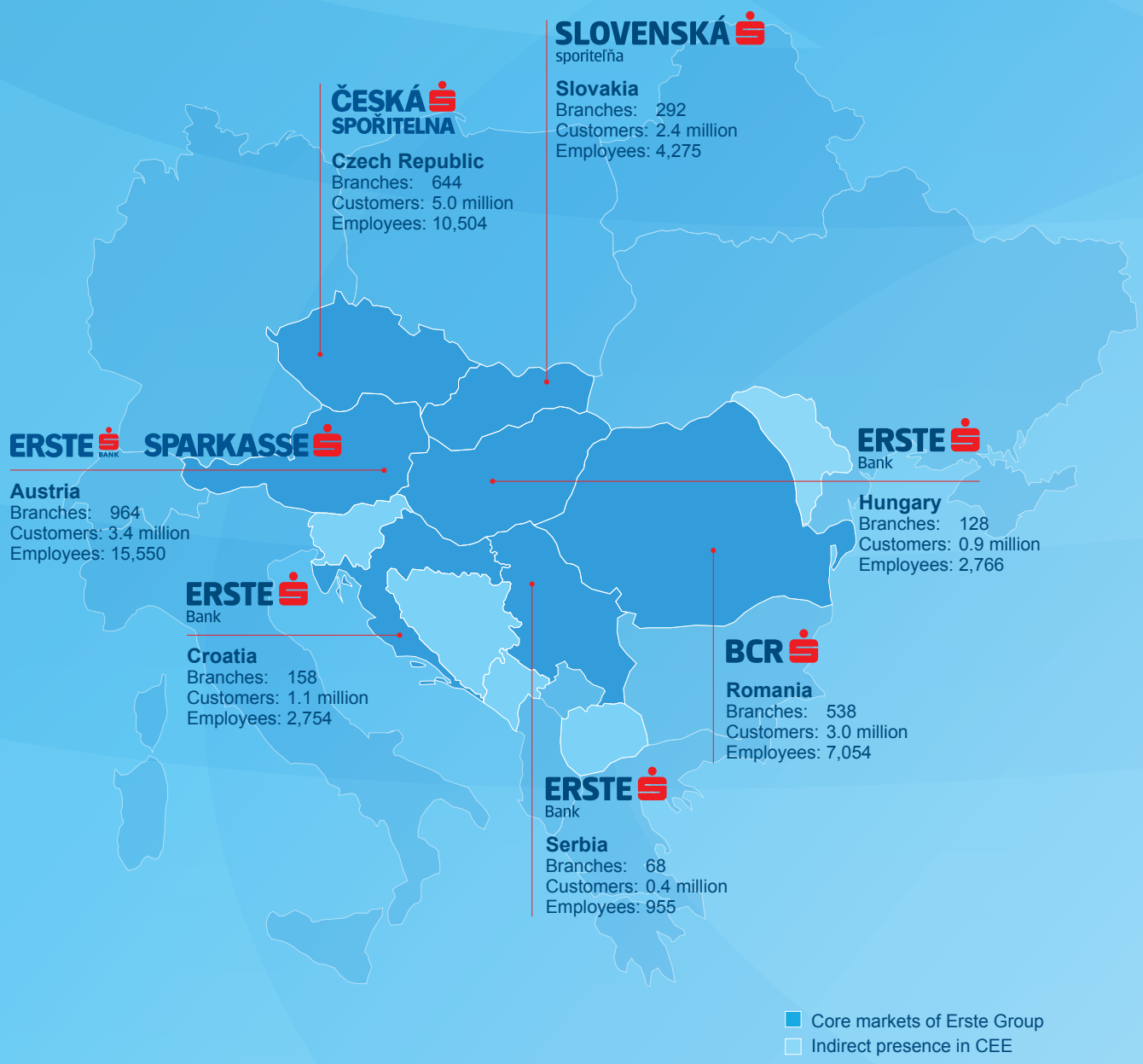


Erste Group
Annual Report 2014

Extensive presence in Central and Eastern Europe



Key financial and operating data*

in EUR million (unless otherwise stated)	2010	2011	2012	2013	2014
Balance sheet					
Total assets	205,938	210,006	213,824	200,118	196,287
Loans and receivables to credit institutions	12,412	7,506	9,008	8,377	7,442
Loans and receivables to customers	126,696	127,808	124,353	119,945	120,834
Trading, financial assets	46,582	52,981	57,932	51,269	50,131
Intangibles	4,675	3,532	2,894	2,441	1,441
Cash & Other assets	15,574	18,180	19,637	18,087	16,439
Total liabilities and equity	205,938	210,006	213,824	200,118	196,287
Bank deposits	20,154	23,785	21,822	17,299	14,803
Customer deposits	117,016	118,880	123,053	122,415	122,583
Debt securities	37,137	36,564	34,751	33,124	31,140
Trading liabilities & Other liabilities	14,499	15,597	17,860	12,494	14,319
Equity attributable to non-controlling interests	3,543	3,143	3,483	3,466	3,605
Equity attributable to owners of the parent	13,588	12,037	12,855	11,319	9,838
Own funds pursuant to Basel 3					
Calculation base/total risk (final)	119,844	114,019	105,323	97,901	101,870
Total own funds	16,220	16,415	16,311	15,994	15,853
Common equity tier 1 capital (CET1)	11,019	10,681	11,848	11,199	10,811
Tier 2 capital (T2)	3,627	4,092	3,791	4,206	5,042
Total capital ratio	13.5%	14.4%	15.5%	16.3%	15.6%
CET1 capital ratio	9.2%	9.4%	11.2%	11.4%	10.6%
Income statement					
Net interest income	5,186.1	5,368.7	5,041.5	4,685.0	4,495.2
Net fee and commission income	1,936.0	1,787.2	1,720.8	1,806.5	1,869.8
Net trading and fair value result	450.2	122.6	269.8	218.8	242.3
Operating income	7,843.6	7,531.0	7,281.1	6,995.1	6,877.9
Operating expenses	-3,931.2	-3,971.9	-3,881.0	-3,896.1	-3,787.3
Operating result	3,912.4	3,559.1	3,400.1	3,099.0	3,090.7
Net impairment loss on financial assets not measured at fair value through profit or loss	-2,068.0	-2,365.2	-2,060.1	-1,774.4	-2,159.2
Pretax result	1,515.1	-322.1	801.2	378.4	-803.2
Net result attributable to owners of the parent	1,015.4	-718.9	483.5	60.3	-1,442.0
Operating Data					
Headcount	50,272	50,452	49,381	45,670	46,067
Number of branches	3,202	3,176	3,063	2,833	2,792
Number of customers	17.0	17.0	17.0	16.5	16.2
Share price and key ratios					
High (EUR)	35.59	39.45	24.33	26.94	29.71
Low (EUR)	25.10	10.65	11.95	19.34	17.02
Closing price (EUR)	35.14	13.59	24.03	25.33	19.235
Price/earnings ratio	13.1	na	19.6	180.6	na
Dividend per share (EUR)	0.70	0.00	0.40	0.20	0.00
Payout ratio	26.1%	0.0%	32.6%	142.6%	0.0%
Dividend yield	2.0%	0.0%	1.7%	0.8%	0.0%
Book value per share	29.9	26.1	27.9	26.3	22.9
Price/book ratio	1.2	0.5	0.9	1.0	0.8
Total shareholder return (TSR)	37.3%	-59.3%	76.8%	7.1%	-23.3%
Stock market data (Vienna Stock Exchange)					
Shares outstanding at the end of the period	378,176,721	390,767,262	394,568,647	429,800,000	429,800,000
Weighted average number of outstanding shares	374,695,868	377,670,141	391,631,603	411,553,048	427,533,286
Market capitalisation (EUR billion)	13.3	5.3	9.5	10.9	8.3
Trading volume (EUR billion)	15.3	10.9	7.4	8.3	9.3

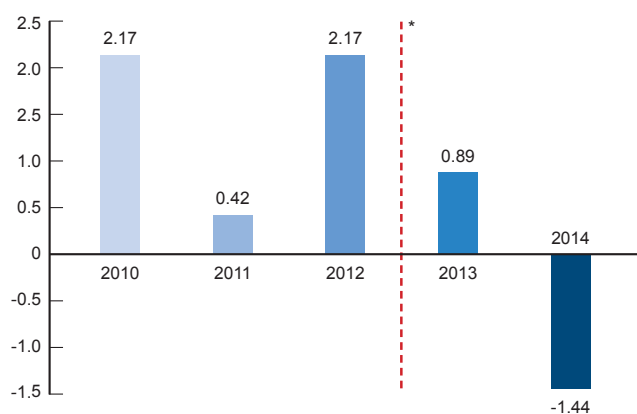
*) The figures for the years prior to 31 December 2014 are restated according to IAS 8. The resulting retrospective changes in the presentation are explained in chapter B on significant accounting policies in the consolidated financial statements 2014.

The calculation of own funds pursuant to Basel 3 is effective as of 1 January 2014. Until 31 December 2013 the calculation was effected pursuant to Basel 2.5.

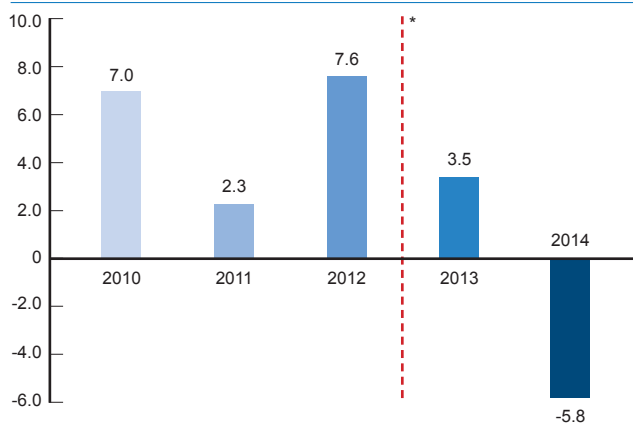
The dividend pay-out ratio represents dividends paid to owners of the parent (excluding dividends paid on participation capital) for the respective year divided by net result attributable to owners of the parent.

Shares outstanding include Erste Group shares held by savings banks that are members of the Haftungsverbund (cross-guarantee system).

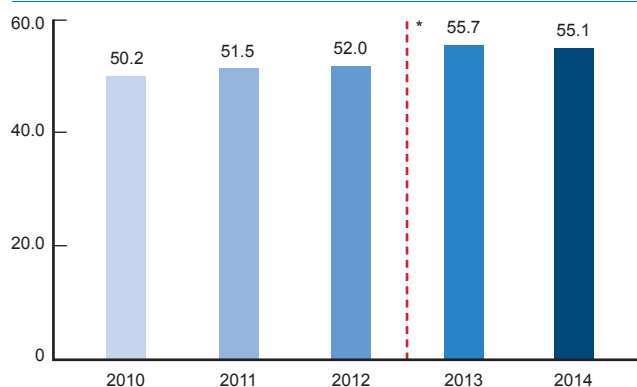
Cash earnings per share (in EUR)



Cash return on equity (in %)

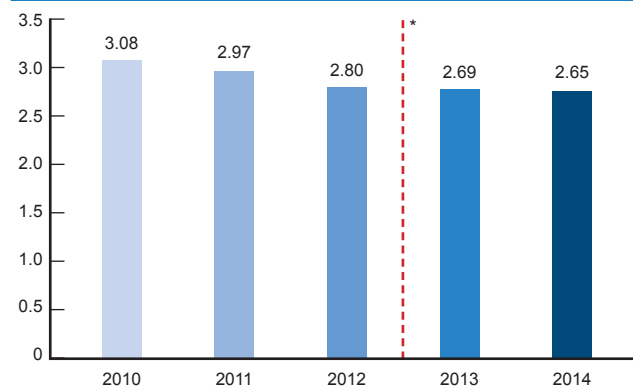


Cost/income ratio (in %)

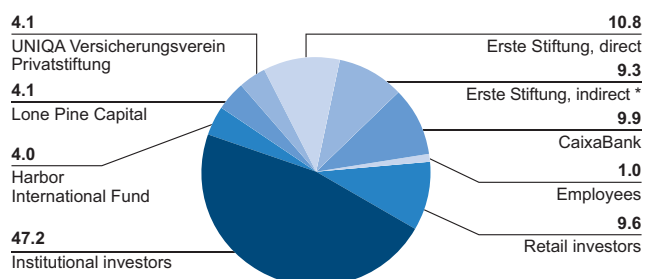


* adoption of IFRS 10 and changes in the presentation of the income statement and balance sheet

Net interest margin (in %)

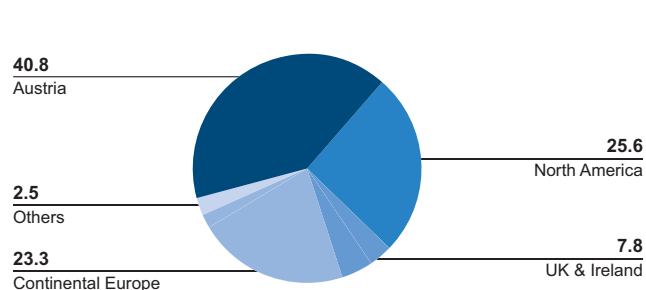


Shareholder structure as of 31 December 2014 by investors (in %)



* includes voting rights of Erste Foundation, savings banks, savings bank foundations and Wiener Städtische Wechselseitige Versicherungsverein

Shareholder structure as of 31 December 2014 by regions (in %)



Ratings as of 31 December 2014



Fitch

Long-term	A
Short-term	F1
Outlook	Negative

Moody's Investors Service

Long-term	Baa2
Short-term	P-2
Outlook	Negative

Standard & Poor's

Long-term	A-
Short-term	A-2
Outlook	Negative

Financial calendar 2015



Date	Event
7 May 2015	Results for the first quarter of 2015
12 May 2015	Annual general meeting
7 August 2015	Results for the first half year of 2015
6 November 2015	Results for the first three quarters of 2015

The financial calendar is subject to change.
The latest updated version is available on Erste Group's website
(www.erstegroup.com/investorrelations).

Highlights

Operating result stable

- _ Revenue decline on low interest rate environment
- _ Reduced costs
- _ Cost/income ratio slightly improved to 55.1%

Loan growth returning

- _ Performing loans up by EUR 2.0 billion
- _ Retail business as growth driver

Asset quality substantially improved

- _ NPL ratio significantly improved to 8.5%
- _ NPL coverage increases to 68.9% in 2014

Capital ratios remain solid

- _ CET 1 ratio (Basel 3, final) at 10.6%
- _ Moderate increase in risk-weighted assets

Net profit burdened by one-off effects

- _ Negative one-off effects of EUR 1,474.0 million
- _ Banking taxes and FTT totalling EUR 256.3 million
- _ No dividend payment for 2014

Excellent funding and liquidity position

- _ Strong deposit base is key competitive advantage
- _ Loan-to-deposit ratio at 98.6%

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Letter from the CEO

Dear shareholders,

2014 was a year of change. Many of the issues we had been dealing with over the past few years, such as the challenging business environment in Hungary and the risk situation in Romania, were hopefully finally resolved. This resulted in a loss of EUR 1.4 billion attributable to various one-off effects and the suspension of dividend payments for 2014, but also led to a fair number of positive developments. The operating result remained stable at EUR 3.1 billion, not least due to further cost reductions. For the first time since 2011, lending volume was up by EUR 1 billion. Growth was recorded primarily in the core markets of Austria, the Czech Republic and Slovakia, while lending volume still contracted in Romania and Hungary. At the same time, asset quality improved further, particularly in Romania. We eliminated bad loans and added good loans. The NPL ratio declined by more than one percentage point to 8.5%. The NPL coverage ratio improved significantly to 68.9%. Even though the low interest rate environment held little attraction for savers, customer deposits increased, which is a clear sign of trust in the bank. And in the fourth quarter of 2014, Erste Group returned to profitability. Also in 2014, we laid the groundwork for our new group-wide digital platform.

Having radically disposed of legacy issues, we can now face the future with a clean slate. The changes on the management board of Erste Group as of year-end underline our commitment to our business model: we aim to be the leading bank in the eastern part of the European Union. Peter Bosek will manage the key strategic initiatives in retail banking group-wide, including the digital transformation and innovation. Our clear goal is to further enhance and strengthen Erste Group's position as the pre-eminent retail bank in our region. In the corporate business, Jozef Síkela, new board member for Corporate & Markets, will focus on SMEs and companies that operate in our core markets. Erste Group does not aspire to be a global bank, but is and will stay a regional bank that is firmly embedded in the real economy in CEE. Petr Brávek, who will take up his new position as COO on 1 April 2015, will be responsible for the technical implementation of the digital transformation and the alignment of data management with new regulatory standards.

Economic growth accelerating in CEE

In Central and Eastern Europe, the macroeconomic environment was characterised by stable developments in 2014. With the exception of Croatia and Serbia, all core markets of Erste Group in the CEE region continued growing, albeit at modest rates. Austria posted real GDP growth of 0.4%, below the euro zone average of 0.9%. Across the region, domestic demand picked up visibly, with household consumption showing an extremely positive trend in the Czech Republic and in Romania. With its large share of exports, the automotive industry was again a key contributor to economic performance, especially in the Czech Republic, Slovakia, Romania and Hungary. In Austria, public-sector consumption played a major role in supporting economic growth as household consumption remained weak, as did investment in plant and equipment. The labour market improved in many of the CEE economies. At 5.0%, the Austrian unemployment rate was again one of the lowest in Europe in 2014. The sanctions imposed by Russia have only had a minor impact on CEE economies to date, as trade flows between the two regions are limited. In light of very low inflation pressure, the key policy rates in Romania and Hungary were cut further to new historical lows. In the Czech Republic, the key interest rate stood at 5 basis points throughout the year. The Czech koruna and the Romanian leu remained stable while the Hungarian forint depreciated slightly versus the euro despite very good economic data.

Substantial negative impacts of one-off effects

The operating result of Erste Group was stable in line with the solid development in CEE markets. While operating income was affected by the persistently low interest rates, this negative impact was partly offset by a decline in general administrative expenses, the result of rigorous cost control efforts of recent years. The main loss drivers for the year, however, were adverse one-off effects and high risk costs, especially in Hungary and Romania. One key factor was the write-down of intangible assets in the total amount of EUR 964.8 million. We wrote off the entire remaining goodwill in Romania and in Croatia and some smaller participating interests – goodwill write-downs totalled EUR 475.0 million – as well as customer relationships and brand in Romania in the amount of EUR 489.8 million. These write-offs were

attributable to the need to revise some original projections due to significant changes in the economic environment. Risk-induced one-off effects also had a negative impact in 2014. In Romania, an additional EUR 400 million in additional risk costs was posted in connection with the accelerated reduction of non-performing loans. As a result, the Romanian NPL portfolio was sharply reduced by almost one billion euro already in 2014. The Hungarian consumer loan law passed last summer had a negative net impact of EUR 312.2 million on the annual result. The exchange rate for the forced conversion of foreign-currency loans to local currency was set in autumn at the market rate applying at that time. The issue of foreign currency loans in Hungary should be finally settled in 2015.

The banking taxes levied in Austria, Hungary and Slovakia at levels that were substantial by international standards were unfortunately not a one-off effect. While they were lower than in the preceding year, they still had a negative impact of EUR 210.0 million on 2014 earnings. In addition, transaction taxes of EUR 46.3 million were paid in Hungary. Levies will increase again in 2015, mainly in Austria, as the additional contributions to the European bank resolution and deposit insurance funds will significantly exceed the slight reduction in banking taxes of 2014.

Sound capital and liquidity positions

Major portions of the one-off effects were not cash-effective, however, and had no impact on Erste Group's regulatory capital. Erste Group's position as one of the best-capitalised major Austrian banks was confirmed. At year-end 2014, Erste Group's common equity tier 1 ratio (CET1, Basel 3, fully loaded) was 10.6%, well above the 10% minimum ratio target agreed with the regulator. The solvency ratio stood at 15.7%. Erste Group's long- and short-term liquidity positions remained excellent on the back of deposit inflows.

Regulatory environment

In November 2014, the European Central Bank (ECB) assumed responsibility for the supervision of significant European banks, including Erste Group. Before that date, Erste Group had successfully passed the Asset Quality Review (AQR) and the associated stress test conducted by ECB and the European Banking Authority (EBA) respectively. It would now be desirable to achieve some continuity and stability of regulatory standards after years of uncertainty.

Leading retail bank with a clear geographical focus

In our core markets, we are well positioned to benefit from the medium- to long-term growth opportunities in the eastern part of the European Union and Austria. We strive to offer our customers – private individuals, professionals, SMEs and large corporate customers – suitable and transparent modern financial products and bank services. Especially in Austria, the Czech Republic and Slovakia, we saw lending growth driven by increased demand already in 2014. In Hungary, recent developments make it possible to leave the past behind. As the government and the European Bank for Reconstruction and Development (EBRD) signed an agreement in February 2015 designed to strengthen the financial sector and providing, among other things, for a gradual reduction of Hungarian banking taxes from 2016, we invited the Hungarian government and the EBRD to acquire shares in Erste Bank Hungary. We are confident that Erste Group will be able to earn a premium on capital costs that is sustainable over the long term even though the steady rise in capital requirements is not exactly helpful.

I would like to take the opportunity to thank all employees, as it is their competence and commitment that secure strong relationships with our customers over the long term and they translate our strategy into business.

Andreas Treichl mp



Management board



Andreas Treichl

Chairman

Group Strategy
Group Secretariat (incl. CSR, Group Environmental Management)
Group Communications
Group Investor Relations
Group Human Resources (incl. Group Diversity)
Group Audit
Employees' Council
Social Banking Development



Gernot Mittendorfer

Group Asset Liability Management
Group Controlling and Information Management
Group Accounting
Participation Management
Group Services



Andreas Gottschling

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



Peter Bosek

Digital Sales
HUB
Group Private Banking
Group Brands Communication
Group Retail Steering and Projects
Group Retail Strategy



Jozef Síkela

Large Corporates
Erste Group Immorent
Group Capital Markets
Group Research
Group Investment Banking
Steering & Operating Office Markets
Steering & Operating Office Corporates



Petr Brávek

Group Organisation/IT
Group Banking Operations



Report of the supervisory board

Dear shareholders,

In 2014, the supervisory board had to deal with substantial challenges and the critical task of setting the course that Erste Group Bank AG will take going forward. We took important, albeit not always easy decisions for the future in order to secure a sound base for the bank's long-term development.

On the positive side, Erste Group passed the Asset Quality Review and the associated stress test conducted by the European Central Bank and the European Banking Authority respectively, and reaffirmed its position as one of the best-capitalised major banks in Austria. The increase in risk provisions in Romania and Hungary announced on 3 July 2014 doubtless made a significant contribution to Erste Group's successful passing of the Asset Quality Review and stress test. While these measures resulted in a significant loss in the financial year 2014, the supervisory board regarded them as a prerequisite for mastering the challenges in an economically difficult environment that is characterised by moderate economic growth and low interest rates.

One of the key issues was certainly the strategic repositioning of Erste Group and the related human resources decisions. For the retail business, a group function has been created to which the supervisory board appointed Peter Bosek as a new member of the management board of Erste Group Bank AG. For the realignment of the corporate business, which – after an initial period under central control – is to be returned increasingly to local management responsibility, the supervisory board appointed Jozef Sikela as a member of the management board. Both started in their new positions on 1 January 2015. Petr Brávek was appointed by the supervisory board to join the management board on 1 April 2015 as Chief Operations Officer. On behalf of the entire supervisory board, I cordially thank Franz Hochstrasser and Herbert Juranek, who left the management board at year-end, for their many years of successful service for Erste Group Bank AG.

The eventful year of 2014 also saw changes in the composition of the supervisory board: at the annual general meeting, Elisabeth Bleyleben-Koren, Elisabeth Krainer Senger-Weiss and Gunter Griss were newly elected to the supervisory board. The employees' council nominated Markus Haag and Barbara Pichler as new members to the supervisory board. I am very pleased that we have thus not only gained additional professional expertise but have also

achieved more diversity on the supervisory board. Juan Maria Nin Génova resigned from his mandate, which he had held since 2009, for personal reasons effective 11 December 2014. As of the same date, Friedrich Lackner, chairman of the employees' council, left the supervisory board due to his retirement. Committee membership has been adjusted accordingly. I also wish to thank them both for their many years of valuable and competent service as members of the supervisory board.

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

In the course of 46 supervisory board and committee meetings, the management board promptly and comprehensively informed the supervisory board in both written and oral reports on all business matters. This allowed us to act in accordance with the mandate laid down by law, the articles of association and the Austrian Code of Corporate Governance, as well as to ascertain the proper conduct of business.

The financial statements (consisting of the balance sheet, income statement and notes), the management report, the consolidated financial statements and the group management report for 2014 were audited by the legally mandated auditor, Sparkassen-Prüfungsverband, and by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., as supplementary auditor, and received an unqualified audit opinion. Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. was also contracted to perform a discretionary audit of the corporate governance report 2014.

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

We have approved the financial statements and these have thereby been duly endorsed in accordance with section 96 (4) of the

Aktiengesetz (Austrian Stock Corporation Act). The management report, consolidated financial statements, group management report and corporate governance report have been reviewed and accepted.

Even though the result of the financial year 2014 does not permit distribution of a dividend, the supervisory board is nonetheless convinced that due to the measures it has implemented, Erste Group Bank AG can look forward to 2015 with optimism. The course charted will enable the bank to grow and hold its ground even in difficult economic conditions and in a competitive business environment.

For the supervisory board:

Friedrich Rödler mp
Chairman of the Supervisory Board

Vienna, March 2015



Erste Group on the capital markets

Against the backdrop of economic growth in the US, a weakening euro zone economy and the impacts of geopolitical uncertainty, the focus of international stock markets in the past year was on the central banks' interest rate policies. While the euro zone was moving towards further monetary policy easing, the US central bank (Fed) was considering steps to tighten its monetary policy. The prospect of a first rate hike in the US since the severe financial and economic crisis buoyed up the dollar and pushed the euro lower. European banking stocks were impacted by regulatory measures and reviews conducted by supervisory authorities. The Erste Group share declined by more than 20% year on year due to the challenging environment and one-off effects (including goodwill adjustments), even though the bank comfortably passed the stress test and has recently seen improvements in credit quality.

EQUITY MARKET REVIEW

Solid performance of key markets

After most of the stock markets followed had extended the rallies started in 2013 well into the first half of 2014, clouded economic outlooks in Europe, China and Japan as well as uncertainty about the Fed's future monetary policy fuelled volatility once the quantitative easing measures had been ended. The relative weakness of European key indices compared with US indices became more pronounced amid a softening European economy, the conflict between Russia and Ukraine and the sanctions imposed in this context. The weak euro aggravated the negative sentiment towards Europe. While the US indices hit new record highs, European stocks were lagging behind. The US Dow Jones Industrial Index closed the year 7.5% up at 17,823.07. The broader US indices posted two-digit gains: the Standard & Poor's 500 Index advanced 11.4% to 2,058.90 and the Nasdaq Composite Index climbed 13.4% to 4,736.05. By comparison, the Euro Stoxx 600 Index rose 4.4% to 342.54 and the Euro Stoxx 50 Index closed at 3,146.43, up 1.2%.

Continuation of expansionary monetary policy

The European Central Bank (ECB) cut its rates once again in response to weak macroeconomic data in Europe and growing concerns about deflation. The inflation rate fell to 0.3%, the lowest level since October 2009. The euro zone's benchmark refinancing rate, at which central bank funds are offered to the

banking system, was cut to a new record low of 0.05%. For the first time, the ECB decided to offer banks a negative interest rate for short-term deposits. With this move, the ECB intends to stimulate lending and, thereby, the economy, particularly in southern Europe, and to prevent inflation from falling too low. The Fed confirmed that it would keep its key interest rate low within a range of 0% to 0.25%. In view of solid US economic data, however, the Fed has already started its controlled exit from the ultra-loose monetary policies pursued in recent years by tapering its quantitative easing programme, i.e. large-scale asset purchases.

Weakening economic activity in the euro zone

The US economic environment has improved significantly, with stronger-than-expected real gross domestic product growth in the third quarter of 2014, robust employment data and solid economic indicators. The growth data published indirectly supported the Fed's decision to end quantitative easing and to keep its key interest rate close to 0%. Unlike for the US, economic research institutes had to revise their growth forecasts for the euro zone downwards. This was attributable to weak economic data and, most importantly, the impacts expected from the Ukraine crisis in the shape of sanctions mutually imposed on each other by Russia and the European Union. Apart from the euro zone, the research institutes and the OECD have identified further soft spots in the global economy such as potentially lower growth in China and a contraction of the Japanese economy, which may dampen economic activity worldwide.

Focus on Asset Quality Review and stress test

While the continuation of the ECB's loose monetary policy in the form of rate cuts provided positive momentum and supported the ongoing rally in European bank stocks in the first quarter, market conditions turned tense later in the year as 130 European banks had to undergo Asset Quality Reviews (AQRs) and stress tests. The results released at the end of October confirmed that the major banks of the euro zone were sufficiently resilient to withstand crises. The capital requirements of the 25 banks that failed the test were lower than expected. Since the beginning of November 2014 the European Central Bank (ECB) has directly supervised the most significant banks of the euro zone. The introduction of bank recovery and resolution rules designed to force creditors to absorb some of the costs of winding down banks and requiring banks to contribute to a resolution fund were viewed

critically by the rating agencies Standard & Poor's and Moody's. In the year ended, the Dow Jones Euro Stoxx Bank Index, which is composed of leading European bank stocks, declined by 4.9% to 134.51 points.

Vienna Stock Exchange lagging behind global markets

While in the first half of the year the Vienna Stock Exchange was still trending upwards, the Austrian Traded Index (ATX) slipped significantly against the backdrop of geopolitical crises after mid-year. The index marked its annual low in mid-October and temporarily dropped below the level of 2,000 points. The ATX ended the year 2014 down 15.2% at 2,160.08 points. This comparatively weak performance was partly due to the industry composition of the ATX. The heavily weighted commodity and banking stocks were affected quite heavily by the Ukraine crisis and the depreciation of the rouble, which was driven by the sanctions imposed by the EU and the US as well as by the slide of the oil price following OPEC's decision to keep production unchanged.

ERSTE GROUP SHARE

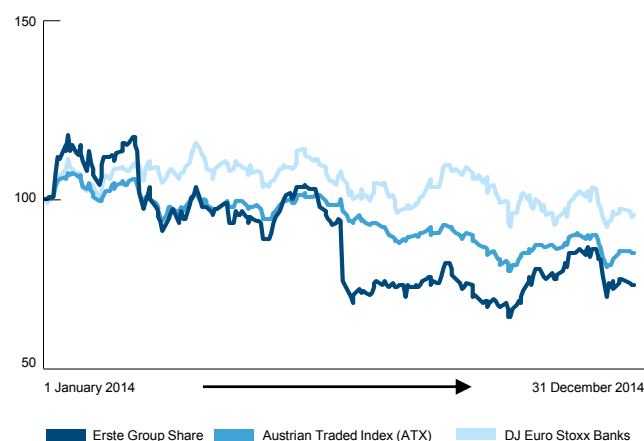
One-off effects weighing on share price

After significant declines in the first nine months of 2014, the shares of Erste Group benefited in the last quarter of 2014 from the bank's comfortable passing of the stress test and better-than-expected third-quarter results (stable operating result, improved credit quality). Apart from the asset quality review and the stress test conducted by the EBA, the main focus of analysts in the year ended was on the operating result, risk costs, the tax burden, write-downs of intangible assets (goodwill) and the possible conversion of foreign currency loans in Hungary.

At the beginning of 2014, the Erste Group share saw a visible but not sustainable increase, having reached its annual high at EUR 29.71 on 15 January 2014. At the end of the first quarter, the development of the shares of Erste Group was in line with the ATX. After the Erste Group share had already closed the first half of the year down 6.8%, it declined further in early July following the release of the revised outlook for 2014 earnings reflecting the need to recognise higher provisions in Hungary and in Romania. In mid-August, Standard & Poor's downgraded the rating of Erste Group – along with those of other Austrian banks – to A-/A-2/negative. In early September, the rating of long-term unsecured senior debt was

downgraded by Moody's to Baa2. On 16 October, the Erste Group share marked its annual low at EUR 17.02. After the release of the results of the bank stress test and third-quarter results, the Erste Group share increased significantly and closed the last quarter of 2014 up 6.1%. The Erste Group share ended the year 2014 at a price of EUR 19.235, down 24.1%.

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



Performance of the Erste Group share versus indices*

	Erste Group share	ATX	DJ Euro Stoxx Bank Index
Since IPO (Dec 1997)	73.6%	65.6%	-
Since SPO (Sep 2000)	63.7%	84.9%	-61.7%
Since SPO (Jul 2002)	10.4%	77.1%	-46.5%
Since SPO (Jan 2006)	-57.3%	-44.6%	-64.5%
Since SPO (Nov 2009)	-33.7%	-17.1%	-40.9%
2014	-24.1%	-15.2%	-4.9%

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

Number of shares, market capitalisation and trading volume

In the year ended, the number of shares of Erste Group Bank AG remained unchanged at 429,800,000. Due to the decline in the share price, the market capitalisation of Erste Group decreased to EUR 8.3 billion at year-end 2014 from EUR 10.9 billion in 2013.

The Erste Group share is traded on the stock exchanges of Vienna, Prague and Bucharest. In 2014, the trading volume on these stock exchanges averaged 985,010 shares per day and accounted for about 34% of the total trading volume in Erste Group shares. More than half of the trading activity is executed over the counter (OTC) or through electronic trading systems.

Erste Group in sustainability indices

The Erste Group share has been included in VÖNIX, the Vienna Stock Exchange's sustainability index, since its launch in 2008. In addition, the Erste Group share has been included in the STOXX Global ESG Leaders index, which represents the best sustainable companies on the basis of the STOXX Global 1800.

DIVIDEND

Since 2005, Erste Group's dividend policy has been guided by the bank's profitability, growth outlook and capital requirements. The dividend for the financial year 2013 of EUR 0.20, approved by the annual general meeting, was paid on 28 May 2014. On 5 June 2014, pro-rated dividend payments in the amount of EUR 84.5 million were made on participation capital of EUR 1.76 billion that had already been repaid on 8 August 2013. The management board of Erste Group will propose to the annual general meeting not to pay any dividend for the financial year 2014.

SUCCESSFUL FUNDING

In 2014, Erste Group issued bonds in a total volume of EUR 2.3 billion, with an average tenor of 8 years. The underlying funding structure has remained unchanged: to extend or flatten the redemption profile. Due to still compressed spread differentials between senior and covered bonds, Erste Group kept its focus on senior funding, which was supported by a continuous demand for retail issues and private placements. In the fourth quarter 2014, Erste Group issued a USD 500 million subordinated Tier 2 bond in a total amount of EUR 975 million. The volume of new tier 2 instrument and covered bond placements stood at EUR 157 million at year-end 2014.

INVESTOR RELATIONS

Open and regular communication with investors and analysts

In 2014, Erste Group's management and the investor relations team met with investors in a total of 392 one-on-one and group meetings and conducted a large number of teleconferences with analysts and investors. The presentation of the 2013 annual result in Vienna was followed by the annual analysts' dinner and a road show day with investor meetings in London. A spring road show was conducted after the release of the first-quarter results, and an autumn road show was held following the release of the third-quarter results. Erste Group presented its strategy in the current operating environment at international banking and investor conferences organised by the Vienna Stock Exchange, Kepler Cheuvreux, UBS, Morgan Stanley, HSBC, RCB, Deutsche Bank, Bank of America Merrill Lynch, Autonomous, Goldman Sachs, Barclays, Unicredit, and Wood. Additional meetings were held to intensify the dialogue with bond investors. At conferences, road shows and workshops, a large number of face-to-face meetings were held with analysts and portfolio managers.

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

As an additional service for investors and analysts, Erste Group launched free Investor Relations Apps for iPhone, iPad, and Android devices in August 2012. These applications enable users to access and download Erste Group Bank AG share price information, the latest investor news, multimedia files, financial reports and presentations as well as an interactive financial calendar and contact details for the investor relations team. More

details on this service and downloading are available at http://www.erstegroup.com/en/investors/IR_App.

In late June 2014, Erste Group's investor relations team won the award for the best investor relations performance of an Austrian company for the fourth consecutive time. More than 700 buy-side and sell-side analysts and portfolio managers from across Europe took part in the survey conducted by IR Magazine. Its outcome impressively underlined the investor relations team's success in focusing on transparency and competent communication with investors as their top priority.

Analyst recommendations

In 2014, 27 analysts released research reports about Erste Group, including one initial coverage analysis. The Erste Group share

was covered by financial analysts at the following national and international firms: Atlantik, Autonomous, Bank of America Merrill Lynch, Barclays, Berenberg, Citigroup, Commerzbank, Concorde, Credit Suisse, Deutsche Bank, Exane BNP Paribas, Goldman Sachs, HSBC, JP Morgan, KBW, Kepler Cheuvreux, Macquarie, mBank, Mediobanca, Morgan Stanley, Natixis, Nomura, RCB, SocGen, UBS, VTB Capital and Wood.

As of year-end, 11 analysts issued buy recommendations, 14 rated the Erste Group share neutral and two had sell recommendations. The average year-end target price was EUR 23.24. The latest updates on analysts' estimates for the Erste Group share are posted at: <http://www.erstegroup.com/en/Investors/Share/AnalystEstimates>.



Strategy

Erste Group aims to be the leading retail and SME bank in the eastern part of the European Union, including Austria. To achieve this goal, Erste Group aims to lend responsibly, provide a safe harbour for deposits and in general support all its customers in achieving their financial goals, be they retail, corporate or public sector customers.

Erste Group pursues a balanced business model focused on providing banking services to its customers on a sustainable basis. Sustainability is reflected in the bank's ability to fund customer loans entirely by customer deposits, with most customer deposits being stable retail deposits. Sustainability is also reflected in long term client trust, which underpins strong market shares in almost all of Erste Group's core markets. However, market leadership is not an end in itself. Market leadership only creates value when it goes hand in hand with sustainable profitability; hence Erste Group targets to earn a premium on the cost of capital.

Long-standing tradition in customer banking

Erste Group has been active in the retail business since 1819. This is where the largest part of Erste Group's capital is tied up, where Erste Group generates most of its income, and funds the overwhelming part of its other core activities by drawing on its customers' deposits. The retail business represents Erste Group's strength and its top priority when developing products such as modern digital banking that enable the bank to meet its customers' expectations more effectively.

Offering understandable products and services that meet the individual needs and objectives of the bank customers at sustainably attractive terms is important to building and maintaining strong long-term customer relationships. Today, the bank serves a total of about 16 million retail customers in its core markets. Erste Group's core activities also include advisory services and support for its corporate customers with regard to financing, investment, hedging activities and access to international capital markets. Public sector funding through investing parts of the bank's liquidity in infrastructure projects as well as sovereign bonds issued in its region are also part of the business. To meet the short-term liquidity management needs of the customer business, Erste Group also operates in the interbank market.

Core markets in the eastern part of the European Union

When Erste Group went public as an Austrian savings bank with no meaningful foreign presence in 1997, it defined its target region as consisting of Austria and the part of Central and Eastern Europe that had realistic prospects of joining the European Union. Against the backdrop of emerging European integration and limited potential for growth in Austria, Erste Group from the late 1990s onwards acquired savings banks and financial institutions in countries adjacent to Austria.

While the financial and economic crisis has slowed the economic catching-up process across the countries of Central and Eastern Europe, the underlying convergence trend continues unabated. This part of Europe offered and still offers the best structural and therefore long-term growth prospects.

Today, Erste Group has an extensive presence in its core markets of Austria, the Czech Republic, Slovakia, Romania, Hungary and Croatia – all of which are members of the European Union. Following significant investments in its subsidiaries, Erste Group holds considerable market positions in most of these countries. In Serbia, which has been assigned European Union candidate status, Erste Group maintains a minor market presence, but one that may be expanded through acquisitions or organic growth as the country makes progress towards European Union integration. In addition to its core markets, Erste Group also holds direct and indirect majority and minority banking participations in Slovenia, Montenegro, Bosnia and Herzegovina, Macedonia and Moldova.

Focus on sustainable profitability

Earning a sustainable premium on the cost of capital in a socially responsible manner and for the benefit of all stakeholders is a key prerequisite for the long-term survival of any company or bank. For only a sustainably profitable bank can achieve the following: provide products and services to customers that support them in achieving their long-term financial goals; deliver the foundation for share price appreciation as well as dividend and coupon payments to investors; create a stable and rewarding work environment for employees; and, be a reliable contributor of tax revenues to society at large.

Sustainable profits can be achieved through a combination of growing revenues, reducing loan loss provisions, and cutting costs. It is helped by a strong retail-based funding profile. When growth opportunities are elusive, as they will be from time to time, or the market environment is less favourable as a result of inter alia high taxation, increased regulation or low interest rates,

there will be a stronger focus on cost cutting, when the operating environment improves more time will be devoted to capturing growth in a responsible way. Irrespective of the environment, Erste Group should benefit materially from operating in the region of Europe that offers the best structural growth opportunities for some time to come.

Erste Group's strategy

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

THE STRATEGY IN DETAIL

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

Retail business

Erste Group's key business is the retail business, covering the entire spectrum from lending, deposit and investment products to current accounts and credit cards. Erste Group's core competence in retail banking has historical roots. In 1819, wealthy Viennese citizens donated funds to establish Erste Group's predecessor, the first savings bank in Central Europe. It was their aim to bring basic banking services such as safe savings

accounts and mortgage loans to wide sections of the population. Today, the bank serves a total of 16 million retail customers in its markets and operates about 2,800 branches. In addition, Erste Group uses and promotes digital distribution channels such as internet and mobile banking. Wealthy private clients, trusts and foundations are served by the bank's private banking staff and benefit from services that are tailored to the needs of this target group.

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

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

SME and corporate business

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

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

permits Erste Group to combine industry-specific and product expertise with an understanding of regional needs and the experience of the bank's local customer relationship managers.

In view of the regulatory reform efforts, advising and supporting the bank's corporate customers in capital market transactions is becoming increasingly important.

Capital markets business

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

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

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

Public sector business

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

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

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

Interbank business

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

REGULATORY CHANGES IN BANKING

In the wake of the financial crisis, regulatory requirements for banks increased significantly with a view to establishing a framework for a more resilient global financial system. It has become the clear regulatory aim to prevent tax-payers from having to bail out financial

institutions in future. To this effect, the new international regulatory framework for banks has been revised by the Basel Committee on Banking Supervision (Basel 3). The new regime is designed to strengthen the regulation, supervision and risk management of the banking sector. Within the European Union the Basel 3 legal framework is implemented through the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR).

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

In November 2014, the Single Supervisory Mechanism (SSM) entered into force. It is based on commonly agreed principles and standards. The banking supervision is performed by the European Central Bank (ECB) together with the national supervisory authorities of participating member states of the euro zone. The ECB is responsible for the effective and consistent functioning of the SSM. To ensure efficient supervision, credit institutions are categorised as significant or less significant: the ECB directly supervises significant banks, whereas national authorities are in charge of supervising less significant banks. Erste Group has been classified as significant.

Austria, Germany and the UK were the first countries to implement the EU Bank Recovery and Resolution Directive (BRRD). As of 1 January 2015 the BaSAG (Austrian Recovery and Resolution Act/ Bundesgesetz zur Sanierung und Abwicklung von Banken) entered into force. Further to the requirement to have recovery and resolution plans in place, the framework also stipulates an additional minimum capital requirement to ensure sufficient loss-absorbing capacity, the MREL (Minimum Requirement on Own Funds and Eligible Liabilities), which will be further specified on a bank-by-bank basis in 2015. In addition, several tools to resolve

failing institutions have been introduced for the newly established resolution authority (i.e. the FMA for Austrian banks).

As of year-end 2014, Erste Group reported a fully loaded Basel 3 CET1 (common equity tier-1) ratio of 10.6% and a total capital ratio of 15.7%. Despite increasing regulatory pressure in general and additional burdens on the capacity of retaining earnings as a result of bank levies in Austria, Hungary and Slovakia, Erste Group remained well-capitalised and benefits from an excellent liquidity position, enabling it to proactively serve customers' needs.

LONG-TERM GROWTH TRENDS IN CENTRAL AND EASTERN EUROPE

While the financial and economic crisis has slowed the economic catching-up process across the countries of Central and Eastern Europe, the underlying convergence trend continues. This is on the one hand due to the fact that the region has to make up for almost half a century of Communist mismanagement of the economy and on the other hand due to the fact that banking activities were largely non-existent during that time.

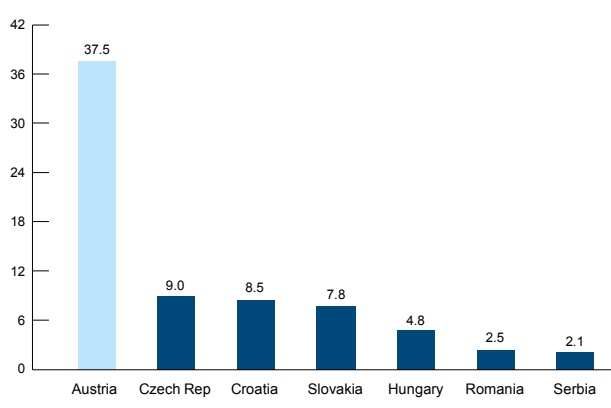
With the exception of deposit-taking, modern banking services were largely unknown until some twenty years ago. On the lending side, this was due to high nominal and real interest rates and also to disposable incomes that did not support household credit growth. In addition, a healthy competitive environment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

In addition, most countries of Central and Eastern Europe have human resources that are at least equivalent to those of Western European countries, but do not need to struggle with the unaffordable costs in the long term of the western welfare states and have labour markets that are considerably more flexible. These advantages are complemented by – on average – highly competitive

export industries that benefit from wage costs that are low relative to workforce productivity and from investor-friendly tax and welfare systems.

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

Customer loans/capita in CEE (2014) in EUR thousand



Source: Local central banks, Erste Group

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



Management report

ECONOMIC ENVIRONMENT IN 2014

The global macro economy continued its uneven recovery in 2014. Among advanced economies, the United States and the United Kingdom left the crisis behind and achieved decent growth. In the euro zone, the pace of recovery was again very country-specific with Spain and Germany clearly outperforming France and Italy. Emerging markets and developing economies continued to outgrow the advanced markets. Despite their weakening economic indicators, countries such as China and India clearly achieved higher growth rates than the United States or the euro zone, whereas Brazil, the largest economy of Latin America, was not able to emerge from recession after the second quarter of 2014. The year 2014 was also characterised by rising geopolitical tensions and a surprising and significant decline in oil prices. The financial crisis in Russia was the result of a rapid decline in the Russian rouble relative to other currencies during the second half of 2014 and a slowdown in the Russian economy. The lack of confidence in the Russian economy stemmed from the fall in the price of oil and from the international economic sanctions imposed on Russia following Russia's annexation of Crimea and Russian military intervention in Ukraine. In addition, the ongoing conflict in Syria and the tense political situation in other countries in the region caused uncertainties throughout the year. The macroeconomic effects of these developments were mostly confined to the regions involved. All in all, the global economy grew by 3.3% in 2014, after 3.0% in 2013.

The United States were the bright spot of the global economy in 2014. Labour market conditions improved further, with solid job gains and a lower unemployment rate. Household spending rose moderately and investments advanced, while the recovery in the housing sector remained slow. Inflation, held down by lower energy prices, continued to remain below the Federal Reserve's longer-term objective of 2%. Improving market conditions, including diminished fears of persistently low inflation and a steadily declining jobless rate, led the Fed to end Quantitative Easing and to keep the base rate close to zero. All in all, the US economy grew by 2.4% in 2014. The moderate recovery in the euro zone continued in 2014 with member states achieving significantly varying performances. Spain and Germany clearly outperformed the average growth of the member states while France and Italy weighed on growth. Economic performance of the euro zone was

impacted by soft external demand in conjunction with low investments while consumption became a stabilising factor for the economy in 2014. The European Central Bank (ECB) decided to pursue a more expansionary monetary policy by purchasing asset-backed securities and covered bonds while cutting the interest rates to a new historical low of 5 basis points. Consequently, the euro weakened versus the US dollar in the second half of the year. The ECB also announced its targeted longer-term refinancing operations aimed at improving bank lending to the euro zone non-financial private sector. Overall, the euro zone economy grew by 0.9% in 2014.

The Austrian economy performed broadly in line with the euro zone in 2014 with annual GDP growth of 0.4%. Both exports and domestic demand contributed to the growth, with the role of exports diminishing in the second half of the year. Public consumption played a significant role in supporting the economic growth while private consumption growth was weak and fixed capital formation remained stagnant. Despite the slow economic activity in 2014, employment growth continued, driven mainly by job creation in the services sector. The unemployment rate remained one of the lowest in Europe and stood at 5.0% in 2014. In terms of GDP per capita at approximately EUR 39,000, Austria remained one of the euro zone's most prosperous countries in 2014. Both private house-hold debt and public debt as a percentage of GDP remained below the euro zone average, with the latter standing at 86.9% compared to 81.2% in 2013. This significant increase in public debt was largely due to costs associated with the troubled financial institution Hypo Alpe Adria. Due to the lower systemic support stemming from the resolution of Hypo Alpe Adria, rating agencies downgraded the debt and deposit ratings of most Austrian banks.

Economic growth in Central and Eastern Europe improved further in 2014. Economies clearly benefitted from revived domestic demand and improved confidence with household consumption being exceptionally strong in the Czech Republic, Romania, and Poland. Exports have also contributed to growth of CEE economies with strong industrial production. The car industry, which was one of the main contributors to exports, again supported the Czech, Slovak, Romanian and Hungarian economies. The latter's GDP growth was mainly attributable to high public spending.

With the exception of Croatia and Serbia, where delayed fiscal consolidation hampered economic performance, all of the CEE countries grew in 2014. Inflation remained very low across the region. To support growth, national banks continued to cut key rates, which in Hungary and Romania stood at historical lows by the end of 2014. In the Czech Republic the base rate remained five basis points throughout the year. The Czech koruna and the Romanian leu remained stable while the Hungarian forint weakened versus the euro mainly due to lack of investors' confidence in the unpredictable economic environment.

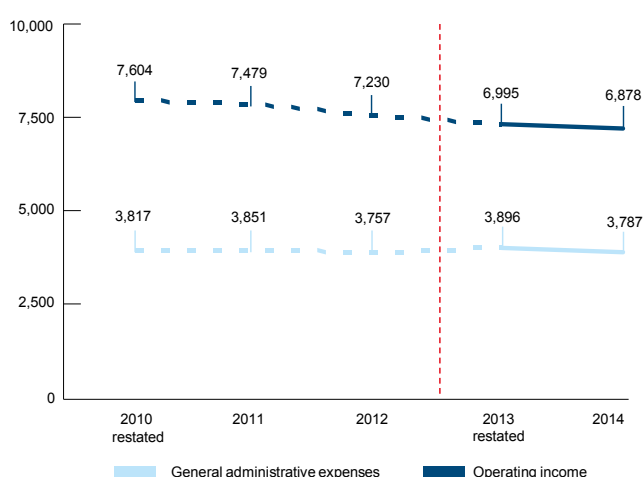
PERFORMANCE IN 2014

Acquisitions and disposals in Erste Group in 2014 did not have any significant impact and therefore no effects on the rates of changes stated below. Details are provided in the notes to the consolidated financial statements.

Overview

Net interest income declined to EUR 4,495.2 million (EUR 4,685.0 million), mainly due to the persistently low interest rate environment and FX translation effects. **Net fee and commission income** increased to EUR 1,869.8 million (EUR 1,806.5 million) on the back of an improved result from securities business and asset management. The **net trading and fair value result** rose to EUR 242.3 million (EUR 218.8 million). **Operating income** amounted to EUR 6,877.9 million (-1.7%; EUR 6,995.1 million).

Operating income and operating expenses in EUR million



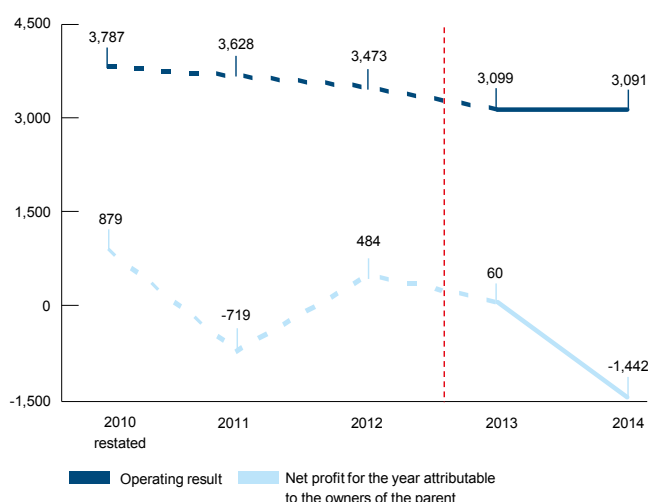
General administrative expenses declined to EUR 3,787.3 million (-2.8%; EUR 3,896.1 million), mainly due to lower personnel expenses on the back of lower average headcount and decreased depreciation and amortisation. This led to an **operating result** of EUR 3,090.7 million (-0.3%; EUR 3,099.0 million) and an improved **cost/income ratio** of 55.1% (55.7%).

Net impairment loss on financial assets not measured at fair value through profit or loss went up to EUR 2,159.2 million or 169 basis points of average customer loans (+21.7%; EUR 1,774.4 million or 137 basis points). This rise was attributable in particular to additional risk costs in Romania incurred in connection with the accelerated NPL reduction. The **NPL ratio** declined substantially to 8.5% (9.6%) on the back of successful NPL sales in Romania. The **NPL coverage ratio** improved significantly to 68.9% (63.1%).

Other operating result amounted to EUR -1,752.9 million (EUR -1,008.6 million). This was primarily due to the write-down of goodwill in the amount of EUR 475.0 million as well as of brand and customer relationships in Romania of EUR 489.8 million in total. At EUR 256.3 million (EUR 311.0 million), levies on banking activities were again significant: EUR 130.5 million (EUR 166.5 million) in Austria, EUR 31.5 million (EUR 41.2 million) in Slovakia and EUR 94.2 million (EUR 103.4 million) in Hungary – including EUR 47.9 million in banking tax. In addition, the item other operating result included EUR 336.8 million in expenses resulting from the consumer loan law passed by the Hungarian parliament. The net burden of the law and the conversion of the foreign-currency loans was EUR 312.2 million.

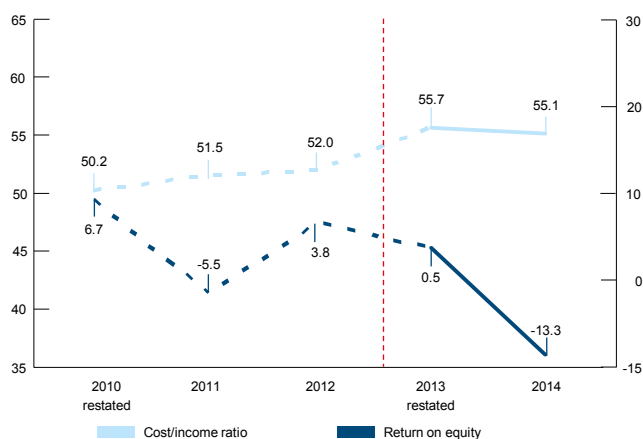
Result for the year attributable to owners of the parent amounted to EUR -1,442.0 million (EUR 60.3 million).

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



Cash return on equity, i.e. return on equity adjusted for non-cash expenses such as goodwill impairment and straight-line amortisation of customer relationships, stood at -9.4% (reported ROE: -13.3%) versus 3.4% (reported ROE: 0.5%) in 2013.

Key profitability ratios in %



Cash earnings per share for the financial year 2014 amounted to EUR -1.44 (reported EPS: EUR -3.37) versus EUR 0.89 (reported EPS: -0.06) in 2013.

Total assets amounted to EUR 196.3 billion (EUR 200.1 billion). **Loans and advances to customers (net)** increased moderately to EUR 120.8 billion (EUR 119.9 billion). **Total risk** (risk-weighted assets including credit, market and operational risk, Basel 3 phased-in) increased to EUR 100.6 billion (EUR 97.9 billion).

The **common equity tier 1 ratio** (CET 1, Basel 3 phased-in) stood at 10.6% versus 11.4% (Basel 2.5). The **total capital ratio** (Basel 3 phased-in) stood at 15.7% versus 16.3% (Basel 2.5).

Dividend

No dividend distributions will be proposed at the Annual General Meeting (2014: EUR 0.20/share). The participation capital was fully redeemed in August 2013, when dividends of 8% per annum were paid out for the last time.

Outlook

Operating environment anticipated to be conducive to credit expansion

Real GDP growth is expected to be between 2% and 3% in all major CEE markets, except Croatia, driven by rising domestic demand. For Austria, a real GDP growth below 1% is forecast.

Return on tangible equity (ROTE) expected at 8-10% in 2015 (YE 14 TE: EUR 8.4 billion)

Operating result is expected to decline in the mid-single digits on the back of lower but sustainable operating results in Hungary (due to FX conversion related effects of lower average volume and the expected reversal of a positive 2014 trading effect in 2015) and Romania (lower unwinding impact) as well as the persistent low interest rate environment.

For 2015, loan growth in the low single digits and a significant decline in risk costs are anticipated. Banking levies are expected to amount to about EUR 360 million in 2015, including contributions to European bank resolution and deposit insurance funds. Related discussions with the Austrian government are still ongoing.

Risks to guidance

Consumer protection initiatives for example potential pre-election CHF legislation in Croatia as well as geopolitical risks (Eastern Ukraine conflict, Greece) could have a negative impact on Erste Group's operating environment.

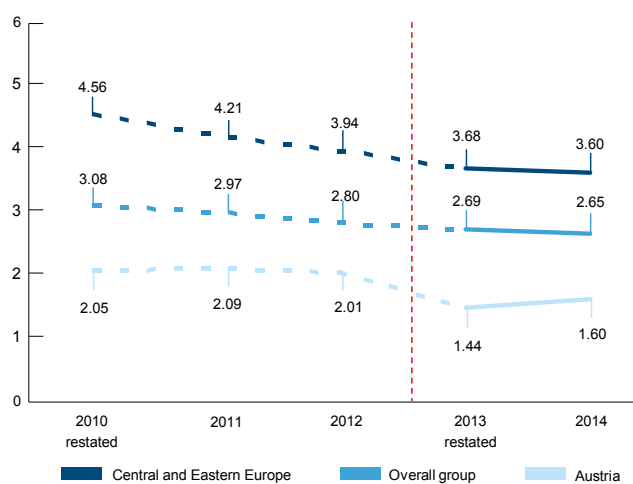
ANALYSIS OF PERFORMANCE

January-December 2014 compared with January-December 2013

Net interest income

Net interest income declined to EUR 4,495.2 million (EUR 4,685.0 million), mainly due to continuing subdued loan demand in a low interest rate environment. The net interest margin (net interest income as a percentage of average interest-bearing assets) contracted from 2.69% to 2.65%.

Net interest margin in %

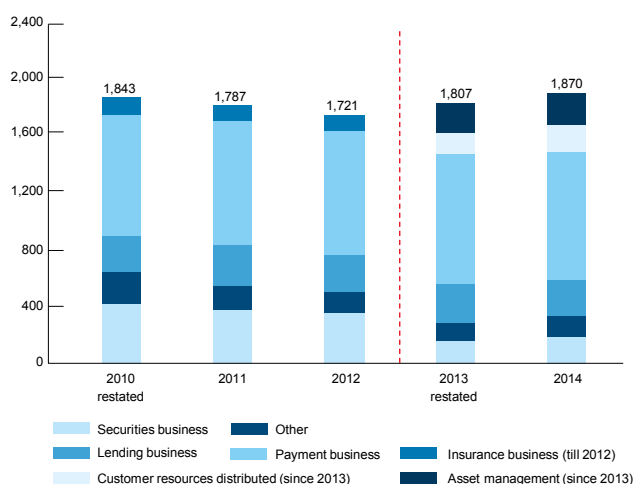


Since 2013 the calculation method for the net interest margin has been based on segment figures. For the calculation of the average interest-bearing assets five quarterly figures are now used instead of the four in the past.

Net fee and commission income

Net fee and commission income increased to EUR 1,869.8 million (EUR 1,806.5 million), due among other factors to improved results from securities business, asset management, and brokerage commissions.

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



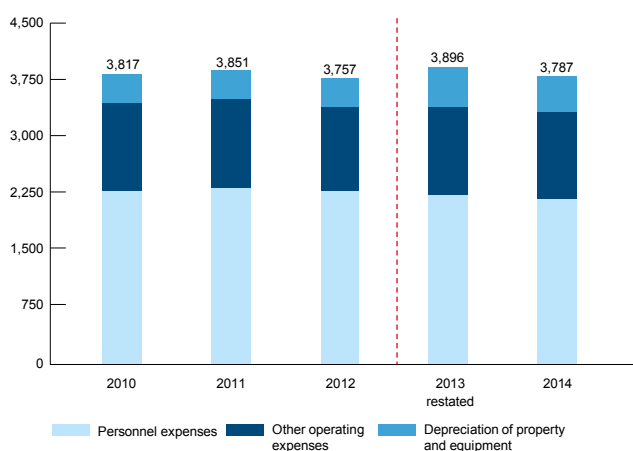
Net trading and fair value result

The net trading and fair value result rose to EUR 242.3 million (EUR 218.8 million), mainly due to valuation results for securities and derivatives held for trading. Swaps entered into with the Hungarian National Bank to secure refinancing of foreign-currency loans had a positive impact of EUR 32.4 million. A corresponding negative counter-effect was shown in other operative result.

General administrative expenses

General administrative expenses declined to EUR 3,787.3 million (EUR 3,896.1 million) (currency-adjusted: -1.5%).

General administrative expenses, structure and trend, in EUR million

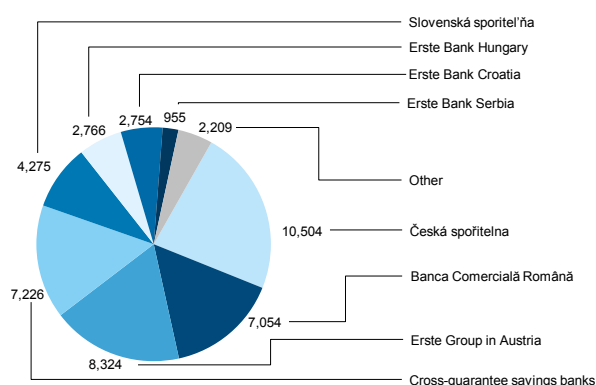


Personnel expenses decreased to EUR 2,184.2 million (EUR 2,232.4 million) (currency-adjusted: -1.1%). Further cost savings were achieved in **other administrative expenses** which decreased on the back of lower office-related expenses to EUR 1,136.9 million (EUR 1,146.0 million) (currency-adjusted:

+1.1%). Depreciation and amortisation declined to EUR 466.1 million (EUR 517.7 million) (currency-adjusted: -1.5%). The line item other administrative expenses included deposit insurance contributions in the amount of EUR 87.6 million (EUR 77.2 million). The line item **depreciation and amortisation** included the straight-line amortisation of intangible assets (i.e. customer relationships) in the amount of EUR 37.0 million (EUR 65.2 million).

The headcount increased slightly by 0.9%, partly due to the expanded consolidation scope, to 46,067; average headcount went down to 45,996 (46,843)

Headcount as of 31 December 2014



Operating result

Driven by lower net interest income, operating income declined to EUR 6,877.9 million (-1.7%; EUR 6,995.1 million). As general administrative expenses were reduced at the same time to EUR 3,787,3 million (-2.8%; EUR 3,896.1 million), the operating result remained stable at EUR 3,090.7 million (-0.3%; EUR 3,099.0 million).

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

Gains/losses from financial assets and liabilities not measured at fair value through profit and loss (net) declined to EUR 18.3 million (EUR 62.4 million), mainly due to the negative contribution from the repurchase of financial liabilities.

Net impairment loss on financial assets not measured at fair value through profit or loss (net)

Net impairment loss on financial assets (net) rose to EUR 2,159.2 million (EUR 1,774.4 million), mainly due to higher risk costs in Romania. This development was largely attributable to the rise in the balance of the allocation and release of provisions for the lending business together with the costs of direct loan write-offs offset by income received from the recovery of loans already written off to EUR 2,120.4 million (EUR 1,726.5 million). Net impairment loss on financial assets not measured at fair value through profit or loss, based on the average volume of customer loans, amounted to 169 basis points (137 basis points). In addi-

tion, this line item included net impairment loss on financial assets – held to maturity and financial assets – available for sale in the amount of EUR -38.8 million (EUR -47.9 million).

Other operating result

Other operating result amounted to EUR -1,752.9 million (EUR -1,008.6 million). This was primarily attributable to write-downs: overall, goodwill write-downs amounted to EUR 475.0 million (thereof EUR 319.1 million in Romania, EUR 61.4 million in Croatia, and EUR 94.5 million for participations in Austria). In addition, an amount of EUR 489.8 million was written down in Romania for customer relationships and brand.

Other operating result also included expenses of EUR 336.8 million resulting from a consumer loan law passed by the Hungarian parliament. The negative net impact of the law and the conversion of the foreign-currency loans was EUR 312.2 million.

Levies on banking activities declined to EUR 256.3 million (EUR 311.0 million). Banking levies charged in Austria amounted to EUR 130.5 million (EUR 166.5 million) and in Slovakia to EUR 31.5 million (EUR 41.2 million). The Hungarian banking levies in the amount of EUR 94.2 million (EUR 103.4 million) comprised a banking tax in the amount of EUR 47.9 million (EUR 49.0 million) and a financial transaction tax in the amount of EUR 46.3 million (EUR 54.4 million). The latter included expenses of EUR 8.8 million (EUR 7.1 million) for the programme subsidising repayment of foreign-currency loans.

Profit/loss for the year

The result for the year from continuing operations amounted to EUR -803.2 million (EUR 378.4 million). The net result for the year attributable to owners of the parent declined to EUR -1,442.0 million (EUR 60.3 million).

Tax situation

Pursuant to section 9 of the Austrian Corporate Tax Act (KStG), Erste Group Bank AG and its main domestic subsidiaries constitute a tax group. Due to the high proportion of tax-exempt income – particularly income from participating interests – and tax payments for the permanent establishments abroad, no Austrian corporate income tax was payable in the financial year 2014. The current tax loss carried forward increased in 2014.

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

In 2014, the reported total income tax expense amounted to EUR 509.4 million (2013: EUR 178.5 million).

Balance sheet development

Total assets amounted to EUR 196.3 billion (EUR 200.1 billion). Loans and advances to customers (net) increased moderately to

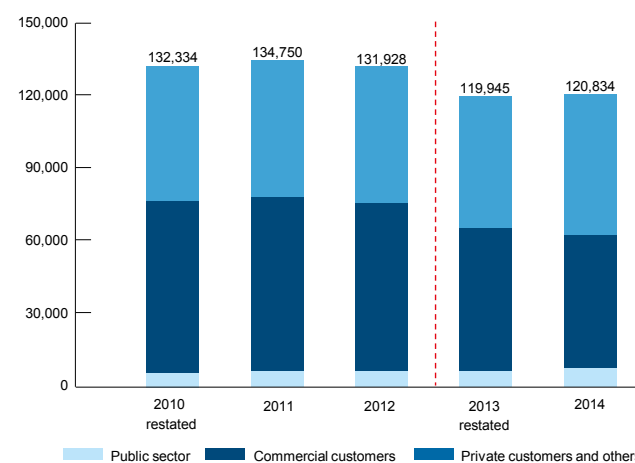
EUR 120.8 billion (EUR 119.9 billion). **Total risk** (risk-weighted assets including credit, market and operational risk, Basel 3 phased-in) increased to EUR 100.6 billion (EUR 97.9 billion).

Trading and investment securities declined slightly to EUR 50.1 billion (EUR 51.3 billion). The rise in the line item financial assets – available for sale did not fully offset the decline in the line items financial assets – held to maturity, financial assets – held for trading, and financial assets – at fair value through profit or loss.

Loans and receivables to credit institutions (net) decreased to EUR 7.4 billion (EUR 8.4 billion). **Loans and receivables to customers (net)** rose to EUR 120.8 billion (EUR 119.9 billion) despite continuing subdued credit demand in some business segments and significant declines in Romania and Hungary. **Allowances for loans and receivables to customers** shown as part of loans and receivables to customers decreased to EUR 7.5 billion (EUR 7.8 billion).

The **NPL ratio**, non-performing loans as a percentage of loans to customers, declined significantly to 8.5% (9.6%). The **NPL coverage ratio** improved to 68.9% (63.1%).

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



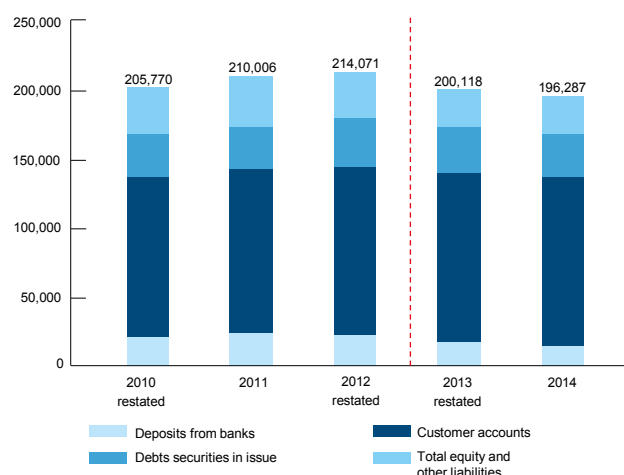
Due to the recognition of impairments including goodwill, customer relationships and brand, **intangible assets** declined to EUR 1.4 billion (EUR 2.4 billion). Miscellaneous assets were largely unchanged at EUR 8.6 billion (EUR 8.8 billion) despite a write-down of deferred tax assets.

Financial liabilities – held for trading increased to EUR 7.7 billion (EUR 6.5 billion) due to interest yield changes.

Deposits from banks decreased to EUR 14.8 billion (EUR 17.3 billion), reflecting a decline in overnight deposits from credit institutions. **Deposits from customers** increased mod-

erately to EUR 122.6 billion (EUR 122.4 billion) despite a negative impact of EUR 1.8 billion related to the final deconsolidation of the Czech pension fund. The **loan-to-deposit ratio** stood at 98.6% (98.0%).

Balance sheet structure/liabilities and total equity in EUR million



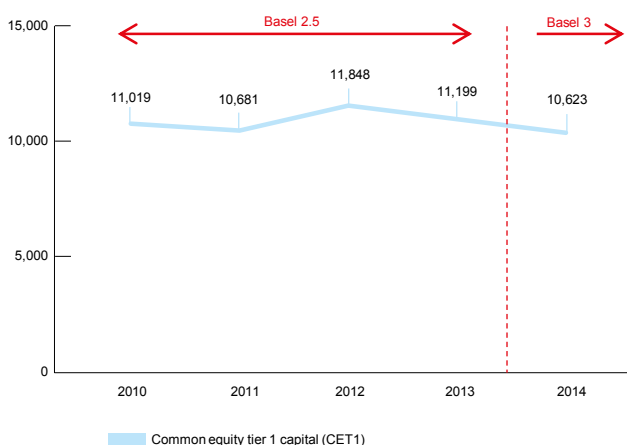
Debt securities in issue, in particular bonds as well as mortgage and public sector covered bonds, declined to EUR 31.1 billion (EUR 33.1 billion) due to redemptions. Miscellaneous liabilities rose to EUR 6.6 billion (EUR 6.0 billion).

Erste Group's **total equity** (IFRS) declined to EUR 13.4 billion (EUR 14.8 billion). After regulatory deductions and filtering according to the CRR, **tier 1 capital** (Basel 3 phased-in) amounted to EUR 10.6 billion (year-end 2013, Basel 2.5: EUR 11.6 billion), **common equity tier 1 capital** (CET1, Basel 3 phased-in) stood at EUR 10.6 billion (year-end 2013, Basel 2.5: EUR 11.2 billion).

Total risk (risk-weighted assets) including credit, market and operational risk, Basel 3 phased-in) increased to EUR 100.6 billion (EUR 97.9 billion).

As of 2014, Erste Group calculates consolidated regulatory capital according to Basel 3. In 2014, the calculation followed the requirements as defined in the capital requirements regulation (CRR) taking into consideration transitional provisions as defined in the Austrian CRR-Begleitverordnung. These transitional provisions define the percentages applicable to eligible capital instruments and regulatory deduction items as well as filters. The **total capital ratio** (Basel 3 phased-in) in relation to the total risk (total eligible qualifying capital in relation to total risk pursuant to CRR) was 15.7% as of 31 December 2014 (year-end 2013, Basel 2.5: 16.3%), well above the legal minimum requirement.

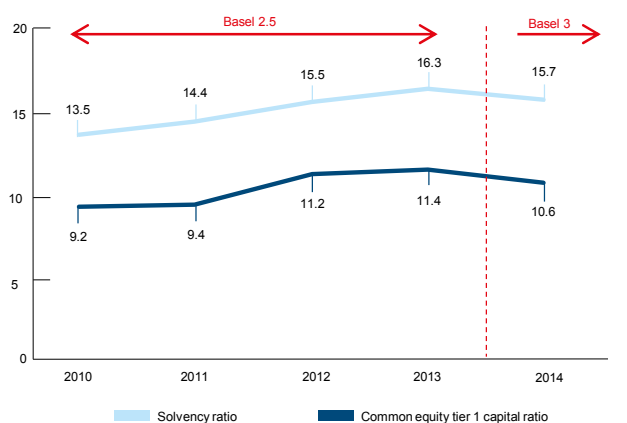
Common equity tier 1 capital (CET1) according to CRR in EUR million



In Basel 2.5: Core tier-1 capital.
Basel 3 values are based on CRR transitional rules.

The **tier 1 ratio** (Basel 3 phased-in), which includes the capital requirements for credit, market and operational risk, stood at 10.6% (year-end 2013, Basel 2.5: 11.8%). The **common equity tier 1 ratio** (Basel 3 phased-in) amounted to 10.6% as of 31 December 2014 (year-end 2013, Basel 2.5: 11.4%).

Solvency ratio and common equity tier 1 capital ratio in %



In Basel 2.5: Core tier-1 capital.
Basel 3 values are based on CRR transitional rules.

EVENTS AFTER BALANCE SHEET DATE

On 15 January 2015, the Swiss National Bank decided to discontinue the minimum exchange rate of CHF against EUR. This announcement resulted in significant appreciation of CHF against all major currencies including the currencies of CEE countries. The impact on Erste Group arose primarily in relation to borrowers who have taken out CHF-denominated loans in the past and are now adversely affected in terms of repayment ability. Prelim-

inary sensitivity analyses performed indicate a moderate impact in terms of higher risk costs and increase in credit RWAs (10 bps CET1 loss in the case of EUR/CHF parity prevailing for a longer period of time). The actual impact is contingent on future exchange rate developments.

On 26 January 2015, following a proposal by the Croatian government, the Croatian parliament approved a change in the Consumer Protection Act, to fix payments of future monthly annuities in 2015 for CHF/HRK exchange rate at 6.39 for customers who have CHF-denominated loans. This change became effective as of 27 January 2015. Erste Group expects that this will have a moderate effect via foreign exchange losses on profit and loss in 2015.

On 9 February 2015, the government of Hungary and the European Bank for Reconstruction and Development (EBRD) sealed an agreement (the Memorandum of Understanding) aimed at strengthening Hungary's financial sector and boosting the flow of bank credits to Hungary's private corporations and citizens. In this context, Erste Group announced that it has invited the government of Hungary and the EBRD to invest in Erste Bank Hungary by acquiring a minority stake of up to 15% each. Negotiations are in progress and the completion of the transaction is expected within the next six months, after implementation of a new Hungarian banking tax law, as set out in the Memorandum of Understanding. The purchase price will be negotiated between Erste Group and the two parties based on market valuation methods after performing the due diligence. The EBRD's investment is expected to be structured with a pre-agreed exit to Erste Group after an agreed period of time. The transaction is subject to all necessary approvals required from Hungarian or European banking supervisory and competition authorities.

RISK MANAGEMENT

With respect to the explanations on substantial financial and non-financial risks at Erste Group as well as the goals and methods of risk management, we would like to draw the reader's attention to the information in Notes 44, 45 and 49 to the consolidated financial statements.

ECB Asset Quality Review and EBA Stress Test

As regards the ECB Asset Quality Review and the EBA stress test we would like to draw the reader's attention to the information in Note 44.3.

RESEARCH AND DEVELOPMENT

As Erste Bank Group AG does not conduct independent or regular research into new scientific and technical findings or 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 of the Austrian Commercial Code (UGB). In order to drive improvements for retail customers and in the ongoing services Erste Group Bank AG launched the Innovation Hub

in 2012. Its purpose is to initiate and coordinate across-the-board initiatives with a strong focus on "real customer experiences". As a multidisciplinary team consisting of marketing, product, IT and design experts, the Innovation Hub is tasked with creating innovations and managing new programme initiatives.

CORPORATE SOCIAL RESPONSIBILITY

As one of the leading banks in Austria and the eastern part of the EU, 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.

Adhering to laws and international initiatives against bribery and corruption is common practice – nothing related to these topics was recorded at Erste Group in 2014. In addition, a variety of measures have been introduced. In 2014, a documentation and approval tool for gifts was introduced, as was a Whistleblowing Office. The Erste Integrity Line encourages lawful, fair behaviour and enables all employees to report cases of suspicious misconduct.

Commitment to society

Erste Group has always supported social, cultural, educational and sports projects, such as Erste Bank Oesterreich's *MehrWERT* sponsorship programme.

Social activities

The Erste Group's social commitment is marked by its long-term cooperation with local and international organisations. This focuses on combating poverty and unemployment. Since 2013 Erste Bank Oesterreich, the savings banks and s Bausparkasse have been sponsoring Hilfswerk Österreich, one of the largest non-profit providers of health care, social and family services in Austria. Additionally, Erste Bank Oesterreich has also supported the aid organisation lobby.16, which works to protect the right to education of unaccompanied young refugees and give them access to education, employment and participation in social life. Banca Comercială Română operates a platform for no-fee donations, which helps finance 200 NGO projects. Approximately 90 projects and initiatives were supported through partial financing in Serbia in 2014. Slovenská sporiteľňa continued its support for projects that create new jobs in sheltered workplaces and for organisations that work with handicapped people Young people from children's homes have obtained scholarships under a project called Success through Education. The Česká spořitelna Foundation also supports those from whom society turns away. It supported 28 projects with people excluded for reasons of age, social status, or mental handicap.

Arts and culture

Erste Group is dedicated to supporting an understanding of and appreciation for the arts and culture. One of the cornerstones of the activities is to enable young and socially disadvantaged people to find access to music the performing and the applied arts. Promoting young talents is another focus of Erste Group's arts and culture sponsorship programme. Erste Bank Oesterreich is the main sponsor of the Viennale film festival and Jeunesse, which supports young artists and the development of innovative concepts for sharing music. Projects focusing on social design were financed as part of the Vienna Design Week in 2014. In the Czech Republic Designblok, a design and arts festival, is supported. In addition, a number of music festivals and art projects have been promoted in Hungary, Slovakia, Serbia and Croatia.

Financial education

A good understanding of money and finance is of the utmost importance, because it enables individuals and households to improve and secure their economic situation. Financial ignorance limits social, economic and cultural life, which might become a risk to the individual but also creates problems for communities, countries and society in general. Erste Group believes that knowledgeable and financially educated customers are more likely to make sound appropriate financial decisions. Financially secure individuals and families will contribute positively to communities and foster economic growth and development. Therefore, Erste Group has been engaged in financial education activities for many years.

Target-group oriented short films for adults and children provide basic financial and economic know-how and explain current economic situations. The weekly series of already more than one hundred videos is recommended by the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection. Erste Group also offers workshops in the fields of financial education and debt prevention, especially for younger people. Large amounts of school and practice materials can be downloaded from the platform www.geldundso.at, which was developed together with youths.

Corporate volunteering

Erste Group encourages its employees to show social commitment through various initiatives. Thus, the number of participants in the Time Bank initiative, which was launched in 2012 and in which employees dedicate some of their free time to social projects, is growing steadily. A broad range of social projects, such as the renovation of social institutions or support for homeless people, are supported across the group. Employees of Česká spořitelna receive two free days for the support of social projects as part of its Charity Days.

Customers

Erste Group puts customers and their interests at the centre of its business activities. Only banks that understand the financial needs of their customers can offer the right solutions at the right

time. Special attention is devoted to the quality of products and advisory services, as these are key factors for customer satisfaction and, therefore, for building up and maintaining long-term customer relations. The focus of Erste Group is clearly on the relationship with the customer, not on the transaction.

Erste Group believes that, despite technological progress, personal contact with customers remains important. This is why the modern branch network of Erste Group remains a key element of its banking business. Customers of Erste Group who require complex long-term financial services expect sound advice. The combination of digital channels and traditional sales approaches enables customer relationship managers to explore customer needs even more proactively. By implementing digital applications, Erste Group in 2014 took another step closer to its customers to help them manage their financial affairs.

Accessibility, transparency and comprehensibility of product information are top priorities. As a result, the range of multilingual consultation services is constantly expanding. Each branch of Erste Bank Oesterreich features an ATM machine with braille and the number of barrier-free branches is increasing across the group.

Customer retention based on high levels of satisfaction ensures the bank's long-term success. The Customer Experience Index (CXI) is assessed in all Erste Group countries, based on representative and comprehensive surveys. This index also serves as a bonus criterion for management board members.

In 2014, the main focus of financial inclusion was again on micro banking and social enterprise financing. Erste Group's local banks offer micro-financing models. Good.bee Credit provides development-oriented financial products for small businesses and the self-employed in Romania. Start-ups are also supported through micro-loans in Serbia, Croatia, Slovakia and Austria that target the financing of social enterprises.

Suppliers

Erste Group suppliers must fulfil strict standards in order to preserve the sustainable business principles. Covering the entire supply chain, Erste Group Procurement (EGP) is the sourcing and procurement company of Erste Group. Its basic objective is to ensure clear and fair sourcing and procurement activities and contracts. In addition to governance issues such as trade ethics, conflicts of interest, bribery and stakeholder commitment, the supplier audit requires responses to questions on sustainability and social topics such as child labour, and health and safety.

Employees

Retaining experienced and committed employees is fundamental to the long-term success of every company. Erste Group – as one of the largest employers in the region – therefore aims to maintain its position as an employer of choice in Central and Eastern Europe. The employee engagement survey conducted in

2013 showed that diversity and transparency were of particular importance. The appointment of a Group Diversity Manager underlines the importance of diversity for Erste Group. The key objectives in 2014 were the employment of people with disabilities, generation management and increasing the number of women in management positions. Erste Group signed the Austrian Charta der Vielfalt (Diversity Charter) in September 2014. By signing the charter, Erste Group expresses its appreciation and the importance of diversity in the group, as well as the commitment to carry out measures to promote diversity internally and externally.

Erste Group regards supporting the development of its employees' professional and social skills as a top priority to ensure that the employees are well prepared to act professionally and in a socially responsible manner. The Erste Leadership Evolution Centre was introduced in 2014. It structures group-wide leadership development offerings. Erste Group also offers university graduates a very attractive career start with its Group Graduate Programme.

Across Erste Group, the focus of the remuneration policy was on an appropriate balance in rewarding the performance, competence and level of responsibility of the employees and keeping a sustainable personnel cost base. Erste Group offers competitive, but not market leading, compensation packages. The remuneration schemes are designed according to the CRD IV requirements on remuneration, ESMA guidelines (European Securities and Markets Authority) and local bank laws.

Erste Group is committed to a proactive approach towards helping its employees to identify and manage health risk. Therefore, a multi-professional team of occupational physicians, industrial psychologists and physiotherapists assists Erste Group's employees in any matters of health and well-being. In 2014, employees in Austria contacted the health centre 15,883 times.

Environment

Environmental issues affect everyone's life and the time when only environmental activists paid attention is long gone. An Environmental Steering Committee consisting of the CEO and COO of Erste Group and the Head of Group Environmental Management was set up to monitor the group-wide implementation of the environmental strategy.

To improve its ecological footprint, Erste Group introduced far-reaching measures to reduce electric energy, heating energy, copy paper and CO₂ emissions. Switching to LED light bulbs has already carried out successfully. In addition, group-wide criteria for choosing heating and electric energy providers based on their use of renewable energies have been defined. Moreover, company cars were replaced by new ones with lower CO₂ emissions and business trips have been reduced in favour of advanced video conference systems. This should help keep greenhouse gas emissions to a minimum.

An electronic Meeting Management System was installed in 2014, reducing paper printouts. Copy paper use has also been lowered through the encouragement of digital banking and mobile apps. Recycled and certified environment-friendly paper is used and recycled properly for tasks that still require paper. In 2014, the annual report and the interim reports were printed on recycled paper for the first time. The existing cooperation with the WWF was extended.

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS

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

With regard to the statutory disclosure requirements, connected to the composition of the capital as well as the class of shares, a special reference is made to Note 36 to the consolidated financial statements.

As of 31 December 2014, DIE ERSTE oesterreichische Spar-Casse Privatstiftung, a foundation, together with Austrian savings banks held 30.04 % of the shares in Erste Group Bank AG. The foundation holds 10.83 % of the shares directly, which makes it the largest shareholder.

Indirect participation of the Privatstiftung was at 9.29%, with 5.41% of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the Privatstiftung; 0.80% was held by Austrian savings banks acting together with the Privatstiftung and affiliated with Erste Group Bank AG through the Haftungsverbund and 3.08% by other syndicate members. 9.92% of the subscribed capital was controlled by the Privatstiftung on the basis of a shareholder agreement with Caixabank S.A.

Under article 15.1 of the articles of association, for the duration of its assumption of liability for all current and future debts in the event of their default on payment, the Privatstiftung is entitled, pursuant to section 92 (9) of the Austrian Banking Act, to delegate up to one-third of the supervisory board members to be elected at the Annual General Meeting. Until now, the Privatstiftung has not exercised this right.

Article 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 motion for removal of supervisory board members requires a three-quarters majority of valid votes cast and a three-quarters majority of the subscribed capital represented at the meeting considering the proposal to be successful.

The Articles of Association contain no restrictions in respect of voting rights or the transfer of shares article 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 a simple majority of votes cast and a simple majority of the subscribed capital represented at the meeting considering the amendment. Where votes with a higher majority are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority of votes. Moreover, amendments to article 19.9 require a three-quarters majority of the votes cast and a three-quarters 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 is 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 taken into consideration. The corresponding

amounts are determined by Haftungsverbund 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. Owing to the new legal and supervisory requirements, the maximum limits for support mechanisms of the individual members were raised and an ex ante fund was set up. Payments to the ex ante fund are made on a quarterly basis over a period of ten years.

In the financial statements, the payments by the individual members are recognised as participations in IPS GesbR – which has been charged with managing the ex ante fund. There was a shift in retained earnings from untied reserves to tied reserves. On the basis of the contractual provisions, these retained earnings represent a tied reserve. These tied retained earnings may be released only if the ex ante fund is used due to a contingency. Internally, this reserve may therefore not be used to cover a loss and, at member level, it does not qualify as capital under the definition of CRR; on a consolidated level, however, the ex ante fund qualifies as capital.

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 AktG (Austrian Stock Corporation Act). However, the trading portfolio of these shares may not exceed 5% of the subscribed capital at the end of any calendar day. The consideration for the shares to be purchased must not be less than 50% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed 20% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase. This authorisation is valid for a period of 30 months, i.e. until 15 November 2015.
- 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 share must not be below EUR 2.00 or above EUR 120.00. Pursuant to section 65 (1b) in conjunction with section 171 Stock Corporation Act, the management board is authorised, from the date of the resolution, i.e. until 15 May 2018, on approval by the supervisory board, to sell or use the company's own shares, also by means other than the stock exchange or a public offering for any purpose allowed by 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.

The management board is authorized until 28 June 2017, with the consent of the supervisory board, to issue convertible bonds, which have the conversion or subscription right for shares of the Company, observing or excluding the subscription rights of the shareholders. The terms and conditions may, in addition or instead of a conversion or subscription right, also provide for the mandatory conversion at the end of the term or at any other time. The issuance of the convertible bonds is limited to the extent that all conversion or subscription rights, and in case of a mandatory conversion stipulated in terms and conditions, the mandatory conversion, are covered by conditional capital. The issue amount, the terms and conditions of the issue of the convertible bonds and the exclusion of the subscription rights for the shareholders will be determined by the management board with the consent of the supervisory board.

Concerning the authorized and conditional capital we are referring to the information given in Note 36 in the consolidated financial statements. All sales and purchases were carried out as authorised at the annual general meeting.

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

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

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

Erste Foundation and CaixaBank S.A. (formerly Criteria CaixaCorp) have concluded a Preferred Partnership Agreement

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

Haftungsverbund

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

- one contracting party harms grossly the duties resulting from present agreement
- 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
- one contracting party resigns from savings bank sector irrespective of the reason.

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

Directors and officers insurance

Changes in controlling interests

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

- the insured ceases to exist as a result of merger or consolidation, unless the merger or consolidation occurs between two insured parties, or
- another company, person or group of companies or persons acting in concert who are not insured parties, acquire more than 50% of the insured's outstanding equity or more than 50% of its voting power (giving rise to the right to control the voting power represented by the shares, and the right to appoint the management board members of the insured), then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or

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

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

Cooperation between Erste Group Bank AG and Vienna Insurance Group ("VIG")

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

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

Asset Management Agreement. The refund decreases on a linear scale down to zero from October 2013 to October 2018.

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

Control environment

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

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

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

Risks relating to the financial reporting procedures

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

Controls

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

- _ Controlling as a permanent financial/business analysis (e.g. comparison of target and actual data between Accounting and Controlling) and control of the company and/or individual corporate divisions.
- _ Systemic, automatic control systems and measures in the formal procedure and structure, e.g. programmed controls during data processing.

- _ Principles of functional separation and the four-eye principle.
- _ Internal Audit – as a separate organisational unit – is charged with monitoring all corporate divisions in an independent yet proximate manner, particularly with regard to the effectiveness of the components of the internal control system. The Internal Audit unit is monitored and/or checked by the management board, the audit committee/supervisory board, by external parties (bank supervisor, in individual cases also by an external auditor) as well as through audit's internal quality assurance measures (self-assessments, peer reviews)

Group Consolidation

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

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

Information and communication

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

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

Responsibilities of Internal Audit

Internal Audit is in charge of auditing and evaluating all areas of the bank based on risk-oriented audit areas (according to the annual audit plan as approved by the management board and reported to the audit committee). The 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 also reported to the audit committee.

Vienna, 27 February 2015

Management board

Andreas Treichl mp
Chairman

Gernot Mittendorfer mp
Member

Andreas Gottschling mp
Member

Peter Bosek mp
Member

Jozef Sikela mp
Member



Segments

Introduction

Erste Group's segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources. Within Erste Group, the function of the chief operating decision maker is exercised by the management board.

Following a strategic review, the segment structure as well as the methodology for capital allocation was changed. Erste Group therefore introduced a new segment reporting, starting from 1 January 2014. It is based on the matrix organisation (business and geographical information) and provides comprehensive information to assess the performance of the business and geographical segments.

However, the segmentation criteria for corporate business were changed as well with no retrospective adjustments. The former local large corporate business (included in the SME segment in 2013) was reallocated either to the Large Corporates segment or to the SME segment, depending on annual turnover thresholds.

As a result of IFRS 10 application as of 1 January 2014, Erste Group started with consolidation of 18 investment funds. The consolidation has been applied retrospectively, hence all affected

2013 comparative figures have been restated. Details are described in section B. "Significant accounting policies (d) Significant accounting judgments, assumptions and estimates and (e) Application of amended and new IFRS/IAS" of the Notes to the Group Financial Statements.

The tables and information in this chapter provide a brief overview and focus on selected and summarised items. For more details, please see Note 37. Additional information is available in Excel format at www.erstegroup.com.

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

Business segments

Erste Group – business segments

Retail	SME	ALM & Local CC	Savings Banks	Large Corporates	Commercial Real Estate	Other Corporate	Group Markets	Group Corporate Center	Intragroup Elimination
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The **Retail** segment comprises the entire business with private individuals, free professionals and micros in the responsibility of account managers in the retail network of the local banks cooperating with their specialised subsidiaries (such as factoring, leasing and asset management companies).

The **SME** segment consists of business with clients which are in the responsibility of the local corporate account managers, mainly consisting of micros, SMEs, small public sector companies and small financial institutions (e.g. third party leasing companies).

The **Asset/Liability Management & Local Corporate Center (ALM & LCC)** segment includes all local asset/liability management functions as well as the one from Erste Group Bank AG and the local corporate centers which comprise all non-core banking activities, non-profit servicing participations and reconciliation items to local entity results.

The **Savings Banks** segment includes the savings banks that are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector except for Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, and Sparkasse Hainburg.

The **Large Corporates** segment comprises business with large corporate customers whose annual turnover exceeds a defined threshold that varies depending on the country.

The **Commercial Real Estate** segment covers the real estate value chain (lending, leasing, real estate investment, project development and construction services as well as infrastructure

business) for corporate clients, project developers, real estate investors, municipalities and other public sector agencies.

The **Other Corporate** segment consists of two operating segments – International Business and Investment Banking – that are below the threshold criteria defined by IFRS 8. International Business comprises all lending and investing activities outside Erste Group's core markets (including the branches in London, Hong Kong and New York) and is responsible for business development with and credit line management for banks and non-banking financial institutions. Investment Banking covers equity-related business focusing mainly on corporate finance, equity capital markets services, equity brokerage (institutional sales) and merchant banking.

The **Group Markets** segment comprises the divisionalised business units Group Treasury and Capital Markets (except Equity Capital Markets) and includes the treasury activities of Erste Group Bank AG, the CEE subsidiaries, foreign branch offices in Hong Kong, New York, Berlin and Stuttgart as well as business with institutional clients of Erste Asset Management.

The **Group Corporate Center** segment covers mainly centrally managed activities and items that are not directly allocated to other segments. It includes the Corporate Center of Erste Group Bank AG, internal non-profit service providers, goodwill impairments and the free capital of Erste Group.

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

RETAIL

Financial review

in EUR million	2013	2014	Change
Net interest income	2,216.8	2,175.1	-1.9%
Net fee and commission income	1,053.4	1,050.3	-0.3%
Net trading and fair value result	62.2	59.8	-3.8%
Operating income	3,361.0	3,317.4	-1.3%
Operating expenses	-1,839.2	-1,814.3	-1.4%
Operating result	1,521.8	1,503.1	-1.2%
Cost/income ratio	54.7%	54.7%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-466.0	-671.7	44.1%
Other result	-93.0	-393.2	>100.0%
Net result attributable to owners of the parent	739.0	271.7	-63.2%
Return on allocated capital	37.3%	13.6%	

The decrease in net interest income was driven by lower income from unwinding as well as lower deposit volumes and margins in Romania and shrinking loan volumes and margins in Hungary. These developments were partly offset by positive contributions from deposits in Austria and growing lending business in Slovakia. Rental income increased due to the consolidation of a leasing subsidiary in Croatia. Cost-saving measures in the Czech Republic and Romania led to a reduction in operating expenses. Although the decrease in costs could not fully offset the net interest income decline and the operating result decreased, the cost/income ratio remained stable. The deterioration of net impairment loss on financial assets not measured at FV through P&L was driven by significantly higher risk costs in Romania on the back of the accelerated NPL reduction. The line item other result included expenses related to the Hungarian consumer loan law in an amount of EUR 304.4 million (further expenses of EUR 32.4 million related to the conversion of the foreign-currency loans were included in the segment Asset/Liability Management & Local Corporate Center). This triggered the significant decrease of the net result attributable to the owners of the parent.

SME

Financial review

in EUR million	2013	2014	Change
Net interest income	671.0	569.4	-15.1%
Net fee and commission income	231.2	198.4	-14.2%
Net trading and fair value result	29.1	31.9	9.7%
Operating income	937.9	832.7	-11.2%
Operating expenses	-288.0	-292.8	1.7%
Operating result	650.0	539.9	-16.9%
Cost/income ratio	30.7%	35.2%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-455.0	-461.1	1.3%
Other result	-34.2	0.6	n/a
Net result attributable to owners of the parent	109.9	50.4	-54.2%
Return on allocated capital	6.8%	3.6%	

The declines in net interest income and in net fee and commission income were primarily related to the reallocation of a local large corporate portfolio, which in 2013 had been shown in the SME segment, to the Large Corporate segment: operating expenses increased slightly; the cost/income ratio rose. Net impairment

Credit risk

Credit risk exposure in the Retail segment rose slightly to EUR 51.7 billion (+1.3%). The customer loan portfolio increased to a similar extent to EUR 47 billion. The share of the retail business in Erste Group's total customer loans remained practically unchanged at 36.7%. The collateralisation ratio, which reflects the ratio of collateral to loan volume, was 63.5%.

The quality of the retail customer loan portfolio improved significantly. The ratio of non-performing loans to total retail customer loans decreased over the course of the year to 6.2% (7.4%). Measured by the NPL ratio, this segment featured the highest quality of all business segments with significant loan portfolios. Apart from a decline of almost EUR 530 million in non-performing loans, there was also a major migration of performing loans to better risk classes. The share of loans with low default risk to total retail customer loans rose to almost 82%.

loss on financial assets not measured at FV through profit and loss went up moderately. The other result improved mainly due to one-off income related to an insurance payment in Austria. The net result attributable to the owners of the parent declined.

Credit risk

In the SME business segment, total credit risk exposure decreased to EUR 25.8 billion (-15.8%) in 2014. This development was mainly driven by the shift of larger SME clients to the Large Corporates segment at the beginning of the year. The volume of loans to customers also decreased considerably to EUR 21.2 billion. Measured as a percentage of total loans to customers of Erste Group, the share of SMEs declined to 16.5% (18.5%). 50% (47%) of the loans were secured by collateral. Credit quality in the SME business segment improved significantly.

Supported by write-downs and sales on the secondary market as well as by a decrease in new bad loans, the portfolio of non-performing loans declined by EUR 1.1 billion to EUR 2.3 billion. The NPL ratio dropped within one year by 3.7 percentage points to 10.7%. The ratings of performing loans also showed a positive development: while the share of loans requiring management attention and assessed as having a higher default risk dropped to 13.3% (15.7%) of the SME loan portfolio, the share of loans assessed as low risk increased significantly.

ASSET/LIABILITY MANAGEMENT & LOCAL CORPORATE CENTER

Financial review

in EUR million	2013	2014	Change
Net interest income	220.5	164.7	-25.3%
Net fee and commission income	-102.6	-65.3	-36.4%
Net trading and fair value result	-92.2	24.7	n/a
Operating income	86.7	184.6	>100.0%
Operating expenses	-120.6	-112.9	-6.5%
Operating result	-33.9	71.8	n/a
Cost/income ratio	>100.0%	61.1%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-5.0	1.2	n/a
Other result	-85.1	-214.2	>100.0%
Net result attributable to owners of the parent	20.8	-174.8	n/a
Return on allocated capital	0.6%	-9.9%	

Net interest income decreased considerably mainly due to a lower ALM contribution driven by flat curves and the low interest rate environment as well as high spreads for Austrian banks. The increase in net fee and commission income was primarily related to the positive impact from lower fee expenses in Austria. The net trading and fair value result improved substantially due to a better result from derivatives. Operating expenses also improved, mainly due to lower personnel expenses in Romania. Thus, the operating result improved significantly. The other result deteriorated as

a consequence of the impairment of real estate property and intangible assets in Banca Comercială Română as well as one-off revenues earned in 2013 in the Czech Republic. The line item other result also included expenses related to the conversion of the foreign-currency loans in Hungary in an amount of EUR 32.4 million. Taxes on income in 2013 benefited from a positive one-off impact from the release of deferred tax liabilities in Romania in the amount of EUR 127.7 million. Consequently, the net result attributable to the owners of the parent decreased significantly.

