

# Group Consolidated Financial Statements 2016 (IFRS)

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# I. Group statement of comprehensive income of Erste Group for the year ended 31 December 2016

## Income statement

in EUR thousand	Notes	1-12 15	1-12 16
Net interest income	1	4,444,657	4,374,518
Net fee and commission income	2	1,861,768	1,782,963
Dividend income	3	49,901	45,181
Net trading and fair value result	4	210,135	272,275
Net result from equity method investments		17,510	9,010
Rental income from investment properties & other operating leases	5	187,865	207,234
Personnel expenses	6	-2,244,611	-2,339,292
Other administrative expenses	6	-1,179,329	-1,235,771
Depreciation and amortisation	6	-444,999	-453,110
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7	100,911	148,001
Net impairment loss on financial assets	8	-729,099	-195,672
Other operating result	9	-635,646	-664,953
Levies on banking activities	9	-236,222	-388,794
<b>Pre-tax result from continuing operations</b>		<b>1,639,064</b>	<b>1,950,385</b>
Taxes on income	10	-363,926	-413,627
<b>Net result for the period</b>		<b>1,275,138</b>	<b>1,536,757</b>
Net result attributable to non-controlling interests		306,974	272,030
<b>Net result attributable to owners of the parent</b>		<b>968,164</b>	<b>1,264,728</b>

## Statement of comprehensive income

in EUR thousand	1-12 15	1-12 16
<b>Net result for the period</b>	<b>1,275,138</b>	<b>1,536,757</b>
<b>Other comprehensive income</b>		
<b>Items that may not be reclassified to profit or loss</b>		
Remeasurement of net liability of defined pension plans	100,995	-36,130
Deferred taxes relating to items that may not be reclassified	-33,607	-9,098
<b>Total</b>	<b>67,388</b>	<b>-45,227</b>
<b>Items that may be reclassified to profit or loss</b>		
Available for sale reserve	-31,580	-4,603
Gain/loss during the period	-10,077	142,807
Reclassification adjustments	-21,502	-147,411
Cash flow hedge reserve	-27,413	-13,341
Gain/loss during the period	11,354	18,235
Reclassification adjustments	-38,766	-31,576
Currency translation	90,987	28,848
Gain/loss during the period	90,987	28,848
Reclassification adjustments	0	0
Deferred taxes relating to items that may be reclassified	35,869	8,791
Gain/loss during the period	6,349	-33,446
Reclassification adjustments	29,520	42,236
<b>Total</b>	<b>67,864</b>	<b>19,694</b>
<b>Total other comprehensive income</b>	<b>135,252</b>	<b>-25,533</b>
<b>Total comprehensive income</b>	<b>1,410,389</b>	<b>1,511,224</b>
Total comprehensive income attributable to non-controlling interests	229,740	307,847
<b>Total comprehensive income attributable to owners of the parent</b>	<b>1,180,650</b>	<b>1,203,377</b>

## Earnings per share

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

		1-12 15	1-12 16
Net result attributable to owners of the parent	in EUR thousand	968,164	1,264,728
Paid dividend on AT1 capital	in EUR thousand	0	-16,368
Net result for the period attributable to owners of the parent after deduction of the paid AT1 capital dividend	in EUR thousand	968,164	1,248,360
Weighted average number of outstanding shares		426,726,297	426,668,132
<b>Earnings per share</b>	<b>in EUR</b>	<b>2.27</b>	<b>2.93</b>
Weighted average diluted number of outstanding shares		426,726,297	426,668,132
<b>Diluted earnings per share</b>	<b>in EUR</b>	<b>2.27</b>	<b>2.93</b>

## II. Group balance sheet of Erste Group as of 31 December 2016

in EUR thousand	Notes	Dec 15	Dec 16
<b>Assets</b>			
Cash and cash balances	12	12,350,003	18,352,596
Financial assets - held for trading		8,719,244	7,950,401
Derivatives	13	5,303,001	4,474,783
Other trading assets	14.18	3,416,243	3,475,618
Financial assets - at fair value through profit or loss	15.18	358,959	479,512
Financial assets - available for sale	16.18	20,762,661	19,885,535
Financial assets - held to maturity	17.18	17,700,886	19,270,184
Loans and receivables to credit institutions	19	4,805,222	3,469,440
Loans and receivables to customers	20	125,896,650	130,654,451
Derivatives - hedge accounting	22	2,191,175	1,424,452
Property and equipment	26	2,401,868	2,476,913
Investment properties	26	753,243	1,022,704
Intangible assets	27	1,464,529	1,390,245
Investments in associates and joint ventures	23	166,541	193,277
Current tax assets	28	118,786	124,224
Deferred tax assets	28	310,370	233,773
Assets held for sale	29	526,451	279,447
Other assets	30	1,216,785	1,019,916
<b>Total assets</b>		<b>199,743,371</b>	<b>208,227,070</b>
<b>Liabilities and equity</b>			
Financial liabilities - held for trading		5,867,450	4,761,782
Derivatives	13	5,433,865	4,184,508
Other trading liabilities	31	433,586	577,273
Financial liabilities - at fair value through profit or loss		1,906,766	1,763,043
Deposits from banks	32	0	0
Deposits from customers	32	148,731	73,917
Debt securities issued	32	1,758,035	1,689,126
Other financial liabilities		0	0
Financial liabilities measured at amortised cost		170,786,703	178,908,933
Deposits from banks	33	14,212,032	14,631,353
Deposits from customers	33	127,797,081	137,938,808
Debt securities issued	33	27,895,975	25,502,621
Other financial liabilities		881,616	836,150
Derivatives - hedge accounting	22	592,891	472,675
Changes in fair value of portfolio hedged items		965,583	942,028
Provisions	34	1,736,367	1,702,354
Current tax liabilities	28	89,956	65,859
Deferred tax liabilities	28	95,787	67,542
Liabilities associated with assets held for sale		577,953	4,637
Other liabilities	35	2,316,601	2,936,220
<b>Total equity</b>		<b>14,807,313</b>	<b>16,601,996</b>
Equity attributable to non-controlling interests		3,801,997	4,142,054
Equity attributable to owners of the parent		11,005,316	12,459,942
<b>Total liabilities and equity</b>		<b>199,743,371</b>	<b>208,227,070</b>

### III. Group statement of changes in total equity

in EUR million	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Additional components of equity	Equity attributable to non-controlling interests	Total equity
<b>As of 1 January 2016</b>	<b>860</b>	<b>1,478</b>	<b>9,071</b>	<b>115</b>	<b>688</b>	<b>-759</b>	<b>-334</b>	<b>-112</b>	<b>11,005</b>	<b>0</b>	<b>3,802</b>	<b>14,808</b>
Changes in treasury shares	0	0	-14	0	0	0	0	0	-14	0	0	-14
Dividends paid	0	0	-222	0	0	0	0	0	-222	0	-60	-281
Capital increases	0	0	0	0	0	0	0	0	0	497	2	499
Participation capital	0	0	0	0	0	0	0	0	0	0	0	0
Changes in the scope of consolidation	0	0	0	0	0	0	0	0	0	0	89	89
Other changes	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interest	0	0	-10	0	0	0	0	0	-10	0	0	-10
Total comprehensive income	0	0	1,265	-8	-56	25	-23	-1	1,203	0	308	1,511
Net result for the period	0	0	1,265	0	0	0	0	0	1,265	0	272	1,537
Other comprehensive income	0	0	0	-8	-56	25	-23	-1	-61	0	36	-26
<b>As of 31 December 2016</b>	<b>860</b>	<b>1,478</b>	<b>10,090</b>	<b>107</b>	<b>632</b>	<b>-734</b>	<b>-357</b>	<b>-112</b>	<b>11,963</b>	<b>497</b>	<b>4,142</b>	<b>16,602</b>
<b>As of 1 January 2015</b>	<b>860</b>	<b>1,478</b>	<b>8,116</b>	<b>140</b>	<b>580</b>	<b>-849</b>	<b>-394</b>	<b>-92</b>	<b>9,838</b>	<b>0</b>	<b>3,605</b>	<b>13,444</b>
Changes in treasury shares	0	0	2	0	0	0	0	0	2	0	0	2
Dividends paid	0	0	0	0	0	0	0	0	0	0	-40	-40
Capital increases	0	0	0	0	0	0	0	0	0	0	1	1
Participation capital	0	0	0	0	0	0	0	0	0	0	0	0
Changes in the scope of consolidation	0	0	-15	0	0	0	0	0	-15	0	6	-10
Other changes	0	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	0
Total comprehensive income	0	0	968	-25	107	90	60	-20	1,181	0	230	1,410
Net result for the period	0	0	968	0	0	0	0	0	968	0	307	1,275
Other comprehensive income	0	0	0	-25	107	90	60	-20	212	0	-77	135
<b>As of 31 December 2015</b>	<b>860</b>	<b>1,478</b>	<b>9,071</b>	<b>115</b>	<b>688</b>	<b>-759</b>	<b>-334</b>	<b>-112</b>	<b>11,005</b>	<b>0</b>	<b>3,802</b>	<b>14,808</b>

In June 2016 Erste Group increased its capital by issuing Additional Tier 1 bonds with a nominal value of EUR 500 million. After deduction of costs directly attributable to the capital increase, the net increase in capital amounted to EUR 497 million. The costs of the capital increase reduced the capital by EUR 3 million.

Additional Tier 1 bonds are unsecured and subordinated bonds of Erste Group Bank AG which are classified as equity under IFRS and are reported under the additional components of equity.

For further details, see Note 36 Total equity.

## IV. Group cash flow statement

in EUR million	1-12 15 restated	1-12 16
<b>Net result for the period</b>	<b>1,275</b>	<b>1,537</b>
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	567	622
Allocation to and release of provisions (including risk provisions)	972	721
Gains/(losses) from the sale of assets	-297	-462
Other adjustments	-43	327
<b>Changes in assets and liabilities from operating activities after adjustment for non-cash components</b>		
Financial assets - held for trading	1,886	738
Financial assets - at fair value through profit or loss	23	-123
Financial assets - available for sale: debt instruments	1,862	781
Financial assets - held to maturity	-822	-1,566
Loans and receivables to credit institutions	1,971	1,323
Loans and receivables to customers	-5,065	-5,341
Derivatives - hedge accounting	655	759
Other assets from operating activities	506	352
Financial liabilities - held for trading	-1,879	-915
Financial liabilities - at fair value through profit or loss	-166	-153
Financial liabilities measured at amortised cost		
Deposits from banks	-591	419
Deposits from customers	5,534	10,142
Debt securities issued	-1,478	-2,406
Other financial liabilities	412	-45
Derivatives - hedge accounting	-133	-120
Other liabilities from operating activities	138	-414
<b>Cash flow from operating activities</b>	<b>5,329</b>	<b>6,176</b>
Financial assets - available for sale: equity instruments	-221	188
Proceeds of disposal		
Associated companies	46	-18
Property and equipment, intangible assets and investment properties	133	254
Acquisition of		
Associated companies	0	0
Property and equipment, intangible assets and investment properties	-773	-807
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
<b>Cash flow from investing activities</b>	<b>-815</b>	<b>-383</b>
Capital increases	1	499
Capital decrease	0	0
Acquisition of non-controlling interest	0	-10
Dividends paid to equity holders of the parent	0	-222
Dividends paid to non-controlling interests	-40	-60
Other financing activities	0	0
<b>Cash flow from financing activities</b>	<b>-39</b>	<b>208</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7,835</b>	<b>12,350</b>
Cash flow from operating activities	5,329	6,176
Cash flow from investing activities	-815	-383
Cash flow from financing activities	-39	208
Effect of currency translation	39	1
<b>Cash and cash equivalents at end of period</b>	<b>12,350</b>	<b>18,353</b>
<b>Cash flows related to taxes, interest and dividends</b>	<b>4,034</b>	<b>4,119</b>
Payments for taxes on income (included in cash flow from operating activities)	-355	-408
Interest received	6,733	6,114
Dividends received	50	45
Interest paid	-2,394	-1,632

Cash and cash equivalents are equal to cash in hand, balances held with central banks and other demand deposits.

For details related to the retrospective change of comparative figures due to the restatement please refer to chapter 'B. Significant accounting policies'.

## V. Notes to the group financial statements of Erste Group

### A. GENERAL INFORMATION

Erste Group Bank AG is Austria's oldest savings bank and listed on the Vienna Stock Exchange. It is also quoted on the Prague Stock Exchange (since October 2002) and on the Bucharest Stock Exchange (since February 2008). The registered office of Erste Group Bank AG is located at Am Belvedere 1, 1100 Vienna, (formerly: Graben 21, 1010 Vienna), Austria.

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

It is planned for the management (following a presentation to the supervisory board) to approve the consolidated financial statements for publication on 28 February 2017.

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

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

### B. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of preparation

The consolidated financial statements of Erste Group for the financial year ending on 31 December 2016 and the related comparative information were prepared in compliance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. This satisfies the requirements of Section 59a of the Austrian Banking Act and Section 245a of the Austrian Commercial Code.

In accordance with the applicable measurement models prescribed or permitted under IFRS, the consolidated financial statements have been prepared on a cost (or amortised cost) basis, except for financial assets - available for sale, financial assets and liabilities held for trading (including derivatives), instruments subject to hedge accounting and financial assets and liabilities designated at fair value through profit or loss, all of which have been measured at fair value.

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

Except for regulatory restrictions on capital distributions stemming from the EU-wide capital requirements regulations applicable to all financial institutions based in Austria and Central and Eastern Europe, Erste Group does not have any other significant restrictions on its ability to access or use the assets and settle the liabilities of the Group. Also, the owners of non-controlling interests in Group subsidiaries do not have rights that can restrict the Group's ability to access or use the assets and settle the liabilities of the Group.

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

The consolidated financial statements have not been accepted by the supervisory board and the financial statements of Erste Group Bank AG have not been approved by the supervisory board yet.

## **b) Basis of consolidation**

### **Subsidiaries**

All entities directly or indirectly controlled by Erste Group Bank AG are consolidated in the Group financial statements on the basis of their annual accounts as of 31 December 2016, and for the year then ended.

Subsidiaries are consolidated from the date when control is obtained until the date when control is lost. Control is achieved when Erste Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the relevant activities of the investee. Relevant activities are those which most significantly affect the variable returns of an entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal. The financial statements of the bank's subsidiaries are prepared for the same reporting year as that of Erste Group Bank AG and using consistent accounting policies. All intra-Group balances, transactions, income and expenses as well as unrealised gains and losses and dividends are eliminated.

Non-controlling interests represent those portions of total comprehensive income and net assets that are not attributable directly or indirectly to the owners of Erste Group Bank AG. Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity on the consolidated balance sheet. Acquisitions of non-controlling interests as well as disposals of non-controlling interests that do not lead to a change of control are accounted for as equity transactions, whereby the difference between the consideration transferred and the share in the carrying amount of the net assets acquired is recognised as equity.

### **Investments in associates and joint ventures**

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an interest in an associate or joint venture is recognised on the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's or joint venture's result is recognised in the statement of profit or loss and other comprehensive income. Entities accounted for using the equity method are recognised on the basis of annual financial statements as of 31 December 2016 and for the year then ended.

Associates are entities over which Erste Group exercises significant influence ('associates'). Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. As a general rule, significant influence is presumed to mean an ownership interest of between 20% and 50%.

Joint ventures are joint arrangements over which Erste Group exercises control jointly with one or more other venturers, with the venturers having rights to the net assets of the arrangement, rather than to the assets and liabilities relating to the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Erste Group is not involved in joint operations.

### **Scope of consolidation**

As at 31 December 2016, Erste Group Bank AG, as parent entity of Erste Group, includes in its IFRS scope of consolidation a total of 448 subsidiaries (31 December 2015: 496). This includes a total of 47 local savings banks which, alongside Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG, are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector (please refer to 'd) Significant accounting judgements, assumptions and estimates' for further details).

In 2014, following the implementation of the new agreements of the cross-guarantee system (please refer to chapter 'd) Significant accounting judgements, assumptions and estimates') and the related financial support of the members, an ex-ante funds was established. The fund is managed by a civil law company named IPS GesbR. The assets of the fund – the members of the cross-guarantee system are required to pay into the fund over a period of ten years - are bound and can be used solely for the purpose to cover loss events of members of the cross-guarantee system. The company IPS GesbR was included in the scope of consolidation in year 2014.

Further details regarding the scope of consolidation please refer to Note 55 Details of the companies wholly or partly owned by Erste Group as of 31 December 2016.



## Additions in 2016

The following table shows the additions of fully consolidated entities in 2016 with names and country of residence. These additions had no material impact on the financial position and performance of the Group.

### Additions of fully consolidated entities

Entity	Country of residence
Erste Group IT International GmbH (previously EH-Gamma Holding GmbH)	Austria
IZBOR NEKRETNINA d.o.o. (previously ERSTE EURO SAVJETOVANJE D.O.O. ZA USLUGE)	Croatia
KS-Immo Italia GmbH	Austria
GLL 1551 TA Limited	Malta
Holding Card Service, s.r.o.	Czech Republic
ERSTE Jelzálogbank Zártkörűen Működő Részvénytársaság	Hungary
K 3000	Austria
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung	Austria
UBG-Unternehmensbeteiligungsgesellschaft m.b.H.	Austria
C&C Atlantic Limited	Ireland

Österreichisches Volkswohnungswerk Gemeinnützige Gesellschaft mit beschränkter Haftung has been included in the scope of consolidation for the first time and is fully consolidated. Because this correction has no material impact on the financial position as at January 1, 2016 (0.6% increase of total equity, 0.1% increase of total assets) nor on the financial performance of Erste Group if the 2015 numbers would be prepared on a consolidated basis (0.5% increase of net income), prior year figures have not been adjusted.

## Disposals in 2016

The following table shows the disposals of fully consolidated entities in 2016 with names and country of residence. These disposals had no material impact on the financial position and performance of the Group.

### Disposals of fully consolidated entities

Entity	Country of residence
Erste Private Equity Limited	Great Britain
Innovationspark Graz-Puchstraße GmbH	Austria
SVD-Sparkassen-Versicherungsdienst Versicherungsbörse Nachfolge GmbH & Co. KG	Austria
HEKET Immobilien GmbH (previously HBF Drei Gamma Projektentwicklungs GmbH)	Austria
IR-PRIAMOS Grundverwertungsgesellschaft m.b.H.	Austria
ISATIS-Immorent Grundverwertungsgesellschaft m.b.H.	Austria
CS Investment Limited	Guernsey
Erste Leasing Berlet Szolgaltato Kft. (previously Erste Leasing Szolgaltato Kft.)	Hungary
Immorent Objekttechnik Haustechnikplanungsgesellschaft m.b.H.	Austria
Mayer Property Gama doo (previously IMMORENT GAMA, leasing druzba, d.o.o.)	Slovenia
Sparkasse (Holdings) Malta Ltd.	Malta
Sparkasse Bank Malta Public Limited Company	Malta
IMMORENT STROY EOOD	Bulgaria
IMMORENT Plzen s.r.o.	Czech Republic
IR-Sparkasse Wels Leasinggesellschaft m.b.H.	Austria
Financiara SA	Romania
s IT Solutions SK, spol. s r.o.	Slovakia
Augarten - Hotel - Errichtungsgesellschaft m.b.H.	Austria
IMMORENT ETA, leasing druzba, d.o.o.	Slovenia
S-IMMORENT nepremicnine d.o.o.	Slovenia
Immorent Orange Ostrava s.r.o.	Czech Republic
Grand Hotel Marienbad s.r.o.	Czech Republic
Immorent Hotel- und Resortvermietung Katschberg GmbH & Co OG	Austria
Campus Park a.s.	Czech Republic
Nove Butovice Development s.r.o.	Czech Republic
BECON s.r.o.	Czech Republic
Gallery MYSAK a.s.	Czech Republic
IMMORENT Jilská s.r.o.	Czech Republic
IPS Fonds	Austria
Immorent razvoj projektov d.o.o.	Slovenia
Immorent Severna vrata d.o.o.	Slovenia
LAMBDA IMMORENT s.r.o.	Czech Republic
Erste GCIB Finance I B.V.	Holland

### Sale of shares to EBRD and Corvinus

As of 11 August 2016, Erste Group Bank AG has sold respectively 15% of the shares held in Erste Bank Hungary Zrt. (EBHU) to the European Bank for Reconstruction and Development (EBRD) and to Corvinus Nemzetközi Befektetési Zrt. (Corvinus) - a related party to the Hungarian state. Erste Group Bank AG received EUR 250 million for the sale of the shares. At the same time, call-put option agreements were concluded between Erste Group Bank AG and EBRD and Corvinus for the acquisition of 30% of the shares. In the consolidated financial statements of Erste Group Bank AG, the option agreements are accounted for as a liability in the amount of the present value of the expected exercise price. Due to the structure of the option agreements, for the 30% no share in non-controlling interest is recognized.

## c) Accounting and measurement methods

### Cash flow statement restatement

In 2016 Erste Group reviewed the cash flow disclosure regarding the business model of the underlying financial instruments. The result of the review led to a change in the cash flow disclosure of Financial assets - available for-sale equity instruments and Financial assets - held to maturity.

Based on the reassessment, cash flows from equity instruments, which are shown on the balance sheet item 'Financial assets – available for sale', are now presented as cash flows from investing activities and not as cash flows from operating activities. In addition, cash flows from 'Financial assets – held to maturity' are shown as cash flow from operating activities (previously cash flow from investing activities), as they are held with the intention to generate interest income.

The restatement was made in order to provide more relevant and reliable cash flow information of Erste Group.

The effects on the items of the consolidated cash flow statement are presented below:

in EUR million	1-12 15 Published	Restatement	1-12 15 restated
<b>Net result for the period</b>	<b>1,275</b>	<b>0</b>	<b>1,275</b>
Financial assets - available for sale	1,641	-1,641	0
Financial assets - available for sale: debt instruments		1,862	1,862
Financial assets - held to maturity		-822	-822
Not restated items	3,014	0	3,014
<b>Cash flow from operating activities</b>	<b>5,930</b>	<b>-601</b>	<b>5,329</b>
Financial assets - available for sale: equity instruments		-221	-221
Proceeds of disposal/redemption			
Financial assets - held to maturity and associated companies	2,385	-2,339	46
Acquisition of			
Financial assets - held to maturity and associated companies	-3,161	3,161	0
Not restated items	-640		-640
<b>Cash flow from investing activities</b>	<b>-1,416</b>	<b>601</b>	<b>-815</b>
<b>Cash flow from financing activities</b>	<b>-39</b>	<b>0</b>	<b>-39</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7,835</b>	<b>0</b>	<b>7,835</b>
<b>Cash and cash equivalents at end of period</b>	<b>12,350</b>	<b>0</b>	<b>12,350</b>

### 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

The line items as presented on the balance sheet are not necessarily corresponding with the IAS 39 categories of financial instruments. The correspondence between the balance sheet line items and categories of financial instruments is described in the table at point (xi).

### **i. Initial recognition**

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

### **ii. Initial measurement of financial instruments**

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

### **iii. Cash and cash balances**

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

### **iv. Derivative financial instruments**

Derivative financial instruments are used by Erste Group to manage exposures to interest rate, foreign currency and other market price risks. Derivatives used by Erste Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps.

For presentation purposes derivatives are split into

- \_ Derivatives – held for trading; and
- \_ Derivatives – hedge accounting

Derivative financial instruments are carried at fair value (dirty price) on the Consolidated Balance Sheet - regardless of whether they are held for trading or hedge accounting purposes. Derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Derivatives – held for trading are those which are not designated as hedging instruments for hedge accounting. They are presented in the line item ‘Derivatives’ under the heading ‘Financial assets / financial liabilities – held for trading’. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book are presented in this line item.

Changes in the fair value (clean price) of derivatives held for trading are reported in the income statement in the line item ‘Net trading and fair value result’. Interest income/expense related to derivatives – held for trading is recognised in the income statement under the line item ‘Net interest income’ if held in the banking book or under the line item ‘Net trading and fair value result’ if held in the trading book.

Derivatives – hedge accounting are those which are designated as hedging instruments in hedge accounting relationships fulfilling the conditions of IAS 39 (please refer to Hedge Accounting). In the balance sheet, they are presented in the line item ‘Derivatives - hedge accounting’ on asset or liability side.

Changes in the fair value of derivatives (clean price) in fair value hedges are recognised in the income statement in the line item ‘Net trading and fair value result’. Interest income/expense related to derivatives in fair value hedges is reported in the income statement in the line item ‘Net interest income’.

The effective part of changes in the fair value (clean price) of derivatives in cash flow hedges is reported in other comprehensive income in the line item ‘Cash flow hedge reserve’. The ineffective part of changes in the fair value (clean price) of derivatives in cash flow hedges is recognised in profit or loss under the line item ‘Net trading and fair value result’. Interest income/expense from hedging derivatives in cash flow hedges is disclosed in the income statement in the line item ‘Net interest income’.

#### **v. Financial assets and financial liabilities - held for trading**

Financial assets and financial liabilities – held for trading comprise derivatives and other trading assets and liabilities. Treatment of derivatives – held for trading is discussed above in (iv).

Other trading assets and liabilities are non-derivative instruments. They include debt securities as well as equity instruments acquired or issued principally for the purpose of selling or repurchasing in the near term. In the balance sheet, they are presented as ‘Other trading assets’ or ‘Other trading liabilities’ under the heading ‘Financial assets / financial liabilities – held for trading’.

Changes in fair value (clean price for debt instruments) resulting from other trading assets and liabilities are reported in the income statement under the line item ‘Net trading and fair value result’. Interest income and expenses are reported in the income statement under the line item ‘Net interest income’. Dividend income is shown under the line item ‘Dividend income’.

If securities purchased under agreement to resell or borrowed through securities lending transactions are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within ‘Other trading liabilities’.

#### **vi. Financial assets or financial liabilities designated at fair value through profit or loss**

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

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

Financial assets - designated at fair value through profit or loss are recorded on the balance sheet at fair value under the line item ‘Financial assets - designated at fair value through profit or loss’, with changes in fair value recognised in the income statement under the line item ‘Net trading and fair value result’. Interest earned on debt instruments is reported under the line item ‘Net interest income’. Dividend income on equity instruments is shown under the line item ‘Dividend income’.

Furthermore, Erste Group uses the fair value option in the case of some hybrid financial liabilities. This is relevant when:

- \_ such classification eliminates or significantly reduces an accounting mismatch between the financial liability otherwise measured at amortised cost and the related derivative measured at fair value; or
- \_ the entire hybrid contract is designated at fair value through profit or loss due to the existence of an embedded derivative.

