

Interim Report
First Quarter 2014

Key financial data

Income statement

in EUR million	Q1 13	Q4 13	Q1 14
Net interest income	1,196.7	1,169.2	1,123.9
Net fee and commission income	447.4	462.8	452.1
Net trading and fair value result	30.7	34.6	50.4
Operating income	1,748.0	1,731.8	1,690.6
Operating expenses	-989.9	-971.7	-963.3
Operating result	758.1	760.1	727.3
Net impairment loss on non-fair value financial assets	-371.8	-529.4	-364.2
Post-provision operating result	386.3	230.8	363.0
Other operating result	-98.2	-488.4	-119.8
Levies on banking activities	-71.6	-63.9	-99.8
Pre-tax result from continuing operations	310.1	-219.6	239.5
Taxes on income	-66.4	-147.5	-99.7
Net result for the period	243.7	-367.1	139.8
Net result attributable to non-controlling interests	67.0	3.2	36.5
Net result attributable to owners of the parent	176.6	-370.3	103.3
Earnings per share	0.36	-0.91	0.24
Cash earnings per share	0.39	-0.17	0.27
Return on equity	5.5%	-12.8%	3.6%
Cash return on equity	5.9%	-0.1%	4.1%
Net interest margin (on average interest-bearing assets)	2.71%	2.73%	2.62%
Cost/income ratio	56.6%	56.1%	57.0%
Provisioning ratio (on average gross customer loans)	1.13%	1.65%	1.14%
Tax rate	21.4%	-67.2%	41.6%

Balance sheet

in EUR million	Mar 13	Dec 13	Mar 14
Cash and cash balances	8,453	9,301	10,373
Trading, financial assets	56,389	51,269	52,270
Loans and receivables to credit institutions	10,896	8,377	9,962
Loans and receivables to customers	122,703	119,945	119,805
Intangible assets	2,858	2,441	2,408
Miscellaneous assets	11,911	8,786	9,085
Total assets	213,211	200,118	203,903
Financial liabilities - held for trading	8,845	6,475	7,042
Deposits from banks	21,359	17,299	24,421
Deposits from customers	123,057	122,415	119,445
Debt securities issued	34,471	33,124	31,043
Miscellaneous liabilities	9,041	6,020	6,883
Total equity	16,438	14,785	15,069
Total liabilities and equity	213,211	200,118	203,903
Loan/deposit ratio	99.7%	98.0%	100.3%
NPL ratio	9.4%	9.6%	9.6%
NPL coverage (exc collateral)	62.4%	63.1%	62.6%
CET 1 ratio (phased-in)	11.2%	11.4%	11.1%

Ratings

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

Letter from the CEO

Dear shareholders,

Erste Group posted a net profit of EUR 103.3 million for the first three months of 2014. The key drivers behind this result were unchanged and all too familiar: the persistently low-interest-rate environment, subdued loan demand and substantial banking and transaction taxes in Austria, Hungary, and Slovakia. A positive impact on performance came from the ongoing reduction of operating expenses.

At this point, I would like to mention an important change, namely the restructuring of Erste Group's segment reporting as of the beginning of this year to enhance transparency for investors. Reports are now organised by business segments on the one hand and geographical aspects, i.e. the core markets of Austria and Central and Eastern Europe, on the other.

A few words on the regulatory environment: in April, the European Parliament adopted the Single Resolution Mechanism for banks as a second step towards a European banking union, thereby complementing the Single Supervisory Mechanism. Starting in autumn 2014, large banks in the euro zone like Erste Group will be supervised by the European Central Bank.

In the first three months of 2014, the economic environment of Central and Eastern Europe was characterised by the continuation of the gradual recovery of the economy. While developments in the region were primarily export-driven, domestic demand has been picking up as well, supported mainly by further brightening of consumer sentiment. Inflation remained low against the backdrop of persistently low interest rates. The central banks of Romania and Hungary cut their key interest rates once again from already historic lows, while in the Czech Republic the policy rate was kept at 5 basis points. The Czech Republic has emerged from recession on the back of its strong manufacturing sector, the end of restrictive fiscal policies and the restoration of consumer confidence. The Romanian economy continued its positive performance, with industrial confidence rising to a three-year high in March. Infrastructure projects and the steady increase in the EU funds absorption rate contributed again significantly to the development of the economy. In Hungary, the most important event was certainly the parliamentary elections, in which the centre-right party again won a two-thirds majority, as had been expected. Government intervention in the economy is now likely to remain a major influencing factor in this country. Austria outperformed the euro area again on growth in the first quarter of 2014.

Besides a lack of loan demand and low interest rates, currency effects also contributed to the decline in Erste Group's net interest income. On the other hand, low interest rates boosted the securities business, especially in Austria, which in turn supported the rise in net fee and commission income. The net trading and fair value result improved as well. Overall, operating income declined by 3.3% in the first quarter of 2014. This development was partly offset by strict cost management, which reduced operating expenses by 2.7%. The cost/income ratio was stable at 57%.

The extraordinary taxes mentioned above were reflected in the other operating result. At approximately EUR 100 million before taxes, the adverse impact of banking and transaction levies was again substantial, with EUR 48 million attributable to the full recognition of the entire Hungarian banking tax for the year 2014 in the first quarter. As the Austrian tax group did not recognise any deferred tax assets, Erste Group's tax rate rose, as had been forecast, to almost 42%.

Net impairment loss was down 2.0% to 114 basis points of average customer loans or EUR 364.2 million, with a particularly sharp decline in provisioning for the commercial real estate business. The NPL ratio – non-performing loans as a percentage of loans to customers – was stable at 9.6%. The NPL coverage ratio excluding collateral receded slightly to 62.6%.

The slow improvement in the economic environment of Erste Group's core markets has already had a positive impact on asset quality, but there were still no signs of Group-wide growth drivers. Net customer loans were stable versus year-end 2013 at EUR 120 billion. The loan-to-deposit ratio stood at 100.3%, underlining one of the traditional strengths of Erste Group's business model, namely the successful funding of its business through customer deposits. In February 2014, the last government guaranteed bond issued during the crisis years in the amount of EUR 1 billion was repaid. The Austrian state had already received a fee for providing the guarantee. The low funding requirement was covered by retail issues.

Erste Group's capitalisation is solid. Excluding retained earnings, common equity tier 1 capital (CET 1, phased-in) stood at EUR 11.3 billion versus EUR 11.2 billion (Basel 2.5) at year-end 2013. The common equity tier 1 ratio (CET 1, phased-in) was 11.1% versus 11.4% (Basel 2.5). The total capital ratio (Basel 3, phased-in) amounted to 15.5% versus 16.3% (Basel 2.5).

In view of political pressures and the high tax burden I would like to reiterate that in the long run only a financially sound bank is able to offer its customers – in the case of Erste Group private individuals and the real economy – banking services on attractive terms. Our strong market position enables us to do just that: provide customers with suitable products and high-quality advisory services. Over the long term, this should also benefit our investors.

Andreas Treichl mp

Erste Group on the capital markets

EQUITY MARKET REVIEW

After the solid rallies of key international stock markets in the past year, most of the markets started on a more subdued note into the year 2014. The highs previously reached on the back of low-interest-rate policies and abundant liquidity provided by the central banks led to profit-taking. Even though interest rates have stayed low, economic fundamentals in the US and in the eurozone have shown signs of improvement and corporate earnings momentum is expected to pick up, the financial market environment has remained fragile.

After marking a record high at year-end 2013, the Dow Jones Industrial Index closed the reporting period almost unchanged, down 0.7%, at 16,457.66. The broader Standard & Poor's 500 Index rose 1.3% to 1,872.34 points. The Euro Stoxx 600 Index advanced 1.8% to 334.31 points, while the Austrian Traded Index (ATX) ended the first three months down 0.9% at 2,523.82.

Market participants were increasingly concerned about future growth in China, which recorded its first trade deficit in almost a year. Escalation of the situation in Ukraine, the mutual imposition of sanctions by Russia on the one hand and the US and the EU on the other and their potentially negative economic impacts, especially on Europe, pushed volatility up and curbed investors' risk appetite.

The focus of market participants will remain on actions taken by the US central bank (Fed) and the European Central Bank (ECB). In view of the recent improvement in US economic data, Fed's Chairperson Janet Yellen, who took office in February, has signalled a controlled exit from the ultra-loose monetary policies pursued in recent years. In Europe, the ECB is being faced by increasing worries about deflation. Months of falling prices are posing a threat to economic growth. The ECB has kept its key interest rate at the record low of 0.25% even though inflation is currently at the lowest level since the onset of the euro crisis.

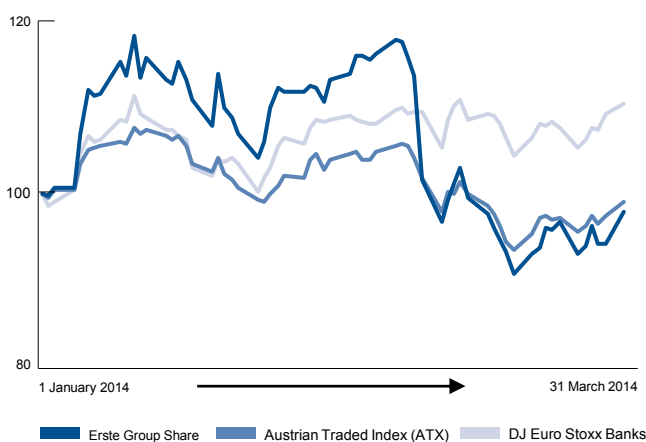
European banking stocks continued the uptrend that had started in the previous year. The Dow Jones Euro Stoxx Bank Index, which is composed of the leading European bank shares, advanced by 9.8% in the first quarter of this year to 155.26 points. Banking stocks have benefited from the central banks' continuing accommodative monetary policies, reports about the completion of balance-sheet clean-ups ahead of the asset quality reviews and stress tests to be conducted by the ECB in its capacity as supervisory authority of the banking union, and progressing compliance with the Basel 3 capital adequacy rules due to take effect five years from now. The rating agency Moody's has raised the outlook of 15 German banking groups and five Austrian banks.

SHARE PERFORMANCE

In the first two months of the year, the Erste Group share rose in lockstep with the European banking sector and gained about 13%. The information published on 11 February on the decline in annual net profits to EUR 61 million due to goodwill impairments in CEE and negative tax effects did not come unexpected to market participants and therefore did not affect the stock price. It was only on the day when the financial results were presented (28 February) that the Erste Group share dipped 10.2% after the release of a lower-than-expected forecast for 2014. Analysts have adapted their estimates for the coming years with a special focus on risk provisions (including the impacts of the ECB's upcoming asset quality review) and the unchanged high level of taxation. The Erste Group share closed the first quarter at EUR 24.80 on 31 March, down 2.1% from year-end 2013.

The Erste Group share is traded on the stock exchanges of Vienna, Prague and Bucharest. In the first quarter of 2014, trading volume on these stock exchanges averaged 1,090,373 shares per day and accounted for about 39% of 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.

Performance of the Erste Group Share (indexed)



INVESTOR RELATIONS

In the first quarter of 2014, the management and the investor relations team of Erste Group attended a large number of international banking and investor conferences staged amongst others by UBS, Kepler Cheuvreux, HSBC and Morgan Stanley. At these events, Erste Group presented its strategy against the backdrop of the current economic environment. Investors' and analysts' questions were answered in a large number of one-on-one and group meetings.

Interim Management Report

In the interim management report, financial results from January-March 2014 are compared with those from January-March 2013 and balance sheet positions as of 31 March 2014 with those as of 31 December 2013.

EARNINGS PERFORMANCE IN BRIEF

Net interest income declined to EUR 1,123.9 million (EUR 1,196.7 million), mainly due to subdued loan demand in a persistently low-interest-rate environment and FX translation effects. While **net fee and commission income** rose slightly to EUR 452.1 million (EUR 447.4 million) driven by the securities business, the **net trading and fair value result** improved markedly to EUR 50.4 million (EUR 30.7 million). **Operating income** amounted to EUR 1,690.6 million (-3.3%; EUR 1,748.0 million).

Strict cost management reduced **general administrative expenses** by 2.7% to EUR 963.3 million (EUR 989.9 million). This led to an **operating result** of EUR 727.3 million (-4.1%; EUR 758.1 million) and an almost unchanged **cost/income ratio** of 57.0% (56.6%).

Net impairment loss on financial assets (net) declined by 2.0% to EUR 364.2 million or 114 basis points of average customer loans (EUR 371.8 million or 113 basis points, which was mainly attributable to the significant decline in the commercial real estate business. On an unchanged volume of customer loans, the **NPL ratio** was stable at 9.6% in the first quarter of 2014 (9.6%). The **NPL coverage ratio** declined slightly to 62.6% (63.1%).

Other operating result amounted to EUR -119.8 million (EUR -98.2 million) upon recognition of the full amount of the annual banking tax in Hungary. Overall, levies on banking activities amounted to EUR 99.8 million (EUR 71.6 million): EUR 30.4 million (EUR 41.6 million) in Austria, EUR 10.3 million (EUR 10.5 million) in Slovakia, and EUR 59.1 million (EUR 19.5 million) in Hungary. Loss from financial assets and liabilities not measured at fair value amounted to EUR 3.7 million versus a gain of EUR 22.0 million.

The tax rate rose to 41.6%, in line with expectations, as the Austrian tax group did not recognise any deferred tax assets. This also had an impact on Erste Group's net result: **Net result attributable to owners of the parent** amounted to EUR 103.3 million (EUR 176.6 million).

Total capital rose to EUR 15.1 billion (EUR 14.8 billion). **Common equity tier 1 capital** (CET 1, phased-in) stood at EUR 11.3 billion versus EUR 11.2 billion (Basel 2.5). The rise in risk-weighted assets by 4.4% to EUR 102.2 billion (EUR 97.9 billion) was largely the result of the first-time application of Basel 3 rules. The **common equity tier 1 ratio** (CET1, phased-in) stood at 11.1% versus 11.4% (Basel 2.5). The total capital ratio

(Basel 3, phased-in) amounted to 15.4% versus 16.3% (Basel 2.5).

Total assets amounted to EUR 203.9 billion. Loans and advances to customers (net) were stable at EUR 119.8 billion (EUR 119.9 billion). The **loan-to-deposit ratio** stood at 100.3% (98.0%).

OUTLOOK

For 2014, Erste Group has planned with a stable operating environment in its markets in Austria and Central and Eastern Europe: while economic growth is forecast to average 1.9% (Erste Group Research), interest rates are expected to remain persistently low or fall even further in certain geographies. Against this backdrop, Erste Group anticipates a slow start to the year but aims to keep operating profit stable ($\pm 2\%$) at about EUR 3.1 billion. Net customer loans are expected to remain equally stable ($\pm 2\%$) at about EUR 120 billion. In light of the upcoming ECB Asset Quality Review, Erste Group does not expect a decline in risk costs beyond 5% or to about EUR 1.7 billion. Erste Group does not anticipate recognising deferred tax assets in the Austrian tax group in 2014, which will result in a significantly elevated tax rate of about 40%. The decline in banking taxes from EUR 311 million in 2013 to about EUR 270 million in 2014 should positively affect net profit.

PERFORMANCE IN DETAIL

in EUR million	1-3 13	1-3 14	Change
Net interest income	1,196.7	1,123.9	-6.1%
Net fee and commission income	447.4	452.1	1.1%
Net trading and fair value result	30.7	50.4	63.9%
Operating income	1,748.0	1,690.6	-3.3%
Operating expenses	-989.9	-963.3	-2.7%
Operating result	758.1	727.3	-4.1%
Net impairment loss on financial assets not measured at fair value through profit or loss	-371.8	-364.2	-2.0%
Other operating result	-98.2	-119.8	21.9%
Levies on banking activities	-71.6	-99.8	39.3%
Pre-tax result from continuing operations	310.1	239.5	-22.7%
Taxes on income	-66.4	-99.7	50.1%
Net result for the period	243.7	139.8	-42.6%
Net result attributable to non-controlling interests	67.0	36.5	-45.5%
Net result attributable to owners of the parent	176.6	103.3	-41.5%

Net interest income

Net interest income declined to EUR 1,123.9 million (EUR 1,196.7 million), mainly due to continuing subdued credit demand in a low interest rate environment. The net interest margin (net interest income as a percentage of average interest-bearing assets) contracted from 2.71% to 2.62%.

Net fee and commission income

Net fee and commission income increased to EUR 452.1 million (EUR 447.4 million) due, among others, to improved custody business.

Net trading and fair value result

The net trading and fair value result rose to EUR 50.4 million (EUR 30.7 million), mainly as a result of a significant improvement in the securities and derivatives business.

General administrative expenses

in EUR million	1-3 13	1-3 14	Change
Personnel expenses	564.6	545.9	-3.3%
Other administrative expenses	296.7	292.4	-1.4%
Depreciation and amortisation	128.7	125.0	-2.9%
General administrative expenses	989.9	963.3	-2.7%

General administrative expenses decreased to EUR 963.3 million (EUR 989.9 million) (currency-adjusted: -1.0%). **Personnel expenses** declined (currency-adjusted: -1.9%) to EUR 545.9 million (EUR 564.6 million). Further cost savings were achieved in **other administrative expenses**, which decreased (currency-adjusted: +0.8 %) to EUR 292.4 million (EUR 296.7 million) on the back of lower office-related expenses, and in **depreciation and amortisation**, which was down (currency-adjusted: -1.2%) to EUR 125.0 million (EUR 128.7 million). The line item other

administrative expenses included deposit insurance contributions in the amount of EUR 22.9 million (EUR 19.0 million). The line item **depreciation and amortisation** comprised the straight-line amortisation of intangible assets (i.e. customer relationships) in the amount of EUR 15.9 million (EUR 16.4 million).

The **headcount** increased slightly by 0.7% to 45,986 since year-end 2013.