SAVINGS BANKS

Financial review

in EUR million	2013	2014	Change
Net interest income	814.7	891.8	9.5%
Net fee and commission income	396.4	419.3	5.8%
Net trading and fair value result	22.0	1.1	-94.8%
Operating income	1,304.5	1,379.0	5.7%
Operating expenses	-926.5	-932.1	0.6%
Operating result	378.0	446.9	18.2%
Cost/income ratio	71.0%	67.6%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-229.2	-199.4	-13.0%
Other result	-3.7	-15.4	>100.0%
Net result attributable to owners of the parent	22.4	18.4	-18.0%
Return on allocated capital	4.4%	9.0%	

The increase in net interest income was attributable to the reduction of deposit interest rates due to the lower interest rate environment and a change in deposit structure. Together with the improved net fee and commission income, it offset the drop in net trading and fair value result. Total operating income increased. Although operating expenses went up slightly, the cost/income

ratio improved. Net impairment loss on financial assets not measured at FV through profit and loss decreased. The decline in other result was mainly caused by valuation effects. The banking tax increased to EUR 15.9 million (EUR 8.9 million) due to the revised banking tax regulation.

Credit risk

Total credit risk exposure in the Savings Banks segment increased to EUR 53.9 million (+2.0%; EUR 52.8 billion) while loans to customers advanced by 1.7% to EUR 38.6 billion. In the distribution of borrowers by customer segments, there was a noticeable shift from medium-sized and large enterprises to retail customers, with robust growth primarily in private households. Business with the free professions, other self-employed customers and small businesses declined slightly but, compared with other group entities, the Austrian savings banks still conducted a much larger proportion of their business with this category. At 17% of total loans, the share of this customer segment is significantly larger than at

Erste Group's subsidiaries in Central and Eastern Europe. This reflects the structure of Austria's economy with a very high share of small and medium-sized enterprises compared with other countries.

Foreign-currency loans in Swiss francs declined sharply by EUR 665 million to EUR 3.9 billion (-14.5%). The trend towards higher collateralisation of loans continued. The quality of the loan portfolio improved. Non-performing loans as a percentage of total loans to customers decreased by 45 basis points, to 6.3%. Compared by customer segments, the development was especially positive among retail customers and smaller businesses. The NPL coverage ratio also improved to 64.0%.

LARGE CORPORATES

Financial review

in EUR million	2013	2014	Change
Net interest income	185.3	214.1	15.5%
Net fee and commission income	86.0	99.2	15.4%
Net trading and fair value result	8.4	9.3	10.9%
Operating income	279.6	322.5	15.3%
Operating expenses	-67.7	-85.0	25.6%
Operating result	211.9	237.5	12.1%
Cost/income ratio	24.2%	26.4%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-229.2	-386.2	68.5%
Other result	-34.5	14.8	n/a
Net result attributable to owners of the parent	-45.1	-113.1	>100.0%
Return on allocated capital	-5.6%	-15.1%	

The increase in net interest income and net commission income was largely attributable to the reallocation of a local large corporate portfolio to the Large Corporates segment (shown in the segment SME in 2013), partially offset by negative impacts on the income attributable to unwinding effects related to the Romanian Large Corporates portfolio. Net trading and fair value result improved moderately. The increase in operating expenses was also mainly driven by the portfolio reallocation. Overall, the operating result improved. The cost/income ratio increased. Net impairment loss on financial assets not measured at FV through profit and loss increased substantially on the back of higher risk provisions for loans and receivables in Romania, partially offset by decreasing risk provisions in Austria and Slovakia. The improvement in other result was largely attributable to lower provisions for commitments and guarantees in Romania and Austria. Net result attributable to the owners of the parent deteriorated.

Credit risk

The credit risk exposure in the Large Corporates business segment was EUR 17.6 billion (+40%). Loans to customers rose by EUR 3.1 billion to almost EUR 10.0 billion. The high growth rates in this segment were mainly driven by the restructuring of customer relationship management whereby a substantial share of large corporates – including in particular companies at risk of default and defaulted companies – were transferred from regional responsibility to central management. The relatively big difference between credit exposure volume and the customer loan portfolio in the Large Corporates segment is due, above all, to the large volume of guarantees and unused loan commitments.

The transfer of many non-performing loans to the Large Corporates segment reduced the loan quality. The NPL ratio rose to 11.8% (7.8%). The share of low risk loans remained almost unchanged. Risk provisions rose by the same proportion as non-performing loans so that NPL coverage was hardly changed at 77%. Taking into account available collateral, the credit risk loss was fully covered.

COMMERCIAL REAL ESTATE

Financial review

in EUR million	2013	2014	Change
Net interest income	170.0	150.1	-11.7%
Net fee and commission income	14.3	15.8	10.1%
Net trading and fair value result	5.9	-6.2	n/a
Operating income	276.7	205.7	-25.6%
Operating expenses	-134.0	-88.2	-34.1%
Operating result	142.7	117.5	-17.7%
Cost/income ratio	48.4%	42.9%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-380.5	-364.3	-4.3%
Other result	-50.3	-45.9	-8.8%
Net result attributable to owners of the parent	-257.0	-279.6	8.8%
Return on allocated capital	-28.5%	-36.1%	

The decline in net interest income was mainly attributable to the deconsolidation of leasing entities of Immorent as well as the non-recurrence of a positive one-off effect. Net fee and commission income improved slightly on the back of higher fees in Czech, Slovak and Hungarian real estate portfolios. The decline in the net trading and fair value result was attributable to FX revaluation losses in Immorent. Rental income declined mostly due to the deconsolidation of Immorent leasing entities. The decline in operating expenses was driven by strict cost management and the deconsolidation of leasing entities. The operating result decreased but the cost/income ratio improved. Net impairment loss on financial assets not measured at FV through profit and loss reflected an improvement in risk structure, but remained at a high level; mainly driven by Erste Group Bank AG, Immorent, BCR and Erste Bank Hungary. The other result was impacted by higher gains from repossessed assets in Hungary and development projects in Immorent. Net result attributable to the owners of the parent declined further.

Credit risk

Business activity in the Commercial Real Estate segment declined again due to the adverse economic situation in the real estate industry in the past years. Credit risk exposure decreased over the course of the year by EUR 1 billion to EUR 9.9 billion, while loans to customers declined to EUR 9.3 billion (-8.7%). As a result, the share of the Commercial Real Estate segment in Erste Group's total customer loan portfolio dropped to 7.2% (8.0%).

The quality of loans barely changed, a further deterioration was successfully prevented. Non-performing loans as a percentage of total commercial real estate financing decreased to 20.9% (21.1%). Among loans with high credit ratings, migration to better risk classes prevailed, which means that a more positive development in loan losses may be expected over the short to medium term.

OTHER CORPORATE

Financial review

in EUR million	2013	2014	Change
Net interest income	68.9	75.2	9.1%
Net fee and commission income	27.7	18.9	-31.9%
Net trading and fair value result	13.1	4.8	-63.6%
Operating income	109.7	99.4	-9.4%
Operating expenses	-50.9	-58.2	14.3%
Operating result	58.8	41.1	-30.0%
Cost/income ratio	46.4%	58.6%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-6.2	-12.9	>100.0%
Other result	8.7	1.5	-82.3%
Net result attributable to owners of the parent	47.9	22.9	-52.1%
Return on allocated capital	14.4%	10.9%	

The improvement of net interest income was mostly attributable to aircraft business in London and to increased lending activities in the New York International Business portfolio. Net fee and commission income declined primarily due to lower fees in the structured trade finance portfolio in London, lower corporate finance and institutional equity sales fees in the Czech Republic and further reductions of the loan book of International Business in Austria. The drop in net trading and fair value result was main-

ly due to negative valuation effects. Lower operating income and increased operating expenses led to a decline in the operating result, the cost/income ratio went up. Net impairment loss on financial assets not measured at FV through profit and loss increased on the back of higher risk provisions for loans and receivables in London Investment Banking portfolio related to the downgrade of Ukrainian customers. Net result attributable to the owners of the parent declined.

Credit risk

Credit risk exposure in the Other Corporate segment declined by EUR 600 million to EUR 3.4 billion and loans to customers decreased to EUR 1.7 billion (-6.4%). The low share of customer loans in the total credit risk exposure compared with other business segments is mainly due to the relatively high level of investments in securities and loans to credit institutions. With a share of merely 1.6% of the credit risk exposure or 1.3% of the

entire group's customer loan portfolio, the Other Corporate segment is of minor significance overall.

Loan quality developed well. The NPL ratio dropped to 4.2% (6.8%), and loan losses were sufficiently covered by risk provisions and collateral. The ratings of performing loans also improved substantially. 82% (72%) of total loans were classified in the low risk category.

GROUP MARKETS

Financial review

in EUR million	2013	2014	Change
Net interest income	217.2	191.2	-12.0%
Net fee and commission income	104.9	102.9	-1.9%
Net trading and fair value result	116.8	116.1	-0.6%
Operating income	439.3	412.6	-6.1%
Operating expenses	-188.1	-179.1	-4.8%
Operating result	251.3	233.4	-7.1%
Cost/income ratio	42.8%	43.4%	
Net impairment loss on financial assets not measured at fair value through profit or loss	12.2	-0.1	n/a
Other result	-3.2	-0.7	-78.4%
Net result attributable to owners of the parent	206.0	185.3	-10.1%
Return on allocated capital	45.3%	38.3%	

The net interest income declined primarily due to the extremely low interest rate environment affecting interest-rate-related products. Net fee and commission income declined due to the lower bond issuance activities and institutional and retail sales. The moderate decline in the net trading and fair value result was mainly attributable to credit and rates trading, alternative in-

vestments portfolio management as well as valuation effects of interest-related products. The operating result declined, attributable to decreased operating income, although operating expenses were reduced. The cost/income ratio deteriorated moderately. The other result improved. Net result attributable to the owners of the parent declined.

GROUP CORPORATE CENTER (GCC)

Financial review

in EUR million	2013	2014	Change
Net interest income	136.1	70.2	-48.5%
Net fee and commission income	137.6	69.1	-49.8%
Net trading and fair value result	20.9	-11.3	n/a
Operating income	361.8	183.3	-49.3%
Operating expenses	-669.0	-710.5	6.2%
Operating result	-307.2	-527.2	71.6%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-15.4	-64.7	>100.0%
Other result	-425.1	-655.7	54.2%
Net result attributable to owners of the parent	-783.6	-1,423.1	81.6%
Return on allocated capital	-12.7%	-28.7%	

The net interest income decrease was mainly attributable to the decreasing 5-year moving average rate and thus a lower capital benefit from the free capital of the group. Net fee and commission income declined considerably due to higher fee expenses from internal service providers. However, at group level the impact was neutral due to consolidation shown in Intercompany Elimination. Operating expenses went up as a consequence of a change in the methodology of cost reimbursements. The corresponding positive counter-effect was shown in the other result (at

group level, the impact was neutral due to consolidation). The deterioration of the other result was driven mainly by higher goodwill impairments of EUR 475.0 million (2013: EUR 380.8 million), where Romania accounted for EUR 319.1 million, Croatia for EUR 61.4 million, and Austrian participations for EUR 94.5 million, as well as the write-down of the entire remaining value of customer relationships and brand of BCR of EUR 470.7 million. A negative change in deferred taxes had a further unfavourable impact on the result of the segment.

Geographical segments

For the purpose of segment reporting by geographical areas the information is presented based on the location of the booking entity (not the country of risk). For information regarding a partial group, the allocation is based on the location of the respective parent entity.

Geographical areas are defined according to the country markets in which Erste Group operates. Based on the locations of the banking and other financial institution participations, the geographical areas consist of two core markets – Austria and Central and Eastern Europe – and a residual market, Other, which comprises the remaining business activities of Erste Group outside its core markets as well as the reconciliation to the consolidated accounting result.



The geographical area **Austria** consists of the following three segments:

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

The **Savings banks** segment is identical to the business segment Savings banks.

The **Other Austria** segment comprises Erste Group Bank AG (Holding) with its Large Corporates, Commercial Real Estate, Other Corporate and Group Markets business, Erste Group Immorent AG and Erste Asset Management GmbH.

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

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

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

Austria

Economic review

Austria is an open and developed economy. In 2014, real GDP growth accelerated only slightly to 0.4% compared to the previous year, and was broadly in line with the performance of the euro zone. Real GDP growth in 2014 was fuelled primarily by consumption. Exports also contributed to the growth despite a weaker performance in the second half of the year. Foreign trade remained key, with an export share of more than 50% of GDP. The country's most important trading partners were Germany and Central and Eastern Europe. Importantly, services continued to perform well in 2014, and tourism was again a growth contributor. The Austrian labour market, with its skilled and highly educated workforce, continued to play a major role in the economic developments. The unemployment rate was one of the lowest in Europe at 5.0%, albeit rising for the third consecutive year. At EUR 39,000, GDP per capita remained one of the highest in Europe.

Social and political stability remained one of the key characteristics of Austria in 2014. The government continued its efforts regarding fiscal consolidation. In the stability programme that was presented to the European Commission in October 2014, the government confirmed that it would maintain the consolidation path for government finances and implement the proposed structural reforms. The structural reform programme included optimisation of administrative costs in the public sector and adjusting the health care and pension systems in the following years. Importantly, Austria's general government deficit stood at 3.0% of GDP, and the country exited the Excessive Deficit Procedure in 2014. The increase of general government debt as a percentage of GDP to 86.9% in 2014 was mainly due to the inclusion of liabilities related to Hypo Alpe-Adria-Bank and the reclassification of debt for a number of public sector companies. The estimated impact of the

costs associated with the troubled financial institution Hypo Alpe-Adria-Bank amounted to EUR 17.8 billion or 5.5% of GDP.

Despite slow economic growth and the disinflationary impact from energy prices, inflation remained among the highest in the

euro zone at 1.5%. Real estate prices remained broadly stable. Interest rates fell on the back of the European Central Bank cutting its refinancing rate to a new historical low of 5 basis points during 2014.

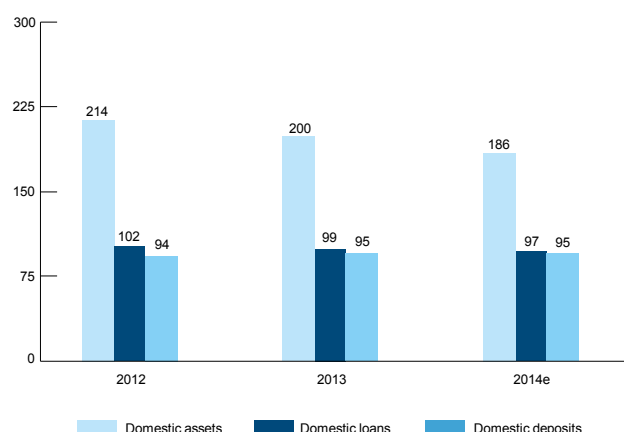
Key economic indicators – Austria	2011	2012	2013	2014e
Population (ave, million)	8.4	8.4	8.5	8.5
GDP (nominal, EUR billion)	308.7	317.2	322.6	328.7
GDP/capita (in EUR thousand)	36.9	37.7	38.2	38.7
Real GDP growth	3.1	0.9	0.2	0.4
Private consumption growth	0.8	0.5	-0.2	0.2
Exports (share of GDP)	39.5	38.9	39.0	39.0
Imports (share of GDP)	42.4	41.6	40.5	40.7
Unemployment (Eurostat definition)	4.2	4.4	4.9	5.0
Consumer price inflation (ave)	3.6	2.6	2.1	1.5
Short term interest rate (3 months average)	1.4	0.2	0.3	0.2
EUR FX rate (ave)	1.0	1.0	1.0	1.0
EUR FX rate (eop)	1.0	1.0	1.0	1.0
Current account balance (share of GDP)	1.6	1.5	1.0	2.4
General government balance (share of GDP)	-2.6	-2.3	-1.5	-3.0

Source: Erste Group

Market review

The Austrian banking market, with total assets equivalent to 273% of GDP (total domestic assets of GDP: 186%) in 2014, is a highly competitive and developed banking market. It is characterised by significantly lower margins than in Central and Eastern Europe. Growth rates remained low throughout the year, with customer loans expanding by less than 1% while deposits rose by 3.2%. The banking system's loan-to-deposit ratio stood at 102% at year-end. Capitalisation of the banking system improved further in 2014. The special banking tax intended to tackle the country's budget deficit remained unchanged at EUR 625 million in 2014. In light of the bail-in legislation on Hypo Alpe-Adria-Bank, rating agencies downgraded several systemically important Austrian banks in response to the reduced predictability of government support.

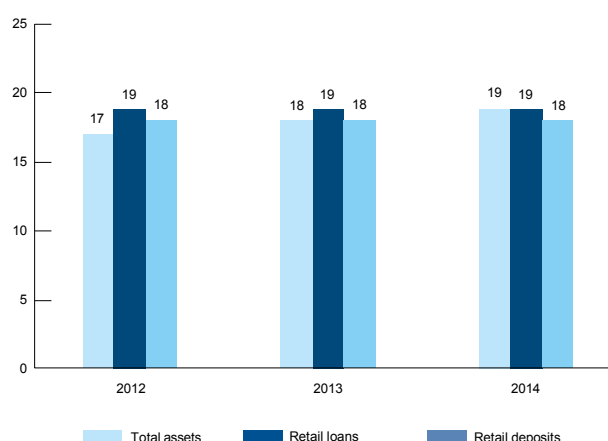
Financial intermediation – Austria (in % of GDP)



Source: Oesterreichische Nationalbank, Erste Group

Erste Bank Oesterreich and the savings banks held on to their very strong market position in the Austrian market. Their combined market share as measured by total assets stood at 19% at year-end 2014. Based on their balanced business models, Erste Bank Oesterreich and the savings banks maintained their market shares between 18% and 20% in both the retail and corporate segments.

Market shares – Austria (in %)



Source: Oesterreichische Nationalbank, Erste Group

ERSTE BANK OESTERREICH & SUBSIDIARIES

Business review – Highlights

Growth continuously driven by new customers. Top quality in customer relationship management is key to winning new customers. Despite customers' steadily rising expectations and the general public's critical attitude towards banks, surveys conducted by the *Banking Market Study 2014* indicate a high degree of satisfaction, a willingness to recommend the bank, and a higher level of trust among customers of Erste Bank Oesterreich than in the financial industry as a whole. This positive perception resulted in the acquisition of about 30,000 new customers.

New branch concept. Customer needs change over the course of time and reflect demographic and technology changes. Today, customers expect their bank to offer better accessibility and more flexibility than a few years ago. The business model makes banking services available through a variety of channels.

Branches also have to offer services in different formats and require a cost-efficient sales organisation. As a basic service, cash dispensers are provided across the country. In the future, simple business will be dealt with quickly at new service centres situated at high-frequency locations, along people's daily routes. For more complex customer needs, Erste Bank Oesterreich offers a wide range of products and services at its large customer support centres designed to create a new type of relaxed atmosphere. For customers, this means clearly designed and welcoming branches, more rooms for discrete meetings, faster handling of their requests, and proactive support in the foyers.

In October 2014, the first service centre in the new design was opened at Vienna's Central Train Station, and by the end of the year, three such branches were in operation. Furthermore, opening hours were adjusted to meet customer expectations: at least one branch in every district of Vienna is open from 9.00 a.m. to 6.00 p.m. on working days.

Innovation in banking. Along with the new branch concept, access to banking services through digital channels is also being optimised continuously. The application *Finanzmanager*, which

was introduced in 2013, has become well established and the range of apps offered for smartphones and tablets was enlarged again in 2014.

George – the most modern online banking system in Austria – was tested in 2014 in a pre-launch phase and went live at the beginning of 2015. Additional apps are planned to enlarge *George's* already extensive basic features to match specific customer needs and permit even more individualised settings.

Focus on wealth management. Against the backdrop of persistently low interest rates, customers perceive securities as increasingly attractive as an alternative to savings products. Demand for high-quality advisory services is particularly strong in the affluent customer segment. Individual financial needs of the customer base, in particular a balance between expected yield and risk profiles, are at the centre of attention.

A key contributor to increase in fee income was the investment tool *YOU INVEST*, which was introduced in late 2013 and gives customers more flexibility as well as maximum transparency. In 2014, new investment volume stood at about EUR 300 million. Insurance business also performed very well with an increase of over 20%. A major contributor to this rise was the prolongation and the reinvestment of maturing life insurance policies.

Cost projects. The measures initiated already in 2013 to reduce other administrative expenses and bundle human resources were continued. Branch consolidation and natural employee turnover resulted in lower staffing levels. To maintain the high quality of customer support and advisory services, the organisation of workflows at the branches and among teams was optimised and the administrative workload at branches reduced to free up more time for serving customers.

Private banking awards. The British business magazine *The Banker* once again named Erste Bank Oesterreich the best private banking institution in Austria. Together with the award for best private banking in Central and Eastern Europe, also conferred by *The Banker*, this highlights the success of Erste Group in positioning itself as the top private banking institution in the CEE region.

Financial review

in EUR million	2013	2014	Change
Net interest income	559.6	613.5	9.6%
Net fee and commission income	332.2	354.9	6.8%
Net trading and fair value result	11.3	8.7	-22.5%
Operating income	943.2	1,020.3	8.2%
Operating expenses	-606.9	-630.7	3.9%
Operating result	336.3	389.6	15.9%
Cost/income ratio	64.3%	61.8%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-77.5	-104.5	34.7%
Other result	-34.4	6.2	n/a
Net result attributable to owners of the parent	160.5	214.5	33.7%
Return on allocated capital	14.8%	20.8%	

The increase in net interest income was primarily attributable to deposit repricing and a change in deposit structure. Net fee and commission income increased due to the merger with Brokerjet as well as higher payment and insurance fees. The decrease in the net trading and fair value result was mainly due to lower valuation gains from derivatives. Although operating expenses increased due to the merger with Brokerjet, higher pension plan contributions and increased IT and marketing expenses, the operating result and cost/income ratio improved. Net impairment loss on financial assets not measured at FV through profit and loss increased due to higher portfolio provisions. Other result was positively affected by one-off income from insurance payments, whereas 2013 was impacted by impairment of carrying amounts from participations. Overall, the net result attributable to owners of the parent improved considerably.

Credit risk

Total credit risk exposure in the Erste Bank Oesterreich and Subsidiaries geographical segment rose significantly to EUR 37.0 billion (+4.4%). The volume of customer loans grew at a similar pace and totalled approx. EUR 29 billion. The share of this segment in Erste Group's total loan portfolio rose by 0.6 percentage points to 22.6%. The breakdown by customer segments showed a slight shift from retail customers towards medium-sized and larger companies. The share of retail customers in the total credit volume decreased from 41.0% to 40.5%, while the share of corporates, including self-employed individuals and small businesses, increased to 53.8%. Loans to the free professions, the self-employed and small businesses are less significant than they are for the savings banks. These loans amounted to 10.0% of total loans to customers.

Driven by the continued targeted advice campaign to promote the conversion of foreign-currency loans, the share of Swiss franc loans in the total loan portfolio decreased once again significantly from 9.7% to 8.4%.

The quality of the loan portfolio improved in the course of the year. The share of non-performing loans as a ratio of total loans to customers declined by 0.3 percentage points to 3.5%. The development was positive across all customer segments. Especially notable was the further improvement of loan quality among the self-employed and small businesses. Apart from the public sector, private households were again the group with the fewest defaults.

SAVINGS BANKS

The geographical segment Savings Banks is identical to the business segment Savings Banks (see page 33 et seq.).

Business review – Highlights

Haftungsverbund (cross-guarantee system). Under a system of cross-guarantee agreements, Erste Bank and the savings banks guarantee customer deposits far beyond the amounts protected by

law. The cross-guarantee system supplements the statutory deposit insurance and investor compensation system as an additional safety net. To conform to new regulations governing the protection of deposits held with credit institutions, the agreements were extended in 2013, in particular to further intensify the control elements through the holding. This change took effect on 1 January 2014 and has further strengthened the cooperation between the holding, Erste Bank Oesterreich and the savings banks.

Sales support. The savings banks are supported by a dedicated service unit of Erste Bank Oesterreich. The main priorities are the further optimisation of sales potential and sales management. The development of customers' business performance is monitored to permit early identification of any need for support in financial matters and the initiation of targeted measures to continually improve the quality of services offered by the savings banks.

Focus on wealth management. Securities are becoming increasingly attractive for customers as an alternative to savings products. With *YOU INVEST*, the investment scheme of Erste Bank and Sparkassen introduced in 2013, customers can define their own investment strategy according to their individual preferences and needs, while a balance between expected yields and the customers' risk profiles is at the centre of attention.

Cost projects. Measures to optimise other administrative and personnel expenses across the savings banks were implemented to permit them to compare their own costs with those of their peers, to identify potential action points and to ultimately deploy their resources more efficiently. Measures were drawn up to tackle weaknesses and follow best practice examples. This helps savings banks to identify and exploit optimisation potential.

OTHER AUSTRIA

Business review – Highlights

Strong performance of Erste Asset Management. Across Erste Group, all asset management activities are coordinated and managed by Erste Asset Management (EAM). EAM serves both retail and institutional customers. While the business development with retail customers was mainly driven by a shift from bond and money market funds to mixed funds (due to the increased demand for *YOU INVEST* investment products), business with institutional clients was focused on emerging markets bonds, fixed income products and sustainable investments. EAM successfully increased its business volumes and strengthened its leading market position in Austria and Romania and was again one of the top three asset management companies in its other CEE markets.

Assets under management rose to EUR 53.8 billion (+13.6%). Backed by strict cost management, EAM increased its net profit by almost 42% to EUR 16.5 million.

Leading position in CEE new issues. Debt Capital Markets defended its top position for eurobond issuance and thus again managed to be among the most successful issuance banks in Erste Group's core region. Notable deals comprise the joint lead management of an issuance of the Republic of Austria totalling EUR 4 billion, of a EUR 500 million bond issue by ÖBB, the Austrian railway company, and of a EUR 500 million issue by Hypo Vorarlberg. In CEE, Erste Group acted successfully among others as joint lead manager in the EUR 1.5 billion bond issuance of the Slovak Republic. In addition, Erste Group was joint bookrunner for mBank in Poland and Vakif Bank in Turkey, each totalling EUR 500 million.

Success with syndicated loans. Erste Group again demonstrated its syndicated loan capabilities. Erste Group acted among others as mandated lead arranger and book-runner for a EUR 435 million revolving credit facility for Porsche Corporate Finance, for a EUR 250 million revolving credit facility for Novomatic, and for a USD 1.55 billion multicurrency revolving credit facility for MOL.

Strong transaction banking. Erste Group has positioned itself as a reliable partner in transaction banking: it covers all transactional customer needs from cash management to trade finance by providing expertise in export finance and documentary business, and it covers the entire supply chain financing needs through factoring or receivables financing solutions. In 2014, Erste Group became the main bank for cash collection and payments for Petrom.

Real estate business in CEE. The size of the real estate portfolio of Erste Group Immortent (EGI) continued to decline. More than 90% of the exposure is located in Erste Group's core markets, with more than half of it attributable to Austria, the Czech Republic and Slovakia. The majority of EGI's business is located in or in close proximity to the major economic centres. The portfolio comprises mainly commercial real estate (retail shopping properties, office buildings and logistics) but also hotels/tourism and infrastructure. Overall, the CEE real estate market continued to be challenging; this was reflected in a continuously high level of risk provisioning.

Benchmark real estate financing deals included a combined share and asset deal for the Austria Campus and a syndicated loan for the acquisition of the Millennium City shopping centre, both in Vienna, refinancing transactions for the CTP group in the Czech Republic, and the Apollo Rida Portfolio in Poland. Infrastructure financing projects included wind farms in Croatia and Romania.

In 2014, Erste Group Immortent CZ was named the best financial service provider in real estate in the Czech Republic by the real estate magazine Construction and Investment Journal. Banca Comercială Română and Erste Group Immortent RO were named *Bank of the Year* by EuropaProperty's Awards for real estate and infrastructure investments in Romania.

Solid investment banking franchise. Erste Group's competitive advantage in investment banking stems from the combination of expertise, professional service and local presence. The business model is built on integration with Erste Group's corporate business.

Against the backdrop of an increasingly competitive market environment Erste Group's merchant banking managed to slightly increase its asset base at stable net margins. The financing for PPF Arena for the acquisition of Telefónica Czech Republic, where Erste Group acted as mandated lead arranger through Česká spořitelna, was named *Deal of the Year 2014* by the magazine *The Banker*.

Erste Group participated again in book-running for all Austrian equity capital markets transactions (except those, where issuer and book runner were affiliates), most notably the first IPO on the Vienna Stock Exchange in three years, FACC, and the capital increases in Telekom Austria, PORR and the spin-offs of BUWOG from IMMOFINANZ and PIAG from PORR. Major transactions in CEE included accelerated book-building for Romgaz in Bucharest and the IPO of Pivovary Lobkowicz in Prague.

A small team at the London branch successfully positioned itself in a highly specialised aerospace financing segment. The business model is to provide secured asset-based loans to investors in commercial aircraft and aircraft engines.

Financial review

in EUR million	2013	2014	Change
Net interest income	412.4	395.4	-4.1%
Net fee and commission income	180.2	174.0	-3.5%
Net trading and fair value result	34.9	3.1	-91.2%
Operating income	714.9	621.5	-13.1%
Operating expenses	-365.1	-323.3	-11.4%
Operating result	349.8	298.1	-14.8%
Cost/income ratio	51.1%	52.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-440.1	-269.2	-38.8%
Other result	-27.4	-7.2	-73.7%
Net result attributable to owners of the parent	-121.1	-31.0	-74.4%
Return on allocated capital	-7.3%	-2.1%	

The decline in net interest income was mainly attributable to the deconsolidation of leasing entities in Immorent as well as the non-recurrence of a positive one-off effect and to lower income from money market transactions and bonds due to the low interest rate environment that was partially compensated by new business at the London and New York branches. As an increased volume of assets under management from retail and institutional clients did not fully offset lower fees in investment banking and lower treasury sales results, net fee and commission income declined. The net trading and fair value result decreased primarily due to lower treasury results of Erste Group Bank AG, namely from strategic positions and hedge funds, the yield curve and spreads impact as well as the fair value market pricing of the structured credit portfolio of International Business in Vienna. In addition, the trading result of Immorent decreased mainly due to valuation losses and unfavourable developments of FX rates. Consequently, the operating result declined. Net impairment loss on financial assets not measured at FV through profit and loss improved substantially on the back of lower specific risk provisions in large corporate business and commercial real estate business in Erste Group Bank AG as well as in Immorent but remained at an elevated level. The net result attributable to the owners of the parent improved; nevertheless, it remained negative.

Credit risk

The credit risk exposure in the Other Austria segment, which is almost completely made up of Erste Group Bank and Erste Group Immorent, rose to EUR 33.1 billion (EUR 32.6 billion), which was almost 16% of the credit risk exposure of Erste Group. A large share of business in this segment was accounted for by securities and investments with banks. The share of loans to customers as a percentage of Erste Group's total loan portfolio was significantly lower at 9.8%. Loans to customers rose to EUR 12.6 billion (EUR 12.2 billion), with loans to the relatively low risk public sector and to large corporates posting robust growth. In contrast, financing for commercial real estate decreased again sharply, reflecting the weak economy and the problems of the real estate industry in most of Erste Group's core markets.

The share of non-performing loans in the total loan portfolio declined markedly to 11.8% (13.4%). NPL coverage by risk provisions was 58.1%, with the balance fully covered by collateral. Within the category of performing loans there was a clear migration to better risk categories, which also indicates improved credit quality.

Central and Eastern Europe

CZECH REPUBLIC

Economic review

The Czech Republic is one of the most developed and stable countries in Central and Eastern Europe. Although the country is among the most open economies in the region, growth in 2014 was clearly driven by household consumption and investments. Consumption was positively impacted by higher consumer confidence, lower unemployment and accelerating growth of real wages. In addition, the European funds absorption rate improved further in 2014 and supported investments. Exports, on the other hand, performed only moderately with the automotive industry remaining one of the bright spots. Overall, real GDP expanded by 2.0% in 2014, while GDP per capita stood at EUR 14,800. Reflecting the strong economic performance, the unemployment rate declined further in 2014 to 5.9%.

The Czech Republic experienced political stability in 2014. After the political turmoil of 2013, the outcome of the lengthy negotiations was the formation of a three-party coalition that consists of the Czech Social Democratic Party, the newly founded party ANO and the Christian Democrats. This agreement among parties was reached in January 2014 and played an important role in the prudent fiscal policy. Stronger real GDP growth supported tax revenues in 2014, while a higher value-added tax rate of 21% had already been introduced the previous year. As a result, the government deficit of 1.2% in 2014 remained significantly below the 3% Maastricht criterion and the country exited the Excessive Deficit Procedure during the year. Public debt as a percentage of GDP remained one of the lowest in Central and Eastern Europe and declined even further to 43.6% in 2014. Rating agencies acknowledged the performance of the Czech economy with S&P, Moody's and Fitch affirming the country's long-term credit rating at AA-, A1, and A+ respectively in 2014.

The Czech National Bank began intervening back in 2013 to weaken the koruna by targeting an exchange rate of CZK 27 against the euro as part of its attempt to avoid deflation. Despite the maintenance of this exchange rate floor by the National bank, inflation remained low throughout 2014. The average consumer price index was at 0.4% in 2014, impacted by lower regulated energy prices from the beginning of the year. The Czech koruna, supported by the country's strong fundamentals, traded within a narrow range of CZK 27-28 versus the euro. The Czech National Bank left its base rate unchanged at 0.05% throughout 2014.

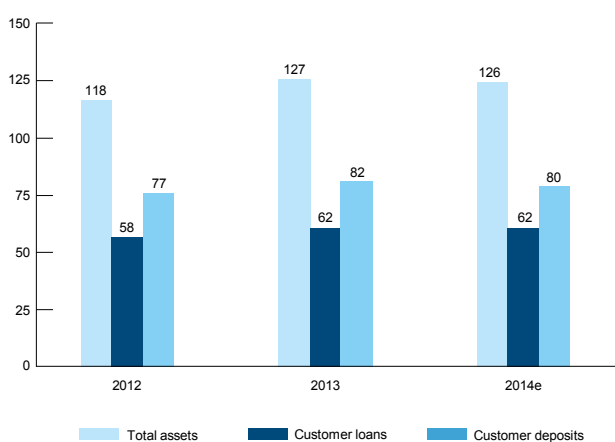
Key economic indicators – Czech Republic	2011	2012	2013	2014e
Population (ave, million)	10.5	10.5	10.5	10.5
GDP (nominal, EUR billion)	163.3	160.8	157.2	155.6
GDP/capita (in EUR thousand)	15.6	15.3	15.0	14.8
Real GDP growth	2.0	-0.7	-0.7	2.0
Private consumption growth	0.3	-1.8	0.4	1.4
Exports (share of GDP)	64.0	67.3	68.2	73.3
Imports (share of GDP)	63.7	65.7	65.6	69.6
Unemployment (Eurostat definition)	6.6	7.2	6.8	5.9
Consumer price inflation (ave)	1.9	3.3	1.4	0.4
Short term interest rate (3 months average)	1.2	1.0	0.5	0.4
EUR FX rate (ave)	24.6	25.2	26.0	27.6
EUR FX rate (eop)	25.6	25.6	27.5	27.9
Current account balance (share of GDP)	-2.1	-1.6	-1.4	0.0
General government balance (share of GDP)	-2.9	-4.0	-1.3	-1.2

Source: Erste Group

Market review

The Czech banking market benefitted from improved macroeconomic conditions, which lead to an increased demand for banking products. Supported by increased household consumption and an improved consumer confidence level, customer loans grew by 4.8% in 2014. The lending market was clearly driven by retail loans while corporate loans rose only slightly. Customer deposits increased only moderately by 2.9%. This was entirely due to the public sector, while deposits from households and corporate customers increased by 6.7%. Overall, the Czech banking market remained one of the most liquid in Central and Eastern Europe. The loans to deposits ratio across the banking sector stood at 77% as of year-end 2014.

Financial intermediation – Czech Republic (in % of GDP)



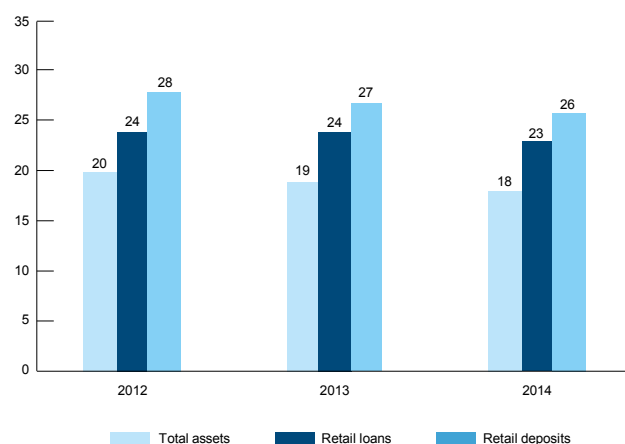
Source: Czech National Bank, Erste Group

The latest results of the semi-annual stress tests of the Czech National Bank were published in December 2014 and confirmed that the banking sector as a whole continued to be sufficiently resilient to potential adverse shocks. The National Bank also implemented new capital requirements in line with the European Union's Capital Requirements Directive IV including capital

buffers of 1-3% for systemically important institutions and a conservation buffer of 2.5% for all banks. The country's banking market continued to be well capitalised with a total capital ratio of 18% as of year-end 2014. The Czech banking system remained very profitable in 2014, with favourable asset quality indicators playing a significant role. Foreign exchange-based lending remained insignificant compared to some other Central Eastern European countries.

Česká spořitelna maintained its market leadership positions across all major product categories in 2014. Its retail market shares ranged from 23% to 26%, while its share in the corporate segment remained lower at around 20%. Overall, its market share as measured by total assets stood at 18.3%. Česká spořitelna also retained its number-one position in consumer lending including the credit card market with a market share of 34%. In addition, Česká spořitelna continued to control more than one quarter of the asset management market.

Market shares – Czech Republic (in %)



Source: Czech National Bank, Erste Group

Business review – Highlights

Front-runner in electronic banking. In October 2014, Česká spořitelna introduced a new version of the well-established internet banking solutions. In the *SERVIS 24* application, existing functions, such as the blocking, unblocking or issue of replacement cards, ordering a card with a customised design or an improved transaction history, were enhanced. Comprehensive payment card administration is a novelty for *BUSINESS 24*. *SERVIS 24* is the most popular internet banking application in the Czech Republic with almost 1.8 million users.

In addition, Česká spořitelna launched the service *3D Secure*, secure online card payments that provide customers with the highest possible security, to further strengthen the bank's position in electronic banking. The bank achieved a two-digit increase in transaction volumes made at merchants using Česká spořitelna cards in the last years, and the total number of issued active payment cards exceeded 3 million.

New branch concept and focus on customer relations. In October 2014, Česká spořitelna opened an experimental branch in Plzeň - Lochotín. This new type of branch aims to strengthen the customer service model, expand self-service devices for routine banking operations and improve the quality of the provided advisory services.

A novelty in Czech retail banking was the introduction of personal banking for middle-income customers under the *BLUE* brand, which Česká spořitelna began offering at 140 branches in October 2014. This targets customers who expect extensive service and a wide range of high-quality personal banking services from the

bank. Česká spořitelna aims at establishing a lifelong relationship with customers and has therefore designed the *BLUE* service to meet the customers' needs at each stage of their life cycle. *BLUE* service customers may obtain the services of a personal banker and have the option of gaining advisory services and complex financial planning.

Solid performance in corporate business. The holding and Česká spořitelna cooperated on the largest corporate CZK bond issue of the last decade in the Czech Republic – the issuance of NET4GAS bonds. NET4GAS, the operator of a natural gas transmission network, issued bonds in EUR and in CZK, in an aggregate volume of EUR 710 million.

As part of its digital banking services for corporate customers, Česká spořitelna presented *BUSINESS 24 Mobile Bank*. It is the first bank offering a special mobile application for corporate clients allowing them to fully administer their own account. Česká spořitelna also implemented extended functionalities in the areas of trade finance, in documentary transactions and bank guarantees.

International and local recognition. In the 2014 Fincentrum Bank of the Year competition, Česká spořitelna won the *Bank Without Barriers Award*, the *Mortgage of the Year Award* and for the eleventh year running defended *The Most Trusted Bank Award*. Thanks to the bank's innovative approach of offering mortgages via Facebook as well, Česká spořitelna won first place in the *Best Use of Digital Media* category of the FLEMA Media Awards.

Financial review

in EUR million	2013	2014	Change
Net interest income	999.4	924.0	-7.5%
Net fee and commission income	434.9	410.6	-5.6%
Net trading and fair value result	79.7	83.1	4.2%
Operating income	1,547.9	1,449.4	-6.4%
Operating expenses	-721.8	-662.2	-8.3%
Operating result	826.1	787.1	-4.7%
Cost/income ratio	46.6%	45.7%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-140.1	-135.4	-3.4%
Other result	9.8	-16.6	n/a
Net result attributable to owners of the parent	551.9	506.2	-8.3%
Return on allocated capital	34.9%	35.8%	

The devaluation of the CZK due to the intervention of the Czech National Bank in November 2013 had a significant negative impact on the EUR figures of the Czech Republic segment. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) decreased due to the persistently low interest rate environment and subdued loan demand, especially for consumer loans; mortgage loan volumes increased though. Net fee and commission income remained flat in local currency terms. Net trading and FV result increased due to the improved result from foreign exchange transactions. Lower operating ex-

penses related to cost reduction measures could not offset the decrease in operating income, resulting in a decline in the operating result. However, the operating result in local currency terms went up and the cost/income ratio improved. The deviation in the net impairment loss on financial assets not measured at FV through P&L was mainly attributable to the FX impact. Other result declined due to the non-recurrence of a one-off positive effect from 2013, but also due to impairments on own buildings and real estate funds. Overall, these developments led to a decline in the net result attributable to the owners of the parent.

Credit risk

Total credit risk exposure in the Czech Republic geographical segment declined by more than EUR 1.6 billion to slightly above EUR 32 billion (-4.9%). In contrast to this trend in total credit exposure, loans to customers rose slightly to almost EUR 18.7 billion, with growth being confined to the retail business. Loans to medium-sized and large enterprises were slightly down. Customer loans in this segment as a percentage of Erste Group's total loans to customers were almost unchanged at around 14.6%. The Czech Republic is hence still by far the second most important market for Erste Group after Austria. In the Czech Republic, loans continue to be granted almost exclusively in local currency. Slightly more than one half of loans to customers were collateralised.

The quality of customer loans was again significantly better than in other markets in Central and Eastern Europe in which Erste Group operates. Due to proactive and effective credit risk management, non-performing loans as a percentage of the total customer loan portfolio decreased to 4.4% (4.6%), which continued the positive development of recent years. In 2014, this trend was supported by the retail business, in which credit quality improved both among retail clients and micro-businesses. Risk provisions as a percentage of non-performing loans improved to almost 79%. Including collateral, surplus cover amounted to 17% at year-end.

SLOVAKIA

Economic review

Slovakia exhibited one of the most dynamic recoveries of the Central and Eastern European region in 2014. Economic growth

was positively impacted by the significant pickup of domestic demand, which was mainly driven by higher real disposable income and increased consumer confidence. In addition, gross fixed capital formation performed well, with investments in machinery being an important factor. Exports, on the other hand, increased at a lesser pace than in the previous year, mainly because of slower growth by Slovakia's main trading partners. Altogether, real GDP grew by 2.4% in 2014 and GDP per capita stood at EUR 13,900 by year-end. The increased economic activity supported the country's labour market, which improved significantly in 2014. The unemployment rate stood at 13.3% at the end of 2014, representing a 0.9 percentage point improvement compared to 2013.

The fiscal stance of Slovakia improved notably in the past two years and the country exited the Excessive Deficit Procedure in 2014. After declining to 2.6% of GDP in 2013, the fiscal deficit stood at 2.9% in 2014. An improving labour market along with the higher tax intake efficiency helped the budget revenues in 2014. Public deficit as a percentage of GDP remained slightly below the threshold of the debt brake rule of 55%. Rating agencies acknowledged the performance of the Slovak economy with S&P raising the credit rating outlook from stable to positive.

Consumer prices in 2014 slowed down even more noticeably than in the previous year. Inflation was impacted by favourable harvest conditions and lower food and energy prices. In addition, prices in the service sector grew only very moderately. Altogether, average consumer prices decreased marginally, by 0.1% in 2014. Having adopted the euro back in 2009, Slovakia continued to benefit from low euro zone interest rates.

Key economic indicators – Slovakia	2011	2012	2013	2014e
Population (ave, million)	5.4	5.4	5.4	5.4
GDP (nominal, EUR billion)	70.2	72.2	73.6	75.2
GDP/capita (in EUR thousand)	13.0	13.4	13.6	13.9
Real GDP growth	2.7	1.6	1.4	2.4
Private consumption growth	-0.7	-0.5	-0.8	2.1
Exports (share of GDP)	80.9	86.1	87.2	86.1
Imports (share of GDP)	79.5	81.2	81.4	79.9
Unemployment (Eurostat definition)	13.6	13.9	14.2	13.3
Consumer price inflation (ave)	3.9	3.6	1.4	-0.1
Short term interest rate (3 months average)	1.4	0.6	0.2	0.2
Current account balance (share of GDP)	-3.7	2.2	2.1	3.1
General government balance (share of GDP)	-4.1	-4.2	-2.6	-2.9

Source: Erste Group

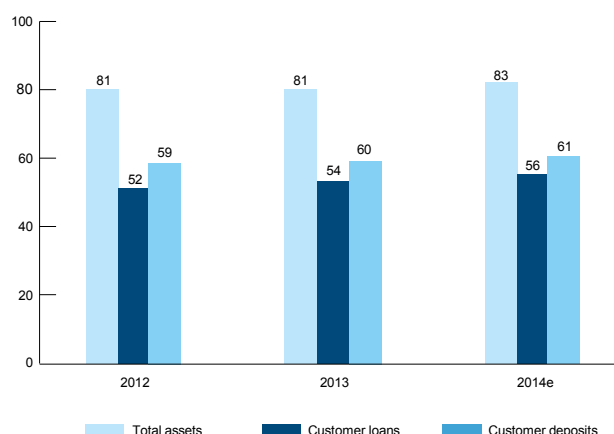
Market review

The positive macroeconomic environment continued to favourably impact Slovakia's banking market. Customer loans grew by 6.4% in the year, with the retail segment leading the way on the back of improved consumer confidence. Corporate loan volumes increased only marginally. Foreign-currency lending remained insignificant. Customer deposits grew less than loans at 3.8%. With its loan-to-

deposit ratio of 91%, Slovakia maintained one of the most liquid and balanced banking sectors in the region. In order to maintain a sound and prudent banking market, the National Bank of Slovakia published its recommendations for financial institutions in October 2014, in which it addressed important parameters such as loan-to-value ratios, maturity of loans, and a prudential approach to property valuations. Having reached the first threshold of paid-in bank-

ing tax in the resolution funds, financial institutions did not need to pay the special banking tax in the last quarter of 2014. Furthermore, the banking tax for 2015 was halved compared to 2013.

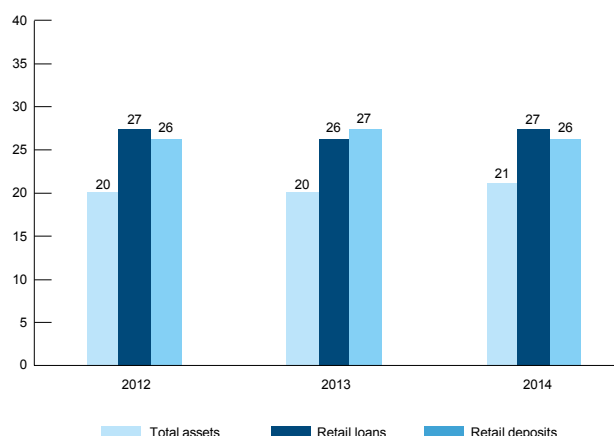
Financial intermediation – Slovakia (in % of GDP)



Source: National Bank of Slovakia, Erste Group

In the improved banking market environment, Slovenská sporiteľňa successfully retained its leading market positions. The bank continued to control one-fifth of the country's banking market as measured by total assets, while it also led the market in customer loans and deposits. In the housing loan business, Slovenská sporiteľňa's market share increased further in 2014 to 27.6%. On the deposit side, its market share was significantly lower in corporate business, at 10.6%, than in retail, at 26.4%.

Market shares – Slovakia (in %)



Source: National Bank of Slovakia, Erste Group

Business review – Highlights

Retail product innovation. Slovenská sporiteľňa introduced an *All-inclusive mortgage*, a unique product in Slovakia. In addition to granting the mortgage, the bank pays for the valuation of the real estate that serves as collateral and processes the registration of pledge in the land register. As a result, the customer experience further improved and about 80% of the customers who signed a housing loan made use of this offer. Product innovations like this support Slovenská sporiteľňa's efforts to increase its market shares. The bank's position in retail business improved on the back of product innovation, focused direct marketing and process improvements.

Banking for corporate customers. In corporate business, Slovenská sporiteľňa strengthened its position. The bank not only participated in all major local-market transactions but also increased revenues from transaction banking. Especially the factoring business showed impressive growth. Through streamlining of internal processes and increased efficiency, Slovenská sporiteľňa aims at improving the customer satisfaction of SMEs and large corporates to further increase its position in corporate business.

Focus on digital banking. In line with group-wide cooperation efforts, Slovenská sporiteľňa established a new unit focusing on digital banking. This team supports the bank's digital evolution to better meet the growing expectations and needs of its customer base. It is the bank's goal to create an exceptional experience for its customers. Visible website improvements will be implemented in 2015, and new digital business ideas to further improve customer convenience have already been successfully piloted.

International and local recognition. Its strong market position, high profitability, even further improved asset quality and a strengthened capital position are the main reasons why Slovenská sporiteľňa won various awards in 2014. For the third consecutive year the bank won the most prestigious banking award in Slovakia – *TREND TOP Bank of the Year*. In addition, the British journal *The Banker* named Slovenská sporiteľňa *Bank of the Year 2014* in Slovakia, and for the fourth time it won the *Euromoney Awards for Excellence*.

Financial review

in EUR million	2013	2014	Change
Net interest income	431.2	451.0	4.6%
Net fee and commission income	117.4	123.4	5.1%
Net trading and fair value result	11.6	9.6	-17.2%
Operating income	572.3	593.5	3.7%
Operating expenses	-249.0	-266.2	6.9%
Operating result	323.3	327.3	1.2%
Cost/income ratio	43.5%	44.9%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-47.2	-51.4	8.8%
Other result	-45.0	-43.0	-4.6%
Net result attributable to owners of the parent	180.7	178.7	-1.1%
Return on allocated capital	35.7%	34.9%	

The increase in net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) was mainly attributable to higher new business volumes, namely housing and consumer loans, and a changed deposit structure. Despite the cancellation of loan account fees imposed by legislation, the net fee and commission income improved due to current account, insurance and securities fees. The decrease in the net trading and fair value result was driven by valuation losses from derivatives. The increase in operating expenses was mostly related to the EUR 8.9 million payment into the deposit insurance fund (no corresponding payment in 2013) and higher personnel expenses. Owing to improved operating income, the operating result increased. The cost/income ratio increased. Net impairment loss on financial assets not measured at FV through profit and loss increased due to allocation of higher provisions in the commercial real estate business, while large corporates developed positively. Other result improved slightly due to a decrease in banking tax (no payment in the fourth quarter of 2014). The net result attributable to the owners of the parent declined moderately.

Credit risk

Total credit risk exposure in the Slovakia geographical segment amounted to EUR 13.7 billion (+10.6%; EUR 12.6 billion). Loans to customers increased to EUR 8.4 billion (+12.2%; EUR 7.5 billion). The share of the Slovakia geographical segment in Erste Group's total loan portfolio rose by almost 0.7 percentage points to 6.5%.

A breakdown of the portfolio by customer segment shows a continuation of the trend seen in previous years. The percentage of better rated loans to retail customers in the total portfolio – as measured by asset quality – rose further at the expense of the corporate loans. Loans to corporates accounted for approx. 29% of total loans to customers, loans to private households for almost 71%. This customer mix also explains the large share of secured business of almost 59% of the entire loan portfolio. Again, no foreign-currency loans were granted to retail customers.

The positive development of credit quality continued. The NPL ratio dropped to 5.0% (5.4%), with significant improvements seen primarily in retail loans – loans to private individuals as well as loans to self-employed people and micro-businesses – while the quality of loans to larger corporates deteriorated slightly. The

NPL coverage ratio based on risk provisions declined but at 82.4% was still above average.

ROMANIA

Economic review

Although growth slowed down from the previous year, Romania's economy continued to perform well in 2014. Growth was mainly driven by private consumption and exports, while investments failed to pick up during 2014. Private consumption was supported by higher real disposable income and improved consumer confidence levels. Exports also performed well in 2014, with industrial production being an important driver. With 70%, the European Union continued to represent the main export destination from Romania. Dacia, a Romanian car maker, had another excellent year. In addition, information technology, paper manufacturing and agriculture also had positive impacts on the economic performance. The latter with its relatively high share in the overall economy, however, contributed to economic growth to a much lower extent than in the exceptionally favourable conditions of the previous year. In addition, European funds absorption clearly improved further in 2014 and reached 52%, still low compared to other countries in the region. Altogether, real GDP grew by 2.9% in 2014 and GDP per capita rose to EUR 7,600. The unemployment rate improved to 6.7%.

Under the third precautionary agreement with the International Monetary Fund, Romania continued its fiscal consolidation programme in 2014. Despite the reorganisation of the existing government in 2014 and the approval of some populist measures ahead of presidential elections in November, the budget deficit remained at a low level of 1.9% of GDP. Impacted by capping public investments, co-financing of European Union projects, higher excise duties and property taxes, the deficit stayed within the agreed target of a maximum of 3% for the third consecutive year. The rating agencies Moody's and S&P acknowledged the performance of the Romanian economy. Romania's public debt level to GDP remained one of the lowest in the European Union at 38.6% at the end of 2014.

Inflation remained subdued in 2014 and stood in the lower bound of the interval regarding the National Bank's target range of 1.5%-3.5%. The low inflation was mainly attributable to lower

global energy prices, low food prices, the cut in VAT for bread, and delays in gas price liberalisation. Overall, average consumer prices rose by 1.1% in 2014. The Romanian National Bank cut

the base rate several times in 2014 to 2.75% by the end of the year. The Romanian leu did not change significantly versus the euro and stood in the range of 4.4-4.5 throughout the year.

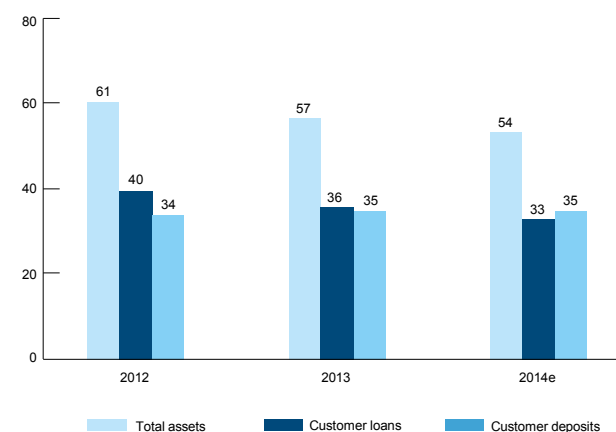
Key economic indicators – Romania	2011	2012	2013	2014e
Population (ave, million)	20.2	20.1	20.0	19.9
GDP (nominal, EUR billion)	133.3	133.9	144.7	151.8
GDP/capita (in EUR thousand)	6.6	6.7	7.2	7.6
Real GDP growth	2.3	0.6	3.5	2.9
Private consumption growth	1.4	1.5	0.9	3.6
Exports (share of GDP)	34.0	33.7	34.3	34.6
Imports (share of GDP)	41.2	40.9	38.2	38.5
Unemployment (Eurostat definition)	7.2	6.8	7.1	6.7
Consumer price inflation (ave)	5.8	3.3	4.0	1.1
Short term interest rate (3 months average)	5.8	5.3	4.2	2.5
EUR FX rate (ave)	4.2	4.5	4.4	4.4
EUR FX rate (eop)	4.3	4.4	4.5	4.5
Current account balance (share of GDP)	-4.6	-4.5	-0.8	-0.5
General government balance (share of GDP)	-5.5	-2.9	-2.3	-1.9

Source: Erste Group

Market review

Although interest rates continued to decline and reached historical lows in Romania, demand for customer loans remained low throughout 2014. Customer loans fell by 3.3%, mainly driven by a decline in the corporate sector of 5.2%. This significant reduction was due not only to low demand but also to the reduction in non-performing loans following the recommendation of the Romanian National Bank. Retail loans remained stable throughout 2014 and were characterised by significantly increasing local currency lending which became more attractive due to lower interest rates. In addition, *Prima Casa*, a government-guaranteed mortgage programme, was exclusively available in local currency after August 2013. Customer deposits, on the other hand, grew by 7.9% in 2014 which represented a slowdown compared to 2013. Both retail and corporate deposits were impacted by higher yield investment products in asset management.

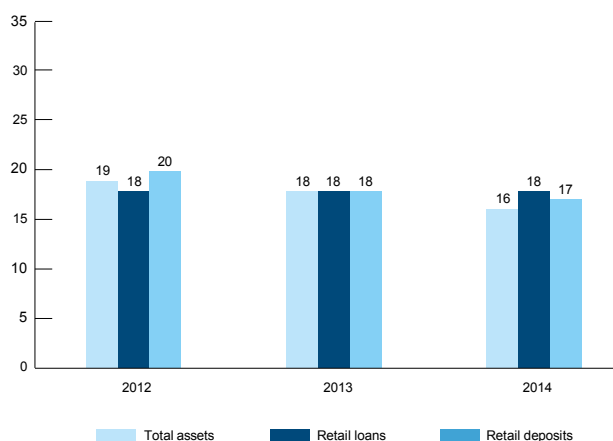
Financial intermediation – Romania (in % of GDP)



Source: National Bank of Romania, Erste Group

The Romanian National Bank, ahead of the European Central Bank's asset quality review, recommended local banks to reduce fully provisioned non-performing loans in the banking system in an accelerated manner. Following this recommendation, banks took decisive measures aimed at cleaning up their balance sheets through write-offs, sales and recoveries. These efforts led not only to significantly higher risk costs but also to lower non-performing loan ratios and higher coverage, most visibly in the corporate sector. In 2014, the country's banking sector was loss-making due to the accelerated NPL reduction. The Romanian National Bank also continued to support local funding and local currency based lending throughout 2014 by maintaining the rules on limitations on tenor, debt-to-income ratio, loan-to-value ratio, and collateral coverage. Overall, the Romanian banking market remained well balanced, with the loan-to-deposit ratio declining further to 93% by the end of 2014. In addition the banking sector remained very strongly capitalised with a total capital ratio of 17%.

Market shares – Romania (in %)



Source: National Bank of Romania, Erste Group

Despite losing some market shares on both the lending and deposit sides, Banca Comercială Română held on to its leadership position in almost all major product categories. By the end of 2014, the bank was ranked number one based on total assets, customer loans, customer deposits, and asset management. Banca Comercială Română's customer loan market share, however, was impacted by the significant reduction of non-performing loans, most visibly in the corporate sector in which the market share decreased to 17.1%. Customer deposit market shares remained stable in 2014. Overall, Banca Comercială Română had a market share as measured by total assets of 16.2% at the end of 2014.

Business review – Highlights

Substantially improved asset quality. Banca Comercială Română decided to accelerate the resolution of the NPL legacy issues to enhance its asset quality. Following significant write-offs, sales and recoveries, the NPL stock decreased by almost 30%. The risk costs increased to EUR 999.1 million. As a result, the NPL ratio decreased to 23.7% and the NPL coverage improved significantly to 82.2%.

Success in local currency retail lending. Retail lending focused on financing customers with good credit ratings and on improving client activation. Banca Comercială Română launched a new standard mortgage loan with a 5-year fixed interest rate. In addition, the bank simplified the documentation for secured lending, optimised the cash and non-cash transactions processes and, as a result, improved customer satisfaction by implementing a queue management system in the 70 most important branches.

Local currency lending accelerated, driven by a significant uplift in both secured and unsecured loan originations. The retail performing book was driven by a substantial increase in standard mortgages and *Prima Casa* (the state-guaranteed housing loans programme) new sales. The volume in new production tripled year-on-year. Banca Comercială Română captured about one third of the newly underwritten mortgage market, and remained – also in terms of cash loans – among the top three largest banks. The bank continued the marketing campaigns promoting local currency unsecured consumer loans and credit cards.

Continued cost efficiency. The cost dynamics were successfully aligned with the revenue generation capacity thanks to the bank's considerable optimisation measures and strict cost management. As a result of the comprehensive turnaround programme, Banca Comercială Română improved processes and decreased the cost base. The headcount was reduced to 7,054 and 25 branches were closed.

Transaction banking and cash management initiatives. To better meet the needs of the corporate customers, Banca Comercială Română redesigned its transaction banking business and introduced new products. Further to that, it extended its cash management service coverage and simplified product packages. The number of corporate outgoing local currency payments increased by about 5.8%.

Financial review

in EUR million	2013	2014	Change
Net interest income	610.1	484.7	-20.6%
Net fee and commission income	169.1	160.0	-5.4%
Net trading and fair value result	99.9	81.2	-18.7%
Operating income	887.1	732.2	-17.5%
Operating expenses	-369.3	-331.9	-10.1%
Operating result	517.8	400.3	-22.7%
Cost/income ratio	41.6%	45.3%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-454.3	-999.1	>100.0%
Other result	-67.1	-117.2	74.7%
Net result attributable to owners of the parent	114.9	-614.1	n/a
Return on allocated capital	8.6%	-60.3%	

Net interest income in the Romania segment (comprising Banca Comercială Română Group) decreased after sharp key rate cuts in 2013 and 2014, but also due to lower income from unwinding and declining corporate business. Net fee and commission income declined mainly due to lower fees from loans, current accounts and transaction banking. Net trading and fair value result declined due to a lower result from derivatives. Consequently, operating income decreased. Operating expenses decreased on the back of cost reduction measures. The operating result declined and the cost/income ratio deteriorated. The net impairment loss on financial assets not measured at FV through profit and loss increased on the back of the announced accelerated NPL reduction. The net result attributable to the owners of the parent decreased significantly.

Credit risk

Due to the continued consolidation strategy, business volumes in the Romania geographical segment declined again noticeably in almost all business areas. While total credit risk exposure was reduced by EUR 1.1 billion to EUR 14.3 billion, loans to customers contracted visibly to EUR 9.0 billion (-13.8%). This represented a share of 7.0% (8.2%) of Erste Group's total loans to customers. The decline in the loan portfolio was attributable to more restrictive lending in the face of increased credit quality requirements and, above all, to extensive selling of non-performing loans in the amount of EUR 747 million.

The loan portfolio of the Romania geographical segment was made up of 53% collateralised and 47% non-collateralised loans, which significantly increased the degree of collateralisation. The share of foreign-currency loans decreased to 60% (63%) and was almost completely denominated in euros. This development was due to the state-subsidised *Prima Casa* programme for residential housing loans. Since the autumn of 2012, Banca Comercială Română has been offering this programme exclusively in local currency.

The NPL ratio declined by almost one third, last but not least due to sales in the secondary market, to 23.7% (29.2%), with non-performing corporate loans down more sharply. Loans to private households continued to show the highest quality in the loan portfolio. Risk provisions were substantially increased once again so that the NPL coverage ratio improved to 82.2% (66.9%).

HUNGARY

Economic review

The Hungarian economy grew surprisingly well in 2014 at 3.6%, the strongest growth since 2006. This development was mainly supported by household consumption and investments; however, exports also contributed positively to the country's overall economic performance. The surge in both public and private investments was partly supported by one-off factors such as an accelerated absorption of European Union funds and measures of the National Bank, such as the *Funding for Growth* scheme. The highest growth rates in investments were registered in manufacturing, logistics, defence and agriculture. Exports were supported by car manufacturers, such as Mercedes, Audi and General Motors, which again performed well in 2014. High distortionary taxes, most notably very high additional burdens on the financial sector, however, remained a drag on the economic performance in 2014. Altogether, Hungary's GDP performance was better than most market participants expected. The unemployment rate decreased

significantly in 2014 to 7.7% mainly due to maintenance of the government's Public Work Scheme. Employment also slightly increased in the private sector.

Political stability prevailed in Hungary in 2014, with the coalition of the centre right FIDESZ and the Christian Democrats winning both the general parliamentary and municipal elections. In order to reach its deficit goal of 2.9% the re-elected government announced fiscal adjustment measures in July 2014 including a freeze of government expenditures. Additionally, the government decided to maintain the special taxes in sectors such as energy, telecoms, retail and finance. In addition, strict cost control continued in the public sector. Overall, the general government deficit remained below the 3% Maastricht criterion at 2.7%. The public debt ratio of Hungary continued to stay above the average of other CEE countries and stood at 76.5% at the end of 2014. Although bond issuance by Hungary was limited in 2014, the weaker currency exchange level had a significant impact on indebtedness as a percentage of GDP. None of the three main rating agencies changed the sovereign rating of Hungary in 2014, but their outlook perspectives were modified to a stable outlook.

Inflation remained under control during 2014. Consumer prices in 2014 were broadly unchanged due to the subdued imported inflation, low food prices, and regulated price cuts. Artificial price reductions of electricity and gas services as well as some other services provided by local councils, such as water charges, sewerage and refuse disposal, played a role in disinflation. Average consumer prices decreased by 0.2% in 2014. Despite the stable economic environment, the forint depreciated slightly against the euro reaching HUF 315 at the end of 2014. The National Bank continued its policy of further reducing the base rate, which was cut seven times until July 2014. The main monetary policy rate was then left unchanged at the historical low of 2.1% until the end of the year.

Key economic indicators – Hungary	2011	2012	2013	2014e
Population (ave, million)	10.0	10.0	9.9	9.9
GDP (nominal, EUR billion)	100.4	98.6	100.5	103.3
GDP/capita (in EUR thousand)	10.1	9.9	10.1	10.4
Real GDP growth	1.8	-1.5	1.5	3.6
Private consumption growth	0.7	-2.0	0.2	1.1
Exports (share of GDP)	71.5	71.3	72.0	73.9
Imports (share of GDP)	68.6	68.2	68.5	71.2
Unemployment (Eurostat definition)	10.9	10.9	10.3	7.7
Consumer price inflation (ave)	3.9	5.7	1.7	-0.2
Short term interest rate (3 months average)	6.2	7.0	4.3	2.4
EUR FX rate (ave)	279.2	289.4	296.9	308.6
EUR FX rate (eop)	311.1	291.3	296.9	314.9
Current account balance (share of GDP)	0.8	1.9	4.1	3.8
General government balance (share of GDP)	4.2	-2.2	-2.4	-2.7

Source: Erste Group

Market review

For Hungary's banking market, 2014 was another challenging year. Following the Supreme Court's decision in June 2014, the Hungarian parliament approved two laws on retail loans in rela-

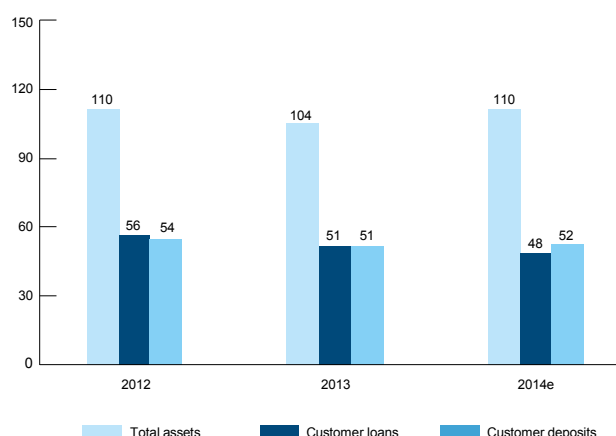
tion to the retroactive correction of bid-ask spreads applied to FX loans and the abolition of unilateral interest rate and fee changes applied for both forint- and foreign-currency-based loans. In November 2014, another law was passed, which regulated the

conversion of foreign-currency household loans to Hungarian forint at fixed exchange rates. The currency conversion programme was facilitated by the Hungarian National Bank, which allocated up to EUR 9 billion from its foreign currency reserves for banks. The programme was designed to neutralise any impact from conversions on the forint spot market. The fair banking law was also approved in November 2014, which set reference rates for new retail loans, regulated unilateral interest and fee changes, and placed contractual obligations on banks as of February 2015. The special banking tax and the financial transaction tax remained unchanged throughout 2014.

The Hungarian government, which has advocated a Hungarian ownership of more than 50% in the banking sector for years, achieved that goal in 2014. With the acquisition of the Hungarian subsidiaries of Bayerische Landesbank and General Electric Capital, state ownership in the banking sector increased to slightly above 50%. The government also decided to set up a new integration organisation for savings cooperatives in 2014 and formed a strategic alliance of the Hungarian Post and a number of financial institutions representing around 14% of the country's total assets.

Hungary's banking market was loss-making in 2014. As a result of the measures imposed on financial institutions, demand for customer loans remained low throughout 2014. Despite the low interest rate environment, both retail and corporate loans shrank in 2014. On the positive side, the National Bank continued its *Funding for Growth* scheme for small and medium-sized enterprises in 2014 with the aim of stimulating the economy. The scheme was extended in September 2014 to a maximum amount of HUF 1,000 billion. As part of the programme, the National Bank provided commercial banks with free funding, while credit institutions could lend to SMEs at a preferential interest rate.

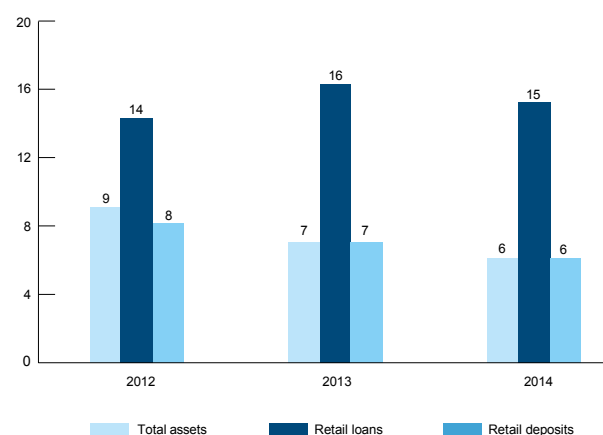
Financial intermediation – Hungary (in % of GDP)



Source: National Bank of Hungary, Erste Group

Despite its significantly shrinking balance sheet and lower market shares, Erste Bank Hungary continued to be a major market player in the country. The bank remained loss-making in 2014 mainly due to very limited customer demand, elevated risk provisions, and a number of extraordinary items that the government imposed on banks. As part of its strategy, Erste Bank Hungary continued to focus on local-currency lending from locally sourced liquidity and a reduction of parent company funding. The bank's market shares were impacted by the relatively high portion of foreign-currency-based loans, which declined significantly in 2014. Overall, Erste Bank Hungary's total asset market shares decreased to 5.6% in 2014.

Market shares – Hungary (in %)



Source: National Bank of Hungary, Erste Group

Business review – Highlights

Focus on process improvements. The cycle time of key processes in the mortgage and credit card business was significantly reduced. Mortgage post-disbursement processes were centralised in February 2014, resulting in completely unified and standardised processes. Erste Bank Hungary also ran a document rationalisation project. The focus was on redesigning and simplifying of the forms used in branches.

Improvements in the customer experience with the branch network as well as optimisation of unsecured and micro-companies lending processes are planned for 2015.

Strengthened digital channels. Digitalisation is a key element of the bank's efficiency improvement. Erste Bank Hungary closely cooperates with Erste Group's innovation centre to align with group-level initiatives. In 2014, the bank launched a remote mobile payment system providing functions such as: bill payment, peer-to-peer payment, and parking fee payment. Furthermore, Erste Bank Hungary's netbanking was upgraded with more user-friendly functions based on customer feedback and business requirements.

New business initiatives. New sales figures improved in the bank's most important product categories. Credit card business as well as both personal and mortgage new loan disbursements improved during the last two years. New retail loans, albeit from a very low base, more than doubled. New credit card sales also outperformed last year's results.

Financial review

in EUR million	2013	2014	Change
Net interest income	298.7	263.4	-11.8%
Net fee and commission income	131.7	139.3	5.8%
Net trading and fair value result	4.1	38.8	>100.0%
Operating income	435.1	442.3	1.7%
Operating expenses	-180.1	-175.8	-2.4%
Operating result	255.0	266.5	4.5%
Cost/income ratio	41.4%	39.7%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-201.3	-152.2	-24.4%
Other result	-136.7	-434.9	>100.0%
Net result attributable to owners of the parent	-89.5	-330.6	>100.0%
Return on allocated capital	-17.8%	-67.5%	

Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) declined mainly due to decreasing loan volumes and margins in the retail business as well as the conversion of retail foreign currency denominated loans. Net fee and commission income improved primarily on the back of higher fees from cash management, custody business and asset management. Swaps entered into with the Hungarian National Bank to secure refinancing of foreign-currency loans at fixed exchange rates had a positive impact of EUR 32.4 million on the net trading and fair value result. A corresponding negative counter-effect is included in the other result. Although operating expenses increased slightly in local currency terms due to higher IT charges and depreciation that could not be offset by lower personnel costs, they declined in euro terms. This led to an increase in the operating result and an improvement in the cost/income ratio. Net impairment loss on financial assets not measured at FV through profit and loss declined due to lower risk provisions on loans to customers in SME as well as in the retail business. Other result included expenses related to the Hungarian consumer loan law in the amount of EUR 336.8 million. The net burden of the law and the conversion of the foreign-currency loans was EUR 312.2 million. This led to a significant deterioration in the net result attributable to the owners of the parent.

Credit risk

In the Hungary geographical segment, credit risk exposure declined even more strongly than in previous years, to EUR 6.3 billion (-19.5%), in an environment marked by severe economic and political challenges for the banking sector. The loan portfolio declined at a similar rate, to EUR 4.3 billion (EUR 5.4 billion). As a result, the share of this segment in Erste Group's total loans to customers decreased to 3.4% (4.2%). The composition of the loan portfolio by customer segment shows another shift from corporates and the public sector to retail customers. Loans to private households as a percentage of total loans to customers reached 68.4%.

The decline of retail deposit volumes due to the low interest rate environment is counterbalanced by increasing volumes being placed in investment funds. Overall, the number of customers and the transaction volumes increased.

The noticeable downwards trend in business volume was attributable to highly restrictive new lending amid weak loan demand. Due to repayments and the conversion of foreign-currency loans to local-currency loans, the share of financing denominated in Hungarian forint in total loans rose to 33%. Foreign-currency loans to customers were denominated mostly in Swiss francs.

The negative trend in asset quality that had started with the onset of the financial and economic crisis in 2008 continued, albeit at a weaker rate. This development had already emerged in the second half of 2013. The NPL ratio stood at 26.8% (26.4%). This development of loan quality was also attributable to sales of non-performing loans – both retail and corporate loans – in the amount of EUR 71.7 million. NPL coverage of non-performing loans by risk provisions improved to 64.0%.

CROATIA

Economic review

The Croatian economy struggled to fully recover, and the country concluded 2014 as the sixth consecutive year of recession. Domestic demand remained weak throughout the year and was impacted by low consumer confidence. Investments continued to be sluggish in 2014 mainly due to the low activity of the private sector. The bright spot of the economy was the performance of exports with transport equipment, textiles and machinery being the most important sectors. Croatia's well-developed tourism industry with more than 10 million visitors annually also performed well in 2014. Altogether, real GDP showed a decline of 0.4% in 2014, while GDP per capita stood at EUR 10,000 at the end of the year. The unemployment rate reflected the economic performance and remained high at 17.2% by the end of 2014.

Reflecting weak domestic consumption and lower food and energy prices, inflation remained very low in 2014, with consumer prices being flat throughout the year. Given the country's very

high use of the euro, the Croatian National Bank's main objective remained to preserve nominal exchange rate stability. Fiscal consolidation failed to meet expectations in 2014, which resulted in a budget deficit of 5.5% of GDP. This was in particular due to unexpected flood-related expenses and a lower than anticipated

VAT revenue collection in the second half of the year. Croatia's public debt increased further to 81.5% in 2014, due not only to the shrinking economy but also to the inclusion of two major state-owned enterprises.

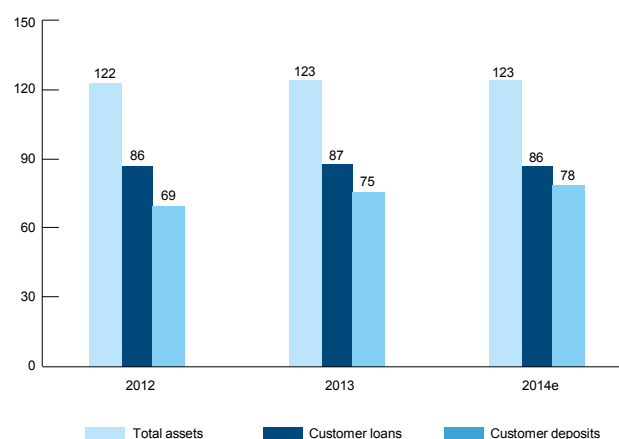
Key economic indicators – Croatia	2011	2012	2013	2014e
Population (ave, million)	4.3	4.3	4.3	4.3
GDP (nominal, EUR billion)	44.8	44.0	43.6	43.1
GDP/capita (in EUR thousand)	10.4	10.2	10.1	10.0
Real GDP growth	-0.3	-2.2	-0.9	-0.4
Private consumption growth	0.3	-3.0	-1.3	-0.7
Exports (share of GDP)	21.4	21.9	20.5	20.5
Imports (share of GDP)	36.4	36.9	36.1	36.3
Unemployment (Eurostat definition)	13.5	15.8	17.3	17.2
Consumer price inflation (ave)	2.3	3.4	2.3	-0.2
Short term interest rate (3 months average)	3.1	3.4	1.5	0.9
EUR FX rate (ave)	7.4	7.5	7.6	7.6
EUR FX rate (eop)	7.5	7.5	7.6	7.7
Current account balance (share of GDP)	-0.8	-0.1	0.9	0.2
General government balance (share of GDP)	-7.7	-5.6	-5.2	-5.5

Source: Erste Group

Market review

In 2014, Croatia's banking market reflected the weak macroeconomic developments of the country. The country's lending market shrank, driven mainly by lower corporate volume. The retail market showed more activity but was still subdued due to weak domestic demand. Overall, loans to customers decreased by 2.5%, while customer deposits increased by 2.5%. This increase in savings was heavily impacted by higher corporate deposits, while retail deposits rose by only 2.0%. The profitability of the Croatian banking sector was impacted by the significantly increased level of provisioning during 2014. Despite lower returns at sector levels, the level of capital adequacy remained satisfactory. The country's level of financial intermediation remained among the highest in Central and Eastern Europe, with total banking assets at 123% of GDP.

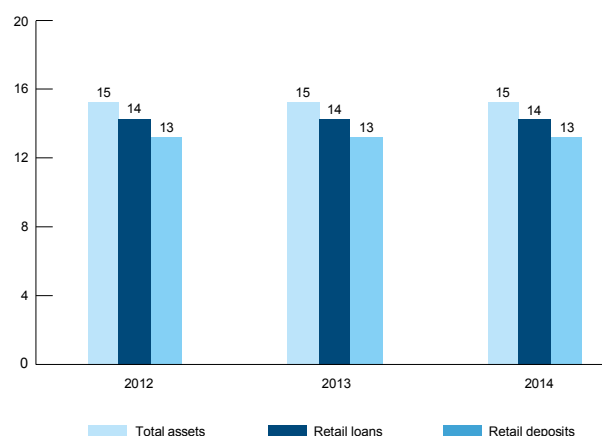
Financial intermediation – Croatia (in % of GDP)



Source: National Bank of Croatia, Erste Group

Erste Bank Croatia remained among the top three players in the market, with a total asset market share of 14.9%. Erste Bank Croatia's performance reflected the development of the overall banking market, with customer loans declining and deposits increasing. The bank's loan-to-deposit ratio decreased to 123% by year-end 2014.

Market shares – Croatia (in %)



Source: National Bank of Croatia, Erste Group

Business review – Highlights

Local currency lending. As in other markets, the focus was on strengthening the position in retail loans denominated in local currency. Business volumes were lively and allowed the bank to position itself as one of the market leaders in the segment.

Local currency consumer lending characterised the business developments in the retail business segment. The continuous drive for efficiency further boosted business amid the commitment to provide approval decisions to clients within 24 hours.

Focus on SME business. Fostering long-term relationships with customers is of utmost importance for Erste Bank Croatia. Hence, a new operating model in SME business, shifting the focus to an industry-specific approach, was introduced. Specialist teams were formed to better combine SME-specific know-how and risk management capacities. This allows the introduction of tailor-made finance products and a service-oriented approach. The new SME product packages represent an important qualitative step forward and set the stage for a more competitive approach aimed at becoming the customers' first bank.

Banking innovations. Erste Bank Croatia introduced various innovations on the local market, such as the *Erste Queuing app*, *Erste Wallet* and also launched the *Personal Finance Manager*. The *Erste Queuing app* allows users to get a ticket for a branch they want to visit. The user does not need to queue as he gets a

virtual ticket number and the app will notify the user when they are 9th, 6th or 3rd in line. *Erste Wallet* is a new system on the market and serves as a mobile payment method. It allows users to make in-store payments and conduct peer-to-peer payments between *Erste Wallet* users. The main advantage of this payment feature is the significantly lower costs for the customers compared to the credit card business. The *Personal Finance Manager* systematically gathers information on incoming payments or payouts and allocates this data to specific categories, such as food, housing or entertainment. Customers are provided with a concise overview of their personal earnings and spending behaviour.

International and local recognition. The bank's main strengths compared to its competitors are innovation, a wide range of products and a special emphasis on customer care. The financial magazine *The Banker* has named Erste Bank Croatia's Private Banking the best private banking service in Croatia. In addition, the bank was already top-ranked in the *MIXX competition*, a nationwide competition for the best online campaigns. Erste Bank Croatia won two out of the seven major categories – Digital Brand Awareness and Mobile.

Financial review

in EUR million	2013	2014	Change
Net interest income	240.5	261.2	8.6%
Net fee and commission income	72.6	79.9	10.0%
Net trading and fair value result	20.4	24.1	18.3%
Operating income	334.5	399.3	19.4%
Operating expenses	-143.7	-183.5	27.7%
Operating result	190.8	215.9	13.2%
Cost/income ratio	43.0%	45.9%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-159.2	-155.3	-2.5%
Other result	-13.0	-4.4	-65.7%
Net result attributable to owners of the parent	10.1	32.6	>100.0%
Return on allocated capital	3.9%	10.7%	

Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased due to lower interest expenses for liabilities. The consolidation of additional subsidiaries affected the revenue and expenditure side. Net fee and commission income improved primarily on the back of higher fees in retail business as well as fees for arranging a government bond issue. The increase in the rental income by EUR 31.5 million due to consolidation of a leasing subsidiary also had a positive impact on the operating income. Despite increased operating expenses due to the consolidation of subsidiaries (a leasing subsidiary and a Slovenian credit card company), the operating result improved. The cost/income ratio went up. The decrease in the net impairment loss on financial assets not measured at FV through profit and loss was driven by lower provisioning requirements in SME business that more than offset the higher risk provisions in commercial real estate business. NPL coverage rose to 60.4%. The net result attributable to the owners of the parent improved.

Credit risk

In the Croatia geographical segment, credit risk exposure rose by 3.6% to EUR 9.7 billion. Loans to customers were slightly up at

EUR 6.9 billion (+1.2%). The share of this segment in Erste Group's total loans was stable at 5.3%. The composition of the loan portfolio by customer segments shifted from corporate loans to better-quality loans to municipalities, with the latter accounting for as much as 19.5% (18.4%) of the customer loan portfolio.

The majority of loans are still denominated in foreign currency, especially euros, even though the focus has recently been on lending in Croatian kuna. The share of foreign-currency loans was above 76% (77.5%). The high share of foreign-currency loans is due to the widespread use of the euro in Croatia. Euro loans are typically matched by corresponding income or deposits denominated in euro.

Against the backdrop of persistently harsh macroeconomic conditions, the Croatian economy contracted. Partly due to regulatory changes, asset quality continued to deteriorate, even though the increase in non-performing loans was significantly weaker than in previous years. NPLs rose by EUR 82.6 million to EUR 1,262 million. As a percentage of total loans to customers, they rose to 18.4% (17.4%). Most of the deterioration was

seen in commercial lending to medium-sized and larger enterprises while the above-average growth in loans to the public sector contributed to a certain stabilisation of credit quality. NPL coverage by risk provisions was 60.4%. Including collateral, NPLs were fully covered.

SERBIA

Economic review

The Serbian economic recovery was significantly disrupted by the heavy floods in 2014. As a result, industrial activity in sectors such as mining and energy strongly deteriorated in 2014. Agriculture was one of the most impacted sectors, with production falling by approximately 7% in 2014. Manufacturing dropped as well, driven mainly by the steep decline in the production of motor vehicles. Flooding also had a negative impact on the performance of exports, which worsened in 2014 after the excellent

results of 2013. In addition, domestic demand remained subdued throughout the year. Despite some improvements in labour market indicators, the unemployment rate was impacted by the weak economic performance and remained one of the highest in Europe at 18.9%. Overall, real GDP decreased by 1.8% and GDP per capita stood at EUR 4,600.

Despite an improved tax collection and cuts in capital spending the budget deficit rose to 6.6% of GDP in 2014. To improve the fiscal situation, the Serbian government signed a precautionary arrangement with the International Monetary Fund to implement further fiscal consolidation measures such as a 10% cut in public wages, pension cuts, a reduction in subsidies, privatisation and restructuring plans for state-owned enterprises. The nominal public debt trajectory remained stable in 2014 and, similarly to previous years, grew by approximately EUR 2 billion. Public debt to GDP increased to 70.9% as a result of the shrinking economy.

Key economic indicators – Serbia	2011	2012	2013	2014e
Population (ave, million)	7.2	7.2	7.2	7.2
GDP (nominal, EUR billion)	30.1	31.7	33.3	32.7
GDP/capita (in EUR thousand)	4.2	4.4	4.6	4.6
Real GDP growth	1.4	-1.0	2.6	-1.8
Private consumption growth	-1.2	-2.0	-1.5	-1.5
Exports (share of GDP)	28.0	26.5	31.7	33.2
Imports (share of GDP)	45.7	44.3	44.2	45.3
Unemployment (Eurostat definition)	23.0	24.0	22.1	18.9
Consumer price inflation (ave)	11.2	7.3	7.9	2.1
Short term interest rate (3 months average)	12.9	11.6	10.0	8.0
EUR FX rate (ave)	113.1	113.1	116.5	118.7
EUR FX rate (eop)	104.6	113.7	114.6	120.3
Current account balance (share of GDP)	-9.1	-12.3	-6.5	-6.6
General government balance (share of GDP)	-4.9	-6.5	-5.0	-6.6

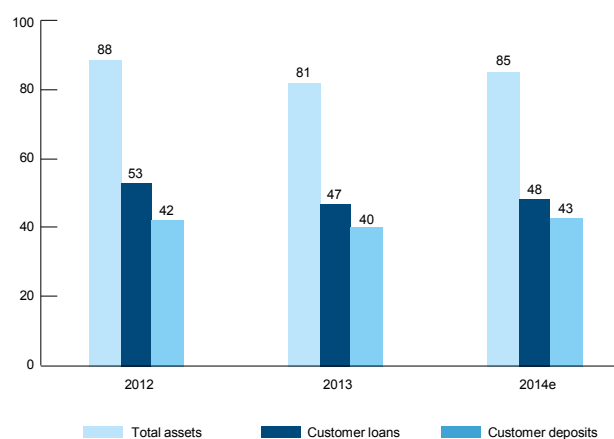
Source: Erste Group

Market review

Despite the weak macroeconomic developments, the Serbian banking market continued to grow in 2014. Growth was clearly driven by retail loans, which increased by 7.6% while corporate loans shrank slightly. Non-performing loans stabilised at 23% as a percentage of customer loans. Asset-quality-related issues were especially visible in corporate business, with non-performing loans at 27% while they remained below 10% in the retail business. More than 70% of the system's customer loans were denominated in foreign currency, mainly in euro. Overall, customer loans increased marginally, while customer deposits increased by 6.9% leading to a decrease in the system's loan-to-deposit ratio to 111%. The system's capital adequacy ratio remained high at 19.2%, and the implementation of Basel 3 also moved further ahead in 2014. The attractiveness of the country's banking market was also reflected in new foreign market participants entering the market. United Arab Emirates' Mirabank started to operate in the final quarter of the year. Foreign-owned banks maintained their dominant position in the banking sector with a market share of approximately 75%. Inflation, traditionally very high compared to other Central and Eastern European countries, was lower in 2014 than in the previous years and remained in the National Bank's target range of 2.5%-5.5%. Consequently, the National

Bank of Serbia cut the base rate three times in 2014 from 9.5% to 8% by the end of the year.

Financial intermediation – Serbia (in % of GDP)



Source: National Bank of Serbia, Erste Group

Erste Bank Serbia maintained its position among the country's top 15 banks in 2014. Erste Bank Serbia's market shares for customer loans remained stable at 3.1% by maintaining retail and corporate market shares at 3.5% and 2.8% respectively. On the deposit side, Erste Bank Serbia's activities regarding foreign exchange and local currency savings continued. As a result, the bank's deposit base remained fairly divided between euro and dinar deposits. Overall, the bank's market share for customer deposits stood at 3.5% at the end of 2014.

Business review – Highlights

Balanced business model. Erste Bank Serbia remained one of the most balanced financial institutions in the country, with a loan-to-deposit ratio of around 90%, both in euro and Serbian dinar.

Continued cost efficiency. To further improve its cost efficiency, the bank implemented specific projects for the automation of

lending processes for private and corporate customers. The shortened time requirement speeds up loan approvals and improves customer satisfaction.

Focus on innovation. To meet the financial requirements of its customers through different channels the bank launched several digitalisation projects and continued to upgrade its netbanking solution with new functions, such as a digital finance advisor, online account opening or a Skype call centre. Erste Bank Serbia also implemented additional online banking services.

Supporting corporate customers on renewable energy. In light of the increasing importance of renewable energy, the bank funded several projects, such as a wind farm near Kula, a solar plant near Beočin and 17 mini hydropower plants and two biogas plants.

Financial review

in EUR million	2013	2014	Change
Net interest income	32.5	34.4	5.9%
Net fee and commission income	13.4	13.4	0.1%
Net trading and fair value result	2.6	2.9	11.9%
Operating income	48.5	50.5	4.3%
Operating expenses	-36.5	-38.6	5.8%
Operating result	12.0	11.9	-0.4%
Cost/income ratio	75.3%	76.4%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-9.6	-15.7	63.0%
Other result	-0.1	-1.3	>100.0%
Net result attributable to owners of the parent	1.4	-5.4	n/a
Return on allocated capital	2.8%	-10.2%	

Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased mainly as a result of higher margins from consumer loans in retail business. In addition, asset/liability management benefitted from liquidity surplus placements. Operating expenses increased mostly due to higher workout and IT costs as well as the consolidation of a leasing company. The increase in the net impairment loss on financial assets not measured at FV through profit and loss was driven by the increase in coverage for SME clients. As a result, the net result attributable to the owners of the parent turned negative.

Credit risk

Total credit exposure in the Serbia geographical segment rose only slightly by EUR 14 million to EUR 879 million. Loans to customers posted slightly more robust growth to EUR 588 million (+EUR 26 million). With a share of 0.5% in total customer loans, this segment was still only of relatively minor significance for Erste Group. Despite a declining trend, the share of corporate loans in the total loan portfolio was still above average, at more than 62%, compared with other markets in Central and Eastern

Europe. This applies in particular to loans to the self-employed and to micro-businesses.

Even though the increase in loan volume was confined almost exclusively to loans denominated in Serbian dinar, a much larger share of loans (75%) is still denominated in foreign currency, especially in euros. This is mainly due to the wide-spread use of the euro in Serbia as a result of the weakness of the local currency. Euro loans are usually matched by corresponding income or deposits in euros.

After cleaning up its loan portfolio in the final quarter, Erste Bank Serbia achieved a trend reversal following several years of rising NPL ratios. The share of non-performing loans in total loans to customers declined by 1.2 percentage points, to 14.1%. Essentially, this development was driven by a noticeable improvement in the quality of corporate loans. NPL coverage by risk provisions excluding collateral was 76%.



Commitment to society

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

FINANCIAL LITERACY

A good understanding of money and finance is of the utmost importance, because it enables individuals and households to improve and secure their economic situation. Financial ignorance limits social, economic and cultural life, which might become a risk to the individual but also creates problems for communities, countries and society in general. Financial literacy is important for creating equal opportunities, social inclusion and economic well-being.

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

Therefore, Erste Group has been engaged in financial education activities for many years. The main objectives of Erste Group's financial education activities are to enable people of all ages to gain adequate skills and competencies to make informed and appropriate financial decisions and to assure that the employees of Erste Group have up-to-date knowledge as well as a compre-

hensive understanding of financial concepts and recent economic developments. Detailed knowledge of the range of financial products offered by the bank is simply not enough. Erste Group's employees have to be able to understand the bigger picture and to advise customers to choose the appropriate financial products.

Erste Group is continually developing new products to support people in managing their finances better, e.g. smart phone apps such as Quick Check or Fair Split. In addition, Erste Group is committed to ensuring that the financial products and services offered are transparent and easy to understand and meet the customers' short- and long-term financial needs.

A weekly series of already more than one hundred videos explaining basic financial concepts and current economic questions in an easy-to-understand manner proved very successful. The short three- to five-minute videos are publicly available in German and English on the bank's website (www.erstebank.at/finanzbildung/erwachsene) and on YouTube. They are recommended by the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection.

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

The platform www.geldundso.at was developed together with youths. The website includes information on a wide range of issues relating to responsibility for one's own finances. Special education kits for schools are provided that contain extensive materials on current economic topics and how to deal with money. The materials were developed in co-operation with the Institute for Business Education of the Vienna University of Economics

and Business and Impulszentrum für Entrepreneurship-Education. In the Czech Republic, the web platform www.dnesni-financni-svet.cz/cs/ (*Today's Financial World Programme*) offers textbooks and tools for teachers and students. It even includes a financial literacy board game for schools.

Sparefroh TV is an animated video series about economics for primary school children produced by Erste Bank Oesterreich and the savings banks. The Sparefroh character explains economic principles in the context of the children's own finances in four episodes. It is accompanied by teaching materials that were designed in co-operation with the Austrian Federal Ministry of Education, Arts and Culture. All episodes are available in German and English on YouTube, www.facebook.com/sparefroh and www.sparefroh.at.

Within the scope of the *MehrWERT* sponsoring programme, an exhibition on the topic of money was designed to deal with the basic concepts of finance and money matters. The travelling exhibition for the target group of children aged six to twelve years has been shown in renowned institutions in Vienna, Bratislava, Bucharest, Prague and Belgrade, and by the end of 2014 it had already recorded 120,000 visitors. The Technical Museum of Zagreb will be the next venue to host the exhibition in 2015.

SPONSORING

For Erste Group, sponsoring is the voluntary promotion and support of institutions, initiatives and projects relating to social welfare, culture and education. The bank also has a long tradition in supporting specific sports. Erste Group considers sponsoring as an opportunity to pass on added value earned from business activities to society. The *MehrWERT* sponsoring programme of Erste Bank Oesterreich shows Erste Group's commitment to social responsibility and the values it considers worthy of support beyond its business activities.

SOCIAL ACTIVITIES

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

Erste Bank Oesterreich has been a partner of Caritas for many years. The fight against poverty is a key priority within the wide range of joint aid projects. Erste Bank Oesterreich sponsored the annual domestic aid campaigns as well as campaigns in Eastern Europe. It also continued its support for the *youngcaritas.at* project. Since 2003, Erste Bank Oesterreich, the savings banks and s Bausparkasse have been sponsoring Hilfswerk Österreich, one of the largest non-profit providers of health care, social and

family services in Austria. Additionally, Erste Bank Oesterreich has also been supporting the aid organisation lobby.16, which works to protect the right to education of unaccompanied young refugees and give them access to education, employment and participation in social life.

Banca Comercială Română operates www.BursaBinelui.ro, a platform for no-fee donations. Donors know that even small donations fully benefit the selected projects of 200 small to medium-sized NGOs. Bursa Binelui again hosted *Campionatul de Bine* (The Good Championship), a fundraising contest. Erste Bank Serbia supported around 90 different projects and initiatives in 2014. The bank continued to reward and support young, active, talented and creative people who have achieved outstanding results through a programme called *Club SUPERSTE*. Slovenská sporiteľňa continued its support for projects that create new jobs in sheltered workplaces and for organisations like Civic Association Inkluzia that work with handicapped people. Every year, Christmas and Easter markets are organised at which employees of sheltered workplaces from all over Slovakia offer their products for sale to bank employees at bank premises. For the past six years, young people from children's homes have obtained scholarships under a project called *Vzdelávaním k úspechu* (Success through Education).

Smile as a gift is a scholarship programme with the Association of the Friends of Children from Children's Homes supporting studies at high schools and universities. The Česká spořitelna Foundation is governed by the motto "We are with those from whom society turns away". It supported 28 projects with people excluded for reasons of age, social status or mental handicap.

ART AND CULTURE

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

Fest. Česká spořitelna is also a patron of *Pražské jaro* and *Smetanova Litomyšl*, two festivals of classic music.

For the eleventh time, Erste Bank Oesterreich acted as the principal sponsor of the *Viennale*, Austria's largest international film festival. For the fourth time, Erste Bank Oesterreich awarded the *MehrWERT* Film Prize to a film by an Austrian film director presented at the *Viennale*.

With the support of Erste Bank Oesterreich, selected designers are offered an opportunity to work on projects as part of the *Vienna Design Week* every year. In 2014, five projects with a focus on "Social Design" were funded. Each year, Česká spořitelna sponsors the prestigious *Czech Grand Design* award ceremony and *Designblok*, a festival of design and modern art.

Kontakt, Erste Group's art collection, concentrates on art from Central, Eastern and Southeast Europe. The collection reflects the political and historical transformation in Europe and the significance of art against the backdrop of specific cultural, social and economic developments in the post-Communist countries. Erste Bank Oesterreich acted again as a principal sponsor of *Vienafair*, an international art fair specialising in the CEE region, by enabling galleries from Central and Eastern Europe to participate. Erste Bank Croatia organised a well-known competition for emerging artists and art students, called *Erste fragments*, for the tenth time in 2014. The bank purchased the award-winning works of art and granted a cash prize. Additionally, one art student received an annual scholarship, while a special award was conferred by visitors of the bank's Facebook page. Many of the young artists who won awards in prior years have become renowned names in the art scene.