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

Financial liabilities designated at fair value through profit or loss are reported on the balance sheet under the line item 'Financial liabilities designated at fair value through profit or loss' further broken down into 'Deposits 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 the case of sale or in the line item 'Net impairment loss on financial assets' in the case of impairment.

Interest income on available-for-sale financial assets is reported under the line item 'Net interest income'. Dividend income is reported under the line item 'Dividend income'.

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

#### **viii. Financial assets – held to maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity and reported on the balance sheet as 'Financial assets – held to maturity' if Erste Group has the intention and ability to hold them until maturity. After initial recognition, held-to-maturity financial assets are measured at amortised cost. Amortised cost is calculated by taking into account any discount, premium and/or transaction costs that are an integral part of the effective interest rate.

Interest earned on financial assets held to maturity is reported in the income statement under the line item 'Net interest income'. Losses arising from impairment of such financial assets are presented as 'Net impairment loss on financial assets'. 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' includes financial instruments which are allocated to financial instrument category loans and receivables with a contractual maturity of more than 24 hours. The balance sheet line items 'Loans and receivables to customers' includes financial instruments which are allocated to financial instrument category loans and receivables regardless of their contractual maturity. 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 on the balance sheet, the line item 'Financial liabilities measured at amortised cost' is used. The liabilities are further broken down by 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are reported in the line item 'Net interest income' in the income statement. Gains and losses from derecognition (mainly repurchase) of financial liabilities at amortised cost are reported under the line item 'Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net'.

#### xi. Relationships between balance sheet items, measurement methods and categories of financial instruments

Balance sheet position	Measurement principle			Financial instrument category
	Fair value	Fair value	Other	
ASSETS				
Cash and cash balances		x	Nominal value	n/a / Loans and receivables
Financial assets - held for trading				
Derivatives	x			Financial assets at fair value through profit or loss
Other trading assets	x			Financial assets at fair value through profit or loss
Financial assets - at fair value through profit or loss	x			Financial assets at fair value through profit or loss
Financial assets - available for sale	x			Available for sale financial assets
Financial assets - held to maturity		x		Held to maturity investments
Loans and receivables to credit institutions		x		Loans and receivables
thereof Finance lease			IAS 17	n/a
Loans and receivables to customers		x		Loans and receivables
thereof Finance lease			IAS 17	n/a
Derivatives - hedge accounting	x			n/a
LIABILITIES AND EQUITY				
Financial liabilities - held for trading				
Derivatives	x			Financial liabilities - at fair value through profit or loss
Other trading liabilities	x			Financial liabilities - at fair value through profit or loss
Financial liabilities - at fair value through profit or loss	x			Financial liabilities - at fair value through profit or loss
Financial liabilities measured at amortised cost		x		Financial liabilities measured at amortised cost
Derivatives - hedge accounting	x			n/a

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

#### Embedded derivatives

Erste Group is involved in business with debt instruments containing structured features. Structured features mean that a derivative is embedded in the host instruments. Embedded derivatives are separated from the host debt instruments if

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

Embedded derivatives that are separated are accounted for as stand-alone derivatives and presented on the balance sheet under the line item 'Derivatives' in financial assets – held for trading and financial liabilities – held for trading.

At Erste Group, derivatives that are not closely related and are separated are predominantly embedded in issued host debt instruments recognised as liabilities. The most typical cases are issues of bonds and deposits that contain interest caps, floors or collars in the money,

CMS bonds without appropriate cap, contractual features linking payments to non-interest variables such as FX rates, equity and commodity prices and indices, or third-party credit risk.

Starting from December 2014 some important benchmark interest rates have become negative. In the financial year 2015 and 2016, Erste Group issued floating rate loans (especially interest rates based on EURIBOR and LIBOR benchmarks) with a zero percent interest rate floor in the area of customer business; hence these contracts were analyzed in greater detail. The further investigation revealed that a separation of embedded derivatives from the underlying transaction is not needed.

### Reclassifications of financial assets

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

### Derecognition of financial assets and financial liabilities

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

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

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

### Repurchase and reverse repurchase agreements

Transactions where securities are sold under an agreement to repurchase at a specified future date are also known as 'repos' or 'sale and repurchase agreements'. Securities sold are not derecognised from the balance sheet, as Erste Group retains substantially all the risks and rewards of ownership because the securities are repurchased at a fixed price 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 a short sale within '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 CRR 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.

In order to maximise collection opportunities and minimise the number of defaults, Erste Group renegotiates loans to customers in financial difficulties (referred to as forbearance cases). Both retail and corporate loans can be subject to forbearance. Under the Erste Group's forbearance policy, loan forbearance can be granted if the debtor is currently in default or if there is a high risk of default, there is evidence that the debtor made all efforts to pay according to the original contractual terms and it is expected that the debtor is able to meet the revised terms. Revised terms could be extended maturity, instalment reduction, changing the timing of the interest payments, interest reduction or forgiveness, revolving exposure change to instalments.

Loans subject to forbearance are generally not derecognised and are considered for impairment based on renegotiated conditions. However, in certain cases (like for FX loan conversions) when the renegotiation is qualitatively assessed as a substantial extinguishment of the rights to collect the cash flows due to material changes in the timing and amount of the cash flows, the loan is derecognised and the renegotiated loan is recognised as a new loan initially measured at fair value.

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.

For more detailed information see Note 44.4.

#### **i. Financial assets carried at amortised cost**

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

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

Impairment losses on financial assets carried at amortised cost are recognised as loss allowance. On the balance sheet, loss allowances decrease the value of the assets. I.e. the net carrying amount of the financial asset presented on the balance sheet is the difference between



the gross carrying amount and the cumulative loss allowance. This treatment holds for loss allowances for loans and receivables and for incurred but not reported losses (i.e. portfolio allowances) on held-to-maturity financial assets. Reconciliation of changes in these loss allowance accounts is disclosed in the notes. However, individual loss allowances for held to maturity financial assets are treated as direct reduction of the asset carrying amount and therefore reconciliation of changes is not disclosed in the notes.

In the income statement, impairment losses and their reversals are presented in the line item 'Net impairment loss on financial assets'. Loans together with the associated allowance are removed from the balance sheet when there is no realistic prospect of future recovery and all collaterals have been realised by Erste Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases, the previously recognised impairment loss is increased or reduced by adjusting the loss allowance.

## **ii. Available-for-sale financial assets**

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

If, in a subsequent period, the fair value of a debt instrument increases, which can be related objectively to an event occurring after the impairment was recognised, 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 loss previously recognised under the other comprehensive income item 'Available for sale reserve' has to be reclassified to the income statement as part of an impairment loss under the line item 'Net impairment loss on financial assets'.

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

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

## **iii. Contingent liabilities**

Provisions for credit losses of contingent liabilities (particularly financial guarantees as well as credit commitments) are included under the balance sheet line item 'Provisions'. The related expense or its reversal is reported in the income statement under the line item 'Other operating result'.

## **Hedge accounting**

Erste Group makes use of derivative instruments to manage exposures to interest rate risk and foreign currency risk. At inception of a hedge relationship, the bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset the fair value changes of the hedging instrument in a range of

80% to 125%. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Exact conditions for particular types of hedges and for testing the hedge effectiveness by Erste Group are specified internally in the hedge accounting policy.

#### **i. Fair value hedges**

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

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

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

#### **ii. Cash flow hedges**

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

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

#### **Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Since second quarter of 2015, Erste Group undertakes interest rate derivative transactions via London Clearing House by fulfilling all offsetting requirements according IAS 32. The offsetted amounts are disclosed in Note 13 Derivatives – held for trading and Note 22 Derivatives – hedge accounting as well as in Note 43 Offsetting financial instruments.

#### **Determination of fair value**

Fair value is the price that would be received if an asset were sold or paid, if a liability were transferred in an orderly transaction between market participants on the measurement date.

Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in Note 46 Fair value of assets and liabilities.

#### **Leasing**

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

### **Erste Group as a lessor**

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

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

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

### **Erste Group as a lessee**

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

## **Business combinations and goodwill**

### **i. Business combinations**

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

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

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

### **ii. Goodwill and goodwill impairment testing**

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

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

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

The estimation of future earnings distributable to shareholders is based on financial plans for the CGUs as agreed by the management while taking into account the fulfilment of the respective regulatory capital requirements. The planning period is five years. Any forecasted earnings beyond the planning period are derived on the basis of the last year of the planning period and a long-term growth rate. The present value of such perpetual earnings growing at a stable rate (referred to as terminal value) takes into consideration macroeconomic parameters and economically sustainable cash flows for each CGU. Values for the long-term growth rates are disclosed in Note 27 Intangible assets in the subsection 'Development of goodwill'.

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

The value in use is determined by discounting the cash flows at a rate that takes into account present market rates and the specific risks of the CGU. The discount rates have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium component is considered in calculation of the discount rate. The values used to establish the discount rates are determined using external sources of information. Discount rates applied to determine the value in use are disclosed in Note 27 Intangible assets in the subsection 'Development of goodwill'.

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

The goodwill included in the acquisition cost of investments in associates and joint ventures is not tested separately by performing the recurring impairment assessments applicable to goodwill. Instead, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of fair value in use and fair value less costs to sell) with its carrying amount (after application of the equity method) whenever relevant objective evidence of impairment is identified. Such evidence includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environments in which associates and joint ventures operate, indicating that the cost of the investment may not be recovered.

### Property and equipment

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

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

The estimated useful lives are as follows:

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

Land is not depreciated.

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

### Investment properties

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

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment. Investment property is presented on the balance sheet in the line item 'Investment properties'.

Rental income is recognised in the line item ‘Rental income from investment properties and other operating leases’. Depreciation is presented in the income statement in the line item ‘Depreciation and amortisation’ using the straight-line method over an estimated useful life. The useful lives of investment properties are in the range of 15-100 years. 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

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

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

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

If any indication of impairment exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs of disposal and its value in use. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In measuring value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

At each reporting date an assessment is made as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the bank estimates the asset's or CGU's recoverable amount. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairments and their reversals are recognised in the income statement under the line item 'Other operating result'.

#### Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of classification as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. a subsidiary) they are referred to as disposal group held for sale.

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

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

#### Financial guarantees

In the ordinary course of business, Erste Group provides financial guarantees, consisting of various types of letters of credit and guarantees. According to IAS 39, a financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

If Erste Group is in a position of being a guarantee holder, the financial guarantee is not recorded on the balance sheet but is taken into consideration as collateral when determining impairment of the guaranteed asset.

Erste Group as a guarantor recognises financial guarantees as soon as it becomes a contracting party (i.e. when the guarantee offer is accepted). Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. If no premium is received at contract inception, the fair value of a financial guarantee is nil, as this is the price that would be paid to transfer the liability in an orderly transaction between market participants. Subsequent to initial recognition, the financial guarantee contract is reviewed for the possibility that provisioning will be required under IAS 37. Such provisions are presented on the balance sheet under the line 'Provisions'.

The premium received is recognised in the income statement under the line item 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

#### Defined employee benefit plans

Defined employee benefit plans operated by Erste Group are for pensions, severance and jubilee benefits. From IAS 19 categorisation perspective pension and severance benefits qualify as post-employment defined benefits plans whereas jubilee benefits are other long-term employee benefits.

The defined benefit pension plans relate only to retired employees. The pension obligations for current employees were transferred to external pension funds in previous years. Remaining with Erste Group is a defined-benefit obligation for entitlements of former employ-

ees who were already retired as of 31 December 1998 before the pension reform took effect, and for those former employees who retired only in 1999 but remained entitled to a direct pension from Erste Group under individual agreements. Also included are entitlements to resulting survivor pensions.

Severance benefit obligations exist in relation to Austrian employees who entered the Group's employment before 1 January 2003. The severance benefit is one-time remuneration to which employees are entitled when their employment relationship ends. The entitlement to this severance payment arises after three years of employment.

Defined-benefit plans include jubilee benefits. Jubilee payments (payments for long service and/or loyal service) are remuneration tied to the length of an employee's service to the employer. The entitlement to jubilee benefits is established by collective agreement, which defines both the conditions and amount of the entitlement.

Obligations ensuing from defined employee benefit plans are determined using the projected unit credit method. Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those salaries, pensions and vested rights to future pension payments known as of the balance sheet date but also anticipated future rates of increase in salaries and pensions.

The liability recognised under a defined-benefit plan represents the present value of the defined benefit obligation less the fair value of the plan assets available for the direct settlement of obligations. For all plans, the present value of the obligation exceeds the fair value of the plan assets. The resulting defined benefit liability is reported on the balance sheet under the line item 'Provisions'. At Erste Group, the plan assets consist of qualifying insurance policies purchased to back severance and jubilee benefit provisions.

Remeasurements consist of actuarial gains and losses on the defined benefit obligations and the return on plan assets. Remeasurements of pension and severance defined-benefit plans are recognised in other comprehensive income. Remeasurements of jubilee defined-benefit plans are recognised in the income statement under the line item 'Personnel expenses'.

#### Erste Group board members bonus program

Every year Erste Group grants to its board members a bonus program. It relates to the services rendered by the Board Members in this year (i.e. 'service year'). The actual payments are conditional on Erste Group performance in the service year and following 5 years. In this respect, they are split into a first tranche and five deferred tranches. Fifty percent of the bonuses are paid out in cash and meet the definition other long-term employee benefits in IAS 19. Remaining fifty percent depend on changes in the average share price of Erste Group Bank, AG and thus meet the conditions of cash-settled share-based payment in IFRS 2.

For both parts of the program, the full bonus is recognised as an expense against a liability in the estimated amount in the service year. The liability is presented in the balance sheet under 'Other liabilities'. The expenses including any subsequent adjustments to the liability reflecting the decisions about the actual amount of the bonuses, fulfillment of performance conditions and share price changes are presented in the income statement under 'Personnel expenses'.

Further details about the bonus program and relevant disclosures about can be found in Note 40 Related party transaction and principal shareholders, section 'Performance-linked remuneration'.

#### 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'.

#### Levies

Erste Group recognises a liability or a provision for the levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

#### Taxes

##### i. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted by the balance sheet date.



## **ii. Deferred tax**

Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as of the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilised. Deferred taxes are not recognised on temporary differences arising from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the temporary difference is reversed or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at balance sheet date and are expected to apply when the temporary differences are reversed. For the subsidiaries, local tax environments apply.

Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to offset exists and the deferred taxes relate to the same taxation authority.

### **Treasury shares and contracts on treasury shares**

Equity instruments of Erste Group that it or any of its subsidiaries acquire (referred to as treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of Erste Group's own equity instruments, including transaction costs, is recognised directly in equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of its own equity instruments.

### **Fiduciary assets**

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of Erste Group.

### **Dividends on ordinary shares**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by Erste Group's shareholders.

### **Recognition of income and expenses**

Revenue is recognised to the extent that the economic benefits will flow to the entity and the revenue can be reliably measured. The description and revenue recognition criteria of the line items reported in the income statement are as follows:

## **i. Net interest income**

Interest income and interest expense is recorded using the effective interest rate (EIR) method. The calculation includes origination fees resulting from the lending business as well as transaction costs that are directly attributable to the instrument and are an integral part of the EIR (apart from financial instruments at fair value through profit or loss), but no future credit losses. Interest income from individually impaired loans and receivables and held-to-maturity financial assets is calculated by applying the original effective interest rate used to discount the estimated cash flows for the purpose of measuring the impairment loss.

Interest income includes interest income on loans and receivables to credit institutions and customers, on cash balances and on bonds and other interest-bearing securities in all financial assets categories. Interest expenses include interest paid on deposits from customers, deposits from banks, debt securities issued and other financial liabilities in all financial liabilities categories. Net interest income also includes interest on derivative financial instruments held in the banking book. In addition, net interest cost on severance payment, pension and jubilee obligations is presented here.

Furthermore negative interest from financial liabilities and financial assets are presented in 'Net interest income'.



## **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.

## **iv. Net trading and fair value result**

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

The fair value result relates to changes in the clean price of assets and liabilities designated at fair value through profit or loss.

## **v. Net result from equity method investments**

The line item contains result from associates and joint ventures recorded by applying the equity method (measured as the investor's share of profit or loss in the associates and joint ventures).

However, impairment losses, reversal of impairment losses and realised gains and losses on investments in associates or joint ventures accounted for using the equity method are reported under the line item 'Other operating result'.

## **vi. Rental income from investment properties & other operating leases**

Rental income from investment properties and other operating leases is recognised on a straight-line basis over the lease term.

## **vii. Personnel expenses**

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies. They also include service cost for severance payment, pension and jubilee obligations and remeasurements of jubilee obligations. Furthermore, restructuring provisions expenses may be part of personnel expenses.

## **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. Restructuring provisions expenses may also be presented in other other administrative 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**

The other operating result reflects all other income and expenses not directly attributable to Erste Group's ordinary activities. Furthermore, levies on banking activities are considered as part of the other operating result.

The other operating result includes impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment and intangible assets. Also included here are any impairment losses on goodwill.

In addition, the other operating result encompasses the following: expenses for other taxes; income from the release of and expenses for allocations to provisions; impairment losses (and their reversal if any) as well as selling gains and losses on equity investments accounted for using the equity method; and gains or losses from derecognition of subsidiaries.

### **d) Significant accounting judgements, assumptions and estimates**

The consolidated financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are as follows:

#### **Control**

IFRS 10 'Consolidated Financial Statements' defines the investor's control over an investee in terms of the investor having all of the following:

- \_ power to direct the relevant activities of the investee, i.e. activities that significantly affect the investee's returns;
- \_ exposure, or rights, to variable returns from its involvement with the investee; and
- \_ the ability to use its power over the investee to affect the amount of the investor's returns.

Hence, assessing the existence of control under this definition may require considerable accounting judgements, assumptions and estimates, notably in non-standard situations such as:

- \_ power stemming both from voting rights and from contractual arrangements (or mostly from the latter);
- \_ exposure stemming both from on-balance investments and from off-balance commitments or guarantees (or mostly from the latter); or
- \_ variable returns stemming both from readily identifiable income streams (e.g. dividends, interest, fees) and from cost savings, economies of scale and/or operational synergies (or mostly from the latter).

In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for the assessment of the following cases:

#### **i. The savings bank members of the Austrian cross-guarantee system (Haftungsverbund)**

Erste Group Bank AG is a member of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. As of the balance sheet date, all of Austria's savings banks, in addition to Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG, formed part of this cross-guarantee system. The provisions of the agreement governing the Haftungsverbund are implemented by the steering company Haftungsverbund GmbH. Erste Group Bank AG always holds directly and indirectly at least 51% of the voting rights of the steering company, through Erste Bank der oesterreichischen Sparkassen AG and through savings banks in which the Group holds the majority of voting rights.

For all savings banks in which Erste Group holds less than 50% of the voting rights, an assessment of whether control is achieved through the provisions of the Haftungsverbund agreement has been performed.

Based on the contractual agreement, Haftungsverbund GmbH as the steering company is vested with the following substantive rights related to the savings banks:

- \_ participation in the appointment of board members
- \_ approval of budgets including capital decisions
- \_ provision of binding guidelines in the areas of risk and liquidity management as well as internal audit
- \_ determination of thresholds for capital requirement including the payout of dividends

Furthermore, taking into account the magnitude of Erste Group's involvement with the member banks - whether in the form of synergies, investments, commitments, guarantees, or access to common resources - the Group has significant exposure to each of the member banks' variable returns. As Haftungsverbund GmbH is able to affect the variable returns through its power, it has been assessed that Haftungsverbund GmbH has control over the savings banks.

As Erste Group Bank AG controls the steering company, it exercises control over the members of the cross-guarantee system.

## **ii. Investment funds under own management**

The Group has assessed whether the investment funds it manages through its asset management subsidiaries are controlled and hence shall be consolidated. This assessment has been made on the basis that power over such investment funds is generally conferred based on the contractual arrangements appointing an Erste Group subsidiary as fund manager, without any substantive removal rights the by fund's investors. Furthermore, Erste Group made the conclusive judgement that its exposure to such own-managed funds' variable returns is basically considered as significant if, additionally to the exposure through management fees, the Group is also exposed in the form of at least 20% investment in the fund. Furthermore, in its capacity as fund manager, Erste Group is also able to affect the returns of the funds through its power. Following this assessment, investment funds under own management in which the Group – directly or through its subsidiaries – has significant unit holdings are deemed to be controlled and included in the scope of consolidation

## **iii. Pension funds under own management**

The Group has assessed whether the contractual arrangements appointing an Erste Group subsidiary as pension fund manager (with no substantive removal rights by the fund's participants) are generally expected to confer power over such funds, followed by an assessment of the Group's exposure/rights to the pension fund's variable returns. The relevant legal requirements regulating the activities of such pension funds in their respective jurisdictions were also considered, notably in assessing the significance of the rights to variable returns from management fees, as well as of the exposure to losses from any guarantees that the fund manager may be legally bound to. As a result of this review, the Czech pension fund 'Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s.' (the 'Transformed pension fund') is not consolidated.

## **Joint control and classification of joint arrangements**

IFRS 11 'Joint Arrangements' defines joint control as a contractual sharing of control whereby decisions about the relevant activities require the unanimous consent of the parties sharing control. Furthermore, IFRS 11 distinguishes between joint operations and joint ventures. Joint operations are defined as joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Hence, assessing either the existence of joint control or the type of joint arrangement (or both) under these definitions may require considerable accounting judgements, assumptions and estimates.

In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for the assessment of the Group's involvement in partnerships and ventures in the commercial real estate sector (development, management, leasing), notably through Erste Group Immorent AG.

As a result of such assessment, only one company has been identified as a joint arrangement in force as at 31 December 2015. This company is structured as a separate vehicle qualifying for treatment as a joint venture under the terms of the aforementioned definitions, and it has an immaterial carrying amount (below EUR 10 million). For the ensuing IFRS 12-driven disclosure requirements, please refer to Note 23 Equity method investments.

## **Significant influence**

IAS 28 'Investments in Associates and Joint Ventures' defines significant influence as the power to participate in the financial and operating policy decisions of the investee without having control or joint control of those policies. Furthermore, IAS 28 indicates that if an

entity holds, directly or indirectly 20% or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case.

In the case of Erste Group, all equity method investments are direct or indirect investments in associates and joint ventures over which the Group exercises significant influence or joint control stemming from voting power higher than 20% up to 50%.

#### Interests in structured entities

IFRS 12 'Interests in Other Entities' defines structured entities as entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements. IFRS 12 defines the interests as contractual and non-contractual involvements exposing an entity to the variability of returns from the performance of the other entity.

Hence, assessing which entities are structured entities, and which involvements in such entities are interests, may require considerable accounting judgements, assumptions and estimates.

In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for assessing involvements with securitisation vehicles and investment funds. In respect to securitisation vehicles, Erste Group assessed that on-balance or off-balance exposures to entities involved in securitisation activities meet the definition of interests in structured entities.

For investment funds, Erste Group concluded that such investment funds would typically satisfy the characteristics of a structured entity - irrespective of whether they are own-managed funds or third party managed funds. Moreover, the Group reached the conclusion that direct Group investments higher than 0% as well as management fees varying in relation to the assets under management which are not distributed full to third parties would typically indicate an interest in these structured entities. In alignment with the accounting judgement described under the paragraph 'Investment funds under own management' above, interests below 20% are not consolidated due to lack of control.

All on-balance or off-balance exposures to investment funds managed by third parties -mostly in the form of units held in such funds- were considered as being interests in structured entities.

For the ensuing IFRS 12-driven disclosures applicable to structured entities, please refer to Note 24 Unconsolidated structured entities.

#### Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Disclosures for valuation models, the fair value hierarchy and fair values of financial instruments can be found in Note 46 Fair value of assets and liabilities. Based on an analysis performed in 2016 it was decided that for the valuation of OTC derivatives no Funding Value Adjustment (FVA) would be considered.

#### Impairment of financial assets

Erste Group reviews its financial assets not measured at fair value through profit or loss at each balance sheet date to assess whether an impairment loss should be recorded in the income statement. In particular, it is required to determine whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and to estimate the amount and timing of future cash flows when determining an impairment loss.

Disclosures concerning impairment are provided in Note 44 Risk management in the 'Credit risk' subsection entitled – 'Non-performing credit risk exposure, risk provisions and collateral'. The development of loan loss provisions is described in Note 21 Impairment loss for financial instruments.

#### Impairment of non-financial assets

Erste Group reviews its non-financial assets at each balance sheet date to assess whether there is an indication of impairment loss that should be recorded in the income statement. Furthermore, cash-generating units to which goodwill is allocated are tested for impairment on a yearly basis. Judgement and estimates are required to determine the value in use and fair value less costs of disposal by estimating the timing and amount of future expected cash flows and the discount rates. Assumptions and estimates used for impairment on non-financial asset calculations are described in the parts 'Business combinations and goodwill' and 'Impairment of non-financial assets

(property and equipment, investment property, intangible assets)' in the Accounting Policies. Inputs used for goodwill impairment testing and their sensitivities can be found in Note 27 Intangible assets in the section 'Development of goodwill'.

#### Deferred tax assets

Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. For this purpose a planning period of 5 years is used. Disclosures concerning deferred taxes are in Note 28 Tax assets and liabilities.

#### Defined benefit obligation plans

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Assumptions, estimates and sensitivities used for the defined benefit obligation calculations as well as related amounts are disclosed in Note 34 a Long-term employee provisions.

#### Provisions

Recognition of provisions requires judgement with respect to whether Erste Group has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Provisions are disclosed in Note 34 Provisions and further details on provisions for contingent credit liabilities in Note 44.5 Credit risk. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 49 Contingent liabilities.

#### Leases

From Erste Group's perspective as a lessor, judgement is required to distinguish whether a given lease is a finance or operating lease based on the transfer of substantially all the risk and rewards from the lessor to the lessee. Disclosures concerning leases are in Note 39 Leases.

### e) Application of amended and new IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning after 1 January 2016. As regards new standards and interpretations and their amendments, only those that are relevant for the business of Erste Group are listed below.

#### Effective standards and interpretations

The following standards and their amendments have become mandatory for our financial year 2016, endorsed by the EU:

- \_ Amendments to IAS 1: Disclosure Initiative
- \_ Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- \_ Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- \_ Annual Improvements to IFRSs 2010-2012 Cycle Annual Improvements to IFRSs 2012-2014 Cycle
- \_ Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the Consolidation Exception
- \_ Amendments to IFRS 11: Accounting for Interests in Joint Operations

The previous financial statements Erste Group included a description of all the effective amendments. Erste Group has revised the approach and decided to focus only on the effects the amendments have on the accounting policies. Application of the above mentioned amendments did not have a significant impact on Erste Group's financial statements.