Headcount as of end of the period

	Dec 13	Mar 14	Change
Domestic	15,659	15,791	0.8%
Erste Group, EB Oesterreich and subsidiaries	8,388	8,393	0.1%
Haftungsverbund savings banks	7,271	7,398	1.7%
Abroad	30,011	30,195	0.6%
Česká spořitelna Group	10,432	10,425	-0.1%
Banca Comercială Română Group	7,020	7,082	0.9%
Slovenská sporiteľňa Group	4,206	4,216	0.2%
Erste Bank Hungary Group	2,778	2,799	0.8%
Erste Bank Croatia Group	2,584	2,634	1.9%
Erste Bank Serbia	922	964	4.6%
Savings banks subsidiaries	1,100	1,144	4.0%
Other subsidiaries and foreign branch offices	969	931	-3.9%
Total	45,670	45,986	0.7%

Operating result

Driven by the decline in net interest income, operating income, at EUR 1,690.6 million (EUR 1,748.0 million), was down 3.3%. General administrative expenses were reduced by 2.7% to EUR 963.3 million (EUR 989.9 million). This led to an operating result of EUR 727.3 million (EUR 758.1 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 -3.7 million (EUR 22.0 million), mainly due to the positive contribution from the sale of available-for-sale financial assets in 2013.

Net impairment loss on financial assets (net)

Net impairment loss on financial assets (net) declined to EUR 364.2 million (EUR 371.8 million). This development was supported by the decline 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 366.3 million (EUR 374.7 million). This was mostly attributable to a significant decline in risk costs in commercial real estate. Net impairment loss on the average volume of customer loans amounted to 114 basis points (113 basis points). In addition, this line item included net impairment loss on financial assets – held to maturity and financial assets – available for sale in the amount of EUR 2.1 million (EUR 2.9 million).

Other operating result

Other operating result declined to EUR -119.8 million (EUR -98.2 million).

Levies on banking activities included in this line item rose to EUR 99.8 million (EUR 71.6 million). A large proportion of these – EUR 59.1 million (EUR 19.5 million) – was levied in Hungary and comprised the following items: a financial transaction tax of EUR 9.1 million (EUR 5.7 million), the advance payment of the total banking tax for the year of 2014 in the amount of EUR 47.9 million (EUR 12.2 million; in the first three months of 2013, Hungarian banking tax was levied only on a pro-rated basis), and the programme subsidising repayment of foreign-currency loans in the amount of EUR 2.1 million (EUR 1.6 million). Banking levies charged in Austria amounted to EUR 30.4 million (EUR 41.6 million) and in Slovakia to EUR 10.3 million (EUR 10.5 million).

Other operating result also included the allocation/release of other provisions, including for commitments and guarantees, in the amount of EUR -30.1 million (EUR -10.4 million).

Net result

Pre-tax result from continuing operations amounted to EUR 239.5 million (EUR 310.1 million).

The net result attributable to owners of the parent declined to EUR 103.3 million (EUR 176.6 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

First quarter of 2014 compared to fourth quarter of 2013

in EUR million	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14
Income statement					
Net interest income	1,196.7	1,143.3	1,175.9	1,169.2	1,123.9
Net fee and commission income	447.4	446.8	449.5	462.8	452.1
Dividend income	26.8	21.2	20.2	21.6	14.6
Net trading and fair value result	30.7	72.8	80.7	34.6	50.4
Net result from equity method investments	2.8	9.4	7.5	2.1	3.1
Rental income from investment properties & other operating leases	43.7	41.5	46.6	41.6	46.5
Personnel expenses	-564.6	-561.9	-552.5	-553.4	-545.9
Other administrative expenses	-296.7	-280.3	-283.9	-285.1	-292.4
Depreciation and amortisation	-128.7	-128.1	-127.8	-133.1	-125.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	22.0	-4.3	6.7	38.1	-3.7
Net impairment loss on financial assets not measured at fair value through profit or loss	-371.8	-412.6	-460.7	-529.4	-364.2
Other operating result	-98.2	-279.4	-142.6	-488.4	-119.8
Levies on banking activities	-71.6	-113.1	-62.4	-63.9	-99.8
Pre-tax result from continuing operations	310.1	68.4	219.6	-219.6	239.5
Taxes on income	-66.4	91.4	-56.0	-147.5	-99.7
Post-tax result from continuing operations	243.7	159.8	163.5	-367.1	139.8
Post-tax result from discontinued operations	0.0	0.0	0.0	0.0	0.0
Net result for the period	243.7	159.8	163.5	-367.1	139.8
Net result attributable to non-controlling interests	67.0	34.2	35.2	3.2	36.5
Net result attributable to owners of the parent	176.6	125.5	128.4	-370.3	103.3

Net interest income declined by 3.9% to EUR 1,123.9 million (EUR 1,169.2 million), mostly due to lower margins outside the Austrian customer business and the depreciation of the Czech koruna. **Net fee and commission income** decreased by EUR 2.3% to EUR 452.1 million (EUR 462.8 million). The **net trading and fair value result** improved by 45.7% to EUR 50.4 million (EUR 34.6 million). This was mainly attributable to an increase in the securities and derivatives business, which more than offset the decline in foreign exchange trading.

General administrative expenses declined by 0.9% to EUR 963.3 million (EUR 971.7 million), as the decrease in depreciation and amortisation by 6.1% to EUR 125.0 million (EUR 133.1 million) and in personnel expenses by 1.4% to EUR 545.9 million (EUR 553.4 million) offset the rise in other administrative expenses by 2.6% to EUR 292.4 (EUR 285.1 million). The **cost/income ratio** slightly increased to 57.0% (56.1%).

Gains/losses from financial assets and liabilities not measured at fair value through profit and loss (net) declined to EUR -3.7 million (EUR 38.1 million), mainly due to the positive result from the sale of financial assets - available for sale in the comparative period.

Net impairment loss on financial assets not measured at fair value through profit or loss (net) improved by 31.2% to EUR -364.2 million (EUR -529.4 million), mostly due to lower

risk costs and better revaluation results from financial assets – available for sale.

Other operating result improved to EUR -119.8 million (EUR -488.4 million). This was attributable in particular to the non-recurrence of negative one-off effects, including goodwill write-downs of EUR 330.8 million in the fourth quarter 2013.

Levies on banking activities rose to EUR 99.8 million (EUR 63.9 million). A large proportion of these – EUR 59.1 million (EUR 12.4 million) – was levied in Hungary and comprised the following items: a financial transaction tax of EUR 9.1 million (EUR 10.5 million), the advance payment of total banking tax for the year of 2014 in the amount of EUR 47.9 million; and the programme subsidising repayment of foreign-currency loans in the amount of EUR 2.1 million (EUR 1.9 million). Banking levies were also charged in Austria in the amount of EUR 30.4 million (EUR 41.4 million) and in Slovakia in the amount of EUR 10.3 million (EUR 10.1 million).

The **pre-tax result** amounted to EUR 239.5 million (EUR -219.6 million). The previous period had reflected the adverse impact of negative one-off effects (goodwill write-downs).

The **net result attributable to owners of the parent** increased to EUR 103.3 million (EUR -370.3 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 13	Mar 14	Change
Assets			
Cash and cash balances	9,301	10,373	11.5%
Trading, financial assets	51,269	52,270	2.0%
Loans and receivables to credit institutions	8,377	9,962	18.9%
Loans and receivables to customers	119,945	119,805	-0.1%
Intangible assets	2,441	2,408	-1.4%
Miscellaneous assets	8,786	9,085	3.4%
Total assets	200,118	203,903	1.9%
Liabilities and equity			
Financial liabilities - held for trading	6,475	7,042	8.8%
Deposits from banks	17,299	24,421	41.2%
Deposits from customers	122,415	119,445	-2.4%
Debt securities issued	33,124	31,043	-6.3%
Miscellaneous liabilities	6,020	6,883	14.3%
Total equity	14,785	15,069	1.9%
Total liabilities and equity	200,118	203,903	1.9%

Trading and investment securities held in various categories of financial assets rose to EUR 52.3 billion (EUR 51.3 billion). The rise in the line item financial assets – held for trading more than offset the decline in financial assets – held to maturity.

Loans and receivables to credit institutions (net) increased to EUR 10.0 billion (EUR 8.4 billion). **Loans and receivables to customers (net)** were almost unchanged at EUR 119.8 billion (EUR 119.9 billion) as credit demand remained subdued in most business segments. **Allowances for loans and receivables to customers** shown as part of loans and receivables to customers decreased slightly to EUR 7.7 billion (EUR 7.8 billion).

The NPL ratio – **non-performing loans as a percentage of loans to customers** – remained stable at an unchanged customer loan volume at 9.6%. The **NPL coverage ratio** declined to 62.6% versus 63.1% at year-end 2013.

Intangible assets were unchanged at EUR 2.4 billion. **Miscellaneous assets** increased slightly to EUR 9.1 billion (EUR 8.8 billion), which was mainly attributable to the rise in real estate held as investment properties.

Financial liabilities – held for trading - increased to EUR 7.0 billion (EUR 6.5 billion) on the back of an increased portfolio of bonds in other trading liabilities.

Deposits from banks increased to EUR 24.4 billion (EUR 17.3 billion), reflecting increased term deposits from credit institutions. **Deposits from customers** declined to EUR 119.4 billion (EUR 122.4 billion). This decline in deposits from customers reflects the withdrawal of the EUR 1.8 billion Czech pension fund at the beginning of 2014 as well as a decline in customer deposits in Erste Bank Oesterreich. The loan-to-deposit ratio stood at 100.3% (98.0%).

Debt securities in issue, in particular bonds as well as mortgage and public sector covered bonds, declined to EUR 31.0 billion (EUR 33.1 billion) due to redemptions.

Miscellaneous liabilities rose to EUR 6.9 billion (EUR 6.0 billion).

The Erste Group's **shareholders' equity** increased to EUR 15.1 billion (EUR 14.8 billion). After regulatory deductions and filter according to the CRR, **tier 1 capital** amounted to EUR 11.3 billion (year-end 2013: Basel 2.5, EUR 11.6 billion), **common equity tier 1 capital** stood at EUR 11.3 billion (year-end 2013: core tier 1 capital, Basel 2.5, EUR 11.2 billion). The **risk-weighted assets (RWA)** increased to EUR 102.2 billion as of 31 March 2014 (EUR 97.9 billion).

As of 2014, Erste Group has calculated consolidated regulatory capital according to Basel 3. In 2014, the calculation follows the requirements as defined within the capital requirements regulation (CRR) taking into consideration transitional provisions as defined within the Austrian "CRR-Begleitverordnung". Applicable percentages that are relevant for eligibility of capital instruments and regulatory deduction items as well as filter are defined within these transitional provisions. The **total capital ratio** in relation to the total risk (total eligible qualifying capital in relation to total risk pursuant to CRR) was 15.5% as of 31 March 2014 (year-end 2013, Basel 2.5: 16.3%), well above the legal minimum requirement.

The **tier 1 ratio** (total risk), which includes the capital requirements for market and operational risk, stood at 11.1% (year-end 2013, Basel 2.5: 11.8%). The **common equity tier 1 ratio** amounted to 11.1% as of 31 March 2014 (year-end 2013, Basel 2.5: 11.4%).

SEGMENT REPORTING

January-March 2014 compared with January-March 2013

Erste Group introduced a new segment reporting, starting from 1 January 2014 that is based on the matrix organisation and provides comprehensive information to assess the business line and geographic performance. Comparable figures for all quarters of 2013 were published on 28 February 2014. 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.

The tables and information below provide a brief overview and focus on selected and summarised items. For more details please see Note 25. At www.erstegroup.com additional information is available in excel format.

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

Retail

in EUR million	1-3 13	1-3 14	Change
Net interest income	555.5	537.7	-3.2%
Net fee and commission income	259.1	264.8	2.2%
Net trading and fair value result	13.1	13.2	0.9%
Operating income	834.7	824.3	-1.2%
Operating expenses	-464.8	-433.6	-6.7%
Operating result	369.9	390.7	5.6%
Cost/income ratio	55.7%	52.6%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-131.5	-118.7	-9.7%
Other result	-12.0	-19.4	62.2%
Net result attributable to owners of the parent	169.3	192.7	13.8%
Return on allocated capital	34.1%	39.1%	

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).

The decrease in net interest income was driven by lower deposit volumes and margins in Romania as well as shrinking loan margins in Hungary. These developments were partly offset by positive trends in the Austrian deposit business and lending business in Slovakia. Rental income increased by 48.9% due to the consol-

idation of a leasing subsidiary (sLeasing) in Croatia. Cost saving measures in the Czech Republic, Austria and Romania led to a reduction in operating expenses. Operating result thus increased, cost/income ratio decreased. The improvement in net impairment loss on financial assets not measured at FV through P&L was driven by lower risk costs in Romania and Hungary due to reduced NPL formation. The increased financial transaction tax in Hungary and non-recurring one-off revenues in the Czech Republic negatively impacted the other result. Overall, the net result attributable to the owners of the parent improved by 13.8%.

SME

in EUR million	1-3 13	1-3 14	Change
Net interest income	164.4	144.4	-12.2%
Net fee and commission income	52.6	47.3	-10.2%
Net trading and fair value result	8.3	5.7	-30.7%
Operating income	228.1	206.7	-9.4%
Operating expenses	-73.7	-68.5	-7.1%
Operating result	154.4	138.2	-10.5%
Cost/income ratio	32.3%	33.1%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-96.1	-59.3	-38.3%
Other result	-1.8	1.2	n/a
Net result attributable to owners of the parent	48.1	61.8	28.6%
Return on allocated capital	10.9%	18.9%	

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).

Most of the negative developments 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: the decline in net interest income, in net fee and commission income as well as in net trading and fair value

result. The operating income decreased accordingly. On the other hand, the portfolio reallocation led to a reduction of operating expenses, the cost/income ratio rose slightly. Net impairment loss on financial assets not measured at FV through profit and loss improved substantially on the back of lower risk provisions for loans and receivables in Romania and Hungary. The other result improved slightly mainly due to lower allocation of provisions for contingent credit risk liabilities in Romania. The net result attributable to the owners of the parent improved significantly.

Asset/Liability Management & Local Corporate Center

in EUR million	1-3 13	1-3 14	Change
Net interest income	63.8	40.5	-36.5%
Net fee and commission income	-24.7	-19.0	-23.1%
Net trading and fair value result	-53.6	-3.8	-92.9%
Operating income	0.0	29.5	n/a
Operating expenses	-27.4	-31.3	14.2%
Operating result	-27.5	-1.8	-93.5%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	2.3	2.1	-6.8%
Other result	-16.4	-60.2	>100.0%
Net result attributable to owners of the parent	-32.6	-62.8	92.7%
Return on allocated capital	-5.9%	-14.4%	

The 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.

Net interest income decreased considerably mainly due to lower ALM contribution and the FX effect in the Czech Republic. The increase in net fee and commission income was primarily relat-

ed to some reconciliation items booked in the Local Corporate Center in Slovakia and Austria. The net trading and fair value result improved substantially due to a better result from derivatives. Despite an increase in operating expenses, the operating result improved. The other result deteriorated mainly due to the booking of the entire Hungarian banking tax for 2014 (in 2013 only the pro-rata amount was booked). The net result attributable to the owners of the parent decreased to EUR -62.6 million.

Savings Banks

in EUR million	1-3 13	1-3 14	Change
Net interest income	197.7	214.3	8.4%
Net fee and commission income	101.7	102.9	1.2%
Net trading and fair value result	5.3	-0.6	n/a
Operating income	323.6	336.1	3.9%
Operating expenses	-227.5	-231.1	1.6%
Operating result	96.1	105.0	9.2%
Cost/income ratio	70.3%	68.8%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-13.2	-48.1	>100.0%
Other result	-5.1	-18.9	>100.0%
Net result attributable to owners of the parent	15.9	1.6	-90.1%
Return on allocated capital	11.5%	4.3%	

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, and Sparkasse Hainburg.

The increase in net interest income was mainly attributable to higher income from derivative business. Together with the improved net fee and commission income it off-set the drop in

dividend income and net trading and fair value result. Total operating income increased. Operating expenses went up slightly, but cost/income ratio improved. Net impairment loss on financial assets not measured at FV through profit and loss increased substantially. The declining other result was mainly due to losses from AfS securities, after a selling gain in the comparative period. The banking tax increased to EUR 3.4 million (EUR 2.2 million) due to the revised banking tax regulation.

Large Corporates

in EUR million	1-3 13	1-3 14	Change
Net interest income	42.8	53.9	25.8%
Net fee and commission income	22.1	22.4	1.2%
Net trading and fair value result	2.0	2.3	12.4%
Operating income	66.9	78.5	17.3%
Operating expenses	-15.5	-19.4	25.2%
Operating result	51.4	59.1	14.9%
Cost/income ratio	23.2%	24.7%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-32.5	-88.1	>100.0%
Other result	-7.2	-2.2	-69.1%
Net result attributable to owners of the parent	14.6	-25.2	n/a
Return on allocated capital	7.2%	-13.5%	

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

The increase in net interest 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). Net fee and commission income remained flat. The higher fee income related to the portfolio reallocation was off-set by a decline in fee income from the large corporate business in Austria and from syndicated lending activities in the Czech Republic. Net trading

and fair value result rose moderately. The increase in operating expenses was also mainly driven by the portfolio reallocation. Overall, the operating result improved. The cost/income ratio went up slightly. 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. The improvement in other result was largely attributable to lower provisions for commitments and guarantees in Romania. Net result attributable to the owners of the parent declined considerably and turned negative.

Commercial Real Estate

in EUR million	1-3 13	1-3 14	Change
Net interest income	47.0	36.5	-22.3%
Net fee and commission income	1.5	5.1	>100.0%
Net trading and fair value result	2.9	-3.5	n/a
Operating income	74.2	46.0	-38.1%
Operating expenses	-34.4	-23.6	-31.3%
Operating result	39.9	22.3	-43.9%
Cost/income ratio	46.3%	51.4%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-102.9	-60.3	-41.4%
Other result	-9.7	-12.3	26.1%
Net result attributable to owners of the parent	-62.7	-53.3	-15.0%
Return on allocated capital	-25.9%	-25.7%	

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 decline in net interest income was mainly attributable to the deconsolidation of leasing entities and a loan volume reduction in Immorent as well as the non-recurrence of a positive one-off effect. Net fee and commission income improved on the back of project fees in Immorent and higher lending fees in the Czech Republic. The decline in the net trading and fair value result was attributable to valuation losses in Immorent. Rental income de-

clined mostly due to the deconsolidation of Immorent leasing entities. The decline in operating expenses – almost by a third – was driven by strict cost management and the deconsolidation of Immorent leasing entities. It was further related to much lower depreciation on operating lease and investment properties. The operating result decreased, the cost/income ratio rose. Net impairment loss on financial assets not measured at FV through profit and loss improved due to the lower level of specific risk provisions in Erste Group Bank AG, Immorent and BCR. The other result deteriorated on the back of provisions for commitments and guarantees in Immorent. Net result attributable to the owners of the parent improved but remained negative.