Erste Bank Serbia continued to support local cultural and social initiatives, including NGOs, across the country through its cultural programme *Centrifuge*. Since 2008, Erste Bank Hungary has been the sponsor of *Művészetek Palotája* (Palace of Arts), a highly recognised and acclaimed institution both in Hungary and internationally. In 2014, the bank supported a new initiative of the *Liszt Ferenc Music Academy*, three concerts with world-famous conductors.

CORPORATE VOLUNTEERING

Erste Group facilitates, supports and encourages employees to actively contribute and volunteer. Donating money is not the only possibility of supporting people, communities or non-profit organisations. Employees and managers of Erste Group prove their commitment by providing time and experience.

Erste Group's Austrian initiative *Time Bank* is based on the idea that personal commitment and practical assistance are required more often than funds. The *Time Bank* initiative was launched in

2012 and is a scheme that matches employees who want to donate their spare time and skills with currently 32 partner organisations. *Time Bank* has proved highly successful in providing short-term assistance when urgently required. Due to its success in the Vienna area, many of the regional savings banks joined *Time Bank*, enabling employees across Austria to volunteer their time in their local communities. Some local banks added corporate volunteering to its executive development programme run by Human Resources.

The *Good Deeds Bakery* project of Banca Comercială Română was again organised as an internal competition that awards prizes to suitable projects in selected eligible categories including education, social solidarity, the environment, health and animal rights. In August 2014, at an initiative to help flood victims, Banca Comercială Română employees donated items ranging from clothes, toys, blankets, electronics and personal hygiene items to food for affected families.

In 2014, Erste Bank Serbia organised several volunteering activities and participated in some organised by partners. Volunteers refurbished for example an old people's home, a kindergarten, an elementary school, picnic areas and hiking paths. Most of the volunteering resources though were allocated to flooded areas where volunteers helped people whose houses had been ruined.

Slovenská sporiteľňa cooperates with the Pontis Foundation, which established a network called *Engage* bringing together firms active in corporate social responsibility activities and voluntary efforts. Employees took part in numerous voluntary activities aimed at the support of local communities. Erste Bank Hungary participated in the *Közös Lábos* (Common Cooking Pot) programme organised by *Szimplakerti Házitáji Piac* (Simple Garden Home-grown Market) where employees prepared and sold meals. The money raised was given to *Szimbiózis Foundation* (an initiative dealing with the integration of mentally disadvantaged people) and to *HabitatPont* (providing cheap construction material, tool rental and technical advice to some of the poorest communities in Hungary).

Česká spořitelna contributes to the development of the Czech non-profit sector by actively supporting the publicly beneficial volunteer work of its employees. Since 2007, employees have been granted two working days off each year to volunteer as part of Česká spořitelna's *Charity Days* programme.

More than 400 employees of Erste Bank Oesterreich and the savings banks work on a voluntary basis at *Zweite Sparkasse*. People with no access to banking services can open an account without an overdraft facility at *Zweite Sparkasse*. The accounts are offered in close co-operation with partners such as Caritas or debt-counselling centres.

SPORTS

Erste Group has been supporting amateur and professional sporting events in Austria and Central Europe for many decades. Projects are carried out in a spirit of close partnership with the organisers and hosts of these events. Ice hockey, running and tennis are given particular emphasis, as is the promotion of activities for young athletes.

In tennis, activities range from support for amateur initiatives such as the *BCR Tennis Partner Circuit* in Romania to professional tennis. In 2014, Erste Bank Oesterreich was again the main, name-giving sponsor of Austria's most important tennis tournament, the *Erste Bank Open* in Vienna.

In 2014, Erste Group sponsored a large number of running events, including many in support of social projects such as the *erste bank vienna night run* in Austria, the *Bratislava Kids Run* in Slovakia and the *Homo si Tec Marathon* in Croatia. *Erste Bank Sparkasse Running* 2014 comprised more than 200 running events and more than 150,000 participants dashing some million kilometres through Austria. As Austria's largest running initiative, the *Erste Bank Sparkasse Running* community also maintains its own online presence on Facebook.

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

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

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



Customers and suppliers

FOCUS ON CUSTOMER RELATIONS

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

ACCESSIBILITY

Customer centricity also means providing customers with access to banking services through many different channels. Customer expectations of a modern bank are subject to constant change. Digital channels have become as natural to many customers as barrier-free access to branches. Today, many customers appreciate being able to conduct their banking transactions at any time, from anywhere, via their smartphones or on the internet.

Erste Group believes that, despite technological progress, personal contact with customers remains important. Customers of Erste Group who require complex long-term financial services expect sound advice. Erste Group therefore invests in new concepts, refurbishes its branches and meets customers' requirements and expectations, also by extending banking hours. The combination of digital channels and traditional sales approaches enables customer relationship managers to explore customer needs even more proactively. This is why the modern branch network of Erste Group remains a key element of its banking business.

By implementing digital applications, Erste Group in 2014 took another step closer to its customers to help them manage their financial affairs. Among these are, for example, mobile payment applications for smartphones and the option to open accounts online on the web.

Top priorities of product information remain transparency and easy-to-understand products and services, both in terms of technical details and language. Erste Bank Oesterreich is therefore continuing to expand its range of multilingual advisory and other services in English, Turkish, Serbian, Croatian and Czech. Banca Comercială Română provides information on products and services in Hungarian.

For partially sighted people, Erste Bank Oesterreich offers bank cards printed in braille, and each branch of Erste Bank as well as each VIVA shop (where available) operates at least one cash dispenser equipped to provide audio instructions. Česká spořitelna has further increased the number of cash dispensers designed for use by persons with impaired vision so that by now more than one third of all machines boast this feature. The number of branches with barrier-free access has risen further across Erste Group. Erste Bank Hungary has already remodelled more than 50% of its branches, and access is likewise barrier-free at all new or remodelled branches of Erste Bank Serbia. In addition, Erste Bank Serbia offers special advisory services to people who are deaf or hard of hearing.

As part of the *Barrier-free Bank* initiative, Česká spořitelna certified another 21 branches in 2014. It is the first bank in the Czech Republic that has its branches certified as barrier-free and provides the required training to its staff. In 26 branches, people with impaired hearing are offered the online transcription service www.escribecz. For these efforts, Česká spořitelna was awarded the title *Barrier-free Bank 2014* in the Fincentrum Bank of the Year 2014 competition.

The websites of the local banks of Erste Group are continuously adapted. In this respect, the focus is on accessibility, usability and easy-to-understand content. The websites of the holding, Erste Bank Oesterreich, Erste Bank Serbia, Erste Bank Croatia and Banca Comercială Română feature responsive design, which means

that the website adapts automatically to screen size and resolution for optimum display.

75% of bank cards have been successfully set up for contactless payment at POS terminals. 9% of the cards are already being used for contactless payment. This is significantly above the market average of 5%. At year-end 2014, Erste Group started an initiative to encourage the increased use of prepaid cards. These are cards that can be loaded with money like prepaid phone cards, for example. The amount that has been loaded can be used for making payments at POS terminals.

INNOVATION AND PRODUCT QUALITY

Further to developing new products, the aim is to identify and realise potential for improvement. Assuring the high quality of the financial products and services offered is an essential element in product development. The *Product Approval Process* implemented for newly developed products in 2013 has by now become well-established. To meet customer expectations as well as Erste Group's own quality standards, all new products are reviewed for marketability prior to their launch. Standardisation of processes, documentation rules and decision-making bodies guarantee consistent product standards and product approval across the Group.

In 2014, newly developed financing, insurance and card products were reviewed under the Product Approval Process before being launched in the market.

CUSTOMER SATISFACTION

High levels of customer satisfaction and thus customer loyalty secure the bank's long-term success. The quality of customer relations ultimately depends on the customers' experiences in their day-to-day dealings with the bank. Such experiences may be direct or indirect, significant or less significant, conscious or subconscious. Customer satisfaction is evaluated by means of representative and extensive surveys conducted across all markets of Erste Group.

On this basis, the Customer Experience Index (CXI) is calculated, which assesses the quality of customer relationships and classifies them in five categories. The CXI is also used to determine the positioning as well as the strengths and weaknesses of the local banks of Erste Group relative to the top three competitors in each country. Furthermore, the CXI is a bonus criterion for both the management board of Erste Group and the management board members of the local banks.

With respect to customer satisfaction, Erste Group held its overall position across all markets and segments in 2014. The results in Slovakia and Hungary improved in comparison to those of Erste Group's top competitors. In terms of customer

experience Erste Group is market leader in retail in Slovakia, Croatia and Serbia.

In private banking and asset management, Erste Group further strengthened its position in Central Europe despite the persistent low-interest-rate environment. The focus of the services offered was on long-term wealth accumulation, estate planning, asset management and foundation management. In addition, new products featuring direct investments in real estate, gold and diamonds were developed. Besides the continuing strengthening of the market positions of Erste Group and its local banking subsidiaries in Central and Eastern Europe, the main priority in the coming two years will be the implementation of the new regulatory requirements under MiFID II. Erste Private Banking will focus on offering its customers advisory excellence and transparency. With a view to MiFID II, Erste Group developed an up-to-date training curriculum for Private Banking relationship managers in 2014.

The awards won by Erste Group banking subsidiaries in Central and Eastern Europe are proof of the high degree of customer satisfaction. At the same time, the bank regards it as its duty to steadily strive to maintain the status of being one of the best and most trustworthy banks for retail and corporate customers. The fact that all banking subsidiaries of Erste Group operate under a brand name of very high recognition value and trustworthiness represents a significant competitive advantage in the banking business, which has manifested itself, among other things, in steady inflows of deposits and funds under management at times of economic uncertainty.

SUSTAINABLE INVESTMENT

Erste Asset Management was an early mover in anticipating the growing needs of investors to increasingly emphasise environmental and socio-ethical aspects in their investment decisions. Over the past decade, Erste Group has developed the most diverse portfolio of sustainable funds in Austria. Since 2012, all asset management entities of Erste Group have been operating under the umbrella of Erste Asset Management *UN PRI Signatories* and have hence committed themselves to complying with the *UN Principles of Responsible Investment (PRI)*. The decision not to allow any actively managed mutual fund to invest in companies engaged in controversial weapons such as land mines, nuclear weapons or cluster bombs had already been taken in 2011. By signing the Bangladesh Memorandum in 2013, Erste Asset Management agreed to refrain from investments in companies and subcontractors of such companies that commit violations of labour laws or human rights in their countries' textile industry. Furthermore, funds are not allowed to engage in food speculation.

Erste Asset Management is an acknowledged and leading provider of sustainable investment funds in Austria and in the CEE region. In 2014, Erste Asset Management managed assets worth EUR 53.8 billion. Its subsidiary Erste-Sparinvest KAG has

gained market leadership in Austria. Actively managed funds that are screened for prohibited weapons amounted to approx. EUR 25 billion. The total volume of assets managed by sustainable investment funds reached EUR 3.7 billion in 2014, up 62% versus 2013.

In 2014, sustainability experts of Erste Asset Management managed 26 investment funds in the categories public funds and special funds/externally mandated portfolios. The managed public funds comprised six bond funds, five regional stock funds, one micro-finance fund of funds, two theme funds for climate protection and the environment (the latter two funds were managed jointly with WWF Austria) as well as one asset allocation fund of funds. 2014 was characterised by strong investor demand for funds that invest in emerging market corporate bonds globally, in conformity with sustainability rules.

As regards Engagement and Interaction with Investees/Business Partners/Clients, global companies were contacted on various subject matters, with the key topics being the automobile industry/CO₂ emissions, major sports events, tourism, the oil industry and luxury goods. Debates were held with external sustainability experts and analysts, and questions on sustainability were addressed to key representatives of relevant industries. In 2014, international co-operation (e.g. UN PRI) was intensified under the heading of Engagement in order to be able to approach companies from a position of greater strength.

The establishment of an ethics board – the Erste Responsible Advisory Board – was approved in 2014. The *EAM SRI Universe Report* is a monthly publication that covers the investment universe for the sustainability funds. A guideline issued for the entire *ERSTE RESPONSIBLE* product range lays down Erste Asset Management's principles and views on sustainability.

FINANCIAL INCLUSION

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

In 2014, the main focus of financial inclusion was again on micro banking and social enterprise financing. In addition, local networks promote the training of social entrepreneurs by helping them acquire the expertise and the skills required for running their businesses successfully.

Micro financing

All local banks of Erste Group offer micro-financing schemes customised for their markets. In Romania, Good.bee Credit offers self-employed persons and small businesses development-oriented financing products and supports regional economic development by providing micro loans. In 2014, three new

branches were opened. The Good.bee Credit network comprises 17 branches and serves 40 districts in Romania. At year-end 2014, almost 5,000 loans with a total volume of EUR 36 million had been granted.

In 2014, Erste Bank Serbia and the Serbian National Employment Agency continued *supERSTep*, a programme designed to support unemployed young people and start-ups with capital and training to help them set up or continue developing their own businesses. Erste Bank Croatia adapted its existing micro-lending programme in 2014 to include micro loans for the start-ups of small businesses as a standard offering. Its implementation is planned for 2015.

Slovenská sporiteľňa supports micro-entrepreneurs with the aim of creating and securing jobs. Apart from providing financing in the start-up phase, the focus is also on the transfer of business management expertise. The initiative was started in three regions in 2014 and is set for nation-wide roll-out in 2015. For its efforts, Erste Bank Hungary received the *Hungarian Donors' Forum's* award for the most innovative micro-financing programme for the third consecutive time.

In Austria, the micro-finance initiative was continued in co-operation with the Federal Ministry of Labour, Social Affairs and Consumer Protection for the fifth consecutive year. Under this initiative, Erste Bank Oesterreich offers start-up loans to people who were previously jobless or threatened by unemployment. So far, more than 400 start-ups have received funding under this programme from savings banks and Austria Wirtschaftsservice. Until the end of September 2014, loans were also guaranteed by the European Investment Fund. Under this guarantee programme, Erste Bank Oesterreich was the exclusive partner of the European Investment Fund in Austria. A study on the social impact of this programme was conducted with micro-loan customers. It was scheduled for completion in early 2015.

Social enterprise financing

Social entrepreneurship means initiatives of private individuals, organisations or networks that pursue charitable purposes through entrepreneurial activities. Besides the areas of work, health and education, social entrepreneurship also includes the environment and culture. These initiatives offer products and services as well as employment opportunities that satisfy fundamental needs in society or offer alternative approaches that are socially and ecologically more agreeable.

The local banks of Erste Group stepped up their activities for social enterprises in 2014, which resulted in growing loan portfolios especially in Austria, the Czech Republic and Hungary.

Erste Bank Oesterreich, for example, supports social enterprise customers with financing even after the start-up phase and also offers business management consulting services, including access to business angels (e.g. *Ideas meet money* or the Social Impact Hub's *Investment ready* programme in Vienna). The *For Best*

Students initiative supports students by providing the financial means to cover tuition fees, living costs, etc. In co-operation with debt counselling services, the initiative called *betreute Konten* (assisted accounts) was developed further and has proved to be an instrument that may help many vulnerable people to retain their full legal capacity. It also helps to prevent homelessness. A care card has been developed jointly with organisations offering care services. This card enables home care services to spend small amounts on purchases without needing access to the client's account. This facilitates the management of finances for care organisations.

Česká spořitelna also supports social enterprises with a broad range of initiatives, including in particular special loan offers and the training programmes of the Česká spořitelna Social Enterprise Academy. In addition, Česká spořitelna offers the *Social Impact Award*, an award for social and innovative ideas proposed by students.

Similar social entrepreneurship initiatives have also been implemented by the local banking subsidiaries of Erste Group.

SUPPLIERS

Erste Group views suppliers as partners in shaping its business to be more sustainable. Therefore, procurement decisions include assessments of the suppliers' social and environmental impacts.

Covering the entire supply chain, Erste Group Procurement (EGP) is the sourcing and procurement company of Erste Group. Its basic objective is to ensure clear and fair sourcing and procurement activities and contracts. Meeting all the needs of Erste Group entities for goods and services in time and in accordance with their particular quality requirements, at the best possible terms (e.g. price, terms of payment, guarantees and liability), purchased locally or across borders, therefore represents a key element. Erste Group's suppliers are obliged to meet defined standards in the areas of business ethics, environmental protection and human rights.

Suppliers of materials, equipment and services, selected as group partners, are expected to:

- _ comply with national or local laws, decrees and regulations
- _ fulfil all their legal obligations regarding the health and safety of their employees and their contractors
- _ comply determinedly with environmental legislation
- _ respect and implement the following basic principles of corporate social responsibility
 - _ protection of fundamental human and labour rights
 - _ protection of the environment
 - _ promotion of health & safety
 - _ engagement against corruption

SUPPLY CHAIN

The focus of Erste Group's supply chain is on indirect expenses that support the group's core business. The total amount spent on companies outside Erste Group was slightly below EUR 1 billion, and the majority of it is linked to services, operations and marketing (amounting to 40% of the total amount spent), followed by IT (36%) and facility management (22%). Out of a total of approximately 19,000 suppliers on group level, 80% of the total procurement expenses relate to 628 suppliers. 88.8% of the suppliers (reflecting 95.4% of the expenses) were located in the European Union, highlighting Erste Group's focus on its markets in CEE. Additional 10.6% were located in other European countries, the rest were based in North America (0.5%) and Asia (0.1%).

Only 13.1% of Erste Group's purchases are made across borders. The dominance of local procurement positively impacts the economy in Erste Group's core countries.

SUPPLIER SELECTION PROCESS

To ensure that Erste Group's suppliers meet the group's corporate responsibility standards, audit questionnaires are requested for any purchase of more than EUR 100,000, and regular supplier business reviews are performed.

The supplier audit questionnaire was integrated into EGP's IT system in February 2014. This operational tool allows timely assessment and risk identification before entering into contracts with suppliers.

The results of the audits, which are complemented by supporting information material, form the basis for the supplier evaluation in procurement. The results of the evaluation are aggregated in a supplier scorecard.

The audit and evaluation has to be completed, otherwise the IT application inhibits any further processing of the respective supplier. Any non-compliance with the supplier code of conduct is brought before a committee, which decides – if required – upon further measures. In addition to the initial evaluation, regular supplier business reviews are performed, covering the most important or most risk-associated suppliers.

Environmental aspects

Based on Erste Group's efforts towards environmental protection, environmental aspects are part of EGP's supplier selection process. The supplier audit questionnaire comprises specific topics such as the

- _ existence of an environmental management system
- _ participation in the Carbon Disclosure Project
- _ existence of a written environmental policy
- _ method of measuring CO₂ emissions
- _ existence of environmental targets
- _ information on fines or charges for environmental infringements
- _ description of the supply chain of the supplier

For the procuring of goods, the audit questionnaire is extended by questions on potentially hazardous chemicals, recycling capabilities of the product, the return policy at the end of the product's useful life and ENERGY STAR or similar standards.

13.5% of the suppliers of new and renewed contracts were audited according to environmental standards in 2014. No supplier was subject to a specific environmental impact assessment beyond the standard audit questionnaire nor was any supplier identified as having had significant actual and potentially negative environmental impacts. No actual and potentially negative environmental impacts were identified in the supply chain. Finally, no supplier contract had to be terminated as a result of significant actual and potentially negative environmental impacts.

Social aspects

As the supplier selection process includes social aspects as well, the supplier audit questionnaire also comprises specific topics such as the

- _ effective abolition of child labour
- _ elimination of all forms of forced and compulsory labour
- _ elimination of discrimination in respect of employment
- _ freedom of association and the right to collective bargaining
- _ reasonable working hours and fair remuneration
- _ health protection
- _ occupational health and safety
- _ job restructuring
- _ remuneration
- _ fair working conditions
- _ other social criteria in the supply chain

13.5% of the suppliers of new and renewed contracts were audited according to both labour practice standards and human rights criteria in 2014. No supplier was subject to specific labour practice or human rights impact assessments beyond the standard audit questionnaire nor was any supplier identified as having had significant actual or potentially negative labour practice or human rights impacts. There were no actual and potentially negative labour practice or human rights impacts identified in the supply chain, and no supplier contract had to be terminated as a result of significant actual and potentially negative labour practice or human rights impacts.

Furthermore, no supplier was subject to violation of or put at risk the right to exercise freedom of association and collective bargaining, nor was any supplier subject to having a significant risk of child labour or young workers exposed to hazardous work, and nor was any supplier subject to having had a significant risk of incidents of forced or compulsory labour.



Employees

Retaining experienced and committed employees is fundamental to the long-term success of every company. Erste Group – as one of the largest employers in the region – therefore aims to maintain its position as an employer of choice in Central and Eastern Europe; it encourages its employees to continually strive for professional and personal development and offers equal opportunities to everyone in the organisation. Competence building and developing performance-oriented teams are cornerstones of the strategy.

Erste Group focuses on operational excellence, market-competitive reward and recognition and attracting and retaining the best people. The leadership culture is engaging and empowering and fosters a high-performing and inclusive work environment, where every employee has equal opportunities to develop and advance.

Erste Group reshaped its people management processes and strategies to better reflect the changing demands of the business environment. The pillars for people management are:

- _ competence
- _ culture
- _ competitiveness.

Erste Group considers employee engagement as a vital element for the success of the bank. Systematic and regular group-wide employee engagement surveys allow employees to give feedback on different aspects of their working experience. In 2013, more than 100 companies across Erste Group participated. The main focus in 2014 was on analysing and working with the results of the survey. An action plan with initiatives and follow-up measures to tackle the identified issues and to reach defined goals was devised. The main measures were planned and implemented locally – based on local results. The next survey is planned for 2015.

The most important topics singled out by employees were:

- _ diversity: specifically the topic of equal opportunity, closing the pay gap
- _ strategy: clearer communication of the strategy and vision of Erste Group.

As a result, Erste Group analysed diversity issues further. The two main points of concern were transparency and the low number of women in executive positions.

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

DIVERSITY AND INCLUSION

Companies that are committed to diversity and inclusion benefit from more engaged employees, a better brand image and higher customer satisfaction. Innovation and sustainable success can only be achieved by leveraging the skills and abilities of individuals with a broad range of educational backgrounds, professional and other interests, work experience, life experience and cultural perspectives. Erste Group sees diversity as a vital part of its business strategy in attracting and retaining talented employees, and developing and offering the right products and services for a diverse client base. The appointment of a Group Diversity Manager underlines the importance of diversity for Erste Group. Erste Group's Diversity Agenda and its activities and initiatives have the support of the management board.

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

Erste Group monitors and reports the following diversity indicators: gender balance on all levels including managerial positions, gender representation in talent programmes and in the succession pools, age distribution across the group, the share of employees on parental leave by gender, part-time/flexible working arrangements by gender, and the average training days per employee by gender. Other monitored areas include gender representation in recruitment to managerial positions and the gender pay gap. A comprehensive “Erste Group Diversity Fact Sheet” is updated on an annual basis.

Česká spořitelna launched its comprehensive Diversity and Inclusion Programme (“Diversitas”) back in 2008. The programme has focused on all aspects of diversity management, such as supporting the career advancement of women through mentoring, coaching, leadership development and networking, offering flexible work arrangements and a parental support programme as well as age management and an intergenerational dialogue. The latter is especially important as over 8% of the workforce is over 50. In 2014, Česká spořitelna focused on special training and development activities for employees over 50, e.g. workshops, English lessons and intergenerational topics. A reverse mentoring programme (for employees older than 50 and younger than 30) will start in 2015.

Attracting and retaining handicapped employees was another priority at Česká spořitelna. Česká spořitelna continued to offer internships for handicapped people and provided more ergonomic working conditions. Česká spořitelna ranked second both in the 2014 *Company of the Year: Equal Opportunities Awards* and the *TOP Responsible Company CSR Awards*.

Erste Bank Oesterreich launched the *WoMen Business* programme in 2011 to achieve a better gender balance at management levels. This ambitious initiative covers a range of measures to support female leadership, talent development (including for women over 40) and customer relationships. In 2014, Erste Bank Oesterreich continued to support measures to increase the number of women in management positions, and has set an internal target of 40% by 2017. At the end of 2014, the figure stood at 33%.

Networking events, such as the *Securities Dialogue for Women*, give women the opportunity to discuss topics of relevance. In

2014, *WoMen Business* joined forces with *Erste Women's Hub*, which was launched in July 2014, and organised two networking business breakfasts which were open to all female employees in the holding, Erste Bank Oesterreich and the subsidiaries in Austria and attracted a total of 220 participants.

The goal of *Erste Women's Hub* is to create a network that is driven by its members and adds value to the business. Three working groups with specific goals and initiatives were established: *Women – Careers – Opportunities*; *Women Financial Lifetime* and *Erste World* (organisational culture).

In the 2013 Group-wide employee engagement survey, only 48% of the employees agreed that Erste Group provides equal opportunities, which is significantly below the external benchmark. To better assess and address the situation, some 3,000 employees were asked on their perceptions of equal opportunities at Erste Group. Roughly 75% of the respondents rated Erste Group positively for providing equal opportunities based on religion, race/ethnicity and nationality. Areas where respondents perceive Erste Group as offering comparably fewer equal opportunities are seniority, age, part-time/full-time employment and position/hierarchy. Women see much less commitment by Erste Group to gender and family issues than their male colleagues. An overwhelming majority felt that Erste Group needs to be more transparent - not only when it comes to remuneration, but also when it comes to promotions and filling managerial positions.

At the beginning of 2014, Erste Group set a group-wide internal target of having 35% women in top management and on supervisory boards by 2019. Currently there are 30% women in top management, which is a 4 percentage point increase over 2013. In 2014, Erste Group Bank appointed two further female board members, increasing the corresponding proportion to 18.8% from 12.5% at the beginning of 2013. Two additional female members were appointed to Erste Group's supervisory board in 2014, raising the total share of women on supervisory boards group-wide to 23% compared with 16% at the beginning of 2013. To increase the number of women in senior management positions, Erste Group aims for a greater gender and age balance in its talent pools. The latest international talent pool is made up of almost 40% women.

Erste Group signed the Austrian *Charta der Vielfalt* (Diversity Charter) in September 2014. By signing the charter, Erste Group expresses its appreciation and the importance of diversity in the group, as well as the commitment to carry out measures to promote diversity internally and externally. Erste Group joined more than 130 Austrian and global companies operating in Austria and associates of the European Diversity Charter initiative platform. Česká spořitelna has also signed its national diversity charter.

The diversity priorities for 2015 are the following:

- _ develop three new initiatives within the framework of *Erste Women's Hub*
- _ increase the number of women in the international talent pool by at least 5 percentage points
- _ nominate at least one new female supervisory board member and increase the number of women in top management to 32%
- _ establish a group-wide diversity policy framework
- _ continue to encourage local diversity initiatives across the group
- _ take necessary steps to close the gender pay gap by 2025.

LEARNING, TALENT MANAGEMENT, LEADERSHIP AND COMPETENCY DEVELOPMENT

Erste Group regards supporting the development of its employees' professional and social skills as a top priority to ensure that the employees are well prepared to act professionally and in a socially responsible manner. Learning, talent management and leadership development are dedicated to supporting the general 2015 Human Resources strategy for Erste Group. Erste Group continuously develops and aligns group-wide training programmes for senior experts and managers. In 2014, the focus was on implementing the new group-wide talent management landscape, improving leadership development and defining the functional competencies needed across Erste Group.

Erste School of Banking and Finance, the group's centre of competence for learning and development activities, offers executive training and comprises open enrolment courses including personal development training courses as well as programmes for specific business areas. Developed in co-operation with the respective business lines, these courses provide expert knowledge and assure a uniform understanding of standards and processes at different levels.

To complement the existing core competencies (cooperate as a team, act responsibly, be accountable, foster growth, excel in execution), five major categories of functional competencies have been identified: formal education, specific functional know-how, IT literacy, language skills and relevant experience. In 2014, the focus was on the financial and risk management divisions of the holding. It is planned to harmonise and align these definitions group-wide. After identification of the functional competencies for the various positions, managers will agree with their employees on measures to close the identified competency gaps.

The Erste Leadership Evolution Centre was introduced in 2014. It structures group-wide leadership development offerings. The Group Leadership Development Programme is Erste Group's training programme for members of the key position pool. Erste Group's Talent Management has launched three gender-balanced talent pools. The creation of these talent pools provides transparency and a perspective for Erste Group's talents, and serves as the group's talent pipeline. The newly implemented International Talent Pool targets high-performing employees and includes junior professionals up to board minus 3 management levels. The next level is represented by the already existing Key Positions Pool, which aims at preparing managerial talents for roles at division head level. A new Executive Pool, which identifies and develops top executive level talent, has been introduced.

Erste Group also offers an annual Graduate Programme for university graduates. The aim of the programme is to attract top graduates from the external market and provide fundamental banking and risk management knowledge.

In 2014, each employee of Erste Group had on average 3.4 training days for professional development. In addition, Erste Group had an average of 4.04 training days per participant in all group-wide learning and training activities offered by Erste School. The total group-wide training budget amounted to EUR 13.6 million (i.e. approx. EUR 597 on average per employee).

For 2015, it is planned to focus on mobilising identified talents within the Group, improving cross-pool co-operation, completing the Erste Leadership Evolution Centre offering and finalising the functional competencies definition.

REMUNERATION AND PEOPLE PERFORMANCE MANAGEMENT

Across Erste Group, the focus of the remuneration policy was on an appropriate balance in rewarding the performance, competence and level of responsibility of the employees and keeping a sustainable personnel cost base. Erste Group's reward system is consistent, competitive and transparent. The remuneration policy aims to

- _ create an environment where employees can perform, develop and be engaged
- _ reward to attract and retain competence and performance
- _ be cost-competitive and cost-flexible for a sustainable business
- _ support leadership and employee behaviour that creates an engaging and unique customer experience.

The regulatory pressure on variable pay has had an impact on the average fixed salary level in the Czech Republic and Slovakia. Overall, Erste Group has been able to keep its fix wages flat, while maintaining cost flexibility in rewarding performance. Erste Group offers competitive, but not market leading, compensation packages. The local banks' remuneration practices remain well-balanced with the business line needs and local country pay

practices. The remuneration schemes are designed according to the CRD IV requirements on remuneration, ESMA guidelines (European Securities and Markets Authority) and local bank laws.

The fixed salary is the core component of any employee's salary and is based on the job complexity, individual contributions, responsibility and local market conditions. The fixed salary represents a sufficiently high proportion of the total remuneration to allow the operation of a flexible and variable remuneration policy. The total remuneration is balanced in such a way that it is linked to sustainability and does not promote excessive risk-taking. The variable salary component may be offered to all employees. Awarding a variable salary is based on company, business line and individual performance and also reflects local country practices. On all these levels, Erste Group uses a balance between financial, business growth, risk, customer and cost indicators. The overall performance evaluation also includes the employee's behaviour and competence. Commission-based schemes are offered to selected employees working in the retail business line and are based on company, business line and individual performance. Pension and insurance schemes aim to ensure that employees have an appropriate standard of living after retirement as well as personal insurance during employment. Pension and insurance provisions are according to local law, regulation and market practice. Benefits are provided as a means to stimulate the well-being in the work environment and to support an appropriate work-life balance. Examples of benefits are flexible working time, study leave, parental leave and the health centre expertise.

The variable component for material risk takers is designed according to the respective local capital and ESMA guidelines for remuneration and consists, in general, of a cash and non-cash part. The non-cash instrument is in most companies across Erste Group the phantom share. The condition of pay-out of variable salary and any deferred component to material risk takers is linked to minimum profitability criteria as approved by the supervisory board. The Long-Term Incentive plan (LTI) is offered only to Erste Group's management board. The LTI is linked to the long-term competitive performance of Erste Group. The last LTI plan is from 2010. Since then, no new LTI plans have been granted.

The respective group and local remuneration policies and execution are annually evaluated to ensure that remuneration practices are compliant with respective international and national regulations. The governance principles of remuneration for executives are outlined in the remuneration policy. The policy and the execution of the remuneration practices is overseen and monitored by the remuneration committee of the supervisory board. The remuneration committee provides an independent view on compensation practices and consulted an external advisor in 2014.

For all executives, the variable compensation is capped at 100% of the fixed salary. The remuneration committee has determined that 40% of variable compensation exceeding EUR 60,000 is deferred over a period of three to five years (depending on local country

regulations) and 60% of variable compensation is deferred when exceeding EUR 150,000. The total amount of variable compensation is split into 50% cash and 50% instruments. Instruments are retained for at least one year; in some countries, the retention period is longer due to regulatory requirements.

The variable compensation is subject to appropriate ex-ante and ex-post risk adjustment measures. Both of them comprise quantitative and qualitative parameters. Erste Group believes that this risk-adjusted assessment represents a strong governance mechanism.

In 2015, Erste Group plans to continue with the remuneration strategy set forward in 2012 to continue to create an environment where performance (target setting and evaluation) and development (career, employability) are fully integrated in the bank's reward and promotion decisions. A group-wide core competency model has been established that sets the framework for the core behavioral aspects for every employee.

HEALTH, SAFETY & WORK-LIFE BALANCE

The workplace is the centre for health promotion. It offers an ideal setting and infrastructure to support and promote health issues to large groups of people, thus making occupational health an important contributor to public health.

Erste Group is committed to a proactive approach towards helping its employees to identify and manage health risks. Therefore, a multi-professional team of occupational physicians, industrial psychologists and physiotherapists assists Erste Group's employees in any matters of health and well-being. The managerial importance of the topic of health is also supported by a direct reporting line from the health centre to the management board. In Austria, thanks to Erste Group's medical and psychological support programme, the health centre enjoys great popularity with an increasing number of employees. In 2014, employees in Austria contacted the health centre 15,883 times, and a total of about 7,000 employees in Austria were assisted by the health centre.

Besides complying with legal requirements of the Austrian Employee Act (including the evaluation of the psychological strain of every single workplace), the health centre is a model of good practice in prevention of disease: focusing on risk factors (e.g. prevention of heart disease and stroke) or on changing personal health practices and behavioural patterns (e.g. smoking and diet), employees are provided with a broad range of assistance, such as medical check-ups, screening of the carotid artery for stroke prevention, back therapy training, relaxation techniques and nutritional consulting.

All of Erste Group's health-related activities were evaluated and again rewarded with the Seal of Quality for Health Promotion by the Austrian Ministry of Health (2012 – 2014).

In co-operation with Erste Group's health insurance partner, an analysis of sickness absence rates of Erste Group's employees due to all relevant diagnoses of the service sector was conducted. It shows that within the last few years, the sickness rate, due to both mental and musculoskeletal diseases has decreased significantly. Erste Group, therefore, received a Model of Good Practice reward from the European Network of Workplace Health Promotion.

The World Health Organisation recognises mental health as a top priority. Mental health problems are among the most important contributors to the burden of disease and disability worldwide (five of the ten leading causes of disability worldwide are mental health problems). In 2013, Erste Group started to place a more intense and special focus both on the prevention of psychosocial diseases and on reintegration of employees after such a disease – with a dedicated project to reintegrate employees after longer periods of sick leave, which attracted a lot of media attention in Austria. Besides person-focused interventions (training for managers, promotion of good mental health practices, and providing tools for recognition and early identification of mental health problems), Erste Group also involved employees, management and further stakeholders to integrate health promoting policies, systems and practices in their daily life. In January 2014, a labour-

management contract was signed to accept an obligation on this topic. This programme clearly defines responsibilities of employees and managers in the process of resuming work after a longer period of sick leave and is supported and accompanied by physicians and psychologists of the health centre. According to this agreement, employees can reduce their work time factor or operating procedures up to a maximum of two months on full pay. Erste Group is the first company in Austria that implemented this system in close collaboration with the Austrian Medical Association, Safety Inspection and Federal Ministry of Labour, Social Affairs and Consumer Protection.

Respecting and promoting work-life balance among its employees has been a long-standing priority of Erste Group. Erste Bank Oesterreich offers a wide variety of family-friendly measures and evaluates them on a regular basis in order to ensure that they truly meet the employees' needs. These measures include flexible work arrangements, short sabbaticals, regular meetings for employees on maternity/parental leave, a work-life centre focusing on work-life balance issues and a Family and Women's Committee to prepare initiatives and resolutions for the promotion of equal opportunities to be discussed with the management board. The Family and Women's Committee acts as a communication platform and lobby for all employees.

Staff indicators *

	Share of female staff		Share of part-time staff		Share of female part-time staff from total part-time workforce		Share of male part-time staff from total male workforce		Share of executive positions	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Austria	55.1%	53.1%	27.5%	25.2%	86.9%	88.3%	8.0%	6.3%	1.5%	1.4%
Czech Republic	71.4%	74.5%	8.6%	8.8%	94.0%	94.1%	1.8%	2.0%	0.5%	0.5%
Slovakia	72.0%	72.5%	0.4%	0.6%	89.5%	83.3%	0.3%	0.3%	1.0%	1.1%
Hungary	63.8%	65.7%	2.4%	1.3%	72.7%	82.9%	1.8%	0.7%	1.4%	1.4%
Croatia	69.2%	68.9%	0.9%	1.2%	100.0%	83.3%	0.0%	0.6%	2.5%	2.6%
Serbia	70.7%	71.3%	0.1%	0.1%	0.0%	0.0%	0.3%	0.4%	2.4%	1.7%
Romania	71.2%	70.9%	5.6%	5.0%	82.0%	84.5%	3.5%	2.7%	0.9%	1.1%

	Other managerial positions		Share of women in executive positions		Share of women in other managerial positions		Average number of sick leave days per employee		Number of employees with health disability	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Austria	8.2%	8.2%	20.9%	15.9%	30.8%	28.0%	7.8	7.8	112	102
Czech Republic	5.6%	4.5%	25.5%	26.9%	39.5%	35.0%	5.2	5.4	107	73
Slovakia	8.4%	8.5%	27.9%	28.3%	55.5%	54.6%	7.1	7.3	82	65
Hungary	12.4%	12.6%	23.7%	25.0%	51.0%	53.5%	6.9	6.0	6	6
Croatia	12.8%	13.4%	35.8%	38.5%	56.8%	58.2%	5.3	4.0	22	2
Serbia	14.3%	16.2%	37.5%	58.8%	55.9%	49.7%	5.3	6.1	2	0
Romania	6.8%	6.5%	41.5%	39.7%	55.8%	55.5%	7.0	8.2	18	23

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

Turnover rate		<30 yrs		31-40 yrs		41-50 yrs		>50 yrs	
	Total	initiated by the employee	initiated by the employer	initiated by the employee	initiated by the employer	initiated by the employee	initiated by the employer	initiated by the employee	initiated by the employer
2014									
Austria	6.0%	35.4%	3.1%	33.5%	2.4%	15.7%	1.2%	7.1%	1.6%
Czech R.	13.9%	23.1%	12.1%	19.6%	13.1%	12.6%	6.1%	6.9%	6.5%
Slovakia	13.0%	22.6%	16.2%	13.3%	18.0%	5.2%	11.1%	1.1%	12.6%
Hungary	19.0%	22.3%	7.7%	33.8%	13.0%	9.1%	9.2%	1.3%	3.6%
Croatia	6.1%	14.3%	23.6%	22.4%	19.3%	3.1%	3.1%	0.0%	14.3%
Serbia	4.4%	18.2%	9.1%	34.1%	13.6%	6.8%	6.8%	9.1%	2.3%
Romania	15.6%	30.7%	7.4%	28.8%	7.7%	11.6%	7.3%	2.5%	4.0%

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



Environment

The 2014 Assessment Report of the IPCC (Intergovernmental Panel on Climate Change) was a wake-up call for many people and politicians worldwide. The message is quite clear: climate change has become a reality and has started to impact ecosystems, societies and economies. The only option to limit the negative consequences of the greenhouse gas emissions is to confine global warming to +2°C. But even at this level, there will be severe and widespread consequences on all continents due to the rising sea levels and increasing climate-related hazards. Environmental issues affect everyone's life, and the time when only environmental activists paid attention is long gone.

The direct impact of banks on the environment may be very limited. But Erste Group recognises its responsibility to also take into account potential environmental risks related to lending and investment. Balancing financial and ecological interests will be one of the main challenges in the upcoming years.

ENVIRONMENTAL STRATEGY

Erste Group's environmental strategy is built on four pillars:

- _ implementation of an Environmental Management System
- _ implementation of a Supply Chain Management System for all products and services needed to run the banking business
- _ integration of environmental criteria into banking products and services (especially financing products)
- _ co-operation with environmental NGOs.

An Environmental Steering Committee consisting of the CEO and COO of Erste Group and the Head of Group Environmental Management was set up to monitor the group-wide implementation of the environmental strategy. In each banking subsidiary, one board member is responsible for implementing the environmental strategy on a local level. Over the next few years, it will become common practice to integrate environmental aspects into day-to-day banking business wherever appropriate. The Supply Chain Management System ensures that ecological and commercial considerations are equally taken into account in purchasing decisions.

Medium-term priorities

In line with the environmental strategy, the following key priorities were confirmed:

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

ENVIRONMENTAL TARGETS

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

- _ Electricity consumption by -10%
- _ Heating energy by -10%
- _ Copy paper consumption by -20%
- _ Carbon dioxide (CO₂, scope 1 and 2) emissions by -30%

Development of the environmental footprint in 2014 versus 2012

- _ Electric energy: - 11.6% to 164.9 GWh
- _ Heating energy: - 6.0% to 152.6 GWh
- _ Copy paper: - 13.0% to 1,489 t
- _ CO₂ emissions (scope 1 and 2): - 23.6% to 98,171 t

GROUP-WIDE ACTIVITIES

Reduction of greenhouse gas emissions

Not surprisingly, heating and electric energy are key in optimising Erste Group's environmental impact followed by the use of paper and electronic equipment.

Erste Group defined the following group-wide criteria for the selection of heating and electricity suppliers. Whenever available, district heating – preferably from renewable sources or waste – is to be used followed by natural gas or LNG (liquefied natural gas),

electricity and, finally, heating oil. If available, electricity is to be purchased from 100% renewable sources or from local suppliers with the highest share of renewable energy or the lowest CO₂/kWh ratio.

Erste Group started to use exclusively green electricity – CO₂ free, from renewable sources only – in 2012 in Austria. Approximately 40% of the Austrian electric energy demand is covered by Erste Group's own hydro power plant in Styria. In June 2014, Erste Bank Croatia became the first Croatian bank to purchase only 100% CO₂-free electricity. Unfortunately a switch will not be possible in all core markets in the near future due to a lack of appropriate local energy providers selling country-wide CO₂-free electricity in some countries.

A wide variety of energy-saving programmes has been implemented in all local banking subsidiaries. In Banca Comercială Română simple but very efficient measures were taken to reduce energy consumption. These range from shorter operation hours of air-condition units and adjusting the room temperature or the obligatory switching-off of computers and laptops when leaving the working place to reducing the lighting of branches outside business hours. Erste Bank Hungary installed opening sensors for windows and, together with other measures, it reduced the energy consumption of the headquarters by 3% within one year.

Slovenská sporiteľňa continued its energy-saving efforts on buildings with higher than average energy consumption. At the headquarters in Bratislava, roughly 500 energy-intensive halogen lamps can now be better controlled and are turned on only when really needed. In addition, CO₂-controlled ventilation and switching off of IT equipment in many branches helped to further reduce energy consumption. Electricity consumption declined by roughly 9%, heating energy consumption by roughly 14%. Česká spořitelna continued a special energy reduction programme for its branch network. Since the end of 2014, the individual energy consumption of each branch can be monitored over the intranet. The roll-out of the remote monitoring of building technologies continued and monitoring devices for energy consumption and management were installed in 70 additional buildings. Energy efficiency audits were finalised for 95 buildings. Simple measures such as shortening the daily running time of indoor advertising panels by two hours or the limitation of room temperature to 22°C

also had a positive energy-saving impact (electricity consumption declined by 3.7%, heating energy consumption by 16.9%).

Erste Bank Serbia reduced the number of illuminated logo signs and many of them are now switched off between midnight and the early hours of the morning. Normal bulbs have been replaced by LED. Sun protection films were tested which, by keeping the heat outside, reduce the energy consumption of air conditioning. Overall, energy consumption declined by 9.6%. Together with an external advisor an in-depth energy efficiency audit of one of the main office buildings was finalised. The technical realisation of the identified energy-savings potentials is planned for 2015.

Another well-proven way to reduce greenhouse gas emissions is to reduce business travel and to switch to business cars with lower CO₂ emissions. The group-wide installation of state-of-the-art video conferencing equipment enabling face-to-face interaction close to “being there” limited the increase in business air travel to 1.6%.

Erste Bank Oesterreich implemented further individual electric energy monitoring systems at branches with a higher than average energy consumption to identify reasons for the elevated energy consumption. Due to the upcoming move to the new headquarters in Vienna – approximately 4,500 employees will work at Erste Campus – nearly no investments were undertaken at currently used office buildings to improve energy efficiency.

Erste Campus has been awarded preliminary *DGNB Gold certification* by the Austrian Society for Sustainable Real Estate (ÖGNI). The construction is on-time and on-budget and the certification is expected to be confirmed when the building is in full used in 2016. Calculations show a reduction of 30-50% on electric energy compared with the consumption of the existing buildings used in Vienna.

Measures to reduce office paper consumption

Without doubt, besides measures relating to energy, one of the greatest direct contributions that a financial institution can make to protect the environment is cutting paper consumption. The production of recycled paper requires approximately 80% less water and 70% less energy, overall the CO₂ footprint is 50% less.

To minimise the environmental impact of the group-wide paper consumption Erste Group continuously runs paper-saving initiatives. In addition, group-wide sourcing rules for paper are in place:

- _ When purchasing paper, environmental criteria are as important as other business criteria such as price, availability, product quality and regulatory requirements.
- _ Target for 2015:
 - _ Wherever technically possible, only 100% recycled paper is to be used, especially in the case of copy paper and all paper used for internal purposes.
 - _ If recycled paper cannot be used, only FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification Schemes)-certified paper is to be chosen, to prevent the use of paper from illegally harvested wood sources.

In Slovakia, the Czech Republic, Hungary, Serbia and Croatia, the targeted level of 100% recycled copy paper has been almost reached, and Austria was close with over 80%. Only Romania is lagging behind with a recycled copy paper share of only 10%. The overall consumption of copy paper was reduced in 2014 by 41 tonnes to 1,489 tonnes. Since 2011, the total volume declined by 500 tonnes or 27%. For the first time, the annual report and the quarterly report of Erste Group were printed on recycled paper. Furthermore, as more and more readers use the on-line version, the number of printed copies is declining.

Technology is becoming an increasingly useful tool to reduce paper dependency. Meeting management of the management board or the supervisory board and its committees previously involved a lot of printed paper. In January 2014, the holding and Erste Bank Oesterreich introduced an electronic meeting management system that not only eliminates the need for printing all applications and reports but also increases data security and accessibility anytime, anywhere. This single measure reduced the annual copy paper consumption at the Group Secretariat by at least one million pages. It is intended to implement this system in all local bank subsidiaries as well as the large savings banks.

Erste Group's advanced electronic banking solutions including different apps for mobile phones and other mobile electronic devices enable customers to carry out basic banking transactions wherever and whenever they want. Erste Bank Oesterreich confirmed its innovation leadership by launching a new digital platform *George* Digital banking also helps the environment, as it saves paper – e-statements replace printed statements and the handling of payment forms is reduced.

Waste management activities

Erste Group aims at reducing waste as this is the most efficient and cost saving environmental measure.

An additional disadvantage of printing and copying is the frequently related inefficient paper filing and storage. While the

working environment in the new headquarters in Vienna will provide various forms of workspaces, employees will have very limited space to store paper and files. In preparation for the move to Erste Campus, all Vienna-based employees were asked to dispose of as much stored paper as possible in a one-time effort in summer 2014. An astonishing amount of more than 130 tonnes of waste paper was disposed of in line with data protection requirements. As an additional incentive for the employees the management board supported a WWF nature conservation project, the Marchegg meadowland reserve (www.wwf.at/march) with a donation linked to the total volume of paper disposal.

Other environmental initiatives

One of the main challenges is to keep the employees informed about the ecological consequences of their activities. Slovenská sporiteľňa developed an e-learning tool for all employees focusing on conscious usage of resources such as energy and paper. If possible, this tool will be used in other countries as well.

Česká spořitelna supports its employees to commute to the office by bike by installing bike parking areas. A similar effort is being undertaken by Erste Bank Serbia, which installed bicycle stands in front of the headquarters and branches and teamed up with a local bicycle association to create public awareness about its environmental activities. Holding and Erste Bank Oesterreich employees can borrow E-bikes to ride between the different bank locations in Vienna faster and more healthily than by using public transport or cars.

One element of Erste Group's environmental strategy is the co-operation with NGOs. Independent environmental NGOs offer access to their local and international know-how and provide valuable assistance in Erste Group's efforts to become an even more environmentally sustainable company. Erste Group prolonged its co-operation with the WWF Climate Group till 2017. The aim of the initiative is to mobilise companies to cut global carbon dioxide emissions. Further information is available at www.climategroup.at. In 2014, many Austrian NGOs (not only environmental ones) chose Erste Bank Oesterreich as their preferred bank partner, especially for payment transactions, thus acknowledging its commitment to supporting society.

Impact of procured products and services

Erste Group Procurement (EGP) continued its efforts to include environmental criteria in its purchasing activities by screening the top 150 suppliers and adapting its sourcing criteria in line with Erste Group's environmental strategy.

In 2014, EGP finalised its *Ethical and Environmental Code of Conduct for Suppliers of Goods and Services*, which will be used across the group. The supply audit evaluation includes not only sustainability/environmental aspects. For further details, please refer to the Customers and Suppliers chapter.

Environmental data

At the end of 2014, the selection process for suitable software facilitating easier environmental data collection and evaluation was completed. The new software should allow to improve data

quality for all Erste Group entities including the savings banks (until now savings banks data was not reported) and to give a comprehensive picture of Erste Group's environmental impact.

Environmental indicators 2014*

Tonnes CO ₂ eq	Total	Austria	Croatia	Czech Rep	Hungary	Romania	Serbia	Slovakia
Heating/ warm water	29,359	2,905	643	9,502	1,366	11,483	389	3,072
Electricity	57,680	0	0	25,272	5,319	16,331	2,391	8,367
Diesel for electricity	31	1	0	17	0	0	3	10
Mobility	9,969	1,533	595	4,182	980	1,534	264	881
Cooling agents	1,131	119	279	332	25	195	63	118
Total	98,171	4,558	1,517	39,305	7,690	29,543	3,110	12,448

Relative values per FTE or m ²	Heating kWh/m ²	Electricity kWh/m ²	Copy paper kg/FTE	Waste kg/FTE	CO ₂ eq t/FTE
Austria	73	160	26	197	0.61
Croatia	49	139	43	12	0.63
Czech Republic	91	98	25	135	3.16
Hungary	101	145	48	219	2.45
Romania	144	77	87	na	4.85
Serbia	85	120	55	41	3.33
Slovakia	79	104	30	280	2.84

Environmental indicators 2013*

Tonnes CO ₂ eq	Total	Austria	Croatia	Czech Rep	Hungary	Romania	Serbia	Slovakia
Heating/ warm water	32,251	3,172	887	11,424	1,690	11,093	424	3,561
Electricity	74,552	0	2,490	32,915	6,821	20,522	2,645	9,159
Diesel for electricity	29	5	4	11	0	0	3	6
Mobility	9,066	1,631	574	2,705	1,088	1,910	235	923
Cooling agents	1,134	184	255	262	262	128	41	2
Total	117,033	4,992	4,210	47,317	9,861	33,654	3,348	13,651

Relative values per FTE or m ²	Heating kWh/m ²	Electricity kWh/m ²	Copy paper kg/FTE	Waste kg/FTE	CO ₂ eq t/FTE
Austria	82	148	28	214	0.73
Croatia	66	141	45	12	1.85
Czech Republic	106	99	24	153	3.83
Hungary	113	168	54	321	3.09
Romania	136	94	101	na	5.52
Serbia	97	138	58	43	3.62
Slovakia	92	115	27	285	3.17

* FTE (full-time equivalent) is defined as an employee times his/her employment factor
CO₂eq = CO₂ equivalents (scope 1 and 2); deviations to the Annual Report 2013 due to improved data quality

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	2013			2014		
	total weight (tonnes)	recycled %	not-recycled %	total weight (tonnes)	recycled %	not-recycled %
Austria	191.80	88.40	11.60	191.43	79.20	20.80
Croatia	96.60	63.10	36.90	95.83	99.90	0.10
Czech Republic	303.27	76.40	23.60	302.36	100.00	0.00
Hungary	151.27	100.00	0.00	132.68	100.00	0.00
Romania	618.13	10.70	89.30	584.10	7.60	92.40
Serbia	53.49	9.10	90.90	51.42	90.60	9.40
Slovakia	115.58	15.00	85.00	131.22	95.10	4.90



Corporate governance

Corporate governance report

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

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

In the financial year 2014, Erste Group Bank AG complied with all L-Rules and R-Rules of the Austrian CCG. The deviation from one C-rule is described and explained below. Pursuant to C-Rule 52a of the Austrian CCG, the number of supervisory board members (without employee representatives) shall not be higher than ten. Due to the size of the company, however, the number of shareholder representatives temporarily reached eleven in the course of the financial year 2014. After the resignation of Juan Maria Nin Génova on 11 December 2014, the number of shareholder representatives was ten as of 31 December 2014.

Working methods of the management board and the supervisory board

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

The management board is responsible for managing the company as required for the benefit of the company taking into account the interests of the shareholders and the employees as well as public interest. The management board develops the strategic orientation of the company and aligns it with the supervisory board. It ensures effective risk management and risk control. The management board takes its decisions in compliance with all relevant legal provisions, the articles of association and its internal rules of procedure.

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

Selection and assessment of members of management bodies

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

Training and development

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

MANAGEMENT BOARD

Management board member	Year of birth	Date of initial appointment	End of the current period of office
Andreas Treichl (Chairman)	1952	1 October 1994	30 June 2017
Franz Hochstrasser (Vice Chairman)	1963	1 January 1999	31 December 2014
Herbert Juranek	1966	1 July 2007	31 December 2014
Gernot Mittendorfer	1964	1 January 2011	30 June 2017
Andreas Gottschling	1967	1 September 2013	30 June 2017

In the financial year 2014, the management board consisted of five members. Franz Hochstrasser and Herbert Juranek resigned from the management board as of 31 December 2014. The supervisory board appointed Peter Bosek and Jozef Sikela (both

effective 1 January 2015) and Petr Brávek (effective 1 April 2015) as new members of the management board.

In the financial year 2014, the allocation of duties among the members of the management board was as follows:

Allocation of duties on the management board

Management board member	Areas of responsibility
Andreas Treichl (Chairman)	Group Strategy, Group Secretariat (including Corporate Social Responsibility, Group Environmental Management), Group Communications, Group Investor Relations, Group Human Resources (including Group Diversity), Group Audit, Group Brands, Employees' Council, Social Banking Development
Franz Hochstrasser (Vice Chairman)	Until the resignation as of 31 December 2014: Large Corporates, Erste Group Immortent, Group Capital Markets, Group Research, Group Investment Banking, Steering & Operating Office Markets, Steering & Operating Office Corporates
Herbert Juranek	Until the resignation as of 31 December 2014: Group Organisation/IT, Group Banking Operations, Group Services
Gernot Mittendorfer	Group Asset Liability Management, Group Controlling, Group Accounting, Group Business Information Center, Participation Management
Andreas Gottschling	Enterprise wide Risk Management, Group Risk Operating Office, Operational Risk, Compliance & Security, Group Credit and Market Risk Management, Risk Methods and Models, Group Workout, Group Validation, Group Retail and SME Risk Management, Group Legal

Supervisory board mandates and similar functions

In the financial year 2014, the management board members held the following supervisory board mandates or similar functions in domestic or foreign companies not included in the consolidated financial statements:

Andreas Treichl

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

Franz Hochstrasser

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

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

SUPERVISORY BOARD

In the financial year 2014, the following persons were members of the supervisory board.

Position	Name	Year of birth	Occupation	Date of initial appointment	End of the current period of office
Chairman	Friedrich Rödler	1950	Auditor and tax advisor	4 May 2004	AGM 2019
1st Vice Chairman	Georg Winckler	1943	Former rector of the University of Vienna and Professor emeritus of Economics	27 April 1993	AGM 2015
2nd Vice Chairman	Jan Homan	1947	General Manager, ret.	4 May 2004	AGM 2019
Member	Elisabeth Bleyleben-Koren	1948	General Manager, ret.	21 May 2014	AGM 2019
Member	Bettina Breiteneder	1970	Entrepreneur	4 May 2004	AGM 2019
Member	Gunter Griss	1945	Lawyer	21 May 2014	AGM 2019
Member	Elisabeth Krainer Senger-Weiss	1972	Lawyer	21 May 2014	AGM 2019
Member	Brian D. O'Neill	1953	Vice Chairman Lazard International	31 May 2007	AGM 2017
Member	Juan Maria Nin Génova	1953	CEO, ret.	12 May 2009	11 December 2014
Member	Wilhelm Rasinger	1948	Consultant	11 May 2005	AGM 2015
Member	John James Stack	1946	CEO, ret.	31 May 2007	AGM 2017
Delegated by the employees' council					
Member	Markus Haag	1980		21 November 2011	until further notice
Member	Andreas Lachs	1964		9 August 2008	until further notice
Member	Friedrich Lackner	1952		24 April 2007	11 December 2014
Member	Bertram Mach	1951		9 August 2008	until further notice
Member	Barbara Pichler	1969		9 August 2008	until further notice
Member	Karin Zeisel	1961		9 August 2008	until further notice

Changes in the supervisory board in the financial year: at the annual general meeting (AGM) held on 21 May 2014, the shareholder representatives Elisabeth Bleyleben-Koren, Gunter Griss and Elisabeth Krainer Senger-Weiss were elected to the supervisory board. The shareholder representatives Bettina Breiteneder, Jan

Homan, Juan Maria Nin Génova and Friedrich Rödler were re-elected on the same date. Concurrently Markus Haag and Barbara Pichler were delegated by the employees' council. Juan Maria Nin Génova resigned on 11 December 2014, however. Concurrently, the delegation of Friedrich Lackner was revoked.

Membership in supervisory board committees

Committee membership as of 31 December 2014:

Name	Construction committee	Executive committee	Nomination committee	Audit committee	Risk committee	Remuneration committee
Friedrich Rödler	Vice Chairman	Chairman	Chairman	Vice Chairman*	Chairman	Chairman**
Georg Winckler	Member	Vice Chairman	Vice Chairman	Chairman	Vice Chairman	Vice Chairman
Jan Homan	-	Member	Member	Substitute	Member	Substitute
Elisabeth Bleyleben-Koren	-	-	-	Member	Member	-
Bettina Breiteneder	Chairwoman	-	Substitute	Member	Member	-
Gunter Griss	-	-	-	-	-	Member
Elisabeth Krainer Senger-Weiss	Member	-	-	-	-	-
Brian D. O'Neill	-	-	-	-	-	Member
Wilhelm Rasinger	-	Substitute	-	Member	Member	-
John James Stack	-	-	-	-	-	Member
Delegated by the employees' council						
Markus Haag	-	-	-	Substitute	Substitute	-
Andreas Lachs	Substitute	Substitute	Member	Member	Member	Member
Bertram Mach	Member	Member	Member	-	Member	Member
Barbara Pichler	Member	Member	Substitute	Member	-	Substitute
Karin Zeisel	-	-	-	Member	Member	Member

*Financial expert, **Remuneration expert

Mandates on supervisory boards or similar functions

As of 31 December 2014, the supervisory board members held the following additional supervisory board mandates or similar functions in domestic or foreign companies. Listed companies are marked with *.

Friedrich Rödler

Erste Bank der österreichischen Sparkassen AG, Erste Bank Hungary Zrt., Österreichische Industrie Holding AG

Georg Winckler

DIE ERSTE österreichische Spar-Casse Privatstiftung (Chair), Educational Testing Service (ETS) (Trustee), Erste Bank der österreichischen Sparkassen AG, UNIQA Versicherungsverein Privatstiftung (Vice Chair)

Jan Homan

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

Bettina Breiteneder

Generali Holding Vienna AG, ZS Einkaufszentren Errichtungs- & Vermietungs-Aktiengesellschaft

Gunter Griss

AVL List GmbH (Chair), Bankhaus Krentschker & Co. AG (Vice Chair), BDI - BioEnergy International AG* (Chair), Steiermärkische Bank und Sparkassen AG (Chair)

Brian D. O'Neill

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

Juan Maria Nin Génova (resigned as of 11 December 2014)

Gas Natural SDG, S.A.* (BoD), Repsol YPF* (BoD)

Wilhelm Rasinger

Friedrichshof Wohnungsgenossenschaft reg. Gen. mbH (Chair), Gebrüder Ulmer Holding GmbH, Haberkorn Holding AG, Haberkorn GmbH, S IMMO AG*, Wienerberger AG*

John James Stack

Ally Bank (BoD), Ally Financial Inc.* (BoD), Česká spořitelna, a.s. (Chair), Mutual of America Capital Management (BoD)

Elisabeth Bleyleben-Koren and Elisabeth Krainer Senger-Weiss did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies as of 31 December 2014.

Delegated by the employees' council:

Friedrich Lackner (until 15 December 2014)

DIE ERSTE österreichische Spar-Casse Privatstiftung

Barbara Pichler (since 16 December 2014)

DIE ERSTE österreichische Spar-Casse Privatstiftung

Andreas Lachs

VBV-Pensionskasse AG

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

Mechanism for shareholders and employees to provide recommendations and direction to the supervisory board

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

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

Measures to avoid conflicts of interest

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

Independence of the supervisory board

Pursuant to C-Rule 53 of the Austrian CCG, the majority of the members of the supervisory board elected by the general meeting or delegated by shareholders in accordance with the articles of association shall be independent of the company and its management board.

A member of the supervisory board is deemed to be independent if such person does not have any business or personal relations with the company or its management that would constitute a material conflict of interest and, therefore, might influence the member's conduct. The supervisory board adheres to the independence criteria guidelines as set out in Annex I of the Austrian CCG.

— The supervisory board member shall not have been a member of the management board or a managing employee of the company or of a subsidiary of the company in the past five years.

— The supervisory board member shall not have or not have had in the past year any business relations with the company or a subsidiary of the company to an extent of significance for the supervisory board member. This shall also apply to business relations with companies in which the supervisory board mem-

ber has a significant economic interest, but not to positions held in the Group's managing bodies. The approval of individual transactions by the supervisory board pursuant to L-Rule 48 does not automatically qualify the respective supervisory board member as not being independent.

- The supervisory board member shall not have served as auditor for the company or been involved in an audit or worked as an employee of the audit firm that audited the company in the past three years.
- The supervisory board member shall not serve as a management board member at another company in which a member of the company's management board is a supervisory board member.
- The supervisory board member shall not serve on the supervisory board for more than 15 years. This shall not apply to members of the supervisory board that hold investments with a business interest or that represent the interests of such a shareholder.
- The supervisory board member shall not be a close family member (child, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the management board or of persons holding one of the positions described in the points above.

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

In 2014, three members of the supervisory board (Georg Winckler, Friedrich Lackner and Barbara Pichler) served on a management body of a company holding more than 10% of the shares of Erste Group Bank AG. One member (Wilhelm Rasinger) represented in particular the interests of retail shareholders.

Attendance of supervisory board meetings

Friedrich Lackner could not attend at least half of the meetings in 2014 due to illness. All other members of the supervisory board attended at least half of the meetings.

Self-evaluation of the supervisory board

The supervisory board performed a self-evaluation of its activity pursuant to C-Rule 36 of the Austrian CCG. In the supervisory board meeting of 22 October 2014, it considered the efficiency of its activity, including in particular its organisation and methods of work.

Contracts subject to approval pursuant to section 95 para 5 no 12 Austrian Stock Corporation Act (C-Rule 49 Austrian CCG)

In 2014, the firm Griss & Partner Rechtsanwälte, in which Gunter Griss is a senior partner, invoiced companies of Erste Group for legal representation and consulting services in the total amount of EUR 17,777.28.

SUPERVISORY BOARD COMMITTEES AND THEIR DECISION-MAKING POWERS

The supervisory board has set up six committees: the risk committee, the executive committee, the audit committee, the nomination committee, the remuneration committee and the construction committee.

Risk committee

The risk committee advises the management board with regard to the bank's current and future risk appetite and risk strategy and monitors the implementation of this risk strategy. The committee also reviews whether the services and products offered are adequately priced in accordance with the bank's business model and risk strategy. Without prejudice to the duties of the remuneration committee, the risk committee is also responsible for reviewing whether the incentives offered by the internal remuneration system adequately take into account risk, capital, liquidity and the probability and timing of profit realisation. The risk committee is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the management board defined in the approval authority regulation. The approval of the risk committee is required for any exposure or large exposure as defined in section 28a of the Austrian Banking Act if the carrying value of such an investment exceeds 10% of the company's eligible own funds or of the banking group's eligible consolidated own funds. In addition, it may grant advance approvals to the extent permitted by law. The risk committee is responsible for monitoring the risk management of Erste Group Bank AG. A report providing key information about the organisation, structure and operation of the risk management system in place for the company and major subsidiaries has to be submitted to the committee at least once a year. The supervisory board has delegated to the risk committee the right to approve the establishment and closure of branches, to grant special statutory power of attorney (Prokura) or commercial power (Handlungsvollmacht) for all business operations. The committee is responsible for monitoring the Group's portfolio of participations except in cases where this is the responsibility of the audit committee. The tasks of the risk committee include the acknowledgement of reports on legal disputes and on the risk impact and costs of major IT projects as well as of reports on important audits of subsidiaries conducted by regulatory authorities.

Executive committee

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

Audit committee

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

Nomination committee

Meetings of the nomination committee are held as needed (beginning with 1 January 2014 at least once a year) or when a member of the committee or of the management board requests a meeting. The nomination committee submits proposals to the supervisory board for filling management board mandates that become vacant and deals with issues of succession planning. The committee discusses and decides on the content of employment contracts for members of the management board. It deals with and decides on relationships between the company and the members of the management board except for resolutions to appoint members to the management board or revoke such appointments and on the granting of company stock options. Furthermore, the nomination committee supports the supervisory board in making proposals to the annual general meeting for filling supervisory board mandates

that have become vacant. In filling vacant management board and supervisory board mandates, the focus is in particular on the members' personal and professional qualifications, a well-balanced board composition in terms of expertise, a well-balanced and broad range of knowledge, skills and experience of the members on each body, and on aspects of diversity. The nomination committee also defines a target quota for the underrepresented gender and develops a strategy to achieve this target. Furthermore, the nomination committee has to ensure that the management board's and the supervisory board's decision-making processes are not dominated by one single person or a small group of persons. The nomination committee periodically assesses the management board's and the supervisory board's structure, size, composition and performance and submits proposals for changes to the supervisory board, if necessary. In addition, the nomination committee has to conduct periodic assessments of the expertise, skills and experience of both the management board members and the individual members of the supervisory board as well as of each body in its entirety and to report its findings to the supervisory board. As regards the selection for senior management positions, the nomination committee has to review the course of action adopted by the management board and supports the supervisory board in making recommendations to the management board.

Remuneration committee

The remuneration committee prepares resolutions on remuneration matters, including resolutions that have an impact on the bank's risk and risk management and have to be passed by the supervisory board. The remuneration committee approves the general principles of remuneration policy, reviews them regularly and is also responsible for their implementation. The committee monitors remuneration policy, remuneration practices and remuneration-linked incentive programmes, in relation to the control, monitoring and containment of risks, the capital base and liquidity, with due regard to the long-term interests of the bank's shareholders, investors and employees as well as the national interest in a well-functioning banking system and financial market stability. The committee monitors the payment of variable remuneration to members of the management board and to the company's second management level as well as to management board members of major subsidiaries. Furthermore, the remuneration of senior managers in risk management and in compliance functions is reviewed directly by the remuneration committee. Once a year, the committee is presented with a comprehensive report on the remuneration system including key performance indicators as well as a report on the situation regarding personnel and management in the Group.

Construction committee

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

MEETINGS OF THE SUPERVISORY BOARD AND REPORT ON PRINCIPAL ACTIVITIES

Eight meetings of the supervisory board were held in the financial year 2014.

At each ordinary meeting of the supervisory board, the monthly developments of the balance sheet and the income statement were presented and reports were given on individual risk types and the bank's total risk; the status of individual banking subsidiaries in Central and Eastern Europe was discussed and reports were delivered on the areas audited and on the internal audit department's material audit findings. The chairpersons of the committees reported on the main topics dealt with by the committees since the last supervisory board meeting. A recurring topic at the supervisory board meetings in the financial year 2014 was reports on current regulatory developments in the banking environment and their impacts on Erste Group, including in particular the status of the banking supervisory regime at the European level and in Austria. In the financial year 2014, reports were also issued repeatedly on the current status of the asset quality review and the stress test conducted by the European Central Bank (ECB) and the European Banking Authority (EBA), respectively. The management board regularly presented proposals to the supervisory board that require its approval under the law, the articles of association and the rules of procedure.

On 13 March 2014, the financial statements and the management report 2013, the consolidated financial statements and consolidated management report 2013 as well as the corporate governance report 2013 were reviewed; the bank auditors' reports were discussed, the financial statements 2013 were adopted in accordance with the recommendation of the audit committee, and the proposal for the appropriation of the profit 2013 was approved. Furthermore, the resolutions proposed for the annual general meeting were discussed and approved. It was also decided to propose Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. to the annual general meeting on 21 May 2014 as an additional auditor of the (consolidated) financial statements for the financial year 2015. In addition, a report was delivered on the economic outlook in the CEE region for the years 2014 and 2015.

At the meeting held on 24 April 2014, a report was given on the status quo and the business development of the Slovak subsidiary Slovenská sporiteľňa, a.s. In addition, resolutions were adopted relating to variable remuneration components and the allocation of duties on the management board.

At the constituent meeting of 21 May 2014 held after the annual general meeting, Friedrich Rödler was elected chairman of the supervisory board and Jan Homan second vice chairman. In addition, supervisory board members were elected to the respective supervisory board committees and the composition of the committees was thus realigned. The distribution key for the

remuneration of supervisory board members approved by the annual general meeting was adopted for 2013.

At the meeting held on 26 June 2014, the report on major participations for 2013 and the first quarter of 2014, the report on directors' dealings and the annual compliance report were discussed. The Group Recovery Plan 2014 was submitted to the supervisory board for its information and discussed.

At the meeting held on 17 September 2014, a report was given on the FMA's revised Fit & Proper circular concerning the assessment of the qualifications of directors, supervisory board members and holders of key functions and information was provided on the resulting consequences. In addition, it was announced that a self-evaluation of the supervisory board would be performed in accordance with section 29 no 6 and 7 of the Austrian Banking Act and information was provided on the further procedure.

At the meeting held on 22 October 2014, the main focus was on the changes to the management board following the resignations of Franz Hochstrasser and Herbert Juranek. It was decided to appoint Peter Bosek as a new member of the management board of Erste Group Bank AG as of 1 January 2015. Because of his expertise and experience as management board member of Erste Bank Österreich, it was decided that Peter Bosek will steer the retail business on a group-wide basis in addition to Austria in the newly created position of Retail Officer of Erste Group Bank AG. In addition, the results of the supervisory board's self-evaluation were discussed.

At the extraordinary meeting of 24 October 2014, the resignations of Franz Hochstrasser and Herbert Juranek effective 31 December 2014 were dealt with once again and the proposed nomination of Jozef Sikela as a new member of the management board of Erste Group Bank AG was discussed. The supervisory board subsequently decided by circular resolution dated 26 October 2014 to authorise the chairman to terminate the contracts with the resigning management board members. The appointment of Jozef Sikela as a new member of the management board of Erste Group Bank AG as of 1 January 2015 was likewise approved by circular resolution on 26 October 2014. It was also decided that in view of his expertise and experience as chairman of the management board of the Slovak subsidiary Slovenská sporiteľňa, a.s. Jozef Sikela would take over the responsibility for Erste Group's Corporate & Markets division from Franz Hochstrasser.

At the meeting held on 11 December 2014, the appointment of Petr Brávek as a new management board member of Erste Group Bank AG as of 1 April 2015 was approved. It was decided that in view of his expertise and experience as a member of the management board of the Slovak subsidiary Slovenská sporiteľňa, a.s., Petr Brávek would succeed Herbert Juranek as Chief Operations Officer of Erste Group Bank AG and would hence have responsibility for Organisation/IT and Banking Operations.

The realignment of the allocation of duties and updated rules of representation for the management board as of 1 January 2015 – required due to the changes in the management board – were also approved. Finally, a cordial farewell was bid to Juan Maria Nín Génova, who had announced his resignation from the supervisory board as of the end of 11 December 2014.

MEETINGS OF THE COMMITTEES AND REPORT ON ACTIVITIES

The risk committee held seventeen meetings in 2014 at which it regularly took decisions on exposures and loans exceeding the powers of the management board and was briefed on loans granted within the scope of authorisation of the management board. The committee was regularly informed of the individual risk types, risk-bearing capacity and large exposures. Furthermore, reports were given on the situation of specific sectors and industries, on the audits conducted by supervisory authorities, on various legal disputes as well as on risk development in certain countries and subsidiaries, on the activities of Group Compliance and on the new supervisory regime at the European level and in Austria. In the financial year 2014, recurring reports were issued on developments in Hungary, in particular in connection with foreign-currency loans, as well as on the current status of the asset quality review and the stress test conducted by the European Central Bank (ECB) and the European Banking Authority (EBA), respectively. Reports were also delivered on the activities of Group Compliance and on regulatory developments at the European level and in Austria.

The executive committee did not meet in 2014.

The audit committee met seven times in 2014. Among other things, the auditors reported on the audit of the single-entity and consolidated financial statements for 2013, and the audit committee subsequently conducted the final discussion. The financial statements and the management report, the consolidated financial statements and the consolidated management report as well as the corporate governance report were audited and recommended to the supervisory board for adoption, and the proposal of the management board for the appropriation of the net profit for the financial year 2013 was acknowledged. The head of the internal audit department reported on the audit subjects and material audit findings for the year 2013 and explained the audit plan for 2014. The internal audit department presented its reports pursuant to section 42 para 3 of the Austrian Banking Act. A report was given on the audit of the functionality of the risk management system according to Rule 83 of the Austrian CCG and on the effectiveness of the internal control system. The audit committee also discussed its work plan for 2015 and defined which topics were to be placed on the agendas of which meetings. Subject to the approval of the supervisory board, the decision was

taken to propose Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. to the annual general meeting on 21 May 2015 as an additional auditor of the (consolidated) financial statements for the financial year 2016. The auditors provided information about the preliminary audit of the single-entity and consolidated financial statements for 2014. They also reported about the audit conducted by Österreichische Prüfstelle für Rechnungslegung (OePR), the Austrian Financial Reporting Enforcement Panel (AFREP), as well as about the impacts of the asset quality review conducted by the ECB and the EBA. Tax issues relating to the recognition of deferred tax assets were also discussed. In addition, the audit committee explored the impacts of the entry into force of the EU Statutory Audit Directive and the implementation of the group policy on the independence of auditors (Pre-Approval Policy).

The nomination committee met four times in 2014 and dealt with various personnel matters relating to the management board and the supervisory board. These included, first of all, the election of supervisory board members at the annual general meeting 2014. The nomination committee assessed the qualifications of the candidates nominated for first-time or re-election and recommended that the supervisory board propose to the annual general meeting the first-time election of Elisabeth Bleyleben-Koren, Gunter Griss and Elisabeth Krainer Senger-Weiss and the re-election of Bettina Breiteneder, Jan Homan, Juan Maria Nín Génova and Friedrich Rödler to the supervisory board. Due to the changes in the management board, the nomination committee also assessed the qualifications of the candidates nominated for appointment to the management board – Peter Bosek, Jozef Síkeľ and Petr Brávek – and recommended their appointment by the supervisory board. In addition, the nomination committee reviewed the evaluation pursuant to C-Rule 36 of the Austrian CCG and evaluation of the management board and the supervisory board pursuant to section 39 no 6 and 7 of the Austrian Banking Act.

The remuneration committee met five times in 2014 and discussed various remuneration topics relating to Erste Group and its subsidiaries including the structure of key performance indicators and the bonus policy concerning the requirements for the payment of variable remuneration components. In addition, information was provided about regulatory developments concerning remuneration, including in particular the impacts of CRD IV/CRR rules.

The construction committee met five times in 2014. Its main topics were project planning, project organisation, the budget, costs and risks as well as procedures relating to tenders, scheduling and developments regarding Erste Campus, the Erste Group headquarters building currently under construction in Vienna.

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

Erste Group was founded on the principles of accessibility and inclusion. Diversity and equal opportunities are firmly embedded in Erste Group's corporate philosophy and corporate culture, thus providing a solid foundation for building strong and mutually beneficial relationships between Erste Group, its employees and the communities and societies in Erste Group's markets. The commitment to promoting equal opportunities and diversity was institutionalised by appointing a Diversity Manager responsible for developing a group-wide diversity policy, identifying targets and measures, as well as regular monitoring and reporting on targets.

At the beginning of 2014, the management board together with the supervisory board set a group-wide internal target of having 35% women at top management level (management board and senior management) and on supervisory boards by 2019. At the end of 2014, the share of female top managers was 31%, which is an increase of one percentage point over 2013 or five percentage points over 2012. In 2014, two more female managers were appointed at the first management level below the Holding board, increasing the share of women at that management level to 19% from 13% at the beginning of 2013. As two more women joined the supervisory board in 2014, the total share of women on supervisory boards rose to 25% compared with 16% at the beginning of 2013. One of the measures to increase the number of women in top management positions is to strive for a greater gender and age balance in our talent pools. The new international talent pool is made up of almost 40% women. Other measures to help increase the number of women in top management include succession pool and career planning for women, as well as mentoring, coaching and networking.

The Erste Women's Hub network was launched on 24 July 2014 and brings together women at all stages in their professional careers from the Holding, Erste Bank Oesterreich and subsidiaries. It aims to create an inclusive, sustainable network that is driven and owned by its members. Three working groups with specific goals and initiatives were established: *Women - Careers - Opportunities*, *Women Financial Lifetime* and *Erste World*.

Local initiatives to support measures to promote gender parity in management positions also continued in 2014. Erste Bank Oesterreich set its own internal target to increase the share of women in management positions to 40% by 2017. With a share of female

top managers of 41%, the target was already met at the end of 2014. The share of female top managers (from the second management level) was 36%, up three percentage points over 2013. Its *WoMen Business* programme contributes towards the development and promotion of female leadership by offering special training programmes and networking events for women. Česká spořitelna's diversity and inclusion programme *Diversitas*, which was launched in 2008, supports mentoring and networking for women and has received many awards and recognitions for its diversity efforts. It is considered a best practice model on the Czech labour market and within Erste Group.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Principles governing the remuneration policy

The principles governing management board remuneration are specified in the remuneration policy of Erste Group Bank AG, including in particular the definition and evaluation of performance criteria. The contractual maximum value of performance-linked payments to management board members shall not exceed 100% of the fixed salaries. The method for determining whether the performance criteria have been met is defined at the beginning of the year by the supervisory board following a proposal of the responsible organisational units (Group Performance Management, Group Risk Management and Group Human Resources). For 2014, both the ratio between fixed and short-term variable remuneration components and the maximum levels were reduced. Management board members have to achieve defined performance criteria at both company level and individual level. The first criterion is Erste Group's overall performance. For the year 2014, this criterion is measured by reference to four indicators: the operating result, the solvency ratio (JRAD), the common equity tier 1 ratio and the achievement of strategic goals. The second performance criterion is the achievement of individual objectives. These are, for example, the operating result, the common equity tier 1 ratio, the NPL coverage ratio, customer satisfaction and leadership quality.

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

Remuneration of management board members

Remuneration in 2014

in EUR thousand	Fixed salaries	Other remuneration	Performance-linked remuneration		Total
			for 2013	for previous years	
Andreas Treichl	1,333.7	498.2	225.2	122.2	2,179.4
Franz Hochstrasser	792.4	260.3	167.0	71.1	1,290.7
Herbert Juranek	666.9	92.3	56.4	32.9	848.5
Gernot Mittendorfer	633.0	88.3	69.1	17.2	807.6
Andreas Gottschling	633.0	76.2	30.0	0.0	739.2
Total	4,059.0	1,015.2	547.8	243.4	5,865.3

The item “Other remuneration” comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remuneration in kind. In 2014, performance-linked remuneration and share equivalents were paid out or vested for the financial year 2013 and previous years. No performance-linked remuneration was paid to members of the management board for the financial year 2011. No performance-linked remuneration will be paid to members of the management board for the financial year 2014 either.

Non-cash performance-linked remuneration in 2014

Share equivalents (in units)	for 2013	for previous years
Andreas Treichl	10,881	5,502
Franz Hochstrasser	6,918	3,083
Herbert Juranek	2,365	1,498
Gernot Mittendorfer	3,145	1,005
Andreas Gottschling	1,285	0
Total	24,594	11,088

Pay-outs will be made in the year 2015 after the one-year vesting period. Share equivalents are valued at the average weighted daily share price of Erste Group Bank AG of the year 2014 in the amount of EUR 22.25 per share.

Long-term incentive programme

Currently, one long-term incentive programme (LTI), which is based on changes in the share price of Erste Group Bank AG versus a group of peers and the Dow Jones Euro Stoxx Banks, is

still active. It was started on 1 January 2010 but did not result in any payment in 2014.

In 2014, EUR 2,080.0 thousand was paid in cash and 2,572 share-equivalents were assigned to former members of management bodies and their dependants.

Principles governing the pension scheme for management board members

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

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

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

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

Remuneration of members of the supervisory board

in EUR thousand	Meeting fees for 2014	Supervisory board compensation for 2013	Total
Friedrich Rödler	46.0	100.0	146.0
Georg Winckler	44.0	75.0	119.0
Jan Homan	21.0	50.0	71.0
Elisabeth Bleyleben-Koren	14.0	0.0	14.0
Bettina Breiteneder	29.0	50.0	79.0
Gunter Griss	9.0	0.0	9.0
Theresa Jordis	0.0	43.4	43.4
Elisabeth Krainer Senger-Weiss	9.0	0.0	9.0
Brian D.O'Neill	12.0	50.0	62.0
Juan Maria Nin Génova	7.0	50.0	57.0
Wilhelm Rasinger	30.0	50.0	80.0
John James Stack	12.0	50.0	62.0
Werner Tessmar Pfohl	0.0	18.8	18.8
Markus Haag	0.0	0.0	0.0
Friedrich Lackner	0.0	0.0	0.0
Andreas Lachs	0.0	0.0	0.0
Bertram Mach	0.0	0.0	0.0
Barbara Pichler	0.0	0.0	0.0
Karin Zeisel	0.0	0.0	0.0
Total	233.0	537.3	770.3

The annual general meeting 2014 granted the members of the supervisory board remuneration totalling EUR 537,317.0 for the financial year 2013. The distribution of this remuneration is at the supervisory board's discretion and was approved at the constituent meeting of the supervisory board on 21 May 2014. In addition, attendance fees paid to the members of the supervisory board were set at EUR 1,000 per meeting of the supervisory board or one of its committees.

Directors' and officers' liability insurance

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

EXTERNAL EVALUATION

Erste Group Bank AG commissioned a voluntary external evaluation of compliance with the Austrian Code of Corporate Governance in accordance with R-Rule 62 of the Austrian CCG in the years 2006, 2009 and 2012 for the respective preceding business years. All evaluations reached the conclusion that Erste Group Bank AG had met all requirements of the Code. Summary reports on these evaluations are available at the website of Erste Group Bank AG. A voluntary external evaluation for 2014 is scheduled for spring 2015. A summary report of this evaluation will also be available at the website.

SHAREHOLDERS' RIGHTS

Voting rights

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

Dividend rights

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

Liquidation proceeds

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

Subscription rights

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

The Austrian Stock Corporation Act contains provisions that protect the rights of individual shareholders. In particular, all shareholders must be treated equally under equal circumstances unless the shareholders affected have consented to unequal treatment. Furthermore, measures affecting shareholders' rights, such as capital increases and the exclusion of subscription rights, generally require a shareholders' resolution.

The articles of association of Erste Group Bank AG do not contain any provisions regarding a change in the share capital, the rights associated with the shares or the exercise of the shareholders' rights that differ from statutory requirements.

Stock corporations like Erste Group Bank AG must hold at least one annual general meeting (ordinary shareholders' meeting) per year, which must be held within the first eight months of any financial year and cover at least the following items:

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

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

Vienna, 27 February 2015

Management board

Andreas Treichl mp
Chairman

Gernot Mittendorfer mp
Member

Andreas Gottschling mp
Member

Peter Bosek mp
Member

Jozef Sikela mp
Member

ADDITIONAL CORPORATE GOVERNANCE PRINCIPLES

Erste Group is committed to the highest standards of corporate governance and responsible behaviour by individuals and conducts its business in compliance with the applicable laws and regulations. In addition, Erste Group has introduced various policies and guidelines defining rules and principles for its employees.

Compliance

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

Based on different international anti-bribery and anti-corruption initiatives (e.g. the OECD Anti-Bribery Convention, the United Nations Convention against Corruption) local national authorities in many countries have approved laws and regulations that generally prohibit the acceptance of benefits by public officials for the purpose of obtaining or retaining business, or otherwise securing an improper advantage. All of Erste Group's businesses are subject to the laws and regulations in the countries in which the bank operates. Most laws and regulations cover bribery in both the private and public sector, partly with a global scope (e.g. the Criminal Law in Austria, the Bribery Act in the UK, the Foreign Corrupt Practices Act (FCPA) in the US).

Public officials are subject to the respective domestic laws and regulations relating to gifts, hospitality and entertainment. Laws may differ from country to country and are to some extent extremely restrictive. Improper payments or other inducements for the benefit of a public official, even if made indirectly through an intermediary, are prohibited. Erste Group under no circumstances offers anything of value to a public official, nor to members of a public official's family or to any charitable organisation suggested by a public official, for the purpose of influencing the recipient to take or refrain from taking any official action or to induce the recipient to conduct business with Erste Group. This also includes facilitating payments.

In 2014, Erste Group did not detect any incident of corruption. To ensure compliance with all laws and regulations group-wide standards, policies and procedures are evaluated and refined continuously.

The mandatory compliance training for all new employees includes awareness training and an introduction to prevention of corruption. For employees in selected business areas regular compliance trainings are mandatory.

Activities in 2014

- _ implementation of a new gift policy with a special focus on anti-bribery and anti-corruption
- _ introduction of a documentation and approval tool for gifts and invitations to standardise the process and facilitate adequate compliance monitoring
- _ providing regular information relating to the latest anti-bribery and anti-corruption laws and regulations as well as training for employees
- _ implementation of a whistleblowing office and a procedure for potential whistleblowing cases and their documentation. Employees are encouraged to report suspected unethical and/or unlawful behaviour via a designated tool (Erste Integrity Line) to the whistleblowing office. The whistleblowing platform offers the possibility to file reports and ask questions in case of suspected misconduct of financial crime (such as fraud, corruption, embezzlement), theft (e.g. concerning assets of customers), securities and markets issues (e.g. insider trading), money laundering and terrorism financing, conflicts of interest outside the securities business (e.g. illegitimate gifts, secondary employment) or regulatory issues (pursuant to section 99g of the Austrian Banking Act).

Activities started in 2014 with roll out planned for 2015

- _ new policy regulating personal conflicts of interests outside of the securities business including the implementation of a tool for employees to report secondary employment, ownership, participations and mandates
- _ new group policy for anti-corruption

Directors' dealings

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

Transparency

Transparent operations and reporting play a crucial part in establishing and upholding investor confidence. Accordingly, it is one of the main goals of Erste Group to provide accurate, timely and comprehensible information about the business development and financial performance. Erste Group's financial disclosure adheres to applicable legal and regulatory requirements and is prepared in line with best practice.

Risk management

Erste Group's approach to risk management seeks to achieve the best balance between risk and return for earning a sustainable return on equity. A detailed report on risk policy, risk management strategy and organisation, as well as a thorough discussion of the individual risk categories, is included in the Notes beginning on page 170. In addition, credit risk is analysed in detail in a separate section starting on page 30, in the "Segments" section of this report.

Accounting and auditors

The company financial statements, company management report, consolidated financial statements and group management report of Erste Group Bank AG for the financial year 2014 were audited by Sparkassen-Prüfungsverband as the legally mandated auditor and by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., appointed by the Annual General Meeting, as the supplementary auditor.

Group Consolidated Financial Statements 2014 (IFRS)

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I. Group Statement of Comprehensive Income of Erste Group for the Year ended 31 December 2014

Income statement

in EUR thousand	Notes	1-12 13 restated	1-12 14
Net interest income	1	4,685,041	4,495,201
Net fee and commission income	2	1,806,463	1,869,848
Dividend income	3	89,676	74,217
Net trading and fair value result	4	218,816	242,259
Net result from equity method investments		21,818	15,810
Rental income from investment properties & other operating leases	5	173,326	180,593
Personnel expenses	6	-2,232,410	-2,184,224
Other administrative expenses	6	-1,145,997	-1,136,930
Depreciation and amortisation	6	-517,688	-466,113
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7	62,365	18,283
Net impairment loss on financial assets not measured at fair value through profit or loss	8	-1,774,371	-2,159,242
Other operating result	9	-1,008,622	-1,752,936
Levies on banking activities	9	-311,035	-256,271
Pre-tax result from continuing operations		378,418	-803,232
Taxes on income	10	-178,539	-509,404
Net result for the period		199,880	-1,312,636
Net result attributable to non-controlling interests		139,605	129,357
Net result attributable to owners of the parent		60,275	-1,441,993

Adoption of IFRS 10 led to retrospective consolidation of several entities and additionally the new implemented structure of Income Statement and Balance Sheet resulted in retrospective changes in the presentation, as further explained in section “B. SIGNIFICANT ACCOUNTING POLICIES”.

Statement of comprehensive income

in EUR thousand	Notes	1-12 13 restated	1-12 14
Net result for the period		199,880	-1,312,636
Other comprehensive income			
Items that may not be reclassified to profit or loss			
Remeasurement of net liability of defined pension plans	34	-6,713	-188,196
Deferred taxes relating to items that may not be reclassified		2,260	47,093
Total		-4,453	-141,102
Items that may be reclassified to profit or loss			
Available for sale reserve (including currency translation)		-113,178	581,154
Gain/loss during the period	7;8	-121,843	574,144
Reclassification adjustments		8,665	7,011
Cash flow hedge reserve (including currency translation)		-71,942	172,783
Gain/loss during the period	45	-72,380	224,285
Reclassification adjustments		438	-51,502
Currency translation		-241,390	-63,062
Gain/loss during the period		-321,192	-63,062
Reclassification adjustments	9	79,802	0
Deferred taxes relating to items that may be reclassified	28	44,931	-190,587
Gain/loss during the period		40,962	-193,353
Reclassification adjustments		3,969	2,765
Total		-381,579	500,288
Total other comprehensive income		-386,032	359,186
Total comprehensive income		-186,152	-953,450
Total comprehensive income attributable to non-controlling interests		17,353	270,310
Total comprehensive income attributable to owners of the parent		-203,505	-1,223,760

Earnings per share

Earnings per share constitute net profit/loss for the year attributable to owners of the parent – adjusted for dividend on participation capital in the amount of EUR 0 million (2013: EUR 84.7 million) – divided by the average number of ordinary shares outstanding. Diluted earnings per share represent the maximum potential dilution (through an increase in the average number of shares) that would occur if all subscription and conversion rights granted were exercised (also see Note 36 Total equity).

		1-12 13 restated	1-12 14
Net result attributable to owners of the parent	in EUR thousand	60,275	-1,441,993
Dividend on participation capital	in EUR thousand	-84,660	0
Net result for the period attributable to owners of the parent after deduction of the participation capital dividend	in EUR thousand	-24,385	-1,441,993
Weighted average number of outstanding shares		411,553,048	427,533,286
Earnings per share	in EUR	-0.06	-3.37
Weighted average diluted number of outstanding shares		411,553,048	427,533,286
Diluted earnings per share	in EUR	-0.06	-3.37

II. Group Balance Sheet of Erste Group as of 31 December 2014

in EUR thousand	Notes	01.01.2013 restated	31.12.2013 restated	Dec 14
Assets				
Cash and cash balances	12	9,740,458	9,300,683	7,835,417
Financial assets - held for trading		15,954,801	12,283,046	10,530,878
Derivatives	13	10,776,816	6,342,237	7,173,380
Other trading assets	14;18	5,177,984	5,940,808	3,357,498
Financial assets - at fair value through profit or loss	15;18	715,800	528,984	349,583
Financial assets - available for sale	16;18	22,537,158	20,677,648	22,373,356
Financial assets - held to maturity	17;18	18,971,705	17,779,013	16,877,214
Loans and receivables to credit institutions	19	9,007,832	8,376,688	7,442,288
Loans and receivables to customers	20	124,353,061	119,944,501	120,833,976
Derivatives - hedge accounting	22	2,658,845	1,943,645	2,871,607
Property and equipment	26	2,439,100	2,319,501	2,264,041
Investment properties	26	1,022,911	950,572	950,168
Intangible assets	27	2,893,886	2,440,833	1,440,946
Investments in associates and joint ventures	23	174,099	207,594	194,984
Current tax assets	28	127,634	100,398	107,310
Deferred tax assets	28	657,508	719,015	301,469
Assets held for sale	29	708,119	74,774	291,394
Other assets	30	2,108,221	2,470,898	1,622,702
Total assets		214,071,137	200,117,792	196,287,334
Liabilities and equity				
Financial liabilities - held for trading		10,640,382	6,474,745	7,746,381
Derivatives	13	10,159,387	6,086,938	7,188,386
Other trading liabilities	31	480,995	387,807	557,994
Financial liabilities - at fair value through profit or loss		2,552,290	2,339,171	2,072,725
Deposits from banks		0	0	0
Deposits from customers		632,477	459,964	319,960
Debt securities issued	32	1,919,813	1,879,207	1,752,765
Other financial liabilities		0	0	0
Financial liabilities measured at amortised cost		177,321,576	170,785,614	166,921,248
Deposits from banks	33	21,822,081	17,299,491	14,802,602
Deposits from customers	33	122,366,767	121,955,141	122,262,612
Debt securities issued	33	32,810,004	31,244,697	29,386,741
Other financial liabilities		322,724	286,286	469,294
Derivatives - hedge accounting	22	719,499	644,319	725,928
Changes in fair value of portfolio hedged items		1,646,691	733,747	1,225,473
Provisions	34	1,487,745	1,447,605	1,652,688
Current tax liabilities	28	53,022	84,519	91,050
Deferred tax liabilities	28	323,507	169,392	98,778
Liabilities associated with assets held for sale		338,870	0	0
Other liabilities	35	2,650,619	2,653,713	2,309,605
Total equity		16,336,937	14,784,966	13,443,457
Equity attributable to non-controlling interests		3,491,397	3,465,959	3,605,371
Equity attributable to owners of the parent		12,845,540	11,319,006	9,838,086
Total liabilities and equity		214,071,137	200,117,792	196,287,334

Adoption of IFRS 10 led to retrospective consolidation of several entities and additionally the new implemented structure of Income Statement and Balance Sheet resulted in retrospective changes in the presentation, as further explained in section “B. SIGNIFICANT ACCOUNTING POLICIES”.

III. Group Statement of Changes in Total Equity

in EUR million	Subscribed capital	Capital reserves*	Retained earnings*	Cash flow hedge reserve	Available for sale reserve	Currency translation	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
As of 31 December 2013	860	7,037	4,256	-33	259	-785	-277	2	11,319	3,466	14,785
Changes in treasury shares	0	0	-77	0	0	0	0	0	-77	0	-77
Dividends paid	0	0	-171	0	0	0	0	0	-171	-122	-292
Capital increases	0	0	0	0	0	0	0	0	0	0	0
Participation capital	0	0	0	0	0	0	0	0	0	0	0
Change in interest in subsidiaries	0	0	-10	0	0	0	0	0	-10	-9	-19
Other changes	0	-5,559	5,559	0	0	0	0	0	0	0	0
Acquisition of non-controlling interest	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	-1,442	173	321	-65	-117	-94	-1,224	270	-953
Net result for the period	0	0	-1,442	0	0	0	0	0	-1,442	129	-1,313
Other comprehensive income	0	0	0	173	321	-65	-117	-94	218	141	359
As of 31 December 2014	860	1,478	8,116	140	580	-849	-394	-92	9,838	3,605	13,444
As of 1 January 2013	2,547	6,472	4,395	41	227	-555	-268	-4	12,855	3,483	16,338
Restatement	0	0	1	0	-11	0	0	0	-10	8	-2
Restated as of 1 January 2013	2,547	6,472	4,396	41	216	-555	-268	-4	12,845	3,491	16,336
Changes in treasury shares	0	0	100	0	0	0	0	0	100	0	100
Dividends paid	0	0	-299	0	0	0	0	0	-299	-44	-343
Capital increases	70	571	0	0	0	0	0	0	642	0	642
Participation capital	-1,757	-7	0	0	0	0	0	0	-1,764	0	-1,764
Change in interest in subsidiaries	0	0	-2	0	0	0	0	0	-2	1	0
Other changes	-1	0	1	0	0	0	0	0	0	0	0
Acquisition of non-controlling interest	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	60	-73	44	-231	-9	5	-203	17	-185
Net result for the period	0	0	60	0	0	0	0	0	60	140	200
Other comprehensive income	0	0	0	-73	44	-231	-9	5	-263	-123	-386
As of 31 December 2013	860	7,037	4,256	-33	259	-785	-277	2	11,319	3,466	14,785

*) The reclassification between capital reserves and retained earnings is due to a group internal merger between EGB Ceps Beteiligungen GmbH and EGB Ceps Holding GmbH with Erste Group Bank AG.

For further details, see Note 36 Total equity.

IV. Group Cash Flow Statement

in EUR million	1-12 13 restated	1-12 14
Net result for the period	200	-1,313
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	972	1,612
Allocation to and release of provisions (including risk provisions)	1,808	2,194
Gains/(losses) from the sale of assets	7	-153
Other adjustments	-272	-23
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets - held for trading	3,671	1,902
Financial assets - at fair value through profit or loss	179	107
Financial assets - available for sale	1,924	-1,382
Loans and receivables to credit institutions	642	-1,186
Loans and receivables to customers	4,230	-890
Derivatives - hedge accounting	569	-755
Other assets from operating activities	-1,521	986
Financial liabilities - held for trading	-3,574	1,272
Financial liabilities - at fair value through profit or loss	173	-266
Financial liabilities measured at amortised cost		
Deposits from banks	-4,696	-2,497
Deposits from customers	-757	307
Debt securities issued	-1,432	-1,875
Other financial liabilities	0	183
Derivatives - hedge accounting	68	82
Other liabilities from operating activities	-1,914	4
Cash flow from operating activities	277	-1,691
Proceeds of disposal		
Financial assets - held to maturity and associated companies	5,660	3,078
Property and equipment, intangible assets and investment properties	347	231
Acquisition of		
Financial assets - held to maturity and associated companies	-4,500	-2,160
Property and equipment, intangible assets and investment properties	-726	-634
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	62	0
Cash flow from investing activities	844	514
Capital increases	642	0
Capital decrease	-1,764	0
Acquisition of non-controlling interest	0	0
Dividends paid to equity holders of the parent	-299	-171
Dividends paid to non-controlling interests	-44	-122
Other financing activities	0	0
Cash flow from financing activities	-1,465	-292
Cash and cash equivalents at beginning of period ¹	9,740	9,301
Cash flow from operating activities	277	-1,691
Cash flow from investing activities	844	514
Cash flow from financing activities	-1,465	-292
Effect of currency translation	-95	4
Cash and cash equivalents at end of period¹	9,301	7,835
Cash flows related to taxes, interest and dividends	4,566	4,302
Payments for taxes on income (included in cash flow from operating activities)	-209	-267
Interest received	6,984	6,301
Dividends received	90	74
Interest paid	-2,299	-1,806

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

Adoption of IFRS 10 led to retrospective consolidation of several entities and additionally the new implemented structure of Income Statement and Balance Sheet resulted in retrospective changes in the presentation, as further explained in section “B. SIGNIFICANT ACCOUNTING POLICIES”.