#### Standards and interpretations not yet effective

The standards, amendments and interpretations shown below were issued by the IASB but are not yet effective.

Following standards, amendments and interpretations are not yet endorsed by the EU:

- \_ IFRS 16: Leases
- \_ Clarifications to IFRS 15 Revenue from Contracts with Customers
- \_ Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses
- \_ Amendments to IAS 7: Disclosure Initiative
- \_ Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- \_ Amendments to IAS 40: Transfers of Investment Property

- \_ Annual Improvements to IFRSs 2014-2016 Cycle
- \_ IFRIC 22: Foreign Currency Transactions and Advance Consideration

Following standards, amendments and interpretations are already endorsed by the EU:

- \_ IFRS 9: Financial Instruments
- \_ IFRS 15: Revenue from Contracts with Customers including Amendments to IFRS 15: Effective date of IFRS 15

**IFRS 9: Financial Instruments (IASB Effective Date: 1 January 2018).** IFRS 9 was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 addresses three main areas of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

IFRS 9 introduces two classification criteria for financial assets: 1) an entity's business model for managing the financial assets, and 2) the contractual cash flow characteristics of the financial assets. As a result, a financial asset is measured at amortised cost only if both of the following conditions are met: a) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding and b) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows. Measurement of a fair value through other comprehensive income is applicable to financial assets that meet condition a) but the business model applied to them is focused both on holding the assets to collect contractual cash flows and selling the assets. All other financial assets are measured at fair value with changes recognised in profit or loss. For investments in equity instruments that are not held for trading, an entity may make an irrevocable election at initial recognition to measure them at fair value with changes recognised in other comprehensive income. Erste Group intends to use this election for some of its investments in equity instruments which are of a long-term nature and do not have quoted market price.

IFRS 9 does not change classification and measurement principles for financial liabilities compared to IAS 39. The only change is related to financial liabilities designated at fair value through profit or loss (fair value option). The fair value changes related to the credit risk of such liabilities will be generally presented in other comprehensive income. IFRS 9 provides an option to apply this requirement early, however Erste Group does not intend to make use of this option.

The standard provides a uniform impairment model applied to both financial assets and off-balance sheet credit risk bearing exposures (loan commitments and financial guarantees). At initial recognition of financial instruments loss allowance to reflect credit loss is recognised in the form of 12-month expected credit losses. Lifetime expected credit losses are to be recognised for all instrument whose credit risk increases subsequently after initial recognition. Furthermore the standard brings new rules for accounting for losses resulting from modification of contractual conditions of financial assets.

The objective of the new hedge accounting model is to reflect in accounting actual risk management practices of entities hedging risks. For Erste Group, the following areas are expected to be relevant to achieve this objective: only the prospective effectiveness test is required and the retrospective effectiveness test with the 80%-125% corridor was abandoned; when options are used as hedging instruments, the volatility of the time value is recognised through OCI rather than profit or loss; the possibility of hedging synthetic items containing derivatives.

IFRS 9 provides an accounting policy choice in the area of hedge accounting. Thus, upon adoption of IFRS 9, entities can either (a) start with full application of the hedge accounting requirements of IFRS 9, (b) start with limited application of the hedge accounting requirements of IFRS 9 by continuing to apply IAS 39 to the specific case of fair value hedges of interest rate exposure of a portfolio of financial assets or financial liabilities, or (c) continue with full application of the hedge accounting requirements of IAS 39. Erste Group plans to implement the third choice. However, some actions are expected to be necessary in order to address additional disclosures that will be required based on IFRS 7 after adoption of IFRS 9.

Based on the accounting policy choice embedded into the transition requirements of IFRS 9, Erste Group will not restate comparative information upon initial application of IFRS 9. Instead, the one-off impact from initial application of IFRS 9 will be reflected in the opening equity as of 1 January 2018.

During the year 2016, Erste Group has completed the development of business requirements documentation addressing the changes in group-level policies, procedures, processes and systems, assessed as necessary in preparation for transition to IFRS 9 on 1 January 2018. On this basis, Group's entities (notably: the parent banks of Group's sub-groups) started the localization of the group-level requirements, both in terms of local implementation of new group-wide solutions (e.g. in respect of fair valuation of non-SPPI non-trading debt instrument assets, allocation of financial assets to business models, or in respect of calculation of expected credit losses), and in terms of adapt-



ing existing local solutions to the group-level requirements. As part of this effort, iterative financial impact studies (notably with regards to classification/measurement and impairment of financial assets but gradually also with regards to regulatory capital and ratios) continued across the Group. Starting with the second half of 2017 a fully-fledged parallel run of the 'as is' IAS 39 and the 'to be' IFRS 9 driven processes for classification, measurement, impairment and disclosure/reporting for financial instruments is planned. The above mentioned financial impact assessments and the simulated IFRS 9-driven outputs throughout the parallel run will bear an inherent degree of approximation, that is expected to reduce along with different IFRS 9-driven functionalities being implemented, tested and transferred from testing to the bank's operating systems, at the level of each affected group entity before the first application in 2018. Reliable quantitative estimates of the IFRS 9 impacts are expected to be available throughout 2017 and will be disclosed accordingly.

On this basis, Erste Group upholds its previous expectations that this standard will have a significant effect on balance sheet items and measurement methods for financial instruments.

In the area of classification and measurement, Erste Group concluded that part of its loan portfolio will have to be measured at fair value through profit or loss, due to the contractual cash flow characteristics. Thus, mitigation activities have been undertaken across the relevant entities of the Group in respect of the affected lending products in order to reduce this portfolio. As a result of these activities it is currently expected that such measurement would finally be mostly limited to loans bearing interest rates featuring imperfections (e.g. rates linked to secondary market rates for bonds) that might not pass quantitative testing required by the standard. On the other hand, some debt securities currently measured at fair value through other comprehensive income may be measured at amortised cost due to the 'held-to-collect contractual cash flows' business model applied to them. Otherwise no significant changes are expected based on the business model criterion. This is because financial assets held-for-trading will continue to be measured at fair value through profit or loss and SPPI-compliant loans will part of the business model of holding assets in order to collect contractual cash flows and will continue to be measured at amortised cost.

In the area of expected credit loss modelling and ensuing impairment loss, the Group believes that one of the key drivers of the expected impact from adopting the new impairment model required by IFRS 9 is the assessment of significant increase in credit risk for exposures that are not identified as credit-impaired. In this respect, across portfolios and product types, quantitative indicators defined for assessing significant increase in credit risk will include adverse change in lifetime probability of default and days-past-due status. Qualitative indicators will include specific early-warning-system risk- or forbearance-type flag or work-out transfer flag being assigned. Some of the qualitative indicators (assignments of some specific flag types) will inherently rely on experienced credit risk judgment being exercised adequately and timely. The related group-wide and entity-level credit risk controlling policies and procedures (most of them already in place, some of them in progress of being adapted in preparation for IFRS 9) will ensure the necessary governance framework. Besides the qualitative indicators defined on client level, it is planned to use and perform the assessment of significant increase in credit risk on portfolio level if the increase in credit risk on individual instrument or client level is only available with a certain time lag. The portfolio triggers should cover the increase in credit risk on portfolio level. However, the exact definition of such portfolio triggers has yet to be stabilized. Also, the Group believes that another significant driver of the expected impact from adopting the IFRS 9 impairment model required by IFRS 9 is incorporation of forward-looking macro-economic information. In this respect, the Group has developed a methodology for lifetime probabilities of default calculation that requires the application of a macroeconomic overlay. That is, the probabilities of default are modified by using a macroeconomic function as estimated for stress testing purposes (i.e. function linking selected macroeconomic variables with probabilities of default). In consideration of these methodological requirements, credit loss allowances are expected to increase significantly for non-defaulted exposures.

Also, the Group expects that the structure of the financial statements (both main components and explanatory notes) will have to be adapted, notably in the light of the new reporting and disclosure requirements of IFRS 7, as triggered by IFRS 9. Such adaptations would also consider any new regulatory reporting requirements (notably FINREP related) which EU or national regulators may contemplate as part of preparing for initial application of IFRS 9 at the level of the wider European and national banking sector.

**IFRS 15 Revenue from Contracts with Customers (IASB Effective Date: 1 January 2018).** IFRS 15 was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2018. Clarifications to IFRS 15 were issued in April 2016. IFRS 15 specifies how and when an entity recognises revenue from contracts with customers. It also requires such entities to provide users of financial statements with more informative and more relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Also in the areas of variable considerations and capitalisation of cost IFRS 15 provides modified regulations. The standard is not focused on recognition of revenues from financial instruments. Hence, on the basis of a first assessment, application of this standard is not expected to have a significant impact on Erste Group's financial statements. The analysis will be resumed in 2017.

**Amendments to IAS 7: Disclosure Initiative (IASB effective date: 1 January 2017).** Amendments to IAS 7 were issued in January 2016 and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Application of these amendments is not expected to result in new disclosures since financing activities in the cash flow statement of Erste Group relate only to equity and not to financial liabilities.

**IFRS 16 Leases (IASB Effective Date: 1 January 2019).** In January 2016, the IASB issued IFRS 16 being effective for annual periods beginning on or after 1 January 2019. IFRS 16 specifies the depiction of lease arrangements in the financial statements. Compared to the previous standard IAS 17, there is a fundamental alteration in respect of the recognition of operating leasing arrangements for the lessee. As defined in IFRS 16, the standard requires the lessee to recognize a right of use asset on the debit side of the balance sheet as well as a corresponding lease liability on the credit side of the balance sheet except for immateriality in cases of short term leasing arrangements and small ticket leasing arrangements for low-value assets. By contrast, accounting changes for the lessor are only minor compared to IAS 17. Compared to IAS 17 the notes will be much more comprehensive under IFRS 16.

In the fourth quarter of 2016 Erste Group launched a project to analyse existing systems and their adaption to the IFRS 16 requirements. The requirements will be implemented throughout 2017 and 2018. First estimates of the impact on Erste Group's financial statements are expected to be available in 2017.

**Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses (IASB effective date: 1 January 2017).** Amendments to IAS 12 were issued in January 2016 and are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can lead to deductible temporary differences. The amendments also clarify that not the carrying amount but the tax base of an asset is the relevant base for the estimate of future taxable profits and that the carrying amount is not the ceiling to be used for the calculation. When comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

**Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (IASB effective date: 1 January 2018).** Amendments to IFRS 2 were issued in June 2016 and are effective for annual periods beginning on or after 1 January 2018. The amendments clarify treatment for the effects of vesting conditions on a cash-settled share-based payment transaction, the classification of a share-based payment with net settlement features for withholding tax obligations and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

**Amendments to IAS 40: Transfers of Investment Property (IASB effective date: 1 January 2018).** Amendments to IAS 40 were issued in December 2016 and are effective for annual periods beginning on or after 1 January 2018. The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 and specify that such a transfer should only be made when there has been a change in use of the property. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

**Annual Improvements to IFRSs 2014-2016 Cycle (IASB effective date: 1 January 2017 and 1 January 2018).** In December 2016, the IASB issued a set of amendments to various standards. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

**IFRIC 22: Foreign Currency Transactions and Advance Consideration (IASB effective date: 1 January 2018).** IFRIC 22 was issued in December 2016 and is effective for annual periods beginning on or after 1 January 2018. The interpretation relates to considerations denominated in a foreign currency received or paid in advance of the recognition of the related asset, expense or income. It clarifies, that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability in such cases. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Application of the interpretation is not expected to have a significant impact on Erste Group's financial statements.



## C. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND THE BALANCE SHEET OF ERSTE GROUP

### 1. Net interest income

in EUR million	1-12 15	1-12 16
<b>Interest income</b>		
Financial assets - held for trading	817.5	701.6
Financial assets - at fair value through profit or loss	2.9	9.1
Financial assets - available for sale	469.6	423.9
Financial assets - held to maturity	580.2	552.0
Loans and receivables	4,447.8	4,177.0
Derivatives - hedge accounting, interest rate risk	86.7	-5.9
Other assets	21.0	27.7
<b>Total interest income</b>	<b>6,425.7</b>	<b>5,885.3</b>
<b>Interest expenses</b>		
Financial liabilities - held for trading	-604.1	-433.2
Financial liabilities - at fair value through profit or loss	-43.9	-55.4
Financial liabilities measured at amortised cost	-1,676.1	-1,369.1
Derivatives - hedge accounting, interest rate risk	359.9	393.2
Other liabilities	-25.7	-29.4
<b>Total interest expense</b>	<b>-1,989.9</b>	<b>-1,493.9</b>
Negative interest from financial liabilities	21.9	24.9
Negative interest from financial assets	-13.1	-41.7
<b>Net interest income</b>	<b>4,444.7</b>	<b>4,374.5</b>

For financial assets or liabilities that are not measured at fair value through profit or loss, the total interest income amounted to EUR 5,180.5 million (2015: EUR 5,518.6 million) and the total interest expense to EUR 1,398.5 million (2015: EUR 1,701.8 million). Net interest income for these items is therefore EUR 3,782.0 million (2015: EUR 3,816.8 million).

Since December 2014, important benchmark interest rates – particularly Euribor – became negative. Since Euro is the functional currency for Erste Group, this development affected interest income and interest expense of the Group. Negative interest from financial liabilities and financial assets are shown in a separate line. The amounts relate to the interbank business only.

## 2. Net fee and commission income

in EUR million	1-12 15	1-12 16
Securities	187.8	164.4
Own issues	22.4	22.5
Transfer orders	159.1	132.6
Other	6.2	9.2
Clearing and settlement	0.0	6.5
Asset management	251.2	256.4
Custody	80.5	78.2
Fiduciary transactions	2.2	2.8
Payment services	887.7	867.5
Card business	216.9	187.7
Other	670.8	679.8
Customer resources distributed but not managed	168.7	159.4
Collective investment	16.3	15.5
Insurance products	111.5	103.8
Building society brokerage	17.7	17.1
Foreign exchange transactions	20.3	22.7
Other	2.9	0.2
Structured finance	0.0	0.0
Servicing fees from securitization activities	0.0	0.0
Lending business	198.2	176.5
Guarantees given, guarantees received	62.8	59.8
Loan commitments given, loan commitments received	32.6	25.0
Other lending business	102.8	91.7
Other	85.6	71.2
<b>Net fee and commission income</b>	<b>1,861.8</b>	<b>1,783.0</b>
Fee and commission income	2,341.1	2,225.6
Fee and commission expenses	-479.3	-442.6

## 3. Dividend income

in EUR million	1-12 15	1-12 16
Financial assets - held for trading	0.5	0.6
Financial assets - at fair value through profit or loss	4.2	4.7
Financial assets - available for sale	38.3	34.6
Dividend income from equity investments	6.9	5.4
<b>Dividend income</b>	<b>49.9</b>	<b>45.2</b>

## 4. Net trading and fair value result

in EUR million	1-12 15	1-12 16
Net trading result	178.2	283.8
Securities and derivatives trading	-82.4	37.2
Foreign exchange transactions	266.9	233.8
Result from hedge accounting	-6.4	12.8
Result from financial assets and liabilities designated at fair value through profit or loss	31.9	-11.5
Result from measurement/sale of financial assets designated at fair value through profit or loss	0.3	-2.5
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	31.7	-9.0
<b>Net trading and fair value result</b>	<b>210.1</b>	<b>272.3</b>

The amounts of the fair value changes that are attributable to changes in own credit risk is presented in Note 32 Financial liabilities – at fair value through profit and loss. Additional information to hedge relationships are described in detail in Note 45 Hedge accounting.

## 5. Rental income from investment properties & other operating leases

in EUR million	1-12 15	1-12 16
Investment properties	80.0	93.0
Other operating leases	107.9	114.3
<b>Rental income from investment properties &amp; other operating leases</b>	<b>187.9</b>	<b>207.2</b>

## 6. General administrative expenses

in EUR million	1-12 15	1-12 16
<b>Personnel expenses</b>	<b>-2,244.6</b>	<b>-2,339.3</b>
Wages and salaries	-1,687.3	-1,748.7
Compulsory social security	-433.1	-456.3
Long-term employee provisions	-19.0	-18.0
Other personnel expenses	-105.2	-116.3
<b>Other administrative expenses</b>	<b>-1,179.3</b>	<b>-1,235.8</b>
Deposit insurance contribution	-99.6	-88.8
IT expenses	-286.5	-339.3
Expenses for office space	-237.7	-242.4
Office operating expenses	-114.6	-111.5
Advertising/marketing	-167.4	-162.4
Legal and consulting costs	-130.8	-151.7
Sundry administrative expenses	-142.7	-139.6
<b>Depreciation and amortisation</b>	<b>-445.0</b>	<b>-453.1</b>
Software and other intangible assets	-163.2	-166.1
Owner occupied real estate	-74.4	-82.0
Investment properties	-105.9	-106.7
Customer relationships	-6.2	-5.1
Office furniture and equipment and sundry property and equipment	-95.4	-93.2
<b>General administrative expenses</b>	<b>-3,868.9</b>	<b>-4,028.2</b>

Personnel expenses include expenses of EUR 48.1 million (2015: EUR 48.9 million) for defined contribution plans, of which EUR 1.7 million (2015: EUR 1.8 million) relate to members of the management board.

## Average number of employees during the financial year (weighted according to the level of employment)

	1-12 15	1-12 16
Domestic	15,579	15,833
Erste Group, EB Oesterreich and subsidiaries	8,381	8,595
Haftungsverbund savings banks	7,199	7,238
Abroad	30,917	31,122
Česká spořitelna Group	10,536	10,371
Banca Comercială Română Group	7,071	7,120
Slovenská sporiteľňa Group	4,232	4,247
Erste Bank Hungary Group	2,900	2,902
Erste Bank Croatia Group	2,840	2,935
Erste Bank Serbia Group	978	992
Savings banks subsidiaries	1,202	1,251
Other subsidiaries and foreign branch offices	1,158	1,305
<b>Total</b>	<b>46,496</b>	<b>46,955</b>

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

in EUR million	1-12 15	1-12 16
From sale of financial assets available for sale	84.3	157.2
From sale of financial assets held to maturity	1.7	3.4
From sale of loans and receivables	-2.0	-0.1
From repurchase of liabilities measured at amortised cost	17.0	-12.5
<b>Gains/losses from disposal of financial assets and liabilities not measured at fair value through profit or loss, net</b>	<b>100.9</b>	<b>148.0</b>

The carrying amount of investments in equity instruments measured at cost that were sold during the period was EUR 0.9 million (2015: EUR 0.4 million). The resulting gain on sale was EUR 3.3 million (2015: EUR 0.2 million).

In June 2016 Erste Group sold its shares in VISA Europe Ltd. which resulted in a gain related to the sale of shares of EUR 138.7 million included in the line item 'Gains/losses from sale of financial assets available for sale'.

In the line item 'From sale of financial assets available for sale' an income from 2015 in the amount of EUR 13.6 million (reclassification of the available for sale reserve from other comprehensive income) is shown, which was realized due to the sale of shares in a foreign private equity fund.

## 8. Net impairment loss on financial assets

in EUR million	1-12 15	1-12 16
Financial assets - available for sale	-62.2	-10.0
Loans and receivables	-666.5	-184.2
Allocation to risk provisions	-2,620.1	-2,089.9
Release of risk provisions	1,839.0	1,720.8
Direct write-offs	-167.0	-226.2
Recoveries recorded directly to the income statement	281.7	411.1
Financial assets - held to maturity	-0.4	-1.4
<b>Net impairment loss on financial assets</b>	<b>-729.1</b>	<b>-195.7</b>

In 2015, in the line item 'Financial assets - available for sale' an impairment of an equity holding was shown, in amount of EUR 30.0 million.

## 9. Other operating result

in EUR million	1-12 15	1-12 16
Result from properties/movables/other intangible assets other than goodwill	-33.0	-54.5
Allocation to/release of other provisions	-243.0	-97.8
Allocation to/release of provisions for commitments and guarantees given	-63.0	-28.1
Levies on banking activities	-236.2	-388.8
Banking tax	-198.4	-351.2
Financial transaction tax	-37.8	-37.6
Other taxes	-27.6	-19.8
Impairment of goodwill	0.0	-61.3
Result from other operating expenses/income	-32.8	-14.7
<b>Other operating result</b>	<b>-635.6</b>	<b>-665.0</b>

Operating expenses (including repair and maintenance) for 'Investment properties' not held for rental income totalled to EUR 1.0 million (2015: EUR 1.3 million). Operating expenses (including repair and maintenance) for 'Investment properties' held for rental income totalled to EUR 13.6 million (2015: EUR 10.9 million).

The amount of impairment loss on assets held for sale recognised in the result from other operating expenses/income is EUR 29.5 million (2015: EUR 3.8 million).

In result of properties/moveables/other intangible assets, the impairment losses of property plant and equipment, investment properties, intangible assets and foreclosed assets are included.

The main classes of assets affected by impairment losses can be summarized as:

- \_ the intention to sell fixed assets and accordingly their re-measurement before reclassifying them based on IFRS 5,
- \_ not fully occupied buildings that triggered a lower recoverable amount
- \_ recurring measurement for foreclosed assets at the balance sheet date and
- \_ recurring measurement for internally used items of property at the balance sheet date and
- \_ concessions and other intangibles for which measurable economic benefits are no longer expected in the future

## Recovery and Resolution Fund

In the line 'Result from other operating expenses/income' contributions to the national resolution funds payable in 2015 for the first time in the amount of EUR 65.6 million (2015: EUR 51.3 million) are disclosed. The contributions are based on the European Recovery and Resolution Directive, which, inter alia, establishes a financing mechanism for the resolution of credit institutions. As a consequence, banks are required to contribute annually to a resolution fund, which in a first step is installed on a national level. According to these regulations, until 31 December 2024 the available financial means of the resolution funds shall reach at least 1% of the amount of covered deposits of all the credit institutions authorized within the European Union. Therefore the resolution funds have to be built over a period of 10 years, during which the contributions shall be spread out as even as possible until the target level is reached. The application of the Directive in the European member state requires the transposition into national law. In Czech Republic the Recovery and Resolution Directive was implemented into national law in 2016, therefore subsidiaries in Czech Republic paid for the first time contributions to resolution funds in 2016. All the remaining subsidiaries have already paid the corresponding contributions in 2015.

#### One-time payment according to Stability Tax Act in Austria

In December 2016, an amendment of the Stability Tax Act, which regulates banking levies in Austria, was approved. According to the legislative amendment, the amount of the current banking levies ('banking tax') was reduced, and furthermore a single one-time payment was prescribed. In this respect, the one-time payment is to be fully paid in 2017, or 25% per year from 2017 until 2020. However according to IFRIC 21, the obligating event for the recognition of a liability to pay the one-time payment already existed in 2016. As a consequence Erste Group recognised an expense of EUR 200.9 million which is disclosed in the line item 'Levies on banking activities'.

#### Impairment of goodwill

In Slovakia, the increase of regulatory charges – banking tax was not decreased due to an update of the related law during the year 2016 – leads to higher future expenses. Further to this, a new law limiting the early repayment fee to be charged by banks led to a massive repricing of the housing loan portfolio. In addition to the lasting low interest rate environment and the strong competition, this led to a decrease of the budgeted results and further to the a partial impairment of the goodwill for Slovenská sporiteľňa a.s. ('SLSP') in 2016.

#### Provision for litigations in Romania

In addition, an allocation of provision is shown in the balance sheet item 'additions / reversals - Other provisions' for risks related to Romanian consumer protection claims Act amounting to EUR 62.3 million. In 2015: EUR 101.6 million were allocated.

#### Foreign currency denominated loans in Croatia

In September 2015 the Croatian Parliament adopted changes in the legislation that allows debtors of Swiss franc loans to convert their loans into euro loans at an exchange rate, which corresponds to the exchange rate at the time of origination of the loans. The purpose of these legislative changes is, that the debtors of Swiss franc loans are placed by their banks in the same position that they would have been in had their loans, from inception, been denominated in euros. The amendments came into force as of 30 September 2015. Due to the amendments, a provision was built to cover the related expected losses amounting to EUR 129.5 million and is shown in the line 'Allocation to/release of other provisions'. In 2016, the provision was almost used.

### 10. Taxes on income

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

in EUR million	1-12 15	1-12 16
Current tax expense / income	-367.8	-363.4
current period	-354.4	-338.3
prior period	-13.4	-25.1
Deferred tax expense / income	3.8	-50.2
current period	4.9	-39.8
prior period	-1.1	-10.4
<b>Total</b>	<b>-363.9</b>	<b>-413.6</b>

The following table reconciles the income taxes reported in the income statement to the pre-tax profit/loss multiplied by the nominal Austrian tax rate.

in EUR million	1-12 15	1-12 16
Pre-tax profit/loss	1,639.1	1,950.4
Income tax expense for the financial year at the domestic statutory tax rate (25%)	-409.8	-487.6
Impact of different foreign tax rates or imposition of new taxes	62.2	98.4
Impact of tax-exempt earnings of investments and other tax-exempt income	108.1	108.2
Tax increases due to non-deductible expenses, additional business tax and similar elements	-121.1	-88.0
Impact of the goodwill impairment recognized on Group level	0.0	-15.3
Impact from taxable participation impairment / reversal eliminated upon consolidation (before related valuation assessment) and outside basis differences	-25.8	-105.7
Tax loss carry-forward non-recoverable at the end of the prior period, reducing the current tax expense for the current period	9.6	17.1
Current period's impairment of deferred tax assets previously recognized through profit or loss in connection with temporary deductible differences	-24.0	-1.6
Current period's impairment of deferred tax assets previously recognized in connection with tax loss carry-forward not yet expired	-3.9	-2.5
Current period's impairment of deferred tax assets previously recognized in connection with tax loss carry-forward, due to expiring of the legally available carry-forward period	-0.4	-0.1
Current period's recognition/reversal of impairment through profit or loss of deferred tax assets in connection with temporary deductible differences non-recoverable at the end of the prior period	117.7	116.3
Current period's recognition/reversal of impairment of deferred tax assets in connection with not yet used/not expired tax loss carry-forward non-recoverable at the end of the prior period	33.1	29.0
Impact of current non-recoverable fiscal losses and temporary differences for the year	-95.1	-40.8
Tax income/(expense) not attributable to the reporting period	-14.5	-35.5
Tax income/(expense) out of changes of the tax rate	0.0	-5.5
<b>Total</b>	<b>-363.9</b>	<b>-413.6</b>

The following table shows the tax effects relating to each component of other comprehensive income:

in EUR million	1-12 15			1-12 16		
	Before-tax amount	Tax benefit	Net-of-tax amount	Before-tax amount	Tax benefit	Net-of-tax amount
Available for sale-reserve	-31.6	27.7	-3.9	-4.6	4.4	-0.2
Cash flow hedge-reserve	-27.4	8.2	-19.2	-13.3	4.4	-8.9
Remeasurement of net liability of defined pension plans	101.0	-33.6	67.4	-36.1	-9.1	-45.2
Currency translation	91.0	0.0	91.0	28.8	0.0	28.8
<b>Other comprehensive income</b>	<b>133.0</b>	<b>2.3</b>	<b>135.3</b>	<b>-25.2</b>	<b>-0.3</b>	<b>-25.5</b>

Taxes on income within other comprehensive income referring to the positions net liability of defined pension plans and to available for sale-reserve are influenced by the consideration of impairment effects. Besides, the change of deferred taxes on the available for sale-reserve is influenced by differences of tax rates applicable on contrary changes within the available for sale-reserve.