Other Corporate

in EUR million	1-3 13	1-3 14	Change
Net interest income	15.5	18.7	20.7%
Net fee and commission income	6.9	5.1	-25.8%
Net trading and fair value result	3.0	-0.2	n/a
Operating income	25.4	23.6	-7.0%
Operating expenses	-11.9	-12.2	2.8%
Operating result	13.6	11.4	-15.6%
Cost/income ratio	46.7%	51.6%	
Net impairment loss on financial assets not measured at fair value through profit or loss	4.4	4.3	-1.4%
Other result	1.5	2.4	61.7%
Net result attributable to owners of the parent	15.2	14.2	-6.7%
Return on allocated capital	19.1%	25.8%	

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 improvement of net interest income was mostly attributable to Investment Banking, namely the structured trade finance and aircraft business in London. Net fee and commission income

declined primarily due to lower fees in institutional equity sales and further reductions of the loan book of International Business in Austria. Net trading and fair value result declined mainly due to negative valuation effects of securities in the structured credit business. Lower operating income and moderately 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 improved moderately on the back of releases in loan loss provisions of the International Business portfolio in Austria. The improvement of the other result was largely attributable to a positive impact of the revaluation of available-for-sale securities in the structured credit portfolio. Overall, net result attributable to the owners of the parent declined.

Group Markets

in EUR million	1-3 13	1-3 14	Change
Net interest income	45.6	54.0	18.5%
Net fee and commission income	25.7	25.3	-1.4%
Net trading and fair value result	46.3	30.5	-34.2%
Operating income	117.7	109.9	-6.6%
Operating expenses	-45.5	-44.6	-2.1%
Operating result	72.2	65.4	-9.4%
Cost/income ratio	38.7%	40.5%	
Net impairment loss on financial assets not measured at fair value through profit or loss	0.0	0.0	n/a
Other result	-0.7	-0.2	-66.1%
Net result attributable to owners of the parent	51.3	51.4	0.3%
Return on allocated capital	44.4%	51.4%	

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 the business with institutional clients of Erste Asset Management.

The net interest income improved primarily due to interest rate related products and the contribution of CEE money markets. The decline in the net trading and fair value result was mainly attributable to government bonds and collateral trading as well as valuation effects of interest related products. The operating result declined, net result remained stable. The cost/income ratio rose slightly.

Group Corporate Center

in EUR million	1-3 13	1-3 14	Change
Net interest income	57.2	25.3	-55.8%
Net fee and commission income	34.2	16.7	-51.3%
Net trading and fair value result	1.9	-0.7	n/a
Operating income	109.2	53.8	-50.7%
Operating expenses	-174.6	-189.6	8.5%
Operating result	-65.5	-135.8	>100.0%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-4.0	3.5	n/a
Other result	30.5	59.0	93.3%
Net result attributable to owners of the parent	-42.5	-77.0	81.1%
Return on allocated capital	-2.2%	-5.0%	

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

The net interest income decrease was mainly attributable to the decreasing 5y 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, on group level the impact

was neutral due to consolidation shown in Intercompany Elimination. The decline in the net trading and FV result was driven by the negative impact from hedge result. Operating expenses went up as a consequence of a change in methodology of cost reimbursements, the corresponding positive counter effect was shown in other result (on group level the impact was neutral due to consolidation). The improvement of the other result was driven by the lower banking tax for Erste Group Bank AG amounting to EUR 25.0 million (EUR 37.0 million) and the shift of cost reimbursements from operating expenses.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-3 13	1-3 14	Change
Net interest income	134.7	145.4	7.9%
Net fee and commission income	85.8	90.6	5.6%
Net trading and fair value result	7.1	1.2	-83.7%
Operating income	240.1	245.4	2.2%
Operating expenses	-153.3	-145.5	-5.1%
Operating result	86.8	100.0	15.2%
Cost/income ratio	63.9%	59.3%	
Net impairment loss on financial assets not measured at fair value through profit or loss	4.0	-21.3	n/a
Other result	-3.5	-9.0	>100.0%
Net result attributable to owners of the parent	64.9	52.5	-19.2%
Return on allocated capital	23.6%	20.3%	

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

The increase in net interest income was primarily attributable to higher margins for retail deposits and to increased fixed rate assets. Net fee and commission income increased mainly due to higher loan-related, payment transactions and insurance fees while net trading and fair value result decreased mainly due to lower valuation gains from derivatives. The decrease of operating expenses – mostly attributable to cost savings related to personnel expenses – was a major driver for the increase of the operating result. Cost income ratio improved significantly. Net impairment loss on financial assets not measured at FV through profit and

loss increased considerably. This development was due to higher specific provisions in the SME and large corporate portfolio as well as higher provisions in retail business, while the comparative period benefited from releases of loan loss provisions. Other result was negatively affected by higher provisions for contingent credit risk liabilities and the non-recurrence of positive impacts related to the selling gain of a subsidiary. Despite the improved operating result, an increase of loan loss provisions led to a decrease of the net result attributable to owners of the parent.

Savings Banks

The geographical segment Savings Banks is identical to the business segment Savings Banks.

Other Austria

in EUR million	1-3 13	1-3 14	Change
Net interest income	102.5	98.5	-3.9%
Net fee and commission income	44.0	43.3	-1.5%
Net trading and fair value result	20.7	0.3	-98.7%
Operating income	190.1	150.1	-21.0%
Operating expenses	-88.7	-78.1	-11.9%
Operating result	101.5	72.0	-29.1%
Cost/income ratio	46.6%	52.1%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-104.1	-50.8	-51.3%
Other result	-6.8	-8.3	23.2%
Net result attributable to owners of the parent	-12.9	-3.0	-77.0%
Return on allocated capital	-2.2%	-0.2%	

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 AG.

The decline in net interest income was mainly attributable to the deconsolidation of leasing entities and the loan volume reduction in Immorent. Net fee and commission income remained stable due to project fees in Immorent and a volume increase of assets under management in Romania and Hungary which off-set lower fees in the large corporates business. The net trading and fair value result decreased primarily due to lower treasury results of

Erste Group Bank, namely from the government bonds & collateral trading business as well as from stagnating money market business and the FV market pricing of the structured portfolio of the International Business unit in Vienna. Furthermore, Immorent trading result decreased mainly due to valuation losses and unfavorable 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 the commercial real estate business of Immorent and in Erste Group Bank AG. Although the net result attributable to the owners of the parent improved strongly it remained negative.

Czech Republic

in EUR million	1-3 13	1-3 14	Change
Net interest income	256.6	233.4	-9.0%
Net fee and commission income	114.7	101.6	-11.5%
Net trading and fair value result	17.9	21.5	20.1%
Operating income	397.8	364.8	-8.3%
Operating expenses	-185.4	-164.7	-11.2%
Operating result	212.4	200.1	-5.8%
Cost/income ratio	46.6%	45.1%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-36.8	-35.6	-3.2%
Other result	15.6	6.5	-58.1%
Net result attributable to owners of the parent	152.4	136.2	-10.7%
Return on allocated capital	34.9%	37.7%	

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 credit demand, especially for consumer loans. Net fee and commission income declined mostly due to lower private current account fees. Net trading and FV result increased due to improved result from derivatives. Lower operating expenses related to cost reduction measures

could not off-set the decrease in the operating income resulting in a decline of operating result. Cost/income ratio improved, though. The slight currency adjusted increase in net impairment loss on financial assets not measured at FV through P&L was attributable to methodologic changes related to the allocation of portfolio risk provisions for micro clients. Other result declined due to the non-recurrence of a one-off positive effect. Overall, these developments led to a decline in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-3 13	1-3 14	Change
Net interest income	104.4	107.9	3.3%
Net fee and commission income	29.1	29.9	2.8%
Net trading and fair value result	1.4	2.7	99.4%
Operating income	137.0	143.1	4.4%
Operating expenses	-58.9	-65.1	10.5%
Operating result	78.1	78.0	-0.1%
Cost/income ratio	43.0%	45.5%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-14.3	-12.7	-11.3%
Other result	-14.6	-11.0	-24.4%
Net result attributable to owners of the parent	40.1	41.6	3.7%
Return on allocated capital	31.0%	33.6%	

The increase in net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) was mainly attributable to new business and higher margins from housing and consumer loans in the retail business. Despite the cancellation of loan account fees imposed by the legislation, the net fee and commission income improved due to higher insurance fees and other loan related fees. The rise in the net trading and fair value result was driven by the revaluation of the FV portfolio. The increase in operating expenses was mostly related to the EUR 3.7 million

payment into the deposit insurance fund (no corresponding payment in 2013). Owing to the improved operating income, the operating result remained stable. The cost/income ratio increased. Net impairment loss on financial assets not measured at FV through profit and loss decreased due to a favourable portfolio development, especially in the SME and large corporate business. Other result improved mainly due to lower provisions for contingent credit risk liabilities. This resulted in an increase of the net result attributable to owners of the parent.

Romania

in EUR million	1-3 13	1-3 14	Change
Net interest income	162.5	135.7	-16.5%
Net fee and commission income	32.6	39.1	20.0%
Net trading and fair value result	26.0	19.6	-24.6%
Operating income	221.9	195.8	-11.8%
Operating expenses	-94.3	-80.5	-14.7%
Operating result	127.6	115.3	-9.6%
Cost/income ratio	42.5%	41.1%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-114.9	-110.3	-4.0%
Other result	-19.3	-7.0	-63.6%
Net result attributable to owners of the parent	-0.1	-7.9	>100.0%
Return on allocated capital	-0.2%	-2.4%	

Net interest income in the Romania segment (comprising Banca Comercială Română Group) decreased after sharp key rate cuts of 125bps in 2013, but also due to diminishing consumer loan volumes and subdued demand and business opportunities on the corporate market. Net fee and commission income improved mainly due to higher fees related to insurance business and investment products. Net trading and fair value result declined due to a lower result from derivatives. Consequently, operating in-

come decreased. Operating expenses went down on the back of cost reduction measures. While the operating result declined, cost/income ratio improved. Net impairment loss on financial assets not measured at FV through profit and loss improved because of a lower NPL formation in the retail and SME business. Other result improved due to a decrease in allocation of provisions for contingent credit risk liabilities. The net result attributable to the owners of the parent decreased.

Hungary

in EUR million	1-3 13	1-3 14	Change
Net interest income	75.3	69.6	-7.6%
Net fee and commission income	27.9	33.6	20.5%
Net trading and fair value result	2.0	-5.7	n/a
Operating income	105.3	97.9	-7.1%
Operating expenses	-45.8	-42.1	-8.0%
Operating result	59.6	55.8	-6.4%
Cost/income ratio	43.5%	43.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-57.7	-44.8	-22.3%
Other result	-21.8	-61.6	>100.0%
Net result attributable to owners of the parent	-22.6	-53.8	>100.0%
Return on allocated capital	-17.7%	-43.0%	

Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) decreased mostly due to decreasing loan margins in the retail business and the shrinking SME loan portfolio. Net fee and commission income improved primarily on the back of higher fees from payment transfers. Net trading and fair value result deteriorated due to lower result from derivative instruments. Consequently, operating income decreased. Operating expenses declined because of continued cost saving measures.

This led to a decrease of the operating result. The cost/income ratio improved slightly. An improvement in net impairment loss on financial assets not measured at FV through profit and loss was achieved due to lower risk provisions on loans to customers in SME as well as in retail business. Other result was negatively impacted by the banking tax (EUR 47.9 million for the entire year versus a pro-rata payment of EUR 12.2 million). This led to the deterioration of the net result attributable to owners of the parent.

Croatia

in EUR million	1-3 13	1-3 14	Change
Net interest income	59.8	63.0	5.3%
Net fee and commission income	14.3	18.3	27.6%
Net trading and fair value result	4.5	3.8	-15.4%
Operating income	78.8	93.7	18.9%
Operating expenses	-34.4	-43.5	26.4%
Operating result	44.4	50.2	13.1%
Cost/income ratio	43.7%	46.4%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-30.7	-39.7	29.2%
Other result	0.4	-0.4	n/a
Net result attributable to owners of the parent	8.3	5.5	-33.9%
Return on allocated capital	11.9%	8.0%	

Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased due to higher loan volumes in large corporate and lower interest expenses in assets liability management. Net fee and commission income improved primarily on the back of fees for arranging a government bond issue and cross selling activities. The increase of the rental income by EUR 8.2 million due to consolidation of a leasing subsidiary (sLeasing) also had a positive impact on the operating income. Although

operating expenses increased because of the consolidation of sLeasing and ECC Slovenia subsidiaries, operating result improved. The cost/income ratio went up. The increase in net impairment loss on financial assets not measured at FV through profit and loss was driven by higher risk provisions on loans to customers, as a consequence coverage improved. The net result attributable to the owners of the parent declined.

Serbia

in EUR million	1-3 13	1-3 14	Change
Net interest income	8.1	7.7	-5.5%
Net fee and commission income	2.9	3.1	9.1%
Net trading and fair value result	0.5	0.6	9.1%
Operating income	11.5	11.5	0.0%
Operating expenses	-8.8	-9.4	6.7%
Operating result	2.8	2.2	-21.4%
Cost/income ratio	76.1%	81.2%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-1.9	-2.7	40.9%
Other result	-0.3	-0.2	-35.5%
Net result attributable to owners of the parent	0.2	0.0	n/a
Return on allocated capital	2.2%	-1.0%	

Net interest income decline in the Serbia segment (comprising Erste Bank Serbia Group) was mainly driven by the matured subsidized loans and lower liability margins. The positive development in net fee and commission income was attributable to improved fee income from lending business with large corporate clients as well as higher fees in retail business. The slight increase of operating expenses was caused by FX impacts and the consoli-

dation of a new leasing subsidiary in 2014. As a result of those developments, the operating result decreased, the cost/income ratio increased. The increase of net impairment loss on financial assets not measured at FV through profit and loss is mainly driven by the new defaults of large corporates clients, whereas SME and retail improved.

Other

in EUR million	1-3 13	1-3 14	Change
Net interest income	95.0	48.5	-48.9%
Net fee and commission income	-5.6	-10.3	84.6%
Net trading and fair value result	-54.7	7.1	n/a
Operating income	41.8	52.1	24.6%
Operating expenses	-92.9	-103.3	11.2%
Operating result	-51.1	-51.2	0.3%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-2.2	1.7	n/a
Other result	-20.9	-13.5	-35.6%
Net result attributable to owners of the parent	-69.7	-69.3	-0.6%
Return on allocated capital	-3.5%	-3.9%	

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.

The decline of the net interest income in the residual segment Other was mainly driven by the lower capital benefit from the

free capital of the group and lower interest income from derivatives. Net trading and fair value result improved significantly as revaluation results from derivatives and own issues turned positive. Overall, the operating result remained flat. Though banking tax for Erste Group Bank AG was reduced by EUR 12 million on the back of revised regulations, the other result remained at the same level due to lower selling gains from securities.

Group condensed consolidated financial statements of Erste Group Bank AG

I. Group condensed statement of comprehensive income

Income statement

in EUR thousand	Notes	1-3 13	1-3 14
Net interest income	1	1,196,672	1,123,872
Net fee and commission income	2	447,350	452,113
Dividend income	3	26,789	14,570
Net trading and fair value result	4	30,731	50,356
Net result from equity method investments		2,798	3,146
Rental income from investment properties & other operating leases	5	43,693	46,525
Personnel expenses	6	-564,635	-545,878
Other administrative expenses	6	-296,658	-292,443
Depreciation and amortisation	6	-128,650	-124,975
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7	21,955	-3,744
Net impairment loss on financial assets not measured at fair value through profit or loss	8	-371,751	-364,242
Other operating result	9	-98,243	-119,776
Levies on banking activities	9	-71,601	-99,753
Pre-tax result from continuing operations		310,050	239,525
Taxes on income		-66,393	-99,686
Post-tax result from continuing operations		243,658	139,838
Post-tax result from discontinued operations		0	0
Net result for the period		243,658	139,838
Net result attributable to non-controlling interests		67,010	36,506
Net result attributable to owners of the parent		176,647	103,332

Statement of comprehensive income

in EUR thousand	1-3 13	1-3 14
Net result for the period	243,658	139,838
Other comprehensive income		
Items that may not be reclassified to profit or loss		
Remeasurement of net liability of defined pension plans	34	0
Deferred taxes relating to items that may not be reclassified	0	0
Total	34	0
Items that may be reclassified to profit or loss		
Available for sale reserve (including currency translation)	6,673	131,260
Gain/loss during the period	12,638	140,516
Reclassification adjustments	-5,965	-9,255
Cash flow hedge reserve (including currency translation)	-7,266	22,740
Gain/loss during the period	-8,103	27,946
Reclassification adjustments	837	-5,205
Currency translation	-131,939	-13,982
Gain/loss during the period	-131,939	-13,982
Reclassification adjustments	0	0
Deferred taxes relating to items that may be reclassified	8,659	-51,254
Gain/loss during the period	9,050	-53,678
Reclassification adjustments	-390	2,424
Total	-123,839	88,764
Total other comprehensive income	-123,804	88,764
Total comprehensive income	119,806	228,602
Total comprehensive income attributable to non-controlling interests	47,386	42,083
Total comprehensive income attributable to owners of the parent	72,420	186,519

Earnings per share

		1-3 13	1-3 14
Net result attributable to owners of the parent	in EUR million	176.7	103.3
Dividend on participation capital	in EUR million	-35.3	0.0
Net result for the period attributable to owners of the parent after deduction of the participation capital dividend	in EUR million	141.4	103.3
Weighted average number of outstanding shares		392,325,830	427,568,187
Earnings per share	in EUR	0.36	0.24
Weighted average diluted number of outstanding shares		394,518,157	427,568,187
Diluted earnings per share	in EUR	0.36	0.24

Changes in number of shares and participation capital securities

	1-3 13	1-3 14
Number of shares		
Shares outstanding at the start of the period	375,715,367	415,076,934
Acquisition of treasury shares	-1,855,625	-5,713,057
Disposal of treasury shares	2,250,023	7,627,638
Capital increases due to ESOP and MSOP	0	0
Capital increases	0	0
Shares outstanding at the end of the period	376,109,765	416,991,515
Treasury shares	18,458,882	12,808,485
Number of shares at the end of the period	394,568,647	429,800,000
Weighted average number of outstanding shares	392,325,830	427,568,187
Dilution due to MSOP/ESOP	2,192,326	0
Dilution due to options	0	0
Weighted average diluted number of outstanding shares	394,518,157	427,568,187
Number of participation capital securities		
Participation capital securities outstanding at the start of the period	1,763,694	0
Acquisition of own participation capital securities	-789	0
Disposal of own participation capital securities	763	0
Participation capital securities outstanding at the end of the period	1,763,668	0
Own participation capital securities	76	0
Number of participation capital securities at the end of the period	1,763,744	0

Redemption of participation capital and implementation of a capital increase

On 8 August 2013 the outstanding participation capital of EUR 1.76 billion, of which EUR 1.205 billion were held by the Republic of Austria and EUR 559 million by private investors, was redeemed in full. In this context a capital increase against

cash contributions was implemented with gross proceeds of approximately EUR 660 million on 2 July 2013. The subscription price amounted to EUR 18.75 per share and the subscription ratio was 4 new shares for each 45 shares held. 35,231,353 new shares were issued, the share capital increased from EUR 789,137,294 by EUR 70,462,706 to EUR 859,600,000.