V. Notes to the Group Financial Statements of Erste Group

A. GENERAL INFORMATION

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

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

It is planned for the management (following a presentation to the supervisory board) to approve the consolidated financial statements for publication on 27 February 2015.

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

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

B. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION

The consolidated financial statements of Erste Group for the financial year ending on 31 December 2014 and the related comparative information were prepared in compliance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. This satisfies the requirements of Section 59a of the Austrian Banking Act and Section 245a of the Austrian Commercial Code.

In accordance with the applicable measurement models prescribed or permitted under IFRS, the consolidated financial statements have been prepared on a cost (or amortised cost) basis, except for financial assets - available for sale, financial assets and liabilities held for trading (including derivatives), instruments subject to hedge accounting and financial assets and liabilities designated at fair value through profit or loss, all of which have been measured at fair value.

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

Except for regulatory restrictions on capital distributions stemming from the EU-wide capital requirements regulations applicable to all financial institutions based in Austria and Central and Eastern Europe, Erste Group does not have any other significant restrictions on its ability to access or use the assets and settle the liabilities of the Group. Also, the owners of non-controlling interests in Group subsidiaries do not have protective rights that can significantly restrict the Group's ability to access or use the assets and settle the liabilities of the Group.

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

The consolidated financial statements have not been reviewed and accepted by the supervisory board and the financial statements of Erste Group Bank AG have not been approved by the supervisory board yet.

b) BASIS OF CONSOLIDATION

Subsidiaries

All entities directly or indirectly controlled by Erste Group Bank AG are consolidated in the Group financial statements on the basis of their annual accounts as of 31 December 2014, and for the year then ended.

Subsidiaries are consolidated from the date when control is obtained until the date when control is lost. Control is achieved when Erste Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the relevant activities of the investee. Relevant activities are those which most significantly affect the variable returns of an entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal. The financial statements of the bank's subsidiaries are prepared for the same reporting year as that of Erste Group Bank AG and using consistent accounting policies. All intra-Group balances, transactions, income and expenses as well as unrealised gains and losses and dividends are eliminated.

Non-controlling interests represent those portions of total comprehensive income and net assets that are not attributable directly or indirectly to the owners of Erste Group Bank AG. Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity on the consolidated balance sheet. Acquisitions of non-controlling interests as well as disposals of non-controlling interests that do not lead to a change of control are accounted for as equity transactions, whereby the difference between the consideration transferred and the share in the carrying amount of the net assets acquired is recognised as equity.

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an interest in an associate or joint venture is recognised on the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's or joint venture's profit or loss is recognised in the income statement. Entities accounted for using the equity method are recognised on the basis of annual financial statements as of 31 December 2014 and for the year then ended.

Associates are entities over which Erste Group exercises significant influence ('associates'). Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. As a general rule, significant influence is presumed to mean an ownership interest of between 20% and 50%.

Joint ventures are joint arrangements over which Erste Group exercises control jointly with one or more other venturers, with the venturers having rights to the net assets of the arrangement, rather than to the assets and liabilities relating to the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Erste Group is not involved in joint operations.

Scope of consolidation

As at 31 December 2014, Erste Group Bank AG, as parent entity of Erste Group, includes in its IFRS scope of consolidation a total of 528 subsidiaries (31 December 2013: 549). This includes a total of 47 local savings banks which, alongside Erste Group Bank AG and Erste Bank der österreichischen Sparkassen AG, are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector (please refer to "(d) Significant accounting judgements, assumptions and estimates" for further details).

The IFRS scope of consolidation of Erste Group has been increased by a total of 34 entities. Additionally, 18 own-managed investment funds were included retrospectively as a result of adopting IFRS 10 "Consolidated Financial Statements" (please refer to "(d) Significant accounting judgements, assumptions and estimates" and "(e) Application of amended and new IFRS/IAS" for further details, including the ensuing quantitative impact on the comparatives as at 31 December 2013).

Following the implementation of the new agreements of the cross-guarantee system (please refer to chapter d) Significant accounting judgements, assumptions and estimates) and the related financial support of the members an ex-ante funds was established. The fund is managed by a civil law company named IPS GesbR. The assets of the fund – the members of the cross-guarantee system are required to pay into the fund over a period of ten years - are bound and can be used solely for the purpose to cover loss events of members of the cross-guarantee system. The company IPS GesbR was included in the scope of consolidation in year 2014.

Opening balance as of 31 December 2013	549
Additions	
Entities newly added to the scope of consolidation	34
Disposals	
Companies sold or liquidated	31
Mergers	24
Closing balance as of 31 December 2014	528

Further details regarding the scope of consolidation please refer to Note 54 Details of the companies wholly or partly owned by Erste Group as of 31 December 2014.

Additions in 2014

No material additions of new subsidiaries occurred during the year 2014.

Disposals in 2014

As of 1 January 2014, the Czech pension fund entity “Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s.” (Transformed pension fund) has been deconsolidated. This deconsolidation was triggered by significant amendments to the fund’s investment strategy (due to changes in the fund’s articles of incorporation) that limited the fund manager’s decision-making powers over relevant fund activities (please refer to “(d) Significant accounting judgements, assumptions and estimates” for further details). This resulted in a loss of control in accordance with IFRS 10. The impact of deconsolidation was a decrease in Group assets by EUR 1,702 million (thereof financial assets - available-for-sale EUR 608 million, financial assets - held to maturity EUR 368 million and loans and receivables to credit institutions EUR 710 million) and decrease of the group liabilities by EUR 1,853 million (thereof financial liabilities measured at amortised cost – deposits from customers EUR 1,829 million).

Additions in 2013

No material additions of new subsidiaries occurred during the year 2013.

Disposals in 2013

Public Company ‘Erste Bank’ (Erste Bank Ukraine). On 29 April 2013, following the signing of the contract in December 2012 and having received the formal approval of the transaction by the market supervising authorities in Austria and Ukraine, Erste Group finalised the sale of its 100% participation in Erste Bank Ukraine to FIDOBANK, an unrelated party. Having met the qualifying criteria of IFRS 5 ‘Discontinued operations and non-current assets held for sale’, Erste Bank Ukraine was classified as a disposal group held for sale and included in the consolidated balance sheet items ‘Assets held for sale’ and ‘Liabilities associated with assets held for sale’ in the Annual Report 2012. Upon the closing of the transaction, these assets and liabilities were derecognised from the balance sheet of Erste Group. The proceeds from the transaction, all in the form of cash, amounted to EUR 62.3 million (USD 81.8 million), compared to the sold net equity of Erste Bank Ukraine amounting to EUR 132.5 million as of 31 December 2012. An impairment loss in the amount of EUR 75.0 million for the negative difference between the selling price and net equity of Erste Bank Ukraine as of 31 December 2012 was already recognised in the income statement of Erste Group for the financial year 2012. The income statement of Erste Group for the financial year 2013 is affected by a further negative EUR 76.6 million, resulting mainly from the reclassification of the cumulated negative currency translation reserve in relation to Erste Bank Ukraine from other comprehensive income to income statement. This impact is recognised in ‘Other operating result’.

c) ACCOUNTING AND MEASUREMENT METHODS

In the financial year 2014 Erste Group has changed its balance sheet and income structure according to the measurement categories as per IAS 39, to provide more relevant and reliable information on the financial position and performance of the company. A number of disclosures were adjusted accordingly - both presentation format and figures.

The new structure was also introduced to generate synergies with the new IFRS based regulatory requirements (“FINREP”) and to facilitate the comparability with published reports of the financial authorities, competitors and Erste Group. In the year 2014 FINREP was introduced by the European Banking Authority (“EBA”) and represents a regulatory framework on a compulsory basis, which must be applied by financial institutions within the EU. This harmonization makes the reconciliation of published reports by the regulator with reports of Erste Group much easier.

The following tables show the relationships between old and new positions of the income statement, of the Group statement of comprehensive Income, of the Group balance sheet and of the Group cash flow statement. The values for the old structure were adjusted by newly consolidated funds (retrospective application of IFRS 10). For further details on the retrospective application according to IFRS please refer to chapter “b) BASIS OF CONSOLIDATION – Subsidiaries”.

In EUR million	Published figures	IFRS 10 effect	Published figures restated	Switch of dividend income	Switch of rental and leasing income	Switch of equity method investment income	Split of general administrative expenses	Consolidation of net trading and fair value result	Re-allocation of other operating result	Reallocation of customer relationship amortisation and deposit insurance	Switch of realised AfS or HtM gains/losses	Switch of AfS or HtM measurement	Switch of off balance sheet provisions		Dec 13 restated
Old structure														New structure restated	
Interest income	7,650.8	11.5	7,662.3	-89.7	-73.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Interest expenses	-2,814.5	0.0	-2,814.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Income from equity method investments	21.8	0.0	21.8	0.0	0.0	-21.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Net interest income	4,858.1	11.5	4,869.6	-89.7	-73.1	-21.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net interest income	4,685.0
Risk provisions for loans and advances	-1,763.4	0.0	-1,763.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,763.4		
Fee and commission income	2,305.6	0.0	2,305.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Fee and commission expenses	-495.6	-3.6	-499.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Net fee and commission income	1,810.0	-3.6	1,806.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net fee and commission income	1,806.5
	0.0	0.0	0.0	89.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Dividend income	89.7
Net trading result	293.2	1.9	295.1	0.0	0.0	0.0	0.0	-295.1	0.0	0.0	0.0	0.0	0.0		
General administrative expenses	-3,653.5	0.0	-3,653.5	0.0	0.0	0.0	3,653.5	0.0	0.0	0.0	0.0	0.0	0.0		
Other operating result	-1,081.9	0.1	-1,081.8	0.0	0.0	0.0	0.0	0.0	939.5	142.4	0.0	0.0	0.0		
Result from financial instruments – at fair value through profit or loss	-76.3	0.0	-76.3	0.0	0.0	0.0	0.0	295.1	0.0	0.0	0.0	0.0	0.0	Net trading and fair value result	218.8
	0.0	0.0	0.0	0.0	0.0	21.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net result from equity method investments	21.8
	0.0	0.0	0.0	0.0	173.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Rental income from investment properties & other operating leases	173.3
	0.0	0.0	0.0	0.0	0.0	0.0	-2,232.4	0.0	0.0	0.0	0.0	0.0	0.0	Personnel expenses	-2,232.4
	0.0	0.0	0.0	0.0	0.0	0.0	-1,068.8	0.0	0.0	-77.2	0.0	0.0	0.0	Other administrative expenses	-1,146.0
	0.0	0.0	0.0	0.0	-100.2	0.0	-352.3	0.0	0.0	-65.2	0.0	0.0	0.0	Depreciation and amortisation	-517.7
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.3	0.0	56.1	0.0	0.0	Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	62.4
Result from financial assets - available for sale	-13.5	-5.8	-19.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-48.9	68.2	0.0		
Result from financial assets - held to maturity	1.5	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-7.2	5.7	0.0		
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-48.0	-1,726.5	Net impairment loss on financial assets not measured at fair value through profit or loss	-1,774.4
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-945.7	0.0	0.0	-25.9	-37.0	Other operating result	-1,008.6
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-311.0	0.0	0.0	0.0	0.0	Levies on banking activities	-311.0
Pre-tax profit/loss	374.3	4.1	378.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Pre-tax result from continuing operations	378.4
Taxes on income	-178.5	0.0	-178.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Taxes on income	-178.5
Net profit/loss for the period	195.8	4.1	199.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net result for the period	199.9
Attributable to non-controlling interests	134.8	4.8	139.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net result attributable to non-controlling interests	139.6
Attributable to owners of the parent	61.0	-0.7	60.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net result attributable to owners of the parent	60.3

n EUR million	Published figures	IFRS 10 restatement	Published figures restated	Changes due to new structure	Dec 13 restated
Net result for the period	195.8	4.1	199.9	0.0	199.9
Other comprehensive income					
Items that may not be reclassified to profit or loss					
Remeasurement of net liability of defined pension plans	-6.7	0.0	-6.7	0.0	-6.7
Deferred taxes relating to items that may not be reclassified	2.3	0.0	2.3	0.0	2.3
Total	-4.5	0.0	-4.5	0.0	-4.5
Items that may be reclassified to profit or loss					
Available for sale reserve (including currency translation)	-114.3	1.2	-113.2	0.0	-113.2
Gain/loss during the period	-128.8	7.0	-121.8	0.0	-121.8
Reclassification adjustments	14.5	-5.8	8.7	0.0	8.7
Cash flow hedge reserve (including currency translation)	-71.9	0.0	-71.9	0.0	-71.9
Gain/loss during the period	-72.4	0.0	-72.4	0.0	-72.4
Reclassification adjustments	0.4	0.0	0.4	0.0	0.4
Currency translation	-241.4	0.0	-241.4	0.0	-241.4
Gain/loss during the period	-321.2	0.0	-321.2	0.0	-321.2
Reclassification adjustments	79.8	0.0	79.8	0.0	79.8
Deferred taxes relating to items that may be reclassified	44.9	0.0	44.9	0.0	44.9
Gain/loss during the period	41.0	0.0	41.0	0.0	41.0
Reclassification adjustments	4.0	0.0	4.0	0.0	4.0
Total	-382.7	1.2	-381.6	0.0	-381.6
Total other comprehensive income	-387.2	1.2	-386.0	0.0	-386.0
Total comprehensive income	-191.4	5.3	-186.2	0.0	-186.2
Total comprehensive income attributable to non-controlling interests	16.5	0.8	17.4	0.0	17.4
Total comprehensive income attributable to owners of the parent	-208.0	4.4	-203.5	0.0	-203.5

Assets

in EUR million	Published figures	IFRS 10 effect	Published figures restated	Reallocation of demand deposits (<24h)	Reallocation of non-consolidated subsidiaries and associates	Reallocation of movable other property	Switch to net book value of loans and receivables	Product split into measurement categories		Dec 13 restated
Old structure								New structure restated		
Cash and balances with central banks	8,670	0	8,670	630	0	0	0	0	Cash and cash balances	9,301
Loans and advances to credit institutions	9,062	0	9,062	-630	0	0	-8,431	0		
Loans and advances to customers	127,698	0	127,698	0	0	0	-127,698	0		
Risk provisions for loans and advances	-7,810	0	-7,810	0	0	0	7,810	0		
	0	0	0	0	0	0	0	0	Financial assets - held for trading	12,283
Derivative financial instruments	8,285	1	8,286	0	0	0	0	-1,944	Derivatives	6,342
Trading assets	5,941	0	5,941	0	0	0	0	0	Other trading assets	5,941
Financial assets - at fair value through profit or loss	529	0	529	0	0	0	0	0	Financial assets - at fair value through profit or loss	529
Financial assets - available for sale	20,581	241	20,822	0	-144	0	0	0	Financial assets - available for sale	20,678
Financial assets - held to maturity	17,781	0	17,781	0	0	0	-2	0	Financial assets - held to maturity	17,779
	0	0	0	0	0	0	8,377	0	Loans and receivables to credit institutions	8,377
	0	0	0	0	0	0	119,944	0	Loans and receivables to customers	119,945
	0	0	0	0	0	0	0	1,944	Derivatives - hedge accounting	1,944
	0	0	0	0	0	0	0	0	Changes in fair value of portfolio hedged items	0
Property and equipment	2,057	0	2,057	0	0	263	0	0	Property and equipment	2,320
Investment properties	951	0	951	0	0	0	0	0	Investment properties	951
Intangible assets	2,441	0	2,441	0	0	0	0	0	Intangible assets	2,441
Equity method investments	208	0	208	0	0	0	0	0	Investments in associates and joint ventures	208
Current tax assets	100	0	100	0	0	0	0	0	Current tax assets	100
Deferred tax assets	719	0	719	0	0	0	0	0	Deferred tax assets	719
Assets held for sale	75	0	75	0	0	0	0	0	Assets held for sale	75
Other assets	2,590	0	2,590	0	144	-263	0	0	Other assets	2,471
Total assets	199,876	242	200,118	0	0	0	0	0	Total assets	200,118

Liabilities and equity

in EUR million	Published figures	IFRS 10 effect	Published figures restated	Reallocation of subordinated liabilities	Reallocation derivatives	Product split into measurement categories	
Old structure						New structure restated	Dec 13 restated
	0	0	0	0	0	0 Financial liabilities - held for trading	6,475
	0	0	0	0	6,087	0 Derivatives	6,087
	0	0	0	0	0	388 Other trading liabilities	388
	0	0	0	0	0	0 Financial liabilities - at fair value through profit or loss	2,339
	0	0	0	0	0	0 Deposits from banks	0
	0	0	0	0	0	460 Deposits from customers	460
	0	0	0	0	0	1,879 Debt securities issued	1,879
	0	0	0	0	0	0 Other financial liabilities	0
	0	0	0	0	0	0 Financial liabilities measured at amortised cost	170,786
Deposits by banks	17,126	0	17,126	173	0	0 Deposits from banks	17,299
Customer deposits	122,442	-27	122,415	0	0	-460 Deposits from customers	121,955
Debt securities issued	27,986	-21	27,965	5,159	0	-1,879 Debt securities issued	31,245
	0	0	0	0	0	286 Other financial liabilities	286
	0	0	0	0	644	0 Derivatives - hedge accounting	644
Value adjustments from portfolio fair value hedges	734	0	734	0	0	0 Changes in fair value of portfolio hedged items	734
Derivative financial instruments	6,731	0	6,731	0	-6,731	0	
Trading liabilities	388	0	388	0	0	-388	
Provisions	1,448	0	1,448	0	0	0 Provisions	1,448
Current tax liabilities	85	0	85	0	0	0 Current tax liabilities	85
Deferred tax liabilities	169	0	169	0	0	0 Deferred tax liabilities	169
	0	0	0	0	0	0 Liabilities associated with assets held for sale	0
Other liabilities	2,654	286	2,940	0	0	-286 Other liabilities	2,654
Subordinated liabilities	5,333	0	5,333	-5,333	0	0	
Total equity	14,781	4	14,785	0	0	0 Total equity	14,785
Attributable to non-controlling interests	3,457	9	3,466	0	0	0 Equity attributable to non-controlling interests	3,466
Attributable to owners of the parent	11,324	-5	11,319	0	0	0 Equity attributable to owners of the parent	11,319
Total liabilities and equity	199,876	242	200,118	0	0	0 Total liabilities and equity	200,118

in EUR million	Published figures	IFRS 10 effect	Published figures restated	Changes due to new structure	New structure restated
Cash and cash equivalents at beginning of period	9,740	0	9,740	-	9,740
Cash flow from operating activities	-433	0	-433	711	277
Cash flow from investing activities	895	0	895	-52	844
Cash flow from financing activities	-1,437	0	-1,437	-28	-1,465
Effect of currency translation	-95	0	-95	-	-95
Cash and cash equivalents at end of period	8,670	0	8,670	630	9,301

Assets

in EUR million	Published figures	IFRS 10 effect	Published figures restated	Reallocation of demand deposits (<24h)	Reallocation of non-consolidated subsidiaries and associates	Reallocation of movable other property	Switch to net book value of loans and receivables	Product split into measurement categories		Dec 12 angepasst
Old structure								New structure restated		
Cash and balances with central banks	9,740	0	9,740	0	0	0	0	0 Cash and cash balances		9,740
Loans and advances to credit institutions	9,074	0	9,074	0	0	0	-9,074	0		
Loans and advances to customers	131,928	0	131,928	0	0	0	-131,928	0		
Risk provisions for loans and advances	-7,644	0	-7,644	0	0	0	7,644	0		
	0	0	0	0	0	0	0	0 Financial assets - held for trading		15,955
Derivative financial instruments	13,289	0	13,289	0	0	0	0	-2,513 Derivatives		10,777
Trading assets	5,178	0	5,178	0	0	0	0	0 Other trading assets		5,178
Financial assets - at fair value through profit or loss	716	0	716	0	0	0	0	0 Financial assets - at fair value through profit or loss		716
Financial assets - available for sale	22,418	247	22,665	0	-128	0	0	0 Financial assets - available for sale		22,537
Financial assets - held to maturity	18,975	0	18,975	0	0	0	-3	0 Financial assets - held to maturity		18,972
	0	0	0	0	0	0	9,007	0 Loans and receivables to credit institutions		9,008
	0	0	0	0	0	0	124,354	0 Loans and receivables to customers		124,353
	0	0	0	0	0	0	0	2,659 Derivatives - hedge accounting		2,659
	0	0	0	0	0	0	0	0 Changes in fair value of portfolio hedged items		0
Property and equipment	2,228	0	2,228	0	0	211	0	0 Property and equipment		2,439
Investment properties	1,023	0	1,023	0	0	0	0	0 Investment properties		1,023
Intangible assets	2,894	0	2,894	0	0	0	0	0 Intangible assets		2,894
Equity method investments	174	0	174	0	0	0	0	0 Investments in associates and joint ventures		174
Current tax assets	128	0	128	0	0	0	0	0 Current tax assets		128
Deferred tax assets	658	0	658	0	0	0	0	0 Deferred tax assets		658
Assets held for sale	708	0	708	0	0	0	0	0 Assets held for sale		708
Other assets	2,338	0	2,338	0	128	-211	0	-146 Other assets		2,108
Total assets	213,824	247	214,071	0	0	0	0	0 Total assets		214,071

Liabilities and equity

in EUR million	Published figures	IFRS 10 effect	Published figures restated	Reallocation of subordinated liabilities	Reallocation derivatives	Product split into measurement categories	
Old structure						New structure restated	Dec 12 angepasst
	0	0	0	0	0	0 Financial liabilities - held for trading	10,640
	0	0	0	0	10,159	0 Derivatives	10,159
	0	0	0	0	0	481 Other trading liabilities	481
	0	0	0	0	0	0 Financial liabilities - at fair value through profit or loss	2,552
	0	0	0	0	0	0 Deposits from banks	0
	0	0	0	0	0	632 Deposits from customers	632
	0	0	0	0	0	1,920 Debt securities issued	1,920
	0	0	0	0	0	0 Other financial liabilities	0
	0	0	0	0	0	0 Financial liabilities measured at amortised cost	177,322
Deposits by banks	21,822	0	21,822	0	0	0 Deposits from banks	21,822
Customer deposits	123,053	-54	122,999	0	0	-633 Deposits from customers	122,367
Debt securities issued	29,427	-21	29,406	5,323	0	-1,920 Debt securities issued	32,810
	0	0	0	0	0	323 Other financial liabilities	323
	0	0	0	0	719	0 Derivatives - hedge accounting	719
Value adjustments from portfolio fair value hedges	1,220	0	1,220	0	0	427 Changes in fair value of portfolio hedged items	1,647
Derivative financial instruments	10,878	1	10,879	0	-10,879	0	
Trading liabilities	481	0	481	0	0	-481	
Provisions	1,488	0	1,488	0	0	0 Provisions	1,488
Current tax liabilities	53	0	53	0	0	0 Current tax liabilities	53
Deferred tax liabilities	324	0	324	0	0	0 Deferred tax liabilities	324
Liabilities associated with assets held for sale	339	0	339	0	0	0 Liabilities associated with assets held for sale	339
Other liabilities	3,077	323	3,400	0	0	-749 Other liabilities	2,651
Subordinated liabilities	5,323	0	5,323	-5,323	0	0	
Total equity	16,339	-2	16,337	0	0	0 Total equity	16,337
Attributable to non-controlling interests	3,483	8	3,491	0	0	0 Equity attributable to non-controlling interests	3,491
Attributable to owners of the parent	12,855	-10	12,846	0	0	0 Equity attributable to owners of the parent	12,846
Total liabilities and equity	213,824	247	214,071	0	0	0 Total liabilities and equity	214,071

Foreign currency translation

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

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

(i) Transactions and balances in foreign currency

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

(ii) Translation of the statements of Group companies

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

Financial instruments – recognition and measurement

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

Erste Group uses the following categories of financial instruments:

- _ financial assets or financial liabilities at fair value through profit or loss
- _ available-for-sale financial assets
- _ held-to-maturity investments
- _ loans and receivables
- _ financial liabilities measured at amortised cost

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

(i) Initial recognition

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

(ii) Initial measurement of financial instruments

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

(iii) Cash and cash balances

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

(iv) Derivative financial instruments

Derivative financial instruments are used by Erste Group to manage exposures to interest rate, foreign currency and other market price risks. Derivatives used by Erste Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps.

For presentation purposes derivatives are split into

_Derivatives – held for trading; and

_Derivatives – hedge accounting

Derivative financial instruments are carried at fair value (dirty price) on the Consolidated Balance Sheet - regardless of whether they are held for trading or hedge accounting purposes. Derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Derivatives – held for trading are those which are not designated as hedging instruments for hedge accounting. They are presented in the line item ‘Derivatives’ under the heading ‘Financial assets / financial liabilities – held for trading’. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book are presented in this line item.

Changes in the fair value (clean price) of derivatives held for trading are reported in the income statement in the line item ‘Net trading and fair value result’. Interest income/expense related to derivatives – held for trading is recognised in the income statement under the line item ‘Net interest income’ if held in the banking book or under the line item ‘Net trading and fair value result’ if held in the trading book.

Derivatives – hedge accounting are those which are designated as hedging instruments in hedge accounting relationships fulfilling the conditions of IAS 39 (please refer to Hedge Accounting). In the balance sheet, they are presented in the line item ‘Derivatives - hedge accounting’ on asset or liability side.

Changes in the fair value of derivatives (clean price) in fair value hedges are recognised in the income statement in the line item ‘Net trading and fair value result’. Interest income/expense related to derivatives in fair value hedges is reported in the income statement in the line item ‘Net interest income’.

The effective part of changes in the fair value (clean price) of derivatives in cash flow hedges is reported in other comprehensive income in the line item ‘Cash flow hedge reserve’. The ineffective part of changes in the fair value (clean price) of derivatives in cash flow hedges is recognised in profit or loss under the line item ‘Net trading and fair value result’. Interest income/expense from hedging derivatives in cash flow hedges is disclosed in the income statement in the line item ‘Net interest income’.

v) Financial assets and financial liabilities - held for trading

Financial assets and financial liabilities – held for trading comprise derivatives and other trading assets and liabilities. Treatment of derivatives – held for trading is discussed above in (iv).

Other trading assets and liabilities are non-derivative instruments. They include debt securities as well as equity instruments acquired or issued principally for the purpose of selling or repurchasing in the near term. In the balance sheet, they are presented as ‘Other trading assets’ or ‘Other trading liabilities’ under the heading ‘Financial assets / financial liabilities – held for trading’.

Changes in fair value (clean price for debt instruments) resulting from other trading assets and liabilities are reported in the income statement under the line item ‘Net trading and fair value result’. Interest income and expenses are reported in the income statement under the line item ‘Net interest income’. Dividend income is shown under the line item ‘Dividend income’.

If securities purchased under agreement to resell or borrowed through securities lending transactions are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within ‘Other trading liabilities’.

(vi) Financial assets or financial liabilities designated at fair value through profit or loss

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

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

Financial assets - designated at fair value through profit or loss are recorded on the balance sheet at fair value under the line item 'Financial assets - designated at fair value through profit or loss', with changes in fair value recognised in the income statement under the line item 'Net trading and fair value result'. Interest earned on debt instruments is reported under the line item 'Net interest income'. Dividend income on equity instruments is shown under the line item 'Dividend income'.

Furthermore, Erste Group uses the fair value option in the case of some hybrid financial liabilities. This is relevant when:

- _ such classification eliminates or significantly reduces an accounting mismatch between the financial liability otherwise measured at amortised cost and the related derivative measured at fair value; or
- _ the entire hybrid contract is designated at fair value through profit or loss due to the existence of an embedded derivative.

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

Financial liabilities designated at fair value through profit or loss are reported on the balance sheet under the line item 'Financial liabilities designated at fair value through profit or loss' further broken down into 'Deposits' (both from customers and banks), 'Debt securities issued' and 'Other financial liabilities'. Changes in fair value are recognised in the income statement under the line item 'Net trading and fair value result'. Interest incurred is reported under the line item 'Net interest income'.

(vii) Financial assets – available for sale

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

Available-for-sale financial assets are measured at fair value. On the balance sheet, available-for-sale financial assets are disclosed under the line item 'Financial assets – available for sale'.

Unrealised gains and losses are recognised in other comprehensive income and reported in the 'Available for sale reserve' until the financial asset is disposed of or impaired. If available-for-sale assets are disposed of or impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss and reported in the line item 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net' in the case of sale or in the line item 'Net impairment loss on financial assets not measured at fair value through profit or loss' in the case of impairment.

Interest income on available-for-sale financial assets is reported under the line item 'Net interest income'. Dividend income is reported under the line item 'Dividend income'.

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

(viii) Financial assets – held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity and reported on the balance sheet as 'Financial assets – held to maturity' if Erste Group has the intention and ability to hold them until maturity. After initial recognition, held-to-maturity financial assets are measured at amortised cost. Amortised cost is calculated by taking into account any discount, premium and/or transaction costs that are an integral part of the effective interest rate.

Interest earned on financial assets held to maturity is reported in the income statement under the line item 'Net interest income'. Losses arising from impairment of such financial assets are presented as 'Net impairment loss on financial assets not measured at fair value'.

through profit or loss'. Occasional realised gains or losses from selling are recognised in the income statement under the line item 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net'.

(ix) Loans and receivables

In dem Bilanzposten "Kredite und Forderungen an Kreditinstitute" werden finanzielle Vermögenswerte erfasst, die der Kategorie Kredite und Forderungen zugeordnet sind und eine vertragliche Laufzeit von mehr als 24 Stunden haben. In dem Bilanzposten "Kredite und Forderungen an Kunden" werden finanzielle Vermögenswerte mit unabhängigen vertraglichen Laufzeit erfasst, die der Kategorie Kredite und Forderungen zugeordnet sind. Furthermore, finance lease receivables that are accounted for using IAS 17 are presented under these balance sheet line items.

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

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

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

Impairment losses arising from loans and receivables are recognised in the income statement under the line item 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

(x) Financial liabilities measured at amortised cost

Financial liabilities are measured at amortised cost, unless they are measured at fair value through profit or loss.

For presentation on the balance sheet, the line item 'Financial liabilities measured at amortised cost' is used. The liabilities are further broken down by 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are reported in the line item 'Net interest income' in the income statement. Gains and losses from derecognition (mainly repurchase) of financial liabilities at amortised cost are reported under the line item 'Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net'.

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

Balance sheet position	Measurement principle			Financial instrument category
	Fair value	At amortised cost	Other	
ASSETS				
Cash and cash balances		x	Nominal value	n/a / Loans and receivables
Financial assets - held for trading				
Derivatives	x			Financial assets at fair value through profit or loss
Other trading assets	x			Financial assets at fair value through profit or loss
Financial assets - at fair value through profit or loss	x			Financial assets at fair value through profit or loss
Financial assets - available for sale	x			Available for sale financial assets
Financial assets - held to maturity		x		Held to maturity investments
Loans and receivables to credit institutions		x		Loans and receivables
thereof Finance lease			IAS 17	n/a
Loans and receivables to customers		x		Loans and receivables
thereof Finance lease			IAS 17	n/a
Derivatives - hedge accounting	x			n/a
LIABILITIES AND EQUITY				
Financial liabilities - held for trading				
Derivatives	x			Financial liabilities - at fair value through profit or loss
Other trading liabilities	x			Financial liabilities - at fair value through profit or loss
Financial liabilities - at fair value through profit or loss	x			Financial liabilities - at fair value through profit or loss
Financial liabilities measured at amortised cost		x		Financial liabilities measured at amortised cost
Derivatives - hedge accounting	x			n/a

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

Embedded derivatives

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

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

Embedded derivatives that are separated are accounted for as stand-alone derivatives and presented on the balance sheet under the line item 'Derivatives' in financial assets – held for trading and financial liabilities – held for trading.

At Erste Group, derivatives that are not closely related and are separated are predominantly embedded in issued host debt instruments recognised as liabilities. The most typical cases are issues of bonds and deposits that contain interest caps, floors or collars in the money, CMS bonds without appropriate cap, contractual features linking payments to non-interest variables such as FX rates, equity and commodity prices and indices, or third-party credit risk.

Reclassifications of financial assets

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

Derecognition of financial assets and financial liabilities

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

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

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

Repurchase and reverse repurchase agreements

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

The corresponding cash received is recognised on the balance sheet with a corresponding obligation to return it as a liability under the line item 'Financial liabilities measured at amortised cost', sub-items 'Deposits from banks' or 'Deposits from customers' reflecting the transaction's economic substance as a loan to Erste Group. The difference between the sale and repurchase prices is treated as interest expense and recorded in the income statement under the line item 'Net interest income' and is accrued over the life of the agreement. Financial assets transferred out by Erste Group under repurchase agreements remain on the Group's balance sheet and are measured according to the rules applicable to the respective balance sheet item.

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

Securities lending and borrowing

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

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

Impairment of financial assets and credit risk losses of contingent liabilities

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

Erste Group uses the Basel II definition of default as a primary indicator of loss events. Default, as a loss event, occurs when

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

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

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

(i) Financial assets carried at amortised cost

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

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

Impairment losses on financial assets carried at amortised cost are recognised as loss allowance. On the balance sheet, loss allowances decrease the value of the assets. I.e. the net carrying amount of the financial asset presented on the balance sheet is the difference between the gross carrying amount and the cumulative loss allowance. This treatment holds for loss allowances for loans and receivables and for incurred but not reported losses (i.e. portfolio allowances) on held-to-maturity financial assets. Reconciliation of changes in these loss allowance accounts is disclosed in the notes. However, individual loss allowances for held to maturity financial assets are treated as direct reduction of the asset carrying amount and therefore reconciliation of changes is not disclosed in the notes.

In the income statement, impairment losses and their reversals are presented in the line item 'Net impairment loss on financial assets'.

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

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases, the previously recognised impairment loss is increased or reduced by adjusting the loss allowance.

(ii) Available-for-sale financial assets

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

Wenn sich der Fair Value eines Schuldinstruments in einer der folgenden Perioden erhöht und sich diese Erhöhung objektiv auf ein positives Ereignis zurückführen lässt, das nach der ergebniswirksamen Verbuchung der Wertminderung eingetreten ist, wird der Betrag der Wertaufholung in der Gewinn- und Verlustrechnung in dem Posten "Wertberichtigungen für nicht erfolgswirksam zum Fair Value bilanzierte finanzielle Vermögenswerte (netto)" erfasst. In der Bilanz werden Wertminderungsverluste und etwaige Wertaufholungen unmittelbar gegen den Vermögenswert verrechnet.

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

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

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

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

(iii) Contingent liabilities

Provisions for credit losses of contingent liabilities (particularly financial guarantees as well as credit commitments) are included under the balance sheet line item 'Provisions'. The related expense or its reversal is reported in the income statement under the line item 'Other operating result'.

Hedge accounting

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

(i) Fair value hedges

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

item attributable to the hedged risk is also recognised in the income statement under the line item 'Net trading and fair value result' and adjusts the carrying amount of the hedged item.

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

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

(ii) Cash flow hedges

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

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

Offsetting financial instruments

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

Determination of fair value

Fair value is the price that would be received if an asset were sold or paid, if a liability were transferred in an orderly transaction between market participants on the measurement date.

Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in Note 46 Fair value of assets and liabilities.

Leasing

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

Erste Group as a lessor

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

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

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

Erste Group as a lessee

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

Business combinations and goodwill

(i) Business combinations

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

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

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

(ii) Goodwill and goodwill impairment testing

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

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

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

The estimation of future earnings distributable to shareholders is based on financial plans for the CGUs as agreed by the management while taking into account the fulfilment of the respective regulatory capital requirements. The planning period is five years. Any forecasted earnings beyond the planning period are derived on the basis of the last year of the planning period and a long-term growth rate. The present value of such perpetual earnings growing at a stable rate (referred to as terminal value) takes into consideration macroeconomic parameters and economically sustainable cash flows for each CGU. Values for the long-term growth rates are disclosed in Note 27 Intangible assets in the subsection 'Development of goodwill'.

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

The value in use is determined by discounting the cash flows at a rate that takes into account present market rates and the specific risks of the CGU. The discount rates have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium component is considered in calculation of the discount rate. The values used to establish the discount rates are determined using external sources of information. Discount rates applied to determine the value in use are disclosed in Note 27 Intangible assets in the subsection 'Development of goodwill'.

Where the recoverable amount of a CGU is less than its carrying amount, the difference is recognised as an impairment loss in the income statement under the line item 'Other operating result'. The impairment loss is allocated first to write down the CGU's goodwill. Any

remaining impairment loss reduces the carrying amount of the CGU's other assets, though not to an amount lower than their fair value less costs of disposal. No impairment loss is recognised if the recoverable amount of the CGU is higher than or equal to its carrying amount. Impairment losses relating to goodwill cannot be reversed in future periods.

The goodwill included in the acquisition cost of investments in associates and joint ventures is not tested separately by performing the recurring impairment assessments applicable to goodwill. Instead, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of fair value in use and fair value less costs to sell) with its carrying amount (after application of the equity method) whenever relevant objective evidence of impairment is identified. Such evidence includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environments in which associates and joint ventures operate, indicating that the cost of the investment may not be recovered.

Property and equipment

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

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

The estimated useful lives are as follows:

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

Land is not depreciated.

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

Investment properties

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

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment. Investment property is presented on the balance sheet in the line item 'Investment properties'.

Rental income is recognised in the line item 'Rental income from investment properties and other operating leases'. Depreciation is presented in the income statement in the line item 'Depreciation and amortisation' using the straight-line method over an estimated useful life. The useful lives of investment properties are identical to those of buildings reported under property and equipment. Any impairment losses, as well as their reversals, are recognised under the income statement line item 'Other operating result'.

Property Held for Sale (Inventory)

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

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

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

Intangible assets

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

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

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

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation period and method are reviewed at least at each financial year-end and adjusted if necessary. The amortisation expense on intangible assets with finite lives is recognised in the income statement under the line item ‘Depreciation and amortisation’.

The estimated useful lives are as follows:

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

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

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

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

If any indication of impairment exists, or when annual impairment testing for an asset is required, the bank estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of the asset’s or CGU’s fair value less costs of disposal and its value in use. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In measuring value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

At each reporting date an assessment is made as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the bank estimates the asset’s or CGU’s recoverable amount. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairments and their reversals are recognised in the income statement under the line item ‘Other operating result’.

Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of classification as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. a subsidiary) they are referred to as disposal group held for sale.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line item 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet under the line item 'Liabilities associated with assets held for sale'.

Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Should the impairment loss in a disposal group exceed the carrying amount of the assets that are within the scope of IFRS 5 measurement requirements, there is no specific guidance on how to treat such a difference. Erste Group recognises this difference as a provision under the balance sheet line item 'Provisions'.

Financial guarantees

In the ordinary course of business, Erste Group provides financial guarantees, consisting of various types of letters of credit and guarantees. According to IAS 39, a financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

If Erste Group is in a position of being a guarantee holder, the financial guarantee is not recorded on the balance sheet but is taken into consideration as collateral when determining impairment of the guaranteed asset.

Erste Group as a guarantor recognises financial guarantees as soon as it becomes a contracting party (i.e. when the guarantee offer is accepted). Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. If no premium is received at contract inception, the fair value of a financial guarantee is nil, as this is the price that would be paid to transfer the liability in an orderly transaction between market participants. Subsequent to initial recognition, the financial guarantee contract is reviewed for the possibility that provisioning will be required under IAS 37. Such provisions are presented on the balance sheet under the line 'Provisions'.

The premium received is recognised in the income statement under the line item 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

Defined employee benefit plans

Defined employee benefit plans operated by Erste Group are for pensions, severance and jubilee benefits. From IAS 19 categorisation perspective pension and severance benefits qualify as post-employment defined benefits plans whereas jubilee benefits are other long-term employee benefits.

The defined benefit pension plans relate only to retired employees. The pension obligations for current employees were transferred to external pension funds in previous years. Remaining with Erste Group is a defined-benefit obligation for entitlements of former employees who were already retired as of 31 December 1998 before the pension reform took effect, and for those former employees who retired only in 1999 but remained entitled to a direct pension from Erste Group under individual agreements. Also included are entitlements to resulting survivor pensions. Severance benefit obligations exist in relation to Austrian employees who entered the Group's employment before 1 January 2003. The severance benefit is one-time remuneration to which employees are entitled when their employment relationship ends. The entitlement to this severance payment arises after three years of employment. Defined-benefit plans include jubilee benefits. Jubilee payments (payments for long service and/or loyal service) are remuneration tied to the length of an employee's service to the employer. The entitlement to jubilee benefits is established by collective agreement, which defines both the conditions and amount of the entitlement.

Obligations ensuing from defined employee benefit plans are determined using the projected unit credit method. Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those salaries, pensions and vested rights to future pension payments known as of the balance sheet date but also anticipated future rates of increase in salaries and pensions. The liability recognised under a defined-benefit plan represents the present value of the defined benefit obligation less the fair value of the plan assets available for the direct settlement of obligations. For all plans, the present value of the obligation exceeds the fair value of the plan assets. The resulting defined benefit liability is reported on the balance sheet under the line item 'Provisions'. At Erste Group, the plan assets consist of qualifying insurance policies purchased to back severance and jubilee benefit provisions.

Remeasurements consist of actuarial gains and losses on the defined benefit obligations and the return on plan assets. Remeasurements of pension and severance defined-benefit plans are recognised in other comprehensive income. Remeasurements of jubilee defined-benefit plans are recognised in the income statement under the line item 'Personnel expenses'.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. On the balance sheet, provisions are reported under the line item 'Provisions'. They include credit risk loss provisions for contingent liabilities (particularly financial guarantees and loan commitments) as well as provisions for litigation and restructuring. Expenses or income related to provisions are reported under the line item 'Other operating result'.

Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured as the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as of the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilised. Deferred taxes are not recognised on temporary differences arising from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date. For the subsidiaries, local tax environments apply.

Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to offset exists and the deferred taxes relate to the same taxation authority.

Treasury shares and contracts on treasury shares

Equity instruments of Erste Group that it or any of its subsidiaries acquire (referred to as treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of Erste Group's own equity instruments, including transaction costs, is recognised directly in equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of its own equity instruments.

Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of Erste Group.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by Erste Group's shareholders.

Recognition of income and expenses

Revenue is recognised to the extent that the economic benefits will flow to the entity and the revenue can be reliably measured. The description and revenue recognition criteria of the line items reported in the income statement are as follows:

(i) Net interest income

Interest income and interest expense is recorded using the effective interest rate (EIR) method. The calculation includes origination fees resulting from the lending business as well as transaction costs that are directly attributable to the instrument and are an integral part of the EIR (apart from financial instruments at fair value through profit or loss), but no future credit losses. Interest income from individually impaired loans and receivables and held-to-maturity financial assets is calculated by applying the original effective interest rate used to discount the estimated cash flows for the purpose of measuring the impairment loss.

Interest income includes interest income on loans and receivables to credit institutions and customers, on cash balances and on bonds and other interest-bearing securities in all financial assets categories. Interest expenses include interest paid on deposits from customers, deposits from banks, debt securities issued and other financial liabilities in all financial liabilities categories.

Net interest income also includes interest on derivative financial instruments held in the banking book. In addition, net interest cost on severance payment, pension and jubilee obligations is presented here.

(ii) Net fee and commission income

Erste Group earns fee and commission income from a diverse range of services that it provides to its customers.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include lending fees, guarantee fees, commission income from asset management, custody and other management and advisory fees as well as fees from insurance brokerage, building society brokerage and foreign exchange transactions.

Fee income earned from providing transaction services, such as arranging the acquisition of shares or other securities or the purchase or sale of businesses, is recognised upon completion of the underlying transaction.

(iii) Dividend income

Dividend income is recognised when the right to receive the payment is established.

This line item includes dividend from shares and other equity-related securities in all portfolios as well as income from other investments in companies categorised as available for sale. It also contains dividends from subsidiaries and from associates or joint ventures that are not consolidated or not accounted for using the equity method due to their insignificance.

(iv) Net trading and fair value result

Results arising from trading activities include all gains and losses from changes in the fair value (clean price) of financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedging instruments. In addition, for derivative financial instruments held in the trading book, the net trading result also contains interest income or expense. However, interest income or expenses related to non-derivative trading assets and liabilities and to derivatives held in the banking book are not part of the net trading result as they are reported as 'Net interest income'. The net trading result also includes any ineffective portions recorded in fair value and cash flow hedge transactions as well as foreign exchange gains and losses.

The fair value result relates to changes in the clean price of assets and liabilities designated at fair value through profit or loss.

(v) Net result from equity method investments

The line item contains result from associates and joint ventures recorded by applying the equity method (measured as the investor's share of profit or loss in the associates and joint ventures).

However, impairment losses, reversal of impairment losses and realised gains and losses on investments in associates or joint ventures accounted for using the equity method are reported under the line item 'Other operating result'.

(vi) Rental income from investment properties & other operating leases

Rental income from investment properties and other operating leases is recognised on a straight-line basis over the lease term.

(vii) Personnel expenses

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies. They also include service cost for severance payment, pension and jubilee obligations and remeasurements of jubilee obligations.

(viii) Other administrative expenses

Other administrative expenses include information technology expenses, expenses for office space, office operating expenses, advertising and marketing, expenditures for legal and other consultants as well as sundry other administrative expenses. Furthermore the line item contains deposit insurance contributions expenses.

(ix) Depreciation and amortisation

This line item comprises depreciation of property and equipment, depreciation of investment property and amortisation of intangible assets.

(x) Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net

This line item includes selling and other derecognition gains or losses on available-for-sale and held-to-maturity financial assets, loans and receivables and financial liabilities measured at amortised cost. However, if such gains/losses relate to individually impaired financial assets they are included as part of net impairment loss.

(xi) Net impairment loss on financial assets not measured at fair value through profit or loss

Net impairment losses on financial assets comprise impairment losses and reversals of impairment on loans and receivables, held-to-maturity and available-for-sale financial assets. Net impairment losses relate to allowances recognised both at individual and portfolio (incurred but not reported) level. Direct write-offs are considered as part of impairment losses. This line item also includes recoveries on written-off loans removed from the balance sheet.

(xii) Other operating result

The other operating result reflects all other income and expenses not directly attributable to Erste Group's ordinary activities. Furthermore, levies on banking activities are considered as part of the other operating result.

The other operating result includes impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment and intangible assets. Also included here are any impairment losses on goodwill.

In addition, the other operating result encompasses the following: expenses for other taxes; income from the release of and expenses for allocations to provisions; impairment losses (and their reversal if any) as well as selling gains and losses on equity investments accounted for using the equity method; and gains or losses from derecognition of subsidiaries.

d) SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

The consolidated financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are as follows:

Control

IFRS 10 "Consolidated Financial Statements" defines the investor's control over an investee in terms of the investor having all of the following: (a) power to direct the relevant activities of the investee, i.e. activities that significantly affect the investee's returns; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

Hence, assessing the existence of control under this definition may require considerable accounting judgements, assumptions and estimates, notably in non-standard situations such as: (1) power stemming both from voting rights and from contractual arrangements (or mostly from the latter); (2) exposure stemming both from on-balance investments and from off-balance commitments or guarantees (or mostly from the latter); or (3) variable returns stemming both from readily identifiable income streams (e.g. dividends, interest, fees) and from cost savings, economies of scale and/or operational synergies (or mostly from the latter).

In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for the assessment of the following cases:

(i) The savings bank members of the Austrian cross-guarantee system (Haftungsverbund)

Erste Group Bank AG is a member of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. As of the balance sheet date, all of Austria's savings banks, in addition to Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG,

formed part of this cross-guarantee system. The provisions of the agreement governing the Haftungsverbund are implemented by the steering company Haftungsverbund GmbH. Erste Group Bank AG always holds directly and indirectly at least 51% of the voting rights of the steering company, through Erste Bank der oesterreichischen Sparkassen AG and through savings banks in which the Group holds the majority of voting rights.

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.

For all savings banks in which Erste Group holds less than 50% of the voting rights, an assessment of whether control is achieved through the provisions of the Haftungsverbund agreement has been performed.

Based on the contractual agreement, Haftungsverbund GmbH as the steering company is vested with the following substantive rights related to the savings banks:

- _ participation in the appointment of board members
- _ approval of budgets including capital decisions
- _ provision of binding guidelines in the areas of risk and liquidity management as well as internal audit
- _ determination of thresholds for capital requirement including the payout of dividends

Furthermore, taking into account the magnitude of Erste Group's involvement with the member banks - whether in the form of synergies, investments, commitments, guarantees, or access to common resources - the Group has significant exposure to each of the member banks' variable returns. As Haftungsverbund GmbH is able to affect the variable returns through its power, it has been assessed that Haftungsverbund GmbH has control over the savings banks.

As Erste Group Bank AG controls the steering company, it exercises control over the members of the cross-guarantee system.

(ii) Investment funds under own management

The Group has assessed whether the investment funds it manages through its asset management subsidiaries are controlled and hence shall be consolidated. This assessment has been made on the basis that power over such investment funds is generally conferred based on the contractual arrangements appointing an Erste Group subsidiary as fund manager, without any substantive removal rights the by fund's investors. Furthermore, Erste Group made the conclusive judgement that its exposure to such own-managed funds' variable returns shall be considered as significant if, additionally to the exposure through management fees, the Group is also exposed in the form of at least 20% investment in the fund. Furthermore, in its capacity as fund manager, Erste Group is also able to affect the returns of the funds through its power. Following this assessment, investment funds under own management in which the Group - directly or through its subsidiaries - has significant unit holdings are deemed to be controlled and included in the scope of consolidation

(iii) Pension funds under own management

The Group has assessed whether the contractual arrangements appointing an Erste Group subsidiary as pension fund manager (with no substantive removal rights by the fund's participants) are generally expected to confer power over such funds, followed by an assessment of the Group's exposure/rights to the pension fund's variable returns. The relevant legal requirements regulating the activities of such pension funds in their respective jurisdictions were also considered, notably in assessing the significance of the rights to variable returns from management fees, as well as of the exposure to losses from any guarantees that the fund manager may be legally bound to.

As a result of this review, the Czech pension fund "Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s." (the "Transformed pension fund") has been deconsolidated with effect from 2014, as a result of significant statutory changes in the fund's articles of incorporation. These changes resulted in the narrowing of the fund manager's investment mandate, limiting the scope of the fund manager's decision making authority and restricting the manager's (and therefore Erste Group's) exposure to the fund's variability of returns and other interests (including guarantees).

Joint control and classification of joint arrangements

IFRS 11 "Joint Arrangements" defines joint control as a contractual sharing of control whereby decisions about the relevant activities require the unanimous consent of the parties sharing control. Furthermore, IFRS 11 distinguishes between joint operations and joint ven-

tures. Joint operations are defined as joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Hence, assessing either the existence of joint control or the type of joint arrangement (or both) under these definitions may require considerable accounting judgements, assumptions and estimates.

In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for the assessment of the Group's involvement in partnerships and ventures in the commercial real estate sector (development, management, leasing), notably through Erste Group Immovent AG.

As a result of such assessment, only one company has been identified as a joint arrangement in force as at 31 December 2014. This company is structured as a separate vehicle qualifying for treatment as a joint venture under the terms of the aforementioned definitions, and it has an immaterial carrying amount (below EUR 1 million). For the ensuing IFRS 12-driven disclosure requirements, please refer to Note 23 Equity method investments.

For the ensuing IFRS 12-driven disclosures applicable to joint ventures (and associates), please refer to Note 23 Equity method investments.

Significant influence

IAS 28 "Investments in Associates and Joint Ventures" defines significant influence as the power to participate in the financial and operating policy decisions of the investee without having control or joint control of those policies. Furthermore, IAS 28 indicates that if an entity holds, directly or indirectly 20% or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case.

In the case of Erste Group, all equity method investments are direct or indirect investments in associates and joint ventures over which the Group exercises significant influence or joint control stemming from voting power higher than 20% up to 50%.

Interests in structured entities

IFRS 12 "Interests in Other Entities" defines structured entities as entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements. IFRS 12 defines the interests as contractual and non-contractual involvements exposing an entity to the variability of returns from the performance of the other entity. However, such interests may not necessarily arise solely because of a typical customer supplier relationship.

Hence, assessing which entities are structured entities, and which involvements in such entities are interests, may require considerable accounting judgements, assumptions and estimates. In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for assessing involvements with securitisation vehicles and investment funds. In respect to securitisation vehicles, Erste Group assessed that on-balance or off-balance exposures to entities involved in securitisation activities meet the definition of interests in structured entities. For investment funds, Erste Group concluded that such investment funds would typically satisfy the characteristics of a structured entity - irrespective of whether they are own-managed funds or third party managed funds. Moreover, the Group reached the conclusion that direct Group investments higher than 0% would typically indicate an interest in these structured entities. In alignment with the accounting judgement described under the paragraph "Investment funds under own management" above, interests below 20% are not consolidated due to lack of control. Own-managed funds with all fund units held by third-party (non-Group) investors, without any other type of sponsorship by any entity within the Group, were considered as only reflecting an involvement typical in a customer/-supplier relationship, hence they do not meet the definition of interests in structured entities.

Additionally, all on-balance or off-balance exposures to investment funds managed by third parties -mostly in the form of units held in such funds- were considered as being interests in structured entities.

For the ensuing IFRS 12-driven disclosures applicable to structured entities, please refer to Note 24 Unconsolidated structured entities.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish

fair values. Disclosures for valuation models, the fair value hierarchy and fair values of financial instruments can be found in Note 46 Fair value of assets and liabilities.

In 2014 no Funding Value Adjustment (FVA) was considered for the valuation of OTC derivatives. Erste Group is currently analyzing the different developments on the market. The observations will be considered in the future methodology.

Impairment of financial assets

Erste Group reviews its financial assets not measured at fair value through profit or loss at each balance sheet date to assess whether an impairment loss should be recorded in the income statement. In particular, it is required to determine whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and to estimate the amount and timing of future cash flows when determining an impairment loss.

Disclosures concerning impairment are provided in Note 44 Risk management in the 'Credit risk' subsection entitled – 'Non-performing credit risk exposure, risk provisions and collateral'. The development of loan loss provisions is described in Note 21 Impairment loss for financial instruments.

Impairment of non-financial assets

Erste Group reviews its non-financial assets at each balance sheet date to assess whether there is an indication of impairment loss that should be recorded in the income statement. Furthermore, cash-generating units to which goodwill is allocated are tested for impairment on a yearly basis. Judgement and estimates are required to determine the value in use and fair value less costs of disposal by estimating the timing and amount of future expected cash flows and the discount rates. Assumptions and estimates used for impairment on non-financial asset calculations are described in the parts 'Business combinations and goodwill' and 'Impairment of non-financial assets (property and equipment, investment property, intangible assets)' in the Accounting Policies. Inputs used for goodwill impairment testing and their sensitivities can be found in Note 27 Intangible assets in the section 'Development of goodwill'.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. For this purpose a planning period of 5 years is used. Disclosures concerning deferred taxes are in Note 28 Tax assets and liabilities.

Defined benefit obligation plans

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Assumptions, estimates and sensitivities used for the defined benefit obligation calculations as well as related amounts are disclosed in Note 34 a Long-term employee provisions.

Provisions

Recognition of provisions requires judgement with respect to whether Erste Group has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Provisions are disclosed in Note 27 Provisions and further details on provisions for contingent credit liabilities in Note 44.5 Credit risk. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 49 Contingent liabilities.

Leases

From Erste Group's perspective as a lessor, judgement is required to distinguish whether a given lease is a finance or operating lease based on the transfer of substantially all the risk and rewards from the lessor to the lessee. Disclosures concerning leases are in Note 39 Leases.

e) APPLICATION OF AMENDED AND NEW IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning on or after 1 January 2014. As regards new standards and interpretations and their amendments, only those that are relevant for the business of Erste Group are listed below.

Effective standards and interpretations

The following standards and their amendments have been mandatory since 2014:

- *Amendments to IAS 32 – Offsetting Financial Assets and Liabilities*
- *Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting*
- *Amendments to IAS 36 – Recoverable Amounts Disclosures for Non-financial Assets*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*
- *Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance*
- *Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities*
- *IAS 27 (revised 2011) Separate Financial Statements*
- *IAS 28 (revised 2011) Investments in Associates and Joint Ventures*

Amendments to IAS 32 – Offsetting Financial Assets and Liabilities

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. The amended rights of set-off must not only be legally enforceable in the normal course of business and for the whole contract period, but must also be enforceable in the event of default and the event of bankruptcy or insolvency. These amendments have no impact on the Group, since none of the entities in the Group has offsetting arrangements which would have qualified for offsetting based on these clarifications.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

Amendments to IAS 39 were issued in June 2013 and are effective for annual periods beginning on or after 1 January 2014. Under the amendments there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. Application of these amendments did not have any significant impact on Erste Group's financial statements.

Amendments to IAS 36 – Recoverable Amounts Disclosures for Non-financial Assets

IAS 36 removed the requirement to disclose recoverable amounts of assets or CGUs for periods when there has been no impairment or reversal of impairment. Furthermore, the amendments extend the disclosure requirements when the recoverable amount of an asset or CGU is based on fair value less cost of disposal. Erste Group incorporated these new disclosure requirements accordingly (see Note 9 Other operating result and Note 27 Intangible assets). There is no impact on the Group's financial position or results.

IFRS 10 Consolidated Financial Statements IFRS 10 replaces the guidance on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and in SIC 12 "Consolidation – Special Purpose Entities". As a result of IFRS 10 application as of 1 January 2014, Erste Group started with consolidation of 18 investment funds managed by asset management companies of the Group. In all of them, Erste Group is also a significant investor, when considering investments held by individual Erste Group entities. Based on SIC 12, these funds did not meet the consolidation criteria up to 31 December 2013. The consolidation has been applied retrospectively, hence all affected 2013 comparative figures have been restated. As a result of the retrospective application, total assets increased by EUR 247 million and total equity decreased by EUR 2 million per 1 January 2013. As of 31 December 2013 the retrospective application of IFRS 10 resulted in an increase of total assets in the amount of EUR 242 million and an increase in the total equity by EUR 4 million. The overall result increased by EUR 5 million in the fiscal year 2013.

For further details on the retrospective application of IFRS 10 please refer to chapter "c) ACCOUNTING AND MEASUREMENT METHODS".

When notes have been adjusted in the course of the retrospective application of IFRS 10, this was marked with "adjusted" in the respective Note.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard requires entities to disclose significant judgements and assumptions made in determining whether an entity controls, jointly controls, significantly influences or has some other interests in other entities. Furthermore, entities are required to provide disclosures relating to interests in structured entities. The requirements in IFRS 12 are more comprehensive than the previous disclosure requirements. Therefore, the application of IFRS 12 resulted in new disclosures in the consolidated financial statements, which are provided in Note 23 Equity method investments, Note 24 Unconsolidated structured entities, Note 25 Non Controlling

Interests and chapter “d) Significant accounting judgements, assumptions and estimates”. There is no impact on the Group’s financial position or results.

Application of other standards and amendments had no material effect on the financial statements of Erste Group.

Standards and interpretations not yet effective

The standards, amendments and interpretations shown below were issued by the IASB but are not yet effective.

Following standards, amendments and interpretations are not yet endorsed by the EU:

- *IFRS 9: Financial Instruments*
- *IFRS 14 Regulatory Deferral Accounts*
- *IFRS 15: Revenue from Contracts with Customers*
- *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- *Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception*
- *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*
- *Amendments to IFRS 11: Accounting for Acquisitions of Interest in Joint Operations*
- *Amendments to IAS 27: Equity Method in Separate Financial Statements*
- *Amendments to IAS 1: Disclosure Initiative*

Following standards, amendments and interpretations are already endorsed by the EU:

- *Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions*
- *IFRIC 21 Levies*
- *Annual Improvements to IFRSs 2010 2012 and 2011 2013 Cycle*
- *Annual Improvements to IFRSs 2012-2014 Cycle*

Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycle

In December 2013, the IASB issued two sets of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 July 2014. Application of these amendments does not have a significant impact on Erste Group’s financial statements.

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

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

IFRS 9 introduces two classification criteria for financial assets: 1) an entity’s business model for managing the financial assets, and 2) the contractual cash flow characteristics of the financial assets. As a result, a financial asset is measured at amortised cost only if both the following conditions are met: a) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding and b) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows. Measurement of a fair value through other comprehensive income is applicable to financial assets that meet condition a) but the business model applied to them is focused both on holding the assets to collect contractual cash flows and selling the assets. All other financial assets are measured at fair value with changes recognised in profit or loss. For investments in equity instruments that are not held for trading, an entity may make an irrevocable election at initial recognition to measure them at fair value with changes recognised in other comprehensive income.

IFRS 9 does not change classification and measurement principles for financial liabilities compared to IAS 39. The only change is related to financial liabilities designated at fair value through profit or loss (fair value option). The fair value changes related to the credit risk of such liabilities will be presented in other comprehensive income.

The standard provides a uniform impairment model applied to both financial assets and off-balance sheet credit risk bearing exposures (loan commitments and financial guarantees). At initial recognition of financial instruments loss allowance to reflect credit loss is recognised in the form of 12-month expected losses. Lifetime expected losses are to be recognised for all instrument whose credit risk increases subsequently after initial recognition. Furthermore the standard brings new rules for accounting for losses resulting from modification of contractual conditions of financial assets.

The objective of the new hedge accounting model is to reflect in accounting actual risk management practices of entities hedging risks. For Erste Group, the following areas are expected to be relevant to achieve this objective: only the prospective effectiveness test is re-

quired and the retrospective effectiveness test with the 80%-125% corridor was abandoned; when options are used as hedging instruments, the volatility of the time value is recognised through OCI rather than profit or loss; the possibility of hedging synthetic items containing derivatives.

This standard will have a significant effect on balance sheet items and measurement methods for financial instruments. The contractual cash flow characteristics of financial assets will have to be reviewed and Erste Group faces the risk that part of its loan portfolio will have to be measured at fair value through profit or loss. On the other hand, some debt securities currently measured at fair value through other comprehensive may be measured at amortised cost due to the 'held-to-collect contractual cash' flows business model applied to them. In the area of impairment loss, allowances are expected to increase significantly. In 2015 Erste Group will start with determining the quantitative impacts resulting from the application of IFRS 9.

IFRS 14 Regulatory Deferral Accounts (IASB Effective Date: 1 January 2016)

IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The Group does not expect any significant impact from application of IFRS 14.

IFRS 15 Revenue from Contracts with Customers (IASB Effective Date: 1 January 2017)

IFRS 15 was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2017. IFRS 15 specifies how and when an entity recognises revenue from contracts with customers. It also requires such entities to provide users of financial statements with more informative and more relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. As the standard is not focused on recognition of revenues from financial services, application of this standard is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IASB Effective Date: 1 January 2016 to be amended)

Amendments to IFRS 10 and IAS 28 were issued in September 2014 and are effective for annual periods beginning on or after 1 January 2016. These amendments deal with the sale or contribution of assets or subsidiaries in a transaction between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised only when the assets or the subsidiaries constitute a business. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (IASB Effective Date: 1 January 2016)

The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. Also, they clarify that when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (IASB Effective Date: 1 January 2016)

Amendments to IAS 16 and IAS 38 were issued in May 2014 and are effective for annual periods beginning on or after 1 January 2016. The amendments prohibit the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IFRS 11: Accounting for Acquisitions of Interest in Joint Operations (IASB Effective Date: 1 January 2016)

Amendments to IFRS 11 were issued in May 2014 and are effective for annual periods beginning on or after 1 January 2016. The amendments specify that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 1: Disclosure Initiative (IASB effective date: 1 January 2016)

Disclosure Initiative (Amendments to IAS 1) makes the following changes:

Materiality

The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

Statement of financial position and statement of profit or loss and other comprehensive income

The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Notes

The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

These changes and clarifications are not expected to trigger significant changes in the presentation of Group's IFRS consolidated financial statements.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

Amendments to IAS 19 were issued in November 2013 and are effective for annual periods beginning on or after 1 July 2014. The amendments clarify that contributions from employees or third parties that are linked to service must be attributed to periods of service using the same attribution method as used for the gross benefit. However, the contribution may be recognised as a reduction in the service cost if the amount of the contributions is independent of the number of years of service. Application of these amendments does not have a significant impact on Erste Group's financial statements.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to IFRSs 2010 2012 and 2011 2013 Cycle

In December 2013, the IASB issued two sets of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 July 2014. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle (IASB effective date: 1 January 2016)

In September 2014, the IASB issued a set of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 January 2016. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

C. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND THE BALANCE SHEET OF ERSTE GROUP

1. Net interest income

in EUR million	1-12 13 restated	1-12 14
Interest income		
Financial assets - held for trading	521.9	326.3
Financial assets - at fair value through profit or loss	8.7	3.2
Financial assets - available for sale	509.6	473.6
Financial assets - held to maturity	686.3	610.8
Loans and receivables	5,269.3	4,875.7
Derivatives - hedge accounting, interest rate risk	-45.8	-17.3
Other assets	34.3	28.7
Total interest income	6,984.3	6,301.1
Interest expenses		
Financial liabilities - held for trading	-159.7	-84.3
Financial liabilities - at fair value through profit or loss	-59.7	-39.2
Financial liabilities measured at amortised cost	-2,546.4	-2,106.9
Derivatives - hedge accounting, interest rate risk	469.4	463.9
Other liabilities	-2.8	-39.4
Total interest expense	-2,299.3	-1,805.9
Net interest income	4,685.0	4,495.2

For financial assets or liabilities that are not measured at fair value through profit or loss, the total interest income amounted to EUR 5,988.9 million (2013: EUR 6,499.6 million) and the total interest expense to EUR – 2,146.3 million (2013: EUR -2,549.2 million). Net interest income for these items is therefore EUR 3,842.7 million (2013: EUR 3,950.3 million).

2. Net fee and commission income

in EUR million	1-12 13 restated	1-12 14
Securities	157.3	185.4
Own issues	31.1	16.7
Transfer orders	114.5	153.5
Other	11.7	15.1
Clearing and settlement	3.5	9.2
Asset management	198.5	217.8
Custody	67.9	44.3
Fiduciary transactions	1.9	2.2
Payment services	903.7	896.8
Card business	210.5	215.1
Other	693.3	681.7
Customer resources distributed but not managed	157.9	180.3
Collective investment	7.5	19.7
Insurance products	99.7	110.7
Building society brokerage	22.9	18.3
Foreign exchange transactions	23.1	19.4
Other	4.7	12.2
Structured finance	0.0	0.1
Servicing fees from securitization activities	1.5	0.0
Lending business	259.0	233.3
Guarantees given, guarantees received	25.9	43.0
Loan commitments given, loan commitments received	65.5	62.0
Other lending business	167.6	128.3
Other	55.2	100.5
Net fee and commission income	1,806.5	1,869.8
Fee and commission income	2,305.6	2,354.7
Fee and commission expenses	-499.1	-484.8

3. Dividend income

in EUR million	1-12 13	1-12 14
Financial assets - held for trading	5.1	1.5
Financial assets - at fair value through profit or loss	4.9	3.4
Financial assets - available for sale	66.7	43.8
Dividend income from equity investments	13.1	25.5
Dividend income	89.7	74.2

4. Net trading and fair value result

in EUR million	1-12 13 restated	1-12 14
Net trading result	231.9	314.8
Securities and derivatives trading	-2.6	131.5
Foreign exchange transactions	234.5	183.4
Result from financial assets and liabilities designated at fair value through profit or loss	-13.1	-72.6
Result from measurement/sale of financial assets designated at fair value through profit or loss	10.5	8.7
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	-23.6	-81.3
Net trading and fair value result	218.8	242.3

From cashflow and fair value hedges, an amount of EUR 30.8 million (2013: EUR 7.4 million) is reported under the line item 'Net trading result'.

The amounts of the fair value changes that are attributable to changes in own credit risk can be found in the Notes 32 Financial liabilities – at fair value through profit and loss. Additional information to hedge relationships are described in detail in Note 45 Hedge Accounting.

5. Rental income from investment properties & other operating leases

in EUR million	1-12 13	1-12 14
Investment properties	79.3	85.4
Other operating leases	94.0	95.2
Rental income from investment properties & other operating leases	173.3	180.6

6. General administrative expenses

in EUR million	1-12 13	1-12 14
Personnel expenses	-2,232.4	-2,184.2
Wages and salaries	-1,643.6	-1,628.4
Compulsory social security	-401.7	-423.9
Long-term employee provisions	-48.0	-21.0
Other personnel expenses	-139.1	-110.9
Other administrative expenses	-1,146.0	-1,136.9
Deposit insurance contribution	-77.2	-87.6
IT expenses	-258.9	-262.5
Expenses for office space	-256.4	-248.3
Office operating expenses	-138.7	-117.2
Advertising/marketing	-164.0	-167.8
Legal and consulting costs	-138.2	-128.3
Sundry administrative expenses	-112.6	-125.3
Depreciation and amortisation	-517.7	-466.1
Software and other intangible assets	-146.8	-150.4
Owner occupied real estate	-84.1	-77.4
Investment properties	-100.2	-103.4
Customer relationships	-65.2	-37.0
Office furniture and equipment and sundry property and equipment	-121.3	-97.8
General administrative expenses	-3,896.1	-3,787.3

Personnel expenses include expenses of EUR 60.7 million (2013: EUR 49.5 million) for defined contribution plans, of which EUR 0.9 million (2013: EUR 0.9 million) relates to members of the management board.

Average number of employees during the financial year (weighted according to the level of employment)

	1-12 13	1-12 14
Domestic	15,810	15,593
Erste Group, EB Oesterreich and subsidiaries	8,481	8,330
Haftungsverbund savings banks	7,329	7,263
Abroad	31,033	30,403
Česká spořitelna Group	10,629	10,471
Banca Comercială Română Group	7,418	7,066
Slovenská sporiteľňa Group	4,247	4,223
Erste Bank Hungary Group	2,770	2,789
Erste Bank Croatia Group	2,551	2,714
Erste Bank Serbia Group	929	959
Erste Bank Ukraine	374	0
Savings banks subsidiaries	1,126	1,149
Other subsidiaries and foreign branch offices	989	1,032
Total	46,843	45,996

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

in EUR million	1-12 13	1-12 14
From sale of financial assets available for sale	48.9	32.2
From sale of financial assets held to maturity	7.2	3.6
From sale of loans and receivables	0.8	-0.8
From repurchase of liabilities measured at amortised cost	5.5	-16.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	62.4	18.3

The carrying amount of investments in equity instruments measured at cost that were sold during the period was EUR 2.5 million (2013: EUR 1.9 million). The resulting gain on sale was EUR 0 million (2013: EUR 1.0 million).

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

in EUR million	1-12 13 restated	1-12 14
Financial assets - available for sale	-42.2	-39.3
Loans and receivables	-1,726.5	-2,120.4
Allocation to risk provisions	-3,321.0	-4,117.3
Release of risk provisions	1,733.6	2,023.9
Direct write-offs	-257.3	-227.5
Recoveries recorded directly to the income statement	118.2	200.5
Financial assets - held to maturity	-5.7	0.4
Net impairment loss on financial assets not measured at fair value through profit or loss	-1,774.4	-2,159.2

9. Other operating result

in EUR million	1-12 13 restated	1-12 14
Result from properties/movables/other intangible assets other than goodwill	-59.2	-580.4
Allocation to/release of other provisions	-40.3	-57.7
Allocation to/release of provisions for commitments and guarantees given	-36.9	-16.2
Levies on banking activities	-311.0	-256.3
Banking tax	-256.6	-210.0
Financial transaction tax	-54.4	-46.3
Other taxes	-18.7	-26.0
Impairment of goodwill	-383.0	-475.0
Result from other operating expenses/income	-159.4	-341.5
Other operating result	-1,008.6	-1,752.9

Operating expenses (including repair and maintenance) for 'Investment properties' not held for rental income totalled EUR 1.0 million (2013: EUR 3.5 million).

Operating expenses (including repair and maintenance) for 'Investment properties' held for rental income totalled EUR 12.0 million (2013: EUR 2.8 million).

The amount of impairment loss on assets held for sale recognised in the result from other operating expenses/income is EUR -7.4 million (2013: EUR -2.9 million).

In the line item 'Result from other operating expenses/income' an amount of EUR 76.6 million was recognised for the disposal of Erste Bank Ukraine in 2013.

Foreign currency denominated loans in Hungary

As a result of a law formally passed by the Hungarian Parliament early in July 2014, Erste Bank Hungary is required to compensate its customers in the area of consumer loans provided since May 2004. The compensation refers to bid-ask exchange rate spreads applied by the bank for disbursements and repayments of foreign exchange denominated loans and unilateral interest rate increases for both FX and HUF loans.

During November and December 2014 the Hungarian National Bank released three decrees stipulating the manner of settlement and calculation methods for the compensation payments to affected customers. Based on these rules, the expense for compensating customers regarding the bid-ask exchange rate spreads applied for disbursements and repayments amounts to EUR 304.4 million, disclosed under other operating result. Thereof EUR 238 million ('Result from other operating expenses/income') relate to active loans and were netted with the respective exposures. The residual expense of EUR 66.4 million relating to already closed loans is disclosed under "Other provisions".

In November 2014 the Hungarian parliament issued the Conversion Law stipulating the compulsory conversion of defined fx denominated loans in February 2015 at a fixed exchange rate. As of the balance sheet date, the affected loans were translated with the legally fixed exchange rate. The application of the law resulted in an expense of EUR 32.4 million shown under other operating result. On the other hand an income from fx translation amounting to EUR 32.4 million ('Result from other operating expenses/income') is reported under net trading and fair value result.

Impairment of goodwill and other intangibles

Banca Comercială Română SA (BCR) significantly lowered its expectations of recovery for several large packages of non-performing loans. In addition based on the instructions of the Romanian National Bank the sale of such non-performing portfolios has been accelerated. In the light of the low price offers received for benchmark sales during the second quarter of 2014 the collaterals for such loans had to be reassessed. This subsequently led to a significant rise of the risk costs and a decrease in the planned interest income on such non-performing loans. Due to these developments the residual goodwill as well as the customer list and the brand were fully impaired in the first half of 2014. In the course of the preparation of the annual report 2014 the underlying assumptions from the first half-year of 2014 have been reviewed. This did not lead to any changes.

Erste Bank Croatia ("EBC") had to accommodate local regulations introduced in 2014 regarding higher capital requirements, therefore indicating a potential decrease in EBC's future cash-generating capacity and distributable dividends. This indication was deemed as potentially further affecting the cash generating unit of Steiermärkische Bank und Sparkassen Aktiengesellschaft ("STMK"), which holds a significant participation in Erste Bank Croatia. As a result the goodwill Erste Bank Croatia (EBC) as well as the goodwill allocated to Steiermärkische Bank und Sparkassen Aktiengesellschaft (STMK) has already been fully impaired in the first half of 2014.

The goodwill allocated to Girocredit was fully impaired in 2014 as a result of the impairment test performed.

The development of the goodwill of all subsidiaries (cash generating units) for 2014 is presented in Note 27 Intangible Assets. In addition, the key parameters and assumptions on which the impairment tests are based are summarized in this note.

Other impairments

The main classes of assets affected by impairment losses were property plant and equipment, investment properties, intangible assets and foreclosed assets. The main events that led to the recognition of impairment losses can be summarized as:

- _the intention to sell fixed assets and accordingly their re-measurement before reclassifying them based on IFRS 5,
- _not fully occupied buildings that triggered a lower recoverable amount
- _recurring measurement for foreclosed assets at the balance sheet date and
- _concessions and other intangibles for which measurable economic benefits are no longer expected in the future

10. Taxes on income

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

in EUR million	1-12 13	1-12 14
Current tax expense / income	-311.1	-312.4
current period	-284.8	-287.8
prior period	-26.3	-24.5
Deferred tax expense / income	132.6	-197.0
current period	117.8	-195.6
prior period	14.7	-1.5
Total	-178.5	-509.4

The following table reconciles the income taxes reported in the income statement to the pre-tax profit/loss multiplied by the nominal Austrian tax rate.

in EUR million	1-12 13	1-12 14
Pre-tax profit/loss	378.4	-803.2
Income tax expense for the financial year at the domestic statutory tax rate (25%)	-94.6	200.8
Impact of different foreign tax rates and special tax regimes	41.5	-105.6
Impact of tax-exempt earnings of investments and other tax-exempt income	132.3	139.1
Tax increases due to non-deductible expenses, additional business tax and similar elements	-160.9	-147.0
Impact of the goodwill impairment loss recognized at Group level, added back to theoretical tax	-95.8	-118.7
One-off release of loan loss risk provision related deferred tax liabilities	127.7	0.0
Impact from tax deductible participations impairment eliminated upon consolidation (before related valuation assessment)	61.7	345.8
Impact of current non-valued fiscal losses and temporary differences for the year	-97.0	-439.2
Net Impairment of deferred tax assets from previously valued carried forward fiscal losses and temporary deductible differences	-81.9	-358.6
Tax expense not attributable to the reporting period	-11.5	-26.0
Total	-178.5	-509.4

Group's effective tax expense for the year 2014 has been adversely impacted by write-offs of deferred tax assets which had been recognised as at the end of prior year, as well as by non-valuations of deductible temporary differences and tax losses of the current year.

The main reasons of this impact are described in further detail in Note 28 Tax assets and liabilities.

Tax effects relating to each component of other comprehensive income:

in EUR million	1-12 13 restated			1-12 14		
	Before-tax amount	Tax benefit	Net-of-tax amount	Before-tax amount	Tax benefit	Net-of-tax amount
Available for sale-reserve (including currency translation)	-115.5	27.6	-87.9	581.2	-180.8	400.4
Cash flow hedge-reserve (including currency translation)	-71.9	17.4	-54.6	172.8	-17.5	155.3
Remeasurement of net liability of defined pension plans	-6.7	2.3	-4.5	-188.2	54.8	-133.4
Currency translation	-241.4	0.0	-241.4	-63.1	0.0	-63.1
Other comprehensive income	-435.5	47.2	-388.4	502.7	-143.5	359.2

11. Appropriation of profit

For the year 2014, Erste Group Bank AG posted a post-tax loss of EUR 5,822.8 million under the Austrian accounting regulations, which reduced its distributable capital accordingly (2013: EUR 170.6 million post-tax distributable profit). Most of this loss (EUR 5,554.0 million) arose from a group internal merger between EGB Ceps Beteiligungen GmbH and EGB Ceps Holding GmbH with Erste Group Bank AG.

Consequently, no dividend distributions will be proposed at the forthcoming Annual General Meeting of Erste Group Bank AG (EUR 0.20/share, amounting to a total pay-out of EUR 85,960,000.00 for 2013).

The participation capital was fully redeemed in August 2013, when dividends of 8% per annum (in a total amount of EUR 84,659,712.00) were paid out for the last time.

12. Cash and cash balances

in EUR million	Dec 13	Dec 14
Cash on hand	2,327	2,467
Cash balances at central banks	6,343	4,509
Other demand deposits	630	859
Cash and cash balances	9,301	7,835

A portion of 'Balances with central banks' represents mandatory reserve deposits that are not available for use in the day-to-day operations of Erste Group.

13. Derivatives – held for trading

in EUR million	As of 31 December 2013 restated			As of 31 December 2014		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	182,478	5,269	5,223	159,252	6,134	5,942
Interest rate	151,475	4,463	4,546	127,497	5,450	5,403
Equity	734	50	13	801	35	5
Foreign exchange	29,601	746	653	29,981	628	508
Credit	331	0	6	362	1	4
Commodity	252	2	4	402	19	21
Other	84	8	1	209	1	0
Derivatives held in the banking book	38,241	1,073	864	34,726	1,040	1,246
Interest rate	21,175	720	608	18,473	781	928
Equity	1,860	41	40	1,512	83	66
Foreign exchange	14,354	254	141	13,588	127	237
Credit	496	9	8	600	13	12
Commodity	44	4	5	74	2	1
Other	313	45	63	478	34	3
Total	220,719	6,342	6,087	193,978	7,173	7,188

14. Other trading assets

in EUR million	Dec 13	Dec 14
Equity instruments	273	185
Debt securities	5,668	3,124
General governments	3,397	2,377
Credit institutions	1,960	333
Other financial corporations	21	154
Non-financial corporations	289	260
Loans and advances	0	49
Other trading assets	5,941	3,357

15. Financial assets - at fair value through profit or loss

in EUR million	Dec 13	Dec 14
Equity instruments	207	211
Debt securities	322	139
General governments	63	6
Credit institutions	125	83
Other financial corporations	7	49
Non-financial corporations	127	1
Loans and advances	0	0
Financial assets - at fair value through profit or loss	529	350

16. Financial assets - available for sale

in EUR million	Dec 13 restated	Dec 14
Equity instruments	1,236	1,272
Debt securities	19,442	21,102
General governments	10,439	13,814
Credit institutions	3,434	3,658
Other financial corporations	1,285	878
Non-financial corporations	4,284	2,752
Loans and advances	0	0
Financial assets - available for sale	20,678	22,373

The carrying amount of investments in equity instruments measured at cost is EUR 68 million (2013: EUR 196 million). Of this, Erste Group intends to dispose of investments in carrying amount of EUR 2 million (82 million in 2013) through direct sales.

17. Financial assets – held to maturity

in EUR million	Gross carrying amount		Collective allowances		Net carrying amount	
	Dec 13	Dec 14	Dec 13	Dec 14	Dec 13	Dec 14
General governments	15,195	15,024	-2	0	15,194	15,023
Credit institutions	1,529	1,024	0	-1	1,529	1,023
Other financial corporations	229	242	0	0	229	241
Non-financial corporations	828	590	0	-1	828	590
Total	17,781	16,879	-2	-2	17,779	16,877

18. Securities

in EUR million	Financial assets											
	Loans and advances to customers and credit institutions		Trading assets		At fair value through profit or loss		Available for sale		Held to maturity		Total	
	Dec 13 restated	Dec 14	Dec 13 restated	Dec 2014	Dec 13 restated	Dec 14	Dec 13 restated	Dec 14	Dec 13 restated	Dec 14	Dec 13 restated	Dec 14
Bonds and other interest-bearing securities	831	694	5,668	3,124	322	139	18,795	21,102	17,779	16,878	43,395	41,937
Listed	0	0	3,448	2,475	286	98	16,995	18,285	17,033	15,535	37,761	36,393
Unlisted	831	694	2,220	649	36	41	1,800	2,817	746	1,343	5,634	5,543
Equity-related securities	0	0	273	185	207	211	1,622	1,204	0	0	2,102	1,600
Listed	0	0	86	57	151	44	874	716	0	0	1,112	817
Unlisted	0	0	186	128	56	167	748	488	0	0	991	783
Equity holdings	0	0	0	0	0	0	261	68	0	0	261	68
Total	831	694	5,941	3,309	529	350	20,678	22,373	17,779	16,878	45,758	43,604

Investment funds are disclosed within equity-related securities.

Held-to-maturity financial assets include bonds and other interest-bearing securities that are quoted in active markets and are intended to be held to maturity.

Securities lending and repurchase transactions are disclosed in Note 42 Transfers of financial assets – repurchase transactions and securities lending.

During the financial year 2014, bond investments with a carrying amount of EUR 273.4 million (2013: EUR 29.1 million) were reclassified from the category HtM to AfS, of which EUR 228.9 million (2013: EUR 25.6 million) was sold up to year-end. Reclassifications (and subsequent sales) in the amount of EUR 206.2 million were made considering that the related securities were maturing within 2 months from the sale dates.

Consequently, a total adverse net effect of EUR 0.2 million (2013: EUR 9.8 million) was recognised in the income statement for the year, whilst a further adverse effect of EUR 3.6 million (2013: nil) was reflected in other comprehensive income in respect of reclassified bonds not yet sold at year-end.

19. Loans and receivables to credit institutions

Loans and receivables to credit institutions

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 31 December 2014				
Debt securities	442	0	-1	440
Central banks	74	0	0	74
Credit institutions	368	0	-1	366
Loans and receivables	7,019	-15	-3	7,002
Central banks	2,163	0	0	2,162
Credit institutions	4,857	-15	-2	4,840
Total	7,461	-15	-4	7,442
As of 31 December 2013				
Debt securities	526	0	0	526
Central banks	76	0	0	76
Credit institutions	450	0	0	450
Loans and receivables	7,906	-54	-1	7,851
Central banks	1,278	0	0	1,278
Credit institutions	6,627	-54	-1	6,573
Total	8,431	-54	-1	8,377

In the balance sheet, loans and receivables to credit institutions are disclosed with the carrying amount net of any impairments. In the previous financial statements the carrying amount was reported before any impairments. The comparative figures for 2013 restated accordingly.

Allowances for loans and receivables to credit institutions

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	Dec 13						Dec 14		
Specific allowances	-54	-5	46	64	0	-66	-15	-8	4
Debt securities	0	0	0	3	0	-3	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	3	0	-3	0	0	0
Loans and receivables	-54	-5	46	62	0	-64	-15	-8	4
Central banks	0	0	0	1	0	-1	0	0	0
Credit institutions	-54	-5	46	60	0	-62	-15	-8	4
Collective allowances	-1	-7	0	8	0	-4	-3	0	0
Debt securities	0	-1	0	0	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	-1	0	0	0	0	-1	0	0
Loans and receivables	-1	-6	0	8	0	-4	-2	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	-6	0	8	0	-4	-2	0	0
Total	-55	-12	46	73	0	-70	-17	-8	4
	Dec 12						Dec 13		
Specific allowances	-61	-2	7	2	0	0	-54	-13	6
Debt securities	0	0	0	0	0	0	0	-3	2
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	-3	2
Loans and receivables	-61	-2	7	2	0	0	-54	-10	4
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-61	-2	7	2	0	0	-54	-10	4
Collective allowances	-6	-16	0	20	0	0	-1	0	0
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-6	-16	0	20	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-6	-16	0	20	0	0	-1	0	0
Total	-67	-18	7	22	0	0	-55	-13	6

20. Loans and receivables to customers

Loans and receivables to customers

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 31 December 2014				
Debt securities with customers	269	-13	-2	254
General governments	108	0	-1	107
Other financial corporations	25	0	0	25
Non-financial corporations	135	-13	-1	122
Loans and advances to customers	128,056	-6,710	-766	120,580
General governments	7,701	-6	-14	7,681
Other financial corporations	5,249	-142	-25	5,082
Non-financial corporations	54,319	-4,134	-440	49,745
Households	60,786	-2,428	-287	58,071
Total	128,325	-6,723	-768	120,834
As of 31 December 2013				
Debt securities with customers	306	-9	-2	294
General governments	36	0	0	36
Other financial corporations	0	0	0	0
Non-financial corporations	270	-9	-2	258
Loans and advances to customers	127,392	-7,093	-649	119,650
General governments	6,864	-6	-11	6,848
Other financial corporations	4,164	-187	-17	3,960
Non-financial corporations	59,571	-4,551	-365	54,655
Households	56,793	-2,348	-257	54,188
Total	127,698	-7,102	-651	119,945

In the balance sheet, loans and receivables to customers are disclosed with the carrying amount net of any impairments. In the previous financial statements the carrying amount was reported before any impairments. The comparative figures for 2013 were restated accordingly.

Allowances for loans and receivables to customers

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	Dec 13						Dec 14		
Specific allowances	-7,102	-3,522	2,101	1,439	202	160	-6,723	-220	196
Debt securities with customers	-9	-11	4	0	0	3	-13	-14	11
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-9	-11	4	0	0	3	-13	-14	11
Loans and advances to customers	-7,092	-3,511	2,096	1,439	202	157	-6,710	-206	185
General governments	-6	-6	3	3	1	-1	-6	0	1
Other financial corporations	-183	-95	91	48	3	-5	-142	-2	2
Non-financial corporations	-4,594	-2,274	1,431	837	109	357	-4,134	-163	149
Households	-2,310	-1,137	572	551	90	-194	-2,428	-40	33
Collective allowances	-651	-583	0	512	0	-47	-768	0	0
Debt securities with customers	-2	0	0	0	0	0	-2	0	0
General governments	0	0	0	0	0	-1	-1	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-2	0	0	0	0	2	-1	0	0
Loans and advances to customers	-649	-583	0	512	0	-48	-766	0	0
General governments	-11	-7	0	5	0	-1	-14	0	0
Other financial corporations	-16	-27	0	21	0	-2	-25	0	0
Non-financial corporations	-363	-310	0	237	0	-4	-440	0	0
Households	-258	-239	0	250	0	-41	-287	0	0
Total	-7,753	-4,105	2,101	1,951	202	112	-7,491	-220	196

	Dec 12						Dec 13		
Specific allowances	-6,879	-2,975	1,153	1,355	270	-26	-7,102	-257	118
Debt securities with customers	-3	-7	0	0	0	0	-9	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-3	-7	0	0	0	0	-9	0	0
Loans and advances to customers	-6,876	-2,968	1,153	1,355	270	-26	-7,092	-257	118
General governments	-4	-7	1	4	0	0	-6	0	0
Other financial corporations	-26	-88	13	3	1	-85	-183	-2	19
Non-financial corporations	-4,528	-2,390	879	1,076	215	154	-4,594	-210	78
Households	-2,319	-483	261	271	54	-94	-2,310	-44	21
Collective allowances	-695	-326	0	356	0	14	-651	0	0
Debt securities with customers	-2	0	0	0	0	0	-2	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-2	0	0	0	0	0	-2	0	0
Loans and advances to customers	-693	-326	0	356	0	14	-649	0	0
General governments	-10	-2	0	3	0	-3	-11	0	0
Other financial corporations	-4	-5	0	9	0	-16	-16	0	0
Non-financial corporations	-451	-266	0	278	0	75	-363	0	0
Households	-229	-52	0	66	0	-43	-258	0	0
Total	-7,574	-3,301	1,153	1,711	270	-12	-7,753	-257	118

21. Impairment loss for financial instruments

in EUR million	Dec 13	Dec 14	Position in statement of comprehensive income
Loans and advances to credit institutions	24	19	Net impairment loss on financial assets not measured at fair value through profit or loss*
Loans and advances to customers	3,553	4,325	Net impairment loss on financial assets not measured at fair value through profit or loss*
Financial assets - available for sale	54	53	Net impairment loss on financial assets not measured at fair value through profit or loss*
Financial assets - held to maturity	16	1	Net impairment loss on financial assets not measured at fair value through profit or loss*
Contingent credit risk liabilities	217	279	Sundry provisions (Note 34b)**

* Amounts presented under these items are not directly reconcilable with Note 8. Note 8 presents profit or loss impairment effects consisting of allocation, release of risk provisions, direct write off expenses and income on loss and advances written off. Note 21 discloses effects on impairment loss consisting of only allocations of risk provisions and direct write offs.

** Amounts presented under this item are not directly reconcilable with Note 9. Under Note 21, only impairment loss is considered, unlike note 9 where also reversal of impairment is considered.

22. Derivatives – hedge accounting

in EUR million	As of 31 December 2013			As of 31 December 2014		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	31,023	1,870	605	29,184	2,689	724
Interest rate	30,693	1,866	594	29,142	2,689	712
Equity	0	0	0	0	0	0
Foreign exchange	260	2	10	42	0	12
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	70	2	1	0	0	0
Cash flow hedges	5,328	74	40	4,327	183	2
Interest rate	4,866	73	32	3,760	181	1
Equity	0	0	0	0	0	0
Foreign exchange	443	1	7	567	2	1
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	20	1	1	0	0	0
Total	36,351	1,944	644	33,511	2,872	726

The nominal values as of 31 December 2013 for foreign exchange derivatives in fair value hedges were corrected.

23. Equity method investments

in EUR million	Dec 13	Dec 14
Credit institutions	93	86
Financial institutions	3	45
Non-credit institutions	111	63
Total	208	195

The table below shows the aggregated financial information of companies accounted for using the equity method:

in EUR million	Dec 13	Dec 14
Total assets	3,278	3,998
Total liabilities	2,716	3,499
Income	436	16
Profit/loss	60	-68

As of 31 December 2014 and 31 December 2013, none of Erste Group's investments accounted for using the equity method published price quotations.

Significant equity method investments were the Erste Group has strategic interest

in EUR million	Prvá stavebná		Let's Print Holding AG		VBV - Betriebliche Altersvorsorge AG	
	Dec 13	Dec 14	Dec 13	Dec 14	Dec 13	Dec 14
Country of Incorporation	Slovakia	Slovakia	Austria	Austria	Austria	Austria
Place of business	Slovakia	Slovakia	Austria	Austria	Austria	Austria
Main business activity	Financing building society	Financing building society	Printing Office	Printing Office	Insurance	Insurance
Ownership% held	35%	35%	42%	42%	30%	30%
Voting rights held%	35%	35%	42%	42%	27%	27%
IFRS Classification (JV/A)	Associate	Associate	Associate	Associate	Associate	Associate
Reporting currency	Euro	Euro	Euro	Euro	Euro	Euro
Dividend income received	0	0	0	0	7	5
Impairment loss recognized (cumulative basis)	0	0	0	0	0	0
Impairment loss recognized (for the reporting year)	0	0	0	0	0	0
Loan commitments, financial guarantees and other commitments given	0	0	0	0	0	0
Investee's financial information for the reporting year						
Cash and cash balances	1	0	7	6	7	15
Other current assets	524	412	38	34	12	8
Non-current assets	1,831	2,160	97	96	39	38
Current liabilities	482	549	33	29	0	0
Non-current liabilities	1,626	1,782	81	78	4	7
Operating Income	81	74	245	237	2	2
Post-tax result from continuing operations	27	19	7	4	7	6
Post-tax result from discontinued operations	0	0	0	0	0	0
Other comprehensive income	-1	3	0	0	0	0
Total comprehensive income	26	22	7	4	7	6
Depreciation and amortization	-3	-3	-12	-8	0	0
Interest income	111	109	0	0	0	0
Interest expense	-49	-53	-2	-3	0	0
Tax expense/income	-9	-7	-1	-1	0	0
Reconciliation of investee's net assets against equity investment's carrying amount						
Net assets attributable to Erste Group	87	84	11	13	16	16
Carrying goodwill included in the cost of investment	0	0	6	6	0	0
Impairments (cumulative basis)	0	0	0	0	0	0
Carrying amount	87	84	18	20	16	16

Insignificant equity method investments

in EUR million	Associates		Joint Ventures	
	Dec 13	Dec 14	Dec 13	Dec 14
Investees' aggregated key financial information				
Post-tax result from continuing operations	19	20	0	0
Post-tax result from discontinued operations	0	0	0	0
Other comprehensive income	3	3	0	0
Total comprehensive income	22	23	0	0
Loan commitments, financial guarantees and other commitments given				
	0	0	0	0
Carrying amount	87	75	0	0

24. Unconsolidated structured entities

Erste Group is involved as an investor in a number of unconsolidated public or private investment funds registered in Austria, Central and Eastern Europe or other foreign jurisdictions. A majority of these funds are managed by unrelated third parties, whilst the rest are retail funds managed by asset management subsidiaries of the Group and in which the Group is not a significant investor. The interests of the Group in these funds mostly take the form of redeemable fund unit investments measured at fair value on the Group's balance-sheet, and are classified as either available for sale or held for trading equity instruments. The Group is also customarily involved in trading derivative deals with own-managed unconsolidated funds. Also, for shorter or longer periods, some of the own-managed unconsolidated funds may make placements in debt securities issued by Erste Group entities or in bank deposits held with Erste Group banks. In limited instances, Erste Group Bank AG provides capital performance guarantees to unconsolidated own-managed funds.

Erste Group is also involved as an investor in a number of unconsolidated securitisation vehicles sponsored and managed by unrelated third parties in foreign jurisdictions. The interests of the Group in these entities mostly take the form of bond investments, the majority of which are classified as available for sale and therefore measured at fair value on the Group's balance-sheet. Almost 95% of the exposure on unconsolidated securitisations relates to bond investments maturing beyond 1 year. The bonds classified as Held to Maturity have legal maturities (underlying pool-driven) ranging from 7 to 40 years with effect from 31 December 2014. The remaining weighted average life until legal (underlying pool-driven) maturity of the Group's bond investments in securitisations is around 12.5 years as at year-end. However, given the seniority ranking of the related debt tranches, the HtM investments in securitisations are expected to mature (be realized) earlier.

To a lesser extent, Erste Group is also exposed (notably as lender) to unconsolidated structured entities having other business activities, primarily real estate project-based.

As at 31 December 2014, the Group's maximum exposure to losses from its interests in unconsolidated structured entities is equal to the total fair value of its fund units, bond investments, trading derivative assets, provided loans and off-balance-sheet commitments and guarantees.

The table below summarises the Group's interests in unconsolidated structured entities as at 31 December 2014 per asset/liability class, business activity and business location. The summary includes the assets identified as impaired at year-end, as well as related net impairment losses/gains incurred during the year 2014. The carrying amounts of the exposures summarized below are mostly referring to assets already measured at fair value in the balance-sheet of the Group. The carrying amounts of the remaining exposures (notably HtM investments) are materially similar to their fair values.

Dec 14	Investment Funds			Securitization vehicles				
in EUR million	Own-managed	Third-party managed	Total	Own-managed	Third-party managed	Total	Other	Total
Assets:								
Equity instruments, thereof:	359	694	1,053	0	0	0	0	1,053
Available for sale	308	426	734	0	0	0	0	734
Fair value through profit or loss	51	268	319	0	0	0	0	319
Debt securities, thereof:	1	0	1	0	1,221	1,221	0	1,221
Available for sale	1	0	1	0	1,071	1,071	0	1,072
Fair value through profit or loss	0	0	0	0	38	38	0	38
Held to maturity	0	0	0	0	112	112	0	112
Loans and receivables	0	0	0	0	0	0	101	101
Trading derivatives	39	0	39	0	0	0	4	43
Non-current equities held for sale	0	53	53	0	0	0	0	53
Total assets	399	747	1,146	0	1,221	1,221	105	2,472
thereof impaired	12	20	32	0	51	51	0	83
Net Impairment (losses)/gains for the year	-1	-2	-2	0	3	3	0	0
On-balance sheet exposure analysis per jurisdiction								
Austria	341	490	830	0	0	0	0	830
Central and Eastern Europe	58	30	88	0	0	0	105	193
Other jurisdictions	0	228	228	0	1,221	1,221	0	1,449
	399	747	1,146	0	1,221	1,221	105	2,472
Liabilities								
Debt securities issued	186	0	186	0	0	0	0	186
Deposits	308	0	308	0	0	0	14	322
Trading derivatives	6	0	6	0	0	0	0	6
Total liabilities	499	0	499	0	0	0	14	513
Off balance-sheet commitments	87	0	87	0	0	0	6	93

The magnitude of the Group's equity interests in unconsolidated investment funds may vary in the future depending on the future performance of their respective underlying assets, relevant market circumstances and opportunities, or regulatory requirements. During the year 2015, regulatory-driven divestitures in the amount of EUR 52.8 million are contemplated in respect of the Group's interests in private equity funds registered in foreign jurisdictions (please refer to Note 29 Assets held for sale and liabilities associated with assets held for sale for further details). In the above summary, these interests are separately presented in the line "Non-current equities held for sale".