## 11. Appropriation of profit

For the year 2016, Erste Group Bank AG posted a post-tax profit of EUR 1,111.5 million under the Austrian accounting regulations, which increased its distributable capital accordingly (2015: EUR 872.7 million post-tax profit).

Consequently, a dividend distribution amounting to EUR 1.0 per share will be proposed at the forthcoming annual general meeting of Erste Group Bank AG (2015: EUR 0.5 per share dividend distribution).

## 12. Cash and cash balances

in EUR million	Dec 15	Dec 16
Cash on hand	2,794	3,738
Cash balances at central banks	7,328	13,333
Other demand deposits	2,228	1,282
<b>Cash and cash balances</b>	<b>12,350</b>	<b>18,353</b>

A portion of 'Balances with central banks' represents mandatory reserve deposits amounting to EUR 2,552.6 million (2015: EUR 1,382.4 million). These are not available for use in the day-to-day operations of Erste Group.

### 13. Derivatives – held for trading

in EUR million	Dec 15 restated			Dec 16		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
<b>Derivatives held in the trading book</b>	<b>165,591</b>	<b>4,673</b>	<b>4,360</b>	<b>160,050</b>	<b>4,364</b>	<b>3,754</b>
Interest rate	125,615	4,139	4,109	119,263	3,940	3,503
Equity	820	21	6	685	25	8
Foreign exchange	38,256	476	205	39,538	386	225
Credit	532	3	6	324	1	5
Commodity	368	35	35	240	13	12
Other	0	0	0	0	0	0
<b>Derivatives held in the banking book</b>	<b>37,620</b>	<b>1,008</b>	<b>1,524</b>	<b>32,436</b>	<b>916</b>	<b>1,407</b>
Interest rate	17,657	737	908	16,347	675	902
Equity	2,632	106	68	2,820	113	76
Foreign exchange	16,179	121	534	12,328	87	418
Credit	542	13	11	460	11	10
Commodity	67	1	0	1	0	0
Other	543	30	2	480	31	1
<b>Total gross amounts</b>	<b>203,211</b>	<b>5,682</b>	<b>5,884</b>	<b>192,486</b>	<b>5,281</b>	<b>5,161</b>
Offset		-379	-450		-806	-977
<b>Total</b>		<b>5,303</b>	<b>5,434</b>		<b>4,475</b>	<b>4,185</b>

Due to improvements in systems nominal values for options (mainly caps) with a fair value of zero are included in the table for the first time. The amounts of the comparative period 2015 have been adjusted accordingly.

Erste Group undertakes a part of interest rate derivative transactions via London Clearing House. Consequently, those derivatives are shown net of the respective cash collaterals in the balance sheet in accordance with the criteria described in Chapter 'B. Significant accounting policies'.

### 14. Other trading assets

in EUR million	Dec 15	Dec 16
Equity instruments	253	80
Debt securities	3,159	3,128
General governments	2,393	2,322
Credit institutions	393	496
Other financial corporations	120	141
Non-financial corporations	254	169
Loans and advances	4	268
<b>Other trading assets</b>	<b>3,416</b>	<b>3,476</b>

### 15. Financial assets - at fair value through profit or loss

in EUR million	Dec 15	Dec 16
Equity instruments	183	144
Debt securities	176	333
General governments	5	31
Credit institutions	159	298
Other financial corporations	12	5
Non-financial corporations	0	0
Loans and advances	0	3
<b>Financial assets - at fair value through profit or loss</b>	<b>359</b>	<b>480</b>

## 16. Financial assets - available for sale

in EUR million	Dec 15	Dec 16
Equity instruments	1,456	1,364
Debt securities	19,307	18,522
General governments	13,169	12,778
Credit institutions	2,779	2,478
Other financial corporations	796	742
Non-financial corporations	2,564	2,524
<b>Financial assets - available for sale</b>	<b>20,763</b>	<b>19,886</b>

The carrying amount of investments in equity instruments measured at cost is EUR 36 million (2015: EUR 71 million). Of this, Erste Group intends to dispose of investments in carrying amount of EUR 4 million (2015: EUR 6 million) through direct sales.

## 17. Financial assets – held to maturity

in EUR million	Gross carrying amount		Collective allowances		Net carrying amount	
	Dec 15	Dec 16	Dec 15	Dec 16	Dec 15	Dec 16
General governments	16,050	17,700	-1	-2	16,049	17,699
Credit institutions	1,010	1,022	-1	-1	1,009	1,021
Other financial corporations	194	177	0	0	194	177
Non-financial corporations	449	375	-1	-1	448	374
<b>Total</b>	<b>17,703</b>	<b>19,274</b>	<b>-2</b>	<b>-4</b>	<b>17,701</b>	<b>19,270</b>

## 18. Securities

in EUR million	Dec 15					Dec 16				
	Loans and advances to customers and credit institutions	Trading assets	Financial assets			Loans and advances to customers and credit institutions	Trading assets	Financial assets		
			At fair value through profit or loss	Available for sale	Held to maturity			At fair value through profit or loss	Available for sale	Held to maturity
<b>Bonds and other interest-bearing securities</b>	<b>434</b>	<b>3,159</b>	<b>176</b>	<b>19,307</b>	<b>17,701</b>	<b>289</b>	<b>3,128</b>	<b>333</b>	<b>18,522</b>	<b>19,270</b>
Listed	0	2,866	141	18,209	16,875	0	2,630	303	17,230	18,464
Unlisted	434	293	35	1,098	826	289	498	31	1,292	806
<b>Equity-related securities</b>	<b>0</b>	<b>253</b>	<b>183</b>	<b>1,385</b>	<b>0</b>	<b>0</b>	<b>80</b>	<b>144</b>	<b>1,328</b>	<b>0</b>
Listed	0	235	34	683	0	0	57	15	771	0
Unlisted	0	18	149	702	0	0	22	129	557	0
Equity holdings at cost	0	0	0	71	0	0	0	0	36	0
<b>Total</b>	<b>434</b>	<b>3,413</b>	<b>359</b>	<b>20,763</b>	<b>17,701</b>	<b>289</b>	<b>3,208</b>	<b>477</b>	<b>19,886</b>	<b>19,270</b>

Investment funds are disclosed within equity-related securities.

Held-to-maturity financial assets include bonds and other interest-bearing securities that are quoted in active markets and are intended to be held to maturity. Securities lending and repurchase transactions are disclosed in Note 42 Transfers of financial assets – repurchase transactions and securities lending.

During the financial year 2016, bond investments with a carrying amount of EUR 390.8 million (2015: EUR 349.6 million) were reclassified from the category Financial assets – held to maturity to Financial assets – available for sale, of which EUR 389.6 million (2015: EUR 334.5 million) was sold up to year-end. Reclassifications (and subsequent sales) in the amount of EUR 150.4 million (2015: EUR 320.0 million) were made considering that the related securities were maturing within 3 months from the sale dates

Consequently, a total net effect of EUR 3.2 million (2015: EUR 4.2 million) was recognised in the income statement for the year, whilst a further effect of EUR 0.1 million (2015: EUR 0.2 million) was reflected in other comprehensive income in respect of reclassified bonds not yet sold at year-end.



## 19. Loans and receivables to credit institutions

### Loans and receivables to credit institutions

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
<b>As of 31 December 2016</b>				
Debt securities	199	0	-1	198
Central banks	0	0	0	0
Credit institutions	199	0	-1	198
Loans and advances	3,279	-2	-5	3,272
Central banks	666	0	0	665
Credit institutions	2,614	-2	-5	2,606
<b>Total</b>	<b>3,478</b>	<b>-2</b>	<b>-6</b>	<b>3,469</b>
<b>As of 31 December 2015</b>				
Debt securities	268	0	-1	267
Central banks	0	0	0	0
Credit institutions	268	0	-1	267
Loans and advances	4,551	-9	-4	4,538
Central banks	1,260	0	0	1,260
Credit institutions	3,290	-9	-3	3,278
<b>Total</b>	<b>4,819</b>	<b>-9</b>	<b>-5</b>	<b>4,805</b>

In the balance sheet, loans and receivables to credit institutions are disclosed with the carrying amount net of any impairments.

### Allowances for loans and receivables to credit institutions

in EUR million	As of Dec 15	Allocations	Use	Releases	Interest income from impaired loans	Exchange rate and other changes (+/-)	As of Dec 16	Amounts written off	Recoveries of amounts previously written off
<b>Specific allowances</b>	<b>-8</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>-2</b>	<b>-12</b>	<b>5</b>
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 advances	-8	0	7	0	0	-1	-2	-12	5
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-8	0	7	0	0	-1	-2	-12	5
<b>Collective allowances</b>	<b>-5</b>	<b>-7</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>-5</b>	<b>0</b>	<b>0</b>
Debt securities	-2	0	0	1	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	0	0	1	0	0	-1	0	0
Loans and advances	-3	-7	0	6	0	0	-5	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-4	-7	0	6	0	0	-5	0	0
<b>Total</b>	<b>-13</b>	<b>-8</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>-1</b>	<b>-7</b>	<b>-12</b>	<b>5</b>
	<b>As of Dec 14</b>						<b>As of Dec 15</b>		
<b>Specific allowances</b>	<b>-15</b>	<b>0</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>-8</b>	<b>-8</b>	<b>7</b>
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 advances	-15	0	5	1	0	0	-8	-8	7
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-15	0	5	1	0	0	-8	-8	7
<b>Collective allowances</b>	<b>-3</b>	<b>-12</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>-2</b>	<b>-5</b>	<b>0</b>	<b>0</b>
Debt securities	-1	0	0	0	0	0	-2	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	0	0	0	0	0	-2	0	0
Loans and advances	-2	-12	0	13	0	-2	-3	0	0
Central banks	0	-2	0	2	0	0	0	0	0
Credit institutions	-2	-10	0	10	0	-2	-4	0	0
<b>Total</b>	<b>-17</b>	<b>-12</b>	<b>5</b>	<b>14</b>	<b>0</b>	<b>-2</b>	<b>-13</b>	<b>-8</b>	<b>7</b>

## 20. Loans and receivables to customers

### Loans and receivables to customers

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
<b>As of 31 December 2016</b>				
Debt securities with customers	92	0	-1	91
General governments	58	0	0	58
Other financial corporations	0	0	0	0
Non-financial corporations	34	0	-1	33
Loans and advances to customers	135,175	-3,887	-725	130,564
General governments	7,350	-6	-13	7,332
Other financial corporations	3,643	-94	-23	3,526
Non-financial corporations	58,273	-2,207	-401	55,664
Households	65,909	-1,580	-288	64,042
<b>Total</b>	<b>135,267</b>	<b>-3,887</b>	<b>-726</b>	<b>130,654</b>
<b>As of 31 December 2015</b>				
Debt securities with customers	183	-14	-2	167
General governments	67	0	-1	66
Other financial corporations	0	0	0	0
Non-financial corporations	116	-14	-1	102
Loans and advances to customers	131,723	-5,262	-731	125,729
General governments	7,433	-6	-14	7,412
Other financial corporations	5,030	-154	-26	4,849
Non-financial corporations	56,112	-3,194	-424	52,495
Households	63,148	-1,907	-268	60,973
<b>Total</b>	<b>131,906</b>	<b>-5,276</b>	<b>-733</b>	<b>125,897</b>

In the balance sheet, loans and receivables to customers are disclosed with the carrying amount net of any impairments.

## Allowances for loans and receivables to customers

in EUR million	As of Dec 15	Allocations	Use	Releases	Interest income from impaired loans	Exchange rate and other changes (+/-)	As of Dec 16	Amounts written off	Recoveries of amounts previously written off
<b>Specific allowances</b>	<b>-5,276</b>	<b>-1,596</b>	<b>1,671</b>	<b>1,222</b>	<b>106</b>	<b>-14</b>	<b>-3,887</b>	<b>-215</b>	<b>406</b>
Debt securities with customers	-14	0	12	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	-14	0	12	2	0	0	0	0	0
Loans and advances to customers	-5,262	-1,596	1,660	1,220	106	-14	-3,887	-215	406
General governments	-7	-1	0	3	0	-1	-6	0	0
Other financial corporations	-154	-31	57	21	3	10	-94	0	0
Non-financial corporations	-3,195	-907	1,159	672	50	14	-2,207	-148	233
Households	-1,907	-657	444	525	53	-38	-1,580	-67	172
<b>Collective allowances</b>	<b>-733</b>	<b>-486</b>	<b>0</b>	<b>492</b>	<b>0</b>	<b>2</b>	<b>-726</b>	<b>0</b>	<b>0</b>
Debt securities with customers	-2	-3	0	4	0	0	-1	0	0
General governments	-2	0	0	1	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	-3	0	3	0	0	-1	0	0
Loans and advances to customers	-731	-483	0	488	0	2	-725	0	0
General governments	-14	-11	0	13	0	-1	-13	0	0
Other financial corporations	-26	-19	0	21	0	1	-23	0	0
Non-financial corporations	-424	-214	0	231	0	5	-401	0	0
Households	-268	-239	0	223	0	-4	-288	0	0
<b>Total</b>	<b>-6,009</b>	<b>-2,082</b>	<b>1,671</b>	<b>1,714</b>	<b>106</b>	<b>-12</b>	<b>-4,613</b>	<b>-215</b>	<b>406</b>

	As of Dec 14						As of Dec 15		
<b>Specific allowances</b>	<b>-6,723</b>	<b>-2,168</b>	<b>2,222</b>	<b>1,347</b>	<b>162</b>	<b>-116</b>	<b>-5,276</b>	<b>-159</b>	<b>274</b>
Debt securities with customers	-13	-1	0	1	0	-1	-14	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	-13	-1	0	1	0	0	-14	0	0
Loans and advances to customers	-6,710	-2,168	2,222	1,346	162	-115	-5,262	-159	274
General governments	-6	-3	2	2	0	-1	-7	0	0
Other financial corporations	-142	-47	22	27	4	-18	-154	-3	2
Non-financial corporations	-4,134	-1,272	1,295	897	81	-61	-3,195	-123	179
Households	-2,428	-846	904	421	77	-35	-1,907	-34	93
<b>Collective allowances</b>	<b>-768</b>	<b>-439</b>	<b>0</b>	<b>480</b>	<b>0</b>	<b>-6</b>	<b>-733</b>	<b>0</b>	<b>0</b>
Debt securities with customers	-2	0	0	0	0	0	-2	0	0
General governments	-1	0	0	0	0	0	-2	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-1	0	0	0	0	0	0	0	0
Loans and advances to customers	-766	-439	0	480	0	-6	-731	0	0
General governments	-14	-8	0	8	0	0	-14	0	0
Other financial corporations	-25	-16	0	18	0	-3	-26	0	0
Non-financial corporations	-440	-213	0	221	0	9	-424	0	0
Households	-287	-201	0	233	0	-12	-268	0	0
<b>Total</b>	<b>-7,491</b>	<b>-2,608</b>	<b>2,222</b>	<b>1,827</b>	<b>162</b>	<b>-121</b>	<b>-6,009</b>	<b>-159</b>	<b>274</b>

## 21. Impairment loss for financial instruments

The following table shows impairment losses according to the respective financial instruments. The disclosed amounts comprise allocations of risk provisions and provisions as well as direct write off expenses. However, releases of risk provisions and provisions together with recoveries on written-off loans are not included.

In EUR million	Dec 15	Dec 16	Position in statement of comprehensive income
Allocations to risk provisions	2,620	2,090	Net impairment loss on financial assets
Direct write offs	167	226	Net impairment loss on financial assets
<b>Impairment of loans and advances to credit institutions and customers</b>	<b>2,787</b>	<b>2,316</b>	<b>Net impairment loss on financial assets</b>
Financial assets - available for sale	63	10	Net impairment loss on financial assets
Financial assets - held to maturity	1	2	Net impairment loss on financial assets
Contingent credit risk liabilities	299	185	Other operating result (Note 9)
<b>Total</b>	<b>3,150</b>	<b>2,514</b>	

## 22. Derivatives – hedge accounting

in EUR million	Dec 15 restated			Dec 16		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
<b>Fair value hedges</b>	<b>25,457</b>	<b>2,108</b>	<b>601</b>	<b>22,378</b>	<b>1,980</b>	<b>586</b>
Interest rate	25,457	2,108	601	22,378	1,980	586
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Cash flow hedges</b>	<b>4,547</b>	<b>161</b>	<b>12</b>	<b>987</b>	<b>14</b>	<b>3</b>
Interest rate	4,000	160	10	987	14	3
Equity	0	0	0	0	0	0
Foreign exchange	547	0	2	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total gross amounts</b>	<b>30,004</b>	<b>2,269</b>	<b>614</b>	<b>23,365</b>	<b>1,994</b>	<b>589</b>
Offset		-77	-21		-570	-116
<b>Total</b>		<b>2,192</b>	<b>593</b>		<b>1,424</b>	<b>473</b>

Due to improvements in systems nominal values for options (mainly caps) with a fair value of zero are included in the table for the first time. The amounts of the comparative period 2015 have been adjusted accordingly.

Erste Group undertakes a part of interest rate derivative transactions via London Clearing House. Consequently, those derivatives are shown net of the respective cash collaterals in the balance sheet in accordance with the criteria described in chapter 'B. Significant accounting policies'.

## 23. Equity method investments

In EUR million	Dec 15	Dec 16
Credit institutions	87	84
Financial institutions	40	73
Non-credit institutions	39	36
<b>Total</b>	<b>167</b>	<b>193</b>

The table below shows the aggregated financial information of companies accounted for using the equity method:

in EUR million	Dec 15	Dec 16
Total assets	4,249	4,569
Total liabilities	3,761	4,042
Income	176	224
Profit/loss	42	30

None of Erste Group's investments accounted for using the equity method published price quotations.

#### Significant equity method investments where the Erste Group has strategic interest

in EUR million	Dec 15			Dec 16		
	Prvá stavebná	Let's Print Holding AG	VBV - Betriebliche Altersvorsorge AG	Prvá stavebná	Global Payments s.r.o.	VBV - Betriebliche Altersvorsorge AG
Country of Incorporation	Slovakia	Austria	Austria	Slovakia	Czech Republic	Austria
Place of business	Slovakia	Austria	Austria	Slovakia	Czech Republic	Austria
Main business activity	Financing building society	Printing Office	Insurance	Financing building society	Payment services	Insurance
Ownership% held	35%	42%	30%	35%	49%	30%
Voting rights held%	35%	42%	27%	35%	49%	27%
IFRS Classification (JV/A)	Associate	Associate	Associate	Associate	Associate	Associate
Reporting currency	Euro	Euro	Euro	Euro	Czech crowns	Euro
Dividend income received	0	0	7	0	0	6
Impairment loss recognized (cumulative basis)	0	0	0	0	0	0
Impairment loss recognized (for the reporting year)	0	0	0	0	0	0
Loan commitments, financial guarantees and other commitments given	0	0	0	0	0	0
<b>Investee's financial information for the reporting year</b>						
Cash and cash balances	0	6	8	0	2	9
Other current assets	367	34	9	602	51	8
Non-current assets	2,327	88	40	2,178	60	40
Current liabilities	635	26	0	732	54	0
Non-current liabilities	1,815	68	2	1,815	0	2
Operating Income	76	231	2	69	14	2
Post-tax result from continuing operations	25	5	7	17	1	6
Post-tax result from discontinued operations	0	0	0	0	0	0
Other comprehensive income	6	0	0	3	0	0
Total comprehensive income	31	5	7	19	1	6
Depreciation and amortization	-4	-9	0	-4	-4	0
Interest income	109	0	0	105	0	0
Interest expense	-49	-2	0	-50	0	0
Tax expense/income	-7	0	0	-6	-1	0
<b>Reconciliation of investee's net assets against equity investment's carrying amount</b>						
Net assets attributable to Erste Group	85	14	16	81	28	16
Carrying goodwill included in the cost of investment	0	2	0	0	0	0
Impairments (cumulative basis)	0	0	0	0	0	0
Carrying amount	85	16	16	81	28	16

In 2015, the carrying amount of the equity investment Let's Print Holding AG in the amount of EUR 16 million was disclosed in the balance sheet under item 'Assets held for sale' (please see also Note 29 Assets held for sale and liabilities associated with assets held for sale). The investments of Let's Print Holding were sold in 2016. The resulting gain on sale was EUR 2.3 million.

## Insignificant equity method investments

in EUR million	Dec 15		Dec 16	
	Associates	Joint Ventures	Associates	Joint Ventures
<b>Investees' aggregated key financial information</b>				
Post-tax result from continuing operations	6	0	8	0
Post-tax result from discontinued operations	0	0	0	0
Other comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	<b>7</b>	<b>0</b>	<b>8</b>	<b>0</b>
<b>Loan commitments, financial guarantees and other commitments given</b>				
	0	0	0	0
<b>Carrying amount</b>	<b>58</b>	<b>7</b>	<b>60</b>	<b>7</b>

## 24. Unconsolidated structured entities

Erste Group uses structured entities in the course of its business activity. The definition of structured entities as well as of interests in structured entities is outlined in chapter 'B. Significant Accounting Policies'.

### Investment funds

Direct investments in own-managed and third-party-managed investment funds as well as management fees earned for the management of investment funds by subsidiaries of Erste Group are classified as interests unconsolidated structured entities, if they are not consolidated.

**Direct investments in investment funds.** Erste Group is invested in several mutual funds as well as in private investment funds which are registered in Austria, Central- and Eastern Europe or other countries. The majority of those funds is managed by subsidiaries of Erste Group, the smaller part of the funds being managed by independent third parties. The investments in funds held by Erste Group do not constitute material investments (basically below 20%) and mostly take the form of redeemable fund unit investments. They are measured at fair value on the Group's balance sheet, and are disclosed as equity instruments either under line item 'Financial assets - available for sale' or 'Financial assets - held for trading'.

**Management Fees.** Moreover, Erste Group earns management fees for providing investment management services as fund manager (by subsidiaries of Erste Group); meaning for making the investment decision for the funds under management of the relevant investment fund.

The magnitude of the Group's equity interests in unconsolidated investment funds may vary in the future depending on the future performance of their respective underlying assets, relevant market circumstances and opportunities, or regulatory requirements.

In the normal course of business activity, the Group is involved in trading derivative transactions with own-managed unconsolidated funds. Also, for shorter or longer periods, some of the own-managed unconsolidated funds may make placements in debt securities issued by Erste Group entities or in bank deposits held with Erste Group banks. In limited instances, Erste Group Bank AG provides capital performance guarantees to unconsolidated own-managed funds.

### Securitization vehicles

Erste Group is also involved as an investor in a number of unconsolidated securitisation vehicles sponsored and managed by unrelated third parties in foreign jurisdictions. The interests of the Group in these entities mostly take the form of bond investments, the majority of which are classified as available for sale and therefore measured at fair value on the Group's balance sheet. Almost 99% of the exposure on unconsolidated securitisations relates to bond investments maturing beyond 1 year. At year end the remaining, weighted average maturity of those debt securities is slightly more than 8.5 years. The interests in securitization vehicles include Collateralized Debt Obligations (CDO), Collateralized Mortgage Obligations (CMO) and different kind of Asset Backed Securities (ABS).

### Others

To a lesser extent, Erste Group is also exposed (notably as lender) to unconsolidated structured entities having other business activities, primarily real estate project-based.

### Maximum exposure to unconsolidated structured entities

Erste Group's maximum exposure to losses from its interests in unconsolidated structured entities is equal to the total fair value of its fund units, bond investments, trading derivative assets, provided loans and off-balance sheet commitments and guarantees as of the respective balance sheet date.

The table below summarises the Group's business relations to unconsolidated structured entities per balance sheet line item, business activity and business location. The summary includes the assets identified as impaired at year-end, as well as related net impairment losses/gains incurred during the year. The carrying amounts of the exposures summarized below are mostly referring to assets already measured at fair value in the balance sheet of the Group. The carrying amounts of the remaining exposures (notably held to maturity investments) are materially similar to their fair values.

Dec 16	Investment Funds			Securitization vehicles				
in EUR million	Own-managed	Third-party managed	Total	Own-managed	Third-party managed	Total	Other	Total
Assets								
Equity instruments, thereof:	698	114	812	0	0	0	0	812
Available for sale	549	103	652	0	0	0	0	652
Fair value through profit or loss	149	11	160	0	0	0	0	160
Debt securities, thereof:	0	0	0	0	340	340	0	340
Available for sale	0	0	0	0	0	0	0	0
Fair value through profit or loss	0	0	0	0	0	0	0	0
Held to maturity	0	0	0	0	0	0	0	0
Loans and receivables	26	0	26	0	0	0	81	108
Trading derivatives	69	0	69	0	0	0	2	72
Total assets	793	114	907	0	340	340	84	1,331
thereof impaired	9	5	14	0	0	0	0	14
Net Impairment (losses)/gains for the year	0	0	0	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction								
Austria	739	24	763	0	0	0	84	847
Central and Eastern Europe	53	16	69	0	0	0	0	69
Other jurisdictions	0	74	74	0	340	340	0	414
	793	114	907	0	340	340	84	1,331
Liabilities								
Equity Instruments	145	0	145	0	0	0	0	145
Debt securities issued	299	0	299	0	0	0	3	302
Deposits	1,015	0	1,015	0	0	0	15	1,030
Trading derivatives	14	0	14	0	0	0	0	14
Total liabilities	1,472	0	1,472	0	0	0	19	1,491
Off balance-sheet commitments								
	0	0	0	0	0	0	5	5

The investments in unconsolidated securitization vehicles will presumably be sold in the next years.