Quarterly results

in EUR million	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14
Income statement					
Net interest income	1,196.7	1,143.3	1,175.9	1,169.2	1,123.9
Net fee and commission income	447.4	446.8	449.5	462.8	452.1
Dividend income	26.8	21.2	20.2	21.6	14.6
Net trading and fair value result	30.7	72.8	80.7	34.6	50.4
Net result from equity method investments	2.8	9.4	7.5	2.1	3.1
Rental income from investment properties & other operating leases	43.7	41.5	46.6	41.6	46.5
Personnel expenses	-564.6	-561.9	-552.5	-553.4	-545.9
Other administrative expenses	-296.7	-280.3	-283.9	-285.1	-292.4
Depreciation and amortisation	-128.7	-128.1	-127.8	-133.1	-125.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	22.0	-4.3	6.7	38.1	-3.7
Net impairment loss on financial assets not measured at fair value through profit or loss	-371.8	-412.6	-460.7	-529.4	-364.2
Other operating result	-98.2	-279.4	-142.6	-488.4	-119.8
Levies on banking activities	-71.6	-113.1	-62.4	-63.9	-99.8
Pre-tax result from continuing operations	310.1	68.4	219.6	-219.6	239.5
Taxes on income	-66.4	91.4	-56.0	-147.5	-99.7
Post-tax result from continuing operations	243.7	159.8	163.5	-367.1	139.8
Post-tax result from discontinued operations	0.0	0.0	0.0	0.0	0.0
Net result for the period	243.7	159.8	163.5	-367.1	139.8
Net result attributable to non-controlling interests	67.0	34.2	35.2	3.2	36.5
Net result attributable to owners of the parent	176.6	125.5	128.4	-370.3	103.3
Statement of comprehensive income					
Net result for the period	243.7	159.8	163.5	-367.1	139.8
Other comprehensive income					
Items that may not be reclassified to profit or loss					
Remeasurement of net liability of defined pension plans	0.0	0.0	0.0	-6.7	0.0
Deferred taxes relating to items that may not be reclassified	0.0	0.0	0.0	2.3	0.0
Total	0.0	0.0	0.0	-4.5	0.0
Items that may be reclassified to profit or loss					
Available for sale reserve (including currency translation)	6.7	-109.3	28.8	-39.4	131.3
Gain/loss during the period	12.6	-116.1	34.1	-23.3	140.5
Reclassification adjustments	-6.0	6.8	-5.3	-16.1	-9.3
Cash flow hedge reserve (including currency translation)	-7.3	-61.0	-1.7	-1.9	22.7
Gain/loss during the period	-8.1	-64.4	1.7	-1.6	27.9
Reclassification adjustments	0.8	3.4	-3.4	-0.4	-5.2
Currency translation	-131.9	68.4	-0.2	-177.7	-14.0
Gain/loss during the period	-131.9	-11.4	-0.2	-177.7	-14.0
Reclassification adjustments	0.0	79.8	0.0	0.0	0.0
Deferred taxes relating to items that may be reclassified	8.7	45.1	-2.3	-6.6	-51.3
Gain/loss during the period	9.0	46.2	-4.8	-9.4	-53.7
Reclassification adjustments	-0.4	-1.0	2.5	2.9	2.4
Total	-123.8	-56.8	24.6	-225.6	88.8
Total other comprehensive income	-123.8	-56.8	24.6	-230.0	88.8
Total comprehensive income	119.8	103.0	188.1	-597.1	228.6
Total comprehensive income attributable to non-controlling interests	47.4	-40.4	44.1	-33.7	42.1
Total comprehensive income attributable to owners of the parent	72.4	143.4	144.1	-563.4	186.5

II. Group condensed balance sheet

in EUR thousand	Notes	Dec 13	Mar 14
Assets			
Cash and cash balances	10	9,300,683	10,372,722
Financial assets - held for trading		12,283,046	13,610,367
Derivatives	11	6,342,237	6,482,352
Other trading assets	12	5,940,808	7,128,015
Financial assets - at fair value through profit or loss	13	528,984	511,823
Financial assets - available for sale	14	20,677,648	20,956,365
Financial assets - held to maturity	15	17,779,013	17,191,365
Loans and receivables to credit institutions	16	8,376,688	9,962,070
Loans and receivables to customers	17	119,944,501	119,805,364
Derivatives - hedge accounting	18	1,943,645	2,212,210
Property and equipment		2,319,501	2,329,890
Investment properties		950,572	1,034,681
Intangible assets		2,440,833	2,407,873
Investments in associates and joint ventures		207,594	226,466
Current tax assets		100,398	118,968
Deferred tax assets		719,015	671,985
Assets held for sale		74,774	82,049
Other assets	19	2,470,898	2,408,616
Total assets		200,117,792	203,902,812
Liabilities and equity			
Financial liabilities - held for trading		6,474,745	7,042,332
Derivatives	11	6,086,938	6,340,595
Other trading liabilities	20	387,807	701,736
Financial liabilities - at fair value through profit or loss		2,339,171	2,275,264
Deposits from banks		0	0
Deposits from customers		459,964	448,875
Debt securities issued	21	1,879,207	1,826,388
Other financial liabilities		0	0
Financial liabilities measured at amortised cost		170,785,614	172,918,383
Deposits from banks	22	17,299,491	24,420,750
Deposits from customers	22	121,955,141	118,996,062
Debt securities issued	22	31,244,697	29,216,504
Other financial liabilities		286,286	285,067
Derivatives - hedge accounting	18	644,319	681,236
Changes in fair value of portfolio hedged items		733,747	909,566
Provisions	23	1,447,605	1,491,489
Current tax liabilities		84,519	82,682
Deferred tax liabilities		169,392	181,826
Liabilities associated with assets held for sale		0	0
Other liabilities	24	2,653,713	3,250,926
Total equity		14,784,966	15,069,109
Equity attributable to non-controlling interests		3,465,959	3,542,477
Equity attributable to owners of the parent		11,319,006	11,526,633
Total liabilities and equity		200,117,792	203,902,812

III. Group condensed statement of changes in total equity

	Subscribed capital	Additional paid-in-capital	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	35	0	0	0	0	0	35	0	35
Dividends paid	0	0	0	0	0	0	0	0	0	-5	-5
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
Changes in scope of consolidation	0	0	-16	0	0	0	0	0	-16	40	24
Other changes	0	0	0	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	103	23	110	-17	0	-32	187	42	229
Net result for the period	0	0	103	0	0	0	0	0	103	37	140
Other comprehensive income	0	0	0	23	110	-17	0	-32	83	6	89
As of 31 March 2014	860	7,037	4,380	-10	369	-802	-277	-30	11,526	3,543	15,069
Comparable period of the previous year											
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	-16	0	0	0	0	0	-16	0	-16
Dividends paid	0	0	0	0	0	0	0	0	0	-3	-3
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
Changes in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	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	176	-7	13	-119	0	9	72	47	119
Net result for the period	0	0	176	0	0	0	0	0	176	67	244
Other comprehensive income	0	0	0	-7	13	-119	0	9	-104	-20	-124
As of 31 March 2013	2,547	6,472	4,556	34	229	-673	-268	6	12,901	3,535	16,437

IV. Group condensed cash flow statement

in EUR million	1-3 13	1-3 14
Cash and cash equivalents at the end of the previous year	9,740	9,301
Cash flow from operating activities	-1,215	2,742
Cash flow from investing activities	-114	416
Cash flow from financing activities	61	-2,081
Effect of currency translation	-19	-4
Cash and cash equivalents at the end of period	8,453	10,373

V. Condensed notes to the group financial statements of Erste Group for the period from 1 January to 31 March 2014

BASIS OF PREPARATION

The condensed consolidated interim financial statements (“interim financial statements”) of Erste Group for the period from 1 January to 31 March 2014 were prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union (“EU”) and are presented in accordance with the requirements of IAS 34 “Interim Financial Reporting”. The Group’s application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

These interim financial statements were neither audited nor reviewed by an auditor.

BASIS OF CONSOLIDATION

Subsidiaries are consolidated from the date upon which control is transferred to the bank. Control is achieved when the bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Except for the new definition of control, accounting policies concerning subsidiaries, associates and joint ventures remained as in 2013.

The number of legal entities and funds included in Erste Group’s IFRS consolidation scope evolved during the first three months of 2014 as follows:

As of 31 December 2013	549
Additions	
Entities newly added to the scope of consolidation	25
Disposals	
Companies sold or liquidated	-2
Mergers	0
As of 31 March 2014	572

Deconsolidation in 2014

As of 1 January 2014 Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s. (Transformed pension fund) has been deconsolidated as a result

of changes in the articles of the fund amending its investment strategy. The impact of deconsolidation was decrease of the 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).

ACCOUNTING AND MEASUREMENT METHODS

The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Therefore, the interim financial statements should be read in conjunction with Erste Group’s consolidated financial statements as of 31 December 2013.

The preparation of interim financial statements under IFRS requires management to make estimates and assumptions for certain categories of assets and liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the balance sheet date, and the reported amounts of income and expenses during the reporting period. Actual results could differ from management’s estimates.

As a result of IFRS 10 application on 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 in position of significant investor when considering investments of individual group entities. The consolidation has been applied retrospectively. All affected 2013 comparative figures have been restated. The effects of restating the income statement were insignificant. The effect of restating the group balance sheet as of 31 December 2013 is summarized below:

in EUR million	Dec 13
Assets	
Financial assets - held for trading	1.1
Derivatives	1.1
Financial assets - available for sale	240.6
Total assets	241.7
Liabilities and equity	
Financial liabilities measured at amortised cost	238.0
Deposits from customers	-26.9
Debt securities issued	-21.4
Other financial liabilities	286.3
Total equity	3.7
Equity attributable to non-controlling interests	9.0
Equity attributable to owners of the parent	-5.3
Total liabilities and equity	241.7

In 2014, as a result of harmonization with FINREP reporting, Erste Group has changed the structure of the line items in the balance sheet and income statement in order to align with EBA requirements.

The following tables show the relationships between the old and new balance sheet and income statement line items. Amounts for old structure were adjusted for funds.

Income statement

in EUR million		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	Reallocation 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		
1-3 13	Old structure											New structure	1-3 13
1,246.6	Net interest income	-26.8	-20.3	-2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net interest income	1,196.7
	Risk provisions for loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	402.2		0.0
447.3	Net fee and commission income	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	447.4
0.0		26.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Dividend income	26.8
77.2	Net trading result	0.0	0.0	0.0	0.0	-77.2	0.0	0.0	0.0	0.0	0.0		0.0
-931.2	General administrative expenses	0.0	0.0	0.0	931.2	0.0	0.0	0.0	0.0	0.0	0.0		0.0
-104.4	Other operating result	0.0	0.0	0.0	0.0	0.0	69.0	35.4	0.0	0.0	0.0		0.0
	Result from financial instruments – at fair value through profit or loss	0.0	0.0	0.0	0.0	77.2	0.0	0.0	0.0	0.0	0.0	Net trading and fair value result	30.7
0.0		0.0	0.0	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net result from equity method investments	2.8
0.0		0.0	43.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Rental income from investment properties & other operating leases	43.7
0.0		0.0	0.0	0.0	-564.6	0.0	0.0	0.0	0.0	0.0	0.0	Personnel expenses	-564.6
0.0		0.0	0.0	0.0	-277.6	0.0	0.0	-19.0	0.0	0.0	0.0	Other administrative expenses	-296.7
0.0		0.0	-23.4	0.0	-88.9	0.0	0.0	-16.4	0.0	0.0	0.0	Depreciation and amortisation	-128.7
0.0		0.0	0.0	0.0	0.0	0.0	3.8	0.0	18.2	0.0	0.0	Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	22.0
16.7	Result from financial assets - available for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-11.5	-5.2	0.0		0.0
6.6	Result from financial assets - held to maturity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-6.7	0.1	0.0		0.0
0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	-374.7	Net impairment loss on financial assets not measured at fair value through profit or loss	-371.8
0.0		0.0	0.0	0.0	0.0	0.0	-72.8	0.0	0.0	2.1	-27.5	Other operating result	-98.2
0.0		0.0	0.0	0.0	0.0	0.0	-71.6	0.0	0.0	0.0	0.0	Levies on banking activities	-71.6
310.1	Pre-tax profit/loss	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	310.1
-66.4	Taxes on income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Taxes on income	-66.4
243.7	Post-tax profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Post-tax result from continuing operations	243.7
0.0	Post-tax profit from discontinuing operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Post-tax result from discontinued operations	0.0
243.7	Net profit/loss for the period	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	243.7
67.0	Attributable to non-controlling interests	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	67.0
176.6	Attributable to owners of the parent	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	176.6

Assets

in EUR million		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	Old structure					New structure	Dec 13
8,670	Cash and balances with central banks	630	0	0	0	0	9,301
9,062	Loans and advances to credit institutions	-630	0	0	-8,431	0	0
127,698	Loans and advances to customers	0	0	0	-127,698	0	0
-7,810	Risk provisions for loans and advances	0	0	0	7,810	0	0
0		0	0	0	0	0	12,283
8,286	Derivative financial instruments	0	0	0	0	-1,944	6,342
5,941	Trading assets	0	0	0	0	0	5,941
529	Financial assets - at fair value through profit or loss	0	0	0	0	0	529
20,822	Financial assets - available for sale	0	-144	0	0	0	20,678
17,781	Financial assets - held to maturity	0	0	0	-2	0	17,779
0		0	0	0	8,377	0	8,377
0		0	0	0	119,944	0	119,945
0		0	0	0	0	1,944	1,944
0		0	0	0	0	0	0
2,057	Property and equipment	0	0	263	0	0	2,320
951	Investment properties	0	0	0	0	0	951
2,441	Intangible assets	0	0	0	0	0	2,441
208	Equity method investments	0	0	0	0	0	208
100	Current tax assets	0	0	0	0	0	100
719	Deferred tax assets	0	0	0	0	0	719
75	Assets held for sale	0	0	0	0	0	75
2,590	Other assets	0	144	-263	0	0	2,471
200,118	Total assets	0	0	0	0	0	200,118

Liabilities and equity

in EUR million		Reallocation of subordinated liabilities	Reallocation derivatives	Product split into measurement categories		
Dec 13	Old structure				New structure	Dec 13
0		0	0	0	Financial liabilities - held for trading	6,475
0		0	6,087	0	Derivatives	6,087
0		0	0	388	Other trading liabilities	388
0		0	0	0	Financial liabilities - at fair value through profit or loss	2,339
0		0	0	0	Deposits from banks	0
0		0	0	460	Deposits from customers	460
0		0	0	1,879	Debt securities issued	1,879
0		0	0	0	Other financial liabilities	0
0		0	0	0	Financial liabilities measured at amortised cost	170,786
17,126	Deposits by banks	173	0	0	Deposits from banks	17,299
122,415	Customer deposits	0	0	-460	Deposits from customers	121,955
27,965	Debt securities issued	5,159	0	-1,879	Debt securities issued	31,245
0		0	0	286	Other financial liabilities	286
0		0	644	0	Derivatives - hedge accounting	644
734	Value adjustments from portfolio fair value hedges	0	0	0	Changes in fair value of portfolio hedged items	734
6,731	Derivative financial instruments	0	-6,731	0		0
388	Trading liabilities	0	0	-388		0
1,448	Provisions	0	0	0	Provisions	1,448
85	Current tax liabilities	0	0	0	Current tax liabilities	85
169	Deferred tax liabilities	0	0	0	Deferred tax liabilities	169
0		0	0	0	Liabilities associated with assets held for sale	0
2,940	Other liabilities	0	0	-286	Other liabilities	2,654
5,333	Subordinated liabilities	-5,333	0	0		0
14,785	Total equity	0	0	0	Total equity	14,785
3,466	Attributable to non-controlling interests	0	0	0	Equity attributable to non-controlling interests	3,466
11,319	Attributable to owners of the parent	0	0	0	Equity attributable to owners of the parent	11,319
200,118	Total liabilities and equity	0	0	0	Total liabilities and equity	200,118

The new structure of the consolidated financial statements affects references to line items in the accounting policies. Therefore, accounting and measurement methods are disclosed in full form in the interim report.

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 settlement date, which is the date on which 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

Derivatives used by Erste Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps. Derivatives are measured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

For presentation purposes derivatives are split into

- _ derivatives – held for trading; and
- _ derivatives – hedge accounting

Derivatives – held for trading are those which are not designated as hedging instruments. 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 fair value (clean price) of derivatives – held for trading are recognised 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 hedges fulfilling the conditions of IAS 39. In the balance sheet, they are presented in the line item ‘Derivatives – hedge accounting’ on asset or liability side.

Changes in fair value (clean price) of derivatives in fair value hedges are recognised in the income statement in the line item ‘Net trading and fair value result’. Effective part of changes in fair value (dirty price) of derivatives in cash flow hedges is reported in other comprehensive income in the line item ‘Cash flow hedge reserve’. Ineffective part of changes in fair value (dirty 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 related to derivatives in fair value hedges is recognised in the income statement in the line item ‘Net interest income’. Interest income/expense from hedging derivatives in cash flow hedges is part of the dirty price measurement which is split into effective part and ineffective part as described above.

(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 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 in the balance sheet under the line item ‘Financial liabilities designated at fair value through profit or loss’ further broken down into ‘Deposits from customers’ and ‘Debt securities issued’. 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 case of sale or in the line item 'Net impairment loss on financial assets' in 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'. 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

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

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

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

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

(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 in 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
Finance lease			IAS 17	n/a
Loans and receivables to customers		x		Loans and receivables
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.