Group's bond interests in unconsolidated securitization vehicles, except some for those classified as held-to maturity, are expected to be gradually disposed of throughout the next three years.

25. Non controlling interest

Dec 14 in EUR million	Total	HV Savings Banks, thereof:		
		ASK	STMK	KTN
Country of Incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	Euro	Euro	Euro	Euro
Dividends paid to equity holders of the parent	92	4	4	0
Net result attributable to non-controlling interests	179	17	42	12
Accumulated NCI	3,252	464	729	185
Subsidiary-level stand-alone key financial information				
Current assets	18,060	4,624	1,285	440
Non-current assets	41,328	7,590	11,601	3,331
Current liabilities	28,735	8,090	2,111	776
Non-current liabilities	25,871	3,352	9,803	2,748
Operating income	1,482	271	314	94
Profit or loss from continuing operations	184	29	56	17
Total comprehensive income	88	22	72	20

Dec 13 in EUR million	Total	HV Savings Banks, thereof:		
		ASK	STMK	KTN
Country of Incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	70%	75%	75%
Reporting currency	Euro	Euro	Euro	Euro
Dividends paid to equity holders of the parent	30	7	5	0
Net result attributable to non-controlling interests	109	26	38	0
Accumulated NCI	3,094	530	732	171
Subsidiary-level stand-alone key financial information				
Current assets	16,109	4,130	4,022	188
Non-current assets	41,647	8,305	8,910	3,556
Current liabilities	27,639	6,710	6,252	779
Non-current liabilities	25,555	4,970	5,704	2,737
Operating income	1,414	269	301	85
Profit or loss from continuing operations	156	37	50	0
Total comprehensive income	289	1	4	-6

26. Property, equipment and Investment properties

A) At cost

in EUR million	Property and equipment - Acquisition and production costs					
	Land and buildings (used by the Group)	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Balance as of 01.01.2013	2,863	1,199	704	321	5,087	1,510
Additions in current year (+)	133	62	54	175	424	42
Disposals (-)	-156	-250	-96	-98	-600	-37
Acquisition of subsidiaries (+)	15	1	0	25	41	82
Disposal of subsidiaries (-)	0	0	-1	-	-1	-100
Reclassification (+/-)	0	0	0	-	0	0
Assets held for sale (-)	0	0	0	-	0	0
Currency translation (+/-)	-72	-21	-17	-4	-114	-53
Balance as of 31.12.2013	2,783	990	645	419	4,837	1,444
Additions (+)	135	48	42	130	355	91
Disposals (-)	-24	-57	-54	-96	-232	-39
Acquisition of subsidiaries (+)	12	3	0	34	48	26
Disposal of subsidiaries (-)	-1	0	0	-3	-4	-27
Reclassification (+/-)	-95	1	2	49	-42	-41
Assets held for sale (-)	-92	0	0	-10	-102	-17
Currency translation (+/-)	-13	-4	-4	9	-12	-5
Balance as of 31.12.2014	2,704	982	632	532	4,849	1,432

B) Accumulated depreciation

in EUR million	Property and equipment - Accumulated depreciation					
	Land and buildings (used by the Group)	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Balance as of 01.01.2013	-1,063	-894	-581	-110	-2,648	-487
Amortisation and depreciation (-)	-84	-69	-52	-73	-278	-27
Disposals (+)	78	181	86	48	393	32
Acquisition of subsidiaries (-)	-6	-1	0	-19	-26	-38
Disposal of subsidiaries (+)	0	0	0	0	0	36
Impairment (-)	-4	-1	-1	-3	-9	-26
Reversal of impairment (+)	0	0	0	0	0	1
Reclassification (+/-)	0	0	0	0	0	0
Assets held for sale (+)	0	0	0	0	0	0
Currency translation (+/-)	25	14	10	2	51	15
Balance as of 31.12.2013	-1,053	-769	-538	-156	-2,516	-494
Amortisation and depreciation (-)	-79	-53	-46	-70	-248	-30
Disposals (+)	35	59	52	57	203	16
Acquisition of subsidiaries (-)	-4	-2	0	-12	-18	-6
Disposal of subsidiaries (+)	1	1	0	3	4	4
Impairment (-)	-13	0	-1	-1	-16	-13
Reversal of impairment (+)	2	0	0	1	3	4
Reclassification (+/-)	39	-17	0	-29	-7	34
Assets held for sale (+)	2	0	0	0	2	1
Currency translation (+/-)	5	3	4	-4	8	2
Balance as of 31.12.2014	-1,065	-779	-530	-211	-2,585	-481

C) Carrying amounts

in EUR million	Property and equipment – carrying amounts					
	Land and buildings (used by the Group)	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Balance as of 31.12.2013	1,729	221	107	263	2,319	951
Balance as of 31.12.2014	1,639	203	101	321	2,264	950

The carrying amount of investment properties includes investment properties under operating leases in the amount of EUR 198 million (2013: EUR 184 million).

In the reporting period, borrowing costs of EUR 6.3 million (2013: EUR 3.6 million) were capitalised. The related interest rates ranged from 0.5 % to 1.5 % (2013: 2.8%).

The carrying amount of expenditure recognised in the items fixed assets and investment properties during their construction is EUR 42.9 million (2013: EUR 11.2 million). The contractual commitments for purchase of fixed assets and investment properties are EUR 123.9 million (2013: EUR 301.3 million).

27. Intangible assets

A) At cost

in EUR million	Intangible assets - Acquisition and production costs						Total
	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	
Balance as of 01.01.2013	3,950	772	291	1,317	273	518	7,120
Additions in current year (+)	0	3	0	128	64	13	208
Disposals (-)	0	0	0	-172	0	-97	-269
Acquisition of subsidiaries (+)	0	0	0	2	0	0	2
Disposal of subsidiaries (-)	-21	0	0	0	0	0	-22
Reclassification (+/-)	0	0	0	0	0	0	0
Assets held for sale (-)	0	0	0	0	0	0	0
Currency translation (+/-)	-4	-3	-2	-37	-5	-24	-75
Balance as of 31.12.2013	3,924	771	289	1,237	333	411	6,965
Additions (+)	0	0	0	133	50	6	189
Disposals (-)	0	0	0	-43	-20	-5	-69
Acquisition of subsidiaries (+)	0	0	0	2	0	0	2
Disposal of subsidiaries (-)	0	0	3	4	0	2	9
Reclassification (+/-)	0	0	0	-53	53	-3	-3
Assets held for sale (-)	0	0	0	0	0	0	0
Exchange-rate changes (+/-)	8	3	-1	-11	3	-3	-1
Balance as of 31.12.2014	3,932	774	291	1,268	419	408	7,092

B) Accumulated depreciation

in EUR million	Intangible assets - Accumulated depreciation						Total
	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	
Balance as of 01.01.2013	-2,324	-412	0	-916	-229	-345	-4,226
Amortisation and depreciation (-)	0	-65	0	-115	-11	-21	-212
Disposals (+)	0	0	0	173	0	78	251
Acquisition of subsidiaries (-)	0	0	0	0	0	0	-1
Disposal of subsidiaries (+)	21	0	0	0	0	0	21
Impairment (-)	-383	-3	0	-10	-2	0	-398
Reversal of impairment (+)	0	0	0	0	0	0	0
Reclassification (+/-)	0	0	0	0	0	0	0
Assets held for sale (+)	0	0	0	0	0	0	0
Currency translation (+/-)	0	0	0	20	-6	25	39
Balance as of 31.12.2013	-2,685	-480	0	-847	-248	-263	-4,525
Amortisation and depreciation (-)	0	-37	0	-103	-28	-18	-187
Disposals (+)	0	0	0	21	20	4	45
Acquisition of subsidiaries (-)	0	0	0	-1	0	0	-1
Disposal of subsidiaries (+)	0	0	-3	-3	0	-2	-8
Impairment (-)	-475	-193	-291	-4	-6	-19	-988
Reversal of impairment (+)	0	0	0	0	0	0	0
Reclassification (+/-)	0	0	0	28	-44	19	2
Assets held for sale (+)	0	0	0	0	0	0	0
Currency translation (+/-)	0	-2	3	7	0	3	10
Balance as of 31.12.2014	-3,161	-712	-291	-904	-306	-276	-5,650

C) Carrying amounts

in EUR million	Intangible assets - carrying amounts						Total
	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	
Balance as of 31.12.2013	1,239	291	289	390	85	147	2,441
Balance as of 31.12.2014	771	62	0	364	113	132	1,442

As of 31 December 2014, the customer relationship and distribution network of Erste Card Club d.d. Croatia in particular amounted to EUR 1.2 million (2013: EUR 6.1 million), and the customer relationships of Ringturm Kapitalanlagegesellschaft m.b.H to EUR 57 million (2013: EUR 61.1 million). The remaining amortisation period of customer relationships in Ringturm Kapitalanlagegesellschaft m.b.H is 13.8 years.

The customer relationship of Banca Comercială Română was fully impaired in 2014 and consequently amounted to EUR 0 million as of 31 December 2014 (2013: EUR 199.0 million).

The item 'Brand' of Banca Comercială Română was fully impaired in 2014 and consequently amounted to EUR 0 million as of 31 December 2014 (2013: EUR 288.8 million).

Development of goodwill

The changes in the carrying amount of goodwill, as well as gross amounts and accumulated impairment losses of goodwill, for the years ended 31 December 2014 and 2013 are shown below by country of subsidiary:

in EUR million	Romania	Czech Republic	Slovakia	Hungary	Croatia	Austria	Other countries	Total
Balance as of 1 Jan 2013	600	544	226	0	114	142	0	1,626
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	-283	0	0	0	-52	-48	0	-383
Exchange rate changes	-4	0	0	0	0	0	0	-4
Balance as of 31 Dec 2013	313	544	226	0	61	94	0	1,239
Gross amount of goodwill	2,245	544	226	313	114	363	120	3,924
Cumulative impairment	-1,932	0	0	-313	-52	-269	-120	-2,685
Balance as of 1 Jan 2014	313	544	226	0	61	94	0	1,239
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	-319	0	0	0	-61	-94	0	-475
Exchange rate changes	6	1	0	0	1	0	0	8
Balance as of 31 Dec 2014	0	545	226	0	0	0	0	771
Gross amount of goodwill	2,251	545	226	313	114	363	120	3,932
Cumulative impairment	-2,251	0	0	-313	-114	-363	-120	-3,161

In the goodwill development summary presented above, all relevant entities (cash generating units) are grouped by country of domicile of the relevant subsidiaries.

The gross amounts of the goodwill elements presented above are the amounts as determined at the time of the related acquisitions, less accumulated amortisations up to 31 December 2004, including the effects of exchange rate changes.

The goodwill elements having non-nil carrying amounts as at 31 December 2013 have been assessed for impairment on a quarterly basis throughout the year 2014. Thus, the goodwill impairment assessment for the year 2014 addressed the following subsidiaries (cash generating units):

- _ Banca Comercială Română SA ('BCR')
- _ Česká spořitelna a.s. ('CSAS')
- _ Erste & Steiermarkische Bank d.d., Erste Bank Croatia ('EBC')
- _ Slovenská sporiteľňa a.s. ('SLSP')
- _ Steiermärkische Bank und Sparkassen Aktiengesellschaft ('STMK')
- _ Erste Group Bank AG – Girocredit ('GIRO')

The analysis per subsidiary (cash generating unit) of both the carrying goodwill as at 31 December 2014 (1 January 2014) and of the impairment losses recognised for the year 2014 (2013) is presented in the table below. The table also summarizes the key elements of the approach taken in designing and performing the goodwill impairment test as at the end of 2014.

In respect of the assessed subsidiaries (cash generating units) BCR, EBC and STMK, the impairment losses presented below had already been recognised as at 30 June 2014 based on the assessments performed at mid-year using the input parameters applicable at that time.

	BCR	CSAS	EBC	SLSP	STMK	GIRO
Carrying amount of goodwill as of 1 January 2014	313	544	61	226	40	54
Effect of exchange rate changes for the year 2014	6	1	1	0	0	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)					
Key input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium					
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 1.93% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 14 November 2014					
Description of approach to determining values assigned to terminal growth rate	For Austrian CGUs: Terminal Growth Rate has been equated to 1.00% reflecting the expected Austrian annual average long-term inflation rate For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 "European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements" published by the European Securities and Markets Authority (ESMA).					
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Bloomberg as of the reference date 14 November 2014.					
Description of approach to determining values assigned to market risk premium	Set at 6.25% throughout relevant Group's CGUs based on publicly available evaluations by the Austrian Chamber of Commerce (Kammer der Wirtschaftstreuhänder).					
Period of cash flow projection (years)	5 years (2015 -2019); extrapolation to perpetuity based on Terminal Growth Rate					
Discount rate applied to cash flow projections (pre-tax)	14.04%	12.17%	14.49%	12.91%	12.28%	15.30%
The value assigned to β Factor	1.121	1.121	1.121	1.121	1.379	1.033
Amount of goodwill impairment loss recognised in profit or loss for the year 2014	-319	0	-61	0	-40	-54
Post-impairment carrying amount of goodwill as of 31 December 2014	0	544	0	226	0	0

In respect of the assessed cash generating units located outside the eurozone, an inflation differential rate of 1% per annum has been considered in the determination of the discount rates applicable to the related 2014-2018 cash flow projections.

The comparative subsidiary-level summary as at 31 December 2013 is presented below:

	BCR	CSAS	EBC	SLSP	STMK	GIRO
Carrying amount of goodwill as of 1 January 2013	600	544	114	226	57	85
Effect of exchange rate changes for the year 2013	-4	0	0	0	0	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)					
Key input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium					
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 2.73% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 29 November 2013					
Description of approach to determining values assigned to terminal growth rate	For Austrian CGUs: Terminal Growth Rate has been equated to 1.00% reflecting expected the Austrian annual average long-term inflation rate For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 "European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements" published by the European Securities and Markets Authority (ESMA).					
Description of approach to determining values assigned to β factor	Set as the median value of a set of levered β factors attributable to a representative sample of "peer banks" representative for each tested bank (CGU), as published by Bloomberg as at the reference date 29 November 2013. Thus, the β values used have been set at 1,223 for Austrian tested entities and 1,218 for non-Austrian (CEE) tested entities.					
Description of approach to determining values assigned to market risk premium	Set at 6.0% throughout relevant Group's CGUs based on publicly available evaluations by Austrian Chamber of Commerce (Kammer der Wirtschaftstreuhänder).					
Period of cash flow projection (years)	5 years (2014 -2018); extrapolation to perpetuity based on Terminal Growth Rate					
Discount rate applied to cash flow projections (pre-tax)	15.76%	13.96%	16.98%	14.67%	11.70%	15.30%
Amount of goodwill impairment loss recognised in profit or loss for the year 2013	-283	0	-52	0	-17	-31
Post-impairment carrying amount of goodwill as of 31 December 2013	313	544	61	226	40	54
Recoverable amount (value in use) as of 31 December 2013 (100%)	2,516	5,680	1,037	2,099	1,227	54

In connection with those tested cash-generating units for which no goodwill impairment loss was determined as existing as of 31 December 2014, the table below summarises the outcome of the sensitivity analysis performed to determine by how much the key input parameters into the applied discounted cash flow models would need to vary adversely in order to cause the unit's calculated recoverable amount to decrease down to its related carrying amount:

Growth rates	CSAS	SLSP
Amount by which recoverable amount exceeds carrying amount	1,834	341
Risk free rate increase that would cause recoverable amount to equal carrying amount (basis points)	327	169
Terminal growth rate decrease that would cause recoverable amount to equal carrying amount (basis points)	-1,445	-624
β factor increase that would cause recoverable amount to equal carrying amount (coefficient value)	0.524	0.271
Market risk premium increase that would cause recoverable amount to equal carrying amount (basis points)	292	151

As at 31 December 2013, the comparative sensitivity analysis figures were as follows:

Growth rates	CSAS	SLSP
Amount by which recoverable amount exceeds carrying amount	1,296	614
Risk free rate increase that would cause recoverable amount to equal carrying amount (basis points)	282	374
Terminal growth rate decrease that would cause recoverable amount to equal carrying amount (basis points)	-1,122	-1,360
β factor increase that would cause recoverable amount to equal carrying amount (coefficient value)	0.471	0.623
Market risk premium increase that would cause recoverable amount to equal carrying amount (basis points)	232	307

28. Tax assets and liabilities

					Net variance 2014		
in EUR million	Tax assets 2014	Tax assets 2013	Tax liabilities 2014	Tax liabilities 2013	Total	Through profit or loss	Through other compre hensive income
Temporary differences relate to the following items:							
Loans and advances to credit institutions and customers	227	212	-24	-107	98	98	0
Financial assets - available for sale	2	62	-334	-169	-225	-44	-181
Property and equipment	25	17	-31	-24	0	0	0
(Amortisation of) investments in subsidiaries (tax-effective in subsequent years)	46	217	0	0	-171	-171	0
Financial liabilities at amortized cost (deposits and bond issues)	97	47	0	-2	52	52	0
Long-term employee provisions	117	88	-3	-9	34	-20	55
Sundry provisions	53	60	-7	-8	-6	-6	0
Carry forward of tax losses	104	202	0	0	-98	-98	0
Customer relationships, brands and other intangibles	3	11	-14	-103	81	81	0
Other	206	379	-261	-323	-111	-87	-17
Effect of netting gross deferred tax position	-577	-576	577	576	0	0	0
Total deferred taxes	301	719	-99	-169	-347	-197	-143
Current taxes	107	100	-91	-85	0	-312	0
Total taxes	409	819	-190	-254	-347	-509	-143

Out of the total net amount of EUR 347 million representing the year-on-year adverse variance in Group's consolidated net deferred tax position, an amount of EUR 197 million is reflected as net deferred tax expense in Group's income statement for the year 2014, whilst an amount of EUR 143 million reflects as unfavorable impact in Group's other comprehensive income for the year. The remaining EUR 7 million are attributable to other categories of variances in the consolidated net deferred tax position, notably due to direct movements through equity, foreign exchange differences, and changes in the consolidation scope.

The most significant non-recurring elements having contributed to the EUR 347 million net deferred tax position decrease for the year are (a) a EUR 393 million unfavorable impact from one-off mid-year and year-end impairments of deferred tax assets of Erste's Austrian Tax Group (mostly in connection with deferred tax assets previously recognized relating to the Austrian taxation rule that impairments of investments in subsidiaries must be distributed evenly over seven years for tax deduction purposes) and (b) an EUR 80 million favorable impact from the one-off release of group-level deferred tax liabilities, due to the mid-year full impairment of the related intangible assets (BCR brand and customer relationships). Those factors were at the same time the main contributors to the significant increase in total tax expense (2014: EUR 509 million, 2013: EUR 178,5 million). Further information on total tax expense is provided in Note 10.

Group's consolidated deferred tax asset position in amount of EUR 301 million as at 31 December 2014 is expected to be recoverable in the foreseeable future. This expectation has resulted from year-end recoverability assessments undertaken by Group's entities, either at individual level, or at relevant taxation sub-group level. Such assessments involved comparing net temporary deductible differences and available fiscal losses at year-end versus fiscal profit forecasts for a group-wide unified time horizon of 5 years (end of 2013: 5 to 10 years depending on the fiscal jurisdiction and applicable facts and circumstances). Group's decision of applying a five year capping to the fiscal forecasts used in the recoverability assessments performed starting with 2014 was taken in order to align them to the standard hori-

zon used for long-term budgeting throughout the Group, as well as to consider an expected increase in future volatility and uncertainty in legal/economic frameworks, although in most jurisdictions (notably Austria), accumulated tax losses continue to be available for carrying-forward and future deductibility indefinitely.

The deferred tax positions presented above at the granularity level of their respective underlying sources (these are: temporary differences between the accounting and the tax values of assets and liabilities, and accumulated tax losses) are measured prior to subsidiary-level balance-sheet netting of attributable gross deferred tax assets and gross deferred tax liabilities. This netting effect is separately disclosed in the last line of the summary presented above. Also, except for the deferred tax assets attributable to carried forward tax losses and to amortization of investments in subsidiaries (tax-effective in subsequent years), to which the non-valuation impacts of the afore-described recoverability assessments could be distinctly allocated, the amounts presented above are before those non-valuation impacts on the respective potential deferred tax asset positions, which are calculated at subsidiary-level. Consistently with prior periods' presentation, the remaining non-valued components, which could not be distinctly allocated, are included in "Other" and therefore reduce the deferred tax asset amounts which are attributed to that position in the above summary.

In compliance with IAS 12.39, no deferred tax liabilities were recognised for temporary differences relating to investments in subsidiaries in the amount of EUR 1,016 million (31 December 2013: EUR 1,179 million - prior year amount adjusted due to the availability of more detailed data), as they are not expected to reverse in the foreseeable future. As at 31 December 2014, no deferred tax assets were recognized for tax losses carried forward and deductible temporary differences in total amount of EUR 6,336 million, of which EUR 3,107 million related to tax losses carried forward (31 December 2013: EUR 4,377 million - prior year amount adjusted due to the availability of more detailed data, of which EUR 2,414 million related to tax losses carried forward), as they are not expected to be realized in the foreseeable future. The figure includes an amount of EUR 412 million (31 December 2013: EUR 1,065 million - prior year amount adjusted due to the availability of more detailed data) representing temporary differences in connection with investments in subsidiaries for which no deferred tax assets have been recognised in accordance with IAS 12.44.

29. Assets held for sale and liabilities associated with assets held for sale

in EUR million	Dec 13	Dec 14
Assets held for sale	75	291
Liabilities associated with assets held for sale	0	0

As of the end of 2014, 'Assets held for sale' include mainly land and buildings (EUR 169 million). Also, movable properties in the amount of EUR 69 million are held for sale as of the end of 2014. Furthermore, the private equity portfolio of investments in the amount of EUR 53 million is presented in this line item due to forthcoming regulatory driven divestiture. As of the end of 2014 there were no liabilities associated with assets held for sale.

30. Other assets

in EUR million	Dec 13	Dec 14
Prepayments and accrued income	296	218
Inventories	462	471
Sundry assets	1,713	934
Other assets	2,471	1,623

'Sundry assets' consist mainly of clearing items from the settlement of securities and payment transactions as well as advanced payments for assets under construction.

31. Other trading liabilities

in EUR million	Dec 13	Dec 14
Short positions	335	422
Equity instruments	201	139
Debt securities	134	283
Debt securities issued	52	47
Sundry trading liabilities	0	88
Other trading liabilities	388	558

32. Financial liabilities – at fair value through profit and loss

in EUR million	Carrying amount		Amount repayable		Delta between carrying amount and amount repayable	
	Dec 13	Dec 14	Dec 13	Dec 14	Dec 13	Dec 14
Financial liabilities - at fair value through profit or loss	2,339	2,073	2,412	2,503	-73	-431
Deposits from banks	0	0	0	0	0	0
Deposits from customers	460	320	466	748	-6	-428
Debt securities issued	1,879	1,753	1,946	1,755	-67	-3
Other financial liabilities	0	0	0	0	0	0

Fair value changes that are attributable to changes in own credit risk

in EUR million	For reporting period		Cumulative amount	
	1-12 13	1-12 14	Dec 13	Dec 14
Financial liabilities - at fair value through profit or loss	-53.8	-3.1	-54.3	-53.2
Deposits from banks	0.0	0.0	0.0	0.0
Deposits from customers	-3.3	-0.5	1.7	1.2
Debt securities issued	-50.5	-2.7	-56.0	-54.4
Other financial liabilities	0.0	0.0	0.0	0.0

Debt securities issued

in EUR million	Dec 13	Dec 14
Subordinated liabilities	275	276
Subordinated issues and deposits	275	276
Supplementary capital	0	0
Hybrid issues	0	0
Other debt securities issued	1,604	1,477
Bonds	1,206	1,086
Certificates of deposit	0	0
Other certificates of deposits/name certificates	71	77
Mortgage covered bonds	327	315
Public sector covered bonds	0	0
Other	0	0
Debt securities issued	1,879	1,753

33. Financial liabilities measured at amortised costs

Deposits from banks

in EUR million	Dec 13 restated	Dec 14
Overnight deposits	4,264	1,913
Term deposits	10,311	11,975
Repurchase agreements	2,724	914
Deposits from banks	17,299	14,803

Deposits from customers

in EUR million	Dec 13 restated	Dec 14
Overnight deposits	65,090	65,103
Savings deposits	21,192	17,314
General governments	0	0
Other financial corporations	194	165
Non-financial corporations	1,420	1,556
Households	19,578	15,592
Non-savings deposits	43,897	47,790
General governments	3,158	3,301
Other financial corporations	2,464	3,396
Non-financial corporations	14,427	14,576
Households	23,849	26,517
Term deposits	55,990	56,609
Deposits with agreed maturity	51,856	52,013
Savings deposits	33,283	35,725
General governments	0	0
Other financial corporations	861	1,221
Non-financial corporations	1,266	1,258
Households	31,155	33,246
Non-savings deposits	18,574	16,289
General governments	1,860	1,260
Other financial corporations	1,247	2,965
Non-financial corporations	5,725	3,930
Households	9,741	8,133
Deposits redeemable at notice	4,134	4,595
General governments	56	0
Other financial corporations	105	43
Non-financial corporations	493	108
Households	3,480	4,444
Repurchase agreements	876	550
General governments	706	290
Other financial corporations	0	213
Non-financial corporations	169	48
Households	0	0
Deposits from customers	121,955	122,263
General governments	5,780	4,851
Other financial corporations	4,871	8,003
Non-financial corporations	23,501	21,476
Households	87,803	87,933

Debt securities issued

in EUR million	Dec 13	Dec 14
Subordinated liabilities	4,884	5,482
Subordinated issues and deposits	3,304	4,182
Supplementary capital	1,218	942
Hybrid issues	363	357
Other debt securities issued	26,361	23,905
Bonds	14,283	13,017
Certificates of deposit	811	281
Other certificates of deposits/name certificates	1,829	591
Mortgage covered bonds	7,055	6,911
Public sector covered bonds	2,116	2,838
Other	267	266
Debt securities issued	31,245	29,387

In 1998, Erste Group Bank AG launched a EUR 30,000,000,000 Debt Issuance Programme (DIP). The current DIP is a programme for issuing debt instruments in various currencies and maturities with a limited range of interest rate structures. In 2014, 125 new bonds with a total volume of approximately EUR 1.5 billion were issued under the DIP.

In July 2013 the Credit Linked Notes Programme was implemented. In 2014, 68 new bonds with a total volume of EUR 148.3 million were issued. At the same time the Equity Linked Notes Programme was implemented, under which 107 new bonds with a total volume of EUR 378.4 million were issued.

Furthermore, secured and senior unsecured registered notes (“Namenspfandbriefe” and “Namensschuldverschreibungen”), as well as other bonds that were not part of the above mentioned programmes were issued with a volume of EUR 185.1 million.

The Euro Commercial Paper and Certificates of Deposit Programme has an overall volume of EUR 10 billion. In all, 15 issues amounting to EUR 0.6 billion were placed in 2014. Issues totalling approximately EUR 0.6 billion were redeemed over the same period.

34. Provisions

in EUR million	Dec 13	Dec 14
Long-term employee provisions	1,032	1,158
Pending legal issues and tax litigation	172	163
Commitments and guarantees given	218	241
Provisions for guarantees - off balance sheet (defaulted customers)	119	141
Provisions for guarantees - off balance sheet (non-defaulted customers)	99	99
Other provisions	25	91
Provisions for onerous contracts	0	5
Other	25	86
Provisions	1,448	1,653

a) Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee payments	Total
Present value of long-term employee benefit obligations, 31 Dec 2010	833	405	73	1,311
Present value of long-term employee benefit obligations, 31 Dec 2011	825	397	73	1,295
Present value of long-term employee benefit obligations, 31 Dec 2012	823	410	76	1,309
Increase from acquisition of subsidiaries	0	0	0	0
Decrease from disposal of subsidiaries	0	0	0	0
Settlements	0	0	0	0
Curtailments	0	-6	0	-6
Service cost	-1	13	5	17
Interest cost	29	15	3	47
Payments	-71	-38	-6	-115
Exchange rate difference	0	1	0	1
Components recognised in other comprehensive income (Remeasurements)				
Actuarial gains/losses arising from changes in financial assumptions	0	0	0	0
Actuarial gains/losses arising from changes from experience assumptions	7	0	0	7
Actuarial gains/losses recognised in income	0	0	-2	-2
Present value of long-term employee benefit obligations, 31 Dec 2013	787	395	76	1,258
Obligations covered by plan assets	0	194	32	226
Obligations covered by provisions	0	201	44	245
Less fair value of plan assets	0	194	32	226
Provisions as of 31 Dec 2013	787	201	44	1,032
Present value of long-term employee benefit obligations, 31 Dec 2013	787	395	76	1,258
Increase from acquisition of subsidiaries	0	0	0	0
Decrease from disposal of subsidiaries	0	0	0	0
Settlements	0	0	0	0
Curtailments	0	-6	0	-6
Service cost	0	12	5	17
Interest cost	27	14	2	43
Payments	-69	-26	-6	-101
Exchange rate difference	0	0	0	0
Components recognised in other comprehensive income (Remeasurements)	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	114	75	0	189
Actuarial gains/losses arising from changes from experience assumptions	-1	2	0	1
Actuarial gains/losses recognised in income	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	0	0	11	11
Actuarial gains/losses arising from changes from experience assumptions	0	0	-1	-1
Present value of long-term employee benefit obligations, 31 Dec 2014	858	466	87	1,411
Obligations covered by plan assets	0	219	34	253
Obligations covered by provisions	0	247	53	300
Less fair value of plan assets	0	219	34	253
Provisions as of 31 Dec 2014	858	247	53	1,158

Actuarial assumptions

The actuarial calculation of pension obligations is based on the following assumptions:

in %	Dec 13	Dec 14
Interest rate	3.65	2.0
Expected increase in retirement benefits	2.0	2.0

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

The actuarial calculation of severance payment and jubilee provisions is based on the following assumptions:

in %	Dec 13	Dec 14
Interest rate	3.65	2.0
Average increase in salary (incl. career trend and collective agreement trend)	2.9	2.9

Obligations were calculated in accordance with the Pagler & Pagler mortality tables entitled 'AVÖ 2008 P – Rechnungsgrundlagen für die Pensionsversicherung'. The effects of CEE countries are insignificant compared to Austrian entities for which the data is in the table. Interest rates in the following ranges were used for these countries 2.25% (previously: 2.72%) to 4.4% (previously: 5.75%).

The movement in plan assets during the reporting period was as follows:

in EUR million	Severance payments	Jubilee payments	Total
Fair value of plan assets as of 31 Dec 2012	184	29	213
Addition	13	3	16
Interest income on plan assets	7	1	8
Contributions by the employer	9	3	12
Benefits paid	-19	-4	-23
Return on plan assets recognised in other comprehensive income (excluding amounts already recognised in interest income) - remeasurements	0	0	0
Return on plan assets recognised in P&L	0	0	0
Fair value of plan assets as of 31 Dec 2013	194	32	226
Addition	0	0	0
Interest income on plan assets	7	1	8
Contributions by the employer	29	5	34
Benefits paid	-15	-4	-19
Return on plan assets recognised in other comprehensive income (excluding amounts already recognised in interest income) - remeasurements	4	0	4
Return on plan assets recognised in P&L	0	0	0
Fair value of plan assets as of 31 Dec 2014	219	34	253

In 2015, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 10.3 million (2014: EUR 10.9 million).

In 2014, the actual gain (loss) on plan assets amounted to EUR 12.0 million (2013: EUR 7.8 million).

Investment strategy

The primary investment strategy of Erste Group is the continuous optimization of plan assets and the effective coverage of existing entitlements. The Group works with professional fund managers for the investment of plan assets. The Investment Fund Act applies as a requirement with respect to specific investment guidelines relating to the investment of plan assets.

Additionally, the Investment Committee which is composed of senior staff in the financial sector and representatives of the S-Versicherung and Erste Asset Management meets once a year.

Control and Risk

The effective allocation of plan assets is determined by the administering body including the relevant existing economic and market conditions as well as considering specific risks of the individual asset classes and the risk profile.

Moreover the Investment Committee is responsible for monitoring the mandate guidelines and the investment structure, the supervision, which may arise from regulatory or other legal requirements, as well as the monitoring of demographic changes. As an additional steering tool the fund management generates a report, which is transmitted on a quarterly basis to the Group.

Overall, the Group tries to minimize the impact caused by market movements on the pension plans

Asset Allocation in the different asset classes

The following table presents the asset allocation of pension plans in the different asset classes.

in EUR million	Dec 13					Dec 14				
	Europe- EMU	Europe- non EMU	USA	Other countries	Total	Europe- EMU	Europe- non EMU	USA	Other countries	Total
Cash and cash equivalents	0	0	0	0	12	0	0	0	0	13
Equity instruments	1	1	9	4	15	1	1	9	4	15
Investment-grade bonds ¹										
Government	45	1	1	4	51	50	1	1	5	57
Non-government bonds	36	13	0	0	49	40	14	0	0	55
Non-investment-grade bonds										
Government	0	0	0	0	0	0	0	0	0	0
Non-government bonds	58	15	4	0	78	65	17	5	0	87
Alternatives										
Commodities	0	0	0	0	0	0	0	0	0	0
Other	0	1	0	9	10	0	1	0	10	12
Derivatives (Market risk)										
Interest rate risk	0	0	0	0	0	0	0	0	0	0
Credit risk	0	0	0	0	0	0	0	0	0	0
Equity price risk	0	0	0	0	0	0	0	0	0	0
Foreign exchange risk	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	11	0	0	0	0	14
Plan assets 31.12.2014	0	0	0	0	226	0	0	0	0	253

1) Investment-grade means BBB and above.

The following table presents profit or loss effects for post- employment defined- benefits plans (pensions and severance payments).

in EUR million	Dec 13	Dec 14
Curtailments	6	6
Service cost	-12	-17
Net interest	-36	-35
Total	-42	-46

Curtailments and service costs are included in the income statement under the line item 'General administrative expenses'. Net interest is included in the income statement under the line item 'Net interest income'. In 2014 the cumulative amount of remeasurements recognised in other comprehensive income was EUR -572.9 million (2013: EUR -388.6 million).

Sensitivity to Key Assumption

The following table presents, the sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the balance sheet date.

in EUR million	Pensions	Severance payments	Total
Change in discount rate + 1.0 %	779	395	1,174
Change in discount rate -1.0 %	936	500	1,436
Change in future salary increases + 0.5 %	851	470	1,321
Change in future salary increases -0.5 %	851	418	1,269
Change in future benefit increases + 0.5 %	920	443	1,363
Change in future benefit increases -0.5 %	787	443	1,230
Increase in survival rate by aprox. 10%	906	0	906

Impact on Cash Flows

The following table reflects the benefits expected to be paid by the defined benefit plans in each of the respective periods:

in EUR million	Pensions	Severance payments	Total
2015	66	12	78
2016	64	11	75
2017	61	17	78
2018	58	22	80
2019	55	32	87
2020-2024	23	213	236

Duration

The following table presents the weighted average duration of the defined-benefit obligations as of year-end 2014:

in years	Pensions	Severance payments	Total
Duration	8.89	11.46	9.77

b) Sundry provisions

Sundry provisions 2014

in EUR million	As of Dec 13	Allocations	Use	Releases	Interest income from impaired loans	Exchange rate and other changes (+/-)	As of Dec 14
Pending legal issues and tax litigation	172	32	-4	-28	0	-6	164
Commitments and guarantees given	218	279	-7	-263	1	11	240
Provisions for guarantees - off balance sheet (defaulted customers)	119	140	-6	-122	1	9	141
Provisions for guarantees - off balance sheet (non-defaulted customers)	99	138	0	-140	0	2	99
Other provisions	25	62	-5	-8	0	9	83
Provisions for onerous contracts	0	5	0	0	0	0	5
Other	25	57	-5	-8	0	9	77
Provisions	415	372	-16	-299	1	14	488

Under position pending legal issues and tax litigations out of lending business, asset management or litigations with customer protection association, which normally occur in banking business, are disclosed. Erste Group does not expect that these legal cases will have a material impact on the Group's financial position.

Except for onerous contracts, other provisions refer mostly to Hungarian provisions. For additional detail, please see note 9 Other operating result. The level of sundry provisions is the best possible estimate of expected outflow of economic benefits at the reporting date, while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. Risks and uncertainties are taken into account in the estimate.

Sundry provisions 2013

in EUR million	As of Dec 12	Allocations	Use	Releases	Interest income from impaired loans	Exchange rate and other changes (+/-)	As of Dec 13
Pending legal issues and tax litigation ¹	146	57	-7	-29	0	4	172
Commitments and guarantees given	186	217	-13	-180	1	8	218
Provisions for guarantees - off balance sheet (defaulted customers)	107	112	-14	-96	1	9	119
Provisions for guarantees - off balance sheet (non-defaulted customers)	79	105	0	-84	0	-1	99
Other provisions	60	21	-21	-7	0	-28	25
Provisions for onerous contracts	0	0	0	0	0	0	0
Other	60	21	-21	-7	0	-29	25
Provisions	392	296	-41	-216	1	-17	415

1) For a more detailed presentation, provisions for legal proceedings and provisions for litigations were reclassified from other risk provisions and other provisions and constitute a separate item now.

35. Other liabilities

in EUR million	Dec 13	Dec 14
Deferred income and accrued fee expenses	304	233
Sundry liabilities	2,350	2,076
Other liabilities	2,654	2,310

Sundry liabilities consist mainly of clearing items from the settlement of securities and payment transactions.

36. Total equity

in EUR million	Dec 13 restated	Dec 14
Subscribed capital	860	860
Share capital	860	860
Participation capital	0	0
Additional paid-in capital	7,037	1,478
Retained earnings	3,422	7,500
Owners of the parent	11,319	9,838
Non-controlling interests	3,466	3,605
Total¹	14,785	13,444

1) Details on equity are provided in Section III, Statement of Changes in Total Equity.

As of 31 December 2014, subscribed capital (also known as registered capital) consists of 429,800,000 (2013: 429,800,000) voting bearer shares (ordinary shares). The pro rata amount of registered capital, per no-par value share, was EUR 2.00. Additional paid-in capital (or share premium) represents the amount by which the issue price of the shares exceeded their par value. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

Participation capital

In April 2009, Erste Group Bank AG issued participation capital for subscription. Within the context of this offer, Erste Group Bank AG placed EUR 540 million of participation capital with private and institutional investors. In March 2009, the Republic of Austria subscribed to EUR 1.0 billion of participation capital and in May 2009, another EUR 224 million of participation certificates. In total, the participation capital issued in measures to strengthen the bank at that time amounted to EUR 1.76 billion. The participation capital securities are perpetual and non-transferable. The notional amount of each participation capital security is EUR 1,000.00. Erste Group is entitled to repay the participation capital securities only if the repayment amount would not be below 100% (or 150% after 1 January 2019) of the nominal amount. Participation capital participates in losses of Erste Group in the same manner as does share capital, but the holders of participation capital have no voting rights. The participation capital securities confer no conversion right for ordinary shares of Erste Group. Dividend payments to holders of participation capital securities were made prior to distributions of dividends to shareholders of Erste Group.

Redemption of participation capital and implementation of a capital increase

The management and supervisory boards of Erste Group Bank AG resolved on 24 June 2013 to fully redeem the outstanding participation capital of EUR 1.76 billion, of which EUR 1.205 billion was held by the Republic of Austria and EUR 559 million by private investors, in the third quarter of 2013. The full redemption took place on 8 August 2013.

Against this backdrop, a capital increase against cash contributions was implemented with gross proceeds of approximately EUR 660.6 million. The capital increase was carried out by offering qualified institutional investors new shares by way of an accelerated bookbuilding offering ('pre-placement to institutional investors') followed by a subscription offering to existing shareholders of Erste Group Bank AG ('subscription offering').

On 2 July 2013, Erste Group Bank AG successfully placed 35.2 million new shares by way of an accelerated bookbuilding offering with gross proceeds of EUR 660.6 million. On 2 July 2013, the management board, with the consent of the supervisory board, set the offer price for the accelerated bookbuilding offering and the subscription price for the subsequent subscription offering at EUR 18.75 per share and resolved to issue 35,231,353 new shares, to increase the share capital from EUR 789,137,294 by EUR 70,462,706 to EUR 859,600,000 and to offer existing shareholders subscription rights at a ratio of 4 new shares for each 45 shares held. The supervisory board also approved the amendments to the Articles of association resulting from the above resolutions. The capital increase and the amendments to the articles of association were entered in the Companies Register on 4 July 2013.

Changes in number of shares and participation capital securities

	Dec 13 restated	Dec 14
Shares in units		
Shares outstanding as of 1 January	375,715,367	415,076,934
Acquisition of treasury shares	-13,131,830	-26,726,833
Disposal of treasury shares	17,262,044	21,590,534
Capital increases due to ESOP and MSOP	0	0
Capital increase	35,231,353	0
Shares outstanding as of 31 December	415,076,934	409,940,635
Treasury shares	14,723,066	19,859,365
Number of shares as of 31 December	429,800,000	429,800,000
Weighted average number of shares outstanding	411,553,048	427,533,286
Dilution due to MSOP/ESOP	0	0
Dilution due to options	0	0
Weighted average number of shares taking into account the effect of dilution	411,553,048	427,533,286
Participation capital securities in units	Dec 13 restated	Dec 14
Participation capital securities outstanding as of 1 January	1,763,694	0
Acquisition of own participation capital securities	-1,768,437	0
Disposal of own participation capital securities	4,743	0
Participation capital securities outstanding as of 31 December	0	0
Participation capital securities	0	0
Number of participation capital securities as of 31 December	0	0

Transactions and shares held by the management board and supervisory board

Information on shares held and transactions in Erste Group Bank AG shares by members of the management board (in number of shares):

Managing board member	Dec 13	Additions	Disposals	Dec 14
Andreas Treichl	164,640	0	0	164,640
Franz Hochstrasser	15,260	0	0	15,260
Herbert Juranek	656	0	0	656
Gernot Mittendorfer	2,100	7,900	0	10,000
Manfred Wimmer (until 8/2013)	0	0	0	0
Andreas Gottschling	0	0	0	0

Supervisory board members held the following numbers of Erste Group Bank AG shares as of the balance sheet date of 31 December 2014:

Supervisory board member	Dec 13	Additions	Disposals	Dec 14
Friedrich Rödler	1,702	0	0	1,702
Georg Winckler	2,500	0	0	2,500
Jan Homan	4,400	0	0	4,400
Elisabeth Bleyleben Koren (from 21. Mai 2014)	0	10,140	0	10,140
Wilhelm Rasinger	15,303	3,000	0	18,303
John James Stack	32,761	0	0	32,761
Markus Haag	160	0	0	160
Andreas Lachs	52	0	0	52
Friedrich Lackner (until 11. December 2014)	500	0	500	0
Bertram Mach	95	0	0	95
Barbara Pichler	281	0	0	281
Karin Zeisel	35	0	0	35

The shares of 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.

As of 31 December 2014, supervisory board members did not hold options in Erste Group Bank AG shares. Persons related to members of the management board or supervisory board held 3,786 shares of Erste Group Bank AG as of 31 December 2014.

Remaining authorised and contingent capital as of 31 December 2014

Clause 5 of the articles of association authorises the management board until 21 May 2019, to increase the registered capital of the company with the consent of the supervisory board - including in several tranches - by an amount of up to EUR 171,800,000 by issuing up to 85,900,000 voting no-par value bearer shares in return for contributions in cash and/or in kind, with the issue price and the issuing conditions being determined by the management board with the consent of the Supervisory Board.

Furthermore, the management board is authorized to fully or partly exclude the statutory subscription right of the shareholders with the consent of the supervisory board if the capital increase is in return for a cash contribution and the shares issued while excluding the subscription right of the shareholders, taken together, do not exceed EUR 43,000,000 and/or if the capital increase is in return for contributions in kind.

The measures in sections 5.1.1 (capital increase against cash contribution) to 5.1.2 (capital increase against contributions in kind) can also be combined. The aggregate pro rata amount of registered capital represented by shares in respect of which the shareholders' subscription rights are excluded under this authorisation in section 5.1 (authorised capital) together with the pro rata amount of registered capital attributable to shares to which conversion or subscription rights or obligations relate under bonds that were issued and sold on the basis of the authorisation in section 8.3, subject to an exclusion of subscription rights, on or after 21 May 2014 must not, however, exceed the amount of EUR 171,800,000 .

Clause 6.3 of the articles of association states that conditional capital based on the resolutions of the management board in 2002 and 2010 with a nominal value of EUR 21,923,264 persists that can be consumed by issuing up to 10,961,632 ordinary bearer shares or ordinary registered shares with an issue price of at least EUR 2.00 per share against cash contribution and by excluding the subscription rights of the current shareholders. This conditional capital is used for granting options to staff, management and members of the management board of the entity or of one of its related undertakings.

Under clause 6.4 of the articles of association, the company has conditional capital of EUR 124,700,000.00 available, which may be utilised by issuing up to 62,350,000 bearer shares. This conditional capital can be used for granting conversion or subscription rights to holders of convertible bonds. In case the terms and conditions of the convertible bonds provide for a mandatory conversion, it shall also serve to cover the mandatory conversion .According to clause 7 of the articles of association, currently no authorized conditional capital exists.

37. Segment reporting

Erste Group's segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources. Within Erste Group the function of the chief operating decision maker is exercised by the management board.

Structural change

Following a strategic review, the segment structure as well as the methodology for capital allocation was changed. Erste Group therefore introduced a new segment reporting, starting from 1 January 2014. It is based on the matrix organisation (business and geographical information) and provides comprehensive information to assess the performance of the business and geographical segments.

However, the segmentation criteria for corporate business were changed as well with no retrospective adjustments. The former local large corporate business (included in the SME segment in 2013) was reallocated either to the Large Corporates segment or to the SME segment, depending on annual turnover thresholds.

As a result of IFRS 10 application as of 1 January 2014, Erste Group started with consolidation of 18 investment funds. The consolidation has been applied retrospectively, hence all affected 2013 comparative figures have been restated. Details are described in section B. "Significant accounting policies"/(d) Significant accounting judgments, assumptions and estimates and (e) Application of amended and new IFRS/IAS of the Notes to the Group Financial Statements.

Business segmentation

The segment reporting comprises nine business segments reflecting Erste Group's management structure and its internal management reporting in 2014.



Retail

The Retail segment comprises the entire business with private individuals, free professionals and micros in the responsibility of account managers in the retail network of the local banks cooperating with their specialized subsidiaries (such as factoring, leasing and asset management companies). Retail products and services including current and savings accounts, mortgage and consumer loans, investment products, credit cards and cross selling products such as leasing, insurance, and building society products are offered via various distribution channels (branch networks and digital banking).

SME

The SME segment comprises the business with micros, small and medium-sized enterprises (SMEs), small public sector companies, and small financial institutions (e.g. third party leasing companies) in the responsibility of local corporate account managers. Local banks cooperate with specialized subsidiaries such as factoring and leasing companies. The turnover threshold for SMEs varies from country to country within the range of EUR 0.7 million and EUR 75 million.

Asset/Liability Management & Local Corporate Center

The Asset/Liability Management & Local Corporate Center (ALM & LCC) segment includes all asset/liability management functions (local and Erste Group Bank AG) as well as the local corporate centers which comprise internal service providers that operate on a non-profit basis and reconciliation items to local entity results. The corporate center of Erste Group Bank AG is included in the Group Corporate Center segment.

Savings Banks

The Savings Banks segment includes the savings banks which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector except for Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, Sparkasse Hainburg.

Large Corporates

The Large Corporates (LC) segment comprises the business with large corporate customers whose annual turnover exceeds a defined threshold that starts from EUR 25 million and EUR 75 million respectively, depending on the country.

Commercial Real Estate

The Commercial Real Estate (CRE) segment covers the real estate value chain (lending, leasing, real estate investment, project development and construction services as well as infrastructure business) for corporate clients, project developers, real estate investors, municipalities and other public sector agencies.

Other Corporate

The Other Corporate segment consists of two operating segments – International Business and Investment Banking – that are below the threshold criteria defined by IFRS 8. International Business comprises all lending and investing activities outside Erste Group's core markets (including the branches in London, Hong Kong and New York) and is responsible for business development with and credit line management for banks and non-banking financial institutions. Investment Banking covers equity-related business focusing mainly on corporate finance, equity capital markets services, equity brokerage (institutional sales) and merchant banking.

Group Markets

The Group Markets (GM) segment comprises the divisionalised business units Group Treasury and Capital Markets (except Equity Capital Markets) and includes the treasury activities of Erste Group Bank AG, the CEE subsidiaries, foreign branch offices in Hong Kong, New York, Berlin and Stuttgart as well as the business with institutional clients of Erste Asset Management. The focus is on client-

oriented business with institutional clients. Group Markets is the internal trading unit for all classic treasury (such as FX, commodities and money market) and capital market products (such as bonds, interest rate derivatives, credit products).

Group Corporate Center

The Group Corporate Center (GCC) segment covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus dividends and the refinancing costs from participations, general administrative expenses), internal non-profit service providers (facility management, IT, procurement), amortisation of customer relationships at Banca Comercială Română, Erste Card Club d.d. and Ringturm KAG, goodwill impairments, the banking tax of Erste Group Bank AG, free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments) as well as the result of Erste Bank Ukraine which was sold in 2013.

In 2014 the write-down of the entire remaining value of customer relationships and brand in Romania totalled EUR 470.7 million. Goodwill impairments amounted to EUR 475.0 million (in 2013: EUR 380.8 million), whereby Romania accounted for EUR 319.1 million (in 2013: EUR 281.0 million), Croatia for EUR 61.4 million (in 2013: EUR 52.2 million) and Austrian participations for EUR 94.5 million (in 2013: EUR 47.6 million).

Intragroup Elimination

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

Geographical segmentation

For the purpose of segment reporting by geographical areas the information is presented based on the location of the booking entity (not the country of risk). In case of information regarding a partial group, the allocation is based on the location of the respective parent entity.

Geographical areas are defined according to the country markets in which Erste Group operates. Based on the locations of the banking and other financial institution participations, the geographical areas consist of two core markets, Austria and Central and Eastern Europe and a residual market Other that comprises the remaining business activities of Erste Group outside its core markets as well as the reconciliation to the consolidated accounting result.

Erste Group – geographical segmentation								
Austria			Central and Eastern Europe					Other
EBOe & Subsidiaries	Savings Banks	Other Austria	Czech Republic	Slovakia	Romania	Hungary	Croatia	Serbia

The geographical area Austria consists of the following three segments:

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

The **Savings banks** segment is identical to the business segment Savings banks.

The **Other Austria** segment comprises Erste Group Bank AG (Holding) with its Large Corporates, Commercial Real Estate, Other Corporate and Group Markets business, Erste Group Immortent AG and Erste Asset Management GmbH.

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

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

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

Measurement

The profit and loss statement of the segment report is based on the measures reported to the Erste Group management board for the purpose of allocating resources to the segments and assessing their performance.

Management reporting as well as the segment report for Erste Group, is based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the consolidated financial statement of accounting.

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

According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated equity are disclosed per segment.

For measuring and assessing the profitability of segments, Erste Group also uses the return on allocated equity defined as net result for the period before minorities in relation to the average allocated equity of the respective segment. In addition the cost/income ratio is calculated for each segment as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading and fair value result, net result from equity method investments, rental income from investment properties and other operating lease).

Business segments (1)

	Retail		SME		ALM & LCC		Savings Banks		Large Corporates		Commercial Real Estate	
in EUR million	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14
Net interest income	2,216.8	2,175.1	671.0	569.4	220.5	164.7	814.7	891.8	185.3	214.1	170.0	150.1
Net fee and commission income	1,053.4	1,050.3	231.2	198.4	-102.6	-65.3	396.4	419.3	86.0	99.2	14.3	15.8
Dividend income	2.1	0.5	2.7	2.5	17.6	22.4	43.6	24.7	0.0	0.0	2.3	5.1
Net trading and fair value result	62.2	59.8	29.1	31.9	-92.2	24.7	22.0	1.1	8.4	9.3	5.9	-6.2
Net result from equity method investments	11.3	8.2	0.0	0.0	4.5	3.1	0.0	0.0	0.0	0.0	-0.2	0.7
Rental income from investment properties & other operating leases	15.2	23.5	3.9	30.4	38.9	35.0	27.8	42.0	0.0	0.0	84.2	40.3
General administrative expenses	-1,839.2	-1,814.3	-288.0	-292.8	-120.6	-112.9	-926.5	-932.1	-67.7	-85.0	-134.0	-88.2
thereof depreciation and amortization	-194.9	-191.1	-24.6	-40.8	-23.7	-22.9	-68.4	-75.9	-6.6	-6.0	-56.9	-19.7
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.1	0.6	5.7	3.3	37.3	-16.4	24.3	27.7	-6.3	0.7	0.4	0.0
Net impairment loss on financial assets not measured at fair value through profit or loss	-466.0	-671.7	-455.0	-461.1	-5.0	1.2	-229.2	-199.4	-229.2	-386.2	-380.5	-364.3
Other operating result	-93.1	-393.7	-39.9	-2.8	-122.4	-197.7	-28.0	-43.1	-28.2	14.1	-50.7	-45.9
Levies on banking activities	-67.6	-59.1	-16.7	-10.6	-64.4	-64.2	-8.9	-15.9	-2.8	-3.2	-0.5	-0.4
Pre-tax result from continuing operations	962.7	438.2	160.8	79.4	-124.0	-141.2	145.1	232.0	-51.8	-133.9	-288.1	-292.7
Taxes on income	-200.5	-158.0	-48.2	-33.2	136.8	-36.1	-53.9	-54.7	9.1	11.0	24.2	4.2
Net result for the period	762.2	280.2	112.6	46.2	12.8	-177.3	91.1	177.3	-42.7	-122.9	-263.9	-288.5
Net result attributable to non-controlling interests	23.2	8.5	2.7	-4.2	-7.9	-2.5	68.7	158.9	2.4	-9.8	-6.9	-8.9
Net result attributable to owners of the parent	739.0	271.7	109.9	50.4	20.8	-174.8	22.4	18.4	-45.1	-113.1	-257.0	-279.6
Operating income	3,361.0	3,317.4	937.9	832.7	86.7	184.6	1,304.5	1,379.0	279.6	322.5	276.7	205.7
Operating expenses	-1,839.2	-1,814.3	-288.0	-292.8	-120.6	-112.9	-926.5	-932.1	-67.7	-85.0	-134.0	-88.2
Operating result	1,521.8	1,503.1	650.0	539.9	-33.9	71.8	378.0	446.9	211.9	237.5	142.7	117.5
Risk-weighted assets (credit risk, eop)	17,765	18,505	17,723	14,672	1,934	4,480	22,464	22,511	7,187	9,373	9,495	9,397
Average allocated capital	2,043	2,058	1,644	1,291	2,009	1,792	2,079	1,968	766	812	926	798
Cost/income ratio	54.7%	54.7%	30.7%	35.2%	>100%	61.1%	71.0%	67.6%	24.2%	26.4%	48.4%	42.9%
Return on allocated capital	37.3%	13.6%	6.8%	3.6%	0.6%	-9.9%	4.4%	9.0%	-5.6%	-15.1%	-28.5%	-36.1%
Total assets (eop)	52,882	51,438	24,192	22,143	52,751	51,497	56,205	56,704	7,494	9,470	10,908	10,164
Total liabilities excluding equity (eop)	69,245	69,227	14,267	12,977	58,547	54,011	52,458	52,684	3,807	4,988	5,207	4,668
Impairments and risk provisions	-468.4	-697.3	-482.5	-473.1	-38.6	-45.1	-254.6	-221.3	-254.1	-374.6	-429.7	-466.2
Net impairment loss on loans and receivables from credit institutions and customers	-465.8	-671.6	-453.5	-460.3	9.2	-0.8	-220.4	-193.6	-214.6	-392.0	-379.9	-365.5
Net impairment loss on other financial assets not measured at fair value through profit and loss	-0.2	-0.1	-1.5	-0.8	-14.2	2.0	-8.9	-5.8	-14.7	5.8	-0.6	1.2
Allocation/release of provisions for contingent credit risk liabilities	2.9	-4.1	-1.6	0.6	-4.9	0.9	-15.9	-18.3	-25.4	11.5	-0.7	-40.4
Impairments from Goodwills	0.0	0.0	0.0	0.0	-2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non financial assets	-5.3	-21.5	-25.9	-12.6	-26.5	-47.2	-9.5	-3.6	0.5	0.0	-48.4	-61.5

*) figures reflect changed segment structure of Erste Group as of 1 January 2014 and the impact of IFRS 10 application as of 1 January 2014

Business segments (2)

in EUR million	Other Corporate		Group Markets		Group Corporate Center		Intragroup Elimination		Total group	
	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14
Net interest income	68.9	75.2	217.2	191.2	136.1	70.2	-15.5	-6.6	4,685.0	4,495.2
Net fee and commission income	27.7	18.9	104.9	102.9	137.6	69.1	-142.4	-38.8	1,806.5	1,869.8
Dividend income	0.0	0.5	0.5	2.4	20.7	16.4	0.0	-0.1	89.7	74.2
Net trading and fair value result	13.1	4.8	116.8	116.1	20.9	-11.3	32.7	12.0	218.8	242.3
Net result from equity method investments	0.0	0.0	0.0	0.0	6.2	3.9	0.0	0.0	21.8	15.8
Rental income from investment properties & other operating leases	0.0	0.1	0.0	0.0	40.3	35.1	-36.9	-25.7	173.3	180.6
General administrative expenses	-50.9	-58.2	-188.1	-179.1	-669.0	-710.5	387.9	485.9	-3,896.1	-3,787.3
thereof depreciation and amortization	-2.2	-2.0	-17.7	-17.7	-125.4	-90.0	2.6	0.0	-517.7	-466.1
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	8.3	0.1	0.0	0.0	-7.5	-0.9	0.1	3.2	62.4	18.3
Net impairment loss on financial assets not measured at fair value through profit or loss	-6.2	-12.9	12.2	-0.1	-15.4	-64.7	0.0	0.0	-1,774.4	-2,159.2
Other operating result	0.4	1.5	-3.1	-0.7	-417.6	-654.7	-225.9	-429.9	-1,008.6	-1,752.9
Levies on banking activities	0.0	0.0	-2.5	-2.1	-147.6	-100.8	0.0	0.0	-311.0	-256.3
Pre-tax result from continuing operations	61.3	29.8	260.3	232.7	-747.8	-1,247.5	0.0	0.0	378.4	-803.2
Taxes on income	-13.3	-6.9	-51.8	-43.9	19.1	-191.8	0.0	0.0	-178.5	-509.4
Net result for the period	47.9	22.9	208.5	188.8	-728.6	-1,439.4	0.0	0.0	199.9	-1,312.6
Net result attributable to non-controlling interests	0.0	-0.1	2.5	3.5	55.0	-16.2	0.0	0.0	139.6	129.4
Net result attributable to owners of the parent	47.9	22.9	206.0	185.3	-783.6	-1,423.1	0.0	0.0	60.3	-1,442.0
Operating income	109.7	99.4	439.3	412.6	361.8	183.3	-162.1	-59.3	6,995.1	6,877.9
Operating expenses	-50.9	-58.2	-188.1	-179.1	-669.0	-710.5	387.9	485.9	-3,896.1	-3,787.3
Operating result	58.8	41.1	251.3	233.4	-307.2	-527.2	225.8	426.6	3,099.0	3,090.7
Risk-weighted assets (credit risk, eop)	3,335	2,672	1,782	2,756	3,173	2,739	0	0	84,858	87,105
Average allocated capital	332	209	460	493	5,745	5,010	0	0	16,004	14,431
Cost/income ratio	46.4%	58.6%	42.8%	43.4%	>100%	>100%	>100%	>100%	55.7%	55.1%
Return on allocated capital	14.4%	10.9%	45.3%	38.3%	-12.7%	-28.7%			1.2%	-9.1%
Total assets (eop)	3,698	3,656	24,590	18,022	13,048	12,093	-45,649	-38,899	200,118	196,287
Total liabilities excluding equity (eop)	58	93	16,117	11,456	11,265	11,716	-45,638	-38,977	185,333	182,844
Impairments and risk provisions	-6.2	-13.0	12.2	-0.1	-402.1	-991.0	0.0	0.0	-2,324.0	-3,281.7
Net impairment loss on loans and receivables from credit institutions and customers	5.0	-17.7	12.3	-0.2	-18.8	-18.7	0.0	0.0	-1,726.5	-2,120.4
Net impairment loss on other financial assets not measured at fair value through profit and loss	-11.2	4.8	0.0	0.1	3.4	-46.0	0.0	0.0	-47.9	-38.8
Allocation/release of provisions for contingent credit risk liabilities	0.0	-0.1	-0.1	0.0	8.7	33.8	0.0	0.0	-36.9	-16.2
Impairments from Goodwills	0.0	0.0	0.0	0.0	-380.8	-475.0	0.0	0.0	-383.0	-475.0
Net impairment loss on other non financial assets	0.0	0.0	0.0	0.0	-14.7	-485.1	0.0	0.0	-129.7	-631.4

*) figures reflect changed segment structure of Erste Group as of 1 January 2014 and the impact of IFRS 10 application as of 1 January 2014

Geographical segmentation - overview

in EUR million	Austria		Central and Eastern Europe		Other		Total group	
	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14
Net interest income	1,786.7	1,900.7	2,612.3	2,418.8	286.0	175.7	4,685.0	4,495.2
Net fee and commission income	908.8	948.2	939.2	926.6	-41.5	-4.9	1,806.5	1,869.8
Dividend income	63.9	54.6	5.1	3.4	20.7	16.2	89.7	74.2
Net trading and fair value result	68.2	13.0	218.2	239.6	-67.7	-10.3	218.8	242.3
Net result from equity method investments	4.5	2.7	11.1	9.2	6.2	3.9	21.8	15.8
Rental income from investment properties & other operating leases	130.4	101.5	39.5	69.7	3.4	9.4	173.3	180.6
General administrative expenses	-1,898.5	-1,886.1	-1,700.4	-1,658.2	-297.2	-242.9	-3,896.1	-3,787.3
thereof depreciation and amortization	-178.4	-150.5	-215.8	-223.2	-123.5	-92.4	-517.7	-466.1
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	34.2	27.7	13.7	4.5	14.5	-13.9	62.4	18.3
Net impairment loss on financial assets not measured at fair value through profit or loss	-746.8	-573.1	-1,011.7	-1,509.0	-15.8	-77.1	-1,774.4	-2,159.2
Other operating result	-99.7	-44.1	-265.8	-621.9	-643.1	-1,086.9	-1,008.6	-1,752.9
Levies on banking activities	-19.0	-29.8	-144.5	-125.7	-147.6	-100.8	-311.0	-256.3
Pre-tax result from continuing operations	251.7	545.1	861.2	-117.3	-734.5	-1,231.0	378.4	-803.2
Taxes on income	-119.9	-173.0	-77.1	-139.8	18.5	-196.6	-178.5	-509.4
Net result for the period	131.8	372.1	784.1	-257.1	-716.1	-1,427.6	199.9	-1,312.6
Net result attributable to non-controlling interests	70.1	170.2	14.5	-24.4	55.0	-16.4	139.6	129.4
Net result attributable to owners of the parent	61.8	201.9	769.6	-232.7	-771.1	-1,411.2	60.3	-1,442.0
Operating income	2,962.6	3,020.7	3,825.4	3,667.3	207.2	189.9	6,995.1	6,877.9
Operating expenses	-1,898.5	-1,886.1	-1,700.4	-1,658.2	-297.2	-242.9	-3,896.1	-3,787.3
Operating result	1,064.1	1,134.6	2,125.0	2,009.1	-90.0	-53.0	3,099.0	3,090.7
Risk-weighted assets (credit risk, eop)	48,717	51,294	32,653	32,565	3,489	3,245	84,858	87,105
Average allocated capital	4,895	4,540	4,445	4,036	6,664	5,856	16,004	14,431
Cost/income ratio	64.1%	62.4%	44.4%	45.2%	>100%	>100%	55.7%	55.1%
Return on allocated capital	2.7%	8.2%	17.6%	-6.4%	-10.7%	-24.4%	1.2%	-9.1%
Total assets (eop)	133,170	131,916	79,324	75,181	-12,376	-10,810	200,118	196,287
Total liabilities excluding equity (eop)	110,895	108,069	70,884	67,132	3,553	7,643	185,333	182,844
Impairments and risk provisions	-834.3	-668.8	-1,087.1	-1,607.6	-402.6	-1,005.4	-2,324.0	-3,281.7
Net impairment loss on loans and receivables from credit institutions and customers	-705.3	-581.1	-1,002.0	-1,508.3	-19.2	-31.1	-1,726.5	-2,120.4
Net impairment loss on other financial assets not measured at fair value through profit and loss	-41.5	8.0	-9.7	-0.7	3.4	-46.0	-47.9	-38.8
Allocation/release of provisions for contingent credit risk liabilities	-14.9	-42.1	-30.8	-5.9	8.7	31.8	-36.9	-16.2
Impairments from Goodwills	0.0	0.0	-2.2	0.0	-380.8	-475.0	-383.0	-475.0
Net impairment loss on other non financial assets	-72.6	-53.6	-42.4	-92.7	-14.7	-485.1	-129.7	-631.4

*) figures reflect changed segment structure of Erste Group as of 1 January 2014 and the impact of IFRS 10 application as of 1 January 2014

Geographical area - Austria

in EUR million	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14
Net interest income	559.6	613.5	814.7	891.8	412.4	395.4	1,786.7	1,900.7
Net fee and commission income	332.2	354.9	396.4	419.3	180.2	174.0	908.8	948.2
Dividend income	17.0	22.0	43.6	24.7	3.3	7.9	63.9	54.6
Net trading and fair value result	11.3	8.7	22.0	1.1	34.9	3.1	68.2	13.0
Net result from equity method investments	4.6	2.1	0.0	0.0	-0.2	0.7	4.5	2.7
Rental income from investment properties & other operating leases	18.4	19.2	27.8	42.0	84.2	40.4	130.4	101.5
General administrative expenses	-606.9	-630.7	-926.5	-932.1	-365.1	-323.3	-1,898.5	-1,886.1
thereof depreciation and amortization	-35.5	-38.2	-68.4	-75.9	-74.5	-36.3	-178.4	-150.5
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	1.1	-0.4	24.3	27.7	8.9	0.4	34.2	27.7
Net impairment loss on financial assets not measured at fair value through profit or loss	-77.5	-104.5	-229.2	-199.4	-440.1	-269.2	-746.8	-573.1
Other operating result	-35.4	6.7	-28.0	-43.1	-36.3	-7.6	-99.7	-44.1
Levies on banking activities	-9.7	-13.8	-8.9	-15.9	-0.4	0.0	-19.0	-29.8
Pre-tax result from continuing operations	224.4	291.4	145.1	232.0	-117.7	21.7	251.7	545.1
Taxes on income	-59.1	-65.1	-53.9	-54.7	-6.8	-53.2	-119.9	-173.0
Net result for the period	165.3	226.3	91.1	177.3	-124.5	-31.5	131.8	372.1
Net result attributable to non-controlling interests	4.8	11.8	68.7	158.9	-3.5	-0.5	70.1	170.2
Net result attributable to owners of the parent	160.5	214.5	22.4	18.4	-121.1	-31.0	61.8	201.9
Operating income	943.2	1,020.3	1,304.5	1,379.0	714.9	621.5	2,962.6	3,020.7
Operating expenses	-606.9	-630.7	-926.5	-932.1	-365.1	-323.3	-1,898.5	-1,886.1
Operating result	336.3	389.6	378.0	446.9	349.8	298.1	1,064.1	1,134.6
Risk-weighted assets (credit risk, eop)	11,342	12,589	22,464	22,511	14,911	16,194	48,717	51,294
Average allocated capital	1,114	1,088	2,079	1,968	1,703	1,484	4,895	4,540
Cost/income ratio	64.3%	61.8%	71.0%	67.6%	51.1%	52.0%	64.1%	62.4%
Return on allocated capital	14.8%	20.8%	4.4%	9.0%	-7.3%	-2.1%	2.7%	8.2%
Total assets (eop)	42,162	43,106	56,205	56,704	34,803	32,106	133,170	131,916
Total liabilities excluding equity (eop)	40,034	40,728	52,458	52,684	18,403	14,657	110,895	108,069
Impairments and risk provisions	-97.3	-106.7	-254.6	-221.3	-482.4	-340.7	-834.3	-668.8
Net impairment loss on loans and receivables from credit institutions and customers	-71.3	-106.3	-220.4	-193.6	-413.6	-281.1	-705.3	-581.1
Net impairment loss on other financial assets not measured at fair value through profit and loss	-6.2	1.9	-8.9	-5.8	-26.5	11.9	-41.5	8.0
Allocation/release of provisions for contingent credit risk liabilities	1.0	-0.9	-15.9	-18.3	0.0	-22.9	-14.9	-42.1
Impairments from Goodwills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non financial assets	-20.8	-1.4	-9.5	-3.6	-42.4	-48.6	-72.6	-53.6

*) figures reflect changed segment structure of Erste Group as of 1 January 2014 and the impact of IFRS 10 application as of 1 January 2014

Geographical area - Central and Eastern Europe

in EUR million	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Central and Eastern Europe	
	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14	1-12 13*	1-12 14
Net interest income	999.4	924.0	610.1	484.7	431.2	451.0	298.7	263.4	240.5	261.2	32.5	34.4	2,612.3	2,418.8
Net fee and commission income	434.9	410.6	169.1	160.0	117.4	123.4	131.7	139.3	72.6	79.9	13.4	13.4	939.2	926.6
Dividend income	2.0	1.8	2.3	0.6	0.4	0.7	0.0	0.1	0.3	0.2	0.0	0.0	5.1	3.4
Net trading and fair value result	79.7	83.1	99.9	81.2	11.6	9.6	4.1	38.8	20.4	24.1	2.6	2.9	218.2	239.6
Net result from equity method investments	0.0	0.0	0.8	0.2	9.9	6.9	0.0	0.0	0.4	2.2	0.0	-0.2	11.1	9.2
Rental income from investment properties & other operating leases	31.9	29.9	4.9	5.5	1.8	1.8	0.6	0.8	0.2	31.7	0.0	0.0	39.5	69.7
General administrative expenses	-721.8	-662.2	-369.3	-331.9	-249.0	-266.2	-180.1	-175.8	-143.7	-183.5	-36.5	-38.6	-1,700.4	-1,658.2
thereof depreciation and amortization	-88.0	-82.5	-49.5	-39.5	-47.0	-45.1	-19.3	-19.8	-9.8	-33.9	-2.2	-2.3	-215.8	-223.2
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	8.2	5.3	3.2	-0.1	2.0	1.3	0.0	-3.6	0.2	1.5	0.0	0.0	13.7	4.5
Net impairment loss on financial assets not measured at fair value through profit or loss	-140.1	-135.4	-454.3	-999.1	-47.2	-51.4	-201.3	-152.2	-159.2	-155.3	-9.6	-15.7	-1,011.7	-1,509.0
Other operating result	1.5	-21.9	-70.3	-117.1	-47.1	-44.2	-136.7	-431.3	-13.2	-6.0	-0.1	-1.3	-265.8	-621.9
Levies on banking activities	0.0	0.0	0.0	0.0	-41.2	-31.5	-103.2	-94.2	0.0	0.0	0.0	0.0	-144.5	-125.7
Pre-tax result from continuing operations	695.8	635.1	-3.5	-715.9	231.1	233.0	-83.0	-320.6	18.6	56.2	2.2	-5.1	861.2	-117.3
Taxes on income	-140.0	-124.1	123.4	59.7	-50.4	-54.2	-6.5	-10.0	-3.2	-8.9	-0.5	-2.3	-77.1	-139.8
Net result for the period	555.8	511.1	119.9	-656.2	180.8	178.7	-89.5	-330.6	15.4	47.3	1.8	-7.3	784.1	-257.1
Net result attributable to non-controlling interests	3.9	4.9	5.0	-42.1	0.0	0.0	0.0	0.0	5.3	14.7	0.3	-1.9	14.5	-24.4
Net result attributable to owners of the parent	551.9	506.2	114.9	-614.1	180.7	178.7	-89.5	-330.6	10.1	32.6	1.4	-5.4	769.6	-232.7
Operating income	1,547.9	1,449.4	887.1	732.2	572.3	593.5	435.1	442.3	334.5	399.3	48.5	50.5	3,825.4	3,667.3
Operating expenses	-721.8	-662.2	-369.3	-331.9	-249.0	-266.2	-180.1	-175.8	-143.7	-183.5	-36.5	-38.6	-1,700.4	-1,658.2
Operating result	826.1	787.1	517.8	400.3	323.3	327.3	255.0	266.5	190.8	215.9	12.0	11.9	2,125.0	2,009.1
Risk-weighted assets (credit risk, eop)	13,934	13,745	6,850	5,676	3,878	4,416	3,926	3,409	3,505	4,664	560	655	32,653	32,565
Average allocated capital	1,593	1,429	1,387	1,089	506	512	502	490	395	443	62	72	4,445	4,036
Cost/income ratio	46.6%	45.7%	41.6%	45.3%	43.5%	44.9%	41.4%	39.7%	43.0%	45.9%	75.3%	76.4%	44.4%	45.2%
Return on allocated capital	34.9%	35.8%	8.6%	-60.3%	35.7%	34.9%	-17.8%	-67.5%	3.9%	10.7%	2.8%	-10.2%	17.6%	-6.4%
Total assets (eop)	35,323	32,546	14,924	13,747	11,696	12,965	7,632	5,981	8,901	9,114	849	829	79,324	75,181
Total liabilities excluding equity (eop)	31,719	28,798	13,265	12,652	10,235	11,483	7,013	5,419	7,928	8,073	725	708	70,884	67,132
Impairments and risk provisions	-159.1	-128.1	-487.6	-1,083.2	-48.7	-60.8	-224.3	-161.3	-157.8	-157.4	-9.7	-16.8	-1,087.1	-1,607.6
Net impairment loss on loans and receivables from credit institutions and customers	-131.3	-135.5	-454.3	-999.1	-46.9	-51.4	-201.1	-152.2	-158.7	-154.4	-9.6	-15.7	-1,002.0	-1,508.3
Net impairment loss on other financial assets not measured at fair value through profit and loss	-8.8	0.1	0.0	0.0	-0.3	0.0	-0.2	0.0	-0.5	-0.9	0.0	0.0	-9.7	-0.7
Allocation/release of provisions for contingent credit risk liabilities	3.5	3.6	-28.2	-4.0	-2.2	-6.0	-5.9	1.3	1.8	-0.3	0.2	-0.5	-30.8	-5.9
Impairments from Goodwills	0.0	0.0	-2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.2	0.0
Net impairment loss on other non financial assets	-22.4	3.7	-2.9	-80.2	0.7	-3.5	-17.1	-10.4	-0.4	-1.8	-0.2	-0.6	-42.4	-92.7

*) figures reflect changed segment structure of Erste Group as of 1 January 2014 and the impact of IFRS 10 application as of 1 January 2014

38. Assets and liabilities denominated in foreign currencies and outside Austria and return on assets

Assets and liabilities not denominated in EUR were as follows:

in EUR million	Dec 13 restated	Dec14
Assets	75,072	65,673
Liabilities	61,545	51,031

The assets and liabilities outside Austria are given below:

in EUR million	Dec 13 restated	Dec 14
Assets	119,086	111,167
Liabilities	86,729	85,786

Return on assets:

Return on assets (net profit for the year divided by average total assets) was -0.33% at 31 December 2014 (0.10% in 31 December 2013 restated).

39. Leases

a) Finance leases

Finance leases receivables are included under the balance sheet item 'Loans and advances to customers'.

Erste Group leases both movable property and real estate to other parties under finance lease arrangements. For the finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of the minimum lease payments is as follows:

in EUR million	Dec 13 restated	Dec 14
Outstanding minimum lease payments	4,175	3,530
Non-guaranteed residual values	1,066	824
Gross investment	5,241	4,354
Unrealised financial income	645	514
Net investment	4,596	3,840
Present value of non-guaranteed residual values	722	721
Present value of minimum lease payments	3,874	3,119

The maturity analysis of gross investment in leases and present values of minimum lease payments under non-cancellable leases is as follows (residual maturities):

in EUR million	Gross investment		Present value of non-guaranteed residual values	
	Dec 13	Dec 14	Dec 13	Dec 14
< 1 year	932	703	703	541
1 -5 years	2,389	1,887	1,861	1,485
> 5 years	1,920	1,764	1,311	1,093
Total	5,241	4,354	3,874	3,119

In the reporting period, the total amount of accumulated allowance for uncollectable minimum lease payments, presented as risk provisions for loans and advances, was EUR 191 million (2013: EUR 291 million).

The total amount of contingent rents from finance leases recognised as income in the period was EUR 28 million (2013: EUR 33 million).

b) Operating leases

Under operating leases, Erste Group leases both real estate and movable property to other parties.

Operating leases from the view of Erste Group as lessor:

Minimum lease payments from non-cancellable operating leases were as follows:

in EUR million	Dec 13	Dec 14
< 1 year	24	61
1 -5 years	89	151
> 5 years	71	43
Total	184	255

The total amount of contingent rents from operating leases recognised as income in the period was EUR 9 million (2013: EUR 4 million).

Operating leases from the view of Erste Group as lessee:

Minimum lease payments from non-cancellable operating leases were as follows:

in EUR million	Dec 13	Dec 14
< 1 year	84	56
1 -5 years	124	126
> 5 years	35	73
Total	243	254

Lease payments from operating leases recognised as expense in the period amounted to EUR 88.1 million (2013: EUR 108.4 million).

40. Related-party transactions and principal shareholders

In addition to principal shareholders, Erste Group also defines as related parties subsidiaries that are not consolidated due to non-materiality and associates that are included in the consolidated financial statements by the equity method. Furthermore related parties consist of management and supervisory board members of Erste Group Bank AG. Moreover, Erste Group defines close family members of management and supervisory board members of Erste Group Bank AG, as well as companies over which management and supervisory board members of Erste Group Bank AG have control or significant influence, as other related parties.

Transactions between Erste Group Bank AG and fully consolidated companies are not recognised in the consolidated financial statements as they have been eliminated.

Principal shareholders

As of 31 December 2014, the foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (hereinafter referred to as the 'Privatstiftung') controlled a total of 30.04% interest in Erste Group Bank AG. 10.83% of the shares were held directly by the Privatstiftung. Indirect participation of the Privatstiftung was at 9.29%, thereof 5.41% of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the Privatstiftung; 0.80% of the shares held by Austrian savings banks, which act together with the Privatstiftung and are affiliated with Erste Group by virtue of the Haftungsverbund; and 3.08% of the shares held by other syndicate members. 9.92% interest in Erste Group Bank AG was controlled by the Privatstiftung based on syndication agreement with Caixabank S.A.. This makes the Privatstiftung the largest single investor in Erste Group Bank AG. Up to the repayment on 8 August 2013, the Privatstiftung held participation capital with a notional value of EUR 18.1 million in Erste Group Bank AG.

In 2014 (for the financial year 2013), the Privatstiftung received a dividend of EUR 12.9 million (2013: 30.5 million) on its stake in Erste Group Bank AG. Additionally, in 2014 (for the financial year 2013) the Privatstiftung received an aliquot dividend for participation capital of Erste Group Bank AG, which was repaid on 8 August 2013, in the amount of EUR 0.9 million (2013: EUR 1.4 million). The purpose of the Privatstiftung, to be achieved notably by way of the participating interest in Erste Group Bank AG, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. As of 31 December 2014, Theodora Eberle (chairwoman), Richard Wolf (vice chairman), Franz Karl Prüller and Bernhard Spalt were members of the Privatstiftung management board. The supervisory board of the Privatstiftung had seven members at the end of 2014, one of whom is also member of the supervisory board of Erste Group Bank AG.

Under article 15.1 of the articles of association, for the duration of its assumption of liability for all current and future debts in the event of default on payment by the company, the Privatstiftung is entitled, pursuant to Section 92 (9) of the Austrian Banking Act, to delegate up to one-third of the supervisory board members to be elected at the Annual General Meeting. Until now, the Privatstiftung has not exercised this right.

As of 31 December 2014, Erste Group had in relation to the Privatstiftung accounts payable of EUR 262.6 million (2013: EUR 49.9 million) and accounts receivable of EUR 26.5 million (2013: EUR 48.7 million). In addition, standard derivative transactions for hedging purposes were in place between Erste Group and the Privatstiftung as of the end of 2014, namely interest rate swaps with caps in the notional amount of EUR 282.0 million (2013: EUR 282.0 million). As of the end of 2014, the Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 0.2 million (2013: EUR 5.2 million), and Erste Group held debt securities issued by the Privatstiftung in the amount of EUR 3.7 million (2013: EUR 7.0 million).

In 2014, the interest income of Erste Group for the reporting period amounted to EUR 12.5 million (2013: EUR 13.2 million) while the interest expenses amounted to EUR 8.6 million (2013: EUR 8.7 million), resulting from the said accounts receivable and accounts payable as well as derivative transactions and debt securities.

As of 31 December 2014, Caixabank S.A., which is based in Barcelona, Spain, held a total of 42,634,248 (2013: 39,195,848) Erste Group Bank AG shares, equivalent to 9.92% (2013: 9.12%) of the share capital of Erste Group Bank AG. Juan Maria Nin who resigned as deputy chairman and CEO of Caixabank S.A. as of 30 June 2014 also stepped down as member of the Erste Group Bank AG Supervisory Board on 11 December 2014. In his place, Antonio Massanell Lavilla (deputy chairman of Caixabank S.A.), was invited to join the supervisory board of Erste Group Bank AG as guest member.

In addition, the shareholders' agreement between Caixabank S.A. and the Erste Foundation, which had been in effect since 2009, was renewed in December 2014 (Preferred Partnership Agreement). On the basis of this agreement, Caixabank S.A. joined the ranks of the core shareholders, which include Erste Foundation as well as the savings banks, their foundations as well as Wiener Städtische Wechselseitige Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group. As member of this syndicate, Caixabank S.A. will abide by the recommendations of the Erste Foundation when electing new supervisory board members. In addition, Caixabank S.A. is granted the right to nominate a second Supervisory Board member at the 2015 Shareholders Meeting.

In 2014 (for the financial year 2013), Caixabank S.A received a dividend of EUR 7.8 million (2013: EUR 15.7 million) on its stake in Erste Group Bank AG. Additionally, in 2014 (for the financial year 2013) Caixabank S.A. received an aliquot dividend for participation capital of Erste Group Bank AG, which was repaid on 8 August 2013, in the amount of EUR 0.7 million (2013: EUR 1.2 million).

Balances and off-balance exposures with related parties

	As of Dec 13		As of Dec 14	
	Investments in subsidiaries - not consolidated	Investments in associates and Investments in joint ventures	Investments in subsidiaries - not consolidated	Investments in associates and Investments in joint ventures
Selected financial assets	750	560	459	609
Equity instruments	171	12	128	11
Debt securities	0	39	0	40
Loans and advances	579	509	330	559
Loans and advances with credit institutions	578	504	32	98
Loans and advances with customers	1	4	298	461
of which: Impaired selected assets	15	13	9	0
Selected financial liabilities	-109	-100	-42	-98
Deposits	-109	-100	-42	-98
Deposits from banks	-1	-6	-1	-7
Deposits from customers	-107	-95	-41	-91
Debt securities issued	0	0	0	0
Loan commitments, financial guarantees and other commitments given [notional amount]	501	109	134	186
of which: defaulted	1	5	1	7
Loan commitments, financial guarantees and other commitments received	0	0	0	0
Derivatives [notional amount]	45	0	50	0
Allowances and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	5	0	10	3

Transactions with related parties are done at arm's length.

Remuneration of management and supervisory board members

The remuneration paid to the management board in 2014 is as follows:

Fixed salaries

in EUR thousand	1-12 13	1-12 14
Andreas Treichl	1,262	1,334
Franz Hochstrasser	750	792
Herbert Juranek	631	667
Gernot Mittendorfer	633	633
Andreas Gottschling	211	633
Total	3,488	4,059

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

In 2014, performance-linked remuneration and share-equivalents were paid out or vested for the financial year 2013 and previous years.

Performance-linked remuneration

	1-12 13				1-12 14			
	for 2012		for previous years ²		for 2013		for previous years ²	
	cash	share-equivalents	cash	share-equivalents	cash	share-equivalents	cash	share-equivalents
	in EUR thousand	in units	in EUR thousand	in units	in EUR thousand	in units ¹	in EUR thousand	in units ¹
Andreas Treichl	393	24,898	65	2,182	225	10,881	122	5,502
Franz Hochstrasser	203	12,449	43	1,423	167	6,918	71	3,083
Herbert Juranek	120	7,013	17	563	56	2,365	33	1,498
Gernot Mittendorfer	129	7,539	0	0	69	3,145	17	1,005
Andreas Gottschling	0	0	0	0	30	1,285	0	0
Total	845	51,899	125	4,168	548	24,594	243	11,088

1) Share-equivalents indicated here have been firmly awarded based on the previous year's result. Pay outs will be made in the year 2015 after the one-year vesting period. Share-equivalents were valued at the average weighted daily share price of Erste Group Bank AG of the year 2014 in the amount of EUR 22.25 per share.

2) No performance-linked remuneration was paid out to members of the management board for the financial year 2011.

Long-Term Incentive-Programme

Currently, one long-term incentive programme (LTI), which is based on changes in the share price of Erste Group Bank AG versus a group of peers and the Dow Jones Euro Stoxx Banks, is still active. It was started on 1 January 2010 but did not result in any payment in 2014.

The item 'Other remuneration' comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remunerations in kind.

Other remuneration

in EUR thousand	1-12 13	1-12 14
Andreas Treichl	471	498
Franz Hochstrasser	177	260
Herbert Juranek	99	92
Gernot Mittendorfer	98	88
Andreas Gottschling	26	76
Total	871	1,015

The remuneration of the members of the management board represented 0.3% (2013: 0.3%) of the total personnel expenses of Erste Group.

In 2014, EUR 2.1 million (2013: EUR 3.1 million) was paid in cash and 2,572 share-equivalents (2013: 1,066 share-equivalents) were assigned to former members of the management bodies and their dependents.

Principles governing the pension scheme for management board members

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

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

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

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

Breakdown of supervisory board remuneration

in EUR thousand	1-12 13	1-12 14
Supervisory board compensation	638	537
Meeting fees	195	233
Total	833	770

In 2014, the members of the supervisory board of Erste Group Bank AG were paid EUR 770 thousand (2013: EUR 833 thousand) for their board function. The following members of the supervisory board received the following remuneration for their board function in fully consolidated subsidiaries of Erste Group Bank AG: Friedrich Rödler EUR 13,750, Georg Winckler EUR 5,250, John James Stack EUR 40,000 and Gunther Griss EUR 52,800.

No other legal transactions were concluded with members of the supervisory board.

Pursuant to the decision at the Annual General Meeting of 21 May 2014, the supervisory board adopted in its constituent meeting the following remuneration structure for the financial year 2013:

in EUR	Number	Allowance per person	Total allowance
Chairman	1	100,000	100,000
Vice Chairmen	2	75,000	150,000
Members	7	50,000	350,000
Total	10		600,000

The supervisory board consists of at least three and a maximum of twelve members elected by the annual general meeting. Unless the annual general meeting has determined a shorter term of office for individual, several or all supervisory board members on the occasion of their appointment, the term of office of the members of the supervisory board ends at the close of the annual general meeting that resolves on the approvals of their actions for the fourth business year following their election; re-election is permitted. In addition, membership of the supervisory board ceases upon death, revocation, resignation or in the event of a defined impediment. Revocation requires a majority of three quarter of valid votes cast and a majority of three quarters of the registered capital represented at the time of the resolution.

Banking transactions with key management employees and persons and companies related to key management employees

As of the end of 2014, loans and advances granted to members of the management board and supervisory board totalled EUR 1,371 thousand (2013: EUR 1,017 thousand). Deposits of members of the management board and supervisory board at Erste Group amounted to EUR 7,287 thousand in total. As of 31 December 2014, members of the management and supervisory board held bonds issued by Erste Group in the amount of EUR 377 thousand. Loan commitments and financial guarantees, issued in favour of members of the management and supervisory board totalled EUR 1,398 thousand as of the end of 2014. From banking transactions with members of the management board and supervisory board Erste Group received interest income and fee income of EUR 28 thousand in total, and paid interest expense of EUR 28 thousand.

Loans and advances to close family members of key management employees and companies over which key management employees have control or significant influence (hereinafter referred to "other related parties") totalled EUR 782 thousand as of 31 December 2014. As of the end of 2014, deposits of other related parties at Erste Group amounted to EUR 6,857 thousand in total. As of 31 December 2014 other related parties held bonds issued by companies of Erste Group in the total amount of EUR 8,825 thousand. Loan commitments and

financial guarantees, issued in favour of other related parties totalled EUR 154 thousand as of the end of 2014. From banking transactions with other related parties Erste Group received interest income and fee income of EUR 22 thousand in total, and paid interest expense of EUR 35 thousand.

The applicable interest rates and other terms (maturity dates and collateral) represent market conditions.

Other transactions with companies related to key management employees

Companies related to members of the supervisory board invoiced the following amounts from other transactions:

In the year 2014, Griss & Partner Rechtsanwälte, a law firm in which Gunter Griss is a senior partner, invoiced the companies of Erste Group for a total of EUR 18 thousand for legal representation and consultancy contracts.

41. Collateral

The following assets were pledged as security for liabilities:

in EUR million	Dec 13	Dec 14
Loans and advances to credit institutions	5	199
Loans and advances to customers	16,013	16,943
Trading assets	1,692	25
Financial assets - at fair value through profit or loss	51	12
Financial assets - available for sale	1,754	1,713
Financial assets - held to maturity	3,030	2,723
Total	22,545	21,614

The financial assets pledged as collateral consist of loan receivables, bonds and other interest-bearing securities.

Collaterals were pledged as a result of repo transactions, refinancing transactions with the European Central Bank, loans backing issued mortgage bonds and other collateral arrangements.

The fair value of collateral received that may be repledged or resold even without the security provider's default was EUR 1,371 million (2013: EUR 3,708 million). Collateral with a fair value of EUR 180 million (2013: EUR 94 million) was resold. Collateral with fair value of EUR 32 million was repledged. The bank is obliged to return the resold and repledged collateral.

42. Transfers of financial assets – repurchase transactions and securities lending

in EUR million	Dec 13		Dec 14	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements				
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	0	0	0	0
Trading assets	871	875	5	5
Financial assets - at fair value through profit or loss	0	0	0	0
Financial assets - available for sale	1,372	1,367	1,285	1,025
Financial assets - held to maturity	1,326	1,358	424	434
Total - repurchase agreements	3,569	3,600	1,714	1,464
Securities lendings				
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	0	0	0	0
Trading assets	15	0	4	0
Financial assets - at fair value through profit or loss	0	0	0	0
Financial assets - available for sale	69	0	179	0
Financial assets - held to maturity	0	0	0	0
Total - securities lendings	84	0	182	0
Total	3,653	3,600	1,896	1,464

The transferred financial instruments consist of bonds and other interest-bearing securities.

The total amount of EUR 1,896 million (2013: EUR 3,653 million) represents the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledge. Liabilities from repo transaction in the amount of EUR 1,464 million (2013: 3,600 million), which are measured at amortised cost, represent an obligation to repay the borrowed funds.

The following table shows the fair values of the transferred assets and associated liabilities that have recourse only to the transferred assets. In the case of Erste Group these assets and liabilities relate to repo transactions.

in EUR million	Dec 13			Dec 14		
	Fair value of transferred assets	Fair value of associated liabilities	Net position	Fair value of transferred assets	Fair value of associated liabilities	Net position
Loans and advances to credit institutions	0	0	0	0	0	0
Loans and advances to customers	0	0	0	0	0	0
Trading assets	871	875	-4	5	5	0
Financial assets - at fair value through profit or loss	0	0	0	0	0	0
Financial assets - available for sale	1,372	1,367	5	1,305	955	350
Financial assets - held to maturity	1,355	1,358	-3	479	434	45
Total	3,598	3,600	-2	1,789	1,394	394

43. Offsetting

Financial assets subject to offsetting and potential offsetting agreements in 2014

in EUR million	Gross amounts in balance sheet	Amounts set off against financial liabilities	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received	Non-cash financial collateral received	
Derivatives	10,045	0	10,045	5,655	2,378	0	2,012
Reverse repurchase agreements	1,435	0	1,435	0	0	1,074	360
Total	11,480	0	11,480	5,655	2,378	1,074	2,373

Financial liabilities subject to offsetting and potential offsetting agreements in 2014

in EUR million	Gross amounts in balance sheet	Amounts set off against financial assets	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral pledged	Non-cash financial collateral pledged	
Derivatives	7,914	0	7,914	5,655	605	0	1,655
Repurchase agreements	1,464	0	1,464	0	0	1,431	33
Total	9,379	0	9,379	5,655	605	1,431	1,688

Financial assets subject to offsetting and potential offsetting agreements in 2013 restated

in EUR million	Gross amounts in balance sheet	Amounts set off against financial liabilities	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received	Non-cash financial collateral received	
Derivatives	8,286	0	8,286	5,083	1,659	0	1,544
Reverse repurchase agreements	3,892	0	3,892	0	11	3,649	233
Total	12,178	0	12,178	5,083	1,670	3,649	1,776

Financial liabilities subject to offsetting and potential offsetting agreements in 2013 restated

in EUR million	Gross amounts in balance sheet	Amounts set off against financial assets	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral pledged	Non-cash financial collateral pledged	
Derivatives	6,731	0	6,731	5,083	647	0	1,001
Repurchase agreements	3,600	0	3,600	0	0	3,591	8
Total	10,331	0	10,331	5,083	647	3,591	1,009

Erste Group employs repurchase agreements and master netting agreements as a means of reducing credit risk of derivative and financing transactions. They qualify as potential offsetting agreements.

Master netting agreements are relevant for counterparties with multiple derivative contracts. They provide for the net settlement of all the contracts in the event of default of any counterparty. For derivatives transactions the values of assets and liabilities that would be set off as a result of master netting agreements are presented in the column Financial instruments. If the net position is further secured by cash collateral the effect is disclosed in the columns Cash collateral received/pledged respectively.

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities remain in the hands of the lender as collateral in case the borrower defaults on fulfilling any of its obligations. Offsetting effects from repurchase agreements are disclosed in the column Non-cash financial collateral received / pledged respectively. Collateral is presented at the fair value of the transferred securities. However, if the fair value of collateral exceeds the carrying amount of the receivable/liability from the repo transaction the value is capped at the level of the carrying amount. Remaining position may be secured by cash collateral.

Cash and non-cash financial collateral involved in these transactions is restricted from being used it by the transferor during the time of the pledge.

44. Risk management

44.1) Risk policy and strategy

It is a core function of every bank to take risks in a conscious and selective manner and to manage such risks professionally. Erste Group's proactive risk policy and strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity.

Erste Group uses a risk management and control system that is proactive and tailored to its business and risk profile. It is based on a clear risk strategy that is consistent with the Group's business strategy and focused on early identification and management of risks and trends. In addition to meeting the internal goal of effective and efficient risk management, Erste Group's risk management and control system has been developed to fulfil external and, in particular, regulatory requirements.

Given Erste Group's business strategy, the key risks for Erste Group are credit risk, market risk, liquidity risk, and operational risk. Erste Group also focuses on managing macroeconomic risks as well as concentrations within and across risk types. In addition, Erste Group's control and risk management framework takes into account a range of other significant risks faced by the banking Group. The bank always seeks to enhance and complement existing methods and processes, in all areas of risk management.

The year 2014 was marked by the clear strategy of the management for the implementation of adequate measures to extensively clean up the bank's portfolio. These included higher risk provisions in Romania accompanied by an accelerated reduction of non-performing loans as well as higher expenses disclosed under other operating result in Hungary as a result of the new consumer loan law. Furthermore, the key focus was also on the Asset Quality Review and associated stress test carried out by the European Central Bank (ECB) and the European Banking Authority (EBA), which Erste Group has comfortably passed. In addition, emphasis was put on strengthening risk governance and ensuring compliance with new regulatory requirements.

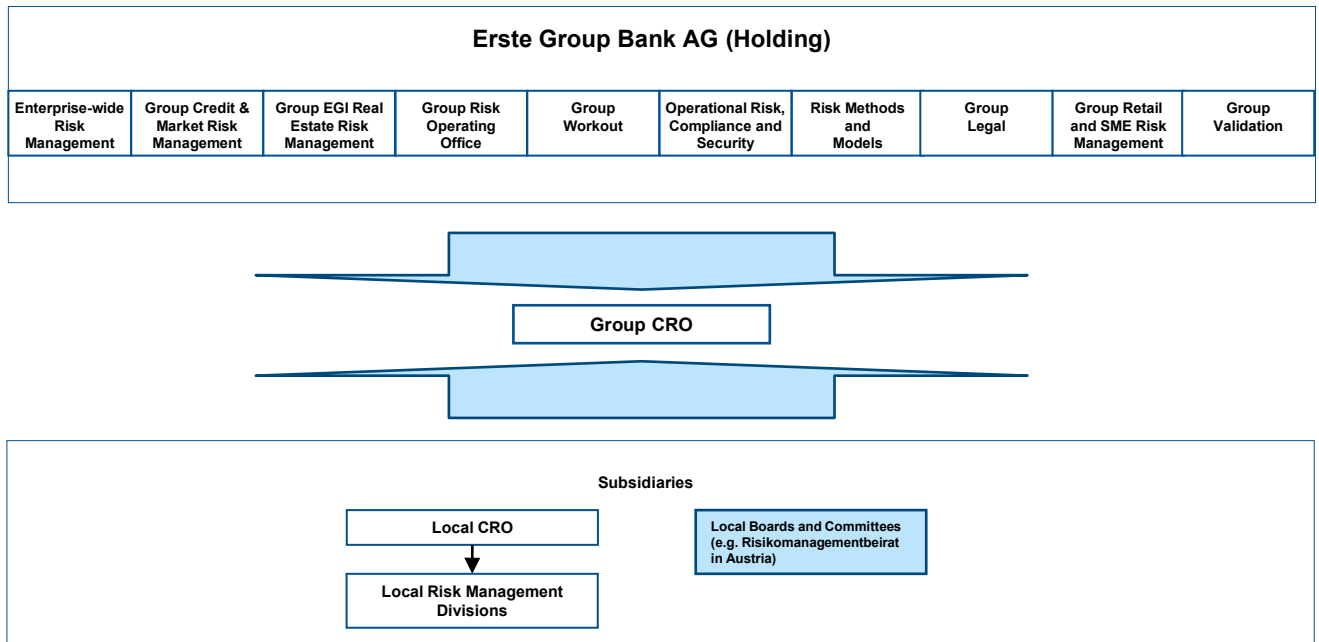
Erste Group Bank AG uses the Internet as the medium for publishing disclosures of Erste Group under Article 434 Capital Requirements Regulation (CRR). Details are available on the website of Erste Group at www.erstegroup.com/ir.

44.2) Risk management organisation

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

The following chart presents an overview of Erste Group's risk management, risk governance and responsibilities.

