the previous year, the **profit available for distribution** amounted to EUR 170.6 million.

At the Annual General Meeting, the Management Board will propose to pay out a dividend in the amount of EUR 0.20 per share (prior year: EUR 0.40 per share) to the shareholders. The holders of participation capital are to receive a prorated – repayment as of 8 August 2013 – dividend of 8% (EUR 84.7 million in total) on the notional value.

Explanatory notes on the balance sheet

As of 31 December 2013, **total assets** had decreased by 10.0% from the end of 2012 to EUR 75.4 billion, which is attributable to derivative optimisation (approx. EUR 4 billion) and repaid deposits held with central banks.

Loans and advances to credit institutions decreased by 11.5% from EUR 28.6 billion in the previous year to EUR 25.3 billion. The decline primarily affected interbank business in foreign currency with foreign credit institutions.

Loans and advances to customers grew by 5.3% from EUR 13.1 billion at the end of 2012 to a current EUR 13.8 billion. The number of both domestic and international euro credit customers increased.

The total **securities investments** increased by EUR 1.5 billion to EUR 13.4 billion at the end of 2013 due to the increase in bonds (by 22.1% from EUR 6.8 billion to EUR 8.3 billion). Debt instruments issued by public-sector institutions in the amount of EUR 5.1 billion has been steady compared to prior year.

At EUR 11.6 billion, the carrying amount of **participating interest and shares in affiliated undertakings** remained unchanged from the previous year.

Other assets of EUR 8.8 billion (prior year: EUR 13.0 billion) primarily include interest accruals, accruals for derivative products and receivables from participating interests and affiliated undertakings. The marked decrease can be attributed to derivative optimisation.

On the liabilities side, **liabilities to credit institutions** decreased by 7.3% to EUR 24.0 billion (prior year: EUR 25.9 billion). This can be attributed to the repayment of the refinancing by OeNB within the LTRO framework.

At EUR 4.8 billion, **amounts owed to customers** remained unchanged compared to the end of 2012. The decline in overnight deposits was offset by the increase in deposits redeemable at notice.

As the increase in subordinate liabilities (by 6.3% to EUR 3.4 billion) was unable to compensate for the decline in liabilities evidenced by certificates (by 4.1% to EUR 23.2 billion), a decrease by a total of

0.8 billion was observed in the refinancing through **own securities**. Supplementary capital was unchanged at EUR 1.0 billion.

Other liabilities amounted to EUR 7.3 billion (prior year: EUR 11.7 billion) and chiefly included accrued premiums from derivatives trading, other offsetting liabilities as well as interest and commission accruals. In this case, too, the marked decrease can be attributed to derivative optimisation.

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 separate 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.

Events after balance sheet date

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

Research and development

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

Branches

Erste Group Bank AG maintains branches in London, New York and Hong Kong that provide commercial lending to foreign banks, leasing companies and sovereign debtors. As of 2011, further branches were established in Germany (Berlin and Stuttgart) - their main focus is on institutional sales.

As of December 13, 2013 a Representation Office was registered in Ukraine. The Representation Office supports Erste Group Bank AG in managing a portfolio of prominent Ukrainian Large Corporates, particularly in agriculture and energy.

Capital, Share, Voting and Control Rights

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

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

As of 31 December 2013, DIE ERSTE oesterreichische Spar-Casse Privatstiftung, a foundation, held together with Austrian savings banks 20.65 % of the shares in Erste Group Bank AG. The foundation is holding 13.14% of the shares directly, which is making her the largest shareholder.

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

The Articles of Association contain no restrictions in respect of voting rights or the transfer of sharesArt. 19.9 of the Articles of Association concerning amendments to the Articles of Association contains a provision that is not prescribed directly by statutory law: amendments to the Articles of Association, in so far as they do not alter the business purpose, may be passed by simple majority of votes cast and simple majority of the subscribed capital represented at the meeting considering the amendment. Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Moreover, amendments to Art. 19.9 require a three-quarter majority of the votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal.

Other information:

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

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

In addition, the purpose of this scheme is:

- to identify any business issues of its member banks at an early stage and to provide effective assistance to its members in the resolution of business issues - this can range from offering technical assistance or giving guarantees to providing borrowed or qualifying capital, and
- to provide customers with a deposit guarantee system that goes beyond the legal deposit guarantee requirement (section 93 et seq. BWG) that which only guarantees certain types of customer deposits by creating a suitable obligation to service the liabilities of other participating savings banks if the need arises.

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

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

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.

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:

- 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 Austrian Stock Corporation Act ("AktG"). 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.

- 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 sec. 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.

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

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

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

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

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

"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 control

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

a) the insured ceases to exist as a result of a merger or consolidation, unless the merger or consolidation occurs between two insured parties, or

b) another company, person or group of companies or persons acting in concert, who are not insured parties, acquire more than 50 % of the insured's outstanding equity or more than 50 % of its voting power (resulting in the right to control the voting power represented by the shares, and the right to appoint the Management Board members of the insured),

then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change in control took effect. However, no insurance cover is provided for claims relating to unlawful acts committed or allegedly committed after that time (unless the insured and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.