Dec 15	Investment Funds			Securitization vehicles				
in EUR million	Own-managed	Third-party managed	Total	Own-managed	Third-party managed	Total	Other	Total
<b>Assets</b>								
Equity instruments, thereof:	579	289	868	0	1	1	0	868
Available for sale	499	188	687	0	1	1	0	688
Fair value through profit or loss	80	100	180	0	0	0	0	180
Debt securities, thereof:	1	0	1	0	639	639	0	640
Available for sale	0	0	0	0	0	0	0	0
Fair value through profit or loss	0	0	0	0	0	0	0	0
Held to maturity	0	0	0	0	0	0	0	0
Loans and receivables	30	0	30	0	0	0	87	117
Trading derivatives	13	0	13	0	0	0	3	16
Non-current equities held for sale	0	0	0	0	0	0	0	0
<b>Total assets</b>	<b>622</b>	<b>289</b>	<b>911</b>	<b>0</b>	<b>639</b>	<b>639</b>	<b>90</b>	<b>1,641</b>
thereof impaired	0	0	0	0	1	1	0	1
Net Impairment (losses)/gains for the year	0	-4	-4	0	0	0	0	-4
<b>On-balance sheet exposure analysis per jurisdiction</b>								
Austria	579	199	777	0	7	7	0	784
Central and Eastern Europe	43	21	65	0	50	50	90	205
Other jurisdictions	0	69	69	0	583	583	0	652
	<b>622</b>	<b>289</b>	<b>911</b>	<b>0</b>	<b>639</b>	<b>639</b>	<b>90</b>	<b>1,641</b>
<b>Liabilities</b>								
Equity Instruments	1	0	1	0	0	0	0	1
Debt securities issued	117	0	117	0	0	0	3	120
Deposits	1,104	0	1,104	0	0	0	14	1,118
Trading derivatives	26	0	26	0	0	0	0	26
<b>Total liabilities</b>	<b>1,248</b>	<b>0</b>	<b>1,248</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>1,265</b>
<b>Off balance-sheet commitments</b>	<b>126</b>	<b>0</b>	<b>126</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>131</b>



## 25. Non controlling interest

Dec 16		HV Savings Banks, thereof:		
in EUR million	Total	Sparkasse Oberösterreich	Sparkasse Steiermark	Sparkasse Kärnten
Country of Incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	Euro	Euro	Euro	Euro
Dividends paid to equity holders of the parent	46	4	4	1
Net result attributable to non-controlling interests	180	15	51	8
Accumulated NCI	3,691	462	824	205
<b>Subsidiary-level stand-alone key financial information</b>				
Current assets	14,446	4,119	2,192	563
Non-current assets	46,158	7,930	10,334	3,334
Current liabilities	37,145	8,364	6,328	1,756
Non-current liabilities	18,136	2,819	5,056	1,847
Operating income	1,525	283	311	108
Profit or loss from continuing operations	254	27	76	18
<b>Total comprehensive income</b>	<b>298</b>	<b>24</b>	<b>73</b>	<b>21</b>

Dec 15		HV Savings Banks, thereof:		
in EUR million	Total	Sparkasse Oberösterreich	Sparkasse Steiermark	Sparkasse Kärnten
Country of Incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	Euro	Euro	Euro	Euro
Dividends paid to equity holders of the parent	22	5	4	1
Net result attributable to non-controlling interests	282	33	63	15
Accumulated NCI	3,562	454	776	190
<b>Subsidiary-level stand-alone key financial information</b>				
Current assets	13,643	4,071	1,936	475
Non-current assets	46,378	7,982	10,854	3,309
Current liabilities	35,973	8,104	6,447	1,692
Non-current liabilities	18,913	3,101	5,275	1,818
Operating income	1,534	283	312	99
Profit or loss from continuing operations	382	65	96	21
<b>Total comprehensive income</b>	<b>424</b>	<b>84</b>	<b>100</b>	<b>28</b>

## 26. Property, equipment and Investment properties

### a) At cost

in EUR million	Property and equipment - Acquisition and production costs					
	Land and buildings (used by the Group)	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
<b>Balance as of 1 January 2015</b>	<b>2,704</b>	<b>982</b>	<b>632</b>	<b>532</b>	<b>4,849</b>	<b>1,432</b>
Additions in current year (+)	133	128	66	165	493	67
Disposals (-)	-73	-59	-73	-124	-328	-95
Acquisition of subsidiaries (+)	15	0	0	0	15	18
Disposal of subsidiaries (-)	-1	-2	-1	0	-3	-116
Reclassification (+/-)	9	-1	-2	-2	3	0
Assets held for sale (-)	-14	0	0	-4	-18	-131
Currency translation (+/-)	18	4	1	15	37	8
<b>Balance as of 31 December 2015</b>	<b>2,791</b>	<b>1,052</b>	<b>624</b>	<b>581</b>	<b>5,049</b>	<b>1,183</b>
Additions (+)	85	117	61	174	437	164
Disposals (-)	-114	-117	-88	-110	-429	-186
Acquisition of subsidiaries (+)	-1	1	0	0	0	416
Disposal of subsidiaries (-)	0	0	0	-8	-8	-170
Reclassification (+/-)	-7	7	1	-7	-6	8
Assets held for sale (-)	62	0	0	0	62	-34
Currency translation (+/-)	1	0	-1	7	6	1
<b>Balance as of 31 December 2016</b>	<b>2,817</b>	<b>1,061</b>	<b>597</b>	<b>638</b>	<b>5,112</b>	<b>1,383</b>

### b) Accumulated depreciation

in EUR million	Property and equipment - Accumulated depreciation					
	Land and buildings (used by the Group)	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
<b>Balance as of 1 January 2015</b>	<b>-1,065</b>	<b>-779</b>	<b>-530</b>	<b>-211</b>	<b>-2,585</b>	<b>-481</b>
Amortisation and depreciation (-)	-73	-51	-46	-68	-238	-26
Disposals (+)	48	29	66	64	206	37
Acquisition of subsidiaries (-)	0	0	0	0	0	0
Disposal of subsidiaries (+)	0	1	0	0	2	37
Impairment (-)	-30	-1	0	-4	-34	-9
Reversal of impairment (+)	3	0	0	2	5	0
Reclassification (+/-)	-5	0	2	2	-1	-2
Assets held for sale (+)	6	0	0	9	15	18
Currency translation (+/-)	-8	-2	-1	-6	-18	-4
<b>Balance as of 31 December 2015</b>	<b>-1,123</b>	<b>-802</b>	<b>-510</b>	<b>-212</b>	<b>-2,647</b>	<b>-429</b>
Amortisation and depreciation (-)	-81	-50	-45	-71	-247	-23
Disposals (+)	77	74	84	70	305	46
Acquisition of subsidiaries (-)	0	-1	0	0	-1	-42
Disposal of subsidiaries (+)	0	0	0	0	0	71
Impairment (-)	-53	0	0	0	-53	-3
Reversal of impairment (+)	2	0	0	0	2	7
Reclassification (+/-)	0	1	1	5	7	-6
Assets held for sale (+)	0	0	0	0	0	20
Currency translation (+/-)	0	0	2	-3	-2	0
<b>Balance as of 31 December 2016</b>	<b>-1,179</b>	<b>-778</b>	<b>-468</b>	<b>-211</b>	<b>-2,636</b>	<b>-360</b>

### c) Carrying amounts

in EUR million	Property and equipment - carrying amounts					
	Land and buildings (used by the Group)	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
<b>Balance as of 31 December 2015</b>	<b>1,668</b>	<b>250</b>	<b>114</b>	<b>369</b>	<b>2,402</b>	<b>753</b>
<b>Balance as of 31 December 2016</b>	<b>1,638</b>	<b>283</b>	<b>129</b>	<b>427</b>	<b>2,477</b>	<b>1,023</b>

The carrying amount of investment properties includes investment properties under operating leases in the amount of EUR 178 million (2015: EUR 159 million).

In the reporting period, borrowing costs of EUR 1.3 million (2015: EUR 6.3 million) were capitalised. The related interest rate was 0.1% (2015: from 0.5% to 3.1%).

The carrying amount of expenditures recognised in the items fixed assets and investment properties during their construction are EUR 26.4 million (2015: EUR 51.5 million). The contractual commitments for purchase of fixed assets are EUR 11.5 million (2015: EUR 81.4 million).

In 2015, the new headquarter of Erste Group Austria has been completed. As a result, EUR 72.5 million in land and buildings and EUR 38 million in office and plant equipment as well as other fixed assets are recorded as acquisitions during the reporting period. Further acquisitions in office and plant equipment and other fixed assets are related to the new equipment of branches of Erste Bank Oesterreich in the amount of EUR 11.8 million.

In 2016 land and buildings were impaired in the amount of EUR 51 million (2015: EUR 22 million) in Česká spořitelna a.s.. As of 31 December 2015, the recoverable amount of these impaired assets amounted to EUR 10.7 million.

## 27. Intangible assets

### a) At cost

in EUR million	Intangible assets - Acquisition and production costs						Total
	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	
<b>Balance as of 1 January 2015</b>	<b>3,932</b>	<b>774</b>	<b>291</b>	<b>1,268</b>	<b>419</b>	<b>408</b>	<b>7,092</b>
Additions in current year (+)	0	1	0	119	87	6	213
Disposals (-)	0	0	0	-33	-12	-23	-69
Acquisition of subsidiaries (+)	0	0	0	1	0	1	2
Disposal of subsidiaries (-)	0	0	0	-1	-1	0	-2
Reclassification (+/-)	0	0	0	-6	4	-1	-3
Assets held for sale (-)	0	0	0	0	0	-1	-1
Currency translation (+/-)	-20	-6	-3	9	0	6	-13
<b>Balance as of 31 December 2015</b>	<b>3,912</b>	<b>769</b>	<b>288</b>	<b>1,356</b>	<b>498</b>	<b>396</b>	<b>7,219</b>
Additions (+)	0	0	0	136	45	9	190
Disposals (-)	0	-24	-2	-48	-54	-15	-142
Acquisition of subsidiaries (+)	0	0	0	0	0	0	0
Disposal of subsidiaries (-)	0	0	0	0	5	0	5
Reclassification (+/-)	0	0	0	-20	33	-16	-2
Assets held for sale (-)	0	0	0	0	0	0	0
Exchange-rate changes (+/-)	-6	-1	-1	2	0	0	-7
<b>Balance as of 31 December 2016</b>	<b>3,905</b>	<b>744</b>	<b>285</b>	<b>1,427</b>	<b>527</b>	<b>375</b>	<b>7,263</b>

### b) Accumulated depreciation

in EUR million	Intangible assets - Accumulated depreciation						Total
	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	
<b>Balance as of 1 January 2015</b>	<b>-3,161</b>	<b>-712</b>	<b>-291</b>	<b>-904</b>	<b>-306</b>	<b>-276</b>	<b>-5,650</b>
Amortisation and depreciation (-)	0	-6	0	-112	-37	-18	-173
Disposals (+)	0	0	0	21	12	21	53
Acquisition of subsidiaries (-)	0	0	0	0	0	0	0
Disposal of subsidiaries (+)	0	0	0	1	0	0	1
Impairment (-)	0	0	0	-1	-4	0	-5
Reversal of impairment (+)	0	0	0	0	0	0	0
Reclassification (+/-)	0	0	0	7	-3	-1	3
Assets held for sale (+)	0	0	0	0	0	0	1
Currency translation (+/-)	20	6	3	-6	0	-6	17
<b>Balance as of 31 December 2015</b>	<b>-3,142</b>	<b>-712</b>	<b>-288</b>	<b>-994</b>	<b>-338</b>	<b>-280</b>	<b>-5,753</b>
Amortisation and depreciation (-)	0	-5	0	-102	-48	-19	-174
Disposals (+)	0	24	2	48	41	12	127
Acquisition of subsidiaries (-)	0	0	0	-3	0	0	-3
Disposal of subsidiaries (+)	0	0	0	5	-5	0	0
Impairment (-)	-61	0	0	-4	-9	0	-74
Reversal of impairment (+)	0	0	0	0	0	0	0
Reclassification (+/-)	0	0	0	-5	-19	24	-1
Assets held for sale (+)	0	0	0	0	0	0	0
Currency translation (+/-)	6	2	1	-1	0	0	8
<b>Balance as of 31 December 2016</b>	<b>-3,197</b>	<b>-692</b>	<b>-285</b>	<b>-1,057</b>	<b>-378</b>	<b>-263</b>	<b>-5,872</b>

### c) Carrying amounts

in EUR million	Intangible assets - carrying amounts						Total
	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	
Balance as of 31 December 2015	771	57	0	362	159	116	1,464
Balance as of 31 December 2016	710	51	0	369	148	112	1,390

The contractual commitments for the purchase of intangible assets amount to EUR 3.7 million (2015: EUR 18.4 million).

As of 31 December 2016 the customer relationship Ringturm Kapitalanlagegesellschaft m.b.H. amounted to EUR 49 million (2015: EUR 53 million). The remaining amortization period of the customer relationship in Ringturm Kapitalanlagegesellschaft m.b.H. is 11.8 years.

In 2015 the customer relationship and distribution network of Erste Card Club d.o. o.Croatia was fully amortized.

#### Development of goodwill

The changes in the carrying amount of goodwill, as well as gross amounts and accumulated impairment losses of goodwill, for the years ended 31 December 2016 and 2015 are shown below by country of subsidiary:

in EUR million	Romania	Czech Republic	Slovakia	Hungary	Croatia	Austria	Other countries	Total
Balance as of 1 January 2015	0	545	226	0	0	0	0	771
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0	0	0
Exchange rate changes	0	-1	0	0	0	0	0	-1
Balance as of 31 December 2015	0	544	226	0	0	0	0	771
Gross amount of goodwill	2,251	544	226	313	114	363	120	3,931
Cumulative impairment	-2,251	0	0	-313	-114	-363	-120	-3,161
Balance as of 1 January 2016	0	545	226	0	0	0	0	771
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	0	0	-61	0	0	0	0	-61
Exchange rate changes	0	0	0	0	0	0	0	0
Balance as of 31 December 2016	0	544	165	0	0	0	0	710
Gross amount of goodwill	2,251	544	226	313	114	363	120	3,931
Cumulative impairment	-2,251	0	-61	-313	-114	-363	-120	-3,222

In the goodwill development summary presented above, all relevant entities (cash generating units) are grouped by country of domicile of the relevant subsidiaries.

The gross amounts of the goodwill elements presented above are the amounts as determined at the time of the related acquisitions, less accumulated impairments until 31 December 2016, including the effects of exchange rate changes.

The goodwill elements having a non-nil carrying amounts as of 31 December 2015 have been assessed for objective evidence of impairment on a quarterly basis throughout the year 2016. Due to the lack of objective evidence, the goodwill impairment assessment for the year 2016 addressed the following subsidiaries (cash generating units):

- \_ Česká spořitelna a.s. ('CSAS')
- \_ Slovenská sporiteľňa a.s. ('SLSP')

The analysis per subsidiary (cash generating unit) of both the carrying goodwill as at 31 December 2016 and of the impairment losses recognized for the year 2016 is presented in the table below. The table also summarizes the key elements of the approach taken in designing and performing the goodwill impairment test as at the end of 2016.

	CSAS	SLSP
Carrying amount of goodwill as of 1 January 2016	545	226
Effect of exchange rate changes for the year 2016	0	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)	
Key input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, $\beta$ Factor, Market Risk Premium	
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 0.90% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2016	
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 "European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements" published by the European Securities and Markets Authority (ESMA).	
Description of approach to determining values assigned to $\beta$ factor	Set as the median value of a group of levered $\beta$ factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2016.	
Description of approach to determining values assigned to market risk premium	Set at 7.0% throughout relevant Group's CGUs based on publicly available evaluations by the Austrian Chamber of Commerce (Kammer der Wirtschaftstreuhänder).	
Period of cash flow projection (years)	5 years (2017 - 2021); extrapolation to perpetuity based on Terminal Growth Rate	
Discount rate applied to cash flow projections (pre-tax)	12.6%	12.9%
The value assigned to $\beta$ Factor	1.16	1.16
Amount of goodwill impairment loss recognised in profit or loss for the year 2016	0	-61
Post-impairment carrying amount of goodwill as of 31 December 2016	544	165

In respect of the assessed cash generating units located outside the euro-zone, an inflation differential has been considered in the determination of the discount rates applicable to the related 2017-2021 cash flow projections.

The comparative summary at subsidiary-level as of 31 December 2015 is presented below:

	CSAS	SLSP
Carrying amount of goodwill as of 1 January 2015	545	226
Effect of exchange rate changes for the year 2015	0	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)	
Key input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, $\beta$ Factor, Market Risk Premium	
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 1.29% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2015	
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 "European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements" published by the European Securities and Markets Authority (ESMA).	
Description of approach to determining values assigned to $\beta$ factor	Set as the median value of a group of levered $\beta$ factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2015.	
Description of approach to determining values assigned to market risk premium	Set at 6.5% throughout relevant Group's CGUs based on publicly available evaluations by the Austrian Chamber of Commerce (Kammer der Wirtschaftstreuhänder).	
Period of cash flow projection (years)	5 years (2016 - 2020); extrapolation to perpetuity based on Terminal Growth Rate	
Discount rate applied to cash flow projections (pre-tax)	12.45%	12.90%
The value assigned to $\beta$ Factor	1.182	1.182
Amount of goodwill impairment loss recognised in profit or loss for the year 2015	-1	0
Post-impairment carrying amount of goodwill as of 31 December 2015	544	226

In connection with those tested cash-generating units for which no goodwill impairment loss was determined as of 31 December 2016, the table below summarizes the outcome of the sensitivity analysis performed to determine by how much the key input parameters into the applied discounted cash flow models would need to vary in order to cause the unit's calculated recoverable amount to equal its related carrying amount:

Growth rates	CSAS
Amount by which recoverable amount exceeds carrying amount	1,435
Risk free rate increase that would cause recoverable amount to equal carrying amount (basis points)	2,29%
Terminal growth rate decrease that would cause recoverable amount to equal carrying amount (basis points)	-7,94%
β factor increase that would cause recoverable amount to equal carrying amount (coefficient value)	0.327
Market risk premium increase that would cause recoverable amount to equal carrying amount (basis points)	1,97%

As of 31 December 2015, the comparative sensitivity analysis figures were as follows:

Growth rates	CSAS	SLSP
Amount by which recoverable amount exceeds carrying amount	2,568	668
Risk free rate increase that would cause recoverable amount to equal carrying amount (basis points)	4.52%	3.05%
Terminal growth rate decrease that would cause recoverable amount to equal carrying amount (basis points)	-19.23%	-13.27%
β factor increase that would cause recoverable amount to equal carrying amount (coefficient value)	0.695	0.469
Market risk premium increase that would cause recoverable amount to equal carrying amount (basis points)	3.82%	2.58%

## 28. Tax assets and liabilities

in EUR million	Tax assets 2016	Tax assets 2015	Tax liabilities 2016	Tax liabilities 2015	Net variance 2016		
					Total	Through profit or loss	Through other compre- hensive income
Temporary differences relate to the following items:							
Loans and advances to credit institutions and customers	197	238	-48	-38	-51	-51	0
Financial assets - available for sale	19	12	-300	-245	-47	-52	4
Property and equipment (useful life in tax law different)	29	31	-20	-27	5	5	0
Amortisation of investments in subsidiaries (tax-effective in subsequent years)	53	47	0	-9	15	15	0
Financial liabilities measured at amortized cost (deposits and debt securities issued)	81	172	-18	0	-110	-110	0
Long-term employee provisions (tax valuation different)	116	94	-3	-3	21	31	-9
Other provisions (tax valuation different)	77	56	-6	-8	23	23	0
Tax loss carry-forward	77	101	0	0	-19	-19	0
Customer relationships, brands and other intangibles	5	0	-37	-15	-17	-17	0
Other	731	629	-787	-822	132	124	4
Effect of netting gross deferred tax position	-1,152	-1,071	1,152	1,071	0	0	0
Total deferred taxes	234	310	-68	-96	-48	-50	0
Current taxes	124	119	-66	-90	30	-363	0
Total taxes	358	429	-133	-186	-19	-414	0

The deferred tax positions presented above at the granularity level of their respective underlying sources (these are: temporary differences between the IFRS-accounting and the tax values of assets and liabilities, and accumulated tax losses) are measured prior to subsidiary-level balance-sheet netting of attributable gross deferred tax assets and gross deferred tax liabilities and before consideration of consolidation effects. Also, except for the deferred tax assets attributable to tax loss carry-forward and to amortisation of investments in subsidiaries (tax-effective in subsequent years), that the impacts of the impairment recordings of the afore-described recoverability assessments could be distinctly allocated to, the amounts presented above are before those impacts of impairment recordings on the respective potential deferred tax asset positions, that are calculated at entity level.

The remaining effects of impairment, that could not be distinctly allocated to the issue-related deferred tax positions in the table above and also the consolidation effects, are included in the row 'Other' together with the other deferred tax positions not being shown separately in the table above.

Out of the total net amount of EUR 48 million (2015: EUR 12 million) representing the year-on-year variance in the Group's consolidated net deferred tax position, an amount of EUR 50 million (2015: EUR 4 million) is reflected as net deferred tax expense in the Group's income statement for the year 2016, whilst an amount of EUR 0.3 million (2015: EUR 2 million) represents the impact in the Group's other comprehensive income for the year. The remaining EUR 2 million (2015: EUR 6 million) is attributable to other categories of variances in the consolidated net deferred tax position notably due to foreign exchange differences and changes in the scope of consolidation.

The Group's consolidated deferred tax asset position in amount of EUR 234 million as at 31 December 2016 (2015: EUR 310 million) is expected to be recoverable in the foreseeable future. In spite of losses in the current or prior period for the components of the group af-

pected this recoverability is also expected to be the case for their amounts of deferred tax assets which are exceeding their deferred tax liabilities by an amount of EUR 16 million as at 31 December 2016 (2015: EUR 218 million). These expectations result from year-end recoverability assessments undertaken by the Group's entities, either at individual level, or at relevant tax group level. Such assessments are comparing net temporary deductible differences and available fiscal losses at year-end – after offsetting with deferred tax liabilities at individual level or at relevant tax group level - with fiscal profit forecasts for a group-wide unified and unchanged time horizon of a maximum 5 years depending on the fiscal jurisdiction and applicable facts and circumstances. If the result of these assessments is negative, the deferred tax asset positions are correspondingly not recorded and the already existing deferred tax asset positions are correspondingly depreciated.

In 2016 for the Group as a whole there was a decrease in the net deferred tax assets in comparison to 2015. The effect mainly results from substantial tax loss consumption in Croatia and Romania. In addition, in Slovakia, Croatia and Hungary due to change of tax rate the total deferred tax assets decreased by EUR 5.5 million. Further information on total tax expense is provided in Note 10.

In accordance with IAS 12.39, no deferred tax liabilities were recognized for temporary differences relating to investments in subsidiaries with an amount of EUR 1,134 million (31 December 2015: EUR 1,517 million), as they are not expected to reverse in the foreseeable future. As at 31 December 2016, no deferred tax assets were recognized for tax loss carry-forward and deductible temporary differences with a total amount of EUR 5,290 million, of which EUR 2,163 million relates to tax loss carry-forward (31 December 2015: EUR 5,960 million, of which EUR 3,361 million relates to tax loss carry-forward), as they are not expected to be realized in the foreseeable future. The figure comprises an amount of EUR 1,511 million (31 December 2015: EUR 241 million) representing temporary differences in connection with investments in subsidiaries no deferred tax assets have been recognized for in accordance with IAS 12.44.

From the total of the not recorded deferred tax assets related to tax loss carry-forward in the following period EUR 1 million will expire (31 December 2015: EUR 1 million) and in later periods EUR 76 million (31 December 2015: EUR 148 million), EUR 341 million (31 December 2015: EUR 620 million) will not expire.

## 29. Assets held for sale and liabilities associated with assets held for sale

in EUR million	Dec 15	Dec 16
Assets held for sale	526	279
Liabilities associated with assets held for sale	578	5

As of the end of 2016, 'Assets held for sale' include mainly land and buildings in amount of EUR 163 million (2015: EUR 381 million).

For the assets which have been classified under IFRS 5 since the year 2015, the twelve-month deadline had been exceeded. Despite of intense sales negotiations and the related sales intentions, circumstances that had been outside the control of Erste Group occurred, and had prevented the sale of the assets until the end of the twelve-month period. The sales process could not be completed in 2016. For this reason, the classification in accordance with IFRS 5 has been reversed in accordance with the applicable requirements. The assets concerned, in amount of EUR 73, were reclassified to the original balance sheet items. The effect of the adjustment of the carrying amount of the assets upon the reclassification was a loss of EUR 1.1 million included in the other operating result.

Having met the qualifying criteria of IFRS 5, Sparkasse Bank Malta plc is presented in Erste Group consolidated financial statement for the financial year ending 31 December 2015 as a disposal group held for sale. The assets and liabilities of Sparkasse Bank Malta plc are disclosed under the balance sheet line items 'Assets held for sale' and 'Liabilities associated with assets held for sale'. In compliance with the disclosure requirements of IFRS 5, the assets and liabilities of Sparkasse Bank Malta plc were not reclassified in the statements of financial positions of previous periods. Prior to the reclassification as a disposal group held for sale in the consolidated balance sheet of Erste Group, an impairment test of the non-financial assets of Sparkasse Bank Malta plc according to IAS 36 was performed. According to this impairment test, no impairment was recognized for the non-financial assets of the disposal group. The gain resulted from this transaction was EUR 2.9 million and was shown in position 'Other operating income'.

### 30. Other assets

in EUR million	Dec 15	Dec 16
Prepayments and accrued income	197	177
Inventories	270	253
Sundry assets	750	590
<b>Other assets</b>	<b>1,217</b>	<b>1,020</b>

‘Sundry assets’ consist mainly of clearing items from the settlement of securities and payment transactions as well as advanced payments for assets under construction. Project development companies are shown in position inventories.

The amount of any write-down of inventories recognised as an expense in the period amounted to EUR 12 million (2015: EUR 3 million).

### 31. Other trading liabilities

in EUR million	Dec 15	Dec 16
Short positions	382	366
Equity instruments	191	240
Debt securities	191	126
Debt securities issued	51	59
Sundry trading liabilities	0	152
<b>Other trading liabilities</b>	<b>434</b>	<b>577</b>

The decrease in other trading liabilities concerns deposits which were classified as financial liabilities held for trading.