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 available-for-sale financial assets category. Such reclassifications are not included in the limit that triggers automatic reclassification of the entire held-to-maturity portfolio.

Derecognition of financial assets and financial liabilities

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

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

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

Repurchase and reverse repurchase agreements

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

The corresponding cash received is recognised on the balance sheet with a corresponding obligation to return it as a liability under the 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 2 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 in 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 amount of losses retained in the other comprehensive income item 'Available for sale reserve' is reclassified to the income statement and shown as impairment loss under the line item 'Net impairment loss on financial assets'.

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

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

Where there is evidence of impairment 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 amount of losses previously recognised under the other comprehensive income item 'Available for sale reserve' has to be reclassified to the income statement as part of an impairment loss under the line item '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 hedge policy.

(i) Fair value hedges

Fair value hedges are employed to reduce market risk. For qualifying and designated fair value hedges, the change in the fair value (clean price) of a hedging instrument is recognised in the income statement under the line item 'Net trading 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 dirty price, i.e. including the interest component. If the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is reclassified from other comprehensive income in the corresponding income or expense line item in the income statement (mainly 'Net interest income'). As far as accounting for hedged items in cash flow hedges is concerned there is no change compared to the situation when no hedging is applied.

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

Offsetting financial instruments

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

Determination of fair value

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

Details on valuation techniques applied for fair value measurement and on fair value hierarchy are disclosed in Note 29 Fair value of financial instruments.

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.

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.

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.

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 in the balance sheet in the line item 'Investment properties'.

Rental income is recognised in the line '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 their being classified as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. a subsidiary) they are referred to as disposal group held for sale.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line item 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet under the line item 'Liabilities associated with assets held for sale'.

Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Should the impairment loss in a disposal group exceed the carrying amount of the assets that are within the scope of IFRS 5 measurement requirements, there is no specific guidance on how to treat such a difference. Erste Group recognises this difference as a provision under the balance sheet line item 'Provisions'.

Financial guarantees

In the ordinary course of business, Erste Group provides financial guarantees, consisting of various types of letters of credit and guarantees. According to IAS 39, a financial guarantee is a con-

tract 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 in 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 agree-

ment, 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.

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 or expense is recorded using the effective interest rate (EIR) method. The calculation includes origination fees resulting from the lending business as well as transaction costs that are directly attributable to the instrument and are an integral part of the EIR (apart from financial instruments at fair value through profit or loss), but no future credit losses. Interest income from individually impaired loans 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. In addition, net interest income includes interest on derivative financial instruments held in the banking book.

(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 which are not consolidated or not accounted for using the equity method due to their insignificance. Such non-consolidated associates, joint ventures and subsidiaries are presented as 'Other assets'.

(iv) Net trading and fair value result

Results arising from trading activities include all gains and losses from changes in fair value (clean price) on financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedging instruments. In addition, for derivative financial instruments held in the trading book, net trading result also contains interest income or expense. However, interest income or expenses on non-derivative trading assets and liabilities and on derivatives held in the banking book are not part of net trading result as they are reported as 'Net interest income'. It also includes any ineffective portions recorded in fair value and cash flow hedge transactions as well as foreign exchange gains and losses.

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 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 expenses and income for severance payment, pension and jubilee obligations (covering service cost, net interest cost 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

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

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 other operating result.

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, other operating result encompasses the following: expenses for other taxes (including levies on banking activities); 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.

APPLICATION OF AMENDED AND NEW IFRS/IAS

Following standards, interpretations and their amendments which are relevant for the business of Erste Group are applicable for the first time in 2014:

- _ 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
- _ 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
- _ IFRIC 21 Levies

Application of these standards had the following effects on the interim financial statements:

- _ IFRS 10 has led to consolidation of certain funds managed by Erste Group. For financial effects in terms of the restatement due to the retrospective consolidation refer to Accounting and measurement methods.

In comparison with the annual financial statements, there were no other material changes in accounting policies resulting from the new or amended standards.

1. Net interest income

in EUR million	1-3 13	1-3 14
Interest income		
Financial assets - held for trading	168.8	115.5
Financial assets - at fair value through profit or loss	6.8	1.0
Financial assets - available for sale	153.0	112.8
Financial assets - held to maturity	174.1	153.7
Loans and receivables	1,380.9	1,232.3
Derivatives - hedge accounting, interest rate risk	-1.0	19.3
Other assets	8.3	31.5
Total interest income	1,890.9	1,666.2
Interest expenses		
Financial liabilities - held for trading	-53.9	-33.2
Financial liabilities - at fair value through profit or loss	-14.7	-13.1
Financial liabilities measured at amortised cost	-712.6	-553.8
Derivatives - hedge accounting, interest rate risk	89.3	82.7
Other liabilities	-2.2	-25.0
Total interest expense	-694.2	-542.3
Net interest income	1,196.7	1,123.9

2. Net fee and commission income

in EUR million	1-3 13	1-3 14
Securities	59.1	76.2
Securities - Own issues	2.2	2.6
Securities - Transfer orders	34.3	42.4
Securities - Other	22.6	31.2
Clearing and settlement	-1.6	15.0
Asset management	29.0	28.6
Custody	10.5	11.9
Fiduciary transactions	0.1	0.6
Payment services	210.5	200.3
Payment services - Card business	47.4	39.0
Payment services - Others	163.1	161.4
Customer resources distributed but not managed	51.3	44.0
Collective investment	3.1	3.4
Insurance products	25.0	27.6
Building society brokerage	11.0	6.3
Foreign exchange transactions	5.7	4.8
Other	6.5	1.9
Structured finance	0.0	0.0
Servicing fees from securitization activities	0.0	0.0
Lending business	66.4	61.0
Guarantees given, guarantees received	7.3	9.5
Loan commitments given, loan commitments received	12.3	21.8
Other lending business	46.8	29.7
Other	22.0	14.6
Net fee and commission income	447.3	452.2

3. Dividend income

in EUR million	1-3 13	1-3 14
Financial assets - held for trading	0.1	0.3
Financial assets - at fair value through profit or loss	3.0	1.3
Financial assets - available for sale	21.5	10.0
Dividend income from equity investments	2.2	3.0
Dividend income	26.8	14.6

4. Net trading and fair value result

in EUR million	1-3 13	1-3 14
Net trading result	63.3	76.0
Securities and derivatives trading	15.7	60.1
Foreign exchange transactions	47.6	15.9
Result from financial assets and liabilities designated at fair value through profit or loss	-32.5	-25.6
Result from measurement/sale of financial assets designated at fair value through profit or loss	3.9	20.2
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	-36.4	-45.8
Net trading and fair value result	30.8	50.4

5. Rental income from investment properties & other operating leases

in EUR million	1-3 13	1-3 14
Investment properties	20.0	20.9
Operating leases	23.7	25.6
Rental income from investment properties & other operating leases	43.7	46.5

6. General administrative expenses

in EUR million	1-3 13	1-3 14
Personnel expenses	-564.6	-545.9
Wages and salaries	-415.1	-402.5
Compulsory social security	-123.2	-114.7
Long-term employee provisions	-12.8	-20.2
Other personnel expenses	-13.5	-8.4
Other administrative expenses	-296.7	-292.4
Deposit insurance contribution	-19.0	-22.9
IT expenses	-74.4	-76.7
Expenses for office space	-70.9	-64.6
Office operating expenses	-43.2	-34.5
Advertising/marketing	-34.2	-36.2
Legal and consulting costs	-27.5	-26.8
Sundry administrative expenses	-27.5	-30.7
Depreciation and amortisation	-128.7	-125.0
Software and other intangible assets	-38.0	-38.2
Owner occupied real estate	-20.3	-19.3
Investment properties	-23.4	-26.5
Amortisation of customer relationships	-16.4	-15.9
Office furniture and equipment and sundry property and equipment	-30.6	-25.1
General administrative expenses	-990.0	-963.3

7. Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net

in EUR million	1-3 13	1-3 14
Result from sale of financial assets available for sale	11.4	-4.7
Result from sale of financial assets held to maturity	6.7	3.0
Result from sale of loans and receivables	0.0	-0.6
Result from repurchase of liabilities measured at amortised cost	3.8	-1.5
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	22.0	-3.7

8. Net impairment loss on financial assets not measured at fair value through profit or loss

in EUR million	1-3 13	1-3 14
Financial assets - available for sale	3.0	1.5
Loans and receivables	-374.7	-366.3
Allocation to risk provisions for loans and receivables	-755.6	-838.6
Release of risk provisions for loans and receivables	386.7	502.9
Direct write-offs of loans and receivables	-17.3	-44.1
Recoveries on written-off loans and receivables	11.5	13.4
Financial assets - held to maturity	-0.1	0.6
Net impairment loss on financial assets not measured at fair value through profit or loss	-371.8	-364.2

9. Other operating result

in EUR million	1-3 13	1-3 14
Result from real estate/movables/properties/software	-10.5	-3.1
Allocation to/release of other risk provisions	17.1	-2.0
Allocation to/release of provisions for commitments and guarantees given	-27.5	-28.2
Levies on banking activities	-71.6	-99.8
Banking tax	-64.3	-88.6
Financial transaction tax	-7.3	-11.1
Other taxes	-4.3	-4.4
Impairment of goodwill	0.0	0.0
Result from other operating expenses/income	-1.4	17.6
Other operating result	-98.2	-119.8

Following common practice in the Hungarian market, an amount of EUR 47.9 million representing the Hungarian banking tax for the full year 2014 was recognised in the first quarter of 2014.

10. Cash and cash balances

in EUR million	Dec 13	Mar 14
Cash on hand	2,327	2,007
Cash balances at central banks	6,343	7,612
Other demand deposits	630	754
Cash and cash balances	9,301	10,373

11. Financial assets – held for trading

Derivatives

in EUR million	As of 31 December 2013			As of 31 March 2014		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives of the trading book	182,478	5,269	5,223	192,930	5,342	5,408
Interest rate instruments and related derivatives	151,475	4,463	4,546	157,835	4,644	4,751
Equity instruments and related derivatives	734	50	13	1,213	65	32
Foreign exchange trading and related derivatives	29,601	746	653	33,104	603	592
Credit risk instruments and related derivatives	331	0	6	344	0	8
Commodities and related derivatives	252	2	4	347	30	24
Other	84	8	1	86	0	0
Derivatives of the banking book	38,241	1,073	864	39,596	1,141	932
Interest rate instruments and related derivatives	21,175	720	608	21,455	705	677
Equity instruments and related derivatives	1,860	41	40	2,901	69	51
Foreign exchange trading and related derivatives	14,354	254	141	14,355	302	126
Credit risk instruments and related derivatives	496	9	8	505	9	9
Commodities and related derivatives	44	4	5	36	3	2
Other	313	45	63	343	53	67
Total	220,719	6,342	6,087	232,526	6,482	6,341

12. Other trading assets

in EUR million	Dec 13	Mar 14
Equity instruments	273	249
Debt securities	5,668	6,879
General governments	3,397	3,814
Credit institutions	1,960	2,679
Other financial corporations	21	159
Non-financial corporations	289	227
Loans and advances	0	0
Other trading assets	5,941	7,128

13. Financial assets - at fair value through profit or loss

in EUR million	Dec 13	Mar 14
Equity instruments	207	207
Debt securities	322	305
General governments	63	58
Credit institutions	125	166
Other financial corporations	7	79
Non-financial corporations	127	2
Loans and advances	0	0
Financial assets - at fair value through profit or loss	529	512

14. Financial assets - available for sale

in EUR million	Dec 13	Mar 14
Equity instruments	1,236	1,252
Debt securities	19,442	19,704
General governments	10,439	11,484
Credit institutions	3,434	2,856
Other financial corporations	1,285	1,703
Non-financial corporations	4,284	3,661
Loans and advances	0	0
Financial assets - available for sale	20,678	20,956

15. Financial assets – held to maturity

in EUR million	Gross carrying amount		Collective allowances		Net carrying amount	
	Dec 13	Mar 14	Dec 13	Mar 14	Dec 13	Mar 14
General governments	15,195	14,903	-2	0	15,194	14,902
Credit institutions	1,529	1,263	0	-1	1,529	1,262
Other financial corporations	229	411	0	0	229	411
Non-financial corporations	828	616	0	-1	828	616
Total	17,781	17,193	-2	-2	17,779	17,191

16. 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 March 2014				
Debt securities	491	0	0	491
Central banks	75	0	0	75
Credit institutions	415	0	0	415
Loans and receivables	9,526	-45	-10	9,471
Central banks	1,952	0	0	1,952
Credit institutions	7,574	-45	-9	7,519
Total	10,017	-45	-10	9,962
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

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						Mar 14		
Specific allowances	-54	-1	7	2	0	0	-45	-2	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	-54	-1	7	2	0	0	-45	-2	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-54	-1	7	2	0	0	-45	-2	0
Collective allowances	-1	-11	0	3	0	0	-10	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	-1	-11	0	3	0	0	-10	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	-11	0	3	0	0	-10	0	0
Total	-55	-12	7	5	0	0	-54	-2	0
	Dec 12						Mar 13		
Specific allowances	-61	0	6	0	0	0	-55	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	-61	0	6	0	0	0	-55	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-61	0	6	0	0	0	-55	0	0
Collective allowances	-6	0	0	0	0	0	-6	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	0	0	0	0	0	-6	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-6	0	0	0	0	0	-6	0	0
Total	-67	0	6	0	0	0	-61	0	0

17. 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 March 2014				
Debt securities with customers	251	-12	-2	236
General governments	76	0	-1	74
Other financial corporations	27	0	0	27
Non-financial corporations	148	-12	-1	135
Loans and advances to customers	127,215	-6,953	-692	119,569
General governments	7,089	-5	-11	7,073
Other financial corporations	6,605	-183	-27	6,395
Non-financial corporations	54,743	-4,464	-382	49,896
Households	58,778	-2,301	-273	56,205
Total	127,465	-6,966	-694	119,805
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	6,847
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

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						Mar 14		
Specific allowances	-7,102	-583	378	285	55	2	-6,966	-42	13
Debt securities with customers	-9	-3	0	0	0	0	-12	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	-9	-3	0	0	0	0	-12	0	0
Loans and advances to customers	-7,092	-580	378	285	55	2	-6,953	42	13
General governments	-6	-3	1	3	0	0	-5	0	0
Other financial corporations	-183	-22	34	15	1	-28	-183	-2	0
Non-financial corporations	-4,594	-322	215	119	38	81	-4,464	-25	9
Households	-2,310	-232	128	148	16	-51	-2,301	-15	4
Collective allowances	-651	-243	2	213	0	-16	-694	0	0
Debt securities with customers	-2	-2	2	0	0	0	-2	0	0
General governments	0	-1	0	0	0	0	-1	0	0
Other financial corporations	0	-1	1	0	0	0	0	0	0
Non-financial corporations	-2	0	1	0	0	0	-1	0	0
Loans and advances to customers	-649	-241	0	213	0	-17	-692	0	0
General governments	-11	-2	0	1	0	2	-11	0	0
Other financial corporations	-16	-8	0	2	0	-4	-27	0	0
Non-financial corporations	-363	-107	0	93	0	-5	-382	0	0
Households	-258	-124	0	118	0	-9	-273	0	0
Total	-7,753	-827	380	498	55	-14	-7,660	-42	13

	Dec 12						Mar 13		
Specific allowances	-6,879	-644	254	301	49	6	-6,916	-17	12
Debt securities with customers	-3	0	0	3	0	0	0	0	1
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	0	0	3	0	0	0	0	1
Loans and advances to customers	-6,876	-644	254	298	49	6	-6,916	-17	11
General governments	-4	-11	0	0	0	0	-15	0	0
Other financial corporations	-26	-40	0	5	0	-46	-108	0	0
Non-financial corporations	-4,528	-383	202	227	32	162	-4,289	-15	8
Households	-2,319	-210	52	67	17	-109	-2,504	-3	3
Collective allowances	-695	-112	0	86	0	6	-715	0	0
Debt securities with customers	-2	0	0	2	0	0	0	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	2	0	0	0	0	0
Loans and advances to customers	-693	-112	0	84	0	6	-715	0	0
General governments	-10	-4	0	0	0	0	-14	0	0
Other financial corporations	-4	-7	0	0	0	0	-11	0	0
Non-financial corporations	-451	-48	0	84	0	6	-408	0	0
Households	-229	-53	0	0	0	0	-282	0	0
Total	-7,574	-756	254	387	49	12	-7,631	-17	12

18. Derivatives – hedge accounting

in EUR million	As of 31 December 2013			As of 31 March 2014		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	33,814	1,870	605	32,985	2,094	664
Interest rate instruments and related derivatives	30,693	1,866	594	29,622	2,025	652
Equity instruments and related derivatives	0	0	0	336	57	4
Foreign exchange trading and related derivatives	3,051	2	10	2,799	0	7
Credit risk instruments and related derivatives	0	0	0	0	0	0
Commodities and related derivatives	0	0	0	13	0	1
Other	70	2	1	215	12	0
Cash flow hedges	5,328	74	40	5,423	118	18
Interest rate instruments and related derivatives	4,866	73	32	4,521	115	7
Equity instruments and related derivatives	0	0	0	1	0	0
Foreign exchange trading and related derivatives	443	1	7	877	4	10
Credit risk instruments and related derivatives	0	0	0	0	0	0
Commodities and related derivatives	0	0	0	25	0	0
Other	20	1	1	0	0	0
Total	39,142	1,944	644	38,408	2,212	681

19. Other assets

in EUR million	Dec 13	Mar 14
Prepayments and accrued income	296	328
Inventories	462	450
Sundry assets	1,713	1,630
Other assets	2,471	2,409

20. Other trading liabilities

in EUR million	Dec 13	Mar 14
Short positions	335	645
Equity instruments	201	267
Debt securities	134	378
Debt securities issued	52	57
Other trading liabilities	388	702

21. Financial liabilities – at fair value through profit and loss

Debt securities issued

in EUR million	Dec 13	Mar 14
Subordinated liabilities	275	285
Subordinated issues and deposits	275	285
Supplementary capital	0	0
Hybrid issues	0	0
Other debt securities issued	1,604	1,541
Bonds	1,206	1,160
Certificates of deposit	0	0
Other certificates of deposits/name certificates	71	73
Mortgage covered bonds	327	308
Public sector covered bonds	0	0
Other	0	0
Debt securities issued	1,879	1,826