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

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

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

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

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

Control environment

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

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

Risk assessment

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

Controls

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

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

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

Information and communication

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

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

Responsibilities of Internal Audit

Internal Audit is in charge of auditing and evaluating all areas of the bank based on risk oriented audit areas (according to the annual audit plan as approved by the Management Board and reportet 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.

Risk Management

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

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

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

Risk management objectives and methods

It is a core function of every bank to take risks in a conscious and selective manner and to professionally manage such risks. Erste Group Bank AG pursues a proactive risk policy and risk strategy that also aims to establish an optimal balance between risk and return in order to achieve a sustainable, high return on equity.

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

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

For credit risk, by far the most important risk category, Erste Group Bank AG has been using the Basel 2 internal ratings-based (IRB) measurement approach since 2007, and thus has in place all the methods and processes required for this advanced measurement approach.

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

In order to hedge the exposure to variability in future cash flows or the market risk (interest rate, exchange rate and price risk) resulting from balance sheet assets (bonds, loans) and liabilities (own issues, promissory notes, custody transactions) on an individual basis or as a group, Erste Group Bank AG uses interest rate swaps, currency swaps and options as hedging instruments. These hedging instruments are accounted for as valuation units together with the respective hedged item according to section 201 (2) last sentence UGB. The requirements for the generation of valuation units are fulfilled by the cash flow and fair value hedge accounting processes, which are applied at Erste Group Bank AG. Details on these processes are presented in the notes to the financial statement, section III.29.

For Erste Group Bank AG operational risk has been assessed using the advanced measurement approach (AMA) since 2009. Since then, the Group extends constantly the scope of this approach.

In order to provide a comprehensive overview of current and future risk and the cover pools of the Bank, the bank's risk-bearing capacity is determined by the Internal Capital Adequacy Assessment Process (ICAAP). This process provides regular updates on the risk profile and capital adequacy, furnishing a basis for defining and implementing any measures that may be necessary.

Risk management organisation

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

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

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

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

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

- Group Strategic Risk Management;
- Group Risk Governance and Projects;
- Group Corporate Risk Management;
- Group EGI Real Estate Risk Management;

- Group Retail Risk Management;
- Group Corporate Workout;
- Group Compliance, Legal and Security.

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

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

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

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

Group Retail Risk Management is in charge of monitoring and steering the Group's retail lending portfolio and defining the retail risk management lending framework. It provides Group level analytical framework which enables local banks to monitor the performance of retail loan portfolios and to address adverse developments early on.

Group Corporate Workout is responsible for managing problematic corporate clients of the group-wide Group Corporate and Investment Banking segment as well as problematic borrowers of the local segments for lending to small and medium-sized enterprises (SME) where the exposure is above the authority of the management board of the respective subsidiary.

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

At the beginning of year 2014 the risk management organisation at Group level was redesigned. The prime objective was a proper 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 strategic risk management division. The validation of models for all risk types is now done in a separate department which directly reports to the CRO.

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.

CIVIL 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 MehrWERT 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 Group supports Caritas projects, such as the annual Inlandshilfe and the Eastern Europe Campaigns.

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.

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.

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.

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. 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.

Erste Group Bank AG – Key figures	*2013*	*2012*
Sick days per employee	6.6	6.7
Percentage of women per total employee	43.3%	44.0%
Share of executive positions	2.0%	2.0%
Other managerial positions	7.8%	8.2%
Share of women in executive positions	13.5%	10.8%
Share of women in other managerial positions	24.0%	25.7%
Percentage of part-time employees	15.3%	21.0%
Percentage of female part-time employees	81.7%	72.0%

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 CO2 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.

Vienna, 28 February 2014

Management Board

Andreas Treichl
Chairman

Franz Hochstrasser
Vice Chairman

Andreas Gottschling
Member

Herbert Juranek
Member

Gernot Mittendorfer
Member

AUDITORS' REPORT

Report on the Financial Statements

Sparkassen-Prüfungsverband and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, have audited the accompanying financial statements, including the accounting system, of Erste Group Bank AG, Vienna, for the fiscal year from January 1, 2013 to December 31, 2013. These financial statements comprise the balance sheet as of December 31, 2013, the income statement for the fiscal year ended December 31, 2013, and the notes.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Erste Group Bank AG's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Erste Group Bank AG as of December 31, 2013 and of its financial performance for the fiscal year from January 1, 2013 to December 31, 2013 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

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

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

Vienna, 28 February 2014

Austrian Savings Bank Auditing Association
(Audit Agency)

(Bankprüfer)

Friedrich O. Hief
Certified Accountant

Herwig Hierzer
Certified Accountant

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Helmut Maukner
Certified Accountant

Andrea Stippl
Certified Accountant

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

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

Statement of all members of the management board

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

Vienna, 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	