### 32. Financial liabilities – at fair value through profit and loss

in EUR million	Carrying amount		Amount repayable		Delta between carrying amount and amount repayable	
	Dec 15	Dec 16	Dec 15	Dec 16	Dec 15	Dec 16
<b>Financial liabilities - at fair value through profit or loss</b>	<b>1,907</b>	<b>1,763</b>	<b>1,880</b>	<b>1,720</b>	<b>26</b>	<b>43</b>
Deposits from banks	0	0	0	0	0	0
Deposits from customers	149	74	150	74	(1)	(0)
Debt securities issued	1,758	1,689	1,731	1,646	27	43
Other financial liabilities	0	0	0	0	0	0

#### Fair value changes that are attributable to changes in own credit risk

in EUR million	For reporting period		Cumulative amount	
	1-12 15	1-12 16	Dec 15	Dec 16
<b>Financial liabilities - at fair value through profit or loss</b>	<b>-8.7</b>	<b>18.0</b>	<b>40.5</b>	<b>57.1</b>
Deposits from banks	0.0	0.0	0.0	0.0
Deposits from customers	-0.9	-0.1	0.3	0.1
Debt securities issued	-7.8	18.2	40.3	57.0
Other financial liabilities	0.0	0.0	0.0	0.0

In 2016 the fair value of ‘financial liabilities at fair value through profit or loss’ increased due to changes in own credit risk in the amount of EUR 18.0 million (2015: decrease of EUR 8.7 million). The cumulative increase due to the change of own credit risk amounts to EUR 57.1 million as of 31 December 2016 (31 December 2015: EUR 40.5 million).



## Debt securities issued

In EUR million	Dec 15	Dec 16
Subordinated liabilities	423	556
Subordinated issues and deposits	423	556
Hybrid issues	0	0
Other debt securities issued	1,335	1,133
Bonds	953	763
Certificates of deposit	0	0
Registered bonds/other certificates	74	69
Mortgage covered bonds	308	302
Public sector covered bonds	0	0
Other	0	0
<b>Debt securities issued</b>	<b>1,758</b>	<b>1,689</b>

## 33. Financial liabilities measured at amortised costs

### Deposits from banks

in EUR million	Dec 15	Dec 16
Overnight deposits	3,272	3,557
Term deposits	9,665	9,540
Repurchase agreements	1,275	1,534
<b>Deposits from banks</b>	<b>14,212</b>	<b>14,631</b>

### Deposits from customers

in EUR million	Dec 15	Dec 16
<b>Overnight deposits</b>	<b>73,716</b>	<b>85,707</b>
Savings deposits	19,066	21,873
General governments	0	0
Other financial corporations	191	267
Non-financial corporations	1,154	1,344
Households	17,721	20,262
Non-savings deposits	54,651	63,834
General governments	3,398	4,637
Other financial corporations	4,402	4,774
Non-financial corporations	16,625	19,288
Households	30,225	35,135
<b>Term deposits</b>	<b>53,671</b>	<b>52,076</b>
Deposits with agreed maturity	48,842	46,925
Savings deposits	34,142	32,091
General governments	0	0
Other financial corporations	1,060	757
Non-financial corporations	1,447	1,333
Households	31,635	30,001
Non-savings deposits	14,700	14,834
General governments	1,764	1,740
Other financial corporations	2,153	2,460
Non-financial corporations	3,006	3,214
Households	7,776	7,420
Deposits redeemable at notice	4,829	5,151
General governments	0	1
Other financial corporations	69	70
Non-financial corporations	163	69
Households	4,597	5,011
<b>Repurchase agreements</b>	<b>410</b>	<b>156</b>
General governments	304	52
Other financial corporations	11	0
Non-financial corporations	95	104
Households	0	0
<b>Deposits from customers</b>	<b>127,797</b>	<b>137,939</b>
<b>General governments</b>	<b>5,466</b>	<b>6,429</b>
<b>Other financial corporations</b>	<b>7,886</b>	<b>8,327</b>
<b>Non-financial corporations</b>	<b>22,490</b>	<b>25,353</b>
<b>Households</b>	<b>91,955</b>	<b>97,829</b>

## Debt securities issued

in EUR million	Dec 15	Dec 16
Subordinated liabilities	5,815	5,542
Subordinated issues and deposits	5,461	5,542
Hybrid issues	354	0
Other debt securities issued	22,081	19,960
Bonds	11,355	9,762
Certificates of deposit	120	441
Other certificates of deposits/name certificates	1,138	847
Mortgage covered bonds	7,699	7,351
Public sector covered bonds	1,559	1,456
Other	209	103
<b>Debt securities issued</b>	<b>27,896</b>	<b>25,503</b>

In 1998, Erste Group Bank AG launched a EUR 30,000,000,000 Debt Issuance Programme (DIP). The current DIP is a programme for issuing debt instruments in various currencies and maturities with a limited range of interest rate structures. In 2016, 55 DIP new bonds with a total volume of approximately EUR 1.23 billion were issued under the DIP.

In July 2014, the Credit Linked Notes Programme was implemented. In 2016, 21 new bonds with a total volume of EUR 29 million were issued. At the same time the Equity Linked Notes Programme was implemented, under which 130 new bonds with a total volume of EUR 240 million were issued.

Furthermore, secured and senior unsecured registered notes ('Namenspfandbriefe' and 'Namensschuldverschreibungen'), as well as other bonds that were not part of the above mentioned programmes were issued with a volume of EUR 17.2 million.

Starting with August 2008, the Euro Commercial Paper and Certificates of Deposit Programme has an overall volume of EUR 10 billion. In all, 16 issues amounting to EUR 384 billion were placed in 2016. Issues totalling approximately EUR 384 billion were redeemed over the same period.

Erste Group Bank AG, through its branch in NY and through its fully consolidated subsidiary Erste Finance Delaware LLC, issues commercial papers and certificates of deposit into the US money market. The Dollar Certificate of Deposit Program of the New York branch has a maximum issuance volume of EUR 4.74 billion (USD 5 billion), with a total balance as of 31 December 2016 of EUR 212 million (USD 223 million). The Dollar Commercial Paper Program of Erste Finance Delaware LLC has a maximum issuance volume of EUR 7.12 billion (USD 7.5 billion), with a total balance as of 31 December 2016 of EUR 227 million (USD 239 million).

## 34. Provisions

in EUR million	Dec 15	Dec 16
Long-term employee provisions	1,010	969
Pending legal issues and tax litigation	258	332
Commitments and guarantees given	297	339
Provisions for guarantees - off balance sheet (defaulted customers)	179	208
Provisions for guarantees - off balance sheet (non-defaulted customers)	118	131
Other provisions	171	62
Provisions for onerous contracts	5	4
Other	166	58
<b>Provisions</b>	<b>1,736</b>	<b>1,702</b>

## a) Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee payments	Total
<b>Present value of long-term employee benefit obligations, 31 Dec 2012</b>	<b>823</b>	<b>410</b>	<b>76</b>	<b>1,309</b>
<b>Present value of long-term employee benefit obligations, 31 Dec 2013</b>	<b>787</b>	<b>395</b>	<b>76</b>	<b>1,258</b>
<b>Present value of long-term employee benefit obligations, 31 Dec 2014</b>	<b>858</b>	<b>466</b>	<b>87</b>	<b>1,411</b>
Increase from acquisition of subsidiaries	0	0	0	0
Decrease from disposal of subsidiaries	0	0	0	0
Settlements	0	0	0	0
Curtailments	0	0	0	0
Service cost	0	14	6	20
Interest cost	17	10	2	29
Payments	-69	-20	-7	-96
Exchange rate difference	0	0	0	0
Components recognised in other comprehensive income (Remeasurements)	-	-	0	-
Actuarial gains/losses arising from changes in financial assumptions	-64	-35	0	-99
Actuarial gains/losses arising from changes from experience assumptions	1	-5	0	6
Actuarial gains/losses recognised in income	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	0	0	1	1
Actuarial gains/losses arising from changes from experience assumptions	0	0	-2	-2
<b>Present value of long-term employee benefit obligations, 31 Dec 2015</b>	<b>741</b>	<b>430</b>	<b>87</b>	<b>1,258</b>
Obligations covered by plan assets	0	215	33	248
Obligations covered by provisions	0	215	54	269
<b>Less fair value of plan assets</b>	<b>0</b>	<b>215</b>	<b>33</b>	<b>248</b>
<b>Provisions as of 31 Dec 2015</b>	<b>741</b>	<b>215</b>	<b>54</b>	<b>1,010</b>
<b>Present value of long-term employee benefit obligations, 31 Dec 2015</b>	<b>741</b>	<b>430</b>	<b>87</b>	<b>1,258</b>
Increase from acquisition of subsidiaries	0	0	0	0
Decrease from disposal of subsidiaries	0	0	0	0
Settlements	0	0	0	0
Curtailments	0	0	0	0
Service cost	0	12	5	17
Interest cost	17	10	2	29
Payments	-65	-22	-5	-92
Exchange rate difference	0	0	0	0
Components recognised in other comprehensive income (Remeasurements)	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	17	19	0	36
Actuarial gains/losses arising from changes from experience assumptions	4	-3	0	1
Actuarial gains/losses recognised in income	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	0	0	4	4
Actuarial gains/losses arising from changes from experience assumptions	0	0	-3	-3
<b>Present value of long-term employee benefit obligations, 31 Dec 2016</b>	<b>714</b>	<b>446</b>	<b>90</b>	<b>1,250</b>
Obligations covered by plan assets	0	233	48	281
Obligations covered by provisions	0	213	42	255
<b>Less fair value of plan assets</b>	<b>0</b>	<b>233</b>	<b>48</b>	<b>281</b>
<b>Provisions as of 31 Dec 2016</b>	<b>714</b>	<b>213</b>	<b>42</b>	<b>969</b>

## Actuarial assumptions

The actuarial calculation of pension obligations is based on the following assumptions:

in %	Dec 15	Dec 16
Interest rate	2.45	1.80
Expected increase in retirement benefits	1.70	1.50

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

The actuarial calculation of severance payment and jubilee provisions is based on the following assumptions:

in %	Dec 15	Dec 16
Interest rate	2.45	1.80
Average increase in salary (incl. career trend and collective agreement trend)	2.60	2.40

Obligations were calculated in accordance with the Pagler & Pagler mortality tables entitled 'AVÖ 2008 P – Rechnungsgrundlagen für die Pensionsversicherung'.

The effects of CEE countries are insignificant compared to Austrian entities for which the data is in the table. Interest rates in the following ranges were used for these countries 0.65% (previously: 2.25%) to 4.4% (previously: 4.4%).

The movement in plan assets during the reporting period was as follows:

in EUR million	Severance payments	Jubilee payments	Total
<b>Fair value of plan assets as of 31 December 2014</b>	<b>219</b>	<b>34</b>	<b>253</b>
Addition	0	0	0
Interest income on plan assets	4	1	5
Contributions by the employer	8	3	11
Benefits paid	-13	-5	-18
Return on plan assets recognised in other comprehensive income (excluding amounts already recognised in interest income) - remeasurements	-3	0	-3
Return on plan assets recognised in P&L	0	0	0
<b>Fair value of plan assets as of 31 December 2015</b>	<b>215</b>	<b>33</b>	<b>248</b>
Addition	16	15	31
Interest income on plan assets	5	1	6
Contributions by the employer	19	3	22
Benefits paid	-15	-4	-19
Return on plan assets recognised in other comprehensive income (excluding amounts already recognised in interest income) - remeasurements	-7	0	-7
Return on plan assets recognised in P&L	0	0	0
<b>Fair value of plan assets as of 31 December 2016</b>	<b>233</b>	<b>48</b>	<b>281</b>

In 2017, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 10.5 million (2016: EUR 9.8 million). The actual gain (loss) on plan assets amounted to EUR -1.2 million (2015: EUR 2.0 million).

### Investment strategy

The primary investment strategy of Erste Group is the continuous optimization of plan assets and the effective coverage of existing entitlements. The Group works with professional fund managers for the investment of plan assets. The Investment Fund Act applies as a requirement with respect to specific investment guidelines relating to the investment of plan assets.

Additionally, the Investment Committee which is composed of senior staff in the financial sector and representatives of the s-Versicherung and Erste Asset Management meets once a year.

Erste Group's severance payments and jubilee payments are partially covered by the fair value of plan assets, while defined benefit pension plans are not financed with segregated assets. Defined benefit pension plans only exist for already retired employees. More than 90% of the pension plans are dedicated for former employees of Austrian entities of Erste Group. In total the majority of plans are not matched with dedicated assets.

For the yearly pension payments of the unfunded defined benefit plans and the unfunded part of severance payments Erste Group generally takes care within its asset-liability management strategy covering the funding plan and interest rate risk position of the Group (The payments for 2017 are expected with EUR 79.2 million for both plans.)

The average duration of these provisions are assumed to be 11.01 years for severance payments and 8.57 years for defined benefit pension plans.

### Control and risk

The effective allocation of plan assets is determined by the administering body including the relevant existing economic and market conditions as well as considering specific risks of the individual asset classes and the risk profile. Moreover the Investment Committee is responsible for monitoring the mandate guidelines and the investment structure, the supervision, which may arise from regulatory or other legal requirements, as well as the monitoring of demographic changes. As an additional steering tool the fund management generates a report, which is transmitted on a quarterly basis to the Group. Overall, the Group tries to minimize the impact caused by market movements on the pension plans.

## Asset allocation in the different asset classes

The following table presents the asset allocation of pension plans in the different asset classes:

in EUR million	Dec 15					Dec 16				
	Europe- EMU	Europe- non EMU	USA	Other countries	Total	Europe- EMU	Europe- non EMU	USA	Other countries	Total
Cash and cash equivalents	0	0	0	0	23	0	0	0	0	17
Equity instruments	4	5	7	11	27	3	2	8	7	20
Investment-grade bonds										
Government	92	4	4	8	107	41	4	4	8	57
Non-government bonds	25	18	0	0	43	34	23	14	3	74
Non-investment-grade bonds										
Government	0	0	11	0	12	3	1	13	5	21
Non-government bonds	12	4	11	2	29	43	7	19	7	77
Alternatives										
Commodities	0	0	0	0	0	0	0	0	0	0
Other	0	1	0	4	6	1	0	0	5	6
Derivatives (Market risk)										
Interest rate risk	0	0	0	0	0	0	0	0	0	0
Credit risk	0	0	0	0	0	0	0	0	0	0
Equity price risk	0	0	0	0	0	0	0	0	0	0
Foreign exchange risk	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	2	0	0	0	0	8
<b>Plan assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>248</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>281</b>

In the table above, Investment-grade refers to BBB and above.

The following table presents profit or loss effects of defined post-employment benefit plans (pensions and severance payments).

in EUR million	Dec 15	Dec 16
Curtailments	0	0
Service cost	-20	-17
Net interest	-24	-23
<b>Total</b>	<b>-44</b>	<b>-40</b>

Curtailments and service costs are included in the income statement in the line item 'General administrative expenses'. Net interest is included in the income statement in the line item 'Net interest income'. In 2016, the cumulative amount of remeasurements recognised in other comprehensive income was EUR -508.1 million (2015: EUR -471.9 million).

## Sensitivity to key assumption

The following table presents a sensitivity analysis for each significant actuarial assumptions showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the balance sheet date.

in EUR million	Change- pensions	Change- severance payments	Total
Change in discount rate + 1.0 %	652	377	1,029
Change in discount rate -1.0 %	769	467	1,236
Change in future salary increases + 0.5 %	706	442	1,148
Change in future salary increases -0.5 %	706	397	1,103
Change in future benefit increases + 0.5 %	761	419	1,180
Change in future benefit increases -0.5 %	655	419	1,074
Increase in survival rate by approx. 10%	747	0	747

### Impact on cash flows

The following table reflects the benefits expected to be paid by the defined benefit plans in each of the respective periods:

in EUR million	Pensions	Severance payments	Total
2017	63	16	79
2018	60	15	75
2019	56	24	80
2020	53	34	87
2021	49	36	85
2022-2026	197	187	384

### Duration

The following table presents the weighted average duration of the defined-benefit obligations as of year-end 2016:

in years	Pensions	Severance payments	Total
Duration	8.57	11.01	9.48

## b) Sundry provisions

### Sundry provisions 2016

in EUR million	As of Dec 15	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes (+/-)	As of Dec 16
Pending legal issues and tax litigation	258	159	-9	-77	0	-1	330
Commitments and guarantees given	297	312	-1	-284	1	14	339
Provisions for guarantees - off balance sheet (defaulted customers)	179	185	-1	-169	1	12	208
Provisions for guarantees - off balance sheet (non-defaulted customers)	118	127	0	-116	0	2	132
Other provisions	171	25	-127	-7	0	-2	60
Provisions for onerous contracts	5	0	0	0	0	-1	5
Other	166	25	-128	-7	0	-2	54
<b>Provisions</b>	<b>725</b>	<b>496</b>	<b>-137</b>	<b>-368</b>	<b>2</b>	<b>11</b>	<b>729</b>

Under position pending legal issues and tax litigations out of lending business, asset management or litigations with customer protection association, which normally occur in banking business, are disclosed. In 2016, a provision for risks related to Romanian consumer protection claims Act was allocated in amount of EUR 62.3 million (2015: EUR 101.6 million). The total amount of the provision as of 31 December 2016 was EUR 156.2 million.

In 2015, among others, provisions were allocated for expected losses resulting from legislation requiring the conversion of customer loans (Swiss francs to euro) in Croatia and for contributions to the recovery and resolution fund. In 2016, the provision was almost fully used. For additional detail, please see Note 9 Other operating result.

The level of sundry provisions is the best possible estimate of expected outflow of economic benefits at the reporting date, while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. Risks and uncertainties are taken into account in the estimate.

## Sundry provisions 2015

in EUR million	As of Dec 14	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes (+/-)	As of Dec 15
Pending legal issues and tax litigation	164	141	-8	-38	0	-1	258
Commitments and guarantees given	240	299	-6	-236	1	-2	297
Provisions for guarantees - off balance sheet (defaulted customers)	141	172	-5	-129	1	-1	179
Provisions for guarantees - off balance sheet (non-defaulted customers)	99	127	0	-107	0	-1	118
Other provisions	83	255	-148	-39	0	20	171
Provisions for onerous contracts	5	1	0	0	0	-1	5
Other	77	255	-148	-39	0	21	166
<b>Provisions</b>	<b>488</b>	<b>695</b>	<b>-162</b>	<b>-313</b>	<b>1</b>	<b>16</b>	<b>725</b>

## 35. Other liabilities

in EUR million	Dec 15	Dec 16
Deferred income and accrued fee expenses	232	220
Sundry liabilities	2,084	2,716
<b>Other liabilities</b>	<b>2,317</b>	<b>2,936</b>

Sundry liabilities consist mainly of clearing items from the settlement of securities and payment transactions.

## 36. Total equity

in EUR million	Dec 15	Dec 16
Subscribed capital	860	860
Share capital	860	860
Additional paid-in capital	1,478	1,478
Retained earnings	8,668	10,122
<b>Owners of the parent</b>	<b>11,005</b>	<b>12,460</b>
Non-controlling interests	3,802	4,142
<b>Total</b>	<b>14,807</b>	<b>16,602</b>

As of 31 December 2016, subscribed capital (also known as registered capital) consists of 429.800.000 (2015: 429.800.000) voting bearer shares (ordinary shares). The pro rata amount of registered capital, per no-par value share, was EUR 2.00. Additional paid-in capital (or share premium) represents the amount by which the issue price of the shares exceeded their par value. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

### Additional tier 1 capital (AT1)

On June 2, 2016, Erste Group Bank AG issued additional tier 1 capital (AT1 bonds) with a total nominal value of EUR 500 million. These bonds include non-cumulative coupon payments of 8.875% per annum. The interest payments are carried out twice a year on 15 April and 15 October.

## Changes in number of shares and participation capital securities

Shares in units	Dec 15	Dec 16
<b>Shares outstanding as of 1 January</b>	<b>409,940,635</b>	<b>410,487,814</b>
Acquisition of treasury shares	-9,793,323	-6,974,500
Disposal of treasury shares	10,340,502	5,984,332
Capital increases due to ESOP and MSOP	0	0
Capital increase	0	0
<b>Shares outstanding as of 31 December</b>	<b>410,487,814</b>	<b>409,497,646</b>
Treasury shares	19,312,186	20,302,354
<b>Number of shares as of 31 December</b>	<b>429,800,000</b>	<b>429,800,000</b>
Weighted average number of shares outstanding	426,726,297	426,668,132
Dilution due to MSOP/ESOP	0	0
Dilution due to options	0	0
Weighted average number of shares taking into account the effect of dilution	426,726,297	426,668,132

## Transactions and shares held by the management board and supervisory board

The shares of management- and supervisory board member, whose office term began or ended during the financial year, held as at the date of inception or termination of their term in office were recognized as additions or disposals.

Information on shares held and transactions in Erste Group Bank AG shares by members of the management board (in number of shares):

Managing board member	Dec 15	Additions	Disposals	Dec 16
Andreas Treichl	164,640	0	0	164,640
Peter Bosek	1,000	0	0	1,000
Petr Brávek	0	0	0	0
Andreas Gottschling (until 31 December 2016)	0	0	0	0
Gernot Mittendorfer	10,000	0	0	10,000
Jozef Sikela	6,300	0	0	6,300

Supervisory board members held the following numbers of Erste Group Bank AG shares as of the balance sheet date of 31 December 2016:

Supervisory board member	Dec 15	Additions	Disposals	Dec 16
Friedrich Rödler	1,702	0	0	1,702
Jan Homan	4,400	0	0	4,400
Bettina Breiteneder	0	0	0	0
Elisabeth Bleyleben Koren	10,140	0	0	10,140
Gonzalo Gortázar Rotaèche (starting with 12 Mai 2015)	0	0	0	0
Gunter Griss	0	0	0	0
Maximilian Hardegg (starting with 12 May 2015)	40	0	0	40
Elisabeth Krainer Senger-Weiss	0	0	0	0
Antonio Massanell Lavilla (starting with 12 May 2015)	0	0	0	0
Brian D. O'Neill	0	0	0	0
Wilhelm Rasinger	18,303	3,000	0	21,303
John James Stack	32,761	0	0	32,761
Markus Haag	160	0	0	160
Regina Haberhauer (starting with 12 May 2015)	188	0	0	188
Andreas Lachs	52	0	0	52
Barbara Pichler	281	0	0	281
Jozef Pinter (starting with 25 June 2015)	0	0	0	0
Karin Zeisel	35	0	0	35

As of 31 December 2016, supervisory board members did not hold options in Erste Group Bank AG shares. Persons related to members of the management board or supervisory board held 3,366 shares (2015: 3,366 shares) of Erste Group Bank AG.

## Remaining authorised and contingent capital as of 31 December 2016

Clause 5 of the articles of association authorises the management board until 21 May 2019, to increase the registered capital of the company with the consent of the supervisory board – including in several tranches – by an amount of up to EUR 171,800,000 by issuing up to 85,900,000 voting no-par value bearer shares in return for contributions in cash and/or in kind, with the issue price and the issuing conditions being determined by the management board with the consent of the supervisory board.



Furthermore, the management board is authorized to fully or partly exclude the statutory subscription right of the shareholders with the consent of the supervisory board if the capital increase is in return for a cash contribution and the shares issued while excluding the subscription right of the shareholders, taken together, do not exceed EUR 43,000,000 and/or if the capital increase is in return for contributions in kind.

The measures in sections 5.1.1 (capital increase against cash contribution) to 5.1.2 (capital increase against contributions in kind) can also be combined. The aggregate pro rata amount of registered capital represented by shares in respect of which the shareholders' subscription rights are excluded under this authorization in section 5.1 (authorized capital) together with the pro rata amount of registered capital attributable to shares to which conversion or subscription rights or obligations relate under bonds that were issued and sold on the basis of the authorization in section 8.3, subject to an exclusion of subscription rights, on or after 21 May 2014 must not, however, exceed the amount of EUR 171,800,000.

Clause 6.3 of the articles of association states that conditional capital based on the resolutions of the management board in 2002 and 2010 with a nominal value of EUR 21,923,264 persists that can be consumed by issuing up to 10,961,632 ordinary bearer shares or ordinary registered shares (ordinary share) with an issue price of at least EUR 2.00 per share against cash contribution and by excluding the subscription rights of the current shareholders. This conditional capital is used for granting options to staff, management and members of the management board of the entity of one of its related undertakings.

Under clause 6.4 of the articles of association, the company has conditional capital of EUR 124,700,000.00 available, which may be utilized by issuing up to 62,350,000 pieces bearer shares. This conditional capital can be used for granting conversion or subscription rights to holders of convertible bonds. In case the terms and conditions of the convertible bonds provide for a mandatory conversion, it shall also serve to cover the mandatory conversion. The issue price and exchange ratio shall be determined pursuant to a recognized pricing method on the basis of accepted finance-mathematical methods and the share price of the company.

According to clause 7 of the articles of association, currently no authorized conditional capital exists.

### **37. Segment reporting**

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

Erste Group's segment reporting is based on the matrix organisation (business and geographical information) and provides comprehensive information to assess the performance of the business and geographical segments.

#### **Structural change**

Following a strategic review related to Erste Group's operating segments and the method used for capital allocation to the segments, changes were introduced in the segment reporting from 1 January 2016. To ensure comparability Erste Group has adjusted the segment reporting for all quarters of the financial year 2015.

The new segment structure is aligned with the new governance following last year's changes in the management board responsibilities. The number of business segments was reduced from nine to six, the entire corporate customer business is now shown in one segment. The geographical segmentation structure remained unchanged. All business and geographical segments were affected by the changes of the parameters used for capital allocation.

Details of the new segmentation as well as comparable figures for all the quarters of 2015 were published on 14 April 2016.

## Business segmentation

The segment reporting comprises six business segments reflecting Erste Group's management structure and its internal management reporting in 2016.



### Retail

The Retail segment comprises the business with private individuals, micros and free professionals within the responsibility of account managers in the retail network. This business is operated by the local banks in cooperation with their subsidiaries such as leasing and asset management companies with a focus on simple products ranging from mortgage and consumer loans, investment products, current accounts, savings products to credit cards and cross selling products such as leasing, insurance and building society products.

### Corporates

The Corporates segment comprises business activities with corporate customers of different turnover size (small and medium-sized enterprises, Local Large Corporate and Group Large Corporate customers) as well as commercial real estate and public sector business. Small and medium-sized enterprises are customers within the responsibility of the local corporate commercial center network, in general companies with an annual turnover ranging from EUR 0.7-3 million to EUR 25-75 million, the thresholds vary by country. Local Large Corporate customers are local corporates with a consolidated annual turnover exceeding a defined threshold between EUR 25 million to EUR 75 million, depending on the country, which are not defined as Group Large Corporate customers. Group Large Corporate customers are corporate customers/client groups with substantial operations in core markets of Erste Group with a consolidated annual turnover of generally at least EUR 500 million. Commercial Real Estate (CRE) covers business with real estate investors generating income from the rental of individual properties or portfolios of properties, project developers generating capital gains through sale, asset management services, construction services (applicable only for EGI) and own development for business purpose. Public Sector comprises business activities with three types of customers: public sector, public corporations and the non-profit sector.