Risk management organisation



Overview of risk management structure

The management board, and in particular Erste Group's chief risk officer (Group CRO), perform the oversight function within Erste Group's risk management structure. Risk control and risk steering within Erste Group are performed based on the business strategy and risk appetite approved by the management board. The Group CRO, working together with the chief risk officers of the subsidiaries, is responsible for the implementation of and adherence to the risk control and risk management strategies across all risk types and business lines.

The management board and, in particular, the Group CRO ensure the availability of appropriate infrastructure and staff as well as methods, standards and processes to that effect; the actual identification, measurement, assessment, approval, monitoring, steering and limit setting for the relevant risks are performed at the operating entity level within Erste Group.

At Group level, the management board is supported by several divisions established to perform operating risk control functions and exercise strategic risk management responsibilities.

The following risk management functions report directly to the Group CRO:

- _ Enterprise-wide Risk Management
- _ Group Credit & Market Risk Management
- _ Group EGI Real Estate Risk Management
- _ Group Risk Operating Office
- _ Group Workout
- _ Operational Risk, Compliance and Security
- _ Risk Methods and Models
- _ Group Legal
- _ Group Retail and SME Risk Management
- _ Group Validation
- _ Local Chief Risk Officers

Enterprise-wide Risk Management

Enterprise-wide Risk Management (ERM) has been established to enable an increased focus on holistic risk management and provide comprehensive, cross-risk oversight to further enhance Group-wide risk portfolio steering.

It drives key strategic cross-risk initiatives to establish greater cohesion between defining the risk strategy incl. risk appetite, limit steering and implementing the risk strategy. ERM works with all risk functions and key divisions to strengthen risk oversight Group-wide, covering credit, liquidity, market and business risk. This division is responsible for the Group's Internal Capital Adequacy Assessment Process (ICAAP) including internal and external stress testing, and furthermore for the proper risk-weighted assets (RWA) calculation, the Group-wide risk portfolio steering in view of material risks, risk planning and risk input into capital planning, and risk appetite and limit management.

Group Credit & Market Risk Management

Group Credit & Market Risk Management is the operative risk management function for medium-sized and large customers as well as for institutional clients and counterparties. This division ensures that only credit and market risk in line with the risk appetite, the risk strategy and pertinent limits set by ERM is taken onto the books of Erste Group. It consists of five departments: Group Corporate Analysis, Credit Underwriting Corporates, Credit Underwriting Financial Institutions & Sovereigns, Corporate Portfolio Monitoring & Management, and Market Risk Control & Infrastructure.

Group Corporate Analysis performs corporate analyses for Erste Holding and Erste Group Immortent (EGI) and is responsible for the Group financial analysis tool SABINE. Credit Underwriting Corporates is responsible for the Group-wide underwriting of credit risks associated with major corporate customers, and the management of credit applications and training activities. It is the first-line risk management unit for all corporate business booked in the Holding and the second-line risk management unit for corporate business booked in Erste Group's subsidiaries and the 'Haftungsverbund'. Corporate Portfolio Monitoring & Management is responsible for corporate risk policies and procedures along with the credit process and the operative monitoring of credit risk. Credit Underwriting Financial Institutions & Sovereigns is responsible for ratings, analysis, all operative credit risk management responsibilities (risk assessments, approval of transactions and limits, policies, watch lists and early warning systems) and the workout of financial institutions (banks, insurance companies and funds), regional governments, sovereigns, countries and structured products. Market Risk Control & Infrastructure is responsible for the Group-wide risk and limit monitoring of all trading book positions, the end-of-day market data process that ensures validated market data for the valuation of all capital market products, independent price verification, the market conformity check of new trades, as well as the maintenance and support of all tools used by Market Risk Management.

Group EGI Real Estate Risk Management

The Group EGI Real Estate Risk Management department is responsible for risk management in the commercial real estate segment of Erste Group and in Erste Group Immortent (EGI). The department is responsible for the real estate risk policies and operations, the continuous advancement of real estate credit risk management in Erste Group and for the support of credit underwriting in operative activities, specifically the development and optimisation of the credit application and approval process, the setup and implementation of appropriate standards, and operating instructions across the Group.

Group Risk Operating Office

This function provides the infrastructure and general management across all functions within the risk organisation and is responsible for the budget and staff of the entire CRO division.

In addition, the focus of the Group Risk Operating Office is on long-term infrastructure enhancements, project implementation, risk data and reporting, and regulatory management.

In detail, the covered business areas comprise the following units: Risk Data and Reporting, including Credit Risk Reporting, Risk Information Management and Market & Liquidity Risk Reporting, as well as Project Hub, Group Risk Regulatory Management and the Group Risk Administration Office.

Group Workout

The Group Workout function has Group-wide responsibility for clients allocated to the business segments Large Corporates, Commercial Real Estate and Other Corporate that are rated substandard or non-performing or are specifically defined as workout clients. It undertakes the direct workout management function for corporate workout clients of Erste Holding and additionally performs the (second-line) risk management function for corporate workout clients of the subsidiaries exceeding local management's authorisation level.

Based on regulatory requirements, Group Workout is responsible for generating Group-wide workout policies, the designing of guidelines for the preparation of local workout reports and the preparation of Holding workout reports. Additionally, the division organises expert training programmes as well as workshops to ensure knowledge transfer across Erste Group entities.

Another important task of the division is its responsibility for Group-wide collateral management. This includes the setup of standards for collateral management, the framework for a Group collateral catalogue, and principles for collateral evaluation and revaluation.

Operational Risk, Compliance and Security

This division is responsible for the management of operational risks, compliance risks and security issues. The business area comprises Group Operational Risk Management, Group Compliance and Group Security Management.

Compliance risks are those of legal or regulatory sanctions, material financial loss or loss of reputation that Erste Group might suffer as a result of failure to comply with laws, regulations, rules and standards. Core competencies in the handling of compliance risks are exercised by Group Compliance in the context of the Austrian Securities Supervision Act, the Austrian Stock Exchange Act and the Austrian Banking Act, as well as the respective community law.

The Group Security Management unit protects and preserves the safety and security of bank personnel and assets (incl. information assets). Group Security Management is responsible for the definition of security standards, quality assurance and the monitoring and further development of security-related issues at Erste Group. Group Operational Risk Management acts as the central and independent risk control department for identification, measurement and quantification of operational risk within Erste Group.

Risk Methods and Models

The Risk Methods and Models division is responsible for specific aspects of the management of credit, market and liquidity risk, especially the modelling aspects. This area provides adequate risk measurement methodologies and tools as well as an appropriate framework for relevant risk policy and control.

The Credit Risk Methods and Models unit, which is structured on the basis of competence centers, covers the topics of rating models, risk parameters and other credit risk methods.

The responsibilities covered by Market and Liquidity Risk Methods and Models are the development of risk models related to Basel 3 Pillar 1 (specifically the calculation of the regulatory capital requirements for market risk in the trading book) and Pillar 2 capital requirements as well as other internal steering purposes.

Group Legal

Group Legal, with its two sub-units Banking & Corporate Legal and Markets Legal, acts as the central legal department of the Holding. Group Legal provides legal support and counsel for the management board, the business units and the central functions, and mitigates legal risk; it also attends to legal sourcing and to dispute resolution and litigation.

Legal support for the business activities of the banking subsidiaries in the respective jurisdictions in which they operate is performed by separate locally established legal departments. While reporting to the local management, typically the local CRO, the heads of the local legal department also report to the head of Group Legal in a functional dotted line matrix responsibility.

Group Retail and SME Risk Management

The core task of Group Retail and SME Risk Management is to ensure oversight and steering for the retail and SME loan portfolios across the Group.

The Group Retail Risk Policy and Collections department defines the retail lending framework across the lending cycle including portfolio management and early and late collection. This unit ensures implementation of these policies through a regular gap analysis process. The department also reviews and assesses local entities' new lending products and lending criteria changes to ensure that these are in line with Group-wide retail lending policies. In addition, this department ensures know-how transfer on retail risk management issues across Group countries.

The Group Retail Risk Analytics department defines standardised reporting requirements and ensures regular, consistent retail risk management information. Based on this information, the underlying retail lending portfolio dynamics are analysed and, if required, risk mitigation is identified. This department also provides in-depth, ad hoc analyses to support senior management in risk management decisions. Group Retail and SME Risk Control is a newly established department that is currently extending the existing retail risk management oversight and steering tools to the SME portfolio in local entities.

Group Validation

The objective of Group Validation is to comply with regulatory requirements regarding the performance of validations (initial and annual) concerning all the models and methodologies (internal or from external vendors) for credit ratings, scorecards and parameters on the one hand and concerning models and methodologies for derivatives, securities valuation, asset liability management (ALM), pricing and internal steering in Erste Group on the other hand.

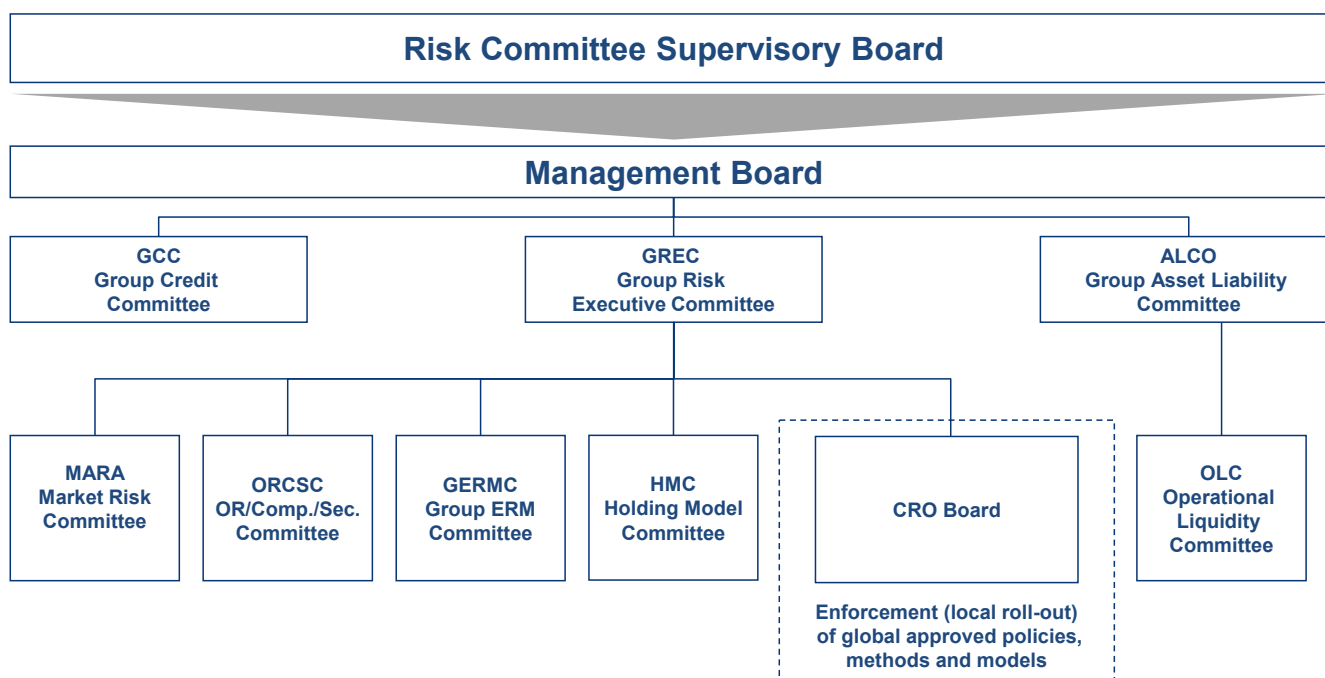
Within the structure, the Group Credit Risk Validation unit is responsible for the independent review of credit risk methods and models developed internally by Erste Group as well as externally purchased ones. This unit validates all new models prior to initiation of the internal approval process and supports the local banks by ensuring prudential validation of all models. It also performs all the annual validations, ensuring that the decreed requirements for all the validations are met.

In addition to the risk management activities performed by Erste Group Bank AG in its role as the holding company, each subsidiary also has risk control and management units, the responsibilities of which are tailored to the local requirements and which are headed by the respective entity's chief risk officer.

Group co-ordination of risk management activities

The management board deals regularly with risk issues of all risk types in its regular board meetings. Actions are discussed and taken when needed.

Furthermore, certain cross-divisional committees were established with the purpose of carrying out risk management activities in Erste Group. They are shown in the following diagram:



The **Risk Management Committee of the Supervisory Board** is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the management board according to the Credit Risk Approval Authority Regulations. It is charged with granting approval to large exposures pursuant to Article 392 CRR, if such a claim is equal to or exceeds 10% of the eligible capital of a credit institution. Within the competence assigned to it, the Committee may grant advance approvals to the extent permitted by law.

In addition it is responsible for supervising the risk management of Erste Group Bank AG. The Risk Management Committee meets regularly. As the central risk control body, the Risk Management Committee is regularly briefed on the risk status across all risk types.

The **Group Credit Committee (GCC)** is responsible for deciding on transactions according to the current credit risk approval regulations. The GCC decides on credit risk exposures totalling up to EUR 300 million per group of connected clients. Exposures in excess of

EUR 300 million must be decided on by the Risk Management Committee on the basis of a recommendation by the Group Credit Committee. The GCC is headed by the Group CRO. Further members are the board member responsible for Corporates & Markets, the head of Group Credit & Market Risk Management, the head of Group Workout and the head of the requesting business line. Each local bank has its local credit committee established along the same principles.

The **Group Risk Executive Committee** (GREC) is the central forum for all joint resolutions and acknowledgements in the Erste Group Holding CRO division across all its departments and staff units. Its purpose is the division-wide co-ordination of all the holding's risk management functions. It discusses and decides on key risk management issues and topics, in particular it defines the division's strategy and ensures implementation of common risk management standards (e.g. pertaining to processes, systems, reporting and governance).

The **CRO Board** is responsible for the consistent co-ordination and implementation of risk management activities within Erste Group, including the 'Haftungsverbund'. The CRO Board is made up of the Group CRO and the chief risk officers of the subsidiaries within Erste Group. Chaired by the Group CRO, the CRO Board has responsibility for Group-wide co-ordination of risk management and for ensuring uniformity of risk management standards across Erste Group.

The **Holding Model Committee** (HMC) is the elementary steering and control body for the model development and validation process. All new models and model changes and risk parameters in the Group, as well as Group-wide methodology standards, are reviewed by the Holding Model Committee and require its approval.

The **Group ERM Committee** (GERMC) is the sole forum for all joint decisions and acknowledgements in the Enterprise-wide Risk Management (ERM) area across all Erste Group entities and Erste Group Bank AG. Its purpose is the Group-wide co-ordination of the ERM functions, in particular on ICAAP and economic capital, stress testing, RWA, risk appetite and limit steering. Furthermore, the GERMC discusses other key ERM topics and ensures the Group-wide implementation of common ERM standards.

The objectives of the **Operational Risk, Compliance and Security Committee** (ORCSC) are to reduce operational risk at Group level through decisions on risk mitigation measures and the monitoring of these risks, and to handle substantial operational risks within the Group. The ORCSC has the authority to propose risk mitigation measures at Group level to the CRO Board and management board and consists of the following permanent members: Group Head Operational Risk, Compliance and Security, Head Operational Risk Management, Head Group Compliance and Head Group Security Management. The ORCSC chair (Group Head ORCS) regularly reports to the management board and supervisory board.

The **Market Risk Committee** (MARA) is the main steering body for market risk of trading book related issues of Erste Group. The Market Risk Committee meets quarterly, approves Group-wide market risk limits and elaborates on the current market situation. The members of the MARA are the Group CRO, the board member heading the Group Corporates and Markets division and the Group CFO, as well as the heads of the units Group Capital Markets, Group ALM, Group Credit & Market Risk Management, Risk Methods and Models, Enterprise-wide Risk Management and Group Validation.

The **Group Asset/Liability Committee** (ALCO) manages the consolidated Group balance sheet, focusing on trade-offs between all affected consolidated balance sheet risks (interest rate, exchange rate and liquidity risks), and takes care of the setting of Group standards and limits for the members of Erste Group. In addition, it approves policies and strategies for controlling liquidity risk, interest rate risk (net interest income), capital management of the banking book, as well as examining proposals, statements and opinions of ALM, risk management, controlling and accounting functions. The approved investment strategy complies with the guidelines agreed with Risk Management.

The **Operational Liquidity Committee** (OLC) is responsible for the day-to-day management of the global liquidity position of Erste Group. It analyses the liquidity situation of Erste Group on a regular basis and reports directly to the ALCO.

It also proposes measures to the ALCO within the scope of the management policies and principles laid down in the Liquidity Risk Management Rule Book. Furthermore, members of the Group OLC are points of contact for other departments or Erste Group members for liquidity-related matters. Each local bank has its own local operational liquidity committee.

In addition, committees are established at local level, such as the 'Risikomanagementbeirat' in Austria. This implements a common risk approach within the Austrian members of Erste Group (i.e. Erste Bank Oesterreich and the savings banks).

44.3) Regulatory topics

Regulatory scope of consolidation and institutional protection scheme

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

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

Regulatory capital

Since 1 January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements are implemented within the European Union via the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR), as well as within the regulatory technical standards. Furthermore, the Austrian Banking Act applies in connection with the CRR. Erste Group applies these rules and calculates the capital ratios according to Basel 3, taking into consideration the Austrian transitional provisions which are laid down in the CRR 'Begleitverordnung', published by the Austrian regulator.

The disclosure requirements for the regulatory capital and regulatory capital requirements were published in the Official Journal of the European Union on 20 December 2013. Erste Group has adapted the charts accordingly and publishes the details of the regulatory capital and regulatory capital requirements in the Note 51. Positions that are not relevant for Erste Group or do not have any impact on the capital ratios are not shown.

Own funds under Basel 3 consist of common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 (T2). In order to determine the capital ratios, each respective capital component, after accounting for all the regulatory deductions and filters, is considered in relation to the total risk.

According to the final rules the minimum ratio for CET1 amounts to 4.5%, which can be increased based on the buffer regime according to CRD IV. The minimum capital requirement for tier 1 capital (CET1 plus AT1) and for total own funds are 6% and 8% respectively. According to the Austrian transitional provisions the minimum ratios for 2014 amount to 4% for CET1, 5.5% for tier 1 and 8% for total own funds. No additional capital buffers were required for the year-end 2014.

Leverage ratio

The leverage ratio represents the core capital (tier 1) in relation to the leverage exposure according to Article 429 CRR. Essentially, the leverage exposure represents the unweighted on- and off-balance-sheet positions considering valuation adjustments and risk adjustments as defined within the CRR.

In January 2014, the Basel Committee on Banking Supervision (BCBS) published the Basel 3 leverage ratio framework and disclosure requirements, which is a revised version of the global guideline on calculation and disclosure requirements for the leverage ratio. Based on this framework, the European Commission prepared a delegated regulation ((EU) 2015/62 of 10 October 2014), which was published in the Official Journal of the European Union on 17 January 2015.

The implementation of the revised requirements for calculation and disclosure of the leverage ratio within the European Union will take place in 2015. Erste Group will apply these regulations accordingly.

ECB Asset Quality Review and Stress Test

From 2013 to 2014 Erste Group participated in the Comprehensive Assessment of the European Central Bank (ECB). The Comprehensive Assessment was a financial health check of 130 banks in the euro area, covering approximately 82% of total bank assets. Erste Group passed the asset quality review and the stress test carried out within the scope of the Comprehensive Assessment.

Asset quality review

A phase-in CET1 ratio of 11.2% as at 31 December 2013 (Basel 3) was used as the reference point for the asset quality review. Aggregated adjustments due to the outcome of the AQR were mainly related to Romanian and Hungarian assets and amounted to 117 basis points, resulting in an AQR-adjusted phase-in CET1 ratio as at 31 December 2013 of 10.0%. The impact of the AQR for Erste Group is outlined in the chapter 'Credit risk' in section 'Non-performing credit risk exposure and credit risk provisions'.

Stress test (adverse scenario)

An AQR-adjusted phase-in CET1 ratio of 10% as at 31 December 2013 was used as the reference point for the stress test. In spite of severe macroeconomic stress test conditions the AQR and adverse scenario stress-test-adjusted CET1 ratio, according to the transitional provisions of Basel 3, amounted to 7.6% (minimum ratio of 5.5%). Even without the application of transitional Basel 3 rules, the adverse scenario stress-test-adjusted CET1 ratio (fully loaded CET1) was 6.8%.

AQR and stress test of Slovenská sporiteľňa

Erste Group's Slovak subsidiary Slovenská sporiteľňa was subject to a separate AQR and stress test and also successfully completed and passed the assessment: the AQR-adjusted phase-in CET1 ratio as at 31 December 2013: 19.5%, compared to a threshold of 8.0% the AQR ratio and adverse scenario stress-test-adjusted phase-in CET1 ratio: 19.5% (threshold: 5.5%) as of 31 December 2013.

The complete detailed results of all participating banks, including Erste Group, are publicly available and can be accessed via the ECB and EBA websites.

44.4) Group-wide risk and capital management

Overview

As in prior years, Erste Group's risk management framework has been continuously strengthened. In particular, Enterprise-wide Risk Management (ERM) has continued to strengthen its comprehensive framework. This includes as its fundamental pillar the Internal Capital Adequacy Assessment Process (ICAAP), as required under Pillar 2 of the Basel framework.

The ERM framework is designed to support the bank's management in managing the risk portfolios as well as the coverage potential to assure at all times adequate capital reflecting the nature and magnitude of the bank's risk profile. ERM is tailored to the Group's business and risk profile, and it reflects the strategic goal of protecting shareholders and senior debt holders while ensuring the sustainability of the organisation.

ERM is a modular and comprehensive management and steering system within Erste Group and is an essential part of the overall steering and management instruments. The ERM components necessary to ensure all aspects, in particular also to fulfil regulatory requirements, and moreover to provide an internal value added, can be clustered as follows:

- _ Risk appetite statement
- _ Portfolio & risk analytics including
 - _ Risk materiality assessment
 - _ Concentration risk management
 - _ Stress testing
- _ Risk-bearing capacity calculation
- _ Risk planning & forecasting including
 - _ Risk-weighted asset management
 - _ Capital allocation
- _ Recovery and resolution plans

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the ERM components serve to support the bank's management in pursuing its strategy.

Risk appetite

Erste Group defines its risk strategy and Risk Appetite Statement (RAS) through the annual strategic planning process to ensure appropriate alignment of risk, capital and performance targets. The Group RAS represents a strategic statement expressing the maximum level of risk that Erste Group is prepared to accept in order to deliver its business objectives. It consists of a set of key risk appetite measures providing quantitative direction for risk steering, from which a top-down boundary for target and limit setting is derived, creating a holis-

tic perspective on capital, funding and risk-return trade-offs, and qualitative statements in the form of key risk principles that form part of the strategic guidelines for managing risks. The key objective of RAS is to:

- _ ensure that Erste Group has sufficient resources to support business at any given point in time and absorb stress market events
- _ set boundaries of the Group's risk-return target setting
- _ preserve and promote the market's perception of the Group's financial strength and the robustness of its systems and controls

Key RAS measures include general indicators (i.e. capital, leverage, etc.) as well as indicators for credit (including FX lending), market operational and liquidity risk. To ensure that the RAS is operationally efficient, the indicators are classified as either targets, limits or principles, where the main differences are in the mechanisms triggered in case of a breach of the RAS.

Targets are in general derived as part of the planning process, where the final budget is aligned with the targets set. Trigger levels for RAS limits are set taking into consideration regulatory requirements and general expectations of a sustainable financial profile, which can vary over time driven by market conditions, peer profiles and shareholder perception. A significant deviation from a target or limit triggers management action, and a 'cure' plan for the next 12 months must be formulated. Regular reviews are performed and management reports are prepared in order to ensure effective RAS oversight and identify any excesses. Remediation measures must be taken to resolve any limit breach exceptions as soon as possible. Principles include qualitative strategic statements and are applied ex ante and operationalised, e.g. via strategies, guidelines and policies for managing risks.

In 2014, the RAS framework was further enhanced by broadening the scope to include additional risks (i.e. operational and reputational risk, etc.) and increasing the level of granularity by adding additional risk measures. Tighter limits and targets were defined, which serve capital and liquidity management in particular.

In 2014, the relevant RAS indicators developed within the tolerances defined in the Group RAS except for cost of risk and other operating expenses, which were affected by the developments in Romania and Hungary as well as the targeted management efforts to address these adverse developments, and a few breaches of the maximum lending limits for single-name concentrations, which were well covered by the strategic buffer established at Group level.

Portfolio and risk analytics

Erste Group uses dedicated infrastructure, systems and processes to actively identify, control and manage risks within the scope of the portfolio. Portfolio and risk analytics processes are designed to quantify, qualify and discuss risks in order to raise awareness to management in a timely manner.

Risk materiality assessment

The risk materiality assessment is an annual process with the purpose of systematically identifying new and assessing existing material risks for Erste Group. The process uses a combination of quantitative and qualitative factors in the assessment of each risk type.

This process represents the starting point of the ICAAP process, as identified material risk types need to be considered in the risk-bearing-capacity calculation. Insights generated by the assessment are used to improve risk management practices and further mitigate risks within the Group. The assessment also serves as an input for the design and definition of the Group's Risk Strategy and Risk Appetite Statement. Key outputs and recommendations of the risk materiality assessment are used in the scenario design and selection of the comprehensive and reverse stress tests.

Risk concentration analysis

Erste Group has implemented a process to identify, measure, control and manage risk concentrations. This process is essential to ensure the long-term viability of Erste Group, especially in times of adverse business environment and stressed economic conditions.

The risk concentration analysis at Erste Group covers credit risk, market risk, operational risk, liquidity risk and inter-risk concentrations. Identified risk concentrations are considered in the scenario design of the comprehensive stress test and measured under stressed conditions.

The output of the risk concentration analysis additionally contributes to the identification of material risks within the risk materiality assessment as well as to the Risk Appetite Statement and to the setting/calibration of Erste Group's limit system.

Stress testing

Modelling sensitivities of the Group's assets, liabilities and profit or loss provide management and steering impulses and help in optimising the Group's risk-return profile. The additional dimension of stress tests should help to factor in severe but plausible scenarios and provide further robustness to the measuring, steering and management system. Risk modelling and stress testing are vital forward-looking elements of the ICAAP. Finally, sensitivities and stress scenarios are explicitly considered within the Group's planning and budgeting process as well as in the risk-bearing capacity calculation and the setting of the maximum risk exposure limit.

Erste Group's most complex stress test is a scenario stress test that takes comprehensive account of the impact of various economic scenarios, including second-round effects on all risk types (credit, market, liquidity and operational) and in addition impacts on the associated volumes of assets and liabilities as well as on profit and loss sensitivities.

Erste Group has developed specific tools to translate macroeconomic variables (e.g. GDP, unemployment rate development) into risk parameters in order to support the stress testing process, which combines bottom-up and top-down approaches. In addition, Erste Group leverages the intimate knowledge of its professionals located in the different regions to further calibrate the model-based stress parameters. Special attention is given to take into account adequate granularity and special characteristics when defining the stress parameters (e.g. the particular developments in the respective region, industry, product type or segment).

Results from all of Erste Group's stress tests are assessed with regard to their explanatory power in order to decide on appropriate measures. All stress tests performed in the reporting period clearly indicated sufficient capital adequacy.

Erste Group additionally participated in the stress test exercise carried out by the European Central Bank (ECB) and the European Banking Authority (EBA). The results of these stress tests showed that Erste Group's regulatory capital was adequate.

Risk-bearing capacity calculation

The risk-bearing capacity calculation (RCC) defines the capital adequacy required by the ICAAP. Within the RCC, all material risks are quantified, aggregated and compared to the coverage potential and the bank's own funds. The integral forecast, risk appetite limit as well as a traffic light system support management in its discussions and decision processes.

The traffic light system embedded in Erste Group's RCC helps to alert the management in case there is a need to decide on, plan and execute actions either to replenish the capital base or to take measures for reducing the risk.

The management board and risk management committees are briefed on a quarterly basis in relation to the results of the capital adequacy calculation. The report includes movements in risks and available capital and coverage potential after consideration of potential losses in stress situations, the degree of the risk limit's utilisation and the overall status of capital adequacy according to the traffic light system. The Group Risk Report also includes a comprehensive forecast of risk-weighted assets and capital adequacy.

Besides the Pillar 1 risk types (credit, market and operational risks), in the context of Pillar 2, interest rate risks in the banking book, foreign exchange risks arising from equity investments, credit spread risks in the banking book, risks from foreign currency loans as well as business and strategic risks are explicitly considered within the economic capital requirement via internal models. During 2014 the utilisation of the economic capital was between 62% and 66%. The methodologies that are applied for the different risk types are diverse and range from historic simulations and other value at risk approaches to the regulatory approach for residual portfolios. Moreover, calculations for portfolios under the standard regulatory approach are extended by risk parameters from the internal ratings-based approach in order to give a better economic view.

In addition to the risk-bearing capacity calculation, liquidity, concentration and macroeconomic risks in particular are managed by means of a proactive management framework that includes forward-looking scenarios, stress testing, trigger levels and traffic light systems.

Based on Erste Group's business and risk profile, besides the three main types of banking risks – credit risk, market risk and operational risk – also risks from foreign currency loans as well as business and strategic risks are considered directly in the risk-bearing capital calculation. Credit risk accounts for approximately 71% of the total economic capital requirement. Reflecting Erste Group's conservative risk management policy and strategy, the Group does not offset diversification effects between these three risk types. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99.95% confidence level, which reflects the implied default risk consistent with a long-term credit rating of AA as well as Erste Group's conservative approach and high risk management standards.

The capital or coverage potential required to cover economic risks and unexpected losses is based on Basel 3 fully loaded regulatory own funds adapted by held-to-maturity reserves and the year-to-date profit. The coverage potential must be sufficient to absorb unexpected losses resulting from the Group's operations at any point in time.

Risk planning and forecasting

The responsibility for risk management within the Group and each subsidiary includes ensuring sound risk planning and forecasting processes. The forecasts determined by risk management are the result of close co-operation with all stakeholders in the Group's overall planning process, and in particular with Group Controlling, Asset Liability Management and the business lines. The risk planning and forecasting process includes both a forward- and backward-looking component, focusing on both portfolio and economic environment changes.

A particular role and forward-looking element is played by the rolling one-year forecast within the RCC which is vital in determining the trigger level of the traffic light system.

Risk-weighted asset management

As risk-weighted assets (RWA) determine the actual regulatory capital requirement of a bank and influence the capital ratio as a key performance indicator, particular emphasis is devoted to meeting targets and to the planning and forecasting capacity for this parameter. Insights from monthly RWA analyses are used to improve the calculation infrastructure, the quality of input parameters and data as well as the most efficient application of the Basel framework.

There is a process in place for tracking compliance with RWA targets, forecasting their future developments and thereby defining further targets. Deviations are brought to the attention of the board within a short time frame. In addition to discussions in the steering committee, the Group's management board is regularly informed about the current status, and findings are taken into account in the context of Erste Group's regular steering process. Furthermore, RWA targets are included in the Risk Appetite Statement.

Capital allocation

An important task integral to the risk planning process is the allocation of capital to entities, business lines and segments. This is done with close co-operation between Risk Management and Controlling. All insight from the ICAAP and controlling processes is used to allocate capital with a view to risk-return considerations.

Recovery and resolution plans

In compliance with the Austrian Banking Intervention and Restructuring Law (Bankeninterventions- und Restrukturierungsgesetz – BIRG) Erste Group is required to draw up recovery and resolution plans for potential crisis situations. In 2014, an updated Erste Group Recovery Plan and a Group Resolution Plan were submitted to the regulators.

The Group Recovery Plan identifies options for restoring financial strength and viability if Erste Group comes under severe economic stress. The plan specifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of scenarios including both idiosyncratic and market-wide stress.

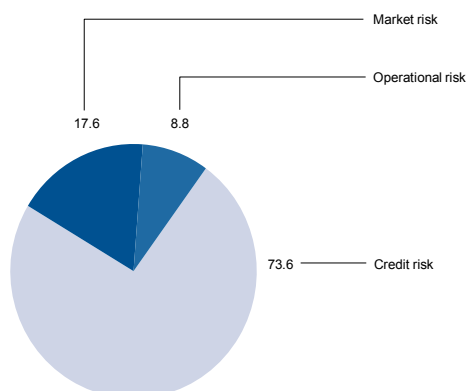
The Group Resolution Plan outlines possible resolution scenarios for Erste Group under the regime of the Bank Recovery and Resolution Directive (BRRD) approved by the European Parliament in April 2014.

As of 1 January 2015 the new Austrian Banking Recovery and Resolution Law (Bundesgesetz über die Sanierung und Abwicklung von Banken – BSAG) enters into force transposing the BRRD. In 2015, Erste Group is required to submit an updated Group Recovery Plan and to support the newly established resolution authorities in the drawing up of resolution plans.

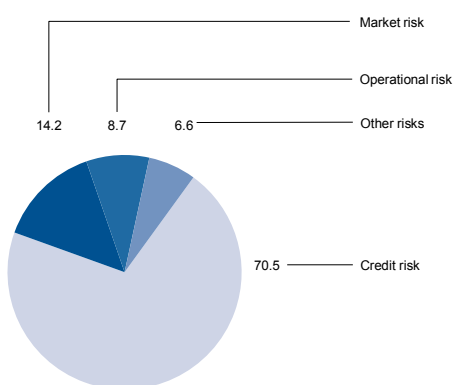
Erste Group's aggregate capital requirement by risk type

The following diagrams present the composition of the economic capital requirement according to type of risk as of 31 December 2013 and 31 December 2014 respectively:

Economic capital allocation in %, 31.12.2013



Economic capital allocation in %, 31.12.2014



Other risks include the risk from foreign currency loans and the business and strategic risk, which were taken into consideration for the first time as of 31 December 2014.

44.5) Credit risk

Definition and overview

Credit risk arises in Erste Group's traditional lending and investment businesses. It involves losses incurred as a result of default by borrowers and the need to set aside allowances as a result of the deteriorating credit quality of certain borrowers, as well as due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk, too, is recognised in the calculation of credit risk. Operative credit decisions are made locally by the credit risk management units in each of the banking subsidiaries, and by Group Credit & Market Risk Management and Group EGI Real Estate Risk Management at Group level. A detailed explanation of the role and responsibilities of Group Credit & Market Risk Management and Group EGI Real Estate Risk Management is covered in the section 'Risk management organisation'.

The central database used for credit risk management is the Group data pool. All data relevant to credit risk management, performance management and determination of risk-weighted assets and the regulatory capital requirement is regularly input into this database. Relevant subsidiaries not yet integrated into the Group data pool regularly deliver reporting packages.

The Group Risk Data and Reporting department uses the Group data pool for centralised credit risk reporting. This ensures centralised analysis and application of ratios according to unified methods and segmentation across the Erste Group as a whole. The credit risk reporting comprises regular reports on Erste Group's credit portfolio for external and internal recipients and permits continuous monitoring of credit risk developments, thus enabling management to take control measures. In-house recipients of these reports include, above all, the supervisory and management boards of Erste Group Bank AG, as well as the risk managers, business unit directors and internal audit staff.

The Credit Limit System organisational unit, which is part of Group Credit & Market Risk Management, is in charge of the operation, supervision and continuous technical improvement of a Group-wide online limit system for the control of counterparty risk arising from treasury transactions, as well as for the monitoring of credit risk from exposure to clients that fall into the Financial Institutions, Sovereigns and Large Corporates asset segments.

Internal rating system

Overview

Erste Group has business and risk strategies in place that govern policies for lending and credit approval processes. These policies are reviewed and adjusted regularly, at minimum on a yearly basis. They cover the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. Credit approval considers individual information on the credit-worthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of counterparty default risk within Erste Group is based on the customer's probability of default (PD). For each credit exposure and lending decision, Erste Group assigns an internal rating, which is a unique measure of the counterparty default risk. The internal rating of each customer is updated at least on an annual basis (annual rating review). Ratings of customers in weaker rating classes are reviewed with higher frequency.

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities. Internal ratings also determine the level of decision-making authority within Erste Group and the monitoring procedures for existing exposures. At a quantitative level, internal ratings influence the level of required risk pricing, risk allowances and risk-weighted assets under Basel 3 Pillar 1 or 2.

For entities of Erste Group that use the internal ratings-based (IRB) approach, internal ratings are a key input measure for the risk-weighted assets calculation. They are also used in the Group's assessment of the economic capital requirement according to Basel 3 Pillar 2. For these purposes, a distinct PD value is assigned to each rating grade for its IRB portfolios within a calibration process that is performed individually for each rating method. PD values reflect a 12-month probability of default based on long-term average default rates per rating grade. The bank assigns margins of conservatism to the calculated PDs.

Internal ratings take into account all available significant information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, flexibility in corporate financing, general company information and external credit history information, where available. For retail clients, internal ratings are based mainly on payment behaviour versus the bank and, where applicable, credit bureau information, supplemented with information provided by the respective client and general demographic information. Rating ceiling rules on credit quality are applied based on membership in a group of economically related entities and the country of main economic activity (applicable to cross-border financing facilities).

Internal specialist teams develop and improve internal rating models and risk parameters in cooperation with risk managers. Model development follows an internal Group-wide methodological standard and utilises relevant data covering the respective market. In this way, Erste Group ensures the availability of rating models with the best possible predictiveness across its core regions.

All rating models and their components (scorecards), whether retail or non-retail, are regularly validated by the central validation unit based on a Group-wide standard methodology. Validation uses statistical techniques to evaluate the accuracy of default prediction, rating stability, data quality, completeness and relevancy, and reviews the quality of documentation and degree of user acceptance. The results of this validation process are reported to the management and regulatory bodies. In addition to the validation process, the Group applies a regular monitoring process on the performance of rating tools, reflecting developments in new defaults and early delinquencies.

A Holding Model Committee is established as an elementary steering and control body for the model development and validation process. The Holding Model Committee reports to the Group Risk Executive Committee (GREC). All new models, model changes and risk parameters in the Group, as well as Group-wide methodology standards, are reviewed by the Holding Model Committee and require its approval. This ensures Group-wide integrity and consistency of models and methodologies. Besides its function for new or changed models and methodologies, the Holding Model Committee organises the Group-wide validation process, reviews validation results and improves remedial actions. All development and validation activities are coordinated by the Risk Methods and Models division with responsibility for validation being in the independent Group Validation unit.

Risk grades and categories

The classification of credit assets into risk grades is based on Erste Group's internal ratings. Erste Group uses two internal risk scales for risk classification: for customers that have not defaulted, a risk scale of 8 risk grades (for private clients) and 13 risk grades (for all other segments) is used. Defaulted customers are classified into a separate risk grade.

For the purpose of external reporting, internal rating grades of Erste Group are grouped into the following four risk categories:

Low risk: Typically regional customers with well-established and rather long-standing relationships with Erste Group or large internationally recognised customers. A strong and good financial position and no foreseeable financial difficulties. Retail clients having long relationships with the bank, or clients with a wide product pool use. No late payments currently or in the most recent 12 months. New business is generally done with clients in this risk category.

Management attention: Vulnerable non-retail clients that may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with limited savings or probable payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

Substandard: The borrower is vulnerable to negative financial and economic developments. Such loans are managed in specialised risk management departments.

Non-performing: One or more of the default criteria under Basel 3 are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. For purposes of analysing non-performing positions, Erste Group applies the customer view in Austria. Accordingly, if an Austrian customer defaults on one product then all of that customer's performing products are classified as non-performing. For corporate borrowers in CEE, the customer view is also applied. However, in the retail and SME segment in some subsidiaries in CEE, Erste Group uses the product view, so that only the product actually in default is counted as a non-performing exposure whereas the other products of the same customer are considered performing.

Credit risk review and monitoring

In order to manage the credit risk for large corporates, banks, sovereigns and country risk, credit limits are established to reflect the maximum exposure that Erste Group is willing to have towards a particular customer or group of connected clients. All credit limits and the transactions booked within the limits are reviewed at least once a year.

For smaller enterprises (micro) and retail customers, the monitoring and credit review are based on an automated early warning system. In retail risk management the following early warning signals indicate potential adverse portfolio developments if left unaddressed:

- _ deterioration of new business quality, and
- _ decreasing collections efficiency.

The early warning signals are monitored at Group level by Group Retail and SME Risk Management and locally by local Retail Risk/Collections Management. Adverse developments identified during the monitoring are discussed and the need for risk mitigation is addressed jointly.

Credit portfolio reports for asset classes and business lines are prepared on a regular basis. Watch-list meetings and remedial committee meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures to help a particular debtor avoid default.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

- _ Cash and cash balances – other demand deposits,
- _ Financial assets - held for trading (without equity instruments),
- _ Financial assets - at fair value through profit or loss (without equity instruments),
- _ Financial assets - available for sale (without equity instruments),
- _ Financial assets - held to maturity,
- _ Loans and Receivables,
- _ Derivatives - hedge accounting, and
- _ Off balance sheet credit risks (primarily financial guarantees and undrawn irrevocable credit commitments).

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet positions) without taking into account loan loss allowances, provisions for guarantees, any collateral held (including risk transfer to guarantors), netting effects, other credit enhancements or credit risk mitigating transactions. The figures as of 31 December 2013 that are mentioned in this chapter refer to values after restatement of the consolidated financial statements 2013; this restatement is outlined in the note 'Accounting and measurement methods'. Similarly, absolute and percentage differences between 31 December 2014 and 31 December 2013 correspond to values of the restated balance sheet as of 31 December 2013. Due to this restatement the total credit risk exposure increased by EUR 889 million.

The gross carrying amount of the credit risk exposure of Erste Group increased by 0.3% or EUR 654 million from almost EUR 210.3 billion as of 31 December 2013 to approximately EUR 210.9 billion as of 31 December 2014.

The following table shows the reconciliation between the gross carrying amount and the carrying amount of the separate components of the credit risk exposure as of 31 December 2014.

in EUR million	Gross carrying amount ¹	Allowances ¹	Carrying amount ¹
As of 31 December 2014			
Cash and cash balances – other demand deposits	859	0	859
Loans and receivables to credit institutions	7,461	18	7,442
Loans and receivables to customers	128,325	7,491	120,834
Financial assets – held to maturity	16,879	2	16,877
Financial assets – held for trading	3,173	0	3,173
Financial assets – at fair value through profit or loss	139	0	139
Financial assets – available for sale	21,102	0	21,102
Positive fair value of derivatives	10,045	0	10,045
Contingent liabilities ¹	22,963	241	-
Total	210,944	7,752	180,471
As of 31 December 2013			
Cash and cash balances – other demand deposits ²			
Loans and receivables to credit institutions	9,062	55	9,007
Loans and receivables to customers	127,698	7,753	119,945
Financial assets – held to maturity	17,781	2	17,779
Financial assets – held for trading	5,668	0	5,668
Financial assets – at fair value through profit or loss	322	0	322
Financial assets – available for sale	19,442	0	19,442
Positive fair value of derivatives	8,286	0	8,286
Contingent liabilities ¹	22,033	218	-
Total	210,291	8,028	180,448

1) Concerning contingent liabilities the gross carrying amount refers to the nominal value, and allowances refer to provisions for guarantees. A carrying amount is not presented in the case of contingent liabilities.

2) Cash and cash balances – other demand deposits were included in the position 'loans and receivables to credit institutions' until the financial year 2013

Breakdown of credit risk exposure

The credit risk exposure is presented below divided into the following classes:

- _ by Basel 3 exposure class and financial instrument,
- _ by industry and financial instrument,
- _ by risk category,
- _ by industry and risk category,
- _ by region and risk category,
- _ by business segment and risk category, and
- _ by geographical segment and risk category

Thereafter, a breakdown is presented of

- _ contingent liabilities by region and risk category,
- _ contingent liabilities by product,
- _ credit risk exposure to sovereigns by region and financial instrument, and
- _ credit risk exposure to institutions by region and financial instrument

This is followed by presentation of

- _ non-performing credit risk exposure by business segment and credit risk allowances,
- _ non-performing credit risk exposure by geographical segment and credit risk allowances,

- _ the composition of allowances,
- _ credit risk exposure by business segment and collateral,
- _ credit risk exposure by geographical segment and collateral,
- _ credit risk exposure by financial instrument and collateral, and
- _ credit risk exposure past due and not covered by specific allowances by financial instruments and collateralisation

and a breakdown of

- _ loans and receivables to customers by business segment and risk category,
- _ loans and receivables to customers by geographical segment and risk category,
- _ non-performing loans and receivables to customers by business segment and coverage by loan loss allowances and collateral,
- _ non-performing loans and receivables to customers by geographical segment and coverage by loan loss allowances and collateral,
- _ loans and receivables to customers by business segment and currency, and
- _ loans and receivables to customers by geographical segment and currency

Credit risk exposure by Basel 3 exposure class and financial instrument

The following table presents Erste Group's credit risk exposure broken down by Basel 3 exposure class and financial instrument as of 31 December 2014 and 31 December 2013 respectively. The assignment of obligors to Basel 3 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 3 exposure classes are presented in aggregated form in the table below and in other tables in the section 'Credit risk'. The aggregated exposure class 'sovereigns' also contains regional and local governments as well as public sector entities in addition to central governments, central banks, international organisations and multinational development banks. Institutions include banks and recognised investment firms.

Credit risk exposure by Basel 3 exposure class and financial instrument

Debt securities										
	Cash and cash balances – other demand deposits ¹	Loans and receivables to credit institutions	Loans and receivables to customers	Financial assets – held to maturity	Financial assets – held for trading	Financial assets – at fair value through profit or loss	Financial assets – available for sale	Positive fair value of derivatives	Contingent credit risk liabilities	Gross exposure
in EUR million	At amortised cost				Fair value					
As of 31 Dec 2014										
Sovereigns	0	2,277	6,676	15,302	2,471	12	15,674	352	1,230	43,994
Institutions	848	5,164	78	1,041	391	79	2,983	9,040	366	19,989
Corporates	11	20	57,752	536	311	47	2,445	650	15,938	77,710
Retail	0	0	63,819	0	0	0	0	4	5,428	69,251
Total	859	7,461	128,325	16,879	3,173	139	21,102	10,045	22,963	210,944
As of 31 Dec 2013										
Sovereigns		1,462	7,659	15,449	5,026	144	12,682	524	1,227	44,174
Institutions		7,585	57	1,476	384	112	4,033	7,184	420	21,250
Corporates		14	57,288	856	258	65	2,720	576	15,446	77,224
Retail		0	62,695	0	0	0	6	2	4,940	67,643
Total		9,062	127,698	17,781	5,668	322	19,442	8,286	22,033	210,291

1) Cash and cash balances – other demand deposits were included in the position 'loans and receivables to credit institutions' until the financial year 2013

Credit risk exposure by industry and financial instrument

The following table presents Erste Group's credit risk exposure by industry, broken down by financial instruments, as of each reporting date indicated.

Credit risk exposure by industry and financial instrument

in EUR million	Cash and cash balances – other demand deposits ¹	Loans and receivables to credit institutions	Loans and receivables to customers	Financial assets – held to maturity	Debt securities			Positive fair value of derivatives	Contingent credit risk liabilities	Gross exposure
					Financial assets – held for trading	Financial assets – at fair value through profit or loss	Financial assets – available for sale			
At amortised cost				Fair value						
As of 31 December 2014										
Agriculture and forestry	0	0	2,121	0	0	0	1	5	207	2,333
Mining	0	0	362	0	0	0	21	3	155	541
Manufacturing	0	0	9,322	31	55	0	156	97	4,086	13,747
Energy and water supply	0	0	3,148	37	19	0	54	112	781	4,152
Construction	0	0	6,208	242	8	0	373	8	2,933	9,772
Development of building projects	0	0	3,305	87	2	0	81	7	555	4,038
Trade	0	0	7,903	0	4	0	14	17	2,405	10,343
Transport and communication	0	0	3,539	222	121	0	733	30	943	5,587
Hotels and restaurants	0	0	3,642	8	0	0	2	11	469	4,131
Financial and insurance services	859	7,461	5,888	1,517	539	132	5,598	9,392	2,434	33,820
Holding companies	0	0	3,511	45	64	0	239	47	1,828	5,735
Real estate and housing	0	0	20,558	5	14	0	176	133	2,087	22,974
Services	0	0	4,895	37	56	0	146	34	1,293	6,461
Public administration	0	0	6,127	14,772	2,352	5	13,385	177	858	37,676
Education, health and art	0	0	2,623	0	0	0	1	15	310	2,948
Private households	0	0	51,807	0	0	0	0	4	3,377	55,187
Other	0	0	181	8	5	1	444	6	626	1,270
Total	859	7,461	128,325	16,879	3,173	139	21,102	10,045	22,963	210,944
As of 31 December 2013										
Agriculture and forestry		0	2,218	0	0	0	0	3	185	2,405
Mining		0	439	0	0	0	8	0	142	589
Manufacturing		0	9,316	44	6	1	129	93	3,701	13,290
Energy and water supply		0	2,797	39	28	0	65	41	978	3,948
Construction		0	6,743	292	43	0	317	10	2,952	10,358
Development of building projects		0	3,228	102	0	0	55	7	500	3,892
Trade		0	8,376	0	5	0	13	45	2,145	10,583
Transport and communication		0	3,516	187	48	0	583	21	1,079	5,434
Hotels and restaurants		0	3,822	9	0	0	2	30	457	4,320
Financial and insurance services		9,062	5,576	2,146	1,359	250	6,468	7,361	2,587	34,808
Holding companies		0	3,382	137	36	0	216	47	1,566	5,386
Real estate and housing		0	19,975	15	4	0	206	162	1,611	21,974
Services		0	4,743	24	49	0	109	32	1,255	6,213
Public administration		0	6,062	15,018	4,122	61	11,194	460	909	37,827
Education, health and art		0	2,646	0	0	0	1	12	282	2,941
Private households		0	51,266	0	0	0	0	1	3,166	54,434
Other		0	202	8	4	9	345	14	583	1,166
Total		9,062	127,698	17,781	5,668	322	19,442	8,286	22,033	210,291

1) Cash and cash balances – other demand deposits were included in the position 'loans and receivables to credit institutions' until the financial year 2013

Credit risk exposure by risk category

The following table presents the credit risk exposure of Erste Group divided by risk category as of 31 December 2014, compared with the credit risk exposure as of 31 December 2013.

Credit risk exposure by risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
Total exposure as of 31 Dec 2014	177,474	18,284	3,825	11,362	210,944
Share of credit risk exposure	84.13%	8.67%	1.81%	5.39%	
Total exposure as of 31 Dec 2013	173,192	19,969	4,302	12,828	210,291
Share of credit risk exposure	82.36%	9.50%	2.05%	6.10%	
Change in credit risk exposure in 2014	4,281	-1,685	-477	-1,465	654
Change	2.47%	-8.44%	-11.09%	-11.42%	0.31%

From 31 December 2013 to 31 December 2014, only the share of credit risk exposure in the best category increased, while it decreased in the remaining three categories. Non-performing claims as a percentage of total credit risk exposure (i.e. the non-performing exposure ratio, NPE ratio) fell from 6.1% to 5.4%. Of Erste Group's total credit risk exposure as of year-end 2014, more than 84% fell into the best risk category and approximately 9% was in the management attention category. The combined proportion of the two weakest risk categories declined by 95 basis points from nearly 8.2% to 7.2% of total credit risk exposure between 31 December 2013 and 31 December 2014.

Credit risk exposure by industry and risk category

The following table presents the credit risk exposure of Erste Group broken down by industry and risk category as of 31 December 2014 and 31 December 2013 respectively.

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 December 2014					
Agriculture and forestry	1,596	429	46	262	2,333
Mining	435	63	5	38	541
Manufacturing	10,283	1,559	282	1,623	13,747
Energy and water supply	3,442	435	79	196	4,152
Construction	6,856	1,367	133	1,416	9,772
Development of building projects	3,003	472	35	527	4,038
Trade	7,340	1,605	174	1,224	10,343
Transport and communication	4,785	450	69	283	5,587
Hotels and restaurants	2,230	967	208	726	4,131
Financial and insurance services	32,370	855	107	488	33,820
Holding companies	5,226	126	50	333	5,735
Real estate and housing	18,422	2,778	510	1,264	22,974
Services	4,933	976	133	420	6,461
Public administration	37,148	487	14	27	37,676
Education, health and art	2,129	453	43	323	2,948
Private households	45,024	5,849	1,265	3,049	55,187
Other	482	10	755	24	1,270
Total	177,474	18,284	3,825	11,362	210,944
As of 31 December 2013					
Agriculture and forestry	1,580	471	84	270	2,405
Mining	390	131	5	63	589
Manufacturing	9,373	1,763	451	1,702	13,290
Energy and water supply	3,225	410	96	217	3,948
Construction	6,878	1,471	198	1,811	10,358
Development of building projects	2,858	385	48	600	3,892
Trade	7,139	1,597	310	1,536	10,583
Transport and communication	4,438	588	73	335	5,434
Hotels and restaurants	2,318	908	230	864	4,320
Financial and insurance services	32,569	1,694	49	497	34,808
Holding companies	4,722	329	23	311	5,386
Real estate and housing	17,454	2,720	556	1,244	21,974
Services	4,684	895	170	464	6,213
Public administration	37,224	548	32	22	37,827
Education, health and art	2,065	449	62	365	2,941
Private households	43,383	6,281	1,362	3,408	54,434
Other	472	42	623	29	1,166
Total	173,192	19,969	4,302	12,828	210,291

Credit risk exposure by region and risk category

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

The following table presents the credit risk exposure of Erste Group divided by region as of 31 December 2014 and 31 December 2013 respectively.

Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 December 2014					
Core markets	145,678	16,445	3,358	10,148	175,629
Austria	78,523	8,542	1,554	3,121	91,741
Croatia	6,889	1,234	339	1,584	10,045
Romania	11,234	1,960	465	2,309	15,967
Serbia	706	313	81	175	1,275
Slovakia	14,838	775	242	581	16,436
Czech Republic	28,309	2,562	426	1,025	32,322
Hungary	5,180	1,059	252	1,352	7,843
Other EU	24,954	1,262	376	695	27,287
Other industrialised countries	3,928	92	17	80	4,117
Emerging markets	2,914	485	74	439	3,911
South-Eastern Europe/CIS	1,340	394	73	407	2,214
Asia	1,068	32	1	14	1,115
Latin America	102	21	0	4	127
Middle East/Africa	404	38	0	13	455
Total	177,474	18,284	3,825	11,362	210,944
As of 31 December 2013					
Core markets	144,071	17,981	3,918	11,591	177,560
Austria	75,710	8,225	1,599	3,289	88,824
Croatia	6,448	1,440	476	1,538	9,902
Romania	10,729	3,080	704	3,346	17,860
Serbia	731	327	45	139	1,242
Slovakia	13,640	879	269	509	15,299
Czech Republic	29,635	2,695	532	1,098	33,959
Hungary	7,177	1,334	292	1,671	10,474
Other EU	23,681	1,195	296	865	26,037
Other industrialised countries	2,867	153	30	132	3,182
Emerging markets	2,574	641	57	240	3,511
South-Eastern Europe/CIS	1,442	596	57	205	2,300
Asia	675	12	0	17	704
Latin America	67	2	0	3	72
Middle East/Africa	389	30	0	15	435
Total	173,192	19,969	4,302	12,828	210,291

Between 31 December 2013 and 31 December 2014, the credit risk exposure increased by EUR 654 million to approximately EUR 210.9 billion. While a growth of EUR 2.9 billion, or 3.3%, was experienced in Austria, it decreased by more than EUR 4.8 billion, or almost 5.5% in the CEE core markets. In the other EU member states (EU 28 excluding core markets), the credit risk exposure grew by EUR 1,250 million, or 4.8%, from EUR 26.0 billion to EUR 27.3 billion between the two balance sheet dates. An increase could be observed as well in other industrialised countries (+ EUR 935 million) and in emerging markets (+ EUR 400 million). In total, the countries of Erste Group's core market and the EU accounted for more than 96% of credit risk exposure as of 31 December 2014. At less than 1.9%, the share of emerging markets remained of minor importance.

Russia and Ukraine do not belong to the core markets of Erste Group and, as part of emerging markets, are included in the region 'South-Eastern Europe/CIS'. Due to the deteriorating fundamentals the credit risk exposure was reduced in both markets during the year 2014.

In Ukraine the credit risk volume decreased from EUR 470 million in December 2013 to EUR 404 million in December 2014. Corporate and commercial real estate customers accounted for the bulk of the exposure. There was no exposure to the central government. The allowances for credit losses were raised from EUR 62 million to EUR 151 million during 2014. Of the total credit risk exposure as of year-end 2014, borrowers resident in Ukraine accounted for EUR 150 million (2013: EUR 217 million) and Ukrainian debtors domiciled

outside of Ukraine accounted for EUR 254 million (2013: EUR 253 million). Of the claims on borrowers in Ukraine, EUR 0.8 million (2013: EUR 1.6 million) were secured by guarantees issued by foreign guarantors. Taking into consideration these adjustments, the net exposure towards obligors in Ukraine decreased from EUR 216 million to EUR 148 million during the year 2014.

In Russia, the credit risk exposure declined from EUR 225 million as of 31 December 2013 to EUR 178 million as of 31 December 2014. The majority of the credit risks consisted of claims on big commercial banks. As of year-end 2014, the allowances for credit risks amounted to EUR 16 million (2013: EUR 4 million). Of the total credit risk exposure, Russian borrowers domiciled outside Russia accounted for EUR 15 million (2013: EUR 25 million), and receivables of EUR 64 million (2013: EUR 72 million) was covered by guarantees issued by foreign guarantors. Taking into consideration these adjustments, the net exposure towards obligors in Russia decreased by EUR 29 million to EUR 99 million during the year 2014.

As of year-end 2014, the credit risk exposure to Greek borrowers, including the Greek government, amounted to EUR 21 million (2013: EUR 4 million).

Credit risk exposure by reporting segment and risk category

The segment reporting of Erste Group is based on the matrix organisation by business segment as well as by geographical segment. The geographical segmentation follows the country markets in which Erste Group operates and the locations of the banking and other financial institutions participations. The following tables show the credit risk exposure of Erste Group broken down by reporting segments and risk category as of 31 December 2014 and 31 December 2013 respectively.

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 December 2014					
Retail	42,679	4,853	1,178	2,963	51,674
Small and Medium-sized Enterprises	20,176	2,908	402	2,341	25,826
Asset/Liability Management and Local Corporate Center	29,072	226	219	67	29,585
Savings Banks	43,570	6,806	974	2,530	53,879
Large Corporates	14,860	1,253	108	1,352	17,573
Commercial Real Estate	5,861	1,546	464	2,001	9,872
Other Corporate	2,947	283	37	87	3,355
Group Markets	16,935	320	25	3	17,282
Group Corporate Center	1,375	88	417	18	1,899
Total	177,474	18,284	3,825	11,362	210,944
As of 31 December 2013					
Retail	41,264	4,994	1,244	3,487	50,989
Small and Medium-sized Enterprises	22,620	3,845	639	3,553	30,657
Asset/Liability Management and Local Corporate Center	27,428	429	126	30	28,013
Savings Banks	42,451	6,670	1,022	2,681	52,824
Large Corporates	10,826	896	266	653	12,642
Commercial Real Estate	6,309	1,780	580	2,210	10,879
Other Corporate	3,232	455	78	189	3,955
Group Markets	17,864	279	30	3	18,176
Group Corporate Center	1,197	620	317	22	2,156
Total	173,192	19,969	4,302	12,828	210,291

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 December 2014					
Austria	105,421	11,355	1,893	5,238	123,908
Erste Bank Oesterreich & Subsidiaries	32,588	2,817	449	1,115	36,970
Savings Banks	43,570	6,806	974	2,530	53,879
Other Austria	29,264	1,732	469	1,593	33,059
Central and Eastern Europe	62,702	6,757	1,515	6,064	77,037
Czech Republic	28,811	2,173	393	843	32,220
Romania	9,833	1,837	408	2,210	14,288
Slovakia	12,403	577	218	489	13,687
Hungary	4,171	784	194	1,161	6,310
Croatia	6,926	1,156	294	1,279	9,653
Serbia	559	230	7	83	879
Other	9,350	172	417	60	9,999
Total	177,474	18,284	3,825	11,362	210,944
As of 31 December 2013					
Austria	102,356	10,902	2,015	5,603	120,876
Erste Bank Oesterreich & Subsidiaries	31,423	2,447	400	1,143	35,413
Savings Banks	42,451	6,670	1,022	2,681	52,824
Other Austria	28,482	1,785	593	1,778	32,638
Central and Eastern Europe	62,162	8,355	1,969	7,202	79,688
Czech Republic	30,174	2,353	464	874	33,865
Romania	8,979	2,624	659	3,168	15,431
Slovakia	11,015	661	245	453	12,374
Hungary	5,064	1,111	235	1,425	7,834
Croatia	6,402	1,365	357	1,195	9,319
Serbia	528	241	10	86	865
Other	8,675	712	318	22	9,727
Total	173,192	19,969	4,302	12,828	210,291

Contingent liabilities by region and risk category

The following table presents the credit risk exposure of Erste Group's off-balance-sheet items broken down by region and risk category, as well as by product, as of 31 December 2014 and 31 December 2013 respectively.

Contingent liabilities by region and risk category in 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 December 2014					
Core markets	17,710	1,733	617	354	20,414
Austria	11,462	903	518	187	13,070
Croatia	652	98	15	23	788
Romania	926	270	41	56	1,292
Serbia	121	15	1	0	137
Slovakia	1,291	35	15	67	1,408
Czech Republic	2,860	314	26	14	3,213
Hungary	397	99	2	7	505
Other EU	1,580	88	152	29	1,849
Other industrialised countries	270	8	0	0	278
Emerging markets	295	85	12	30	421
South-Eastern Europe/CIS	174	61	12	30	276
Asia	84	4	0	0	88
Latin America	1	18	0	0	19
Middle East/Africa	36	2	0	0	38
Total	19,855	1,914	781	413	22,963

As of 31 December 2013					
Core markets	16,590	2,109	650	411	19,760
Austria	10,704	751	546	197	12,199
Croatia	539	98	27	26	690
Romania	889	858	13	106	1,866
Serbia	98	8	0	0	107
Slovakia	1,196	34	12	52	1,294
Czech Republic	2,772	308	50	23	3,152
Hungary	392	52	1	7	452
Other EU	1,419	160	12	35	1,626
Other industrialised countries	169	4	1	0	174
Emerging markets	330	133	3	7	473
South-Eastern Europe/CIS	226	131	3	7	367
Asia	18	1	0	0	19
Latin America	15	0	0	0	15
Middle East/Africa	71	0	0	0	72
Total	18,507	2,406	666	453	22,033

in EUR million	Dec 2013	Dec 2014
Financial guarantees	6,887	6,862
Irrevocable commitments	15,146	16,101
Total	22,033	22,963

Credit risk exposure to sovereigns by region and financial instrument

The following table shows Erste Group's credit risk exposure to sovereigns broken down by region and financial instrument as of 31 December 2014 and 31 December 2013 respectively. The assignment of obligors to sovereigns is based on Basel 3 exposure classes.

Credit risk exposure to sovereigns by region and financial instrument

in EUR million	Cash and cash balances – other demand deposits ¹	Loans and receivables to credit institutions	Loans and receivables to customers	Debt securities					Positive fair value of derivatives	Contingent credit risk liabilities	Gross exposure
				Financial assets – held to maturity	Financial assets – held for trading	Financial assets – at fair value through profit or loss	Financial assets – available for sale				
As of	At amortised cost			Fair value							
31 December 2014											
Core markets	0	1,501	6,291	14,361	2,289	12	12,412	261	1,187	38,315	
Austria	0	0	3,748	3,313	187	1	4,986	27	857	13,119	
Croatia	0	597	1,279	183	266	0	571	0	15	2,910	
Romania	0	1	25	1,941	852	0	1,412	0	126	4,358	
Serbia	0	0	17	64	88	0	23	0	6	197	
Slovakia	0	0	254	3,524	203	0	2,016	17	8	6,022	
Czech Republic	0	0	637	4,627	312	12	3,340	193	172	9,292	
Hungary	0	904	332	709	382	0	64	24	2	2,417	
Other EU	0	28	58	914	135	0	2,715	90	3	3,945	
Other industrialised countries	0	740	0	0	9	0	392	0	0	1,141	
Emerging markets	0	8	327	27	37	0	154	0	40	594	
South-Eastern Europe/CIS	0	0	193	24	23	0	149	0	40	430	
Asia	0	0	127	3	0	0	0	0	0	130	
Latin America	0	3	0	0	0	0	2	0	0	5	
Middle East/Africa	0	5	7	0	14	0	3	0	0	29	
Total	0	2,277	6,676	15,302	2,471	12	15,674	352	1,230	43,994	
As of											
31 December 2013											
Core markets		804	7,307	14,643	4,821	139	10,116	522	1,125	39,476	
Austria		48	3,419	3,077	3	1	4,541	100	720	11,909	
Croatia		690	1,185	94	200	0	496	0	15	2,680	
Romania		0	1,226	2,351	976	5	1,166	0	225	5,949	
Serbia		65	31	53	28	0	15	0	1	193	
Slovakia		0	357	3,656	297	28	1,645	16	6	6,006	
Czech Republic		0	610	4,576	1,344	105	2,017	406	151	9,209	
Hungary		0	478	835	1,974	0	236	0	7	3,530	
Other EU		0	38	788	189	6	2,220	0	2	3,242	
Other industrialised countries		650	0	0	0	0	196	0	0	845	
Emerging markets		9	314	18	16	0	151	1	101	610	
South-Eastern Europe/CIS		0	196	18	8	0	146	0	101	469	
Asia		0	109	0	0	0	2	0	0	111	
Latin America		3	0	0	0	0	0	0	0	4	
Middle East/Africa		6	9	0	8	0	3	1	0	27	
Total		1,462	7,659	15,449	5,026	144	12,682	524	1,227	44,174	

¹) Cash and cash balances – other demand deposits were included in the position 'loans and receivables to credit institutions' until the financial year 2013

Credit risk exposure to institutions by region and financial instrument

The following table presents Erste Group's credit risk exposure to institutions broken down by region and financial instrument as of 31 December 2014 and 31 December 2013 respectively. The assignment of obligors to institutions is based on Basel 3 exposure classes.

Credit risk exposure to institutions by region and financial instrument

in EUR million	Cash and cash balances – other demand deposits ¹	Loans and receivables to credit institutions	Loans and receivables to customers	Debt securities				Positive fair value of derivatives	Contingent credit risk liabilities	Gross exposure
				Financial assets – held to maturity	Financial assets – held for trading	Financial assets – at fair value through profit or loss	Financial assets – available for sale			
At amortised cost				Fair value						
As of 31 December 2014										
Core markets	320	1,173	58	503	238	31	789	636	177	3,927
Austria	237	611	28	130	222	29	486	473	134	2,351
Croatia	2	79	4	0	0	0	0	0	0	86
Romania	37	67	0	240	0	0	223	1	0	569
Serbia	4	1	0	0	0	0	0	0	0	5
Slovakia	0	109	0	19	0	0	43	8	26	206
Czech Republic	40	234	0	114	12	1	37	123	15	576
Hungary	0	72	26	0	4	0	0	32	2	135
Other EU	235	2,856	0	454	141	42	1,997	8,149	95	13,968
Other industrialised countries	261	105	15	84	11	7	196	253	6	938
Emerging markets	32	1,031	4	0	0	0	1	1	88	1,156
South-Eastern Europe/CIS	1	45	4	0	0	0	0	0	25	75
Asia	29	716	0	0	0	0	0	1	27	773
Latin America	2	50	0	0	0	0	1	0	0	52
Middle East/Africa	1	220	0	0	0	0	1	0	36	257
Total	848	5,164	78	1,041	391	79	2,983	9,040	366	19,989
As of 31 December 2013										
Core markets		2,791	52	745	218	38	1,536	492	277	6,148
Austria		579	29	238	217	36	805	344	191	2,439
Croatia		90	9	0	0	0	0	1	11	111
Romania		248	0	3	0	0	0	8	58	316
Serbia		0	0	0	0	0	0	0	0	0
Slovakia		97	0	19	0	0	67	11	2	197
Czech Republic		1,098	0	485	0	2	664	125	14	2,387
Hungary		679	13	0	0	0	0	3	2	698
Other EU		3,822	0	640	139	54	2,296	6,403	56	13,410
Other industrialised countries		272	0	81	27	20	192	287	16	896
Emerging markets		700	4	10	0	0	10	2	70	796
South-Eastern Europe/CIS		73	4	0	0	0	1	0	22	100
Asia		454	0	10	0	0	0	2	18	484
Latin America		1	0	0	0	0	0	0	0	1
Middle East/Africa		172	0	0	0	0	9	0	30	211
Total		7,585	57	1,476	384	112	4,033	7,184	420	21,250

1) Cash and cash balances – other demand deposits were included in the position 'loans and receivables to credit institutions' until the financial year 2013

Non-performing credit risk exposure and credit risk provisions

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection 'Internal rating system'. Credit risk provisions include specific and collective allowances and provisions for guarantees.

Credit risk allowances (specific and collective allowances) and provisions for guarantees covered 68.2% of the reported non-performing credit risk exposure as of 31 December 2014. For the portion of the non-performing credit risk exposure that is not covered by allowances, Erste Group assumes there are sufficient levels of collateral and expected other recoveries.

In the 12 months ended 31 December 2014, the non-performing credit risk exposure decreased by EUR 1,465 million, or greater than 11.4%, from more than EUR 12.8 billion as of 31 December 2013 to less than EUR 11.4 billion as of 31 December 2014. The reduction in credit risk provisions was significantly smaller: the credit risk allowances and provisions for guarantees decreased by EUR 277 million, or 3.5%, from more than EUR 8.0 billion as of 31 December 2013 to almost EUR 7.8 billion as of 31 December 2014. These movements resulted in an increase by 5.6 percentage points, from 62.6% to 68.2%, in the coverage of the non-performing credit risk exposure by credit risk provisions.

The following tables show the coverage of the non-performing credit risk exposure across the reporting segments by credit risk provisions (without taking into consideration collateral) as of 31 December 2014 and 31 December 2013 respectively. The differences in provisioning levels for the segments result from the risk situation in the respective markets, different levels of collateralisation, as well as the local legal environment and regulatory requirements.

The non-performing exposure ratio (NPE ratio) is calculated by dividing non-performing credit risk exposure by total credit risk exposure. The non-performing exposure coverage ratio (NPE coverage ratio) is calculated by dividing the credit risk provisions by non-performing credit risk exposure. Collateral or other recoveries are not taken into account.

Non-performing credit risk exposure by business segment and credit risk provisions

	Gross exposure		Total credit risk provisions	NPE ratio	NPE coverage (excl. collateral)
in EUR million	Non-performing	Gross exposure			
As of 31 December 2014					
Retail	2,963	51,674	2,378	5.7%	80.3%
Small and Medium-sized Enterprises	2,341	25,826	1,508	9.1%	64.4%
Asset/Liability Management and Local Corporate Center	67	29,585	26	0.2%	38.3%
Savings Banks	2,530	53,879	1,644	4.7%	65.0%
Large Corporates	1,352	17,573	970	7.7%	71.8%
Commercial Real Estate	2,001	9,872	1,156	20.3%	57.8%
Other Corporate	87	3,355	46	2.6%	52.6%
Group Markets	3	17,282	1	0.0%	35.2%
Group Corporate Center	18	1,899	23	1.0%	125.5%
Total	11,362	210,944	7,752	5.4%	68.2%
As of 31 December 2013					
Retail	3,487	50,989	2,376	6.8%	68.2%
Small and Medium-sized Enterprises	3,553	30,657	2,190	11.6%	61.6%
Asset/Liability Management and Local Corporate Center	30	28,013	18	0.1%	61.4%
Savings Banks	2,681	52,824	1,614	5.1%	60.2%
Large Corporates	653	12,642	476	5.2%	72.9%
Commercial Real Estate	2,210	10,879	1,217	20.3%	55.1%
Other Corporate	189	3,955	129	4.8%	68.4%
Group Markets	3	18,176	1	0.0%	18.2%
Group Corporate Center	22	2,156	8	1.0%	33.8%
Total	12,828	210,291	8,028	6.1%	62.6%

Non-performing credit risk exposure by geographical segment and credit risk provisions

	Gross exposure		Total credit risk provisions	NPE ratio	NPE coverage (excl. collateral)
in EUR million	Non-performing	Gross exposure			
As of 31 December 2014					
Austria	5,238	123,908	3,276	4.2%	62.5%
Erste Bank Oesterreich & Subsidiaries	1,115	36,970	736	3.0%	66.0%
Savings Banks	2,530	53,879	1,644	4.7%	65.0%
Other Austria	1,593	33,059	896	4.8%	56.2%
Central and Eastern Europe	6,064	77,037	4,415	7.9%	72.8%
Czech Republic	843	32,220	664	2.6%	78.8%
Romania	2,210	14,288	1,803	15.5%	81.6%
Slovakia	489	13,687	367	3.6%	75.0%
Hungary	1,161	6,310	744	18.4%	64.1%
Croatia	1,279	9,653	773	13.2%	60.4%
Serbia	83	879	64	9.4%	77.9%
Other	60	9,999	61	0.6%	102.8%
Total	11,362	210,944	7,752	5.4%	68.2%
As of 31 December 2013					
Austria	5,603	120,876	3,294	4.6%	58.8%
Erste Bank Oesterreich & Subsidiaries	1,143	35,413	719	3.2%	62.9%
Savings Banks	2,681	52,824	1,614	5.1%	60.2%
Other Austria	1,778	32,638	961	5.4%	54.0%
Central and Eastern Europe	7,202	79,688	4,727	9.0%	65.6%
Czech Republic	874	33,865	681	2.6%	77.9%
Romania	3,168	15,431	2,079	20.5%	65.6%
Slovakia	453	12,374	365	3.7%	80.4%
Hungary	1,425	7,834	890	18.2%	62.5%
Croatia	1,195	9,319	644	12.8%	53.9%
Serbia	86	865	67	10.0%	77.9%
Other	22	9,727	8	0.2%	35.9%
Total	12,828	210,291	8,028	6.1%	62.6%

The general principles and standards for credit risk provisions within Erste Group are described in internal policies.

The bank evaluates the need for credit risk provisions in line with regulatory and accounting standards and allocates them accordingly. Credit risk provisions are calculated

- _ for financial assets carried at amortised cost (loans and receivables, financial assets held to maturity) in accordance with IAS 39, and
- _ for contingent liabilities (financial guarantees, loan commitments) in accordance with IAS 37.

Credit risk provisions are created in a process performed on customer level. The process includes the identification of default and impairment and the type of assessment (individual or collective) to be applied. 'On customer level' means in this context that if one of the customer's exposures is classified as defaulted then typically all of this customer's exposures are classified as defaulted. Depending on the characteristics of the exposure and the respective expected cash flows (e.g. considering collateral), some exposures may not be impaired.

The bank distinguishes between

- _ specific allowances calculated for exposures to defaulted customers that are deemed to be impaired, and
- _ collective allowances (allowances for incurred but not reported losses) calculated for exposures to non-defaulted customers or defaulted customers that are not deemed to be impaired.

For the calculation of specific allowances, the discounted cash flow method is applied. This means that a difference between carrying amount and net present value (NPV) of the expected cash flows leads to an impairment and defines the amount of any allowance requirement. All estimated interest and redemption payments as well as estimated collateral recoveries and costs for selling and obtaining collateral are considered as expected cash flows. The effective interest rate is used as the discount rate in the calculation of the NPV of the expected cash flows.

The calculation of specific allowances is performed either on an individual basis or as a collective assessment (rule-based approach). In case of significant customers, expected cash flows are estimated individually by workout or risk managers. A customer is considered as significant if the total exposure defined as the sum of all on- and off-balance-sheet exposures exceeds a defined materiality limit. Otherwise, the customer is considered as insignificant and a rule-based approach is used for the calculation of the specific allowance. Under

this approach, specific allowances are calculated as the product of carrying amount and loss given default (LGD), where LGD depends on relevant characteristics such as time in default or the stage of the workout process.

Collective allowances are calculated on on- and off-balance-sheet exposures to non-defaulted customers for which a default has not been detected or reported. The level of collective allowances depends on the carrying amount, the probability of default (PD), the loss given default (LGD), the credit conversion factors (CCF) in case of off-balance-sheet exposures, and the loss identification period (LIP). The LIP corresponds to the average period between the occurrence and the detection of the loss and ranges from four months to one year. The result of discounting future cash flows to their present values is taken into consideration in the LGD calculation.

Generally, risk parameters used in the calculation of collective allowances may be different to the Basel 3 Pillar 1 or Pillar 2 risk parameters if the properties of the respective portfolio in combination with accounting rules necessitate this.

Collective allowances are also calculated in case of exposures to defaulted customers that are not identified as impaired. For these customers, no specific allowances are allocated. Collective allowances are calculated based on the historical loss experience for the relevant customer segment.

Erste Group regularly reviews its specific and collective allowances. These exercises comprise the parameters and methodologies used in its provision calculation. Adjustments can take place in the context of specific reviews (in view of specific allowances), routine maintenance of parameters (such as regular calibration) or in the case of specific events (e.g. improved knowledge about recovery behaviour, back-testing results).

Due to such activities which have been taking place on a regular basis for many years, Erste Group made adjustments to specific and collective allowances during 2014. These adjustments took place distributed over the year, the major part prior to disclosure of the results of the ECB Asset Quality Review (AQR), and are hence to be seen independently of any considerations related to the AQR methodology. Some of these adjustments resemble elements of the AQR methodology, others do not.

With respect to collective allowances these adjustments are particularly the following:

- Adjustments in Banca Comercială Română: Adjustment of LIP factors from 0.5 to 0.75 for all segments other than SME for which it remains unchanged at 1.0, changes to the assessment of future recovery prospects depending on collateral values, the time in default or the nature of the default event. The impact of these measures significantly exceeds the requirements for collective allowances identified according to AQR methodology.
- Adjustments in Erste Bank Hungary. In addition, changes to the Expected Loss Best Estimate Model (ELBE Model) for the retail customer segment were implemented.
- Adjustments in Austria (Erste Group Bank, Erste Bank Oesterreich, savings banks) for certain portfolio segments in particular due to results from regular re-estimation of individual parameters, introduction of new models, and the backtesting of aggregate provisions against actual losses.

The following table shows the credit risk allowances divided into specific and collective allowances and provisions for guarantees as of 31 December 2014 and 31 December 2013 respectively.

in EUR million	Dec 13	Dec 14
Specific allowances	7,156	6,737
Collective allowances ¹	654	774
Provisions for guarantees	218	241
Total	8,028	7,752

¹ The term 'collective allowances', which is based on definitions in accounting rules and disclosures, should not to be confused with the AQR work block on 'collective provisions review'. Collective allowances are a narrower term, covering allowances for losses incurred but not reported, whereas the AQR review of collective provisions covered in addition specific allowances on exposures collectively assessed. In our figures these are included in specific allowances.

Restructuring, renegotiation and forbearance

Restructuring means contractual modification of any of the customer's loan repayment conditions including tenor, interest rate, fees, principle amount due or a combination thereof. Restructuring can be business restructuring (in retail) and commercial renegotiation (in corporate) or forbearance in line with EBA requirements in both segments.

Business restructuring and renegotiation

Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the bank's valuable, good clientele.

Forbearance

The definition of 'forbearance' is included in Regulation (EU) 2015/227. A restructuring is considered 'forbearance' if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- _ the customer was more than 30 days past due in the past 3 months or
- _ the customer would be 30 days past due or more without receiving forbearance or
- _ the customer is in default or
- _ the modified contract was classified as non-performing or would be non-performing without forbearance or
- _ the contract modification involves total or partial cancellation by write-off of the debt on any of the customer's credit obligations while at customer level open credit exposure still remains.

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Concession means that any of the following conditions are met:

- _ Modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- _ There is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract
- _ The modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution.

Forbearance can be initiated by the bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:

- _ Performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance)
- _ Non-performing forbearance (incl. non-performing forbearance and defaulted/impaired forbearance)

Forborne exposures are considered performing when

- _ the exposure did not have non-performing status at the time the extension of or application for forbearance was approved and
- _ granting the forbearance has not led to classifying the exposure as non-performing or default

Performing forborne exposures become non-performing when during the monitoring period of a minimum of 2 years following forbearance classification

- _ an additional forbearance measure is extended and in the past the customer was in the non-performing forbearance category or
- _ the customer becomes more than 30 days past due on forborne exposure and in the past the customer was in the non-performing forbearance category or
- _ the customer meets any of the default event criteria defined in Erste Group's internal default definition

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all of the following conditions are met:

- _ a minimum of 2 years have passed from the date of classifying the exposure as performing forbearance (probation period);
- _ under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid at least during half of the probation period (in the case of retail customers) or
- _ regular repayments in a significant amount during at least half of the probation period have been made (in the case of corporate customers);
- _ none of the exposure of the customer is more than 30 days past due at the end of the probation period.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all of the following conditions are met:

- _ One year has passed from the date of classifying the exposure as non-performing forbearance
- _ The forbearance has not led the exposure to be classified as non-performing
- _ Retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following
 - _ The customer has never been more than 30 days past due during the last 6 months and there is no delinquent amount or
 - _ The customer has repaid the full past due amount or the written-off amount (if there was any)
- _ Corporate customers: analysis of the financial development, which leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the monitoring period and there is no delinquent amount.

The above rules and definitions were defined in Erste Group in Q3 2014 and are in the implementation phase in the group's local banks.

The following table includes the forbore exposures of Erste Group as of 31 December 2014.

in EUR million	Gross exposure	Performing	Non-performing
As of 31 December 2014			
Loans and advances other than HFT	3,632	1,034	2,598
Debt instruments other than HFT	1	1	0
Loan commitments	67	29	38
Total	3,699	1,063	2,636

Collateral

Recognition of collateral

The Collateral Management department is a staff unit within the Group Workout division. The Group Collateral Management Policy defines, among other things, uniform valuation standards for credit collateral across the entire Group. It ensures that the credit risk decision processes are standardised with respect to accepted collateral values.

All the collateral types acceptable within the Group are given in an exhaustive list in the Group Collateral Catalogue. Locally permitted collateral is defined by the respective bank in accordance with applicable national legal provisions. The valuation and revaluation of collateral is done according to the principles defined in the Group Collateral Catalogue broken down by class and based on the internal work instructions in accordance with the individual supervisory requirements. Whether a type of security or a specific collateral asset is accepted for credit risk mitigation is decided by strategic risk management after determining if the applicable regulatory capital requirements are met. Adherence to the standard work processes stipulated for assigning the acceptable collateral assets to the categories available is monitored by operative risk management.

Main types of collateral

The following types of collateral are the most frequently accepted:

- _ Real estate: This includes both private and commercial real estate.
- _ Financial collateral: This category primarily includes securities portfolios and cash deposits as well as life insurance policies.
- _ Guarantees: Guarantees are provided mainly by governments, banks and corporates. All guarantors must have a minimum credit rating, which is reviewed annually.

Other types of collateral, such as real collateral in the form of movable property or the assignment of receivables, are accepted less frequently. Protection by credit default swaps is only marginally used in the banking book.

Collateral valuation and management

Collateral valuation is based on current market prices while taking into account an amount that can be recovered within a reasonable period. The valuation processes are defined and its their IT-supported technical application is performed by Collateral Management at Group level and by authorised staff in each country with the assistance of software applications. The allocated collateral values are capped by the amount of the secured transaction; imputed excess values of collateral values are therefore not possible. Only independent appraisers not involved in the lending decision process are permitted to conduct real estate valuations, and the valuation methods to be applied are defined. For quality assurance purposes, the real estate valuations are validated on an ongoing basis.

The methods and discounts used for valuations are based on empirical data representing past experience of the workout departments and on the collected data on loss recovery from realising collateral. The valuation methods are adjusted regularly – at least once a year – to reflect current recoveries. Financial collateral assets are recognised at market value.

The revaluation of collateral is done periodically and is automated as far as possible. In the case of external data sources, the appropriate interfaces are used. The maximum periods for the revaluation of individual collateral assets are predefined and compliance is monitored by risk management using software applications. Apart from periodic revaluations, collateral is assessed when information becomes available that indicates a decrease in the value of the collateral for exceptional reasons.

Concentration risks resulting from credit risk mitigation techniques may affect a single customer, but also a portfolio defined by region, industry or type of security. Erste Group is a retail bank, and, due to its customer structure and the markets in which it does business, it does not have any concentrations with respect to collateral from customers. Concerning other areas of a potentially detrimental correlation of risks, the collateral portfolios are analysed using statistical evaluations for, among other things, regional or industry-specific concentrations within the scope of portfolio monitoring. The response to those risks identified includes, above all, the adjustment of volume targets, setting of corresponding limits and modification of the staff's discretionary limits for lending.

Collateral obtained in foreclosure proceedings is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, Erste Group does not occupy repossessed properties for its own business use. The main part of assets taken onto its own books is commercial land and buildings. In addition, residential real estate properties and transport vehicles are taken into Erste Group's possession. As of 31 December 2014, the carrying value of these assets amounted to EUR 86 million (2013: EUR 507 million).

The following tables compare the credit risk exposure broken down by business and geographical segments as of 31 December 2014 and 31 December 2013 respectively to the collateral received.

Credit risk exposure by business segment and collateral

			Collateralised by			Credit risk exposure net of collateral
in EUR million	Gross exposure	Collateral total	Guarantees	Real estate	Other	
As of 31 December 2014						
Retail	51,674	30,547	1,138	26,843	2,566	21,126
Small and Medium-sized Enterprises	25,826	11,411	2,142	6,855	2,414	14,415
Asset/Liability Management and Local Corporate Center	29,585	1,201	720	5	475	28,384
Savings Banks	53,879	24,397	1,569	19,070	3,758	29,482
Large Corporates	17,573	3,543	1,973	779	791	14,031
Commercial Real Estate	9,872	5,696	345	4,566	786	4,176
Other Corporate	3,355	430	336	4	90	2,924
Group Markets	17,282	3,458	189	0	3,270	13,824
Group Corporate Center	1,899	108	80	15	13	1,791
Total	210,944	80,791	8,491	58,137	14,163	130,153
As of 31 December 2013						
Retail	50,989	30,711	1,051	26,955	2,706	20,278
Small and Medium-sized Enterprises	30,657	12,179	2,174	7,698	2,307	18,478
Asset/Liability Management and Local Corporate Center	28,013	1,005	690	1	314	27,007
Savings Banks	52,824	23,813	1,694	18,354	3,766	29,011
Large Corporates	12,642	2,450	1,418	527	505	10,192
Commercial Real Estate	10,879	7,015	438	6,230	347	3,863
Other Corporate	3,955	575	341	46	188	3,380
Group Markets	18,176	4,640	156	0	4,484	13,536
Group Corporate Center	2,156	170	27	97	46	1,986
Total	210,291	82,560	7,988	59,908	14,663	127,731

Credit risk exposure by geographical segment and collateral

Credit exposure by geographical segment and collateral						
	Collateralised by					Credit risk exposure net of collateral
in EUR million	Gross exposure	Collateral total	Guarantees	Real estate	Other	
As of 31 December 2014						
Austria	123,908	54,592	5,211	38,784	10,597	69,316
Erste Bank Oesterreich & Subsidiaries	36,970	21,033	1,970	16,423	2,641	15,936
Savings Banks	53,879	24,397	1,569	19,070	3,758	29,482
Other Austria	33,059	9,161	1,673	3,291	4,198	23,898
Central and Eastern Europe	77,037	25,254	2,837	19,339	3,079	51,783
Czech Republic	32,220	9,526	943	7,636	947	22,694
Romania	14,288	4,861	1,015	2,602	1,244	9,427
Slovakia	13,687	5,169	71	4,907	191	8,518
Hungary	6,310	2,166	33	1,834	298	4,144
Croatia	9,653	3,292	739	2,221	333	6,361
Serbia	879	241	36	139	66	638
Other	9,999	945	443	15	487	9,054
Total	210,944	80,791	8,491	58,137	14,163	130,153
As of 31 December 2013						
Austria	120,876	56,456	5,134	39,474	11,847	64,420
Erste Bank Oesterreich & Subsidiaries	35,413	21,329	1,925	16,353	3,051	14,084
Savings Banks	52,824	23,813	1,694	18,354	3,766	29,011
Other Austria	32,638	11,314	1,516	4,768	5,030	21,325
Central and Eastern Europe	79,688	25,312	2,520	20,337	2,456	54,375
Czech Republic	33,865	9,332	853	7,443	1,036	24,533
Romania	15,431	5,315	876	3,926	512	10,116
Slovakia	12,374	4,504	57	4,267	180	7,869
Hungary	7,834	2,721	20	2,306	395	5,113
Croatia	9,319	3,241	669	2,271	301	6,077
Serbia	865	199	44	124	31	666
Other	9,727	791	334	97	360	8,936
Total	210,291	82,560	7,988	59,908	14,663	127,731

The following table compares the credit risk exposure broken down by financial instrument and the received collateral as of 31 December 2014 and 31 December 2013 respectively.

Credit risk exposure by financial instrument and collateral

in EUR million	Credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral	Neither past due nor impaired	Past due but not impaired	Impaired
			Guarantees	Real estate	Other				
As of 31 December 2014									
Cash and cash balances – other demand deposits	859	0	0	0	0	859	859	0	0
Loans and receivables to credit institutions	7,461	1,405	131	0	1,273	6,056	7,435	3	23
Loans and receivables to customers	128,325	71,814	6,227	56,104	9,483	56,510	113,056	4,302	10,967
Financial assets – held to maturity	16,879	363	359	4	0	16,516	16,878	1	0
Financial assets – held for trading	3,173	170	159	0	12	3,002	3,173	0	0
Financial assets – at fair value through profit or loss	139	0	0	0	0	139	139	0	0
Financial assets – available for sale	21,102	962	952	0	10	20,139	21,089	2	12
Positive fair value of derivatives	10,045	2,548	0	0	2,548	7,497	10,045	0	0
Contingent liabilities ¹	22,963	3,528	663	2,029	836	19,435	22,963	0	0
Total	210,944	80,791	8,491	58,137	14,163	130,153	195,636	4,306	11,002
As of 31 December 2013									
Cash and cash balances – other demand deposits ¹									
Loans and receivables to credit institutions	9,062	3,039	128	0	2,912	6,022	8,976	21	65
Loans and receivables to customers	127,698	72,901	5,816	57,897	9,188	54,797	110,944	4,737	12,016
Financial assets – held to maturity	17,781	412	383	30	0	17,369	17,771	1	9
Financial assets – held for trading	5,668	147	147	0	0	5,521	5,668	0	0
Financial assets – at fair value through profit or loss	322	0	0	0	0	322	322	0	0
Financial assets – available for sale	19,442	974	974	0	0	18,467	19,351	1	89
Positive fair value of derivatives	8,286	1,740	4	0	1,736	6,545	8,286	0	0
Contingent liabilities ¹	22,033	3,346	536	1,982	828	18,686	22,033	0	0
Total	210,291	82,560	7,988	59,908	14,663	127,731	193,351	4,760	12,180

1) Cash and cash balances – other demand deposits were included in the position 'loans and receivables to credit institutions' until the financial year 2013

The following table shows the credit risk exposure that was past due but for which specific allowances had not been established as of 31 December 2014 and 31 December 2013 respectively.

Credit risk exposure past due and not covered by specific allowances by Basel 3 exposure class and collateralisation

in EUR million	Gross exposure						Thereof collateralised					
	Total	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91- 180 days past due	Thereof more than 180 days past due	Total	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91- 180 days past due	Thereof more than 180 days past due
As of 31 December 2014												
Cash and cash balances – other demand deposits	0	0	0	0	0	0	0	0	0	0	0	0
Loans and receivables to credit institutions	3	2	0	0	0	0	0	0	0	0	0	0
Loans and receivables to customers	4,302	2,772	739	376	168	246	2,124	1,234	436	228	128	99
Financial assets – held to maturity	1	0	0	0	0	1	0	0	0	0	0	0
Financial assets – held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets – at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets – available for sale	2	0	0	0	0	2	0	0	0	0	0	0
Positive fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Contingent liabilities ¹	0	0	0	0	0	0	0	0	0	0	0	0
Total	4,306	2,774	739	376	169	249	2,124	1,234	436	228	128	99
As of 31 December 2013												
Cash and cash balances – other demand deposits ¹												
Loans and receivables to credit institutions	21	12	0	0	9	0	9	0	0	0	9	0
Loans and receivables to customers	4,737	2,783	942	529	178	305	2,623	1,419	562	350	108	184
Financial assets – held to maturity	1	0	0	0	0	1	0	0	0	0	0	0
Financial assets – held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets – at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets – available for sale	1	0	0	0	0	1	0	0	0	0	0	0
Positive fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Contingent liabilities ¹	0	0	0	0	0	0	0	0	0	0	0	0
Total	4,760	2,796	942	529	187	307	2,632	1,419	562	350	117	184

¹) Cash and cash balances – other demand deposits were included in the position 'loans and receivables to credit institutions' until the financial year 2013

All claims presented in the table above were classified as non-performing if they were more than 90 days past due. Allowances are, as a rule, established for assets that are more than 90 days past due. However, specific allowances are not established if the loans and other receivables are covered by adequate collateral.

Loans and receivables to customers

The following tables present the customer loan book as of 31 December 2014 and 31 December 2013 respectively, excluding loans to financial institutions and commitments, broken down by reporting segment and risk category.

Loans and receivables to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 31 December 2014					
Retail	38,417	4,537	1,152	2,938	47,044
Small and Medium-sized Enterprises	16,123	2,457	358	2,275	21,213
Asset/Liability Management and Local Corporate Center	68	16	56	21	162
Savings Banks	29,325	5,986	816	2,441	38,568
Large Corporates	7,835	889	57	1,170	9,952
Commercial Real Estate	5,499	1,409	422	1,942	9,271
Other Corporate	1,417	201	31	72	1,721
Group Markets	85	19	0	0	104
Group Corporate Center	159	39	74	18	290
Total	98,928	15,552	2,967	10,878	128,325
As of 31 December 2013					
Retail	37,190	4,704	1,215	3,466	46,576
Small and Medium-sized Enterprises	16,523	3,134	568	3,413	23,638
Asset/Liability Management and Local Corporate Center	127	9	6	17	159
Savings Banks	28,566	5,898	880	2,571	37,915
Large Corporates	5,362	698	239	535	6,834
Commercial Real Estate	5,747	1,699	565	2,146	10,157
Other Corporate	1,331	322	59	126	1,838
Group Markets	207	30	0	0	238
Group Corporate Center	208	87	25	22	343
Total	95,263	16,582	3,557	12,296	127,698

Loans and receivables to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 31 December 2014					
Austria	63,779	9,895	1,507	4,936	80,117
Erste Bank Oesterreich & Subsidiaries	25,219	2,442	291	1,012	28,963
Savings Banks	29,325	5,986	816	2,441	38,568
Other Austria	9,235	1,468	400	1,483	12,585
Central and Eastern Europe	34,966	5,581	1,385	5,883	47,815
Czech Republic	15,798	1,693	365	821	18,676
Romania	4,982	1,544	343	2,138	9,007
Slovakia	7,212	545	203	422	8,383
Hungary	2,278	681	194	1,157	4,308
Croatia	4,286	1,032	273	1,262	6,853
Serbia	412	87	7	83	588
Other	184	75	74	60	392
Total	98,928	15,552	2,967	10,878	128,325
As of 31 December 2013					
Austria	61,666	9,596	1,666	5,280	78,207
Erste Bank Oesterreich & Subsidiaries	24,586	2,145	247	1,070	28,049
Savings Banks	28,566	5,898	880	2,571	37,915
Other Austria	8,514	1,552	539	1,638	12,243
Central and Eastern Europe	33,388	6,881	1,866	6,994	49,130
Czech Republic	15,360	1,875	410	850	18,495
Romania	4,652	2,103	645	3,052	10,453
Slovakia	6,204	624	234	407	7,469
Hungary	2,741	984	234	1,421	5,380
Croatia	4,048	1,210	333	1,179	6,771
Serbia	383	84	10	86	562
Other	208	105	25	22	361
Total	95,263	16,582	3,557	12,296	127,698

In the tables below, the non-performing loans and receivables to customers subdivided by reporting segment are contrasted with allowances for customer loans (specific and collective allowances) and the collateral for non-performing loans (NPL) as of 31 December 2014 and 31 December 2013 respectively. The NPL ratio, the NPL coverage ratio and the NPL total coverage ratio are also included. The NPL total coverage ratio specifies the coverage of non-performing loans by specific and collective allowances as well as by collateral for non-performing loans.

Non-performing loans and receivables to customers by business segment and coverage by loan loss allowances and collateral

in EUR million	Non-performing	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (excl. collateral)	Collateral for NPL	NPL total coverage
As of 31 December 2014							
Retail	2,938	47,044	2,360	6.2%	80.3%	995	114.2%
Small and Medium-sized Enterprises	2,275	21,213	1,462	10.7%	64.3%	772	98.2%
Asset/Liability Management and Local Corporate Center	21	162	24	13.1%	113.2%	0	115.2%
Savings Banks	2,441	38,568	1,561	6.3%	64.0%	1,056	107.2%
Large Corporates	1,170	9,952	898	11.8%	76.7%	296	102.0%
Commercial Real Estate	1,942	9,271	1,135	20.9%	58.4%	805	99.9%
Other Corporate	72	1,721	43	4.2%	59.4%	29	100.3%
Group Markets	0	104	1	0.1%	814.7%	0	814.7%
Group Corporate Center	18	290	7	6.2%	38.2%	0	38.2%
Total	10,878	128,325	7,491	8.5%	68.9%	3,954	105.2%
As of 31 December 2013							
Retail	3,466	46,576	2,361	7.4%	68.1%	1,603	114.4%
Small and Medium-sized Enterprises	3,413	23,638	2,124	14.4%	62.2%	1,328	101.1%
Asset/Liability Management and Local Corporate Center	17	159	14	10.6%	83.2%	0	85.7%
Savings Banks	2,571	37,915	1,551	6.8%	60.3%	1,093	102.9%
Large Corporates	535	6,834	415	7.8%	77.7%	125	101.0%
Commercial Real Estate	2,146	10,157	1,210	21.1%	56.4%	1,016	103.8%
Other Corporate	126	1,838	73	6.8%	58.1%	19	72.9%
Group Markets	0	238	0	0.0%	432.0%	0	432.0%
Group Corporate Center	22	343	4	6.5%	20.0%	13	75.9%
Total	12,296	127,698	7,753	9.6%	63.1%	5,197	105.3%

Non-performing loans and receivables to customers by geographical segment and coverage by loan loss allowances and collateral

in EUR million	Non-performing	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (excl. collateral)	Collateral for NPL	NPL total coverage
As of 31 December 2014							
Austria	4,936	80,117	3,120	6.2%	63.2%	2,011	104.0%
Erste Bank Oesterreich & Subsidiaries	1,012	28,963	697	3.5%	68.9%	340	102.5%
Savings Banks	2,441	38,568	1,561	6.3%	64.0%	1,056	107.2%
Other Austria	1,483	12,585	862	11.8%	58.1%	614	99.5%
Central and Eastern Europe	5,883	47,815	4,325	12.3%	73.5%	1,925	106.2%
Czech Republic	821	18,676	654	4.4%	79.7%	316	118.2%
Romania	2,138	9,007	1,758	23.7%	82.2%	386	100.3%
Slovakia	422	8,383	348	5.0%	82.4%	203	130.4%
Hungary	1,157	4,308	740	26.8%	64.0%	454	103.2%
Croatia	1,262	6,853	762	18.4%	60.4%	542	103.3%
Serbia	83	588	63	14.1%	75.8%	25	106.0%
Other	60	392	45	15.2%	75.6%	18	106.6%
Total	10,878	128,325	7,491	8.5%	68.9%	3,954	105.2%
As of 31 December 2013							
Austria	5,280	78,207	3,102	6.8%	58.7%	2,236	101.1%
Erste Bank Oesterreich & Subsidiaries	1,070	28,049	682	3.8%	63.7%	370	98.3%
Savings Banks	2,571	37,915	1,551	6.8%	60.3%	1,093	102.9%
Other Austria	1,638	12,243	868	13.4%	53.0%	773	100.2%
Central and Eastern Europe	6,994	49,130	4,647	14.2%	66.4%	2,948	108.6%
Czech Republic	850	18,495	667	4.6%	78.4%	296	113.2%
Romania	3,052	10,453	2,043	29.2%	66.9%	1,361	111.6%
Slovakia	407	7,469	352	5.4%	86.4%	167	127.5%
Hungary	1,421	5,380	884	26.4%	62.2%	563	101.9%
Croatia	1,179	6,771	635	17.4%	53.9%	545	100.1%
Serbia	86	562	66	15.3%	76.6%	16	95.3%
Other	22	361	5	6.2%	20.6%	13	76.4%
Total	12,296	127,698	7,753	9.6%	63.1%	5,197	105.3%

The 'NPL ratio' in this section (loans and receivables to customers) is calculated by dividing non-performing loans and receivables by total loans and receivables to customers. Hence, it differs from the 'NPE ratio' in the section 'Credit risk exposure'.