22. Financial liabilities measured at amortised costs

Deposits from banks

in EUR million	Dec 13	Mar 14
Overnight deposits	4,264	3,409
Term deposits	10,311	16,920
Repurchase agreements	2,724	4,092
Deposits from banks	17,299	24,421

Deposits from customers

in EUR million	Dec 13	Mar 14
Overnight deposits	65,090	61,267
Savings deposits	21,192	18,099
General governments	0	0
Other financial corporations	194	240
Non-financial corporations	1,420	1,513
Households	19,578	16,347
Non-savings deposits	43,897	43,168
General governments	3,158	3,008
Other financial corporations	2,464	4,635
Non-financial corporations	14,427	12,856
Households	23,849	22,668
Term deposits	55,990	57,121
Deposits with agreed maturity	51,856	53,353
Savings deposits	33,283	33,558
General governments	0	0
Other financial corporations	861	897
Non-financial corporations	1,266	1,054
Households	31,155	31,606
Non-savings deposits	18,574	19,795
General governments	1,860	1,401
Other financial corporations	1,247	2,019
Non-financial corporations	5,725	6,986
Households	9,741	9,389
Deposits redeemable at notice	4,134	3,768
General governments	56	0
Other financial corporations	105	4
Non-financial corporations	493	348
Households	3,480	3,415
Repurchase agreements	876	608
General governments	706	598
Other financial corporations	0	0
Non-financial corporations	169	11
Households	0	0
Deposits from customers	121,955	118,996
General governments	5,780	5,007
Other financial corporations	4,871	7,796
Non-financial corporations	23,501	22,767
Households	87,803	83,426

Debt securities issued

in EUR million	Dec 13	Mar 14
Subordinated liabilities	4,884	5,038
Subordinated issues and deposits	3,304	3,514
Supplementary capital	1,218	1,161
Hybrid issues	363	364
Other debt securities issued	26,361	24,178
Bonds	14,283	12,533
Certificates of deposit	811	435
Other certificates of deposits/name certificates	1,829	1,521
Mortgage covered bonds	7,055	7,296
Public sector covered bonds	2,116	2,119
Other	267	274
Debt securities issued	31,245	29,217

23. Provisions

in EUR million	Dec 13	Mar 14
Long-term employee provisions	1,032	1,031
Pending legal issues and tax litigation	172	183
Commitments and guarantees given	218	236
Provisions for guarantees - off balance sheet (defaulted customers)	119	129
Provisions for guarantees - off balance sheet (non-defaulted customers)	99	107
Other provisions	25	41
Provisions for onerous contracts	0	0
Other	25	41
Provisions	1,448	1,491

24. Other liabilities

in EUR million	Dec 13	Mar 14
Accruals and deferred expenses	304	307
Sundry liabilities	2,350	2,944
Other liabilities	2,654	3,251

25. 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 information that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources. 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. Details on the new segmentation as well as comparable figures for all quarters of 2013 were published on 28 February 2014.

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.

Business segmentation

The segment reporting comprises nine business segments reflecting Erste Group's management structure and its internal management reporting in 2014.

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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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 totalling EUR 15.4 million in the first quarter of 2014, 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.

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 within 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	Romania	Slovakia	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 Immorent AG and Erste Asset Management AG.

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 and 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	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14
Net interest income	555.5	537.7	164.4	144.4	63.8	40.5	197.7	214.3	42.8	53.9	47.0	36.5
Net fee and commission income	259.1	264.8	52.6	47.3	-24.7	-19.0	101.7	102.9	22.1	22.4	1.5	5.1
Dividend income	1.2	0.5	2.3	1.8	4.2	2.1	12.5	8.8	0.0	0.0	0.1	0.0
Net trading and fair value result	13.1	13.2	8.3	5.7	-53.6	-3.8	5.3	-0.6	2.0	2.3	2.9	-3.5
Net result from equity method investments	1.9	2.2	0.0	0.0	0.0	0.5	0.1	0.0	0.0	0.0	0.5	0.0
Rental income from investment properties & other operating leases	4.0	6.0	0.5	7.6	10.3	9.3	6.3	10.7	0.0	0.0	22.2	7.9
General administrative expenses	-464.8	-433.6	-73.7	-68.5	-27.4	-31.3	-227.5	-231.1	-15.5	-19.4	-34.4	-23.6
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.0	0.0	4.5	3.2	6.5	0.7	8.4	-5.0	0.0	0.0	0.1	0.3
Net impairment loss on financial assets not measured at fair value through profit or loss	-131.5	-118.7	-96.1	-59.3	2.3	2.1	-13.2	-48.1	-32.5	-88.1	-102.9	-60.3
Other operating result	-12.0	-19.4	-6.3	-2.0	-22.9	-60.9	-13.6	-14.0	-7.2	-2.2	-9.8	-12.6
Levies on banking activities	-12.7	-16.2	-2.2	-2.6	-16.2	-51.0	-2.2	-3.4	-0.4	-0.9	-0.1	-0.1
Pre-tax result from continuing operations	226.4	252.7	56.5	80.1	-41.6	-59.9	77.8	38.0	11.7	-31.2	-72.8	-50.2
Taxes on income	-50.5	-52.7	-9.9	-17.6	7.5	-2.3	-15.7	-16.8	1.8	4.0	13.1	-2.6
Post-tax result from continuing operations	175.9	199.9	46.6	62.5	-34.1	-62.1	62.1	21.2	13.5	-27.2	-59.7	-52.9
Post-tax result from discontinued operations	0.0	0.0	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	175.9	199.9	46.6	62.5	-34.1	-62.1	62.1	21.2	13.5	-27.2	-59.7	-52.9
Net result attributable to non-controlling interests	6.6	7.2	-1.5	0.8	-1.5	0.7	46.2	19.6	-1.1	-1.9	3.0	0.4
Net result attributable to owners of the parent	169.3	192.7	48.1	61.8	-32.6	-62.8	15.9	1.6	14.6	-25.2	-62.7	-53.3
Operating income	834.7	824.3	228.1	206.7	0.0	29.5	323.6	336.1	66.9	78.5	74.2	46.0
Operating expenses	-464.8	-433.6	-73.7	-68.5	-27.4	-31.3	-227.5	-231.1	-15.5	-19.4	-34.4	-23.6
Operating result	369.9	390.7	154.4	138.2	-27.5	-1.8	96.1	105.0	51.4	59.1	39.9	22.3
Risk-weighted assets (credit risk, eop)	18,633	17,738	18,559	14,657	3,615	4,864	22,544	22,441	8,193	8,930	11,054	9,641
Average allocated capital	2,093	2,073	1,733	1,344	2,326	1,747	2,198	2,007	764	820	933	834
Cost/income ratio	55.7%	52.6%	32.3%	33.1%	>100.0%	>100.0%	70.3%	68.8%	23.2%	24.7%	46.3%	51.4%
Return on allocated capital	34.1%	39.1%	10.9%	18.9%	-5.9%	-14.4%	11.5%	4.3%	7.2%	-13.5%	-25.9%	-25.7%
Total assets (eop)	53,175	50,735	24,914	22,684	58,872	52,341	56,115	56,074	8,003	8,974	12,125	10,310
Total liabilities excluding equity (eop)	70,706	67,665	14,081	12,459	65,122	56,538	52,285	52,106	4,984	5,399	5,969	4,820

Business segments (2)

	Other Corporate		Group Markets		Group Corporate Center		Intragroup Elimination		Total group	
in EUR million	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14
Net interest income	15.5	18.7	45.6	54.0	57.2	25.3	7.1	-1.4	1,196.7	1,123.9
Net fee and commission income	6.9	5.1	25.7	25.3	34.2	16.7	-31.7	-18.4	447.4	452.1
Dividend income	0.0	0.0	0.1	0.1	6.1	2.2	0.2	-0.9	26.8	14.6
Net trading and fair value result	3.0	-0.2	46.3	30.5	1.9	-0.7	1.4	7.6	30.7	50.4
Net result from equity method investments	0.0	0.0	0.0	0.0	0.4	0.5	0.0	0.0	2.8	3.1
Rental income from investment properties & other operating leases	0.0	0.0	0.0	0.0	9.2	9.8	-8.8	-4.8	43.7	46.5
General administrative expenses	-11.9	-12.2	-45.5	-44.6	-174.6	-189.6	85.4	90.6	-989.9	-963.3
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	1.4	2.2	0.0	0.0	1.2	-5.2	-0.1	0.0	22.0	-3.7
Net impairment loss on financial assets not measured at fair value through profit or loss	4.4	4.3	0.0	0.0	-4.0	3.5	1.7	0.2	-371.8	-364.2
Other operating result	0.1	0.2	-0.7	-0.2	29.4	64.1	-55.3	-72.9	-98.2	-119.8
Levies on banking activities	0.0	0.0	-0.9	-0.6	-37.0	-25.0	0.0	0.0	-71.6	-99.8
Pre-tax result from continuing operations	19.4	18.2	71.5	65.2	-38.9	-73.3	0.0	0.0	310.1	239.5
Taxes on income	-4.2	-4.0	-17.4	-13.3	8.9	5.6	0.0	0.0	-66.4	-99.7
Post-tax result from continuing operations	15.2	14.2	54.1	51.9	-30.0	-67.7	0.0	0.0	243.7	139.8
Post-tax result from discontinued operations	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	15.2	14.2	54.1	51.9	-30.0	-67.7	0.0	0.0	243.7	139.8
Net result attributable to non-controlling interests	0.0	0.0	2.8	0.5	12.5	9.3	0.0	0.0	67.0	36.5
Net result attributable to owners of the parent	15.2	14.2	51.3	51.4	-42.5	-77.0	0.0	0.0	176.6	103.3
Operating income	25.4	23.6	117.7	109.9	109.2	53.8	-31.8	-17.9	1,748.0	1,690.6
Operating expenses	-11.9	-12.2	-45.5	-44.6	-174.6	-189.6	85.4	90.6	-989.9	-963.3
Operating result	13.6	11.4	72.2	65.4	-65.5	-135.8	53.6	72.7	758.1	727.3
Risk-weighted assets (credit risk, eop)	3,382	2,471	2,074	3,061	2,018	4,071	0	0	90,073	87,874
Average allocated capital	323	224	494	410	5,648	5,519	0	0	16,512	14,977
Cost/income ratio	46.7%	51.6%	38.7%	40.5%	>100.0%	>100.0%	>100.0%	>100.0%	56.6%	57.0%
Return on allocated capital	19.1%	25.8%	44.4%	51.4%	-2.2%	-5.0%	0.0%	0.0%	6.0%	3.8%
Total assets (eop)	4,122	3,455	28,302	30,882	16,627	9,185	-49,044	-40,737	213,211	203,903
Total liabilities excluding equity (eop)	59	90	19,118	24,252	13,494	6,243	-49,045	-40,737	196,773	188,834

Geographical segmentation - overview

	Austria		Central and Eastern Europe		Other		Total group	
in EUR million	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14
Net interest income	435.0	458.2	666.7	617.2	95.0	48.5	1,196.7	1,123.9
Net fee and commission income	231.5	236.8	221.4	225.5	-5.6	-10.3	447.4	452.1
Dividend income	20.3	12.6	0.1	0.7	6.4	1.3	26.8	14.6
Net trading and fair value result	33.2	0.8	52.3	42.5	-54.7	7.1	30.7	50.4
Net result from equity method investments	0.6	0.0	1.8	2.7	0.4	0.5	2.8	3.1
Rental income from investment properties & other operating leases	33.2	23.2	10.1	18.2	0.4	5.1	43.7	46.5
General administrative expenses	-469.5	-454.8	-427.6	-405.2	-92.9	-103.3	-989.9	-963.3
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	10.4	-3.3	6.6	4.3	4.9	-4.8	22.0	-3.7
Net impairment loss on financial assets not measured at fair value through profit or loss	-113.3	-120.2	-256.2	-245.7	-2.2	1.7	-371.8	-364.2
Other operating result	-25.8	-33.0	-46.6	-78.1	-25.8	-8.7	-98.2	-119.8
Levies on banking activities	-4.6	-5.4	-30.0	-69.3	-37.0	-25.0	-71.6	-99.8
Pre-tax result from continuing operations	155.6	120.5	228.6	182.0	-74.2	-63.0	310.1	239.5
Taxes on income	-36.6	-45.9	-46.8	-56.7	17.0	2.8	-66.4	-99.7
Post-tax result from continuing operations	119.0	74.6	181.8	125.4	-57.2	-60.1	243.7	139.8
Post-tax result from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net result for the period	119.0	74.6	181.8	125.4	-57.2	-60.1	243.7	139.8
Net result attributable to non-controlling interests	51.1	23.5	3.4	3.8	12.5	9.2	67.0	36.5
Net result attributable to owners of the parent	67.9	51.1	178.4	121.6	-69.7	-69.3	176.6	103.3
Operating income	753.8	731.7	952.4	906.8	41.8	52.1	1,748.0	1,690.6
Operating expenses	-469.5	-454.8	-427.6	-405.2	-92.9	-103.3	-989.9	-963.3
Operating result	284.3	276.9	524.8	501.6	-51.1	-51.2	758.1	727.3
Risk-weighted assets (credit risk, eop)	51,720	49,770	35,839	33,615	2,514	4,490	90,073	87,874
Average allocated capital	5,114	4,486	4,756	4,297	6,642	6,194	16,512	14,977
Cost/income ratio	62.3%	62.2%	44.9%	44.7%	>100.0%	>100.0%	56.6%	57.0%
Return on allocated capital	9.4%	6.7%	15.5%	11.8%	-3.5%	-3.9%	6.0%	3.8%
Total assets (eop)	138,847	139,294	84,686	77,133	-10,322	-12,524	213,211	203,903
Total liabilities excluding equity (eop)	115,105	117,930	76,132	68,563	5,536	2,341	196,773	188,834

Geographical area - Austria

in EUR million	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14
Net interest income	134.7	145.4	197.7	214.3	102.5	98.5	435.0	458.2
Net fee and commission income	85.8	90.6	101.7	102.9	44.0	43.3	231.5	236.8
Dividend income	7.6	3.6	12.5	8.8	0.3	0.2	20.3	12.6
Net trading and fair value result	7.1	1.2	5.3	-0.6	20.7	0.3	33.2	0.8
Net result from equity method investments	0.0	0.0	0.1	0.0	0.5	0.0	0.6	0.0
Rental income from investment properties & other operating leases	4.8	4.7	6.3	10.7	22.2	7.9	33.2	23.2
General administrative expenses	-153.3	-145.5	-227.5	-231.1	-88.7	-78.1	-469.5	-454.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.5	-0.9	8.4	-5.0	1.5	2.5	10.4	-3.3
Net impairment loss on financial assets not measured at fair value through profit or loss	4.0	-21.3	-13.2	-48.1	-104.1	-50.8	-113.3	-120.2
Other operating result	-4.0	-8.1	-13.6	-14.0	-8.2	-10.9	-25.8	-33.0
Levies on banking activities	-2.4	-2.0	-2.2	-3.4	0.0	-0.1	-4.6	-5.4
Pre-tax result from continuing operations	87.3	69.6	77.8	38.0	-9.4	12.9	155.6	120.5
Taxes on income	-20.8	-15.6	-15.7	-16.8	-0.1	-13.4	-36.6	-45.9
Post-tax result from continuing operations	66.5	54.0	62.1	21.2	-9.6	-0.5	119.0	74.6
Post-tax result from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net result for the period	66.5	54.0	62.1	21.2	-9.6	-0.5	119.0	74.6
Net result attributable to non-controlling interests	1.5	1.5	46.2	19.6	3.3	2.4	51.1	23.5
Net result attributable to owners of the parent	64.9	52.5	15.9	1.6	-12.9	-3.0	67.9	51.1
Operating income	240.1	245.4	323.6	336.1	190.1	150.1	753.8	731.7
Operating expenses	-153.3	-145.5	-227.5	-231.1	-88.7	-78.1	-469.5	-454.8
Operating result	86.8	100.0	96.1	105.0	101.5	72.0	284.3	276.9
Risk-weighted assets (credit risk, eop)	11,567	11,679	22,544	22,441	17,609	15,649	51,720	49,770
Average allocated capital	1,144	1,078	2,198	2,007	1,773	1,401	5,114	4,486
Cost/income ratio	63.9%	59.3%	70.3%	68.8%	46.6%	52.1%	62.3%	62.2%
Return on allocated capital	23.6%	20.3%	11.5%	4.3%	-2.2%	-0.2%	9.4%	6.7%
Total assets (eop)	42,723	42,215	56,115	56,074	40,008	41,005	138,847	139,294
Total liabilities excluding equity (eop)	40,733	39,985	52,285	52,106	22,086	25,839	115,105	117,930

Geographical area - Central and Eastern Europe

	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14	1-3 13	1-3 14
Net interest income	256.6	233.4	162.5	135.7	104.4	107.9	75.3	69.6	59.8	63.0	8.1	7.7	666.7	617.2
Net fee and commission income	114.7	101.6	32.6	39.1	29.1	29.9	27.9	33.6	14.3	18.3	2.9	3.1	221.4	225.5
Dividend income	0.0	0.4	0.0	0.0	0.0	0.3	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.7
Net trading and fair value result	17.9	21.5	26.0	19.6	1.4	2.7	2.0	-5.7	4.5	3.8	0.5	0.6	52.3	42.5
Net result from equity method investments	0.0	0.0	0.0	0.2	1.6	1.9	0.0	0.0	0.2	0.5	0.0	0.1	1.8	2.7
Rental income from investment properties & other operating leases	8.6	8.0	0.9	1.2	0.4	0.4	0.1	0.3	0.0	8.2	0.0	0.0	10.1	18.2
General administrative expenses	-185.4	-164.7	-94.3	-80.5	-58.9	-65.1	-45.8	-42.1	-34.4	-43.5	-8.8	-9.4	-427.6	-405.2
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	6.5	4.2	0.0	0.1	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	6.6	4.3
Net impairment loss on financial assets not measured at fair value through profit or loss	-36.8	-35.6	-114.9	-110.3	-14.3	-12.7	-57.7	-44.8	-30.7	-39.7	-1.9	-2.7	-256.2	-245.7
Other operating result	9.0	2.3	-19.3	-7.2	-14.6	-11.0	-21.7	-61.6	0.3	-0.5	-0.3	-0.2	-46.6	-78.1
Levies on banking activities	0.0	0.0	0.0	0.0	-10.5	-10.3	-19.5	-59.1	0.0	0.0	0.0	0.0	-30.0	-69.3
Pre-tax result from continuing operations	191.2	171.1	-6.6	-2.0	49.3	54.3	-19.9	-50.7	14.1	10.1	0.5	-0.8	228.6	182.0
Taxes on income	-38.0	-34.1	5.9	-5.9	-9.2	-12.7	-2.7	-3.1	-2.6	-1.5	-0.2	0.6	-46.8	-56.7
Post-tax result from continuing operations	153.3	137.0	-0.8	-7.9	40.1	41.6	-22.6	-53.8	11.5	8.6	0.3	-0.2	181.8	125.4
Post-tax result from discontinued operations	0.0	0.0	0.0	0.0	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	153.3	137.0	-0.8	-7.9	40.1	41.6	-22.6	-53.8	11.5	8.6	0.3	-0.2	181.8	125.4
Net result attributable to non-controlling interests	0.8	0.8	-0.7	0.0	0.0	0.0	0.0	0.0	3.2	3.1	0.1	-0.1	3.4	3.8
Net result attributable to owners of the parent	152.4	136.2	-0.1	-7.9	40.1	41.6	-22.6	-53.8	8.3	5.5	0.2	0.0	178.4	121.6
Operating income	397.8	364.8	221.9	195.8	137.0	143.1	105.3	97.9	78.8	93.7	11.5	11.5	952.4	906.8
Operating expenses	-185.4	-164.7	-94.3	-80.5	-58.9	-65.1	-45.8	-42.1	-34.4	-43.5	-8.8	-9.4	-427.6	-405.2
Operating result	212.4	200.1	127.6	115.3	78.1	78.0	59.6	55.8	44.4	50.2	2.8	2.2	524.8	501.6
Risk-weighted assets (credit risk, eop)	14,621	13,949	8,495	6,893	4,358	3,962	3,938	3,741	3,903	4,505	524	565	35,839	33,615
Average allocated capital	1,781	1,475	1,487	1,303	524	502	517	507	392	439	55	72	4,756	4,297
Cost/income ratio	46.6%	45.1%	42.5%	41.1%	43.0%	45.5%	43.5%	43.0%	43.7%	46.4%	76.1%	81.2%	44.9%	44.7%
Return on allocated capital	34.9%	37.7%	-0.2%	-2.4%	31.0%	33.6%	-17.7%	-43.0%	11.9%	8.0%	2.2%	-1.0%	15.5%	11.8%
Total assets (eop)	38,060	33,307	15,971	14,757	11,968	11,802	9,248	7,366	8,622	9,040	817	861	84,686	77,133
Total liabilities excluding equity (eop)	34,335	29,584	14,433	13,098	10,460	10,292	8,577	6,815	7,631	8,042	695	734	76,132	68,563

26. Risk management

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

Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the chapter of the same name in the Annual Report 2013.