### Group Markets

The Group Markets (GM) segment comprises trading and markets services as well as customer business with financial institutions. It includes all activities related to the trading books of Erste Group, including the execution of trade, market making and short-term liquidity management. In addition, it comprises business connected with servicing financial institutions as clients including custody, depository services, commercial business (loans, cash management, trade & export finance).

### Asset/Liability Management & Local Corporate Center

The Asset/Liability Management & Local Corporate Center (ALM & LCC) segment includes all asset/liability management functions – local and of Erste Group Bank AG (Holding) – 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 those savings banks which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector and in which Erste Group does not hold a majority stake but which are fully controlled according to IFRS 10. The fully or majority owned Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, and Sparkasse Hainburg are not part of the Savings Banks segment.

### 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), non-profit internal service providers (facility management, IT, procurement), the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments).

Goodwill impairment is also included in this segment. Thus in 2016 the goodwill impairment of Slovenská sporiteľňa amounted to EUR 61.3 million.

In 2016 the one-time payment of the banking tax to be made according to Stability Tax Act in Austria amounted to EUR 200.9 million. The following business segments were affected: segment Group Corporate Center in the amount of EUR 138.3 million, segment Savings Banks in the amount of EUR 32.6 million, segment Asset/Liability Management & Local Corporate Center in the amount of EUR 25.4 million and segment Corporates in the amount of EUR 4.6 million.

### Intragroup Elimination

Intragroup Elimination (IC) is not defined as a segment but is the reconciliation to the consolidated accounting result. It includes all intragroup eliminations between participations of Erste Group (e.g. intragroup funding, internal cost charges). Intragroup eliminations with partial groups are disclosed in the respective segments.

### Geographical segmentation

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

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 segment Other that comprises the remaining business activities of Erste Group outside its core markets as well as the reconciliation to the consolidated accounting result.

Erste Group – geographical segmentation								
Austria			Central and Eastern Europe					Other
EBOe & Subsidiaries	Savings Banks	Other Austria	Czech Republic	Slovakia	Romania	Hungary	Croatia	Serbia

The geographical area Austria consists of the following three segments:

- The **Erste Bank Oesterreich & Subsidiaries** (EBOe & Subsidiaries) segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).
- The **Savings Banks** segment is identical to the business segment Savings Banks.
- The **Other Austria** segment comprises Erste Group Bank AG (Holding) with its Corporates and Group Markets business, Erste Group Immorent AG and Erste Asset Management GmbH.

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

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

The residual segment **Other** 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), the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments). Asset/Liability Management of Erste Group Bank AG as well as the reconciliation to the consolidated accounting

result (e.g. intercompany eliminations, dividend eliminations) are also part of the segment Other. Goodwill impairment is also included in this segment. In 2016, the goodwill impairment of Slovenská sporiteľňa amounted to EUR 61.3 million.

In 2016, the one-time payment of the banking tax to be made according to Stability Tax Act in Austria amounted to EUR 200.9 million. The following geographical segments were affected: segment Other in the amount of EUR 138.3 million, segment Savings Banks in the amount of EUR 32.6 million and segment Erste Bank Oesterreich & Subsidiaries in the amount of EUR 30.0 million.

## 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 of Erste Group are based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the consolidated financial statements 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 capital 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 capital are disclosed per segment. For measuring and assessing the profitability of segments within Erste Group, such key measures as return on allocated capital and cost/income ratio are used.

Return on allocated capital is defined as net result for the period before minorities in relation to the average allocated capital of the respective segment. Cost/income ratio is defined 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)

in EUR million	Retail		Corporates		Group Markets		ALM&LCC	
	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16
Net interest income	2,211.5	2,198.2	1,004.4	1,015.6	221.8	212.1	34.3	-93.7
Net fee and commission income	1,012.8	958.4	262.9	259.1	198.6	203.7	-44.4	-64.4
Dividend income	1.5	2.5	-1.2	1.2	1.8	2.3	14.9	11.4
Net trading and fair value result	82.6	98.5	79.3	91.7	65.9	96.9	-62.1	-22.5
Net result from equity method investments	10.4	7.3	0.0	0.0	0.0	0.0	4.0	2.4
Rental income from investment properties & other operating leases	22.4	21.4	112.0	137.1	0.0	0.0	17.8	31.6
General administrative expenses	-1,859.5	-1,892.8	-552.4	-562.4	-225.6	-223.4	-86.1	-117.3
thereof depreciation and amortization	-193.0	-189.6	-68.4	-70.7	-21.5	-15.4	-13.1	-25.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.0	0.9	26.5	4.8	1.8	1.6	23.5	132.0
Net impairment loss on financial assets	-291.9	-19.1	-321.1	-61.9	13.1	11.4	-5.3	-9.6
Other operating result	-278.3	-111.7	-49.2	-14.9	-6.8	3.4	-168.3	-160.2
Levies on banking activities	-42.6	-43.5	-14.6	-19.1	-1.8	-1.7	-63.5	-62.2
<b>Pre-tax result from continuing operations</b>	<b>911.6</b>	<b>1,263.6</b>	<b>561.2</b>	<b>870.3</b>	<b>270.5</b>	<b>308.1</b>	<b>-271.6</b>	<b>-290.3</b>
Taxes on income	-198.4	-261.1	-126.6	-173.8	-56.3	-67.4	57.8	74.0
<b>Net result for the period</b>	<b>713.2</b>	<b>1,002.5</b>	<b>434.6</b>	<b>696.5</b>	<b>214.2</b>	<b>240.6</b>	<b>-213.8</b>	<b>-216.4</b>
Net result attributable to non-controlling interests	-6.4	37.9	17.6	43.5	4.9	5.0	2.9	-1.9
<b>Net result attributable to owners of the parent</b>	<b>719.6</b>	<b>964.6</b>	<b>417.0</b>	<b>653.0</b>	<b>209.3</b>	<b>235.6</b>	<b>-216.7</b>	<b>-214.4</b>
Operating income	3,341.3	3,286.3	1,457.4	1,504.7	488.2	515.1	-35.4	-135.2
Operating expenses	-1,859.5	-1,892.8	-552.4	-562.4	-225.6	-223.4	-86.1	-117.3
<b>Operating result</b>	<b>1,481.7</b>	<b>1,393.5</b>	<b>905.0</b>	<b>942.4</b>	<b>262.5</b>	<b>291.7</b>	<b>-121.5</b>	<b>-252.5</b>
Risk-weighted assets (credit risk, eop)	18,074	17,113	33,962	34,527	4,371	4,850	5,448	4,202
Average allocated capital	2,431	2,390	3,265	3,125	703	640	2,187	2,259
Cost/income ratio	55.7%	57.6%	37.9%	37.4%	46.2%	43.4%	>100%	-86.8%
Return on allocated capital	29.3%	42.0%	13.3%	22.3%	30.5%	37.6%	-9.8%	-9.6%
Total assets (eop)	50,869	53,822	46,325	47,707	22,500	28,552	48,259	49,477
Total liabilities excluding equity (eop)	69,948	74,588	22,379	25,660	16,254	21,322	51,797	47,598
<b>Impairments and risk provisions</b>	<b>-293.2</b>	<b>-24.4</b>	<b>-424.5</b>	<b>-140.5</b>	<b>11.1</b>	<b>10.8</b>	<b>-65.4</b>	<b>-66.1</b>
Net impairment loss on loans and receivables to credit institutions/customers	-291.9	-19.2	-282.7	-61.8	13.1	11.3	-0.7	-7.2
Net impairment loss on other financial assets	0.0	0.1	-38.4	-0.2	0.0	0.2	-4.5	-2.4
Allocations/releases of provisions for contingent credit risk liabilities	0.6	-1.4	-99.9	-55.0	-2.0	-0.6	-19.6	7.4
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-2.0	-3.8	-3.5	-23.6	0.0	0.0	-40.5	-63.9

\* All 2015 figures reflect changed segment structure of Erste Group as of 1 January 2016.

## Business segments (2)

	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
in EUR million	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16
Net interest income	929.7	955.8	66.2	77.4	-23.3	9.0	4,444.7	4,374.5
Net fee and commission income	439.3	429.7	18.3	6.4	-25.7	-9.9	1,861.8	1,783.0
Dividend income	23.1	16.4	9.9	11.6	-0.3	-0.2	49.9	45.2
Net trading and fair value result	3.1	5.3	12.4	2.0	28.9	0.4	210.1	272.3
Net result from equity method investments	0.0	0.0	3.1	-0.6	0.0	0.0	17.5	9.0
Rental income from investment properties & other operating leases	40.0	38.8	19.4	15.3	-23.7	-37.0	187.9	207.2
General administrative expenses	-966.0	-1,021.8	-689.5	-871.5	510.2	660.9	-3,868.9	-4,028.2
thereof depreciation and amortization	-76.3	-76.2	-72.7	-76.2	0.0	0.0	-445.0	-453.1
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	45.8	8.5	4.7	1.0	-1.4	-0.8	100.9	148.0
Net impairment loss on financial assets	-83.6	-54.2	-40.4	-62.2	0.0	0.0	-729.1	-195.7
Other operating result	-39.5	-65.3	371.1	306.3	-464.6	-622.4	-635.6	-665.0
Levies on banking activities	-15.0	-47.0	-98.8	-215.3	0.0	0.0	-236.2	-388.8
<b>Pre-tax result from continuing operations</b>	<b>392.0</b>	<b>313.1</b>	<b>-224.7</b>	<b>-514.4</b>	<b>0.0</b>	<b>0.0</b>	<b>1,639.1</b>	<b>1,950.4</b>
Taxes on income	-90.2	-116.0	49.7	130.7	0.0	0.0	-363.9	-413.6
<b>Net result for the period</b>	<b>301.9</b>	<b>197.2</b>	<b>-175.0</b>	<b>-383.6</b>	<b>0.0</b>	<b>0.0</b>	<b>1,275.1</b>	<b>1,536.8</b>
Net result attributable to non-controlling interests	260.2	163.1	27.7	24.5	0.0	0.0	307.0	272.0
<b>Net result attributable to owners of the parent</b>	<b>41.6</b>	<b>34.1</b>	<b>-202.7</b>	<b>-408.1</b>	<b>0.0</b>	<b>0.0</b>	<b>968.2</b>	<b>1,264.7</b>
Operating income	1,435.3	1,446.0	129.3	112.0	-44.2	-37.8	6,771.8	6,691.2
Operating expenses	-966.0	-1,021.8	-689.5	-871.5	510.2	660.9	-3,868.9	-4,028.2
<b>Operating result</b>	<b>469.3</b>	<b>424.2</b>	<b>-560.2</b>	<b>-759.4</b>	<b>466.0</b>	<b>623.2</b>	<b>2,902.9</b>	<b>2,663.0</b>
Risk-weighted assets (credit risk, eop)	21,955	20,930	888	1,433	0	0	84,698	83,056
Average allocated capital	2,106	2,120	3,533	5,326	0	0	14,226	15,859
Cost/income ratio	67.3%	70.7%	>100%	>100%	>100%	>100%	57.1%	60.2%
Return on allocated capital	14.3%	9.3%	-5.0%	-7.2%			9.0%	9.7%
Total assets (eop)	57,953	58,357	9,575	3,762	-35,738	-33,450	199,743	208,227
Total liabilities excluding equity (eop)	53,835	54,038	6,522	1,838	-35,799	-33,420	184,936	191,625
<b>Impairments and risk provisions</b>	<b>-86.9</b>	<b>-44.8</b>	<b>7.4</b>	<b>-117.2</b>	<b>0.0</b>	<b>0.0</b>	<b>-851.5</b>	<b>-382.1</b>
Net impairment loss on loans and receivables to credit institutions/customers	-73.9	-51.6	-30.4	-55.7	0.0	0.0	-666.5	-184.2
Net impairment loss on other financial assets	-9.7	-2.6	-10.0	-6.5	0.0	0.0	-62.6	-11.4
Allocations/releases of provisions for contingent credit risk liabilities	-1.7	10.5	59.6	11.1	0.0	0.0	-63.0	-28.1
Impairment of goodwill	0.0	0.0	0.0	-61.3	0.0	0.0	0.0	-61.3
Net impairment loss on other non-financial assets	-1.6	-1.0	-11.8	-4.8	0.0	0.0	-59.4	-97.1

\* All 2015 figures reflect changed segment structure of Erste Group as of 1 January 2016.

## Geographical segmentation - overview

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16
Net interest income	1,983.8	2,017.9	2,328.8	2,227.3	132.1	129.3	4,444.7	4,374.5
Net fee and commission income	1,012.4	962.0	895.3	864.8	-45.9	-43.9	1,861.8	1,783.0
Dividend income	35.2	28.6	5.0	5.2	9.7	11.4	49.9	45.2
Net trading and fair value result	9.1	42.0	200.2	241.9	0.8	-11.6	210.1	272.3
Net result from equity method investments	1.9	2.2	12.5	7.5	3.1	-0.6	17.5	9.0
Rental income from investment properties & other operating leases	100.3	132.4	66.6	58.4	20.9	16.4	187.9	207.2
General administrative expenses	-1,950.8	-2,044.1	-1,693.8	-1,726.2	-224.4	-257.9	-3,868.9	-4,028.2
thereof depreciation and amortization	-154.1	-162.5	-216.5	-213.6	-74.4	-77.0	-445.0	-453.1
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	65.2	30.2	14.2	122.4	21.5	-4.6	100.9	148.0
Net impairment loss on financial assets	-221.3	-107.0	-422.6	-17.2	-85.1	-71.5	-729.1	-195.7
Other operating result	-92.9	-80.0	-454.8	-273.7	-88.0	-311.2	-635.6	-665.0
Levies on banking activities	-29.8	-91.3	-107.6	-82.1	-98.8	-215.3	-236.2	-388.8
<b>Pre-tax result from continuing operations</b>	<b>942.8</b>	<b>984.2</b>	<b>951.5</b>	<b>1,510.5</b>	<b>-255.2</b>	<b>-544.3</b>	<b>1,639.1</b>	<b>1,950.4</b>
Taxes on income	-219.8	-286.6	-192.4	-264.9	48.3	137.9	-363.9	-413.6
<b>Net result for the period</b>	<b>723.0</b>	<b>697.5</b>	<b>759.1</b>	<b>1,245.7</b>	<b>-206.9</b>	<b>-406.4</b>	<b>1,275.1</b>	<b>1,536.8</b>
Net result attributable to non-controlling interests	279.7	187.0	-0.2	60.7	27.5	24.3	307.0	272.0
<b>Net result attributable to owners of the parent</b>	<b>443.3</b>	<b>510.5</b>	<b>759.2</b>	<b>1,184.9</b>	<b>-234.4</b>	<b>-430.7</b>	<b>968.2</b>	<b>1,264.7</b>
Operating income	3,142.7	3,185.1	3,508.4	3,405.2	120.7	100.9	6,771.8	6,691.2
Operating expenses	-1,950.8	-2,044.1	-1,693.8	-1,726.2	-224.4	-257.9	-3,868.9	-4,028.2
<b>Operating result</b>	<b>1,191.8</b>	<b>1,141.0</b>	<b>1,814.7</b>	<b>1,679.0</b>	<b>-103.6</b>	<b>-157.0</b>	<b>2,902.9</b>	<b>2,663.0</b>
Risk-weighted assets (credit risk, eop)	50,063	46,970	33,301	34,061	1,334	2,025	84,698	83,056
Average allocated capital	5,074	4,929	4,614	4,538	4,538	6,392	14,226	15,859
Cost/income ratio	62.1%	64.2%	48.3%	50.7%	>100%	>100%	57.1%	60.2%
Return on allocated capital	14.2%	14.2%	16.5%	27.4%	-4.6%	-6.4%	9.0%	9.7%
Total assets (eop)	132,396	138,778	79,266	85,624	-11,919	-16,175	199,743	208,227
Total liabilities excluding equity (eop)	108,281	114,205	70,588	75,976	6,066	1,444	184,936	191,625
<b>Impairments and risk provisions</b>	<b>-321.2</b>	<b>-114.9</b>	<b>-486.3</b>	<b>-146.7</b>	<b>-44.1</b>	<b>-120.5</b>	<b>-851.5</b>	<b>-382.1</b>
Net impairment loss on loans and receivables to credit institutions/customers	-202.2	-104.3	-422.4	-15.0	-41.8	-65.0	-666.5	-184.2
Net impairment loss on other financial assets	-19.1	-2.7	-0.2	-2.2	-43.3	-6.5	-62.6	-11.4
Allocations/releases of provisions for contingent credit risk liabilities	-82.3	9.6	-33.5	-55.1	52.9	17.5	-63.0	-28.1
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	-61.3	0.0	-61.3
Net impairment loss on other non-financial assets	-17.5	-17.4	-30.1	-74.4	-11.8	-5.3	-59.4	-97.1

\* All 2015 figures reflect changed segment structure of Erste Group as of 1 January 2016.

## Geographical area - Austria

in EUR million	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16
Net interest income	639.5	660.5	929.7	955.8	414.5	401.6	1,983.8	2,017.9
Net fee and commission income	370.8	334.6	439.3	429.7	202.3	197.8	1,012.4	962.0
Dividend income	9.4	8.0	23.1	16.4	2.7	4.2	35.2	28.6
Net trading and fair value result	-0.6	16.2	3.1	5.3	6.5	20.5	9.1	42.0
Net result from equity method investments	1.4	1.7	0.0	0.0	0.5	0.5	1.9	2.2
Rental income from investment properties & other operating leases	19.4	36.5	40.0	38.8	40.8	57.1	100.3	132.4
General administrative expenses	-640.3	-666.9	-966.0	-1,021.8	-344.6	-355.5	-1,950.8	-2,044.1
thereof depreciation and amortization	-40.7	-44.9	-76.3	-76.2	-37.1	-41.4	-154.1	-162.5
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.1	15.2	45.8	8.5	19.3	6.5	65.2	30.2
Net impairment loss on financial assets	-59.0	-29.3	-83.6	-54.2	-78.7	-23.5	-221.3	-107.0
Other operating result	-25.6	-33.8	-39.5	-65.3	-27.8	19.1	-92.9	-80.0
Levies on banking activities	-14.9	-44.4	-15.0	-47.0	0.0	0.0	-29.8	-91.3
<b>Pre-tax result from continuing operations</b>	<b>315.1</b>	<b>342.8</b>	<b>392.0</b>	<b>313.1</b>	<b>235.6</b>	<b>328.2</b>	<b>942.8</b>	<b>984.2</b>
Taxes on income	-73.8	-95.0	-90.2	-116.0	-55.8	-75.6	-219.8	-286.6
<b>Net result for the period</b>	<b>241.3</b>	<b>247.8</b>	<b>301.9</b>	<b>197.2</b>	<b>179.9</b>	<b>252.6</b>	<b>723.0</b>	<b>697.5</b>
Net result attributable to non-controlling interests	10.1	19.4	260.2	163.1	9.3	4.5	279.7	187.0
<b>Net result attributable to owners of the parent</b>	<b>231.1</b>	<b>228.4</b>	<b>41.6</b>	<b>34.1</b>	<b>170.6</b>	<b>248.1</b>	<b>443.3</b>	<b>510.5</b>
Operating income	1,040.0	1,057.5	1,435.3	1,446.0	667.3	681.7	3,142.7	3,185.1
Operating expenses	-640.3	-666.9	-966.0	-1,021.8	-344.6	-355.5	-1,950.8	-2,044.1
<b>Operating result</b>	<b>399.7</b>	<b>390.6</b>	<b>469.3</b>	<b>424.2</b>	<b>322.8</b>	<b>326.2</b>	<b>1,191.8</b>	<b>1,141.0</b>
Risk-weighted assets (credit risk, eop)	12,482	11,523	21,955	20,930	15,625	14,517	50,063	46,970
Average allocated capital	1,274	1,285	2,106	2,120	1,694	1,525	5,074	4,929
Cost/income ratio	61.6%	63.1%	67.3%	70.7%	51.6%	52.2%	62.1%	64.2%
Return on allocated capital	18.9%	19.3%	14.3%	9.3%	10.6%	16.6%	14.2%	14.2%
Total assets (eop)	40,560	41,484	57,953	58,357	33,883	38,936	132,396	138,778
Total liabilities excluding equity (eop)	38,821	39,738	53,835	54,038	15,625	20,429	108,281	114,205
<b>Impairments and risk provisions</b>	<b>-76.6</b>	<b>-21.2</b>	<b>-86.9</b>	<b>-44.8</b>	<b>-157.6</b>	<b>-49.0</b>	<b>-321.2</b>	<b>-114.9</b>
Net impairment loss on loans and receivables to credit institutions/customers	-49.6	-28.9	-73.9	-51.6	-78.7	-23.8	-202.2	-104.3
Net impairment loss on other financial assets	-9.4	-0.4	-9.7	-2.6	0.1	0.3	-19.1	-2.7
Allocations/releases of provisions for contingent credit risk liabilities	-11.7	8.8	-1.7	10.5	-69.0	-9.7	-82.3	9.6
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-5.9	-0.7	-1.6	-1.0	-9.9	-15.7	-17.5	-17.4

\* All 2015 figures reflect changed segment structure of Erste Group as of 1 January 2016.



## Geographical area - Central and Eastern Europe

	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16	1-12 15*	1-12 16
Net interest income	923.0	914.3	436.5	374.9	458.0	453.0	198.5	173.4	270.6	264.9	42.1	46.8	2,328.8	2,227.3
Net fee and commission income	375.8	344.3	163.2	157.9	121.4	121.7	137.5	141.8	84.8	88.0	12.6	11.1	895.3	864.8
Dividend income	2.5	3.1	1.3	0.6	0.9	1.2	0.2	0.1	0.2	0.2	0.0	0.0	5.0	5.2
Net trading and fair value result	103.5	105.5	69.4	70.0	8.8	12.6	-0.5	21.1	15.9	29.5	3.2	3.3	200.2	241.9
Net result from equity method investments	0.0	-0.4	0.6	0.4	9.1	6.1	0.0	0.0	2.6	1.2	0.2	0.2	12.5	7.5
Rental income from investment properties & other operating leases	26.8	17.7	9.1	11.9	1.9	0.9	0.9	4.0	27.6	23.7	0.3	0.3	66.6	58.4
General administrative expenses	-681.2	-671.2	-340.5	-349.8	-266.1	-275.1	-179.9	-195.6	-187.0	-194.3	-39.0	-40.2	-1,693.8	-1,726.2
thereof depreciation and amortization	-78.9	-78.2	-38.6	-37.6	-44.6	-43.9	-20.7	-20.4	-31.5	-31.3	-2.2	-2.2	-216.5	-213.6
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	16.5	52.6	1.1	24.9	0.9	27.0	-4.7	9.3	0.4	8.7	0.0	0.0	14.2	122.4
Net impairment loss on financial assets	-97.1	-70.5	16.4	62.4	-58.0	-48.2	-105.8	91.7	-167.3	-48.4	-10.8	-4.1	-422.6	-17.2
Other operating result	-37.3	-24.8	-141.2	-115.6	-33.4	-16.1	-106.9	-102.7	-135.4	-13.9	-0.6	-0.6	-454.8	-273.7
Levies on banking activities	0.0	0.0	0.0	0.0	-23.6	-25.1	-84.0	-57.0	0.0	0.0	0.0	0.0	-107.6	-82.1
<b>Pre-tax result from continuing operations</b>	<b>632.6</b>	<b>670.6</b>	<b>215.9</b>	<b>237.6</b>	<b>243.5</b>	<b>283.1</b>	<b>-60.7</b>	<b>143.0</b>	<b>-87.6</b>	<b>159.5</b>	<b>7.9</b>	<b>16.7</b>	<b>951.5</b>	<b>1,510.5</b>
Taxes on income	-128.9	-122.8	-18.4	-24.5	-58.6	-69.8	-10.5	-9.4	24.1	-37.6	-0.1	-0.7	-192.4	-264.9
<b>Net result for the period</b>	<b>503.7</b>	<b>547.8</b>	<b>197.5</b>	<b>213.1</b>	<b>184.8</b>	<b>213.3</b>	<b>-71.3</b>	<b>133.6</b>	<b>-63.5</b>	<b>121.9</b>	<b>7.7</b>	<b>16.0</b>	<b>759.1</b>	<b>1,245.7</b>
Net result attributable to non-controlling interests	5.4	5.8	12.7	13.7	0.0	0.0	0.0	0.0	-19.8	38.2	1.5	3.1	-0.2	60.7
<b>Net result attributable to owners of the parent</b>	<b>498.3</b>	<b>542.0</b>	<b>184.8</b>	<b>199.5</b>	<b>184.8</b>	<b>213.3</b>	<b>-71.3</b>	<b>133.6</b>	<b>-43.7</b>	<b>83.7</b>	<b>6.3</b>	<b>12.8</b>	<b>759.2</b>	<b>1,184.9</b>
Operating income	1,431.7	1,384.5	680.0	615.7	600.1	595.4	336.6	340.3	401.6	407.4	58.4	61.7	3,508.4	3,405.2
Operating expenses	-681.2	-671.2	-340.5	-349.8	-266.1	-275.1	-179.9	-195.6	-187.0	-194.3	-39.0	-40.2	-1,693.8	-1,726.2
<b>Operating result</b>	<b>750.5</b>	<b>713.3</b>	<b>339.5</b>	<b>266.0</b>	<b>334.0</b>	<b>320.4</b>	<b>156.7</b>	<b>144.8</b>	<b>214.7</b>	<b>213.1</b>	<b>19.3</b>	<b>21.5</b>	<b>1,814.7</b>	<b>1,679.0</b>
Risk-weighted assets (credit risk, eop)	14,406	15,285	5,489	5,369	4,905	4,737	3,328	3,470	4,369	4,256	803	943	33,301	34,061
Average allocated capital	1,707	1,761	1,106	987	644	633	511	493	548	548	98	117	4,614	4,538
Cost/income ratio	47.6%	48.5%	50.1%	56.8%	44.3%	46.2%	53.5%	57.5%	46.6%	47.7%	66.9%	65.2%	48.3%	50.7%
Return on allocated capital	29.5%	31.1%	17.9%	21.6%	28.7%	33.7%	-14.0%	27.1%	-11.6%	22.2%	7.9%	13.6%	16.5%	27.4%
Total assets (eop)	35,512	39,470	13,784	14,875	13,978	14,819	6,090	6,606	8,902	8,654	1,000	1,199	79,266	85,624
Total liabilities excluding equity (eop)	31,211	34,965	12,486	13,375	12,441	13,263	5,582	5,699	8,002	7,621	867	1,051	70,588	75,976
<b>Impairments and risk provisions</b>	<b>-116.9</b>	<b>-124.0</b>	<b>0.3</b>	<b>54.1</b>	<b>-54.9</b>	<b>-44.5</b>	<b>-127.7</b>	<b>40.8</b>	<b>-176.0</b>	<b>-68.7</b>	<b>-11.1</b>	<b>-4.3</b>	<b>-486.3</b>	<b>-146.7</b>
Net impairment loss on loans and receivables to credit institutions/customers	-97.1	-70.6	16.7	62.8	-58.1	-48.2	-105.8	92.7	-167.3	-47.5	-10.8	-4.1	-422.4	-15.0
Net impairment loss on other financial assets	0.1	0.2	-0.3	-0.4	0.0	0.0	0.0	-1.0	0.0	-0.9	0.0	0.0	-0.2	-2.2
Allocations/releases of provisions for contingent credit risk liabilities	-6.1	-11.8	-6.5	4.7	3.0	4.4	-19.1	-45.8	-4.8	-6.0	0.0	-0.6	-33.5	-55.1
Impairment of goodwill	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 impairment loss on other non-financial assets	-13.8	-41.8	-9.6	-13.0	0.2	-0.7	-2.8	-5.1	-3.8	-14.3	-0.2	0.4	-30.1	-74.4

\* All 2015 figures reflect changed segment structure of Erste Group as of 1 January 2016.