The loan loss allowances that are shown in the tables above in the amount of EUR 7,491 million as of 31 December 2014 (2013: EUR 7,753 million) are composed of specific provisions amounting to EUR 6,723 million (2013: EUR 7,102 million) and portfolio provisions amounting to EUR 768 million (2013: EUR 651 million). Collateral for non-performing loans mainly consists of real estate.

The following tables show the loans and receivables to customers broken down by reporting segment and currency as of 31 December 2014 and 31 December 2013 respectively.

Loans and receivables to customers by business segment and currency

in EUR million	EUR	CEE-local currencies	CHF	USD	Other	Gross customer loans
As of 31 December 2014						
Retail	27,149	15,377	4,357	24	137	47,044
Small and Medium-sized Enterprises	14,239	6,300	472	156	46	21,213
Asset/Liability Management and Local Corporate Center	128	32	0	1	1	162
Savings Banks	33,819	0	3,929	99	721	38,568
Large Corporates	7,722	1,552	32	307	338	9,952
Commercial Real Estate	8,033	443	322	93	379	9,271
Other Corporate	245	0	3	1,403	69	1,721
Group Markets	12	54	0	37	0	104
Group Corporate Center	218	15	4	54	0	290
Total	91,566	23,774	9,119	2,174	1,692	128,325
As of 31 December 2013						
Retail	26,240	14,994	5,120	33	189	46,576
Small and Medium-sized Enterprises	15,533	7,337	570	146	51	23,638
Asset/Liability Management and Local Corporate Center	130	28	0	0	1	159
Savings Banks	32,536	0	4,594	96	690	37,915
Large Corporates	5,383	1,093	11	263	84	6,834
Commercial Real Estate	8,645	588	363	89	473	10,157
Other Corporate	688	0	9	952	188	1,838
Group Markets	165	44	0	21	8	238
Group Corporate Center	291	0	5	47	0	343
Total	89,610	24,084	10,673	1,647	1,685	127,698

Loans and receivables to customers by geographical segment and currency

in EUR million	EUR	CEE-local currencies	CHF	USD	Other	Gross customer loans
As of 31 December 2014						
Austria	70,136	0	6,565	1,788	1,628	80,117
Erste Bank Oesterreich & Subsidiaries	26,309	0	2,421	63	170	28,963
Savings Banks	33,819	0	3,929	99	721	38,568
Other Austria	10,007	0	216	1,626	736	12,585
Central and Eastern Europe	21,110	23,759	2,549	332	64	47,815
Czech Republic	1,584	16,996	4	65	27	18,676
Romania	5,263	3,578	0	158	7	9,007
Slovakia	8,334	0	0	22	26	8,383
Hungary	894	1,425	1,972	17	0	4,308
Croatia	4,615	1,612	557	64	4	6,853
Serbia	419	148	16	5	0	588
Other	320	15	4	54	0	392
Total	91,566	23,774	9,119	2,174	1,692	128,325
As of 31 December 2013						
Austria	67,764	0	7,515	1,287	1,642	78,207
Erste Bank Oesterreich & Subsidiaries	25,065	0	2,718	42	225	28,049
Savings Banks	32,536	0	4,594	96	690	37,915
Other Austria	10,163	0	203	1,150	727	12,243
Central and Eastern Europe	21,537	24,084	3,154	312	43	49,130
Czech Republic	1,498	16,920	5	56	17	18,495
Romania	6,398	3,862	0	184	8	10,453
Slovakia	7,450	0	0	6	13	7,469
Hungary	1,192	1,648	2,538	2	0	5,380
Croatia	4,584	1,526	594	61	5	6,771
Serbia	415	127	16	4	0	562
Other	309	0	5	47	0	361
Total	89,610	24,084	10,673	1,647	1,685	127,698

In the geographical segment Hungary, loans and receivables denominated in Euro and Swiss francs amounting to EUR 301 million and EUR 1,341 million respectively as of 31 December 2014 are subject to a government-induced currency conversion of private mortgage loans into Hungarian forints. The settlement at favourable rates for the borrowers will take place in the first quarter of 2015.

Securitisations

As of 31 December 2014, Erste Group held a conservative portfolio of securitisations; there were no new investments undertaken and all repayments were made as scheduled in 2014.

As at year-end 2014, the carrying amount of Erste Group's securitisation portfolio totalled EUR 1.09 billion, which was EUR 0.2 billion lower than at the year-end 2013. Changes in the carrying amount were due to repayments, currency effects, changes in prices and disposals of assets. 97% of the securitisation portfolio was rated investment grade at the year-end 2014

As of 31 December 2014 and 31 December 2013 respectively, the composition of the total portfolio of securitisations according to products and balance sheet line items was as follows:

Composition of the total portfolio of securitisations

in EUR million	Loans and receivables to credit institutions		Financial assets – held to maturity		Financial assets – at fair value through profit or loss	Financial assets – available for sale	Financial assets – held for trading	Total	
	Carrying amount	Fair value	Carrying amount	Fair value	Fair value ¹⁾	Fair value ¹⁾	Fair value ¹⁾	Carrying amount	Fair value
As of 31 Dec 2014									
Prime RMBS	0	0	146	142	2	78	20	245	241
CMBS	0	0	24	23	1	28	0	53	52
SME ABS	0	0	5	5	0	19	2	26	26
Leasing ABS	0	0	2	2	0	1	0	3	3
Other ABS	0	0	0	0	1	3	0	4	4
CLOs	0	0	0	0	32	602	6	640	640
Other CDOs	0	0	0	0	0	0	0	0	0
Other RMBS	0	0	0	0	2	17	5	24	24
Total ABS / CDO	0	0	176	172	37	748	33	995	990
Student Loans	0	0	0	0	1	98	0	99	99
Total securitisations²⁾	0	0	176	172	38	846	33	1,094	1,089
As of 31 Dec 2013									
Prime RMBS	0	0	177	167	1	105	27	311	301
CMBS	0	0	31	29	1	53	3	88	86
SME ABS	0	0	5	4	0	21	0	27	26
Leasing ABS	0	0	4	4	0	1	1	6	6
Other ABS	0	0	0	0	1	6	0	8	8
CLOs	0	0	0	0	43	664	0	706	706
Other CDOs	0	0	0	0	0	0	0	0	0
Other RMBS	0	0	0	0	1	15	6	22	22
Total ABS / CDO	0	0	217	204	48	866	37	1,168	1,155
Student Loans	0	0	0	0	1	105	0	106	106
Total securitisations²⁾	0	0	217	204	49	972	37	1,275	1,262

1) Carrying amount is equal to fair value.

2) Including cash from funds.

European prime residential mortgage backed securities (Prime RMBS)

Prime RMBSs are backed by mortgages on residential real estate. Erste Group is primarily invested in British transactions in this asset class.

Commercial mortgage backed securities (CMBS)

CMBS are secured by mortgages on commercial property (i.e. offices, retail outlets, etc).

Collateralised loan obligations (CLOs)

CLOs are securitisations backed by pools of corporate loans. Erste Group is invested in European and US CLOs.

Other securitisations

Erste Group holds securitisations of loans to small and medium-sized enterprises (SME ABS), lease receivables (Leasing ABS), credit card receivables (Other ABS) and other collateralised debt obligations (Other CDOs).

Erste Group is further invested in securitisations of US student loans, all of which are triple-A-rated securities. These securitisations carry the guarantee of the US Department of Education for 97% of their value while the remaining 3% is covered by subordination. Their associated credit risk is therefore considered very low.

44.6) Market risk

Definition and overview

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived therefrom. These market value changes might appear in the profit and loss account, in the statement of comprehensive income or in hidden reserves. At Erste Group, market risk is divided into interest rate risk, credit spread risk, currency risk, equity risk, commodity risk and volatility risk. This concerns both trading and bank book positions.

Methods and instruments employed

At Erste Group, potential losses that may arise from market movements are assessed using the value at risk (VaR). The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions.

Back-testing is used to constantly monitor the validity of the statistical methods. This process is conducted with a one-day delay to monitor if the model projections regarding losses have actually materialised. At a confidence level of 99%, the actual loss on a single day should exceed the VaR statistically only two to three times a year (1% of around 250 workdays).

This shows one of the limits of the VaR approach: On the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years, and calculates the VaR for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted at Erste Group. These events include mainly market movements of low probability.

The stress tests are carried out according to several methods: Stressed VaR is derived from the normal VaR calculation. But instead of simulating only over the two most recent years, an analysis of a much longer period is carried out in order to identify a one-year period that constitutes a relevant period of stress for the current portfolio mix. According to the legal framework, that one-year period is used to calculate a VaR with a 99% confidence level. This enables Erste Group on the one hand to hold sufficient own funds available for the trading book even in periods of elevated market volatility, while on the other hand also enabling it to incorporate these resulting effects into the management of trading positions.

In the extreme value theory, a Pareto distribution is adjusted to the extreme end of the loss distribution. In this manner, a continuous function is created from which extreme confidence levels such as 99.95% can be evaluated. Furthermore, standard scenarios are calculated in which the individual market factors are exposed to extreme movements. Such scenarios are calculated at Erste Group for interest rates, stock prices, exchange rates and volatilities. Historic scenarios are a modification of the concept of standard scenarios. In this case, risk factor movements after certain events such as '9/11' or the 'Lehman bankruptcy' form the basis of the stress calculation. In order to calculate historical probabilistic scenarios, the most significant risk factors for the current portfolio are determined and their most adverse movement during the last years is applied. For the probabilistic scenarios shifts of important market factors are determined for various quantiles of their distributions, and these values are then used to calculate stress results. These analyses are made available to the management board and the supervisory board within the scope of the monthly market risk reports.

The VaR model was approved by the Financial Market Authority (FMA) as an internal market risk model to determine the capital requirements of Erste Group pursuant to the Austrian Banking Act.

Methods and instruments of risk mitigation

At Erste Group, market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of VaR for the trading book is decided by the management board while taking into account the risk-bearing capacity and projected earnings. A further breakdown is done by the Market Risk Committee on the basis of a proposal from the Market Risk Control & Infrastructure unit.

All market risk activities of the trading book are assigned risk limits that are statistically consistent in their entirety with the VaR overall limit. The VaR limit is assigned in a top-down procedure to the individual trading units. This is done down to the level of the individual trading groups or departments. Additionally, in a bottom-up procedure, sensitivity limits are assigned to even smaller units all the way down to the individual traders. These are then aggregated upwards and applied as a second limit layer to the VaR limits.

Limit compliance is verified at two levels: by the appropriate local decentralised risk management unit and by the Market Risk Control & Infrastructure unit. The monitoring of the limits is done within the course of the trading day based on sensitivities. This can also be carried out by individual traders or chief traders on an ad hoc basis.

The VaR is calculated every day at Group level and made available to the individual trading units as well as to the superior management levels all the way up to the management board.

Banking book positions are subjected to a monthly VaR analysis. In this manner, the total VaR is determined with exactly the same methodology as for the trading book. In addition to VaR, a long-horizon risk measure is used to gauge the interest rate risk, credit spread risk of the banking book, as well as foreign exchange risk of equity participations. For this purpose, a historical simulation approach looking back five years and with a one-year holding period was chosen. The result of these calculations is presented in the monthly market risk report that is made available to the management and supervisory boards.

Analysis of market risk

Value at Risk of banking book and trading book

The following tables show the VaR amounts as of 31 December 2014 and 31 December 2013 respectively at the 99% confidence level using equally weighted market data and with a holding period of one day:

Value at Risk of banking book and trading book

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
As of 31 December 2014						
Erste Group	17,574	15,582	733	2,439	217	302
Core Group	20,639	19,038	733	2,439	217	302
Banking book	17,579	17,708	265	2	0	1
Trading book	4,035	1,881	887	2,440	217	302
As of 31 December 2013						
Erste Group	51,806	51,026	1,070	2,667	261	538
Core Group	49,689	47,657	1,070	2,667	261	538
Banking book	47,034	46,758	998	1	0	15
Trading book	3,885	2,224	921	2,667	261	538

In the above table, 'Erste Group' comprises the entire Group, and 'Core Group' comprises all units that are directly or indirectly majority-owned by Erste Group Bank AG. The method used is subject to limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved. This restriction applies to the inclusion of credit spreads in the calculation of the VaR. Credit spreads are only applied to sovereign issuers. For all other positions, only the general market risk is considered.

Interest rate risk of banking book

Interest rate risk is the risk of an adverse change in the fair value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognised on the balance sheet, are grouped into maturity bands based on their remaining terms to maturity or terms to an interest rate adjustment. Positions without a fixed maturity (e.g. demand deposits) are included on the basis of modeled deposit rates that are determined by means of statistical methods.

The following tables list the open fixed-income positions held by Erste Group in the four currencies that carry a significant interest rate risk – EUR, CZK, HUF and RON – as of 31 December 2014 and 31 December 2013.

Only the open fixed-income positions that are not allocated to the trading book are presented. Positive values indicate fixed-income risks on the asset side, i.e. a surplus of asset items; negative values represent a surplus on the liability side.

Open fixed-income positions not assigned to the trading book

in EUR million	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
As of 31 December 2014					
Fixed-interest gap in EUR positions	-2,841.1	869.2	1,638.5	1,648.0	1,791.9
Fixed-interest gap in CZK positions	666.5	1,539.7	-1,703.5	-1,758.9	242.8
Fixed-interest gap in HUF positions	196.5	4.7	-173.9	-225.8	0.0
Fixed-interest gap in RON positions	1,000.8	288.0	50.2	-273.7	0.9
As of 31 December 2013					
Fixed-interest gap in EUR positions	-3,828.5	1,247.5	2,765.6	2,807.3	1,749.5
Fixed-interest gap in CZK positions	-469.3	708.5	-569.6	-1,645.0	796.2
Fixed-interest gap in HUF positions	256.9	-57.3	-127.3	-179.5	0.0
Fixed-interest gap in RON positions	638.0	536.9	-28.0	-203.3	1.8

Credit spread risk

Credit spread risk is the risk of an adverse movement in the fair value of financial instruments caused by a change in the creditworthiness of an issuer perceived by the market. Erste Group is exposed to credit spread risk with respect to its securities portfolio, both in the trading as well as in the banking book.

In order to identify credit spread risk, all securities are grouped into maturity bands based on their remaining terms to maturity or terms to an expected call date on one hand, while they are assigned to risk factors reflecting the riskiness of their issuer on the other hand.

Exchange rate risk

The bank is exposed to several types of risks related to exchange rates. These concern risks from open foreign exchange positions and others.

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis. Foreign currency exposure is subject to regulatory and internal limits. The internal limits are set by the Market Risk Committee.

Erste Group separately measures and manages other types of risks relating to the Group's balance sheet and earnings structure. The translation risk related to the valuation of the balance sheet items, earnings, dividends and participations/net investments in local currency or foreign exchange has an impact on consolidated earnings and consolidated capital. Erste Group is also reducing the negative impact related to volatility of foreign exchange rates on asset performance (for example as a result of foreign exchange lending in the CEE countries that was stopped for clients not having sufficient regular income in the respective loan currency).

In order to manage its multi-currency earnings structure, Erste Group regularly discusses hedging opportunities and takes decisions in the Group Asset Liability Committee (ALCO). Asset Liability Management (ALM) uses as the usual source of information the current financial results and the financial budget prepared for the upcoming period to obtain as much information as possible on the future foreign cash flows. The proposal, which mainly includes the volume, hedging level, hedge ratio and timeline of the hedging, is submitted by ALM to ALCO. The impact of translation on consolidated capital is monitored and reported to ALCO. The ALCO decisions are then implemented by ALM and the implementation status is reported on a monthly basis to ALCO.

The following table shows the largest open exchange rate positions of Erste Group per year-end 2014 as of 31 December 2014 and the corresponding open positions of these currencies as of 31 December 2013 respectively (excluding foreign exchange positions arising from equity participation).

Open exchange rate positions

in EUR thousand	Dec 13	Dec 14
Swiss franc (CHF)	-20,052	-54,188
Polish zloty (PLN)	-5,031	41,628
Croatian kuna (HRK)	714	23,327
Romanian lei (RON)	5,774	22,126
Czech koruna (CZK)	17,877	-19,314
Hungarian forint (HUF)	-49,506	-8,979
US dollar (USD)	-18,677	-7,349
British pound (GBP)	-909	5,081

Hedging

Banking book market risk management consists of optimising Erste Group's risk position by finding the proper trade-off between the economic value of the balance sheet and forecasted earnings. Decisions are based on the balance sheet development, economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. The steering body responsible for interest rate risk management is ALCO. ALM submits proposals for actions to steer the interest rate risk to ALCO and implements ALCO's decisions.

In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. In a broader sense, hedging refers to an economic activity that mitigates risk but does not necessarily qualify for hedge accounting under IFRS rules. IFRS hedge accounting is applied, if possible, to avoid accounting mismatches due to hedging activity. Within the scope of IFRS-compliant hedge accounting, cash flow hedges and fair value hedges are used. If IFRS-compliant hedge accounting is not possible, the fair value option is applied, where appropriate, for the hedging of market values. Most of the hedging within Erste Group concerns hedging of interest rate risk. The remainder is hedging of foreign exchange rate risk.

44.7) Liquidity risk

Definition and overview

The liquidity risk is defined in Erste Group in line with the principles set out by the Basel Committee on Banking Supervision and the Austrian regulators (Kreditinstitute-Risikomanagement-Verordnung – KI-RMV). Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the Group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

Liquidity strategy

Erste Group's liquidity strategy for 2014 was implemented successfully. The issuance plan of EUR 1.75 billion was exceeded to reach over EUR 2.13 billion in order to compensate for the impact of buy-backs. The realised issuance structure has a higher weight of subordinated (EUR 975 million – including a USD 500 million benchmark) and senior unsecured (EUR 1,002 million) bonds than originally planned; the volume of covered bonds (EUR 157 million) issued was lower than planned due to the historically low interest rates.

In 2014, the ECB decided to support bank lending to the euro-zone non-financial sector through a series of targeted longer-term refinancing operations (TLTROs) with a maturity of up to four years and an early repayment option. At Group level, a total of EUR 1.78 billion was taken out as part of the ECB's TLTRO in September and December. With this, Erste Group was able to secure cheap long-term funding at reasonable spread levels utilising lower-quality collateral in order to foster loan growth in the upcoming years. Additionally, the 2018 maturity fits Erste Group's maturity profile for issues well.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period for each currency on both entity and Group levels. This analysis determines the maximum period during which the entity can survive a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow. Furthermore, the simulation assumes increased drawdown on guarantees and loan commit-

ments dependent on the type of the customer, as well as the potential outflows from collateralised derivative transactions estimating the effect of collateral outflows in the case of adverse market movements. To reflect the reputational risk from callable own issues, the principal outflows from these liabilities are modelled to the next call date in all stress scenarios.

After the QIS monitoring phase according to BCBS guidelines in 2014, Erste Group successfully switched to the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) according to CRR. Internally, the ratios are monitored at both entity and Group level, and from 2014 LCR is part of the internal Risk Appetite Statement, targeting to be above 100% at Group level ahead of the regulatory requirement.

Legal lending limits (LLs) exist in all CEE countries where Erste Group is represented. They restrict liquidity flows between Erste Group's subsidiaries in different countries. LLs set limits on a bank's claims against a group of related companies. The limits refer to the bank's own funds and typical amounts are up to 25%. This restriction is taken into account for assessment of liquidity risk in the survival period model as well as in the calculation of the Group Liquidity Coverage Ratio.

Additionally, the traditional liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the Group as a whole are reported and monitored regularly. Funding concentration risk is continuously analysed in respect to counterparties. Erste Group's fund transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

Erste Group is continuing its ongoing project activities to improve the framework for Group-wide liquidity risk reporting and liquidity risk measurement. Aside from the adoption of changed and additional regulatory reporting requirements, current projects are aimed at continuously improving the internal stress testing methodology and the data quality used in the internal and regulatory risk measurement.

Methods and instruments of risk mitigation

Short-term liquidity risk is managed by limits resulting from the survival period model, internal stress testing and by internal LCR targets at both entity and Group level. Limit breaches are reported to the Group Asset Liability Committee (ALCO). Another important instrument for managing the liquidity risk within Erste Group Bank AG and in relation to its subsidiaries is the FTP system. As the process of planning funding needs provides important data for liquidity management, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across Erste Group.

The Comprehensive Contingency Plan of the Group ensures the necessary co-ordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency plans of the subsidiaries are co-ordinated as part of the plan for Erste Group Bank AG.

Analysis of liquidity risk

Liquidity gap

The long-term liquidity position is managed using liquidity gaps on the basis of expected cash flows. This liquidity position is calculated for each materially relevant currency and based on the assumption of ordinary business activity.

Expected cash flows are broken down by contractual maturities in accordance with the amortisation schedule and arranged in maturity ranges. All products without contractual maturities (such as demand deposits and overdrafts) are shown in the first time bucket, irrespective of the statistically observed client behaviour.

The following table shows the liquidity gaps as of 31 December 2014 and 31 December 2013:

in EUR million	< 1 month		1-12 months		1-5 years		> 5 years	
	Dec 13	Dec 14	Dec 13	Dec 14	Dec 13	Dec 14	Dec 13	Dec 14
Liquidity gap	-4,123	-7,590	-28,819	-21,032	4,150	-2,486	28,792	31,109

An excess of assets over liabilities is indicated by a positive value, while an excess of liabilities over assets is indicated by a negative value. The callable own issues are modelled to their next call dates. The cash inflows from liquid securities amounting to EUR 33.5 billion (2013: EUR 32.710 billion), which are accepted as collateral by the central banks to which the Group has access, are taken into account in the first time bucket rather than considering them at their contractual maturity.

Counterbalancing capacity

Erste Group regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserve at the central banks as well as unencumbered central bank eligible assets and other liquid securities, including changes from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation. The term structure of the Group's counterbalancing capacity as of year-end 2014 and year-end 2013 are shown in the tables below:

Term structure of counterbalancing capacity

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
As of 31 December 2014					
Cash, excess reserve	3,998	-156	0	0	0
Liquid assets	31,730	439	73	136	1,092
Other central bank eligible assets	7,090	98	247	-5	-9
Thereof retained covered bonds	4,353	0	0	0	0
Thereof credit claims	2,737	98	247	-5	-9
Counterbalancing capacity	42,819	382	320	131	1,082
As of 31 December 2013					
Cash, excess reserve	6,174	-631	0	0	0
Liquid assets	33,713	-392	288	249	561
Other central bank eligible assets	0	1,609	0	0	0
Thereof retained covered bonds	0	1,234	0	0	0
Thereof credit claims	0	375	0	0	0
Counterbalancing capacity	39,887	586	288	249	561

The figures above show the total amount of potential liquidity available for the Group in a going concern situation, taking into account the applicable central bank haircuts. In a crisis situation adverse market movements and legal transfer restrictions among Group members can decrease this amount. Taking into account these effects, the initial counterbalancing capacity available at Group level is reduced by additional haircuts and liquidity transfer constraints (e.g. legal lending limits). Negative figures are maturing positions of the counterbalancing capacity. Positive figures after 1 week are positions not immediately available as counterbalancing capacity.

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2014 and 31 December 2013 respectively, were as follows:

Financial liabilities

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
As of 31 December 2014						
Non-derivative liabilities	168,225	173,996	65,122	42,372	40,467	26,035
Deposits by banks	14,803	15,127	5,929	2,720	3,825	2,654
Customer deposits	122,263	123,803	58,793	33,755	21,915	9,340
Debt securities in issue	25,402	28,027	388	5,614	12,923	9,102
Subordinated liabilities	5,758	7,038	12	283	1,804	4,939
Derivative liabilities	7,914	7,964	484	1,724	3,982	1,775
Contingent liabilities	0	22,963	22,963	0	0	0
Financial guarantees	0	6,862	6,862	0	0	0
Irrevocable commitments	0	16,101	16,101	0	0	0
Total	176,140	204,923	88,569	44,096	44,449	27,809
As of 31 December 2013						
Non-derivative liabilities	172,509	179,767	77,602	43,897	36,403	21,864
Deposits by banks	17,299	18,062	10,214	2,794	2,062	2,992
Customer deposits	121,982	123,432	66,132	35,896	16,498	4,905
Debt securities in issue	27,894	31,731	956	4,803	15,098	10,875
Subordinated liabilities	5,333	6,542	300	404	2,746	3,092
Derivative liabilities	6,731	7,043	399	1,981	3,410	1,253
Contingent liabilities	0	22,033	22,033	0	0	0
Financial guarantees	0	6,887	6,887	0	0	0
Irrevocable commitments	0	15,146	15,146	0	0	0
Total	179,240	208,843	100,035	45,878	39,814	23,117

As of year-end 2014, the currency composition of the non-derivative liabilities consisted of approximately 74% EUR, 15% CZK, 4% RON, 3% USD and the rest 4% in other currencies.

Besides the contingent liabilities from unused credit lines and guarantees, material potential cash outflow is estimated from the collateralised derivative transactions for the stress testing, which amounted to EUR 338.6 million in the worst-case scenario as of 31 December 2014 (2013: EUR 621.3 million).

As of 31 December 2014, the volume of customer deposits due on demand amounted to EUR 50.6 billion (2013: EUR 52.1 billion). Observation of customer behaviour has shown that 95% of this volume is stable during the ordinary course of business. This means that only a minor part of the on-demand portfolio is withdrawn by the customer, whereas the major part generally remains in the bank.

According to customer segments, the customer deposits are composed as follows: 69% private individuals, 14% large corporates, 8% small and medium-sized enterprises, 5% non-banking financial institutions and 4% public sector. The deposits by banks include the top five providers of funds.

44.8) Operational risk

Definition and overview

In line with Article 4 Section 52 regulation (EU) 575/2013 (CRR), Erste Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Methods and instruments employed

The quantitative measurement methods are based on internal loss experience data, which is collected across Erste Group using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. Erste Group sources external data from a leading non-profit risk-loss data consortium.

Erste Group received regulatory approval for the Advanced Measurement Approach (AMA) in 2009. AMA is a sophisticated approach to measuring operational risk. Pursuant to AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors. In 2012, Erste Group received approval to use insurance contracts for mitigation within the AMA pursuant to Section 221 of the Austrian Banking Act.

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk assessment surveys (risk and control self-assessments). The results of and suggestions for risk control in these surveys, which are conducted by experts, are reported to the line management and thus help to reduce operational risks. Erste Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

Erste Group uses a Group-wide insurance programme, which, since its establishment in 2004, has reduced the cost of meeting Erste Group's traditional property insurance needs and made it possible to buy additional insurance for previously uninsured bank-specific risks. This programme uses a captive reinsurance entity as a vehicle to share losses within the Group and access the external market.

The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above, form the operational risk framework of Erste Group. Information on operational risk is periodically communicated to the management board via various reports, including the quarterly top management report, which describes the recent loss history, loss development, qualitative information from risk assessments and key risk indicators as well as the operational VaR for Erste Group.

Distribution of operational risk events

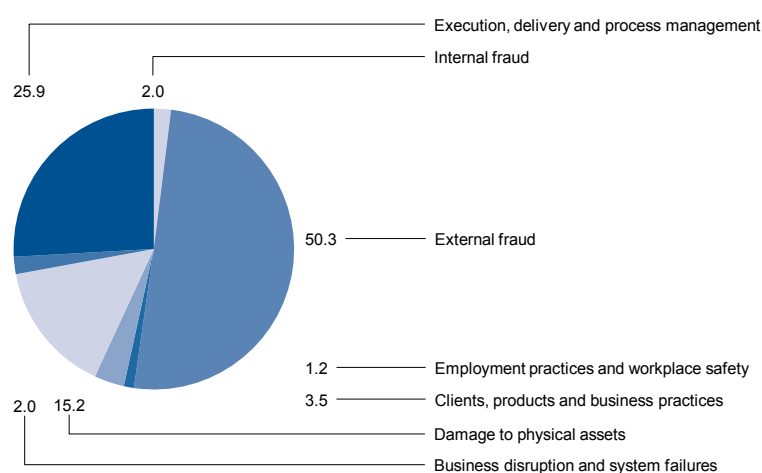
Detailed below is the percentage composition by type of event of operational risk sources as defined by the Basel 3 Capital Accord. The observation period is from 1 January 2010 to 31 December 2014.

The event type categories are as follows:

- *Internal fraud:* Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity or discrimination events that involve at least one internal party.
- *External fraud:* Losses due to acts by a third party of a type intended to defraud, misappropriate property or circumvent the law.

- *Employment practices and workplace safety*: Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity or discrimination events.
- *Clients, products and business practices*: Losses arising from unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of a product.
- *Damage to physical assets*: Losses arising from loss of or damage to physical assets caused by natural disaster or other events.
- *Business disruption and system failures*: Losses arising from disruption of business or system failures.
- *Execution, delivery and process management*: Losses from failed transaction processing or process management. Losses pertaining to relationships with trading counterparties and vendors or suppliers.

Event type categories (in %)



45. Hedge accounting

The interest rate risk of the banking book is managed by Group ALM. Preference in managing interest rate risk is given to using bonds, loans or derivatives, with hedge accounting for derivatives usually applied in accordance with IFRS. The main guideline for interest rate risk positioning is the Group Interest Rate Risk Strategy that is approved by the Group ALCO for the relevant time period.

Fair value hedges are employed to reduce interest rate risk of issued bonds, purchased securities, loans or deposits on the Erste Group balance sheet. In general, the Erste Group policy is to swap all substantial fixed or structured issued bonds to floating items and as such to manage the targeted interest rate risk profile by other balance sheet items. Interest rate swaps are the most common instruments used for fair value hedges. As far as loans, purchased securities and securities in issuance are concerned, the fair value is also hedged by means of cross-currency swaps, swaptions, caps, floors and other types of derivative instruments.

Cash flow hedges are used to eliminate uncertainty in future cash flows in order to stabilise net interest income. The most common such hedge in Erste Group consists of interest rate swaps hedging variable cash flows of floating assets into fixed cash flows. Floors or caps are used to secure the targeted level of interest income in a changing interest rate environment.

In the reporting period, EUR 51.5 million (2013: EUR 0.4 million) was taken from the cash flow hedge reserve and recognised as income in the consolidated income statement (2013: as expense); while EUR 224.3 million (2013: EUR -72 million) was recognised directly in other comprehensive income. The majority of the hedged cash flows are likely to occur within the next five years and will then be recognised in the consolidated income statement. Ineffectiveness from cash flow hedges amounting to EUR -0.2 million (2013: EUR -0.5 million) is reported in the net trading result.

Fair value hedges in 2014 resulted in gains of EUR 497.4 million (2013: loss of EUR 408.6 million) on hedging instruments and losses of EUR 466.4 million on hedged items (2013: gain of EUR 416.5 million).

Fair values of hedging instruments are disclosed in the following table:

in EUR million	Dec 13		Dec 14	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Hedging instrument - fair value hedge	1,870	605	2,689	724
Hedging instrument - cash flow hedge	74	40	183	2

46. Fair value of assets and liabilities

The best indication of fair value is quoted market prices in an active market. Where such prices are available, they are used to measure the fair value (Level 1 of the fair value hierarchy).

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

In some cases, the fair value cannot be determined on the basis of sufficiently frequent quoted market prices or of valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently, the instrument is classified as Level 3 of the fair value hierarchy. Besides observable parameters, Level 3 valuations typically use credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures, as unobservable parameters.

Fair values of financial instruments

All financial instruments are measured at fair value on recurring basis.

Financial instruments measured at fair value on the balance sheet

The measurement of fair value at Erste Group is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Financial instruments for which the fair value is determined on the basis of quoted market prices are mainly listed securities and derivatives as well as liquid OTC bonds.

Description of the valuation models and inputs

Erste Group uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently.

Securities

For plain vanilla (fixed and floating) debt securities the fair value is calculated by discounting the future cash-flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instruments. If no close proxy is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features such as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash-flow models and more sophisticated modeling techniques including methods described for OTC-derivatives. The fair value of financial liabilities designated at Fair Value through Profit and Loss under the fair value option is determined in consistency with similar instruments held as assets. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances. Techniques for equity securities may also include models based on earnings multiples.

OTC-derivative financial instruments

Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps and commodity swaps) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes- and Hull-White-type as well as hazard rate models. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo-techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used.

Erste Group values derivatives at mid-market levels. To reflect the potential bid-ask-spread of the relevant positions an adjustment based on market liquidity is performed. The adjustment parameters depend on product type, currency, maturity and notional size. Parameters are reviewed on a regular basis or in case of significant market moves. Netting is not applied when determining the bid-ask-spread adjustments.

Credit value adjustments (CVA) for counterparty risk and debt value adjustments (DVA) for the own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and Erste Group's credit quality. Erste Group has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. For products where an option replication is not feasible the exposure is computed with Monte-Carlo simulation techniques. One of the two modeling approaches is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default by counterparties that are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles present in the central European market. Market based valuation concepts are incorporated for this. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. Erste Group's probability of default has been derived from the buy-back levels of Erste Group's issuances. Netting has only been considered for a few counterparties where the impact was material. In these cases, netting has been applied for both CVA and DVA.

For collateralised derivatives the effect of collateral received is considered and reduces the amount of CVA accordingly. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

According to the described methodology the cumulative CVA-adjustments amounts to EUR -52.8 million and the total DVA-adjustment amounts to EUR 12.7 million.

Description of the valuation process for fair value measurements categorised as Level 3

A level 3 position involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking for similar transactions, among others. This involves estimation and expert judgment.

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

Fair value hierarchy

The table below details the methods used to determine the fair value with respect to levels of fair value hierarchy.

in EUR million	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
	Dec 13 restated	Dec 14	Dec 13 restated	Dec 14	Dec 13 restated	Dec 14	Dec 13 restated	Dec 14
Assets								
Financial assets - held for trading	1,981	2,363	10,205	8,038	96	130	12,283	10,531
Derivatives	15	1	6,231	7,048	96	124	6,342	7,173
Other trading assets	1,966	2,361	3,975	990	0	6	5,941	3,357
Financial assets designated at fair value through profit or loss	233	52	240	258	56	39	529	350
Financial assets - available for sale	14,601	16,915	5,632	4,963	248	428	20,481	22,306
Derivatives Hedge Accounting	0*)	0	1,944*)	2,866	0	6	1,944	2,872
Assets held for sale	0	0	0	53	0	0	0	53
Total assets	16,815	19,330	18,021	16,178	401	603	35,237	36,111
Liabilities								
Financial liabilities held for trading	348	339	6,127	7,407	0	0	6,475	7,746
Derivatives	12	4	6,075	7,184	0	0	6,087	7,188
Other trading liabilities	336	336	52	222	0	0	388	558
Financial liabilities designated at fair value through profit or loss	0	0	2,339	2,073	0	0	2,339	2,073
Deposits from customers	0	0	460	320	0	0	460	320
Debt securities issued	0	0	1,879	1,753	0	0	1,879	1,753
Other financial liabilities	0	0	0	0	0	0	0	0
Derivatives Hedge Accounting	0*)	0	644*)	726	0	0	644	726
Total liabilities	348	339	9,111	10,206	0	0	9,458	10,545

*)Correction due to erroneous statement of Derivatives Hedge Accounting in 2013 in Level 1 instead of Level 2.

The chosen method for the allocation of positions to levels is the following: all the levels and level changes are reflected at the end of the reporting period, which in this case lies between year-end 2013 and 2014.

Changes in volumes of Level 1 and Level 2

This paragraph describes the changes in volumes of Level 1 and Level 2 of financial instruments measured at fair value in the balance sheet.

Movements on asset side between Level 1 and Level 2

in EUR million	2013		2014	
	Level 1	Level 2	Level 1	Level 2
Securities				
Net transfer from Level 1	0	-281	0	-416
Net transfer from Level 2	281	0	416	0
Net transfer from Level 3	-14	-91	64	-152
Purchases/Sales/Expiries/Changes in Fair Value	-1,184	178	2,049	-3,015
Changes in derivatives	14	-4,974	-14	1,740
Total year-to-date change	-903	-5,168	2,515	-1,843

In 2014 the total amount of Level 1 financial assets increased by EUR 2,515 million. The change in volume of Level 1 securities (increase by EUR 2,529 million) was determined on the one hand by matured or sold assets in the amount of EUR 1.9 billion and on the other hand by new investments in the amount of EUR 2.4 billion. The increase in volume for securities that were allocated to Level 1 at both reporting dates (2013 and 2014) amounted to EUR 2.2 billion (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 1.1 billion could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by governments (2014: EUR 525 million; 2013: EUR 609 million), but also to securities issued by financial institutions (2014: EUR 470 million; 2013: EUR 168 million) and other corporates (2014: EUR 127 million; 2013: EUR 194 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 0.7 billion have been moved from Level 1 to Level 2. This applies mainly to securities issued by financial institutions (2014: EUR 496 million; 2013: EUR 458 million) and other corporates (2014: EUR 167 million; 2013: EUR 158 million) as well as securities issued by governments (2014: EUR 43 million; 2013: EUR 74 million). The remaining decrease in the amount of EUR 0.6 billion was due to partial sales and fair value changes of reclassified instruments.

The reclassifications between Level 1 and Level 2, broken down to assets categories and instruments, are shown below:

in EUR million	From Level 1 to Level 2 in 2013	From Level 1 to Level 2 in 2014
Financial assets - available for sale	641	588
Bonds	583	71
Funds	0	481
Other	44	10
Stocks	14	26
Financial assets - at fair value through profit or loss	10	82
Funds	0	82
Bonds	10	0
Financial assets - held for trading	38	36
Bonds	34	8
Funds	0	18
Other	4	2
Stocks	0	8
Total	690	706

in EUR million	From Level 2 to Level 1 in 2013	From Level 2 to Level 1 in 2014
Financial assets - available for sale	861	962
Bonds	856	945
Funds	5	0
Other	0	17
Financial assets designated at fair value through profit or loss	0	30
Bonds	0	30
Financial assets - held for trading	110	130
Bonds	109	125
Funds	1	0
Other	1	4
Total	971	1,122

The decrease on the asset side in derivatives in Level 1 by EUR 14 million represented only a very small contribution to the overall changes.

The total value of Level 2 financial assets decreased between 2013 and 2014 by EUR 1,843 million. The Level 2 securities fair value change (down by EUR 3,631 million) can be explained for the most part by matured or sold positions in the amount of EUR 5.2 billion and new investments in the amount of EUR 2.3 billion. The reduction in volume for securities that have been allocated to Level 2 at both reporting dates 2013 and 2014 amounted to EUR 70 million (due to partial sales and purchases and fair value changes caused by market movements).

Due to reduced market depth a total volume of EUR 0.7 billion was reclassified from Level 1 to Level 2 in 2014. As previously outlined, this applies mainly to bonds issued by financial institutions and other corporates. Securities in the amount of EUR 1.1 billion were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 0.2 billion was reclassified from Level 2 to Level 3. This applies mainly to securitizations and securities issued by financial institutions. Due to a change to valuation models with significant observable parameters a total volume of EUR 0.1 billion was reclassified from Level 3 to Level 2. The remaining decrease in the amount of EUR 0.2 billion was due to partial sales and fair value changes of reclassified instruments.

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

Movements in Level 3 of financial instruments measured at fair value

The following tables show the development of fair value of securities for which valuation models are based on non-observable inputs:

in EUR million	As of	Gain/loss in profit or loss	Gain/loss in other compre- hensive income	Purchases	Sales/ settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	As of
	Dec 13 restated										Dec 14
Assets											
Financial assets - held for trading	96	15	0	8	-5	0	0	57	-41	0	130
Derivatives	96	17	0	0	-1	0	0	52	-41	0	124
Other trading assets	0	-2	0	8	-5	0	0	5	0	0	6
Financial assets - at fair value through profit or loss	56	-3	0	1	-6	0	0	10	-19	0	39
Financial assets - available-for-sale	248	3	3	13	-49	0	0	297	-88	1	428
Derivatives - hedge accounting	0	0	0	0	0	0	0	6	0	0	6
Total assets	401	14	3	22	-60	0	0	369	-148	1	603

	Dec 12 restated										Dec 13 restated
Assets											
Financial assets - held for trading	148	-59	0	0	-12	0	0	21	-1	0	96
Derivatives	139	-61	0	0	-3	0	0	21	0	0	96
Other trading assets	9	2	0	0	-9	0	0	0	-1	0	0
Financial assets - at fair value through profit or loss	24	-2	0	0	-2	0	0	37	0	0	56
Financial assets - available-for-sale	189	-2	0	4	-30	19	0	68	0	0	248
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0
Total assets	360	-63	0	4	-43	19	0	126	-1	0	401

The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, securitisations were subject to a market liquidity analysis based on market data provider scoring. The issues with insufficient score were moved from Level 2 to Level 3. The move to Level 3 mainly affects securitizations (2014: EUR 146 million; 2013: EUR 43 million), where significant valuation parameters were no longer observable, as well as issues from financial institutions (2014: EUR 42 million; 2013: EUR 3 million).

In contrast, the reclassification of securities from Level 3 to Level 2 in 2014 was mainly due to a change to modelled prices with observable input parameters.

An amount of EUR 117 million shown within „Transfers into Level 3“ is related to investments in equity instruments which have been measured at cost according to IAS 39.46 (c) in the past. In 2014 these investments have been measured at fair value for the first time and have therefore been added to the category “Available for Sale”.

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

in EUR million	Gain/loss in profit or loss	
	Dec 13	Dec 14
Assets		
Financial assets - held for trading	-60.1	-14.5
Derivatives	-60.1	-13.8
Other trading assets	0.0	-0.7
Financial assets designated at fair value through profit or loss	-1.3	0.9
Derivatives hedge accounting	0.0	0.0
Total	-61.4	-13.6

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

- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
As of 31 December 2014					
			Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.21% -100% (15.5%)
Positive fair value of derivatives	Forwards, swaps, options	129.5		LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	11.9	Discounted cash flow	Credit spread	0.1% -7.5% (0.7%)
Financial assets - available for sale	Fixed and variable coupon bonds	291.3	Discounted cash flow	Credit spread	0.1% -9.9% (1.5%)
As of 31 December 2013					
			Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.23% -100% (17.8%)
Positive fair value of derivatives	Forwards, swaps, options	96.0		LGD	60% *)
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	6.8	Discounted cash flow	Credit spread	2.1%-12% (3.3%)
Financial assets - available for sale	Fixed and variable coupon bonds	156.3	Discounted cash flow	Credit spread	0.5% -4.5% (2.0%)

*) Value amended due to inadvertently disclosing of the recovery rate instead of LGD

If the value of financial instruments is dependent on unobservable input parameters, the precise Level for these parameters could be drawn from a range of reasonably possible alternatives. In preparing the financial statements, Levels for the parameters are chosen from these ranges using judgment consistent with prevailing market evidence.

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

in EUR million	Positive fair value changes when applying alternative valuation parameters		Negative fair value changes when applying alternative valuation parameters	
	Dec 13	Dec 14	Dec 13	Dec 14
Derivatives	41.5	10.2	-31.0	-11.5
Income statement	-	10.2	-	-11.5
Other comprehensive income	-	0.0	-	0.0
Debt securities	12.9	23.3	-17.2	-31.1
Income statement	-	0.9	-	-1.2
Other comprehensive income	-	22.4	-	-29.9
Equity instruments	2.4	1.3	-4.7	-2.7
Income statement	-	0.4	-	-0.8
Other comprehensive income	-	0.9	-	-1.9
Total	56.7	34.8	-52.9	-45.3
Income statement	-	11.5	-	-13.5
Other comprehensive income	-	23.3	-	-31.8

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

The following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis table:

- _ for debt securities range of credit spreads between +100 basis points and -75 basis points,
- _ for equity related instruments the price range between -10% and +5%,
- _ for CVA on derivatives PDs rating upgrade/downgrade by one notch, as well as the change of LGD by -5% and +10%.

Financial instruments whose fair value is disclosed in the notes

The following table shows fair values and fair value hierarchy of financial instruments whose fair value is disclosed in the notes for the year-end 2014.

2014

in EUR million	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets					
Cash and cash balances	7,835	7,835	6,976	0	859
Financial assets - held to maturity	16,877	18,876	17,542	1,255	79
Loans and receivables to credit institutions	7,442	7,974	0	266	7,707
Loans and receivables to customers	120,834	124,560	0	199	124,361
Liabilities					
Financial liabilities measured at amortised costs	166,921	166,976	6,461	17,989	142,526
Deposits from banks	14,803	15,035	0	0	15,035
Deposits from customers	122,263	122,087	0	0	122,087
Debt securities issued	29,387	29,372	6,461	17,989	4,922
Other financial liabilities	469	482	0	0	482
Financial guarantees and commitments					
Financial guarantees	n/a	-346	0	0	-346
Irrevocable commitments	n/a	-155	0	0	-155

2013

in EUR million	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets					
Cash and cash balances	9,301	9,301	8,670	0	630
Financial assets - held to maturity	17,779	18,919	15,383	3,378	158
Loans and receivables to credit institutions	8,377	8,209	0	0	8,209
Loans and receivables to customers	119,945	118,177	0	470	117,707
Liabilities					
Financial liabilities measured at amortised costs	170,786	170,563	7,351	19,297	143,915
Deposits from banks	17,299	16,987	0	0	16,987
Deposits from customers	121,955	120,181	0	0	120,181
Debt securities issued	31,245	33,109	7,351	19,297	6,461
Other financial liabilities	286	286	0	0	286
Financial guarantees and commitments					
Financial guarantees	n/a	-223	0	0	-223
Irrevocable commitments	n/a	466	0	0	466

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

The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available, otherwise it is estimated by taking into consideration the actual interest rate environment and in this case they are allocated to Level 3.

The fair value of other liabilities measured at amortized cost is estimated by taking into consideration the actual interest rate environment and own credit spreads, and these are allocated to Level 3.

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

Fair values of non-financial assets

The following table shows fair values and fair value hierarchy of non-financial instruments at the year-end 2014:

2014					
in EUR million	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	950	988	0	461	528
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	1	1	0	0	1
2013					
in EUR million	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	951	989	0	306	683
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	20	20	0	0	20

Investment property is measured at fair value on recurring basis. Assets held for sale are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

The fair values of non-financial assets are determined by experts with recognised and relevant professional qualification.

Fair values of non-financial assets owned by Erste Group through Austrian companies which are located in developed and active real estate markets such as Austria, Czech Republic and Slovakia are based on valuation reports relying essentially on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets). Such measurements are disclosed as Level 2 of the fair value hierarchy. If fair values of non-financial assets result from valuation models using expected future rental income method they are presented in Level 3 of the fair value hierarchy.

For non-financial assets owned by Erste Group through subsidiaries located in CEE countries the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

47. Financial instruments per category according to IAS 39

As of 31 December 2014

	Category of financial instruments						Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale						
ASSETS											
Cash and cash lances	5,368	0	0	0	0	0	2,467	0	0	7,835	
Loans and receivables to credit institutions	7,442	0	0	0	0	0	0	0	0	7,442	
Loans and receivables to customers	117,185	0	0	0	0	0	0	0	3,649	120,834	
Derivatives - dge accounting	0	0	0	0	0	0	0	2,872	0	2,872	
Financial assets - held for trading	0	0	10,531	0	0	0	0	0	0	10,531	
Financial assets - at fair value through profit or loss	0	0	0	350	0	0	0	0	0	350	
Financial assets - available for sale	0	0	0	0	22,373	0	0	0	0	22,373	
Financial assets - held to maturity	0	16,877	0	0	0	0	0	0	0	16,877	
Total financial assets	129,996	16,877	10,531	350	22,373	0	2,467	2,872	3,649	189,115	
Net gains / losses recognized through profit or loss¹	-2,120	4	182	9	7	0	0	31		-1,888	
Net gains / losses recognized through OCI	0	0	0	0	581	0	0	0		581	
LIABILITIES											
Financial liabilities - held for trading	0	0	-7,746	0	0	0	0	0	0	-7,746	
Financial liabilities - at fair value through profit or loss	0	0	0	-2,073	0	0	0	0	0	-2,073	
Financial liabilities measured at amortised cost	0	0	0	0	0	-166,921	0	0	0	-166,921	
Derivatives - hedge accounting	0	0	0	0	0	0	0	-726	0	-726	
Total financial liabilities	0	0	-7,746	-2,073	0	-166,921	0	-726	0	-177,466	
Net gains / losses recognized through profit or loss¹	0	0	-32	-81	0	-17	0	0	0	-130	

1) Including impairments

As of 31 December 2013 restated

AS of 31 December 2015 restated

	Loans and receivables									
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
ASSETS										
Cash and cash balances	6,973						2,327			9,301
Loans and receivables to credit institutions	8,377									8,377
Loans and receivables to customers	115,640								4,305	119,945
Derivatives - hedge accounting	0							1,944		1,944
Financial assets - held for trading	0		12,283							12,283
Financial assets - at fair value through profit or loss	0			529						529
Financial assets - available for sale	0				20,678					20,678
Financial assets - held to maturity	0	17,779								17,779
Total financial assets	130,990	17,779	12,283	529	20,678	0	2,327	1,944	4,305	190,835
Net gains / losses recognized through profit or loss ¹⁾	-1,726	-1	28	11	-7					-1,696
Net gains / losses recognized through OCI	0				-113					-113
LIABILITIES										
Financial liabilities - held for trading	0		-6,475							-6,475
Financial liabilities - at fair value through profit or loss	0			-2,339						-2,339
Financial liabilities measured at amortised cost	0					-170,786				-170,786
Derivatives - hedge accounting	0							-644		-644
Total financial liabilities	0	0	-6,475	-2,339	0	-170,786	0	-644	0	-180,244
Net gains / losses recognized through profit or loss	0		-6	24		-5				12

48. Audit fees and tax consultancy fees

The following table contains fundamental audit fees and tax fees charged by the auditors (of Erste Group Bank AG and subsidiaries; the auditors primarily being Sparkassen-Prüfungsverband, Ernst & Young and Deloitte) in the financial years 2014 and 2013:

in EUR million	Dec 13	Dec 14
Audit fees	13.8	13.8
Other services involving the issuance of a report	5.8	4.5
Tax consultancy fees	3.4	3.7
Other services	4.3	5.8
Total	27.2	27.7

For auditing services provided by the Group's auditors EUR 8.9 million (2013: EUR 9.6 million) was paid by Erste Group. The Group's auditors also performed tax consultancy for Erste Group with a value of EUR 0 million (2013: EUR 0.5 million).

49. Contingent liabilities

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do involve credit risk and are therefore part of the overall risk of the Bank (see Note 44.5 Credit risk).

Legal proceedings

Erste Group Bank AG and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group or Erste Group Bank AG. Erste Group is also subject to the following ongoing proceedings:

Hungarian Holocaust litigation

In 2010, a group of plaintiffs filed a putative class action complaint, in a federal court in Chicago, on behalf of alleged victims of the Holocaust or their heirs, alleging that several Hungarian banks improperly benefited from the seizure of assets of Jewish customers during World War II. The assets claimed total \$2 billion in 1944 dollars. Although Erste Group Bank AG is not alleged to have participated in the alleged misappropriation of Jewish assets, it is nevertheless named as a defendant in the litigation, as plaintiffs allege that Erste Group Bank AG is the legal successor to a number of banks that were active during that time in Greater Hungary. Erste Group Bank AG has denied all of the material allegations against it, including, but not limited to, allegations of successorship. In January 2014 the Federal District Court entered judgment in favor of Erste Group Bank AG, dismissing the claims on forum non conveniens grounds. In January 2015 the United States Court of Appeals for the Seventh Circuit decided on the appeal filed by plaintiffs and affirmed the judgement of the District Court.

Consumer protection claims

Several banking subsidiaries of Erste Group in CEE have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings, filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The lawsuits mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and that certain fees charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as of contractual provisions for the adjustment of interest rates and currencies.

Corporate Bond investors's prospectus claims

In 2014 a number of investors in corporate bonds, issued by a large Austrian construction group in the years 2010, 2011 and 2012, filed claims with courts in Vienna against Austrian banks, among them Erste Group Bank AG, requesting compensation for their losses as bond-holders following the bankruptcy of the issuer in 2013. The plaintiffs argue in essence that the defendant banks, which acted as joint-lead managers in the issuing of the respective bond, already knew of the insolvency status of the issuer at such time and should be liable for the failure of the issuing prospectus to state this. Erste Group Bank AG, together with a second Austrian bank, acted as joint-lead manager of the bond issuance in 2011. Erste Group Bank AG rejects the claims.

50. Analysis of remaining maturities

in EUR million	Dec 13 restated		Dec 14	
	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	9,301	0	7,835	0
Financial assets - held for trading	5,560	6,723	2,491	8,039
Derivatives	1,495	4,847	1,240	5,933
Other trading assets	4,065	1,876	1,251	2,107
Financial assets - designated at fair value through profit or loss	116	413	178	172
Financial assets - available-for-sale	3,523	17,155	4,500	17,873
Financial assets - held to maturity	2,171	15,608	2,103	14,774
Loans and receivables to credit institutions	6,241	2,136	7,052	391
Loans and receivables to customers	24,283	95,661	29,249	91,585
Derivatives - hedge accounting	183	1,761	363	2,509
Property and equipment	0	2,320	0	2,264
Investment properties	0	951	0	950
Intangible assets	0	2,429	0	1,441
Investments in associates and joint ventures	0	208	0	305
Current tax assets	100	0	107	0
Deferred tax assets	0	719	0	301
Assets held for sale	75	0	291	0
Other assets	2,388	94	1,294	219
TOTAL ASSETS	53,941	146,177	55,465	140,823
Financial liabilities - held for trading	1,550	4,924	1,446	6,300
Derivatives	1,522	4,564	1,315	5,874
Other trading liabilities	28	360	131	427
Financial liabilities designated at fair value through profit or loss	285	2,059	242	1,831
Deposits from banks	0	0	0	0
Deposits from customers	246	218	197	123
Debt securities issued	39	1,840	44	1,708
Other financial liabilities	0	0	0	0
Financial liabilities measured at amortised cost	86,160	84,620	91,363	75,558
Deposits from banks	12,917	4,383	11,001	3,862
Deposits from customers	67,870	54,080	75,459	46,499
Debt securities issued	5,373	25,871	4,440	25,173
Other financial liabilities	0	286	463	25
Derivatives - hedge accounting	32	612	33	693
Changes in fair value of portfolio hedged items	26	708	138	1,088
Provisions	80	1,367	210	1,336
Current tax liabilities	85	0	91	0
Deferred tax liabilities	0	169	0	99
Liabilities associated with assets held for sale	0	0	0	0
Other liabilities	2,207	447	2,000	417
TOTAL LIABILITIES	90,425	94,906	95,522	87,322

51. Own funds and capital requirements

Erste Group as a group of credit institutions is subject to EU directive 575/2013 (CRR) and must comply with the capital requirements set out therein.

The items of own funds as disclosed below are also used for internal capital management purposes. Erste Group fulfilled the capital requirements.

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

in EUR million	Article pursuant to CRR	Dec 13	Dec 14	
		Basel 2.5	Basel 3	
			Phased-in	Final
Common equity tier 1 capital (CET1)				
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	0	2,336	2,336
Own CET1 instruments	36 (1) (f), 42	0	-82	-82
Retained earnings	26 (1) (c), 26 (2)	0	8,130	8,130
Interim loss	36 (1) (a)	0	0	0
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	0	-325	-325
Minority interest recognised in CET1	4 (1) (120) 84	0	3,078	3,078
Transitional adjustments due to additional minority interests	479, 480	0	102	0
Prudential filter: cash flow hedge reserve	33 (1) (a)	0	-118	-118
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	0	-54	-54
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	0	-16	-16
Value adjustments due to the requirements for prudent valuation	34, 105	0	-113	-113
Regulatory adjustments relating to unrealised gains and losses	467, 468	0	-992	-248
Goodwill	4 (1) (113), 36 (1) (b), 37	0	-771	-771
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	0	-654	-654
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36 (1) (c), 38	0	-103	-103
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	0	-249	-249
Other transitional adjustments CET1	469 to 472, 478, 481	0	1,398	0
Interim loss (80%)		0	0	0
Goodwill (80%)		0	617	0
Other intangibles (80%)		0	523	0
IRB shortfall of provisions to expected losses (80%)		0	199	0
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (100%)		0	58	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0	-944	0
Common equity tier 1 capital (CET1)	50	11,199	10,623	10,811
Additional tier 1 capital (AT1)				
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	0	0	0
Own AT1 instruments	52 (1) (b), 56 (a), 57	0	-4	0
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	0	0	0
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	0	300	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	0	-1,240	0
Interim loss (80%)		0	0	0
Goodwill (80%)		0	-617	0
Other intangibles (80%)		0	-523	0
IRB shortfall of provisions to expected losses (40%)		0	-100	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0	944	0
Additional tier 1 capital (AT1)	61	361	0	0
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	25	11,560	10,623	10,811

The table is continued on the next page.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 13	Dec 14	
		Basel 2.5	Basel 3	
			Phased-in	Final
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	25	11,560	10,623	10,811
Tier 2 capital (T2)				
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	0	4,197	4,197
Own T2 instruments	63 (b) (i), 66 (a), 67	0	-71	-71
Instruments issued by subsidiaries recognised in T2	87, 88	0	332	332
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0	227	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	0	47	0
IRB excess of provisions over expected losses eligible	62 (d)	0	410	410
Standardised approach general credit risk adjustments	62 (c)	0	175	175
Other transitional adjustments to tier 2 capital	476, 477, 478, 481	0	-99	0
IRB shortfall of provisions to expected losses (40%)		0	-100	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	0	0	0
Tier 2 capital (T2)	71	4,206	5,216	5,042
Short-term subordinated capital (tier-3)		228	-	-
Total own funds	4 (1) (118) and 72	15,994	15,839	15,853
Capital requirement	92 (3), 95, 96, 98	7,832	8,047	8,150
CET1 capital ratio	92 (2) (a)	11.4%	10.6%	10.6%
Tier 1 capital ratio	92 (2) (b)	11.8%	10.6%	10.6%
Total capital ratio	92 (2) (c)	16.3%	15.7%	15.6%

The capital structure table above is based on EBA's final draft for implementing technical standards on disclosure for own funds published in the Official Journal of the European Union on 20 December 2013. Positions not relevant for Erste Group are not shown. Basel 3 final figures (fully loaded) are calculated based on the current requirements according to CRR. Changes are possible due to final Regulatory Technical Standards (RTS), that are not yet available.

The Basel 2.5 comparison is limited to sum-positions as the composition according to Basel 3 materially deviates from the composition according to Basel 2.5.

The consolidated financial statements have not been reviewed and noticed by the Supervisory Board and the financial statements of Erste Group Bank AG have not been approved by the Supervisory Board yet.

Likewise financial statements of single entities within the group have not been noticed by their Supervisory Board yet. In addition, no resolution on the appropriation of the profit has yet been made by the general meetings of the single entities.

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

in EUR million	Article pursuant to CRR	Dec 13		Dec 14	
		Calculation base / total risk	Capital requirement	Calculation base / total risk (phased-in)	Capital requirement (phased-in)
Total Risk Exposure Amount	92 (3), 95, 96, 98	97,901	7,832	100,590	8,047
Risk weighted assets (credit risk)	92 (3) (a) (f)	84,857	6,789	85,556	6,845
Standardised approach		19,590	1,567	17,244	1,379
IRB approach		65,267	5,221	68,313	5,465
Settlement Risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	2,852	228	3,209	257
Operational Risk	92 (3) (e), 92 (4) (b)	10,192	815	10,277	822
Exposure for CVA	92 (3) (d)	0	0	1,548	124
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	0	0	0	0

in EUR million	Article pursuant to CRR	Dec 13		Dec 14	
		Calculation base / total risk	Capital requirement	Calculation base / total risk (final)	Capital requirement (final)
Total Risk Exposure Amount	92 (3), 95, 96, 98	97,901	7,832	101,870	8,150
Risk weighted assets (credit risk)	92 (3) (a) (f)	84,857	6,789	86,836	6,947
Standardised approach		19,590	1,567	17,244	1,379
IRB approach		65,267	5,221	69,593	5,567
Settlement Risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	2,852	228	3,209	257
Operational Risk	92 (3) (e), 92 (4) (b)	10,192	815	10,277	822
Exposure for CVA	92 (3) (d)	0	0	1,548	124
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	0	0	0	0

52. Events after the balance sheet date

On 15 January 2015, the Swiss National Bank decided to discontinue the minimum exchange rate of CHF against EUR. This announcement resulted in significant appreciation of CHF against all major currencies including the currencies of CEE countries. The impact on Erste Group arose primarily in relation to borrowers who have taken out CHF-denominated loans in the past and are now adversely affected in terms of repayment ability. Preliminary sensitivity analysis performed indicate a moderate impact in terms of higher risk costs and increase of credit RWAs (10 bps CET1 loss in the case of EUR/CHF parity prevailing for a longer period of time). Please note that the actual impact is contingent on future exchange rate developments.

On 26 January 2015, following a proposal of the Croatian government, the Croatian parliament approved a change in the Consumer Protection Act, by fixing payments of future monthly annuities in 2015 for CHF/HRK exchange rate at 6.39 for customers who have CHF-denominated loans. This change became effective as of 27 January 2015. Erste Group expects that this will have a moderate effect via foreign exchange losses on profit and loss in 2015.

On 9 February 2015, the Government of Hungary and the European Bank for Reconstruction and Development ("EBRD") sealed an agreement (the "Memorandum of Understanding") aiming at strengthening Hungary's financial sector and boosting the flow of bank credits to Hungary's private corporations and citizens. In this context, Erste Group announced that it has invited the Government of Hungary and the European Bank for Reconstruction and Development ("EBRD") to invest in Erste Bank Hungary by acquiring a minority stake of up to 15 per cent each. Negotiations are in progress and the completion of the transaction is expected within the next six months, after implementation of a new Hungarian banking tax law, as set out in the Memorandum of Understanding. The purchase price will be negotiated between Erste Group and the two parties based on market valuation methods after conduct of a due diligence. The EBRD's investment is expected to be structured with a pre-agreed exit to Erste Group after an agreed period of time. The transaction is subject to all necessary approvals required from Hungarian or European banking supervisory and competition authorities.

53. Country by country reporting

Starting with 2014 Erste Group publishes information about Group's country by country activities as required by Article 89 of the EU Capital Requirements Directive IV, as follows:

2014				
In EUR million	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Austria	2,662	-125	-414	-33
Croatia	467	28	-11	-14
Czech Republic	1,440	643	-139	-156
Hungary	482	-279	-14	-19
Romania	830	-1,422	134	-3
Serbia	66	7	1	0
Slovakia	703	327	-64	-42
Other locations	227	17	-2	-1
Total	6,878	-803	-509	-267

2013				
In EUR million	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Austria	2,611	-343	-80	-27
Croatia	456	45	-10	-55
Czech Republic	1,559	645	-143	-141
Hungary	442	-91	-13	-15
Romania	990	-233	129	58
Serbia	75	24	-2	0
Slovakia	621	266	-53	-21
Other locations	241	66	-7	-7
Total	6,995	378	-179	-209

Further details about the content of each country category could be found in Note 54 Details of the companies wholly or partly owned by Erste Group as of 31 December 2014, where the information about the relevant country of residence of each fully consolidated entity is presented.

For the reported periods above, Erste Group hasn't been subject to any kind of public or state subsidies.

Information about the geographical split of the average number of headcounts employed in Erste Group throughout 2014 is disclosed in the Note 6 General administrative expenses.

54. Details of the companies wholly or partly owned by Erste Group as of 31 December 2014

The table below present material, fully consolidated subsidiaries, investments in associates accounted for at equity and other investments.

Company name, registered office	Interest of Erste Group in %		
	Dec 13	Dec 14	
Fully consolidated subsidiaries			
Credit institutions			
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	Linz	29.8	39.8
Banca Comerciala Romana Chisinau S.A.	Chişinău	93.6	93.6
Banca Comerciala Romana SA	Bucharest	93.6	93.6
Banka Sparkasse d.d.	Ljubljana	28.0	28.0
Bankhaus Krentschker & Co. Aktiengesellschaft	Graz	25.0	25.0
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft	Vienna	95.0	95.0
BCR Banca pentru Locuinte SA	Bucharest	93.9	93.9
Ceska sporitelna, a.s.	Prague	99.0	99.0
Die Zweite Wiener Vereins-Sparcasse	Vienna	0.0	0.0
Dornbirner Sparkasse Bank AG	Dornbirn	0.0	0.0
Erste & Steiermärkische Bank d.d.	Rijeka	69.3	69.3
ERSTE BANK AD NOVI SAD	Novi Sad	80.5	80.5
ERSTE BANK AD PODGORICA	Podgorica	69.3	69.3
Erste Bank der oesterreichischen Sparkassen AG	Vienna	100.0	100.0
Erste Bank Hungary Zrt	Budapest	100.0	100.0
Erste Group Bank AG	Vienna	0.0	0.0
Erste Lakas-Takarekpenztar Zartkoruen Mukodo Reszvenytarsasag	Budapest	100.0	100.0
Kärntner Sparkasse Aktiengesellschaft	Klagenfurt	25.0	25.0
KREMSEER BANK UND SPARKASSEN AKTIENGESELLSCHAFT	Krems an der Donau	0.0	0.0
Lienzer Sparkasse AG	Lienz	0.0	0.0
s Wohnbaubank AG	Vienna	90.8	90.8
Salzburger Sparkasse Bank Aktiengesellschaft	Salzburg	98.7	98.7
Slovenska sporitelna, a. s.	Bratislava	100.0	100.0
Sparkasse Baden	Baden	0.0	0.0
Sparkasse Bank dd Bosna i Hercegovina	Sarajevo	24.3	24.3
SPARKASSE BANK MAKEDONIJA AD SKOPJE	Skopje	24.9	24.9
Sparkasse Bank Malta Public Limited Company	Sliema	0.0	0.0
Sparkasse Bludenz Bank AG	Bludenz	0.0	0.0
Sparkasse Bregenz Bank Aktiengesellschaft	Bregenz	0.0	0.0
Sparkasse der Gemeinde Egg	Egg	0.0	0.0
Sparkasse der Stadt Amstetten AG	Amstetten	0.0	0.0
Sparkasse der Stadt Feldkirch	Feldkirch	0.0	0.0
Sparkasse der Stadt Kitzbühel	Kitzbühel	0.0	0.0
Sparkasse Eferding-Peuerbach-Waizenkirchen	Eferding	0.0	0.0
Sparkasse Feldkirchen/Kärnten	Feldkirchen in Kärnten	0.0	0.0
SPARKASSE FRANKENMARKT AKTIENGESELLSCHAFT	Frankenmarkt	0.0	0.0
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	Hainburg an der Donau	75.0	75.0
Sparkasse Haugsdorf	Haugsdorf	0.0	0.0
Sparkasse Herzogenburg-Neulengbach Bank Aktiengesellschaft	Herzogenburg	0.0	0.0
Sparkasse Horn-Ravelsbach-Kirchberg Aktiengesellschaft	Horn	0.0	0.0
Sparkasse Imst AG	Imst	0.0	0.0
Sparkasse Korneuburg AG	Korneuburg	0.0	0.0
Sparkasse Kufstein, Tiroler Sparkasse von 1877	Kufstein	0.0	0.0
Sparkasse Lambach Bank Aktiengesellschaft	Lambach	0.0	0.0
Sparkasse Langenlois	Langenlois	0.0	0.0
Sparkasse Mittersill Bank AG	Mittersill	0.0	0.0
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	Rohrbach	40.0	40.0
Sparkasse Mürrzuschlag Aktiengesellschaft	Mürrzuschlag	0.0	0.0
Sparkasse Neuhofen Bank Aktiengesellschaft	Neuhofen an der Krems	0.0	0.0
Sparkasse Neunkirchen	Neunkirchen	0.0	0.0
SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT	St. Pölten	0.0	0.0
Sparkasse Pöllau AG	Pöllau bei Hartberg	0.0	0.0
Sparkasse Pottenstein N.Ö.	Pottenstein, Triesting	0.0	0.0
Sparkasse Poysdorf AG	Poysdorf	0.0	0.0
Sparkasse Pregarten - Unterweißenbach AG	Pregarten	0.0	0.0
Sparkasse Rattenberg Bank AG	Rattenberg, Inn	0.0	0.0
Sparkasse Reutte AG	Reutte	0.0	0.0
Sparkasse Ried im Innkreis-Haag am Hausruck	Ried im Innkreis	0.0	0.0
Sparkasse Salzkammergut AG	Bad Ischl	0.0	0.0
Sparkasse Scheibbs AG	Scheibbs	0.0	0.0
Sparkasse Schwaz AG	Schwaz	0.0	0.0
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	Voitsberg	5.0	5.0
Stavebni sporitelna Ceske sporitelny, a.s.	Prague	98.8	99.0
Steiermärkische Bank und Sparkassen Aktiengesellschaft	Graz	25.0	25.0
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	Innsbruck	75.0	75.0
Waldviertler Sparkasse Bank AG	Zwettl	0.0	0.0
Wiener Neustädter Sparkasse	Wiener Neustadt	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
Other financial institutions			
"DIE EVA" Grundstückverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
"Die Kärntner" Trust- Vermögensverwaltungsgesellschaft m.b.H. & Co KG	Klagenfurt	25.0	25.0
"Die Kärntner" Trust-Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
"Nare" Grundstücksverwertungs-Gesellschaft m.b.H.	Vienna	100.0	100.0
"SELIMMO" - Sparkasse Mühlviertel-West - DIE ERSTE Leasing - Immobilienvermietung GmbH	Rohrbach	69.4	69.4
5 HOTEL Ingatlanhasznosító Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
Alea-Grundstückverwaltung Gesellschaft m.b.H.	Vienna	100.0	100.0
Altstadt Hotelbetriebs GmbH	Vienna	100.0	100.0
Anlagen Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
AS-Alpha Grundstücksverwaltung Gesellschaft m.b.H.	Vienna	29.8	39.8
Asset Management Slovenskej sporitelne, správ. spol., a. s.	Bratislava	100.0	100.0
Augarten - Hotel - Errichtungsgesellschaft m.b.H.	Vienna	100.0	100.0
AVION-Grundverwertungsgesellschaft m.b.H.	Vienna	50.0	51.0
AVS Beteiligungsgesellschaft m.b.H.	Innsbruck	75.0	75.0
AWEKA - Kapitalverwaltungsgesellschaft m.b.H.	Graz	25.0	25.0
BCR Leasing IFN SA	Bucharest	93.5	93.5
BCR Payments Services SRL	Sibiu	93.6	93.6
BCR PENSII, SOCIETATE DE ADMINISTRARE A FONDURILOR DE PENSII PRIVATE SA	Bucharest	93.6	93.6
BOOTES-Immorent Grundverwertungs-Gesellschaft m.b.H.	Vienna	100.0	100.0
BTV-Beteiligungs-, Treuhand-, Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Business Center Marchfeld Betriebsgesellschaft m.b.H.	Vienna	100.0	100.0
CEE Property Development Portfolio 2 a.s.	Amsterdam	99.0	99.0
CEE Property Development Portfolio B.V.	Amsterdam	19.8	19.8
Cinci-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
CS Investment Limited	St Peter Port	99.0	99.0
CS Property Investment Limited	Nicosia	99.0	99.0
Czech and Slovak Property Fund B.V.	Amsterdam	19.8	19.8
Czech TOP Venture Fund B.V.	Groesbeek	83.1	83.1
DENAR-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
Derop B.V.	Amsterdam	100.0	100.0
DIE ERSTE Leasing Grundaufschließungs- und Immobilienvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Grundbesitzgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Grundstückverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilien Vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilienbesitzgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilienverwaltungs- und -vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Realitätenverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA - Liegenschaftsverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA-Gebäudeleasinggesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA-Immobilienleasing und -erwerb Gesellschaft m.b.H.	Vienna	100.0	100.0
Drustvo za lizing nekretnina, vozila, plovila i masina "S-Leasing" doo Podgorica	Podgorica	62.5	62.5
EB Erste Bank Internationale Beteiligungen GmbH	Vienna	100.0	100.0
EB-Malta-Beteiligungen Gesellschaft m.b.H.	Vienna	100.0	100.0
EBV - Leasing Gesellschaft m.b.H. & Co. KG.	Vienna	100.0	100.0
EKZ-Immorent Vermietung GmbH	Vienna	100.0	100.0
Epsilon Immorent s.r.o.	Prague	100.0	100.0
Erste & Steiermärkische S-Leasing drustvo s ogranicenom odgovornoscu za leasing vozila i strojeva	Zagreb	59.4	47.1
Erste Asset Management d.o.o.	Zagreb	100.0	100.0
Erste Asset Management Ltd. (vm Erste Alapkezelő Zrt.)	Budapest	100.0	100.0
Erste Bank Beteiligungen GmbH	Vienna	100.0	100.0
Erste Bank und Sparkassen Leasing GmbH	Vienna	100.0	100.0
ERSTE CARD CLUB d.o.o.	Zagreb	69.3	69.3
ERSTE CARD poslovanje s kreditnimi karticama, d.o.o.	Ljubljana	69.3	69.3
ERSTE FACTORING d.o.o.	Zagreb	76.9	76.9
Erste Group Immorent AG	Vienna	100.0	100.0
ERSTE GROUP IMMORENT BULGARIA EOOD	Sofia	100.0	100.0
Erste Group Immorent CR s.r.o.	Prague	100.0	100.0
Erste Group Immorent International Holding GmbH	Vienna	100.0	100.0
Erste Group Immorent Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
ERSTE GROUP IMMORENT LEASING drustvo s ogranicenom odgovornoscu	Zagreb	92.5	92.5
Erste Group Immorent Lizing Zártkörűen Működő Részvénytársaság	Budapest	100.0	100.0
ERSTE GROUP IMMORENT POLSKA SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw	100.0	100.0
ERSTE GROUP IMMORENT ROMANIA IFN S.A.	Bucharest	100.0	100.0
Erste Group Immorent Slovensko s.r.o.	Bratislava	100.0	100.0
ERSTE GROUP IMMORENT SME financne storitve d.o.o.	Ljubljana	100.0	100.0
ERSTE GROUP IMMORENT SRL	Bucharest	100.0	100.0
Erste Group Services GmbH	Vienna	100.0	100.0
Erste Lakaslizing Zrt.	Budapest	100	100
Erste Leasing, a.s.	Znojmo	99.0	99.0
EVA-Immobilienvermietungs- und -verwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Eva-Immobilienverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
Eva-Realitätenverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
EXTRON-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
F & S Leasing GmbH	Klagenfurt	100.0	100.0
Factoring Ceske sporitelny a.s.	Prague	99.0	99.0
Financiara SA	Bucharest	91.2	91.2
Gémeskút Ingatlanforgalmazó és Beruházó Kft.	Budapest	100.0	100.0
GIROLEASING-Mobilienvermietungsgesellschaft m.b.H.	Vienna	62.5	62.5
Gladiator Leasing Limited (vm. Erste Bank (Malta) Limited)	Pieta	100.0	100.0
GLL 29235 LIMITED	Pieta	99.9	100.0
GLL A330 Limited	Dublin 2	100.0	100.0
GLL MSN 038 / 043 LIMITED	Pieta	99.9	100.0
good.bee credit IFN S.A.	Bucharest	60.0	60.0
good.bee Holding GmbH	Vienna	60.0	60.0
Grand Hotel Marienbad s.r.o.	Prague	100.0	100.0
HORIZON YACHTING LIMITED	Gibraltar	100.0	100.0
Hotel- und Sportstätten Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	54.5	54.5
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H.	Vienna	38.0	38.0
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach	40.0	40.0
ILION-IMMORENT Grundverwertungsgesellschaft m.b.H.	Vienna	28.8	28.8
IMMORENT - ANDROMEDA Grundverwertungsgesellschaft m.b.H.	Vienna	41.9	41.9
Immorent - Immobilienleasing Gesellschaft m.b.H.	Vienna	96.3	96.3
Immorent - Kagrner Grundstücksverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Kappa Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Süd Gesellschaft m.b.H., S - Leasing KG	Graz	46.4	46.4
Immorent - Weiko Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Wörgler Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT ALFA leasing družba, d.o.o.	Ljubljana	50.0	50.0
Immorent Beta s.r.o.	Bratislava	100.0	100.0
IMMORENT BETA, leasing družba, d.o.o.	Ljubljana	62.5	62.5
IMMORENT Brno Retail s.r.o.	Prague	100.0	100.0
IMMORENT Cheb s.r.o.	Prague	100.0	100.0
IMMORENT DELTA, leasing družba, d.o.o.	Ljubljana	50.0	50.0
ImmoRent Einkaufszentren Verwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT EPSILON, leasing družba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT ETA, leasing družba, d.o.o.	Ljubljana	100.0	100.0
Immorent Hotel- und Resortvermietung Katschberg GmbH & Co OG	Vienna	100.0	100.0
IMMORENT INPROX Budweis s.r.o.	Prague	100.0	100.0
IMMORENT leasing nepremicnin d.o.o.	Ljubljana	44.9	47.5
Immorent Lehrbauhöfeerrichtungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent Oktási Ingatlanhasznosító és Szolgáltató Kft.	Budapest	56.0	56.0
Immorent Orange Ostrava s.r.o.	Prague	100.0	100.0
Immorent Orange s.r.o.	Prague	100.0	100.0
IMMORENT PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
IMMORENT Project Development Holding GmbH	Vienna	100.0	100.0
IMMORENT PTC s.r.o.	Prague	100.0	100.0
IMMORENT RIED GmbH	Vienna	100.0	100.0
IMMORENT SPARKASSE ST.PÖLTEN Leasinggesellschaft m.b.H.	St. Pölten	50.0	50.0
IMMORENT Térinvest Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
IMMORENT TMIS s.r.o. (vorm. TMIS ALFA s.r.o.)	Prague	100.0	100.0
IMMORENT West Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-ANUBIS Grundverwertungsgesellschaft m.b.H.	Vienna	95.0	95.0
IMMORENT-ASTRA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-BRAUGEBÄUDE-Leasinggesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-CHEMILEN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Clio-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-DOMUS Grundverwertungsgesellschaft m.b.H.	Vienna	92.5	92.5
Immorent-Einrichtungshauserrichtungs- und Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Gamma-Grundstücksverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Gebäudeleasinggesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-GREKO Grundverwertungsgesellschaft m.b.H.	Vienna	93.8	93.8
Immorent-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-JULIA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-JURA Grundverwertungsgesellschaft m.b.H.	Graz	32.5	25.0
IMMORENT-KRABA Grundverwertungsgesellschaft m.b.H.	Vienna	90.0	90.0
Immorent-Lamda Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-LEANDER Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Lispa Grundverwertungsgesellschaft m.b.H.	Innsbruck	51.0	51.0
IMMORENT-MARCO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-MOMO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-MÖRE Grundverwertungsgesellschaft m.b.H.	Vienna	64.7	69.8
Immorent-Mytho Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0	50.0
IMMORENT-NERO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-Objektvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-OSIRIS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
IMMORENT-PAN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RAFI Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-Raiffeisen Fachhochschule Errichtungs- und BetriebsgmbH (ehem. ERIS-Immorent Errichtungs GmbH)	Vienna	55.0	55.0
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-RASTA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-REMUS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RIALTO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RIO Grundverwertungsgesellschaft m.b.H.	Vienna	55.0	55.0
IMMORENT-RIWA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-ROMULUS Grundverwertungsgesellschaft m.b.H.	Vienna	90.0	90.0
IMMORENT-RONDO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RUBIN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-SALVA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-SARI Grundverwertungsgesellschaft m.b.H.	Vienna	95.0	100.0
Immorent-Scala Grundverwertungsgesellschaft m.b.H.	Vienna	64.7	69.8
Immorent-Sigma-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Sigre Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Smaragd Grundverwertungsgesellschaft m.b.H.	Schwaz	0.0	0.0
IMMORENT-SOBEK Grundverwertungsgesellschaft m.b.H.	Vienna	93.8	93.8
Immorent-Steiko Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Süd Gesellschaft m.b.H.	Graz	51.3	51.3
Immorent-Theta-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-TOPAS Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-TRIAS Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-UTO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-WBV Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0	50.0
IMMORENT-WEBA Grundverwertungsgesellschaft m.b.H.	Vienna	75.0	75.0
IMNA-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
Imobilia Kik s.r.o.	Prague	0.0	100.0
IMV 2004 Ingatlankezelő Koriátolt Felelősségű Társaság	Budapest	100.0	100.0
Intermarket Bank AG	Vienna	84.3	84.9
Investicni společnost Ceske sporitelny, a.s.	Prague	100.0	100.0
IR Beteiligungsverwaltungsgesellschaft mbH	Vienna	100.0	100.0
IR Domestic Project Development Holding GmbH	Vienna	100.0	100.0
IR-PRIAMOS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IR-Sparkasse Wels Leasinggesellschaft m.b.H. in Liqu.	Vienna	49.4	56.6
ISATIS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Jersey Holding (Malta) Limited	Pieta	0.0	100.0
Kärntner Sparkasse Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Beteiligungs- und Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
LAMBDA IMMORENT s.r.o.	Prague	100.0	100.0
Lassallestraße 7b Immobilienverwaltung GmbH	Vienna	100.0	100.0
LBL-Immorent Leasinggesellschaft m.b.H.	Vienna	100.0	100.0
Leasing Slovenskej sporitelne, a.s.	Bratislava	100.0	100.0
Liba Grundstücksverwaltungs-Gesellschaft m.b.H.	Vienna	100.0	100.0
Lighthouse 449 Limited	Pieta	99.9	100.0
LogCap CR s.r.o.	Prague	51.0	51.0
LogCap Immorent Uno s.r.o.	Bratislava	51.0	51.0
LogCap-IR Grundverwertungsgesellschaft m.b.H.	Vienna	51.0	51.0
Mala Stepanska 17 s.r.o.	Prague	100.0	100.0
MEKLA Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
MOPET CZ a.s.	Prague	90.0	92.9
NAXOS-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
NÖ-Sparkassen Beteiligungsgesellschaft m.b.H.	Vienna	2.5	2.5
Ölim-Grundverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
Omega Immorent s.r.o.	Prague	100.0	100.0
OREST-Immorent Leasing GmbH	Vienna	100.0	100.0
PAROS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Pischeldorfer Straße 221 Liegenschaftsverwertungs GmbH	Vienna	100.0	100.0
PONOS-Immorent Immobilienleasing GmbH (vormals Technologiepark Niklasdorf)	Graz	62.5	62.5
PREDUZECE ZA FINANSIJSKI LIZING S-LEASING DOO, BEOGRAD	Belgrade	62.5	66.6
RHEA-Immorent Holding GmbH	Vienna	100.0	100.0
RUTAR INTERNATIONAL trgovinska d.o.o.	Ljubljana	62.5	62.5
s Autoleasing a.s.	Prague	99.0	99.0
s Autoleasing SK, s.r.o.	Bratislava	99.0	99.0
S IMMORENT GAMMA društvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	62.5	62.5
S IMMORENT KAPPA društvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
S IMMORENT OMIKRON društvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
S Slovensko, spol. s r.o.	Bratislava	100.0	100.0
SAI Erste Asset Management S.A.	Bucharest	100.0	100.0
SAL Liegenschaftsverwaltungsgesellschaft m.b.H.	Vienna	64.2	69.3
Salzburger Sparkasse Leasing Gesellschaft m.b.H.	Vienna	99.0	99.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
SCIENTIA Immorent GmbH	Vienna	100.0	100.0
SERPENS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
S-Factoring, faktoring družba d.d.	Ljubljana	28.0	28.0
Sieben-Tiroler-Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein	0.0	0.0
S-IMMORENT nepremicnine d.o.o.	Ljubljana	50.0	50.0
S-Leasing d.o.o., Sarajevo	Sarajevo	24.6	24.6
S-Leasing d.o.o., Skopje	Skopje	25.0	25.0
S-Leasing Gesellschaft m.b.H.	Kirchdorf an der Krems	64.9	69.9
S-Leasing Immobilienvermietungsgesellschaft m.b.H.	Wr. Neustadt	33.3	33.3
SOLIS-CIVITAS-IMMORENT GmbH	Vienna	100.0	100.0
SPARKASSE IMMORENT Grundverwertungsgesellschaft m.b.H.	Vienna	99.0	99.0
Sparkasse Leasing S.družba za financiranje d.o.o.	Ljubljana	28.0	28.0
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach	40.0	40.0
Sparkasse (Holdings) Malta Ltd.	Sliema	0.0	0.0
Sparkassen IT Holding AG	Vienna	29.7	29.7
SPARKASSEN LEASING družba za financiranje d.o.o.	Ljubljana	50.0	50.0
Sparkassenbeteiligungs und Service AG für Oberösterreich und Salzburg	Linz	69.3	69.3
SPK - Immobilien- und Vermögensverwaltungs GmbH	Graz	25.0	25.0
S-RENT DOO BEOGRAD	Belgrade	62.5	35.5
Strabag Oktatási PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségű Társaság	Budapest	70.0	70.0
Subholding Immorent GmbH	Vienna	100.0	100.0
SVJETILJKA društvo s ograničenom odgovornošću za trgovinu i promet nekretninama	Zagreb	100.0	100.0
TAURIS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Tempo Projekt Ingatlanhasznosító Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
Theta Immorent s.r.o.	Prague	100.0	100.0
Theuthras-Immorent Grundverwertungsgesellschaft m.b.H.	Graz	62.5	62.5
THOR-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
TIPAL Immobilien GmbH in Liquidation	Bozen	92.5	92.5
VIA Immobilien Errichtungsgesellschaft m.b.H.	Vienna	100.0	100.0
Vorarlberger Sparkassen Beteiligungs GmbH	Dornbirn	0.0	0.0
WIESTA-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
XENIA-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Zeta Immorent s.r.o.	Prague	100.0	100.0
Other			
"SGL" Grundstücksverwaltungs- und Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
"Sparkassen-Haftungs Aktiengesellschaft"	Vienna	43.2	43.2
"Z Projekt 2000" Ingatlanforgalmazó Befektető Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
ALPHA IMMORENT DRUSTVO SA OGRANICENOM ODGOVORNOSCU BEOGRAD	Beograd	100.0	100.0
AMICUS Immorent Kommunalleasing GmbH	Graz	63.3	63.3
Bee First Finance S.A. acting for and on behalf of its compartment Edelweiss 2013-1	Luxembourg	0.0	0.0
BCR Fleet Management SRL	Bucharest	93.5	93.5
BCR Procesare SRL	Bucharest	93.6	93.6
BCR Real Estate Management SRL	Bucharest	93.6	93.6
BECON s.r.o.	Prague	19.8	19.8
Beta-Immobilienvermietung GmbH	Vienna	100.0	100.0
BGA Czech, s.r.o.	Prague	19.8	19.8
brokerjet Ceske sporitelny, a.s.	Prague	99.5	99.0
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.	Graz	25.0	25.0
Campus Park a.s.	Prague	99.0	99.0
Capexit Beteiligungs Invest GmbH	Vienna	100.0	100.0
Capexit Private Equity Invest GmbH	Vienna	100.0	100.0
Ceska sporitelna - penzijni spolecnost, a.s.	Prague	99.0	99.0
Collat-real Korlátolt Felelősségű Társaság	Budapest	0.0	100.0
CP Praha s.r.o.	Prague	19.8	19.8
CPDP 2003 s.r.o.	Prague	99.0	99.0
CPDP Logistics Park Kladno I a.s.	Prague	99.0	99.0
CPDP Logistics Park Kladno II a.s.	Prague	99.0	99.0
CPDP Prievozka a.s.	Bratislava	99.0	99.0
CPDP Shopping Mall Kladno, a.s.	Prague	99.0	99.0
CPP Lux S. 'ar.l.	Luxembourg	19.8	19.8
CS DO DOMU, A.S.	Prague	99.0	99.0
DIE ERSTE Immobilienvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Vermietungs GmbH	Vienna	100.0	100.0
Dienstleistungszentrum Leoben GmbH	Graz	51.0	51.0
EBB Beteiligungen GmbH	Vienna	100.0	100.0
EB-Beteiligungsservice GmbH	Vienna	99.9	100.0
EB-Grundstücksbeteiligungen GmbH	Vienna	100.0	100.0
EB-Restaurantsbetriebe Ges.m.b.H.	Vienna	100.0	100.0
EGB Capital Invest GmbH	Vienna	100.0	100.0
EGB Ceps AUT Holding GmbH (vm. Erste Corporate Finance GmbH)	Vienna	100.0	100.0
Erste Asset Management GmbH	Vienna	100.0	100.0
Erste Befektetesi Zrt.	Budapest	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
ERSTE CAMPUS Immobilien GmbH & Co KG	Vienna	100.0	100.0
Erste Campus Mobilien GmbH & Co KG	Vienna	100.0	100.0
Erste Capital Finance (Jersey) PCC	St. Helier	100.0	100.0
ERSTE DELTA DRUSTVO S OGRANICENOM ODGOVORNOSCU ZA POSLOVANJE NEKRETNINAMA	Zagreb	69.3	69.3
Erste Energy Services, a.s.	Prague	99.0	99.0
Erste Finance (Delaware) LLC	Wilmington	100.0	100.0
Erste Finance (Jersey) (6) Limited	St. Helier	100.0	100.0
Erste Finance (Jersey) Limited IV	St. Helier	100.0	100.0
Erste GCIB Finance I B.V.	Amsterdam	100.0	100.0
Erste Grantika Advisory, a.s.	Brno	99.0	99.0
Erste Group Card Processor d.o.o. (vm.MBU)	Zagreb	100.0	100.0
ERSTE GROUP IMMORENT HRVATSKA drustvo s ogranicenom odgovornoscu za upravljanje	Zagreb	100.0	100.0
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o.	Ljubljana	100.0	100.0
ERSTE GROUP IMMORENT SERBIA DOO BEOGRAD	Beograd	100.0	100.0
Erste Group IT International, spol. s.r.o.	Bratislava	100.0	100.0
Erste Group IT SK, spol. s.r.o.	Bratislava	100.0	100.0
Erste Group Shared Services (EGSS), s.r.o.	Hodonin	99.6	99.6
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	Vienna	74.2	74.2
ERSTE IN-FORG Koriatolt felelossegu tarsasag	Budapest	100.0	100.0
Erste Ingatlan Fejlesztő, Hasznosító és Mernoki Kft. (vm. PB Risk Befektetési és Szolgáltató Kft).	Budapest	100.0	100.0
Erste Leasing Berlet Szolgáltató Kft. (vm. Erste Leasing Szolgáltató Kft.)	Budapest	100.0	100.0
ERSTE NEKRETNINE d.o.o. za poslovanje nekretninama	Zagreb	69.3	69.3
Erste Private Equity Limited	London	100.0	100.0
Erste Reinsurance S.A.	Luxembourg	100.0	100.0
Erste Securities Istanbul Menkul Degerler AS	Istanbul	100.0	100.0
Erste Securities Polska S.A.	Warsaw	100.0	100.0
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.	Vienna	86.5	86.5
Euro Dotacie, a.s.	Žilina	65.3	65.3
Flottenmanagement GmbH	Vienna	51.0	51.0
FUKO-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Gallery MYSAK a.s.	Prague	99.0	99.0
Haftungsverbund GmbH	Vienna	63.9	63.9
Hauptbahnhof Zwei Holding GmbH	Vienna	0.0	100.0
HBF Eins Holding GmbH	Vienna	100.0	100.0
HBF Fünf Epsilon Projektentwicklungs GmbH	Vienna	0.0	100.0
HBF Sechs Gamma Projektentwicklungs GmbH	Vienna	0.0	100.0
HBM Immobilien Kamp GmbH	Vienna	100.0	100.0
HEKET Immobilien GmbH	Vienna	100.0	100.0
HP Immobilien Psi GmbH	Vienna	100.0	100.0
HT Immobilien Tau GmbH	Vienna	100.0	100.0
HT Immobilien Theta GmbH	Vienna	100.0	100.0
HV Immobilien Hohenems GmbH	Vienna	100.0	100.0
IBF-Anlagenleasing 95 Gesellschaft m.b.H.	Vienna	100.0	100.0
IGP Industrie und Gewerbepark Wörgl Gesellschaft m.b.H.	Innsbruck	56.2	56.2
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
IMMOBUL BETA EOOD	Sofia	100.0	100.0
IMMOKOR BUZIN drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	84.9	84.9
IMMORENT Alpha Ingatlanbérbeadó és Üzemeltető Kárlátolt Felelősségű Társaság	Budapest	100.0	100.0
Immorent City Kft.	Budapest	100.0	100.0
IMMORENT GAMA, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT Jilka s.r.o.	Prague	100.0	100.0
IMMORENT LINE BULGARIA EOOD	Sofia	100.0	100.0
Immorent Omega d.o.o.	Zagreb	100.0	100.0
IMMORENT Orion s.r.o.	Prague	100.0	100.0
IMMORENT Österreich GmbH	Vienna	100.0	100.0
Immorent Park Kft.	Budapest	100.0	100.0
IMMORENT Plzen s.r.o.	Prague	100.0	100.0
Immorent razvoj projektov d.o.o.	Ljubljana	100.0	100.0
Immorent Severna vrata d.o.o.	Ljubljana	100.0	100.0
IMMORENT SIGMA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	62.5	62.5
Immorent Singidunum d.o.o.	Novi Beograd	100.0	100.0
IMMORENT STROY EOOD	Sofia	100.0	100.0
IMMORENT Treuhand- und Vermögensverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT Vega s.r.o.	Prague	100.0	100.0
IMMORENT-HATHOR Grundverwertungsgesellschaft m.b.H	Vienna	62.5	62.5
Immorent-Mobilienvermietungs-Gesellschaft m.b.H., Liegenschaftsverwaltung Penzing & Co KG	Vienna	100.0	100.0
IMMORENT-PIA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-Sparkasse St. Pölten II Grundverwertungsgesellschaft m.b.H.	Vienna	51.0	51.0
IMMORENT-STIKÖ Leasinggesellschaft m.b.H.	Vienna	100.0	100.0
Innovationspark Graz-Puchstraße GmbH	Graz	51.0	51.0
Invalidovna centrum a.s.	Prague	100.0	100.0
IPS Fonds Gesellschaft bürgerlichen Rechts	Vienna	0.0	64.7
IR Bevásárló Udvar Ingatlanhasznosító Kft.	Budapest	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
IR CEE Project Development Holding GmbH	Vienna	100.0	100.0
IR Piramis Kft	Budapest	100.0	100.0
IR Sor 90 Kft.	Budapest	100.0	100.0
K1A Kft	Budapest	100.0	100.0
KS - Dienstleistungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
LANED a.s.	Bratislava	100.0	100.0
LBG 61 LiegenschaftsverwaltungsgmbH	Vienna	100.0	100.0
LEDA-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	64.9	69.9
LEGU-Immorent Leasing GmbH	Vienna	75.0	75.0
LIEGESA Immobilienvermietung GmbH Nfg OG	Graz	25.0	25.0
MCS 14 Projektentwicklung GmbH & Co KG	Vienna	100.0	100.0
Nove Butovice Development s.r.o.	Prague	19.8	19.8
ÖCI-Unternehmensbeteiligungsgesellschaft m.b.H.	Vienna	99.6	99.6
OM Objektmanagement GmbH	Vienna	100.0	100.0
Portfolio Kereskedelmi, Szolgáltató és Szamitastechnikai Kft.	Budapest	100.0	100.0
Procurement Services CZ s.r.o.	Prague	99.5	99.5
Procurement Services GmbH	Vienna	99.9	99.9
Procurement Services HR d.o.o.	Zagreb	99.9	99.9
Procurement Services HU Kft.	Budapest	99.9	99.9
Procurement Services RO srl	Bucharest	99.9	99.9
Procurement Services SK, s.r.o.	Bratislava	99.9	99.9
Project Development Vest s.r.l	Bucharest	0.0	100.0
Proxima IMMORENT s.r.o.	Prague	100.0	100.0
QBC Immobilien GmbH	Vienna	68.8	68.8
QBC Immobilien GmbH & Co Alpha KG	Vienna	68.8	68.8
QBC Immobilien GmbH & Co Beta KG	Vienna	68.8	68.8
QBC Immobilien GmbH & Co Delta KG	Vienna	68.8	68.8
QBC Immobilien GmbH & Co Epsilon KG	Vienna	68.8	68.8
QBC Immobilien GmbH & Co Gamma KG	Vienna	68.8	68.8
QBC Management und Beteiligungen GmbH	Vienna	68.8	68.8
QBC Management und Beteiligungen GmbH & Co KG	Vienna	68.8	68.8
Realia Consult Magyarország Beruházás Szervezési KFT	Budapest	100.0	100.0
Realitna spoločnosť Slovenskej sporiteľne, a.s.	Bratislava	100.0	100.0
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz	62.6	62.6
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.	Graz	59.8	59.8
REICO investiční společnost Ceske sporitelny, a.s.	Prague	99.0	99.0
RINGTUM Kapitalanlagegesellschaft m.b.H.	Vienna	95.0	95.0
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0	25.0
S IMMORENT LAMBDA društvo s ograničenom odgovornoscu za poslovanje nekretninama	Zagreb	70.0	70.0
S IMMORENT ZETA društvo s ograničenom odgovornoscu za poslovanje nekretninama	Zagreb	84.9	84.9
s IT Solutions AT Spardat GmbH	Vienna	82.2	82.2
s IT Solutions CZ, s.r.o.	Prague	99.6	99.6
s IT Solutions Holding GmbH	Vienna	100.0	100.0
s IT Solutions HR društvo s ograničenom odgovornoscu za usluge informacijskih tehnologija	Bjelovar	93.9	93.9
s IT Solutions SK, spol. s r.o.	Bratislava	99.8	99.8
s REAL Immobilienvermittlung GmbH	Vienna	96.1	96.1
s ServiceCenter GmbH (vm. CSSC)	Vienna	57.3	58.4
S Tourismus Services GmbH	Vienna	100.0	100.0
s Wohnbauträger GmbH	Vienna	90.8	90.8
s Wohnfinanzierung Beratungs GmbH	Vienna	75.4	75.4
sBAU Holding GmbH	Vienna	95.0	95.0
SC Bucharest Financial Piazza SRL	Bucharest	93.6	93.6
Schauersberg Immobilien Gesellschaft m.b.H.	Graz	25.0	25.0
sDG Dienstleistungsgesellschaft mbH (vm. Sparkassen Zahlungsverkehrsabwicklungs GmbH)	Linz, Donau	57.8	57.8
SILO II LBG 57 -59 Liegenschaftsverwaltung GmbH & Co KG	Vienna	0.0	100.0
S-Immobilien Weinviertler Sparkasse GmbH	Vienna	100.0	100.0
S-Invest Beteiligungsgesellschaft m.b.H.	Vienna	70.0	70.0
Sio Ingatlan Invest Kft.	Budapest	100.0	100.0
SK - Immobiliengesellschaft m.b.H.	Krems an der Donau	0.0	0.0
SK Immobilien Epsilon GmbH	Vienna	100.0	100.0
Smichov Real Estate, a.s.	Prague	19.8	19.8
Solaris City Kft.	Budapest	100.0	100.0
Solaris Park Kft.	Budapest	100.0	100.0
SPARDAT - Bürohauserrichtungs- und Vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
Sparfinanz-, Vermögens-, Verwaltungs- und Beratungs- Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
Sparkasse Kufstein Immobilien GmbH & Co KG	Kufstein	0.0	0.0
Sparkasse Oberösterreich Kapitalanlagegesellschaft m.b.H.	Linz	29.6	38.1
Sparkasse S d.o.o.	Ljubljana	25.0	25.0
Sparkassen Real Vorarlberg Immobilienvermittlung GmbH	Dornbirn	48.1	48.1
Sparkassen-Real-Service für Kärnten und Osttirol Realitätenvermittlungsgesellschaft m.b.H.	Klagenfurt	55.6	55.6
Sparkassen-Real-Service -Tirol Realitätenvermittlungsgesellschaft m.b.H.	Innsbruck	66.8	66.8
SPV - Druck Gesellschaft m.b.H	Vienna	99.9	99.9
S-Real, Realitätenvermittlungs- und -verwaltungs Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
Steiermärkische Verwaltungssparkasse Immobilien & Co KG	Graz	25.0	25.0
S-Tourismusfonds Management Aktiengesellschaft	Vienna	100.0	100.0
SUPOIT COLECT SRL	Bucharest	93.6	93.6
SVD-Sparkassen-Versicherungsdienst Versicherungsbörse Nachfolge GmbH & Co. KG	Innsbruck	75.0	75.0
TER INVEST Ingatlanhasznosító Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
Tirolinvest Kapitalanlagegesellschaft m.b.H.	Innsbruck	77.9	77.9
Trencin Retail Park a.s.	Bratislava	19.8	19.8
VERNOSTNI PROGRAM IBOD, a.s.	Prague	99.0	99.0
VIDAR Handels GmbH in Liqu.	Vienna	100.0	100.0
Wallgasse 15+17 Projektentwicklungs GmbH	Vienna	100.0	100.0
Wirtschaftspark Siebenhirten Entwicklungs- und Errichtungs GmbH	Vienna	60.0	60.0
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl	0.0	0.0
Funds			
SPARKASSEN 8	Vienna	0.0	0.0
ESPA BOND DURATION SHIELD	Vienna	0.0	1.2
SPARKASSEN 5	Vienna	0.0	0.0
SPARKASSE 9	Vienna	0.0	0.0
PRO INVEST PLUS	Vienna	0.0	0.0
SPARKASSEN 21	Vienna	0.0	0.0
ESPA ASSET-BACKED	Vienna	0.0	0.0
s RegionenFonds	Linz	0.0	0.0
SPARKASSEN 17	Vienna	0.0	0.0
SPARKASSEN 19	Vienna	0.0	0.0
S CASHRESERVE	Linz	0.0	0.0
SPARKASSEN 2	Vienna	0.0	0.0
SPARKASSEN 26	Vienna	0.0	0.0
SPARKASSEN 4	Vienna	0.0	0.0
SPARRENT	Vienna	0.0	0.0
Equity method investments			
Credit institutions			
Prva stavebna sporitelna, a.s.	Bratislava	35.0	35.0
SPAR-FINANZ BANK AG	Salzburg	50.0	50.0
Other financial institutions			
Adoria Grundstückvermietungs Gesellschaft m.b.H.	Vienna	24.5	24.5
Aventin Grundstücksverwaltungs Gesellschaft m.b.H.	Horn	24.5	24.5
CALDO Grundstücksverwertungsgesellschaft m.b.H.	Vienna	31.2	31.2
DIE ERSTE Leasing & VKB Immobilien Vermietungsgesellschaft m.b.H.	Vienna	50.0	50.0
Epsilon - Grundverwertungsgesellschaft m.b.H.	Vienna	50.0	50.0
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	24.5	24.5
Fondul de Garantare a Creditului Rural IFN SA	Bucharest	31.2	31.2
FORIS Grundstückvermietungs Gesellschaft m.b.H.	Vienna	24.5	24.5
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	33.33	33.33
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0	50.0
LITUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
MELIKERTES Raiffeisen-Mobilien-Leasing Gesellschaft m.b.H.	Vienna	20.0	20.0
N.Ö. Gemeindegebäudeleasing Gesellschaft m.b.H.	Vienna	33.4	33.4
N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	28.4	28.4
NÖ Bürgschaften und Beteiligungen GmbH	Vienna	24.1	24.1
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	28.4	28.4
O.Ö. Gemeindegebäude-Leasing Gesellschaft m.b.H.	Linz	50.0	50.0
O.Ö. Kommunalgebäude-Leasing Gesellschaft m.b.H.	Linz	40.0	40.0
Quirinal Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	33.3	33.3
Rembra Leasing Gesellschaft m.b.H.	Vienna	50.0	50.0
RL DANTE Mobilien-Leasing GmbH	Vienna	20.0	20.0
Schulerrichtungsgesellschaft m.b.H.	Vienna	46.3	46.3
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H.	Graz	50.0	50.0
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Graz	50.0	50.0
Steirische Leasing für Gebietskörperschaften Gesellschaft m.b.H.	Graz	50.0	50.0
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H.	Graz	50.0	50.0
SUPRIA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.0	50.0
SWO Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	50.0	50.0
TKL V Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VIII Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.	Vienna	25.0	25.0
UNIQA Immobilien-Projektentwicklungs GmbH	Vienna	33.3	33.3
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
VBV - Betriebliche Altersvorsorge AG	Vienna	26.9	26.9
Viminal Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	25.0	25.0
VKL II Grundverwertungsgesellschaft m.b.H.	Dornbirn	33.3	33.3
VKL III Gebäudeleasing-Gesellschaft m.b.H.	Dornbirn	33.3	33.3
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	35.0	35.0
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H.	Dornbirn	33.3	33.3