Current regulatory topics

Regulatory capital

Since 1, January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The Basel 3 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. 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 European Banking Authority (EBA) published the disclosure requirements for the regulatory capital and regulatory capital requirements on 26 July 2013. Erste Group has adapted the charts, which are published, accordingly. Positions which are not relevant for Erste Group or not having 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 consideration of all the regulatory deductions and filters, is set into 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. Additional capital buffers for the year 2014 have not been determined or communicated so far.

The consolidated regulatory capital and the consolidated regulatory capital requirements are calculated based on the CRR scope of consolidation. Based on Article 4 (16) to (27) CRR in line with Article 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.

Leverage ratio

The leverage ratio represents the regulatory core capital (Tier 1) in relation to the leverage exposure according to Article 428a and 429 CRR. Essentially, the leverage exposure is consistent with the unweighted on- and off-balance sheet items considering valuation- and risk-adjustments as defined within the CRR.

In January 2014, the Basel Committee on Banking Supervision published the "Basel III leverage ratio framework and disclosure requirements", which is a revised version of the global guideline on calculation and disclosure requirements for the leverage ratio. This framework is currently evaluated on a European level and will be incorporated into the legislation of the European Union by January 2015. In Erste Group, the respective impacts are analysed and the disclosure requirements which will come into force in January 2015 are implemented.

Asset Quality Review of the European Central Bank

In preparation of assuming full responsibility for supervision as part of the single supervisory mechanism (SSM) the European Central Bank (ECB) is currently conducting a comprehensive review of the asset quality and the risk assessment in Erste Group and those banks which will fall under ECB supervision. The review will be finalised by November 2014.

Credit risk

The classification of credit assets into risk grades is based on Erste Group's internal ratings. For the purpose of external reporting, internal rating grades of Erste Group are grouped into the following four risk categories:

Low risk

Typically regional customers with well-established and rather long-standing relationships with Erste Group or large internationally recognised customers. Strong and good financial position and no foreseeable financial difficulties. Retail clients having long relationships with the bank, or clients with a wide product pool use. No late payments currently or in the most recent 12 months. New business is generally with clients in this risk category.

Management attention

Vulnerable non-retail clients, which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium-term. Retail clients with limited savings or probable payment problems in the past triggering early collection reminders. These clients typically have good recent histories and no current delinquencies.

Substandard

The borrower is vulnerable to negative financial and economic developments. Such loans are managed in specialised risk management departments.

Non-performing

One or more of the default criteria under Basel 2 are met by the borrower: 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 CEE, Erste Group uses the 'product view', so that only the product actually in default is counted as a NPL whereas the other products of the same customer are considered performing.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items: loans and advances to credit institutions; loans and advances to customers; debt securities held for trading, at fair value through profit or loss, available for sale and held-to-maturity; derivatives and credit risks held off balance sheet (primarily financial guarantees and undrawn credit commitments). From the first quarter of 2014, demand and overnight deposits with credit institutions are classified as "cash and balances with central banks" and therefore are no longer part of credit risk exposure.

The credit risk exposure comprises the gross amount without taking into account loan loss provisions, any collateral held (in-

cluding risk transfer to guarantors), netting effects, other credit enhancements or credit risk mitigating transactions. The figures as of 31 December 2013 which are mentioned in this chapter refer to values after restatement of the consolidated financial statements. Similarly, absolute and percentage differences between 31 March 2014 and 31 December 2013 correspond to values of the restated balance sheet as of 31 December 2013.

The credit risk exposure of Erste Group increased by 0.9% or almost EUR 1.9 billion from EUR 210.3 billion as of 31 December 2013 to EUR 212.2 billion as of 31 March 2014.

Erste Group's credit risk exposure is presented below divided into the following classes:

- _ by Basel 2 exposure class and financial instrument,
- _ by industry (NACE) and risk category,
- _ by country of risk and risk category,
- _ by business segment and risk category and
- _ by geographical segment and risk category.

Furthermore, a breakdown of loans and receivables to customers is presented as follows:

- _ loans and receivables to customers by business segment and risk category (incl. coverage of non-performing loans by allowances for loans and receivables to customers),
- _ loans and receivables to customers by geographical segment and risk category (incl. coverage of non-performing loans by loans and receivables to customers) and
- _ loans and receivables to customers by geographical segment and currency.

Credit risk exposure

The tables on the following pages give a break-down of Erste Group's credit risk exposure (gross of allowances for credit losses) by different categories as of the end of the reporting period and end of the prior year.

Credit risk exposure by Basel 2 exposure class and financial instrument

Credit risk exposure by asset class and financial instrument									
in EUR million	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			At fair value					
As of 31 Mar 2014									
Sovereigns	2,079	7,521	15,491	6,145	134	14,184	528	1,108	47,189
Institutions	7,925	69	958	447	105	3,141	7,574	288	20,506
Corporates	14	57,288	744	287	66	2,372	591	15,408	76,770
Retail	0	62,588	0	0	0	7	2	5,112	67,709
Total	10,017	127,465	17,193	6,879	305	19,704	8,695	21,916	212,174
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

The assignment of obligors to Basel 2 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 2 exposure classes are presented in aggregated form in the tables below and in other tables in the section 'Credit Risk'. The aggregated exposure class 'sovereigns' also contains regional and local governments as well as public sector entities in addition to central

governments, central banks, international organisations and multinational development banks.

Loans and advances to credit institutions are shown including demand and overnight deposits as of 31 December 2013 and excluding demand and overnight deposits as of 31 March 2014.

Credit risk exposure by industry (NACE) and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 March 2014					
Agriculture and forestry	1,548	460	66	280	2,355
Mining	378	128	5	45	555
Manufacturing	9,703	1,636	314	1,828	13,482
Energy and water supply	3,190	370	83	212	3,854
Construction	6,599	1,510	181	1,712	10,003
Development of building projects	2,747	473	49	573	3,842
Trade	7,381	1,565	290	1,538	10,775
Transport and communication	4,301	576	51	328	5,256
Hotels and restaurants	2,293	903	253	826	4,275
Financial and insurance services	34,246	1,282	131	365	36,025
Holding companies	4,500	335	95	264	5,194
Real estate and housing	17,563	2,551	569	1,277	21,961
Services	4,625	1,080	188	453	6,346
Public administration	37,381	567	3	16	37,967
Education, health and art	1,936	499	64	355	2,854
Households	43,596	6,322	1,388	3,385	54,692
Other	504	191	1,053	28	1,776
Total	175,242	19,641	4,641	12,650	212,174
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
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 country of risk and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 March 2014					
Core markets	143,604	17,656	4,260	11,437	176,958
Austria	75,973	8,865	2,200	3,214	90,252
Czech Republic	28,122	2,500	557	1,094	32,273
Romania	11,262	2,514	440	3,293	17,508
Slovakia	13,903	823	307	505	15,538
Hungary	7,039	1,211	245	1,597	10,091
Croatia	6,627	1,441	434	1,589	10,092
Serbia	678	302	77	146	1,203
Other EU	25,952	1,234	281	894	28,361
Other industrialised countries	3,493	54	25	80	3,653
Emerging markets	2,192	697	74	239	3,202
Southeastern Europe/CIS	1,383	645	60	214	2,301
Asia	473	11	0	15	500
Latin America	63	15	0	3	82
Middle East/Africa	273	26	14	6	319
Total	175,242	19,641	4,641	12,650	212,174
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
Czech Republic	29,635	2,695	532	1,098	33,959
Romania	10,729	3,080	704	3,346	17,860
Slovakia	13,640	879	269	509	15,299
Hungary	7,177	1,334	292	1,671	10,474
Croatia	6,448	1,440	476	1,538	9,902
Serbia	731	327	45	139	1,242
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
Southeastern 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

In the table above the credit exposure is based on the risk country of the borrower. Accordingly, this break-down differs from the credit exposure distribution by Erste Group's geographical segments.

The increase in credit risk exposure by nearly EUR 1.9 billion from 31 December 2013 to 31 March 2014 reflects a slight decrease of EUR 613 million, or 0.3%, in the core markets, coupled

with a growth of more than EUR 2.3 billion, or 9.7%, in the other EU member states (EU 28 excluding core markets) and of EUR 471 million, or 14.8%, in other industrialised countries, as well as a decline of EUR 310 million, or 8.8%, in emerging markets. The countries of Erste Group's core market and the EU account for almost 97% of total credit risk exposure as of 31 March 2014. At 1.5%, credit risk exposure in emerging markets remains of minor significance.

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 March 2014					
Retail	41,528	5,025	1,259	3,428	51,240
Small and Medium Enterprises	19,549	3,162	485	2,726	25,923
Asset/Liability Management and Local Corporate Center	27,759	260	171	21	28,211
Savings Banks	42,145	6,885	1,095	2,671	52,796
Large Corporates	12,528	1,468	162	1,467	15,625
Commercial Real Estate	6,171	1,522	580	2,163	10,436
Other Corporate	3,113	429	58	152	3,751
Group Markets	21,724	301	50	3	22,079
Group Corporate Center	725	589	779	20	2,114
Total	175,242	19,641	4,641	12,650	212,174
As of 31 December 2013					
Retail	41,264	4,994	1,244	3,487	50,989
Small and Medium 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 March 2014					
Austria	105,738	11,078	2,140	5,492	124,448
Erste Bank Oesterreich & Subsidiaries	31,602	2,592	453	1,058	35,706
Savings Banks	42,145	6,885	1,095	2,671	52,796
Other Austria	31,991	1,601	591	1,763	35,946
Central and Eastern Europe	61,282	7,855	1,700	7,117	77,954
Czech Republic	28,587	2,297	451	860	32,194
Romania	9,465	2,379	402	3,114	15,359
Slovakia	11,278	636	279	458	12,651
Hungary	4,940	963	220	1,358	7,481
Croatia	6,503	1,350	336	1,228	9,417
Serbia	509	232	11	99	851
Other	8,221	708	801	41	9,772
Total	175,242	19,641	4,641	12,650	212,174
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

Loans and receivables to customers

The tables on the following pages present the structure of the customer loan book (gross of allowances for loan losses) broken-down by different categories as of the end of the reporting period and as of the end of the prior business year.

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 March 2014					
Retail	37,266	4,728	1,229	3,410	46,633
Small and Medium Enterprises	15,673	2,695	440	2,657	21,465
Asset/Liability Management and Local Corporate Center	149	8	9	20	186
Savings Banks	28,279	5,960	960	2,557	37,755
Large Corporates	6,434	1,100	121	1,303	8,959
Commercial Real Estate	5,623	1,446	569	2,128	9,766
Other Corporate	1,245	290	36	143	1,714
Group Markets	215	39	0	0	254
Group Corporate Center	186	457	69	20	732
Total	95,070	16,724	3,434	12,238	127,465
As of 31 December 2013					
Retail	37,190	4,704	1,215	3,466	46,576
Small and Medium Enterprises	16,623	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 March 2014					
Austria	61,250	9,591	1,748	5,231	77,819
Erste Bank Oesterreich & Subsidiaries	24,607	2,280	272	986	28,145
Savings Banks	28,279	5,960	960	2,557	37,755
Other Austria	8,364	1,350	517	1,688	11,920
Central and Eastern Europe	33,553	6,639	1,596	6,966	48,755
Czech Republic	15,496	1,844	395	849	18,584
Romania	4,609	2,026	391	3,047	10,073
Slovakia	6,332	592	266	405	7,595
Hungary	2,630	895	219	1,354	5,098
Croatia	4,111	1,199	315	1,212	6,837
Serbia	375	83	11	99	567
Other	267	494	90	41	891
Total	95,070	16,724	3,434	12,238	127,465
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

Non-performing loans and receivables to customers by business segment and coverage by risk provisions

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
As of 31 March 2014					
Retail	3,410	46,633	2,363	7.3%	69.3%
Small and Medium Enterprises	2,657	21,465	1,590	12.4%	59.8%
Asset/Liability Management and Local Corporate Center	20	186	14	10.8%	70.6%
Savings Banks	2,557	37,755	1,572	6.8%	61.5%
Large Corporates	1,303	8,959	864	14.5%	66.3%
Commercial Real Estate	2,128	9,766	1,177	21.8%	55.3%
Other Corporate	143	1,714	73	8.3%	50.8%
Group Markets	0	254	1	0.0%	63166.3%
Group Corporate Center	20	732	8	2.7%	39.8%
Total	12,238	127,465	7,660	9.6%	62.6%
As of 31 December 2013					
Retail	3,466	46,576	2,361	7.4%	68.1%
Small and Medium Enterprises	3,413	23,638	2,124	14.4%	62.2%
Asset/Liability Management and Local Corporate Center	17	159	14	10.6%	83.2%
Savings Banks	2,571	37,915	1,551	6.8%	60.3%
Large Corporates	535	6,834	415	7.8%	77.7%
Commercial Real Estate	2,146	10,157	1,210	21.1%	56.4%
Other Corporate	126	1,838	73	6.8%	58.1%
Group Markets	0	238	0	0.0%	432.0%
Group Corporate Center	22	343	4	6.5%	20.0%
Total	12,296	127,698	7,753	9.6%	63.1%

Non-performing loans and receivables to customers by geographical segment and coverage by risk provisions

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
As of 31 March 2014					
Austria	5,231	77,819	3,092	6.7%	59.1%
Erste Bank Oesterreich & Subsidiaries	986	28,145	673	3.5%	68.2%
Savings Banks	2,557	37,755	1,572	6.8%	61.5%
Other Austria	1,688	11,920	847	14.2%	50.2%
Central and Eastern Europe	6,966	48,755	4,523	14.3%	64.9%
Czech Republic	849	18,584	685	4.6%	80.7%
Romania	3,047	10,073	1,895	30.3%	62.2%
Slovakia	405	7,595	354	5.3%	87.4%
Hungary	1,354	5,098	841	26.6%	62.1%
Croatia	1,212	6,837	675	17.7%	55.6%
Serbia	99	567	74	17.4%	74.8%
Other	41	891	46	4.6%	112.2%
Total	12,238	127,465	7,660	9.6%	62.6%
As of 31 December 2013					
Austria	5,280	78,207	3,102	6.8%	58.7%
Erste Bank Oesterreich & Subsidiaries	1,070	28,049	682	3.8%	63.7%
Savings Banks	2,571	37,915	1,551	6.8%	60.3%
Other Austria	1,638	12,243	868	13.4%	53.0%
Central and Eastern Europe	6,994	49,130	4,647	14.2%	66.4%
Czech Republic	850	18,495	667	4.6%	78.4%
Romania	3,052	10,453	2,043	29.2%	66.9%
Slovakia	407	7,469	352	5.4%	86.4%
Hungary	1,421	5,380	884	26.4%	62.2%
Croatia	1,179	6,771	635	17.4%	53.9%
Serbia	86	562	66	15.3%	76.6%
Other	22	361	5	6.2%	20.6%
Total	12,296	127,698	7,753	9.6%	63.1%

The NPL ratio is calculated by dividing non-performing loans and receivables by total loans and receivables. The NPL coverage ratio is calculated by dividing risk provisions by non-performing

loans and receivables to customers. Collateral or other recoveries are not taken into account.

Loans and receivables to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Gross customer loans
As of 31 March 2014						
Austria	67,768	0	7,181	1,237	1,633	77,819
Erste Bank Oesterreich & Subsidiaries	25,226	0	2,664	39	216	28,145
Savings Banks	32,533	0	4,413	94	715	37,755
Other Austria	10,009	0	104	1,104	702	11,920
Central and Eastern Europe	21,304	24,059	3,059	294	39	48,755
Czech Republic	1,464	17,043	5	55	16	18,584
Romania	6,085	3,827	0	153	8	10,073
Slovakia	7,577	0	0	5	13	7,595
Hungary	1,109	1,521	2,452	16	0	5,098
Croatia	4,651	1,539	585	60	1	6,837
Serbia	419	128	17	4	0	567
Other	826	14	4	47	0	891
Total	89,898	24,073	10,245	1,577	1,672	127,465
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

Market risk

The following table shows the value at risk of the trading book at the 99% confidence level using equally weighted market data and with a holding period of one day.

in EUR million	Dec 13	Mar 14
Interest	2.2	2.0
Currency	0.9	1.1
Shares	2.7	2.8
Commodity	0.3	0.3
Volatility	0.5	0.6
Total	3.9	4.3

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.