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
Other			
APHRODITE Bauträger Aktiengesellschaft	Vienna	45.4	45.4
Bio-Wärme Scheiffling GmbH	Scheiffling	49.0	49.0
Budapark Estate 2005 Kft.	Budaörs	42.0	42.0
CII Central Investments Imobiliare SRL	Bucharest	52.0	52.0
EBB-Gamma Holding GmbH	Vienna	49.0	49.0
ERSTE d.o.o.	Zagreb	41.7	45.2
Erste ÖSW Wohnbauträger GmbH	Vienna	45.7	45.7
Garage Eisenstadt Betriebsgesellschaft m.b.H.	Vienna	50.0	50.0
Gelup GesmbH	Vienna	31.7	31.7
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m. b. H.	Korneuburg	0.8	0.8
Hochkönig Bergbahnen GmbH	Mühlbach am Hochkönig	45.3	45.3
Immobilien West GmbH	Salzburg	49.3	49.3
KWC Campus Errichtungsgesellschaft m.b.H.	Klagenfurt	12.5	12.5
Let's Print Holding AG	Graz	42.0	42.0
LTB Beteiligungs GmbH	Vienna	25.0	25.0
RSV Beteiligungs GmbH	Vienna	33.3	33.3
Slovak Banking Credit Bureau, s.r.o.	Bratislava	33.3	33.3
STRAULESTI PROPERTY DEVELOPMENT SRL	Bucharest	50.0	50.0
TRGOVINSKI CENTAR ZADAR - FAZA 2 d.o.o.	Zadar	50.0	50.0
WASHINGTON PROJEKT OOD	Sofia	55.4	55.4
Other investments			
Credit institutions			
EUROAXIS BANK AD Moskva	Moscow	0.0	0.0
Gorenjska Banka d.d.	Kranj	2.3	2.3
JUBMES BANKA AD BEOGRAD	Belgrade	0.0	0.0
Oesterreichische Kontrollbank Aktiengesellschaft	Vienna	12.9	12.9
Open Joint Stock Company Commercial Bank "Center Invest"	Rostov-on-Don	9.8	9.8
Swedbank AB	Stockholm	0.1	0.1
Waldviertler Volksbank Horn registrierte Genossenschaft mit beschränkter Haftung	Horn	0.0	0.0
Other financial institutions			
"Wohnungseigentum", Tiroler gemeinnützige Wohnbaugesellschaft m.b.H.	Innsbruck	19.1	19.1
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	12.9	12.9
AB Banka, a.s. v likvidaci	Mlada Boleslav	4.4	4.4
ARWAG Holding-Aktiengesellschaft	Vienna	19.2	19.2
AS-WECO 4 Grundstückverwaltung Gesellschaft m.b.H.	Salzburg	30.0	30.0
Bank Austria Leasing - IMMORENT Immobilienleasing GmbH	Vienna	50.0	50.0
BRB Burgenländische Risikokapital Beteiligungen AG	Eisenstadt	6.4	6.4
C+R Projekt s r.o.	Prague	100.0	100.0
CaixaBank Electronic Money E.D.E., S.L.	Barcelona	0.0	10.0
Casa de Compensare Bucuresti SA	Bucharest	0.3	0.3
Casa Romana de Compensatie Sibiu	Sibiu	0.4	0.4
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
CTP Herspicka spol. s.r.o.	Prague	100.0	100.0
CULINA Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
Diners Club BH d.o.o. Sarajevo	Sarajevo	69.3	69.3
Diners Club Bulgaria AD	Sofia	3.6	3.6
Diners Club Russia	Moscow	11.0	11.0
DINESIA a.s.	Prague	99.0	99.0
DRUŠTVO ZA KONSALTING I MENADŽMENT POSLOVE TRŽIŠTE NOVCA A.D. BEOGRAD (SAVSKI VENAC)	Beograd	0.8	0.8
EBB-Epsilon Holding GmbH	Vienna	100.0	100.0
EBV-Leasing Gesellschaft m.b.H.	Vienna	51.0	51.0
EFH-Beteiligungsgesellschaft m.b.H.	Vienna	50.0	50.0
European Directories Parent S.A.	Luxembourg	4.0	4.0
EWU Wohnbau Unternehmensbeteiligungs-Aktiengesellschaft	St. Pölten	12.8	12.8
FINANSIJSKI BERZANSKI POSREDNIK BEOGRADSKI ESKONTNI CENTAR AKCIONARSKO DRUŠTVO, BEOGRAD (STARI GRAD) - U STECAJU	Beograd	0.0	0.0
Fondul Roman de Garantare a Creditorilor pentru Intreprinzatorii privati SA	Bucharest	8.9	8.9
Garantiqa Hitelgarancia Zrt.	Budapest	2.2	2.2
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Maria Enzersdorf	12.2	12.2
Gemeinnützige Bau- und Siedlungsgenossenschaft "Waldviertel" registrierte Genossenschaft mit beschränkter Haftung	Raabs an der Thaya	0.0	0.0
Gemeinnützige Bau- und Siedlungsgesellschaft MIGRA Gesellschaft m.b.H.	Vienna	19.8	19.8
Gemeinnützige Baugenossenschaft in Feldkirch, registrierte Genossenschaft mit beschränkter Haftung	Feldkirch	0.0	0.0
Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft	Mödling	12.7	12.7
German Property Invest Immobilien GmbH	Vienna	10.8	10.7
GLL CLASSIC 400 LIMITED	Pieta	0.0	100.0
GLL MSN 2118 LIMITED	Dublin	0.0	100.0
GWG - Gemeinnützige Wohnungsgesellschaft der Stadt Linz GmbH	Linz	5.0	5.0
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.5	7.5
I+R Projekt Fejlesztési Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
Immorent-VBV Grundverwertungsgesellschaft m.b.H.	Vienna	0.0	0.0
K+R Projekt s.r.o.	Prague	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
KERES-Immorent Immobilienleasing GmbH	Vienna	25.0	25.0
LBH Liegenschafts- und Beteiligungsholding GmbH	Innsbruck	75.0	75.0
MONTENEGRO BERZA AD Podgorica	Podgorica	0.1	0.1
NATA Immobilien-Leasing Gesellschaft m.b.H.	Vienna	10.0	10.0
O.Ö. Kommunal-Immobilienleasing GmbH	Linz	40.0	40.0
O.Ö. Leasing für Gebietskörperschaften Ges.m.b.H.	Linz	33.3	33.3
O.Ö. Leasing für öffentliche Bauten Gesellschaft m.b.H.	Linz	33.3	33.3
Oberösterreichische Kreditgarantiegesellschaft m.b.H.	Linz	4.5	4.5
Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H.	Linz	4.5	4.5
Objekt-Lease Grundstücksverwaltungs-Gesellschaft m.b.H.	Vienna	50.0	50.0
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.	Vienna	18.8	18.8
ÖSW Wohnbauvereinigung Gemeinnützige Gesellschaft m.b.H.	Salzburg	15.4	15.4
Otkupen Centar d.o.o.	Strumica	0.0	25.0
ÖWB Gemeinnützige Wohnungsaktiengesellschaft	Salzburg	25.1	25.1
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	2.5	2.5
REWE Magyarországi Ingatlankezelő és - forgalmazó Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
S IMMOKO Holding GesmbH	Korneuburg	0.0	0.0
S IMMOKO Leasing GesmbH	Korneuburg	0.0	0.0
S Servis, s.r.o.	Znojmo	99.0	99.0
Salzburger Kreditgarantiegesellschaft m.b.H. (vm. Bürgschaftsbank Salzburg GmbH)	Salzburg	18.0	18.0
Sapor Beteiligungsverwaltungs GmbH	Vienna	100.0	100.0
Seilbahnleasing GmbH	Innsbruck	33.3	33.3
Societatea de Transfer de Fonduri si Decontari TransFonD SA	Bucharest	3.0	3.0
SPARKASSE Bauholding Gesellschaft m.b.H.	Salzburg	98.7	98.7
Sparkasse Bauholding Leasing I GmbH	Salzburg	98.7	98.7
Sparkasse Kufstein Immobilien GmbH	Kufstein	0.0	0.0
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Vienna	50.3	50.3
T+R Projekt Fejlesztési Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H.	Innsbruck	33.3	33.3
Tiroler Landesprojekte Grundverwertungs GmbH	Innsbruck	33.3	33.3
TKL II. Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL III Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VI Grundverwertungsgesellschaft m.b.H.	Innsbruck	28.2	28.2
TKL VII Grundverwertungsgesellschaft m.b.H.	Innsbruck	28.4	28.4
Trziste novca d.d.	Zagreb	8.6	8.6
UNDA Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
VBV - Vorsorgekasse AG	Vienna	24.5	24.5
VKL IV Leasinggesellschaft mbH	Dornbirn	23.3	23.3
VKL V Immobilien Leasinggesellschaft m.b.H.	Dornbirn	23.3	23.3
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG (vorm.Kapital-Beteiligungs Aktiengesellschaft)	Vienna	15.6	15.1
WNI Wiener Neustädter Immobilienleasing Ges.m.b.H.	Wiener Neustadt	0.0	0.0
Z Leasing METIS Immobilien Leasing Gesellschaft m.b.H.	Vienna	50.0	50.0
Other investments			
Other			
"Die Kärntner - Förderungs- und Beteiligungsgesellschaft für die Stadt Friesach Gesellschaft m.b.H.	Friesach	25.0	25.0
"Die Kärntner" - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Gurk	25.0	25.0
"Die Kärntner"-BTWF-Beteiligungs- und Wirtschaftsförderungsgesellschaft für die Stadt St. Veit/Glan Gesellschaft m.b.H.	St. Veit an der Glan	25.0	25.0
"Die Kärntner"-Förderungs- und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Wolfsberg	25.0	25.0
"Gasthof Löwen" Liegenschaftsverwaltung GmbH & Co., KG	Feldkirch	0.0	0.0
"Immo - Rent" Liegenschaftsanlage und Verwaltung Gesellschaft m.b.H. & Co.KG.	Vienna	87.9	87.9
"Photovoltaik-Gemeinschaftsanlage" der Marktgemeinde Wolfurt	Wolfurt	0.0	0.0
"SIMM" Liegenschaftsverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
"S-PREMIUM" Društvo sa ogranicenom odgovornoscu za posredovanje i zastupanje u osiguranju d.o.o. Sarajevo	Novo Sarajevo	24.5	24.5
"TBG" Thermenzentrum Geinberg Betriebsgesellschaft m.b.H.	Geinberg	1.1	1.1
"THG" Thermenzentrum Geinberg Errichtungs-GmbH	Linz	1.1	1.1
"TROPs" Beteiligungsgesellschaft m.b.H	St. Martin im Mühlkreis	5.0	5.0
1776 CLO I., LTD_106781	Vienna	0.0	0.0
A.D.I. Immobilien Beteiligungs GmbH	Vienna	10.8	10.7
ACA CLO, Ltd._23697	Vienna	0.0	0.0
Achenseebahn-Aktiengesellschaft	Jenbach	0.0	0.0
AD SPORTSKO POSLOVNI CENTAR MILLENNIUM VRŠAC	Vršac	0.2	0.2
Agrargemeinschaft Kirchschlag	Kirchschlag	0.0	0.0
AGRI-BUSINESS Kft. (in Konkurs)	Hegyshalom	100.0	100.0
AKCIONARSKO DRUŠTVO DUNAV ZA PROIZVODNJU TEKSTILNIH I AMBALAŽNIH PROIZVODA CELAREVO - U STECAJU	Celarevo	4.7	4.7
AKCIONARSKO DRUŠTVO PETAR DRAPŠIN NOVI SAD - U RESTRUKTURIRANJU	Novi Sad	1.1	1.1
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU DELOVA ZA MOTORE GARANT, FUTOG	Futog	6.2	6.2
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU KABLOVA I PROVODNIKA NOVOSADSKA FABRIKA KABELA NOVI SAD	Novi Sad	1.1	1.1
AKIM Beteiligungen GmbH	Vienna	10.8	10.7
Alpbacher Bergbahn Gesellschaft m.b.H.	Alpbach	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
Alpendorf Bergbahnen AG	St. Johann im Pongau	0.0	0.0
APIDOS CDO V_23788	Vienna	0.0	0.0
APIDOS QUATTRO CDO_107847	Vienna	0.0	0.0
aptus Immobilien GmbH	Berlin	10.8	10.7
AREALIS Liegenschaftsmanagement GmbH	Vienna	50.0	50.0
Argentum Immobilienverwertungs Ges.m.b.H.	Linz	28.3	29.8
AS LEASING Gesellschaft m.b.H.	Linz	29.8	29.8
ASTRA BANKA AKCIONARSKO DRUŠTVO BEOGRAD - U STECAJU	Beograd	0.0	0.0
AS-WECO Grundstückverwaltung Gesellschaft m.b.H.	Linz	28.3	29.8
AUBURN0441_403250	Vienna	0.0	0.0
Austrian Reporting Services GmbH	Vienna	16.8	16.8
AU-VISION Entwicklungs-GmbH	Leoben	24.9	24.9
AVOCA 0724_414332	Vienna	0.0	0.0
AVOCA04/20_403394	Vienna	0.0	0.0
AVOCA05/21_404723	Vienna	0.0	0.0
AWEKA-Beteiligungsgesellschaft m.b.H.	Vienna	25.0	25.0
BABSON MIDMARKET_108225	Vienna	0.0	0.0
BABSON0620_408715	Vienna	0.0	0.0
Bad Leonfelden Hotelbetriebs Gesellschaft mbH	Bad Leonfelden	63.4	63.4
Bad Tatzmannsdorf - Thermal- und Freizeitzentrum Gesellschaft mit beschränkter Haftung & Co KG	Bad Tatzmannsdorf	0.9	0.9
Bäder - Betriebs - Gesellschaft m.b.H. der Stadt Schladming & Co Kommanditgesellschaft	Schladming	0.0	0.0
Balance Resort GmbH (vm. Wellness Hotel Stegersbach)	Stegersbach	100.0	100.0
Balder Handels GmbH in Liqu.	Vienna	100.0	100.0
Bank-garázs Ingatlanfejlesztési és Vagyonhasznosító Kft.	Budapest	10.8	10.7
Bäuerliches Blockheizkraftwerk reg. Gen.m.b.H.	Kautzen	0.0	0.0
BBH Hotelbetriebs GmbH	Vienna	69.0	69.0
BCR Asigurari de Viata Vienna Insurance Group SA	Bucharest	5.1	5.1
BeeOne GmbH	Vienna	100.0	100.0
Beogradska Berza, Akcionarsko Društvo Beograd	Belgrade	12.6	12.6
Berg- und Schilift Schwaz-Pill Gesellschaft m.b.H.	Schwaz	0.0	0.0
Bergbahn Aktiengesellschaft Kitzbühel	Kitzbühel	0.0	0.0
Bergbahn Lofer Ges.m.b.H.	Lofer	7.8	7.8
Bergbahn- und Skiliftgesellschaft St. Jakob i.D. GmbH in Liqu.	St. Jakob in Deferegggen	0.0	0.0
Bergbahnen Oetz Gesellschaft m.b.H.	Oetz	0.0	0.0
Bergbahnen Westendorf Gesellschaft m.b.H.	Westendorf	0.0	0.0
Betriebliche Altersvorsorge - Software Engineering GmbH	Vienna	24.2	24.2
BGM - IMMORENT Aktiengesellschaft & Co KG	Vienna	2.4	2.4
Biogenrohstoffgenossenschaft Kamptal und Umgebung registrierte Genossenschaft mit beschränkter Haftung	Gars am Kamp	0.0	0.0
Biomasse Heizwerk Zürs GmbH	Zürs	0.0	0.0
Biroul de credit SA	Bucharest	17.8	17.8
Biroul de Credit SRL	Chişinău	6.3	6.3
BL Hotel Beteiligungs GmbH	Rohrbach	69.4	69.4
BlackRock Senior Income Series Corp. IV_23754	Vienna	0.0	0.0
BlackRock Senior Income Series Corp. V_24091	Vienna	0.0	0.0
Brauerei Murau eGen	Murau	0.6	0.6
Bregenz Tourismus & Stadtmarketing GmbH	Bregenz	0.0	0.0
Bridgeport CLO II, Ltd._24083	Vienna	0.0	0.0
BRIDGEPORT CLO LTD_106948	Vienna	0.0	0.0
BSV Mountain Immobilieninvest GmbH	Klosterneuburg	0.0	0.0
Buda Kereskedelmi Kozpont Kft	Budapest	10.8	10.7
Bursa Romana de Marfuri SA	Bucharest	2.4	2.4
Burza cennych papierov v Bratislave, a.s.	Bratislava	3.9	3.9
BVP-Pensionsvorsorge-Consult G.m.b.H.	Vienna	26.9	26.9
C.I.M. Beteiligungen 1998 GmbH	Vienna	41.1	41.1
C.I.M. Unternehmensbeteiligungs- und Anlagenvermietungs GmbH in Liqu.	Vienna	33.3	33.3
C.I.M. Verwaltung und Beteiligungen 1999 GmbH	Vienna	26.7	26.7
Callidus Debt Partners CDO Fund, Ltd._23630	Vienna	0.0	0.0
Camelot Informatik und Consulting Gesellschaft m.b.H.	Villach	4.1	4.1
Camping- und Freizeitanlagen Betriebsgesellschaft m.b.H.	St. Pölten	0.0	0.0
CAMPUS 02 Fachhochschule der Wirtschaft GmbH	Graz	3.8	3.8
CANARY0737_611150	Vienna	0.0	0.0
Cargo-Center-Graz Betriebsgesellschaft m.b.H.	Kalsdorf bei Graz	1.6	1.6
Cargo-Center-Graz Betriebsgesellschaft m.b.H. & Co KG	Graz-St. Peter	1.6	1.6
CARLYLE ARNAGE_108233	Vienna	0.0	0.0
CARLYLE DAYTONA_107474	Vienna	0.0	0.0
Carlyle Europe Partners,L.P. (in Liquidation)	Vale	0.6	0.6
Carlyle High Yield Partners X, Ltd._23838	Vienna	0.0	0.0
CARLYLE MCLAREN CLO LTD_107904	Vienna	0.0	0.0
CBCB-Czech Banking Credit Bureau, a.s.	Prague	19.8	19.8
CEE Beteiligungen GmbH	Vienna	10.8	10.7
CEE CZ Immobilien GmbH	Vienna	10.8	10.7
CEE Immobilien GmbH	Vienna	10.8	10.7
CEE PROPERTY BULGARIA EOOD	Sofia	10.8	10.7

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
CEE PROPERTY INVEST ROMANIA SRL	Bucharest	10.8	10.7
CEE Property-Invest Hungary 2003 Ingatlan Kft	Budapest	10.8	10.7
CEE PROPERTY-INVEST Immobilien GmbH	Vienna	10.8	10.7
CEE Property-Invest Ingatlan Kft.	Budapest	10.8	10.7
CEE Property-Invest Office 2004 Kft	Budapest	10.8	10.7
CEESEG Aktiengesellschaft	Vienna	12.6	12.6
CELF05/21_404240	Vienna	0.0	0.0
CELF0723_414813	Vienna	0.0	0.0
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH	Graz	25.0	25.0
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH & Co KG	Graz	25.8	25.8
COLUMBUS NOVA CLO LTD._107797	Vienna	0.0	0.0
CORNERSTONE CLO_108118	Vienna	0.0	0.0
CTP Property N.V.	Amsterdam	1.0	1.0
Dachstein Tourismus AG	Gosau	0.0	0.0
DC TRAVEL d.o.o. putnicka agancija	Zagreb	69.3	69.3
Debt securities OF AFS HW_402045	Vienna	0.0	0.0
Debt securities OF AFS HW_403602	Vienna	0.0	0.0
Debt securities OF AFS HW_405667	Vienna	0.0	0.0
Debt securities OF AFS HW_414753	Vienna	0.0	0.0
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor	25.0	25.0
Dolomitencenter Verwaltungs GmbH	Lienz	50.0	50.0
Dolomitengolf Osttirol GmbH	Lavant	0.0	0.0
DONAU Versicherung AG Vienna Insurance Group	Vienna	0.8	0.8
Dornbirner Seilbahn GmbH	Dornbirn	0.0	0.0
DRYDEN XVI CDO_107409	Vienna	0.0	0.0
DUAL Construct Invest S.R.L.	Bucharest	10.1	10.1
Duna Szalloda Zrt.	Budapest	10.8	10.7
E.I.A. eins Immobilieninvestitionsgesellschaft m.b.H.	Vienna	10.8	10.7
E.V.I. Immobilienbeteiligungs GmbH	Vienna	10.8	10.7
EASTLAND CLO, LTD_107714	Vienna	0.0	0.0
Eaton Vance CDO IX Ltd._23853	Vienna	0.0	0.0
EBB-Delta Holding GmbH	Vienna	100.0	100.0
EBB-Zeta Holding GmbH (vorm.Erste Bank - Wiener Stadthalle Marketing GmbH)	Vienna	100.0	100.0
EBG Europay Beteiligungs-GmbH	Vienna	22.4	62.9
EBSPK-Handelsgesellschaft m.b.H.	Vienna	29.7	29.7
EC Energie Center Lipizzanerheimat GmbH	Bämbach	0.1	0.1
Egg Investment GmbH	Egg	0.0	0.0
E-H Liegenschaftsverwaltungs-GmbH	Etsdorf am Kamp	0.0	0.0
EH-Gamma Holding GmbH	Vienna	100.0	100.0
Einkaufs-Center Sofia G.m.b.H. & Co KG	Hamburg	10.7	10.7
Einkaufs-Center Sofia Verwaltungs G.m.b.H.	Hamburg	7.0	7.0
Einlagensicherung der Banken und Bankiers GmbH	Vienna	0.3	0.3
ELAG Immobilien AG	Linz	1.6	1.6
ELTIMA PROPERTY COMPANY s.r.o.	Prague	10.8	10.7
Energie AG Oberösterreich	Linz	0.2	0.2
Erste alpenländische Volksbrauerei Schladming registrierte Genossenschaft mit beschränkter Haftung	Schladming	0.1	0.1
Erste Asset Management Deutschland Ges.m.b.H.	Zorneding	100.0	100.0
Erste Campus Mobilien GmbH	Vienna	100.0	100.0
Erste Corporate Finance, a.s.	Prague	99.0	99.0
ERSTE EURO SAVJETOVANJE D.O.O. ZA USLUGE	Zagreb	0.0	69.3
Erste Group Beteiligungen GmbH	Vienna	100.0	100.0
ERSTE Immobilien Aspernbrückengasse 2 GmbH & Co KG	Vienna	0.1	0.1
ERSTE OSIGURANJE VIENNA INSURANCE GROUP D.D.	Zagreb	3.5	3.5
ERSTE Vienna Insurance Group Biztosito Zrt.	Budapest	5.0	5.0
ESB Holding GmbH	Vienna	69.3	69.3
EUROCENTER d.o.o.	Zagreb	10.8	10.7
EUROPEAN INVESTMENT FUND	Luxembourg	0.1	0.1
F&S Finance and Service Leasing GmbH	Fellbach-Schmidlen	90.0	90.0
FAIRWAY LOAN FUNDING_106997	Vienna	0.0	0.0
FDO 02/33_400139	Vienna	0.0	0.0
Federal Home Loan Mortgage Corp_18739	Vienna	0.0	0.0
Federal National Mortgage Association_16485	Vienna	0.0	0.0
Fejer- Kondor Immobilienverwaltungsgesellschaft m.b.H.	Budapest	4.6	4.6
Fender KG, Hotel Hochfirst (vm.Gstrein & Fender KG)	Obergurgl	0.0	0.0
FINAG D.D. INDUSTRIJA GRADJEVNOG MATERIJALA	Garesnica	0.0	18.2
Finanzpartner GmbH	Vienna	50.0	50.0
FINTEC-Finanzierungsberatungs- und Handelsgesellschaft m.b.H.	Vienna	25.0	25.0
Flagship CLO VI_23952	Vienna	0.0	0.0
FMTG Development GmbH	Vienna	0.0	0.0
FOOTHILL CLO I, LTD_107425	Vienna	0.0	0.0
For Best Students AkademikerförderungsGmbH (vorm. LINEA Beteiligungs-Gesellschaft m.b.H.)	Vienna	100.0	100.0
FOTEC Forschungs- und Technologietransfer GmbH	Wiener Neustadt	0.0	0.0
FRANKLIN CLO V_106831	Vienna	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
FRANKLIN CLO VI B NOTES_107995	Vienna	0.0	0.0
Freizeitanlage St. Martin i.M. Nachfolge GmbH & Co KG	St. Martin im Mühlkreis	5.0	5.0
Freizeitpark Zell GmbH	Zell am Ziller	0.0	0.0
Freizeitzentrum Zillertal GmbH	Fügen	0.0	0.0
Fügen-Bergbahn Ges.m.b.H. & Co.KG	Fügen	0.0	0.0
FWG-Fernwärmeversorgung Engelbrechts registrierte Genossenschaft mit beschränkter Haftung	Kautzen	0.0	0.0
FWG-Fernwärmeversorgung Raabs a.d. Thaya registrierte Genossenschaft mit beschränkter Haftung	Raabs an der Thaya	0.0	0.0
GALAXY VII CLO LTD_107086	Vienna	0.0	0.0
Galaxy VIII CLO, Ltd._23770	Vienna	0.0	0.0
GALAXY0719_414221	Vienna	0.0	0.0
Galsterbergalm Bahnen Gesellschaft m.b.H. & Co KG	Pruggern	0.4	0.4
GALVÁNIHO 2, s.r.o.	Bratislava	10.8	10.7
GALVÁNIHO 4, s.r.o.	Bratislava	10.8	10.7
Galvaniho Business Centrum, s.r.o.	Bratislava	10.8	10.7
Gastberger Hotelbetriebe GmbH & Co KG	St. Wolfgang	0.0	0.0
Gasteiner Bergbahnen Aktiengesellschaft	Bad Hofgastein	13.2	13.2
Gasthof Mitterwirt Ulrike Ottino-Haider	Dienten am Hochkönig	0.0	0.0
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.	Vienna	0.9	0.9
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Linz	8.5	8.5
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H. & Co.KG	Linz	9.5	9.5
Gerlitz - Kanzelbahn - Touristik Gesellschaft m.b.H.&Co KG	Sattendorf	0.0	0.0
GERMAN PROPERTY INVESTMENT I APS (GPI I APS)	Aarhus C	10.7	10.7
GERMAN PROPERTY INVESTMENT II APS (GPI II APS)	Aarhus C	0.6	0.6
GERMAN PROPERTY INVESTMENT III APS (GPI III APS)	Aarhus C	10.7	10.7
Gewerbe- und Dienstleistungspark der Gemeinden Bad Radkersburg und Radkersburg Umgebung Kommanditgesellschaft	Bad Radkersburg	4.6	12.5
Goldegger-Skilifte Gesellschaft m.b.H. & Co. KG	Goldegg, Pongau	8.9	8.9
Golf Ressort Kremstal GmbH	Kematen an der Krems	0.0	0.0
Golf Ressort Kremstal GmbH & Co. KG.	Kematen an der Krems	0.0	0.0
Golfclub Bludenz-Braz GmbH	Bludenz	0.0	0.0
Golfclub Brand GmbH	Brand bei Bludenz	0.0	0.0
Golfclub Pfarrkirchen im Mühlviertel GesmbH	Pfarrkirchen im Mühlkreis	0.2	0.2
GOLF-CLUB Schärding/Pramtal GMBH & CO KG	Taufkirchen a. d. Pram	0.1	0.1
Golfplatz Hohe Salve - Brixental Errichtergesellschaft m.b.H. & Co KG	Westendorf	0.0	0.0
Golfresort Haugschlag GmbH & Co KG	Haugschlag	0.0	0.0
Grant Grove CLO, Ltd._23747	Vienna	0.0	0.0
GREAT 0638_409365	Vienna	0.0	0.0
GREENS CREEK FUNDING_107896	Vienna	0.0	0.0
Grema - Grundstückverwaltung Gesellschaft m.b.H.	Innsbruck	75.0	75.0
Großarl Bergbahnen Gesellschaft mit beschränkter Haftung & Co. KG.	Großarl	0.5	0.5
GW St. Pölten Integrative Betriebe GmbH	St.Pölten-Hart	0.0	0.0
GXT Vermögensverwaltung GmbH & Co KG	Vienna	0.0	0.0
GZ-Finanz Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
H.S.E. Immobilienbeteiligungs GmbH	Vienna	10.8	10.7
H.W.I. I APS	Aarhus C	10.7	10.7
H.W.I. IV APS	Aarhus C	10.7	10.7
HALCYON STRUCTURED_107953	Vienna	0.0	0.0
Hansa Immobilien OOD	Sofia	10.8	10.7
HAPIMAG Verwaltungs- und Vertriebsgesellschaft Havag AG	Baar	0.0	0.0
HARBOUR22_409077	Vienna	0.0	0.0
Harkin Limited	Dublin	100.0	100.0
Harris Hotel Home Wien Millenium GmbH	Innsbruck	0.0	0.0
HARV.0621_406284	Vienna	0.0	0.0
Hauser Kaibling Seilbahn- und Liftgesellschaft m.b.H. & Co. KG.	Haus im Ennstal	0.4	0.4
Health and Fitness International Holdings N.V.	Willemstad	3.5	3.5
Heiltherme Bad Waltersdorf GmbH	Bad Waltersdorf	4.5	4.5
Heiltherme Bad Waltersdorf GmbH & Co KG	Bad Waltersdorf	4.1	4.1
HEWETTS 18_409389	Vienna	0.0	0.0
Hinterstoder-Wurzeralm Bergbahnen Aktiengesellschaft	Hinterstoder	0.3	0.3
HOLDING RUDARSKO METALURŠKO HEMIJSKI KOMBINAT TREPCA AD ZVECAN - U RESTRUKTUIRANJU	Zvecan	0.0	0.0
Hollawind - Windkraftanlagenerrichtungs- und Betreibergesellschaft mit beschränkter Haftung	Göllersdorf	25.0	25.0
Hotel Chesa Monte GmbH	Fiss	0.0	0.0
Hotel Corvinus Gesellschaft m.b.H. & Co KG	Vienna	100.0	100.0
Hotel DUNA Beteiligungs Gesellschaft m.b.H.	Vienna	10.8	10.7
HPBM Unternehmensberatung GmbH (vm. H & H Catering GmbH)	Vienna	0.0	0.0
Hrvatski olimpijski centar Bjeloslava d.o.o. (Kroatisches Olympiazentrum)	Jesenak	1.2	1.2
Hrvatski registar obveza po kreditima d.o.o. (HROK)	Zagreb	7.3	7.3
HV-Veranstaltungsservice GmbH	Stotzing	100.0	100.0
Ikaruspark GmbH	Berlin	10.8	10.7
ILGES - Liegenschaftsverwaltung G.m.b.H.	Rohrbach	40.0	40.0
IMMO Primum GmbH	St. Pölten	0.0	0.0
Immorent Beteiligungs- und Mobilienleasing GmbH	Vienna	100.0	100.0
IMMORENT S-Immobilienmanagement GesmbH	Vienna	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
Immorent-Hackinger Grundverwertungsgesellschaft m.b.H.	Vienna	10.0	10.0
IMS Nanofabrication AG	Vienna	0.0	0.0
Informativni centar Bjelovar d.o.o.	Bjelovar	1.4	1.4
Innovationszentrum Reutte GmbH	Reutte/Pflich	0.0	0.0
Innovationszentrum Reutte GmbH & CO KG	Reutte/Pflich	0.0	0.0
International Factors Group Srl	Kraainem	0.0	0.6
Investicniweb s.r.o.	Prague	99.5	99.0
IPD - International Property Development, s.r.o.	Bratislava I	10.8	10.7
JADRAN dionicko drustvo za hotelijerstvo i turizam	Crikvenica	0.0	3.4
JASPER CLO LTD_107813	Vienna	0.0	0.0
JAVNO SKLADIŠTE SLOBODNA CARINSKA ZONA NOVI SAD AD NOVI SAD	Novi Sad	5.2	5.2
JUBILEE24_414544	Vienna	0.0	0.0
JUGOALAT-JAL - U STECAJU	Novi Sad	5.0	5.0
Kapruner Freizeitzentrum Betriebs GmbH	Kaprun	0.0	0.0
Kapruner Promotion und Lifte GmbH	Kaprun	6.4	6.4
Kisvállalkozás-fejlesztő Penzügyi Zrt.	Budapest	1.1	1.1
Kitzbüheler Anzeiger Gesellschaft m.b.H.	Kitzbühel	0.0	0.0
Kleinkraftwerke-Betriebsgesellschaft m.b.H.	Vienna	100.0	100.0
Kommanditgesellschaft MS "SANTA LORENA" Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
Kommanditgesellschaft MS "SANTA LUCIANA" Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
Kraftwerksmanagement GmbH	Vienna	100.0	100.0
Kreco Realitäten Aktiengesellschaft	Vienna	19.7	19.7
Kreditni Biro Sisbon d.o.o.	Ljubljana	1.6	1.6
KULSKI ŠTOFOVI' FABRIKA ZA PROIZVODNJU VUNENIH TKANINA I PREDIVA AKCIONARSKO DRUŠTVO IZ KULE - U	Kula	6.1	6.1
Kurzentrums "Landsknechte" Bad Schönau Gesellschaft m.b.H.	Bad Schönau	0.0	0.0
ländleticket marketing gmbh	Bregenz	0.0	0.0
Landmark IX CDO, Ltd._23903	Vienna	0.0	0.0
LANDMARK VIII CLO LTD_108142	Vienna	0.0	0.0
Landzeit Restaurant Angath GmbH	St. Valentin	0.0	0.0
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois	0.0	0.0
Lantech Innovationszentrum GesmbH	Landeck	0.0	0.0
Latifundium Holding Gesellschaft m.b.H.	Vienna	100.0	100.0
LATITUDE CLO I LTD_108217	Vienna	0.0	0.0
LATITUDE CLO II LTD_108035	Vienna	0.0	0.0
Lebens.Resort & Gesundheitszentrum GmbH	Ottenschlag	0.0	0.0
Lebensquell Bad Zell Gesundheits- und Wellnesszentrum GmbH & Co KG	Bad Zell	0.0	0.0
LEEK06-37_406292	Vienna	0.0	0.0
LEOP.07/23_414780	Vienna	0.0	0.0
Lienzer-Bergbahnen-Aktiengesellschaft	Gaimberg	0.0	0.0
Liezener Bezirksnachrichten Gesellschaft m.b.H.	Liezen	1.1	1.1
LIGHTPOINT CLO LTD.SERIES 2006-5A_107748	Vienna	0.0	0.0
LOCO 597 Investment GmbH	Egg	0.0	0.0
Logistik Center Leoben GmbH	Leoben	14.0	14.0
Luitpoldpark-Hotel Betriebs- und Vermietungsgesellschaft mbH	Füssen	75.0	75.0
Lützw-Center GmbH	Berlin	10.8	10.7
LV Holding GmbH	Linz	28.5	28.5
Lyon Capital Management V Ltd._23812	Vienna	0.0	0.0
Lyon Capital Management VI Ltd._24018	Vienna	0.0	0.0
M Schön Wohnen Immorent GmbH	Vienna	100.0	100.0
MAGELLAN36_826641	Vienna	0.0	0.0
Maier Domus Hausverwaltung GmbH	Berlin	10.8	10.7
Maiskogel Betriebs AG	Kaprun	0.6	0.6
Maissauer Amethyst GmbH	Maissau	0.0	0.0
MAJEVICA HOLDING AKCIONARSKO DRUŠTVO, BACKA PALANKA - U RESTRUKTURIRANJU	Backa Palanka	5.2	5.2
MALIN07/23_414922	Vienna	0.0	0.0
Mariazeller Schwebbahnen Gesellschaft m. b. H.	Mariazell	1.3	1.3
Markt Carree Halle Immobilien GmbH	Berlin	10.8	10.7
Marktgemeinde Bad Mitterndorf Thermalquelle Erschließungsges. m.b.H.	Bad Mitterndorf	0.6	0.6
Maros utca Kft.	Budapest	10.8	10.7
MasterCard Incorporated	Purchase	0.0	0.0
Mayer Property Alpha d.o.o.	Zagreb	0.0	100.0
Mayer Property Beta d.o.o.	Zagreb	0.0	100.0
MAYPORT CLO LTD_107268	Vienna	0.0	0.0
Mayrhofner Bergbahnen Aktiengesellschaft	Mayrhofen	0.0	0.0
MCG Graz e.gen.	Graz	1.4	1.4
Medimurske novine d.o.o., Cakovec nema fin. Izvjesca	Cakovec	4.9	4.9
MEG-Liegenschaftsverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
Mittersiller Golf- und Freizeitanlagen Gesellschaft m.b.H.	Mittersill	0.0	0.0
Montana Tech Components AG	Menziken	1.5	1.5
Multifin B.V.	Amsterdam	1.0	1.0
MUNDO FM & S GmbH	Vienna	100.0	100.0
Murauer WM Halle Betriebsgesellschaft m.b.H.	Murau	3.1	3.1

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
Musikkonservatoriumserrichtungs- und vermietungsgesellschaft m.b.H.	St. Pölten	0.0	0.0
Nagymezo utcai Projektfejlesztési Kft	Budapest	10.8	10.7
Natursee und Freizeitpark Wechselland GmbH	Pinggau	0.4	0.4
Natursee und Freizeitpark Wechselland GmbH & Co KG in Liqu.	Pinggau	0.1	0.1
NAUTIQUE FUNDING_106724	Vienna	0.0	0.0
Neubruck Immobilien GmbH	St. Anton an der Jeßnitz	0.0	0.0
Neuhofner Bauträger GmbH	Neuhofen an der Krems	0.0	0.0
Neutorgasse 2-8 Projektverwertungs GmbH	Vienna	10.8	10.7
Newstin, a.s.	Prague	17.6	17.6
NÖ. HYPO LEASING - Sparkasse Region St. Pölten Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	0.0	0.0
NORTHWOODS CAPITAL VI_106658	Vienna	0.0	0.0
Oberpinzgauer Fremdenverkehrsförderungs- und Bergbahnen AG	Neukirchen	0.0	0.0
Obertilliacher Bergbahnen-Gesellschaft m.b.H.	Obertilliach	0.0	0.0
Ocean Trails CLO_23648	Vienna	0.0	0.0
Öhlknecht-Hof Errichtungs- und Verwaltungsgesellschaft m.b.H.	Horn	0.0	0.0
ÖKO-Heizkraftwerk GmbH	Pöllau	0.0	0.0
ÖKO-Heizkraftwerk GmbH & Co KG	Pöllau	0.0	0.0
Omniasig Vienna Insurance Group SA	Bucharest	0.1	0.1
OÖ HightechFonds GmbH	Linz	6.1	6.1
OÖ Science-Center Wels Errichtungs-GmbH	Wels	0.7	0.7
Ortswärme Fügen GmbH	Fügen	0.0	0.0
Österreichische Wertpapierdaten Service GmbH	Vienna	32.7	32.5
Osttiroler Wirtschaftspark GesmbH	Lienz	0.0	0.0
ÖVW Bauträger GmbH	Vienna	100.0	100.0
PANORAMABAHN KITZBÜHELER-ALPEN GMBH	Hollersbach	0.0	0.0
PARA07-39_414601	Vienna	0.0	0.0
PARAGON41_406190	Vienna	0.0	0.0
PCC- Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co. KG	Vienna	7.6	7.9
PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H.	Vienna	10.8	10.7
PERP07-38_409794	Vienna	0.0	0.0
Pistotnik Irodahaz es Ingatlankezelő Korlátolt Felelőségi Társaság	Budapest	0.0	100.0
PK Irodahaz Ingatlankezelő Korlátolt Felelőségi Társaság	Budapest	0.0	100.0
Planai - Hochwurzen - Bahnen Gesellschaft m.b.H.	Schladming	0.7	0.7
Planung und Errichtung von Kleinkraftwerken Aktiengesellschaft	Vienna	82.7	82.7
Poistovna Slovenskej sporitelne, a.s. Vienna Insurance Group	Bratislava	5.0	5.0
Pojistovna Ceske sporitelny, a.s., Vienna Insurance Group	Pardubice	4.9	4.9
POSLOVNO UDRUŽENJE DAVAOKA LIZINGA "ALCS" BEOGRAD	Beograd	0.0	8.3
PREDUZECE ZA PRUŽANJE CONSULTING USLUGA BANCOR CONSULTING GROUP DOO NOVI SAD	Novi Sad	2.6	2.6
PRIVREDNO DRUŠTVO ZA PROIZVODNJU I PRERADU CELIKA ŽELEZARA SMEDEREVO DOO SMEDEREVO	Smederevo	0.0	0.0
První certifikační autorita, a.s.	Prague	23.0	23.0
PSA Payment Services Austria GmbH	Vienna	18.2	19.5
Radio Osttirol GesmbH	Lienz	0.0	0.0
RADIO VRŠAC DRUŠTVO SA OGRANICENOM ODGOVORNOŠĆU U MEŠOVITOJ SVOJINI, VRŠAC - U STECAJU	Vršac	6.4	6.4
Rätikon-Center Errichtungs- und Betriebsgesellschaft m.b.H.	Bludenz	0.0	0.0
Realitäten und Wohnungsservice Gesellschaft m.b.H.	Köflach	4.8	4.8
Realitní společnost Ceske sporitelny, a.s.	Prague	99.0	99.0
REGA Property Invest s.r.o.	Prague	10.8	10.7
Regionale Entwicklungs GmbH - Vöcklatal	Frankenburg	0.0	0.0
REGIONALNA AGENCIJA ZA RAZVOJ MALIH I SREDNJIH PREDUZECA ALMA MONS D.O.O.	Novi Sad	3.3	3.3
RegioZ Regionale Zukunftsmanagement und Projektentwicklung Ausseerland Salzkammergut GmbH & Co KG in Liqu.	Bad Aussee	3.1	3.1
RegioZ Regionale Zukunftsmanagement und Projektentwicklung Ausseerland Salzkammergut GmbH in Liqu.	Bad Aussee	5.0	5.0
Reuttener Seilbahnen GmbH	Höfen	0.0	0.0
Reuttener Seilbahnen GmbH & Co KG	Höfen	0.0	0.0
RIBA D.D.	Garesnica	0.0	17.1
Riesneralm - Bergbahnen Gesellschaft m.b.H. & Co. KG.	Donnersbach	0.0	0.0
ROTER INVESTITII IMOBILIARE S.R.L.	Bucharest	10.8	10.7
RTG Tiefgaragenerrichtungs und -vermietungs GmbH	Graz	25.0	25.0
RVG Czech, s.r.o.	Prague	19.8	19.8
RVS, a.s.	Bratislava	0.0	0.0
S - Leasing und Vermögensverwaltung - Gesellschaft m.b.H.	Peuerbach	0.0	0.0
S IMMO AG	Vienna	10.8	10.7
S IMMO Germany GmbH	Berlin	10.8	10.7
S Immo Geschäftsimmobilien GmbH	Berlin	10.8	10.7
S IMMO Hungary Kft.	Budapest	10.8	10.7
S Immo Immobilien Investitions GmbH	Vienna	10.8	10.7
S IMMO Property Invest GmbH	Vienna	10.8	10.7
S Immo Wohn Verwaltungs GmbH	Berlin	10.8	10.7
S Immo Wohnimmobilien GmbH	Berlin	10.8	10.7
SAGR05-56_412016	Vienna	0.0	0.0
SALIX-Grundstückserwerbs Ges.m.b.H.	Eisenstadt	50.0	50.0
SALZBURG INNENSTADT, Vereinigung zur Förderung selbständiger Unternehmer der Salzburger	Salzburg	2.0	2.0

Company name, registered office		Interest of Erste Group in %	
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Innenstadt, registrierte Genossenschaft mit beschränkter Haftung			
Salzburger Unternehmensbeteiligungsgesellschaft mbH	Salzburg	18.8	18.8
SAN GABRIEL CLO I_107664	Vienna	0.0	0.0
SATURN CLO, LTD Class A2_107755	Vienna	0.0	0.0
SC World Trade Center Bucuresti SA	Bucharest	7.2	7.2
Schilfbetriebe Gemeinden Weer, Kolsassberg, Kolsass KEG	Kolsassberg	0.0	0.0
Schweighofer Gesellschaft m.b.H. & Co KG	Friedersbach	0.0	0.0
S-City Center Wirtschaftsgütervermietungsgesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-Commerz Beratungs- und Handelsgesellschaft m.b.H.	Neunkirchen	0.0	0.0
S-Commerz Liegenschaftsentwicklungs GmbH	Neunkirchen	0.0	0.0
S-Commerz Rent GmbH	Neunkirchen	0.0	0.0
Seniorenresidenz "Am Steinberg" GmbH	Graz	25.0	25.0
Senningerfeld Projektentwicklungs und Verwertungs GmbH	Bramberg am Wildkogel	0.0	0.0
S-Finanzservice Gesellschaft m.b.H.	Baden	0.0	0.0
SHASTA CLO I LTD_107383	Vienna	0.0	0.0
S-Haugsdorf s.r.o.	Hodonice	0.0	0.0
SIAG Berlin Wohnimmobilien GmbH	Vienna	10.7	10.7
SIAG Deutschland Beteiligungs GmbH & Co. KG	Berlin	10.2	10.2
SIAG Deutschland Beteiligungs-Verwaltungs GmbH	Berlin	10.8	10.7
SIAG Fachmarktzentren, s.r.o.	Bratislava	10.8	10.7
SIAG FINANCING LIMITED	Nicosia	10.8	10.7
SIAG Hotel Bratislava, s.r.o.	Bratislava	10.8	10.7
SIAG Leipzig Wohnimmobilien GmbH	Berlin	10.7	10.7
SIAG Multipurpose Center, s.r.o.	Bratislava	10.8	10.7
SIAG Property I GmbH	Berlin	10.8	10.7
SIAG Property II GmbH	Berlin	10.8	10.7
SILVERADO CLO 2006-II, LTD_23606	Vienna	0.0	0.0
Silvrettaseilbahn Aktiengesellschaft	Ischgl	0.0	0.0
Skilifte Unken - Heutal Gesellschaft m.b.H. & Co, KG	Unken	0.0	0.0
Skilifte Unken Heutal Gesellschaft m.b.H.	Unken	2.2	2.2
SLM Student Loan Trust_25197	Vienna	0.0	0.0
SLM Student Loan Trust_25205	Vienna	0.0	0.0
SLM Student Loan Trust_25213	Vienna	0.0	0.0
SLM Student Loan Trust_25221	Vienna	0.0	0.0
SM-Immobilien-Gesellschaft m.b.H.	Melk	0.0	0.0
SN Immobilienprojekt GmbH	St.Pölten	0.0	0.0
SO Immobilienbeteiligungs GmbH	Vienna	10.8	10.7
Societate Dezvoltare Comercial Sudului (SDCS) S.R.L.	Bucharest	10.8	10.7
Society for Worldwide Interbank Financial Telecommunication scrI	La Hulp	0.3	0.3
SPAKO Holding GmbH	Innsbruck	75.0	75.0
Sparkasse Amstetten Service- und Verwaltungsgesellschaft m. b. H.	Amstetten	0.0	0.0
Sparkasse Bludenz Beteiligungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Bludenz Immobilienverwaltungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH	Imst	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH & Co KG	Imst	0.0	0.0
Sparkasse Lambach Versicherungsmakler GmbH	Lambach	0.0	0.0
Sparkasse Nekretnine d.o.o.	Sarajevo	26.4	26.4
Sparkasse Niederösterreich Mitte West Beteiligungsgesellschaft m.b.H.	St. Pölten	0.0	0.0
Sparkasse Niederösterreich Mitte West Immobilien GmbH	St.Pölten	0.0	0.0
Sparkasse Niederösterreich Mitte West Stadtentwicklungs GmbH	St. Pölten	0.0	0.0
Sparkasse Reutte Liegenschaftsverwertungs GmbH	Reutte	0.0	0.0
Sparkassen - Betriebsgesellschaft mbH.	LinZ	29.8	29.8
Sparkassen Bankbeteiligungs GmbH	Dornbirn	0.0	0.0
Sparkassen Beteiligungs GmbH & Co KG	Vienna	13.1	13.1
Sparkassen Facility Management GmbH	Innsbruck	75.0	75.0
Sparkassen Versicherung AG Vienna Insurance Group	Vienna	5.0	5.0
SPES Bildungs- u. Studiengesellschaft m.b.H.& Co KG	Schlierbach	0.0	0.0
SPKB Beteiligungs- und Verwaltungsgesellschaft m.b.H.	Bregenz	0.0	0.0
Sport- und Freizeitanlagen Gesellschaft m.b.H.	Schwanenstadt	9.8	9.8
SREDISJE KLIRINSKO DEPOZITARNO DRUSTVO D.D.(CENTRAL DEPOZITORY & CLEARING COMPANY Inc.)	Zagreb	0.2	0.2
Stadtgemeinde Weiz - Wirtschaftsentwicklung KG	Weiz	0.5	0.5
Stadtmarketing-Ternitz GmbH	Ternitz	0.0	0.0
Sternstein Sessellift Gesellschaft m.b.H.	Bad Leonfelden	7.6	7.2
Stoderzinken - Liftgesellschaft m.b.H. & Co. KG.	Gröbming	0.4	0.4
STONE TOWER CLO_107771	Vienna	0.0	0.0
Stoney Lane Funding Ltd._23846	Vienna	0.0	0.0
Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H.	Vienna	10.7	10.7
Szegedi út Ingatlankezelő Korlátolt Felelőségű Társaság	Budapest	10.8	10.7
SZG-Dienstleistungsgesellschaft m.b.H.	Salzburg	98.7	98.7
Tannheimer Bergbahnen GmbH & Co KG	Tannheim	0.0	0.0
Tauern SPA World Betriebs- GmbH & Co KG	Kaprun	9.8	9.8
Tauern SPA World Betriebs-GmbH	Kaprun	12.0	12.0
Tauern SPA World Errichtungs- GmbH & Co KG	Kaprun	9.8	9.8

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
Tauern SPA World Errichtungs-GmbH	Kaprun	12.0	12.0
TDZ Technologie- und Dienstleistungszentrum Donau-Böhmerwald Bezirk Rohrbach GmbH.	Neufelden	1.0	1.0
TECH21 Bürohaus und Gewerbehof Errichtungs- und Betriebsgesellschaft mbH & Co KG	Vienna	0.1	0.1
Technologie- und Dienstleistungszentrum Ennstal GmbH	Reichraming	0.0	0.0
TECHNOLOGIE- und GRÜNDERPARK ROSENAL GmbH	Rosental an der Kainach	0.3	0.3
Technologie- und Innovationszentrum Kirchdorf GmbH	Schlierbach	0.0	0.0
Technologie- und Marketing Center Frohnleiten GmbH	Frohnleiten	2.5	2.5
Technologiezentrum Deutschlandsberg GmbH	Deutschlandsberg	7.3	7.3
Technologiezentrum Freistadt-Mühlviertel-Errichtungs- und Betriebsgesellschaft m.b.H.	Freistadt	1.2	1.2
Technologiezentrum Inneres Salzkammergut GmbH	Bad Ischl	0.0	0.0
Technologiezentrum Kapfenberg Vermietungs-GmbH	Kapfenberg	6.0	6.0
Technologiezentrum Perg GmbH	Perg	1.1	1.1
Technologiezentrum Salzkammergut GmbH	Gmunden	0.5	0.5
Technologiezentrum Salzkammergut-Bezirk Vöcklabruck GmbH	Attnang-Puchheim	0.0	0.0
Techno-Z Ried Technologiezentrum GmbH	Ried im Innkreis	0.0	0.0
Tekanawa Ingatlanforgalmazasi Korlatolt Felelőssegű Tarsasag	Budapest	0.0	100.0
TELEPARK BÄRNBACH Errichtungs- und Betriebsges.m.b.H. in Liqu.	Bärnbach	0.2	0.2
Tennis-Center Hofkirchen i. M. GmbH	Hofkirchen im Mühlkreis	7.3	7.3
TGZ Technologie- und Gründerzentrum Schärding GmbH	Schärding	3.0	3.0
Thermalquelle Loipersdorf Gesellschaft m.b.H. & Co KG	Loipersdorf	0.0	0.0
Therme Wien Ges.m.b.H.	Vienna	15.0	15.0
Therme Wien GmbH & Co KG	Vienna	15.0	15.0
Tiefgarage Anger, Gesellschaft m.b.H. & Co. KG.	Lech	0.0	0.0
TIRO Bauträger GmbH	Innsbruck	75.0	75.0
Tispa Liegenschaftsverwaltungsgesellschaft mbH	Füssen	75.0	75.0
TIZ Landl - Grieskirchen GmbH	Grieskirchen	0.0	0.0
Tolleson a.s.	Prague	10.8	10.7
Tölz Immobilien GmbH	Berlin	10.7	10.7
TONDACH GLEINSTÄTTEN AG	Gleinstätten	0.0	9.6
Toplice Sveti Martin d.d.	Saint Martin	0.0	57.5
Tourismus- u. Freizeitanlagen GmbH	Hinterstoder	0.0	0.0
TPK-18 Sp. z o.o.	Warsaw	0.0	100.0
Transformovany fond penzijnho pripojisteni se statnim prispevkem Ceska sportelna - penzijni spolecnost, a.s.	Prague	0.0	0.0
Trencin Retail Park 1 a.s.	Bratislava	19.8	19.8
Trencin Retail Park 2 a.s.	Bratislava	19.8	19.8
Triglav d.d.	Rijeka	0.1	0.1
TRIMARAN CLO V_108159	Vienna	0.0	0.0
Trionis S.C.R.L.	Brüssel	1.2	1.2
Tuxer Bergbahnen Aktiengesellschaft	Tux, Tirol	0.0	0.0
Unzmarkter Kleinkraftwerk-Aktiengesellschaft	Vienna	81.4	81.4
Valtecia Achizitii S.R.L.	Voluntari	100.0	100.0
Vasudvar Hotel Kft.	Budapest	100.0	100.0
Vaudeville Ingatlanberuhazo Korlatolt Felelőssegű Tarsasag	Budapest	0.0	100.0
VBV - Beratungs- und Service GmbH	Vienna	26.9	26.9
VBV - Pensionsservice-Center GmbH	Vienna	26.9	26.9
VBV-Pensionskasse Aktiengesellschaft	Vienna	26.9	26.9
VENTURE VIII CDO, LIMITED_107862	Vienna	0.0	0.0
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH	Vienna	25.6	25.6
VICTORIEI BUSINESS PLAZZA S.R.L.	Bucharest	10.8	10.7
Viertel Zwei Hoch GmbH & Co KG	Vienna	10.8	10.7
Viertel Zwei Hotel GmbH & Co KG	Vienna	10.8	10.7
Viertel Zwei Plus GmbH & Co KG	Vienna	10.8	10.7
VINIS Gesellschaft für nachhaltigen Vermögensaufbau und Innovation m.b.H.	Vienna	26.9	26.9
Visa Europe Limited	London	0.0	0.0
VISA INC.	Wilmington	0.0	0.0
VITESSE CLO LTD._106898	Vienna	0.0	0.0
VMG Versicherungsmakler GmbH	Vienna	5.0	5.0
VOYA Investment Management IV_24042	Vienna	0.0	0.0
W.E.I.Z. Immobilien GmbH	Weiz	6.0	0.0
Waldviertel-Incoming Fremdenverkehrsförderungs- und Betriebsgesellschaft m.b.H.	Weitra	0.0	0.0
Waldviertler Leasing s.r.o.	Jindrichuv Hradec	0.0	0.0
Wärmeversorgungs-genossenschaft Tamsweg registrierte Genossenschaft mit beschränkter Haftung	Tamsweg	0.3	0.3
Wassergenossenschaft Mayrhofen	Mayrhofen	0.0	0.0
WBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H.	Feldkirch	0.0	0.0
WEB Windenergie AG	Pfaffenschlag	0.0	0.0
WECO Treuhandverwaltung Gesellschaft m.b.H.	Salzburg	49.3	49.3
WED Holding Gesellschaft m b H	Vienna	19.2	19.2
WED Wiener Entwicklungsgesellschaft für den Donaauraum Aktiengesellschaft	Vienna	11.9	11.9
Weißsee-Gletscherwelt GmbH	Uttendorf	0.0	0.0
WEST CONSULT Bauten- und Beteiligungsverwaltung GmbH	Salzburg	49.3	49.3
Westbrook CLO, Ltd._23671	Vienna	0.0	0.0
Westchester CLO, Ltd._23960	Vienna	0.0	0.0
WEVA - Veranlagungs- und Beteiligungsgesellschaft m.b.H.	Linz	28.3	29.8

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
Wien 3420 Aspern Development AG	Vienna	23.2	23.2
WIEPA-Vermögensverwaltungsgesellschaft m.b.H.	Dornbirn	0.0	0.0
Wirtschaftspark Kleinregion Fehring Errichtungs- und Betriebsgesellschaft m.b.H.	Fehring	2.0	2.0
WORLD TRADE HOTEL SA	Bucharest	7.2	7.2
Zagreb Stock Exchange, Inc.	Zagreb	2.3	2.3
Zelina Centar d.o.o.	Saint Helena	0.0	100.0
Funds			
ACCESSION MEZZANINE CAPITAL II LP	Vienna	0.0	0.0
Achtundsechzigste Sachwert Rendite-Fonds Holland GmbH & Co KG	Hamburg	0.0	0.0
Akciovy Mix FF	Prague	0.0	0.0
AM SLSP Active portfolio	Bratislava	0.0	0.0
AM SLSP Euro bond fund	Bratislava	0.0	0.0
AM SLSP Euro Plus Fund	Bratislava	0.0	0.0
AM SLSP Private fund of regular revenues	Bratislava	0.0	0.0
AM SLSP Private money market fund	Bratislava	0.0	0.0
AM SLSP Real estate fund	Bratislava	0.0	0.0
AM SLSP SIP Klasik	Bratislava	0.0	0.0
ARGUS CAPITAL PARTNERS II	Vienna	0.0	0.0
AUSTROMUENDELRENT	Linz	0.0	0.0
AUSTRORENT	Linz	0.0	0.0
aws Gründerfonds Equity Invest GmbH & Co KG	Vienna	0.0	49.0
AXA	Vienna	0.0	0.0
AXA IM-US	Vienna	0.0	0.0
B COMBIREN	Vienna	0.0	0.0
B DANUBIA	Vienna	0.0	0.0
B EM-MARKE	Vienna	0.0	0.0
B EUR-RENT	Vienna	0.0	0.0
B MORTGAGE	Vienna	0.0	0.0
B MUENDELR	Vienna	0.0	0.0
B US-CORPO	Vienna	0.0	0.0
BARRESERVE	Linz	0.0	0.0
BD EURO-TR	Vienna	0.0	0.0
Business Capital for Romania - Opportunity Fund Coöperatief UA	Amsterdam	78.0	77.4
CIS FUND	Vienna	0.0	0.0
CS NEMOVITOSTNÍ FOND	Vienna	0.0	0.0
DAXEX	Vienna	0.0	0.0
DELPHIN TREND GLOBAL	Vienna	0.0	0.0
Discovery Fund	Vienna	0.0	0.0
Dynamicky Mix FF	Prague	0.0	0.0
E 4	Vienna	0.0	0.0
E.ALTERNAT	Vienna	0.0	0.0
Erste ADRATIC EQUITY	Zagreb	0.0	0.0
Erste ADRIATIC BOND	Zagreb	0.0	0.0
Erste Bond Flexible RON	Bucharest	0.0	0.0
Erste ELITE	Zagreb	0.0	0.0
Erste EURO-MONEY	Zagreb	0.0	0.0
Erste EXCLUSIVE	Zagreb	0.0	0.0
Erste MONEY	Zagreb	0.0	0.0
Erste Money Market RON	Bucharest	0.0	0.0
ERSTE RESPONSIBLE BOND	Vienna	0.0	0.0
ERSTE RESPONSIBLE BOND EURO CORPORATE	Vienna	0.0	0.0
ERSTE RESPONSIBLE STOCK AMERICA	Vienna	0.0	0.0
ESPA BEST OF WORLD	Vienna	0.0	0.0
ESPA BOND COMBIREN	Vienna	0.0	0.0
ESPA BOND CORPORATE BB	Vienna	0.0	0.0
ESPA BOND DANUBIA	Vienna	0.0	0.0
ESPA BOND DOLLAR	Vienna	0.0	0.0
ESPA BOND EMERGING MARKETS CORPORATE	Vienna	0.0	0.0
ESPA BOND EMERGING MARKETS CORPORATE IG (EUR)	Vienna	0.0	0.0
ESPA BOND EMERGING-MARKETS	Vienna	0.0	0.0
ESPA BOND EURO-CORPORATE	Vienna	0.0	0.0
ESPA BOND EURO-MIDTERM	Vienna	0.0	0.0
ESPA BOND EURO-MÜNDELRENT	Vienna	0.0	0.0
ESPA BOND EUROPE-HIGH YIELD	Vienna	0.0	0.0
ESPA BOND EURO-RENT	Vienna	0.0	0.0
ESPA BOND EURO-RESERVA	Vienna	0.0	0.0
ESPA BOND EURO-TREND	Vienna	0.0	0.0
ESPA BOND INFLATION-LINKED	Vienna	0.0	0.0
ESPA BOND INTERNATIONAL	Vienna	0.0	0.0
ESPA BOND LOCAL EMERGING	Vienna	0.0	0.0
ESPA BOND MORTGAGE	Vienna	0.0	0.0
ESPA BOND RISING MARKETS	Vienna	0.0	0.0
ESPA BOND USA-CORPORATE	Vienna	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
ESPA BOND USA-HIGH YIELD	Vienna	0.0	0.0
ESPA CORPORATE PLUS BASKET 2016	Vienna	0.0	0.0
ESPA CORPORATE PLUS BASKET 2017 II	Vienna	0.0	0.0
ESPA D-A-CH Fonds	Vienna	0.0	0.0
ESPA HIGH COUPON BASKET 2015	Vienna	0.0	0.0
ESPA NEW EUROPE BASKET 2014	Vienna	0.0	0.0
ESPA PORTFOLIO BALANCED 30	Vienna	0.0	0.0
ESPA PORTFOLIO BOND EUROPE	Vienna	0.0	0.0
ESPA PORTFOLIO TARGET	Vienna	0.0	0.0
ESPA RESERVE CORPORATE	Vienna	0.0	0.0
ESPA RESERVE EURO	Vienna	0.0	0.0
ESPA RESERVE EURO MÜNDEL	Vienna	0.0	0.0
ESPA RESERVE EURO PLUS	Vienna	0.0	0.0
ESPA RISING CORPORATE BOND BASKET 2017	Vienna	0.0	0.0
ESPA SELECT BOND	Vienna	0.0	0.0
ESPA SELECT BOND DYNAMIC	Vienna	0.0	0.0
ESPA SELECT MED	Vienna	0.0	0.0
ESPA SHORT TERM EMERGING MARKETS	Vienna	0.0	0.0
ESPA STOCK COMMODITIES	Vienna	0.0	0.0
ESPA STOCK EUROPE	Vienna	0.0	0.0
ESPA STOCK EUROPE-EMERGING	Vienna	0.0	0.0
ESPA STOCK EUROPE-PROPERTY	Vienna	0.0	0.0
ESPA STOCK GLOBAL	Vienna	0.0	0.0
ESPA STOCK JAPAN	Vienna	0.0	0.0
ESPA STOCK VIENNA	Vienna	0.0	0.0
Fond 2005	Prague	0.0	0.0
Fond rizených vynosu	Prague	0.0	0.0
Franklin Templeton International Services S.A.	Vienna	0.0	0.0
FTC GIDEON I	Vienna	0.0	0.0
G.SACHS	Vienna	0.0	0.0
GLO.GROWTH	Vienna	0.0	0.0
Goldman Sachs Asset Management International	Vienna	0.0	0.0
HENDEPF	Vienna	0.0	0.0
INNOVA/4 LP	Vienna	0.0	0.0
ISCS MPF 10	Prague	0.0	0.0
ISCS MPF 30	Prague	0.0	0.0
ISHARES	Vienna	0.0	0.0
MPC Rendite-Fonds Leben plus spezial III GmbH & Co KG	Quickborn	0.0	0.0
MQ MS EM.	Vienna	0.0	0.0
MUTUAL FUND	Vienna	0.0	0.0
N/A (1003 Holding - NY)	Vienna	0.0	0.0
N/A (1221 SPK Kirchberg)	Vienna	0.0	0.0
N/A (1227 SPK Korneuburg)	Vienna	0.0	0.0
N/A (1502 SPK Imst)	Vienna	0.0	0.0
N/A (2416 AVS B)	Vienna	0.0	0.0
N/A (3422 ERSA1)	Vienna	0.0	0.0
N/A (3422 ERSA2)	Vienna	0.0	0.0
N/A (3422 ERSA3)	Vienna	0.0	0.0
N/A (3422 ERSA4)	Vienna	0.0	0.0
PF BOND A	Vienna	0.0	0.0
PI TOPRENT	Vienna	0.0	0.0
PIZ BUIN GLOBAL	Vienna	0.0	0.0
PLUS OPF	Vienna	0.0	0.0
PLUS otevreny podilovy fond	Prague	0.0	0.0
PRB-VM	Vienna	0.0	0.0
Privatni portfolio AR AKCIE	Prague	0.0	0.0
PRO INVEST AKTIV	Vienna	0.0	0.0
QIMCO BALKAN EQUITY	Vienna	0.0	0.0
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A.	Amsterdam	66.7	77.4
RT ACT.GLOBAL TREND	Vienna	0.0	0.0
S DOUBLESTOCK	Linz	0.0	0.0
S EMERGING	Linz	0.0	0.0
S GENERATION	Linz	0.0	0.0
SALZBURGER SPARKASSE BOND EUROLAND	Vienna	0.0	0.0
SALZBURGER SPARKASSE SELECT TREND	Vienna	0.0	0.0
SAM A1	Linz	0.0	0.0
SAM-PF 1	Vienna	0.0	0.0
SAM-PF 2	Vienna	0.0	0.0
SAM-PF 3	Vienna	0.0	0.0
SEL.BOND T	Vienna	0.0	0.0
Smiseny fond	Prague	0.0	0.0
smn Investment Services Ltd.	Vienna	0.0	0.0
S-PENSIONSVERSORGE-OOE	Linz	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 13	Dec 14
SWALDVIERTEL BD T	Vienna	0.0	0.0
TIROLEFFEKT	Innsbruck	0.0	0.0
TIROLKAPITAL	Innsbruck	0.0	0.0
TIROLRENT	Innsbruck	0.0	0.0
TIROLRESERVE	Vienna	0.0	0.0
TOP STRATEGIE dynamic	Vienna	0.0	0.0
VIENNASTOCK	Linz	0.0	0.0
WE TOP DYNAMIC	Vienna	0.0	0.0
YOU INVEST active	Prague	0.0	0.0
YOU INVEST Active EUR	Bucharest	0.0	0.0
YOU INVEST Active RON	Bucharest	0.0	0.0
YOU INVEST Balanced EUR	Bucharest	0.0	0.0
YOU INVEST Balanced RON	Bucharest	0.0	0.0
YOU INVEST Solid EUR	Bucharest	0.0	0.0
Zweite Beteiligungsgesellschaft Reefer-Flottenfonds mbH & Co KG	Hamburg	0.0	0.0

Vienna, 27 February 2015

The Management Board

Andreas Treichl mp
Chairman

Peter Bosek mp
Member

Andreas Gottschling mp
Member

Gernot Mittendorfer mp
Member

Jozef Síkela mp
Member

AUDITORS REPORT (REPORT OF THE INDEPENDENT AUDITORS)¹

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Sparkassen-Prüfungsverband and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, have audited the accompanying consolidated financial statements of Erste Group Bank AG, Vienna, for the fiscal year from January 1, 2014 to December 31, 2014. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2014, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in total equity for the fiscal year ended December 31, 2014, and the notes.

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

The management of Erste Group Bank AG is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2014 and of its financial performance and its cash flows for the fiscal year from January 1, 2014 to December 31, 2014 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the Management Report for the Group

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

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

Vienna, 27 February 2015

(Austrian Savings Bank Auditing Association)
(Audit Agency)

(Bankprüfer)

Friedrich O. Hief
Certified Accountant

Stephan Lugitsch
Certified Accountant

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Ernst Schönhuber
Certified Accountant

Andrea Stippl
Certified Accountant

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

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

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD

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

Vienna, 27 February 2015

The Management Board

Andreas Treichl mp
Chairman

Peter Bosek mp
Member

Andreas Gottschling mp
Member

Gernot Mittendorfer mp
Member

Jozef Síkela mp
Member

To the Board of Erste Group Bank AG

Independent Assurance Report

Limited assurance over disclosures and data of sustainability reporting in the Annual Report 2014 of Erste Group Bank AG

Attention: This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.

Engagement

We were requested to perform a limited assurance engagement related to disclosures and data in the integrated "Annual Report 2014" (hereafter "**Report**") according to the GRI G4 CORE Option of Erste Group Bank AG.

Our review covered the following chapters of the Report:

- ▶ Commitment to society
- ▶ Customers and suppliers
- ▶ Employees
- ▶ Environment
- ▶ Additional Corporate governance principles
- ▶ G4 index pursuant to the guidelines of the Global Reporting Initiative

In the GRI Index 2014 we reviewed the stated disclosures and data as well as references. In case that the reviewed pages contain links to other pages, we point out that we did not review the content of the other pages.

Our procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than for that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

The "General Conditions of Contract for the Public Accounting Professions"¹, are binding for this engagement. According to that, our liability is limited and an accountant is only liable for violating intentionally or by gross negligence the contractual duties and obligations entered into. In cases of gross negligence the maximum liability towards Erste Group Bank AG and any third party together is EUR 726,730 in the aggregate.

Limitations to our Review

- ▶ The boundaries for the report of Erste Group Bank AG and our limited assurance were defined as the scope of consolidated entities with the following exceptions. Not included were savings banks, which are consolidated via the so called Haftungsverbund (joint liability). Furthermore environmental data was not collected for subsidiaries outside Austria, Czech Republic, Slovakia, Hungary, Croatia, Serbia and Romania.
- ▶ Our limited assurance engagement did not include the chapter "Konzernabschluss".
- ▶ We did not perform any further assurance procedures on data, which were subject of the annual financial audit as well as the corporate governance report. We merely checked that data was presented in accordance with the GRI Guidelines.
- ▶ We have not tested comparative data, derived from the Sustainability Reports from previous years.
- ▶ We did not test data derived from external surveys, we only verified that relevant disclosures and data are correctly quoted in the Report.

- ▶ The scope of our review procedures at operational level was limited to a sample of site visits in Vienna and Prague.
- ▶ Limited assurance over prospective information was not subject to our engagement.

Criteria

The information included in the Report was based on the criteria applicable in the year 2014 ("**The Criteria**"), consisting of:

- ▶ GRI Sustainability Reporting Guidelines G4²

We assessed the information in the Report against these criteria. We believe that these criteria are suitable for our assurance engagement.

Management responsibilities

Erste Group Bank AG's management is responsible for the preparation of the Report in accordance with the criteria mentioned above. This responsibility includes designing, implementing and maintaining internal control. Those are relevant to the preparation of the Report to eliminate material misstatements.

Our responsibilities

It is our responsibility to express a conclusion on the information included in the Report on the basis of the limited assurance engagement.

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' ISAE3000³ and the Code of Ethics for Professional Accountants, issued by the International Federation of Accountants (IFAC), which includes requirements in relation to our independence.

What we did to form our conclusion

We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. The assurance engagement was conducted at the Clients head quarter in Vienna. Our main procedures were:

- ▶ Obtained an overview over the industry as well as the characteristics and governance of the organisation;
- ▶ Interviewed a selection of Group and functional senior managers and executives to understand key expectations and identify systems, process and internal controls processes to support them;
- ▶ Reviewed Group level, Board and Executive documents to assess awareness and priority and to understand how progress is tracked;
- ▶ Examined risk management and governance processes related to sustainability and critical evaluation of the representation in the report;
- ▶ Performed analytical procedures at Group level;
- ▶ Performed site visits in Prague to review progress and obtain evidence of performance. In addition we reviewed data samples at site level for completeness, reliability, accuracy and timeliness;

¹version of February 21th 2011 (AAB 2011) issued by the Chamber of Public Accountants and Tax Advisors, section 8
http://www.kwt.or.at/de/PortalData/2/Resources/downloads/downloadcenter/AAB_2011_englische_Fassung.pdf

²<https://www.globalreporting.org/reporting/g4/Pages/default.aspx>

³International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or reviews of Historical Financial Information (ISAE3000), effective for assurance statements dated after January 1, 2005.

- ▶ Reviewed data and processes on a sample basis to test whether they had been collected, consolidated and reported appropriately at Group level. This included reviewing data samples to test whether the data had been reported in an accurate, reliable and complete manner;
- ▶ Reviewed the coverage of material issues against the key issues raised in the stakeholder dialogues, areas of performance covered in external media reports and the environmental and social reports of Erste Group Bank AG's peers;
- ▶ Challenged a sample of statements and claims in the Report against our worksteps and the GRI G4 principles and
- ▶ Reviewed whether the GRI G4 Guidelines were consistently applied for the CORE Option.

Our Conclusion

Based on the scope of our review nothing has come to our attention that causes us to believe that the disclosures and data in the Report were not prepared, in accordance with the criteria identified above.

Recommendation

Without restriction the above stated conclusion, we express the following recommendations to improve your sustainability management and reporting process:

- ▶ Expansion of report boundaries to all consolidated entities to ensure consistent reporting;
- ▶ Inclusion of these entities in a consistent and integrated management and reporting system and
- ▶ Strengthening of governance structures for integrated sustainability management.

Vienna, March 25th 2015

ERNST & YOUNG Wirtschaftsprüfungsgesellschaft m.b.H

Brigitte Frey

ppa. Christine Jasch



G4 index pursuant to the guidelines of the Global Reporting Initiative

Pursuant to the criteria of the Global Reporting Initiative („Core“), the general standard disclosures and the specific standard disclosures for all aspects of relevance according to the materiality analysis are described in this report on the basis of the G4 indicators. Moreover, additional indicators are described.

The index lists the G4 indicators, a short description of the respective indicators and a reference, where the information is to be found (annual report or website of Erste Group Bank AG).

GENERAL STANDARD DISCLOSURES

Strategy und analysis

G4 1	Statement from the most senior decision-maker of the organisation	AR14 Strategy p. 12 et seqq.
G4 2	Description of key impacts, risks and opportunities	AR14 Strategy p. 12 et seqq.
G4 3	Name of the organisation	Erste Group Bank AG
G4 4	Primary brands, products and services	AR14 Cover, strategy p. 13, segments p. 30 et seqq.
G4 5	Location of the organisation's headquarter	Vienna
G4 6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	AR14 Cover, strategy p. 12 et seqq.
G4 7	Nature of ownership and legal form	AR14 Cover (shareholder structure, imprint)
G4 8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	AR14 Cover, strategy p. 13, segments p. 30 et seqq.
G4 9	Scale of the organisation	AR14 Cover (employees and branches), headcount p. 20, segments p. 30 et seqq.
G4 10	Total number of employees by employment contract and gender	AR14 p. 20, systems don't allow further breakdown
G4 11	Percentage of total employees covered by collective bargaining agreements	100%, as collective bargaining agreements at all locations
G4 12	Description of the organisation's supply chain	AR14 Customers and suppliers p. 64 et seqq.
G4 13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	No significant changes
G4 14	Report whether and how the precautionary approach or principle is addressed by the organisation	AR14 Environment p. 72
G4 15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Carbon Disclosure Project since 2010; UN PRI since 2012; GRI since 2012; diversity charta since 2014; UN Global Compact planned for 2015
G4 16	Memberships of associations (such as industry associations) and national or international advocacy organisations	See http://www.erstegroup.com/en/About-us/CorporateGovernance

Identified material aspects and boundaries

G4 17	All entities included in the organisation's consolidated financial statements or equivalent documents. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	All companies of Erste Group Bank AG to be consolidated except savings banks within Haftungsverbund; dissenting from the above definition: from following organisational units no environmental data are available: all locations of Erste Group outside Austria, Czech Republic, Slovakia, Hungary, Croatia, Romania (e.g. the offices in London and New York)
G4 18	Process for defining the report content and the aspect boundaries	See analysis of materiality (http://www.erstegroup.com/en/Investors/Reports) Reports 2014
G4 19	List of material aspects	See analysis of materiality (http://www.erstegroup.com/en/Investors/Reports) Reports 2014
G4 20	For each material aspect, report the aspect boundary within the organisation	See analysis of materiality (http://www.erstegroup.com/en/Investors/Reports) Reports 2014 With the exemption of the KPIs shown under G4 21 all other material KPIs are within the organisation.
G4 21	For each material aspect, report the aspect boundary outside the organisation	HR4, HR5, HR6
G4 22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	No restatements
G4 23	Significant changes from previous reporting periods in the scope and aspect boundaries	HR figures are reported also for companies controlled by subsidiaries

Stakeholder engagement

G4 24	List of stakeholder groups engaged by the organisation	See analysis of materiality (http://www.erstegroup.com/en/Investors/Reports) Reports 2014, and AR14 p. 57 et seqq.
G4 25	Basis for identification and selection of stakeholders	See analysis of materiality (http://www.erstegroup.com/en/Investors/Reports) Reports 2014
G4 26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	See analysis of materiality (http://www.erstegroup.com/en/Investors/Reports) Reports 2014
G4 27	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns	See analysis of materiality (http://www.erstegroup.com/en/Investors/Reports) Reports 2014

Report profile		
G4 28	Reporting period (such as fiscal or calendar year) for information provided	Fiscal year 2014
G4 29	Date of most recent previous report	Fiscal year 2013
G4 30	Reporting cycle (such as annual, biennial)	Annual
G4 31	Contact point for questions regarding the report or its content	http://www.erstegroup.com/en/Investors/Investor-Relations-Team
G4 32	GRI Content Index	In accordance with "CORE", AR14 p. 258 et seqq. and http://www.erstegroup.com/en/Investors/Reports , Reports 2014
G4 33	The organisation's policy and current practice with regard to seeking external assurance for the report	AR14 p. 256 et seq.
Corporate governance		
G4 34 -41	Governance structure and composition	AR14 Corporate governance p. 76 et seqq.
G4 42	Highest governance body's role in setting purpose, values and strategy	AR14 Corporate governance p. 76 et seqq.
G4 43 -44	Highest governance body's competencies and performance evaluation	AR14 Corporate governance p. 76 et seqq.
G4 45 -47	Highest governance body's role in risk management	AR14 Corporate governance p. 80
G4 48	Highest governance body's role in sustainable reporting	Members of holding board evaluating sustainable parts of annual report
G4 49-50	Highest governance body's role in evaluating economic, environmental and social performance	AR14 Corporate governance p. 76 et seqq.
G4 51	Remuneration policies for the highest governance body and senior executives	AR14 Corporate governance p. 84 et seqq.
G4 52	Process for determining remuneration	AR14 Corporate governance p. 84 et seqq.
G4 53	How stakeholders' views are sought and taken into account regarding remuneration	AR14 Corporate governance p. 81, 86
G4 54	The ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	Not reported because sensitive
G4 55	The ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	Not reported because sensitive
Ethics and integrity		
G4 56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	See: https://brandcentre.erstegroup.com/en-GB/Our-Brand/Universe-of-our-values and code of conduct planned for 2015
G4 57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	AR14 Corporate governance p. 87 et seq.
G4 58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour	AR14 Corporate governance p. 87 et seq.
SPECIFIC STANDARD DISCLOSURES		
Management approach (DMA)		
DMA EC	Economic EC	
	Overall	AR14 Commitment to society p. 57 et seqq. and customers and suppliers p. 61 et seqq.
DMA EN	Environmental EN	
	Overall	AR14 Environment p. 72 et seqq. and http://www.erstegroup.com/en/About-us/Environment and AR14 Customers and suppliers p. 61 et seqq. and http://www.erstegroupprourement.com/en/services/Procurement/Supply-Chain-and-Supplier-Code-of-Conduct
DMA LA	Labour practices and decent work LA	
	Overall	AR14 Employees p. 66 et seqq. and customers and suppliers p. 61 et seqq. and http://www.erstegroupprourement.com/en/services/Procurement/Supply-Chain-and-Supplier-Code-of-Conduct
DMA HR	Human rights HR	
	Overall	AR14 Customers and suppliers p. 61 et seqq. and http://www.erstegroupprourement.com/en/services/Procurement/Supply-Chain-and-Supplier-Code-of-Conduct and http://www.erste-am.de/en/institutional_investors/core_competencies/responsible_investments/responsible_investment_approach and http://www.erstegroup.com/en/About-us/CorporateGovernance (aspects of responsible conduct) and AR14 Employees p. 69 et seq.
DMA SO	Society SO	
	Overall	AR14 Corporate governance (compliance) p. 87 et seq. and http://www.erstegroupprourement.com/en/services/Procurement/Supply-Chain-and-Supplier-Code-of-Conduct http://www.erstegroupprourement.com/en/Downloads/b43acc97-e606-4510-85d8-54c5cf268199/mc-code-of-conduct-for-suppliers.pdf
DMA PR	Product responsibility PR	
	Overall	AR14 Customers and suppliers p. 61 et seqq.

Economic		
Economic performance		
EC1	Direct economic value generated and distributed	AR14 Group financial statements, segment reporting note 37 This indicator can only be presented with certain limitations by banks.
EC3	Coverage of the organisation's defined benefit plan obligations	AR14 Group consolidated financial statements, provisions note 34
EC4	Financial assistance received from government	In first quarter 2014 the last government guaranteed bond was redeemed. There is no other financial assistance from the government.
Indirect economic impacts		
EC8	Significant indirect economic impacts, including the extent of impacts	AR14 Commitment to society p. 57 et seqq. and customers and suppliers (financial inclusion) p. 63 et seq.
Procurement practices		
EC9	Proportion of spending on local suppliers at significant locations of operation	AR14 Customers and suppliers p.61 et seqq.
Environmental		
Materials		
EN1	Materials used by weight or volume	AR14 Environment p. 75
Energy		
EN3	Energy consumption within the organisation	AR14 Environment p. 75
EN5	Energy intensity	AR14 Environment p. 75
EN6	Reduction of energy consumption	AR14 Environment p. 72, 75
Emissions		
EN15	Direct greenhouse gas (ghg) emissions (scope 1)	AR14 Environment p. 75 and http://www.erstegroup.com/en/About-us/Environment
EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2)	AR14 Environment p. 75 and http://www.erstegroup.com/en/About-us/Environment
EN18	Greenhouse gas (ghg) emissions intensity	AR14 Environment p. 75
EN19	Reduction of greenhouse gas (ghg) emissions	AR14 Environment p. 72, 75
Effluents and waste		
EN23	Total weight of waste by type and disposal method	AR14 Environment p. 74 et seq. For all locations, where - because of technical reasons - the relevant waste figures couldn't be measured, estimates based on average consumption from similar locations were used; especially for "residual-waste data" - were only publicly available average figures about the weight of waste per dust-bin are used. In some locations in Austria we weighted the „content of the dust bins of one week and took these data basis for calculation of other locations
Compliance		
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Neither fines nor sanctions
Social: labour practices and decent work		
Supplier environmental assessment		
EN32	Percentage of new suppliers that were screened using environmental criteria	AR14 Customers and suppliers p. 65
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	No negative impacts and no actions taken; and AR14 Customers and suppliers p. 64 et seq.
Social		
Labour practices and decent work		
Employment		
LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	AR14 Employees p. 70 et seq.; systems don't allow a breakdown by age group, gender and region
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Full-time and part-time employees get the same benefits
LA3	Return to work and retention rates after parental leave, by gender	Return to work rate female: 56%, return to work rate male: 27%; systems don't provide retention rates after parental leave
Occupational health and safety		
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	AR14 Employees p. 70 et seq.; systems don't allow a breakdown by gender
Training and education		
LA9	Average hours of training per year per employee by gender, and by employee category	AR14 Employees p. 68; systems don't allow a breakdown by employee category
LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	AR14 Employees p. 68; systems don't allow a breakdown by employee category
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	100%
Diversity and equal opportunity		
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	AR14 Employees p. 70 et seq. and corporate governance p. 83 et seq.
Equal remuneration for women and men		
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Not reported because sensitive

Supplier assessment for labour practices		
LA14	Percentage of new suppliers that were screened using labour practices criteria	AR14 Customers and suppliers p. 65
LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	No negative impacts and no actions taken; and AR14 Customers and suppliers p. 64 et seq.
Human rights		
Non-discrimination		
HR3	Total number of incidents of discrimination and corrective actions taken	No incidents and therefore no actions
Freedom of association and collective bargaining		
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	No measures necessary for our operations nor for suppliers
Child labour		
HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labour	No measures necessary for our operations nor for suppliers
Forced or compulsory labour		
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labour	No measures necessary for our operations nor for suppliers
Supplier human rights assessment		
HR10	Percentage of new suppliers that were screened using human rights criteria	AR14 Customers and suppliers p. 65
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	No negative impacts and no actions taken; and AR14 Customers and suppliers p. 64 et seq.
Society		
Anti-corruption		
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	AR14 Corporate governance p. 87; Erste Group regularly assesses operational risks and effectiveness of controls. Highest risk found with customer-events, therefore regular contact between compliance department and event-department is organised.
SO4	Communication and training on anti-corruption policies and procedures	AR14 Corporate governance p. 87 et seq.
SO5	Confirmed incidents of corruption and actions taken	AR14 Corporate governance p. 87
Supplier assessment for impacts on society		
SO9	Percentage of new suppliers that were screened using criteria for impacts on society	AR14 Customers and suppliers p. 65
SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	No negative impacts and no actions taken; and AR14 Customers and suppliers p. 64 et seq.
Product responsibility		
Product and service labeling		
PR5	Results of surveys measuring customer satisfaction	AR14 Customers and suppliers p. 62
former FS1	Policies with specific environmental and social components applied to business lines	http://www.erstegroup.com/en/About-us/CorporateGovernance (aspects of responsible conduct) and http://www.erste-am.de/en/institutional_investors/core_competencies/responsible_investments/responsible_investment_approach and http://www.erstegroupprourement.com/en/services/Procurement/Supply-Chain-and-Supplier-Code-of-Conduct
former FS2	Procedures for assessing and screening environmental and social risks in business lines	http://www.erstegroupprourement.com/en/services/Procurement/Supply-Chain-and-Supplier-Code-of-Conduct and http://www.erste-am.de/en/institutional_investors/core_competencies/responsible_investments/responsible_investment_approach
former FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	No processes
former FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	New employees get lectures
former FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	http://www.erste-am.de/en/institutional_investors/core_competencies/responsible_investments/research_and_cooperations and AR14 Customers and suppliers p. 61 et seq.
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	AR14 Segments p. 30 et seq.
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	AR14 Customers and suppliers p. 61 et seq.
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	AR14 Environment p. 72 et seq.; only qualitative presentation
former FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Currently no audits
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Engagement und voting activities: internal 5% / 50 corporates; external 10% / 100 corporates
FS11	Percentage of assets subject to positive and negative environmental or social screening	AR14 Customers and suppliers p. 62 et seq.; whereby arms-screening makes 47% and sustainable screening 7% of total managed assets of EUR 53,8 billion and http://www.erste-am.at/en/about_us/company/corporate_governance/banned_weapons/
former FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	http://vds-staging.issproxy.com/SearchPage.php?CustomerID=4284&StagingPassword=GTPRenpXpo
FS14	Initiatives to improve access to financial services for disadvantaged people	AR14 Commitment to society p. 57 et seq. and Customers and suppliers p. 61 et seq.
former FS15	Policies for the fair design and sale of financial products and services	AR14 Customers and suppliers p. 61 et seq.
former FS16	Initiatives to enhance financial literacy by type of beneficiary	AR14 Commitment to society p. 63 et seq.

Glossary

Book value per share

Total equity attributable to owners of the parent of a public company, excluding participation capital, divided by the number of shares outstanding (excluding treasury shares).

Cash return on equity

Also referred to as cash ROE. Calculated as return on equity, but excluding the impact of non-cash items on net profit/loss for the year attributable to owners of the parent such as goodwill impairment and amortisation of customer relationships.

Cash earnings per share

Calculated as earnings per share based on net profit/loss for the year attributable to owners of the parent, adjusted for dividends on participation capital, excluding goodwill impairments and amortisation of customer relationships.

CEE (Central and Eastern Europe)

Encompasses the new member states of the EU that joined in 2004 and 2007, the CIS countries, states that evolved from the former Yugoslavia, as well as Albania.

Common Equity Ratio (CET 1 ratio)

Common equity tier 1 capital (CET1) according to article 50 CRR of the institution expressed as a percentage of the total risk amount according to Art. 92 (3) CRR

Cost/income ratio

General administrative expenses as a percentage of operating income.

Dividend yield

Dividend payment of the financial year as a percentage of the year-end closing price or the most recent price of the share.

Earnings per share

Net profit for the year attributable to owners of the parent adjusted for dividends of participation capital, divided by average shares outstanding.

Equity Ratio (T 1 ratio)

Tier 1 capital according to article 25 CRR of the institution expressed as a percentage of the total risk amount according to Art. 92 (3) CRR.

Interest-bearing assets

Total assets less cash, derivative financial instruments, tangible and intangible assets, tax assets, assets held for sale and other assets.

Net interest margin

Net interest income as a percentage of average interest-bearing assets, calculated on a monthly basis.

Operating income

Consists of net interest income, net commission income and trading result.

Operating result

Operating income less operating expenses (i.e. general administrative expenses).

Price/earnings ratio

Closing share price of the financial year divided by earnings per share. Usually used for valuation comparisons.

Market capitalisation

Overall value of a company calculated by multiplying the share price by the number of shares outstanding.

Non-performing exposure (NPE) coverage ratio

Risk provisions for the credit risk exposure as a percentage of the non-performing credit risk exposure.

Non-performing exposure (NPE) ratio

Non-performing credit risk exposure as a percentage of total credit risk exposure.

Non-performing loans (NPL) coverage ratio

Risk provisions for loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) ratio

Non-performing loans and advances to customers as a percentage of total loans and advances to customers.

Non-performing loans (NPL) total coverage ratio

Risk provisions and collateral for non-performing loans and advances to customers as a percentage of non-performing loans and advances to customers.

Return on equity

Also referred to as ROE. Net profit/loss for the year attributable to owners of the parent, as a percentage of average equity. The average equity is calculated based upon the equity outstanding as of the close of each of the 12 months during the year.

Risk categories

Risk categories are based on internal customer ratings and are used for classification of the bank's assets and contingent credit liabilities. Erste Group applies internal rating systems, which for private individuals comprise eight rating grades for non-defaulted customers and one rating grade for customers in default. For all other customer segments, the Group uses thirteen rating grades for non-defaulted customers and one rating grade for defaulted customers.

Risk category – low risk

Typically regional customers with well-established and rather long-standing relationships with Erste Group or large, internationally recognised customers. Strong and good financial positions and no foreseeable financial difficulties. Retail clients with long relationships with the bank, or clients with wide product pool use. No late payments currently or in the most recent 12 months. New business is generally done with clients in this risk category.

Risk category – management attention

Vulnerable non-retail clients, that may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with limited savings or possible payment problems in the past triggering early collection reminders. These clients typically have good recent histories and no current delinquencies.

Risk category – substandard

The borrower is vulnerable to negative financial and economic developments. Such loans are managed in specialised risk management departments.

Risk category – non-performing

One or more of the default criteria under Basel II are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings.

Share capital

Total equity attributable to owners of the parent of a company, subscribed to by the shareholders at par.

Solvency ratio

The ratio of the sum of tier-1, tier-2 and tier-3 capital, after regulatory deductions, to the calculation basis for the capital requirement pursuant to Section 22 (1) of the Austrian Banking Act.

Tax rate

Taxes on income/loss as a percentage of pre-tax profit from continuing operations.

Total Capital Ratio

Total own funds according to article 72 CRR of the institution expressed as a percentage of the total risk amount according to Art. 92 (3) CRR.

Total shareholder return

Annual performance of an investment in Erste Group Bank AG shares including all income streams (e.g. dividend for the year plus or minus gain or loss in the share price from the beginning to the end of the year).

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IR-App:

iPad



iPhone



Android



Social Media



To read the QR codes you need a smartphone or a tablet equipped with a camera and a QR code app (free to download).
Line up your device with the QR code until the app recognises the code.

IMPORTANT INFORMATION:

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

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

Austria (Erste Bank)



Czech Republic (Česká spořitelna)



Slovakia (Slovenská sporiteľňa)



Hungary (Erste Bank Hungary)



Croatia (Erste Bank Croatia)



Serbia (Erste Bank Serbia)



Romania (Banca Comercială Română)