Liquidity risk

In Erste Group's liquidity strategy for 2014 long term issuance is planned to reach EUR 1.75 billion during the year. Year-to-date issuance is in line with the plan, amounting to EUR 657 million and consisting of EUR 324 million in senior bonds, EUR 65 million in Pfandbriefe (covered bonds), and EUR 268 million in subordinated debt.

27. Related party transactions

As of 31 March 2014, Erste Group had in relation to the DIE ERSTE österreichische Spar-Casse Privatstiftung ("Privatstiftung") accounts payable of EUR 65.3 million (31 December 2013: EUR 49.9 million) and accounts receivable of EUR 26.5 million (31 December 2013: EUR 48.7 million). In addition, standard derivative transactions for hedging purposes were in place between Erste Group and the Privatstiftung as of 31 March 2014, namely interest rate swaps with caps in the notional amount of EUR 282.0 million (31 December 2013: EUR 282.0 million). Furthermore, as of 31 December 2013 the Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 5.2 million, which matured by 31 March 2014. Erste Group held as of 31 March 2014 debt securities issued by Privatstiftung in the amount of EUR 1.8 million (31 December 2013: EUR 7.0 million).

28. Contingent liabilities - litigations

There have not been any material changes since year-end 2013 in the assessment of the influence of the outcome of the litigation cases in which Erste Group Bank and some of its subsidiaries are involved with respect of the financial and/or earnings situation of Erste Group.

29. Fair value of financial instruments

The best indication of fair value is quoted market prices in an active market. Where such prices are available, they are used to measure the fair value (level 1 of the fair value hierarchy).

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as level 2 of the fair value hierarchy. For level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as level 3 of the fair value hierarchy. For level 3 valuations besides observable parameters typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters.

All financial instruments are measured at fair value on recurring basis.

The measurement of fair value at Erste Group is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Financial instruments for which fair value is determined on the basis of quoted market prices are mainly listed securities and derivatives as well as liquid OTC bonds.

Description of the valuation models and inputs

Erste Group uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently.

Securities

For plain vanilla (fixed and floating) debt securities the fair value is calculated by discounting the future cash-flows using a discounting curve depending on the interest rate for respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instruments. If no close proxy is available, the spread adjustment

is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash-flow models and more sophisticated modeling techniques including also methods described for OTC-derivatives. The fair value of financial liabilities designated at Fair Value through Profit and Loss under the fair value option is determined in consistency with similar instruments held as assets. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances. Techniques for equity securities may also include models based on earnings multiples.

OTC-derivative financial instruments

Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps, commodity swaps) are valued by standard valuation models. These models include discounting cash flow models, option models of Black-Scholes- and Hull-White-type as well as hazard rate models. Models are calibrated on quoted market data (including implied volatilities). Valuation model for more complex instruments also use Monte-Carlo-techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used.

Erste Group values derivatives at mid-market levels. To reflect the potential bid-ask-spread of the relevant positions an adjustment based on market liquidity is performed. The adjustment parameters depend on product type, currency, maturity and notional size. Parameters are reviewed on a regular basis or in case of significant market moves. Netting is not applied when determining the bid-ask-spread adjustments.

Credit value adjustments (CVA) for counterparty risk and debt value adjustments (DVA) for the own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and Erste group's credit quality. Erste Group has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. This modeling approach is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default of counterparties which are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles being present in the central European market. Thereby market based valuation concepts have been incorporated. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. Erste Group's probability of default has been derived from the buy-back levels of Erste group's issuances. Netting has only been considered for a few counterparties where the impact was

material. For those netting has been applied for both CVA and DVA.

For collateralised derivatives the effect of collateral received is considered and reduces the amount of CVA accordingly. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

According to the described methodology the cumulative CVA-adjustments amounts to EUR (54,5) million and the total DVA-adjustment amounts to EUR 14.7 million.

Description of the valuation process for fair value measurements categorized within Level 3

A level 3 position involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant

historical data and benchmarking to similar transactions, among others. This involves estimation and expert judgment.

The responsibility for valuation of a position of measured at fair value is independent from trading units. Additionally Erste Group has implemented an independent validation function in order to ensure separation between units responsible for model development, fair value determination and validation. The target of independent model validation is to evaluate model risks arising from the models' theoretical foundation, the appropriateness of input data (market data) and model calibration.

Fair value hierarchy

The table below details the methods used to determine the fair value with respect to levels of fair value hierarchy.

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	Mar 14	Dec 13	Mar 14	Dec 13	Mar 14	Dec 13	Mar 14
Assets								
Financial assets - held for trading	1,981	4,124	10,205	9,403	96	83	12,283	13,610
Derivatives	15	13	6,231	6,386	96	83	6,342	6,482
Other trading assets	1,966	4,111	3,975	3,017	0	0	5,941	7,128
Financial assets - at fair value through profit or loss	233	213	240	246	56	52	529	512
Financial assets - available for sale	14,601	14,374	5,632	6,105	248	274	20,481	20,753
Derivatives - hedge accounting	68	85	1,875	2,123	0	4	1,944	2,212
Total assets	16,883	18,797	17,952	17,878	401	413	35,237	37,087
Liabilities								
Financial liabilities - held for trading	348	659	6,127	6,383	0	0	6,475	7,042
Derivatives	12	18	6,075	6,323	0	0	6,087	6,341
Other trading liabilities	336	641	52	60	0	0	388	702
Financial liabilities - at fair value through profit or loss	0	0	2,339	2,275	0	0	2,339	2,275
Deposits from customers	0	0	460	449	0	0	460	449
Debt securities issued	0	0	1,879	1,826	0	0	1,879	1,826
Other financial liabilities	0	0	0	0	0	0	0	0
Derivatives - hedge accounting	15	17	629	664	0	0	644	681
Total liabilities	362	676	9,096	9,322	0	0	9,458	9,999

The allocation of positions to levels and any changes between the levels are reflected at the end of the reporting period.

Changes in volumes of Level 1 and Level 2

In Q1 2014 the total amount of Level 1 financial assets increased by EUR 1.914 billion. The change in volume of Level 1 securities (growth by EUR 1.898 billion) is determined on the one side by matured or sold assets in the amount of EUR 1.4 billion and on the other side by new investments in the amount of EUR 3.3 billion. The amount of securities that have been reclassified from Level 1 to Level 2 in Q1 2014 (due to changed market activity

and change to modelled fair value) was not material (less than EUR 1 million).

The total amount of Level 2 financial assets has decreased between 2013 Q4 and 2014 Q1 by EUR 73 million. The rise of Level 2 derivatives of about EUR 404 million is mainly caused by changes in market value. The Level 2 securities fair value change (down by EUR 479 million) is due to matured or sold positions in the amount of EUR 2.8 billion and new investments in the amount of EUR 2.3 billion.

Movements in Level 3 of financial instruments measured at fair value

The following table shows 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/ redemption	Additions to group	Disposals	Transfer into Level 3	Transfer out of Level 3	Currency translation	As of
	Dec 13										Mar 14
Assets											
Financial assets - held for trading	96	-14	0	0	0	0	0	0	0	0	83
Derivatives	96	-14	0	0	0	0	0	0	0	0	83
Other trading assets	0	0	0	0	0	0	0	0	0	0	0
Financial assets - at fair value through profit or loss	56	-3	0	0	-1	0	0	0	0	0	52
Financial assets - available-for- sale	248	1	3	4	12	0	0	5	0	0	274
Derivatives - hedge accounting	0	0	0	0	0	0	0	4	0	0	4
Total assets	400	-16	3	4	10	0	0	9	0	0	412
Liabilities											
Financial liabilities - held for trading	0	0	0	0	0	0	0	0	0	0	0
Derivatives	0	0	0	0	0	0	0	0	0	0	0
Other trading liabilities	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities - at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	0	0	0	0	0	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	0	0	0	0	0	0	0
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0
Total liabilities	0	0	0	0	0	0	0	0	0	0	0
	Dec 12										Mar 13
Assets											
Financial assets - held for trading	148	33	0	0	-11	0	0	0	0	0	170
Derivatives	139	31	0	0	0	0	0	0	0	0	170
Other trading assets	9	2	0	0	-11	0	0	0	0	0	0
Financial assets - at fair value through profit or loss	24	0	0	13	-7	0	0	4	0	0	33
Financial assets - available-for- sale	189	1	2	78	-41	0	0	7	-15	0	221
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0
Total assets	360	34	2	91	-59	0	0	11	-15	0	424
Liabilities											
Financial liabilities - held for trading	0	0	0	0	0	0	0	0	0	0	0
Derivatives	0	0	0	0	0	0	0	0	0	0	0
Other trading liabilities	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities - at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	0	0	0	0	0	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	0	0	0	0	0	0	0
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0
Total liabilities	0	0	0	0	0	0	0	0	0	0	0

There have been no material reclassifications of securities in or out of Level 3 in the first quarter of 2014.

Gains or losses on Level 3 instruments held at the reporting period's end and which are included in profit and loss are as follow:

in EUR million	Gain/loss in profit or loss	
	1-3 13	1-3 14
Assets		
Financial assets - held for trading	33.1	14.0
Derivatives	33.1	13.8
Other trading assets	0.0	0.2
Financial assets - at fair value through profit or loss	-0.3	0.9
Derivatives - hedge accounting	0.0	0.0
Liabilities		
Financial liabilities - held for trading	0.0	0.0
Derivatives	0.0	0.0
Other trading liabilities	0.0	0.0
Financial liabilities - at fair value through profit or loss	0.0	0.0
Deposits from customers	0.0	0.0
Debt securities issued	0.0	0.0
Other financial liabilities	0.0	0.0
Derivatives - hedge accounting	0.0	0.0
Total	32.8	14.9

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 in first quarter 2014 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 March 2014					
Positive fair value of derivatives	Forwards, swaps, options	86.2	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD LGD	0.37% - 100% (17.5%) 60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	6.1	Discounted cash flow	Credit spread	2.1% - 12% (3.4%)
Financial assets - available for sale	Fixed and variable coupon bonds	157.5	Discounted cash flow	Credit spread	0.4% - 4.5% (2.1%)
As of 31 December 2013					
Positive fair value of derivatives	Forwards, swaps, options	96.0	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD LGD	0.23% - 100% (17.8%) 40%
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%)

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	Mar 14	Dec 13	Mar 14
Derivatives	41.5	32.6	-31.0	-27.8
Debt securities	12.9	12.3	-17.2	-16.4
Equity instruments	2.4	2.4	-4.7	-4.9
Total	56.7	47.3	-52.9	-49.1

In estimating these impacts, mainly changes in credit spreads (for bonds), PDs, LGDs (for CVA of derivatives) and market values of comparable equities were considered. An increase (decrease) of spreads, PDs and LGDs result in a decrease (increase) of the corresponding market values. Positive correlation effects between PDs and LGDs are taken into account in the sensitivity analysis.

Following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis table:

- _ for debt securities range of credit spreads between +100 basis points and – 75 basis points,
- _ for equity related instruments the price range between -10% and +5%,
- _ for CVA on derivatives PDs rating upgrade/downgrade by one notch, the range for LGD between -5% and +10%.

Financial instruments whose fair value is disclosed in the notes

in EUR million	As of 31 December 2013		As of 31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash balances	9,300	9,300	10,373	10,373
Financial assets - held to maturity	17,779	18,919	17,191	18,568
Loans and receivables to credit institutions	8,377	8,209	9,962	9,989
Loans and receivables to customers	119,945	118,177	119,805	120,124
Liabilities				
Financial liabilities measured at amortised cost	171,246	170,563	172,918	171,983
Deposits from banks	17,299	16,987	24,421	24,229
Deposits from customers	121,955	120,181	118,996	118,063
Debt securities issued	31,245	33,109	29,217	29,406
Other financial liabilities	286	286	285	285
Financial guarantees and commitments				
Financial guarantees	n/a	-223	n/a	-105
Irrevocable commitments	n/a	466	n/a	138

30. Average number of employees during the financial period (weighted according to the level of employment)

	1-3 13	1-3 14
Domestic	16,051	15,762
Erste Group, EB Oesterreich and subsidiaries	8,619	8,354
Haftungsverbund savings banks	7,432	7,408
Abroad	32,914	30,096
Česká spořitelna Group	10,953	10,417
Banca Comercială Română Group	8,016	7,045
Slovenská sporiteľňa Group	4,181	4,196
Erste Bank Hungary Group	2,732	2,790
Erste Bank Croatia Group	2,534	2,576
Erste Bank Serbia	926	962
Erste Bank Ukraine	1,517	0
Savings banks subsidiaries	1,129	1,142
Other subsidiaries and foreign branch offices	926	968
Total	48,965	45,858

31. Regulatory capital and capital requirements

Capital structure according to the EU directive 575/2013 (CRR)

		Dec 13	Mar 14	
		Basel 2.5	Basel 3	
in EUR million	Article pursuant to CRR		Phased-in	Final
Common equity tier 1 capital (CET1)				
Capital instruments eligible as CET1 capital	26 (1) (a) (b), 27 to 30, 23 (1) (f), 42	0	7,247	7,247
(-) Own CET1 instruments	36 (1) (f), 42	0	-85	-85
Retained earnings	26 (1) (c), 26 (2)	0	4,802	4,802
Accumulated other comprehensive income	4 (100), 26 (1) (d)	0	-650	-650
Minority interest given recognition in CET1 capital	4 (120) 84	0	2,555	2,555
Transitional adjustments due to additional minority interests	479, 480	0	571	0
Prudential filter: cash flow hedge reserve	33 (1) (a)	0	-9	-9
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	-15	-15
(-) Value adjustments due to the requirements for prudent valuation	34, 105	0	-145	-145
(-) Regulatory adjustments relating to unrealised gains and losses	467, 468	0	-576	-144
(-) Goodwill	4 (113), 36 (1) (b), 37	0	-1,156	-1,156
(-) Other intangible assets	4 (115), 36 (1) (b), 37 (a)	0	-1,240	-1,240
(-) Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	0	-202	-202
(-) IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	0	-316	-316
Other transitional adjustments CET1	469 to 472, 478, 481	0	2,371	0
(-) Excess of deduction from AT1 items over AT1 capital	36 (1) (j)	0	-1,756	0
Common equity tier 1 capital (CET1)	50	11,199	11,342	10,588
Additional tier 1 capital (AT1)				
Capital instruments eligible as AT1 capital	51 (a), 52 to 54, 56 (a), 57	0	0	0
(-) Own AT1 instruments	52 (1) (b), 56 (a), 57	0	0	0
Instruments issued by subsidiaries that are given recognition in AT1 capital	85, 86	0	0	0
Transitional adjustments due to grandfathered AT1 capital instruments	483 (4) (5), 484 to 487, 489, 491	0	287	0
(-) AT1 instruments of financial sector entities where the institution has a significant investment	4 (27), 56 (d), 59, 79	0	0	0
(-) Excess of deduction from T2 items over T2 Capital	56 (e)	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	0	-2,043	0
(-) Excess of deduction from AT1 items over AT1 capital	36 (1) (j)	0	1,756	0
Additional tier 1 capital (AT1)	61	361	0	0
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1) capital		11,560	11,342	10,588
Tier 2 capital (T2)				
Capital instruments and subordinated loans eligible as T2 capital	62 (a), 63 to 65, 66 (a), 67	0	3,401	3,329
(-) Own T2 instruments	63 (b) (i), 66 (a), 67	0	-7	-7
Instruments issued by subsidiaries that are given recognition in T2 capital	87, 88	0	740	454
Transitional adjustments due to grandfathered T2 capital instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	0	0	0
IRB excess of provisions over expected losses eligible	62 (d)	0	390	390
Standardised approach general credit risk adjustments	62 (c)	0	134	134
Other transitional adjustments to tier 2 capital	476, 477, 478, 481	0	-127	0
(-) T2 instruments of financial sector entities where the institution has a significant investment	4 (27), 66 (d), 68, 69, 79	0	0	0
Items deductible due to transitional provisions in T2 capital	476 to 478, 481	0	0	0
Tier 2 capital (T2)	71	4,206	4,531	4,300
Short-term subordinated capital (tier-3)		228	0	0
Total own funds		15,994	15,874	14,888
Total risk exposure amount	92 (3), 95, 96, 98	7,832	8,175	8,175
CET1 capital ratio	92 (2) (a)	11.4%	11.1%	10.4%
Tier 1 capital ratio	92 (2) (b)	11.8%	11.1%	10.4%
Total capital ratio	92 (2) (c)	16.3%	15.5%	14.6%

The capital structure table above is based on EBA's final draft for implementing technical standards on disclosure for own funds published on 26 July 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.

Risk structure according to EU directive 575/2013 (CRR)

in EUR million	Article pursuant to CRR	Dec 13		Mar 14	
		Calculation base/total risk	Capital requirement	Calculation base/total risk	Capital requirement
Total risk exposure amount	92 (3), 95, 96, 98	97,901	7,832	102,191	8,175
Risk-weighted assets (credit risk)	92 (3) (a) (f)	84,857	6,789	86,334	6,907
Standardised approach		19,590	1,567	17,982	1,439
IRB approach		65,267	5,221	68,351	5,468
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 (iii), 92 (4) (b)	2,852	228	3,339	267
Operational risk	92 (3) (e) 92 (4) (b)	10,192	815	10,978	878
Exposure for CVA	92 (3) (d)	0	0	1,541	123
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	0	0	0	0

32. Events after the reporting date

There are no significant events after the balance sheet date.

Your Notes

We have prepared this 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 report is a translation.

Note regarding forward-looking statements

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.

Shareholder Events

21 May 2014	Annual general meeting
28 May 2014	Dividend payment day - shares
5 June 2014	Dividend payment day – participation capital
31 July 2014	Results for the first half year of 2014
30 October 2014	Results for the three quarters of 2014

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Ticker Symbols

Reuters: ERST.VI
Bloomberg: EBS AV
Datastream: O:ERS
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