### 38. Assets and liabilities denominated in foreign currencies and outside Austria and return on assets

Assets and liabilities not denominated in EUR were as follows:

in EUR million	Dec 15	Dec 16
Assets	68,004	69,639
Liabilities	54,294	57,598

The assets and liabilities outside Austria are given below:

in EUR million	Dec 15	Dec 16
Assets	112,229	114,050
Liabilities	81,713	88,658

Return on assets (net profit for the year divided by average total assets) was 0.38% at 31 December 2016 (0.16% in 31 December 2015).

### 39. Leases

#### Finance leases

Finance leases receivables are included under the balance sheet item 'Loans and advances to customers'. Erste Group leases both movable property and real estate to other parties under finance lease arrangements. For the finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of the minimum lease payments is as follows:

in EUR million	Dec 15	Dec 16
Outstanding minimum lease payments	3,568	3,394
Non-guaranteed residual values	751	1,005
<b>Gross investment</b>	<b>4,319</b>	<b>4,399</b>
Unrealised financial income	441	392
<b>Net investment</b>	<b>3,877</b>	<b>4,007</b>
Present value of non-guaranteed residual values	701	713
<b>Present value of minimum lease payments</b>	<b>3,176</b>	<b>3,294</b>

The maturity analysis of gross investment in leases and present values of minimum lease payments under non-cancellable leases is as follows (residual maturities):

in EUR million	Gross investment		Present value of minimum lease payments	
	Dec 15	Dec 16	Dec 15	Dec 16
< 1 year	702	907	545	750
1 - 5 years	2,093	2,157	1,612	1,702
> 5 years	1,524	1,336	1,019	842
<b>Total</b>	<b>4,319</b>	<b>4,399</b>	<b>3,176</b>	<b>3,294</b>

In the reporting period, the total amount of accumulated allowance for uncollectable minimum lease payments, presented as risk provisions for loans and advances, was EUR 157 million (2015: EUR 126 million). The total amount of contingent rents from finance leases recognised as income in the period was EUR 32 million (2015: EUR 33 million).

#### Operating leases

Under operating leases, Erste Group leases both real estate and movable property to other parties.

#### Operating leases from the view of Erste Group as lessor.

Minimum lease payments from non-cancellable operating leases were as follows:

in EUR million	Dec 15	Dec 16
< 1 year	51	64
1 - 5 years	141	175
> 5 years	32	83
<b>Total</b>	<b>224</b>	<b>322</b>

The total amount of contingent rents from operating leases recognised as income in the period was EUR 10 million (2015: EUR 11 million).

### Operating leases from the view of Erste Group as lessee.

Minimum lease payments from non-cancellable operating leases were as follows:

in EUR million	Dec 15	Dec 16
< 1 year	45	54
1 - 5 years	78	115
> 5 years	27	88
<b>Total</b>	<b>150</b>	<b>257</b>

Lease payments from operating leases recognised as expense in the period amounted to EUR 75.5 million (2015: EUR 84.9 million).

## 40. Related-party transactions and principal shareholders

In addition to principal shareholders, Erste Group also defines as related parties subsidiaries that are not consolidated due to non-materiality and associates that are included in the consolidated financial statements by the equity method. Furthermore, related parties consist of management and supervisory board members of Erste Group Bank AG. Moreover, Erste Group defines close family members of management and supervisory board members of Erste Group Bank AG, as well as companies over which management and supervisory board members of Erste Group Bank AG have control or significant influence, as other related parties.

Transactions between Erste Group Bank AG and fully consolidated companies are not recognised in the consolidated financial statements as they have been eliminated.

### Principal shareholders

As of 31 December 2016, DIE ERSTE oesterreichische Spar-Casse Privatstiftung ('Erste Foundation'), a foundation, controls together with its partners to shareholder agreements approximately 29.46% of the shares in Erste Group Bank AG and is with 15.37% controlling shareholder. The Erste Foundation is holding 6.63% of the shares directly, the indirect participation of the Erste Foundation amounts to 8.74 % of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated company of the Erste Foundation. 1.09% are held directly by Austrian savings banks respectively saving banks foundations acting together with the Erste Foundation and affiliated with Erste Group Bank AG through the Haftungsverbund. 9.92% of the subscribed capital is controlled by the Erste Foundation on the basis of a shareholder agreement with CaixaBank S.A. 3.08% are held by other partners to other shareholder agreements.

In 2016 (for the financial year 2015), Erste Foundation received a dividend of EUR 23.8 million (2015: no dividend) on its stake in Erste Group Bank AG. The purpose of the Erste Foundation, to be achieved notably by way of the participating interest in Erste Group Bank AG, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. As of 31 December 2016, Bernhard Spalt (chairman), Boris Marte and Franz Portisch were members of Erste Foundation's management board. The supervisory board of Erste Foundation had eight members at the end of 2016, two of whom are also members of the supervisory board of Erste Group Bank AG.

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

As of 31 December 2016, Erste Group had in relation to the Erste Foundation accounts payable of EUR 3.0 million (2015: EUR 24.8 million) and no accounts receivable (2015: EUR 0). In addition, standard derivative transactions for hedging purposes were in place between Erste Group and the Erste Foundation as of the end of 2016, namely interest rate swaps with caps in the notional amount of EUR 103.0 million (2015: EUR 278.0 million). As of the end of 2016, the Erste Foundation held bonds issued by Erste Group Bank AG in the amount of EUR 10.2 million (2015: EUR 9.8 million), and Erste Group held debt securities issued by the Erste Foundation in the amount of EUR 0.3 million (2015: EUR 2.9 million).

In 2016, the interest income of Erste Group for the reporting period amounted to EUR 6.3 million (2015: EUR 12.2 million) while the interest expenses amounted to EUR 3.9 million (2015: EUR 8.0 million), resulting from the said accounts receivable and accounts payable as well as derivative transactions and debt securities.

As of 31 December 2016 CaixaBank S.A., which is based in Barcelona, Spain, held a total of 42,634,248 (2015: 42,634,248) Erste Group Bank AG shares, equivalent to 9.92% (2015: 9.92%) of the share capital of Erste Group Bank AG. At the end of October 2016 Gonzalo

Cortázar Rotaèche (CEO of the CaixaBank S.A.) resigned his seat at the supervisory board of Erste Group Bank AG, since he accepted another seat at the Banco Português de Investimento in Portugal. According to the Portuguese central bank, Rotaèche would have exceeded the amount of allowed seats, if he had remained at Erste Group Bank AG's supervisory board. The subsequently available seat will be reappointed at the next annual general meeting.

In addition, the shareholders' agreement between CaixaBank S.A. and the Erste Foundation which had been in effect since 2009, was renewed on 15 December 2014 (Preferred Partnership Agreement). On the basis of this agreement, CaixaBank S.A. joined the ranks of the core shareholders, which include Erste Foundation as well as the savings banks, their foundations as well as Wiener Städtische Wechselseitige Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group. As member of this syndicate, CaixaBank S.A. will abide by the recommendations of the Erste Foundation when electing new supervisory board members.

In 2016 (for the financial year 2015), CaixaBank S.A. received a dividend of EUR 21.3 million (2015: no dividend) based on its stake in Erste Group Bank AG.

### Balances and off-balance exposures with related parties

in EUR million	Dec 15		Dec 16	
	Investments in subsidiaries - not consolidated	Investments in associates and Investments in joint ventures	Investments in subsidiaries - not consolidated	Investments in associates and Investments in joint ventures
<b>Selected financial assets</b>	<b>293</b>	<b>538</b>	<b>141</b>	<b>531</b>
Equity instruments	31	8	24	5
Debt securities	0	37	0	28
Loans and advances	262	493	117	498
Loans and advances with credit institutions	26	117	23	120
Loans and advances with customers	235	376	95	378
of which: impaired selected assets	3	0	3	0
<b>Selected financial liabilities</b>	<b>46</b>	<b>102</b>	<b>49</b>	<b>135</b>
Deposits	46	102	49	135
Deposits from banks	0	7	0	14
Deposits from customers	46	95	49	120
Debt securities issued	0	0	0	0
Loan commitments, financial guarantees and other commitments given [notional amount]	55	184	27	154
of which: defaulted	2	0	5	0
Loan commitments, financial guarantees and other commitments received	0	2	0	0
Derivatives [notional amount]	17	0	0	0
<b>Allowances and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>0</b>

### Expenses/Income generated by transactions with related parties

in EUR million	Dec 15		Dec 16	
	Investments in subsidiaries - not consolidated	Investments in associates and Investments in joint ventures	Investments in subsidiaries - not consolidated	Investments in associates and Investments in joint ventures
Interest Income	6	9	-4	-11
Fee and commission income	0	1	-0	-6
Dividend income	3	12	-0	-13
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	0	0	0	0
Gains on derecognition of non-financial assets	0	0	0	0
Interest expenses	0	0	0	0
Fee and commission expenses	0	-1	0	2
Realised losses on financial assets and liabilities not measured at fair value through profit or loss	0	0	0	0
Losses on derecognition of non-financial assets	-1	0	0	0
Increase during the period in impairment and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	-11	-1	7	1
Decrease during the period in impairment and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	29	1	0	-1

Transactions with related parties are done at arm's length.

## Remuneration of management and supervisory board members

The remuneration paid to the management board in 2016 is as follows:

### Fixed salaries

in EUR thousand	1-12 15	1-12 16
Andreas Treichl	1,335	1,475
Peter Bosek	633	700
Petr Brávek (starting with 1 April 2015)	495	700
Andreas Gottschling	633	700
Gernot Mittendorfer	633	700
Jozef Sikela	633	700
<b>Total</b>	<b>4,362</b>	<b>4,975</b>

Until 31 January 2016, Peter Bosek was a management board member of the Holding as well as of Erste Bank Oesterreich. Therefore, the remuneration was split equally between both entities for that period.

Since the financial year 2010, the variable part of the management board's remuneration, including both cash payments and share-equivalents, is distributed over five years in accordance with legal requirements and is paid out only under certain conditions. Share-equivalents are not exchange-traded shares but phantom shares that are paid out in cash after a one-year vesting period based on defined criteria. In 2016, performance-linked remuneration and share-equivalents were paid out or vested for the financial year 2015 and for previous financial years.

### Performance-linked remuneration

	1-12 15				1-12 16			
	First tranche of bonus for service year 2014		Deferred bonus for previous service years		First tranche of bonus for service year 2015		Deferred bonus for previous service years	
	cash	share-equivalents	cash	share-equivalents	cash	share-equivalents	cash	share-equivalents
	in EUR thousand	in units	in EUR thousand	in units	in EUR thousand	in units	in EUR thousand	in units
Andreas Treichl	0	0	157	6,953	219	10,505	157	6,953
Peter Bosek	0	0	0	0	97	4,775	0	0
Petr Brávek (starting with 1 April 2015)	0	0	0	0	112	4,775	0	0
Andreas Gottschling	0	0	4	168	118	5,094	4	168
Gernot Mittendorfer	0	0	27	1,424	120	4,775	27	1,424
Jozef Sikela	0	0	0	0	102	4,775	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>188</b>	<b>8,545</b>	<b>768</b>	<b>34,699</b>	<b>188</b>	<b>8,545</b>

Until 31 January 2016, Peter Bosek was a management board member of the Holding as well as of Erste Bank Oesterreich. Therefore, the remuneration was split equally between both entities for that period.

Pay-outs will be made in the year 2017 after the one-year vesting period. Share equivalents are valued at the average weighted daily share price of Erste Group Bank AG of the year 2016 in the amount of EUR 24.57 (2015: EUR 25.13) per share.

Erste Group offers to its board members a bonus program in each year. It relates to the services rendered by the board members in that year (i.e. 'service year'). The actual bonus payments are divided into a first tranche in the following year and five deferred tranches in the subsequent years. The decision to pay out the first and deferred tranches to board members in a given year depends on the results and the capital ratios of Erste Group Bank AG (further 'performance conditions') in the preceding business year (i.e. 'performance year'). This decision is taken by a remuneration committee (further 'the Committee'). If in a specific year the Committee decides that the performance conditions in the performance year have not been fulfilled the tranches for the current year are cancelled.

The total amount of the bonus related to a particular service year is decided by the Committee in April of the following year. This decision also means that the first tranche will be paid out. The first tranche, depending on the bonus amount granted to a board member, accounts for 40% or 60% of the total volume. The remaining part is split into 5 deferred tranches, each covering 8% or 12%. The payout decision for the first deferred tranche is taken in April two years after the service year and it depends on the performance in the previous year (i.e. one year after the service year). The same logic applies to the remaining deferred tranches.

Both the first tranche and the deferred tranches are split into two equal parts. 50% of the bonuses are paid out in cash in May after the bonus payout decision is taken by the Committee in a specific year (the 'cash part'). 50% of the bonuses are paid with one year delay after

the payout decision and they depend on the changes in the average Erste Group Bank, AG share price between the year in which the payout decision of the tranche is taken and the service year (the 'share-equivalents part'). E.g. if the second deferred tranche is 10,000 share equivalents (the number of the share equivalents is determined based on the average share price in the service year) then the actual amount of cash paid would be EUR 10,000 times the average price of the shares in the year the payout decision is taken (e.g. share price of 30 would result in EUR 300,000 cash amount = EUR 10,000 times 30). The cash amount is paid out in the next year.

The share equivalent part meets the definition of the cash-settled share based payment in IFRS 2. Under the standard an entity shall recognise an expense and a liability in a cash-settled share-based payment transaction when the services are received. With the deferred tranches the bank remunerates sustainable decisions taken by the Board Member in the service year that impact the later business years. Thus the bank receives the full service, that is compensated with the first and the deferred tranches, and recognises the full bonus in the service year as a liability in the estimated amount which will be decided by the Committee in April of the following year. After the service year the liability is measured by using the average stock price of the performance year.

The cash part of the bonuses meets the definition of other long-term employee benefits in IAS 19. Under the standard the current service cost is attributed to the periods in which the obligation to provide benefits arises which is the period in which services are rendered by the employees. As for the share-payment part, the full amount of bonus is recognised in the service year in the estimated amount. The amount of the liability is fixed in the next year. If the effect is significant, the liability is measured at present value discounted at a market yield of high quality corporate bonds.

The outstanding amount of liability related to the service year 2016 and unpaid deferred tranches from the previous years was EUR 22.2 million (comparative figures are not available) for the share-equivalents part (IFRS 2) and EUR 20.7 million (comparative figures are not available) for the cash part (IAS 19).

### Long-Term Incentive-Programme

A long-term incentive programme (LTI) that was started on 1 January 2010 expired in 2015. The programme was based on changes in the share price of Erste Group Bank AG versus a group of peers and the Dow Jones Euro Stoxx Banks. It did not result in any payment in 2015.

### Other remuneration

in EUR thousand	1-12 15	1-12 16
Andreas Treichl	1,454	1,132
Peter Bosek	84	132
Petr Brávek (starting with 1 April 2015)	64	133
Andreas Gottschling	157	164
Gernot Mittendorfer	86	134
Jozef Sikela	82	153
<b>Total</b>	<b>1,928</b>	<b>1,848</b>

The item 'other remuneration' comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remuneration in kind.

The remuneration of the members of the management board represented 0.3% (2015: 0.3%) of the total personnel expenses of Erste Group.

In 2016, EUR 2,892,922.18 million was paid in cash and 8,390 share-equivalents were assigned to former members of the management bodies and their dependents.

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

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

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

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

## Breakdown of supervisory board remuneration

in EUR thousand	1-12 15	1-12 16
Supervisory board compensation	580	664
Meeting fees	265	243
<b>Total</b>	<b>845</b>	<b>907</b>

In 2016, the members of the supervisory board of Erste Group Bank AG were paid EUR 907.4 thousand (2015: EUR 845.1 thousand) for their board function. The following members of the supervisory board received the following remuneration for their board function in fully consolidated subsidiaries of Erste Group Bank AG: Friedrich Rödler EUR 38,500.00, Jan Homan EUR 15,100.00, Gunter Griss EUR 55,000.00, Maximilian Hardegg EUR 50,600.00, Brian D. O'Neill EUR 45,688.00, John James Stack EUR 81,975.00.

Erste Group Bank AG did not conclude other legal transactions with its members of the supervisory board.

Pursuant to the decision at the Annual General Meeting of 11 May 2016, the supervisory board adopted in its meeting immediately held after the end of the Annual General Meeting the following remuneration structure for the financial year 2015:

in EUR	Number	Allowance per person	Total allowance
President	1	100,000	100,000
Vice Presidents	2	75,000	150,000
Members	9	50,000	450,000
<b>Total</b>	<b>12</b>		<b>700,000</b>

The supervisory board consists of at least three and a maximum of twelve members elected by the Annual General Meeting. Unless the Annual General Meeting has determined a shorter term of office for individual, several or all supervisory board members on the occasion of their appointment, the term of office of the members of the supervisory board ends at the close of the Annual General Meeting that resolves on the approvals of their actions for the fourth business year following their election; re-election is permitted. In addition, membership of the supervisory board ceases upon death, revocation, resignation or in the event of an impediment defined in the Articles of Association. Revocation requires a majority of three quarter of valid votes cast and a majority of three quarters of the registered capital represented at the time of the resolution.

## Banking transactions with key management employees and persons and companies related to key management employees

As of the end of 2016, loans and advances granted to members of the management board and supervisory board totalled EUR 2,404 thousand (2015: EUR 2,852 thousand). Deposits of members of the management board and supervisory board at Erste Group amounted to EUR 4,296 thousand (2015: EUR 4,678 thousand) in total. As of 31 December 2016, members of the management and supervisory board held bonds issued by Erste Group in the amount of EUR 366 thousand (2015: EUR 385 thousand). Loan commitments and financial guarantees, issued in favour of members of the management and supervisory board totalled EUR 4,231 thousand (2015: EUR 1,803 thousand) as of the end of 2016. From banking transactions with members of the management board and supervisory board Erste Group received interest income and fee income of EUR 53 thousand (2015: EUR 23 thousand) in total, and paid interest expense of EUR 33 thousand (2015: EUR 16 thousand).

Loans and advances to close family members of key management employees and companies over which key management employees have control or significant influence (hereinafter referred to 'other related parties') totalled EUR 15,708 thousand (2015: EUR 735 thousand) as of 31 December 2016. As of the end of 2016, deposits of other related parties at Erste Group amounted to EUR 2,755 thousand (2015: EUR 3,094 thousand) in total. As of 31 December 2016 other related parties held bonds issued by companies of Erste Group in the total amount of EUR 10,267 thousand (2015: EUR 11,599 thousand). Loan commitments and financial guarantees, issued in favour of other related parties totalled EUR 316 thousand (2015: EUR 295 thousand) as of the end of 2016. From banking transactions with other related parties Erste Group received interest income and fee income of EUR 274 thousand (2015: EUR 30 thousand) in total, and paid interest expense of EUR 47 thousand (2015: EUR 21 thousand).

The applicable interest rates and other terms (maturity dates and collateral) represent market conditions.



## 41. Collaterals

The following assets were pledged as collateral for liabilities:

in EUR million	Dec 15	Dec 16
Loans and advances to credit institutions	61	0
Loans and advances to customers	18,983	18,440
Trading assets	93	53
Financial assets - at fair value through profit or loss	0	0
Financial assets - available for sale	1,721	1,254
Financial assets - held to maturity	1,237	1,379
<b>Total</b>	<b>22,095</b>	<b>21,126</b>

The financial assets pledged as collateral consist of loan receivables, bonds and other interest-bearing securities.

Collaterals were pledged as a result of repo transactions, refinancing transactions with the European Central Bank, loans backing issued mortgage bonds and other collateral arrangements.

The fair value of collateral received which may be repledged or resold even without the security provider's default was EUR 3,654 million (2015: EUR 3,506 million). Collateral with fair value of EUR 254 million (2015: EUR 114 million) was resold. Collateral with fair value of EUR 132 million (2015: EUR 130 million) was repledged. The bank is obliged to return the resold and repledged collateral.

## 42. Transfers of financial assets – repurchase transactions and securities lending

in EUR million	Dec 15		Dec 16	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
<b>Repurchase agreements</b>				
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	0	0	0	0
Trading assets	74	69	35	29
Financial assets - at fair value through profit or loss	0	0	0	0
Financial assets - available for sale	1,164	995	446	440
Financial assets - held to maturity	397	480	575	542
<b>Total - repurchase agreements</b>	<b>1,636</b>	<b>1,544</b>	<b>1,055</b>	<b>1,011</b>
<b>Securities lendings</b>				
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	0	0	0	0
Trading assets	0	0	22	0
Financial assets - at fair value through profit or loss	0	0	0	0
Financial assets - available for sale	16	0	232	0
Financial assets - held to maturity	0	0	339	0
<b>Total - securities lendings</b>	<b>16</b>	<b>0</b>	<b>593</b>	<b>0</b>
<b>Total</b>	<b>1,652</b>	<b>1,544</b>	<b>1,648</b>	<b>1,011</b>

The transferred financial instruments consist of bonds and other interest-bearing securities.

The total amount EUR 1,648 million (2015: EUR 1,652 million) represents the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledge.

Liabilities from repo transaction in the amount of EUR 1,011 million (2015: EUR 1,544 million), which are measured at amortised cost, represent an obligation to repay the borrowed funds.



The following table shows fair values of the transferred assets and associated liabilities for repo transactions with an existing recourse right only on the transferred assets.

in EUR million	Dec 15			Dec 16		
	Fair value of transferred assets	Fair value of associated liabilities	Net position	Fair value of transferred assets	Fair value of associated liabilities	Net position
Loans and advances to credit institutions	0	0	0	0	0	0
Loans and advances to customers	0	0	0	0	0	0
Trading assets	74	69	5	35	29	6
Financial assets - at fair value through profit or loss	0	0	0	0	0	0
Financial assets - available for sale	1,164	995	170	446	440	6
Financial assets - held to maturity	497	480	17	588	542	46
<b>Total</b>	<b>1,735</b>	<b>1,544</b>	<b>191</b>	<b>1,068</b>	<b>1,011</b>	<b>58</b>

### 43. Offsetting of financial instruments

The following table shows netting effects on the balance sheet of Erste Group as well as the impacts of offsetting financial instruments which are subject to offsetting agreements.

#### Financial assets subject to offsetting and potential offsetting agreements

in EUR million	Financial assets (gross)	Amounts offset (gross)	Financial assets in balance sheet (net)	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received	Non-cash financial collateral received	
Derivatives	7,275	-1,376	5,899	3,319	1,362	0	1,219
Reverse repurchase agreements	1,218	0	1,218	0	0	1,213	5
<b>Total</b>	<b>8,493</b>	<b>-1,376</b>	<b>7,117</b>	<b>3,319</b>	<b>1,362</b>	<b>1,213</b>	<b>1,224</b>

#### Financial liabilities subject to offsetting and potential offsetting agreements

in EUR million	Financial liabilities (gross)	Amounts offset (gross)	Financial liabilities in balance sheet (net)	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral provided	Non-cash financial collateral provided	
Derivatives	5,750	-1,093	4,657	3,319	267	26	1,045
Repurchase agreements	1,837	0	1,837	0	0	1,829	8
<b>Total</b>	<b>7,587</b>	<b>-1,093</b>	<b>6,494</b>	<b>3,319</b>	<b>267</b>	<b>1,855</b>	<b>1,053</b>

#### Financial assets subject to offsetting and potential offsetting agreements

in EUR million	Financial assets (gross)	Amounts offset (gross)	Financial assets in balance sheet (net)	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received	Non-cash financial collateral received	
Derivatives	7,950	-456	7,494	3,154	1,590	35	2,716
Reverse repurchase agreements	1,966	0	1,966	0	0	1,676	291
<b>Total</b>	<b>9,916</b>	<b>-456</b>	<b>9,461</b>	<b>3,154</b>	<b>1,590</b>	<b>1,711</b>	<b>3,006</b>

#### Financial liabilities subject to offsetting and potential offsetting agreements

in EUR million	Financial liabilities (gross)	Amounts offset (gross)	Financial liabilities in balance sheet (net)	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral provided	Non-cash financial collateral provided	
Derivatives	6,497	-471	6,026	3,154	322	23	2,528
Repurchase agreements	1,685	0	1,685	0	0	1,645	39
<b>Total</b>	<b>8,182</b>	<b>-471</b>	<b>7,711</b>	<b>3,154</b>	<b>322</b>	<b>1,668</b>	<b>2,567</b>

Erste Group undertakes a part of interest rate derivative transactions via a London Clearing House. Consequently, those derivatives are shown net of the respective cash collaterals in the balance sheet in accordance with the criteria described in chapter 'B. Significant accounting policies'. The impact of offsetting is shown in the column 'Amounts offset'.

Erste Group employs repurchase agreements and master netting agreements as a means of reducing credit risk of derivative and financing transactions. They qualify as potential offsetting agreements. Master netting agreements are relevant for counterparties with multiple derivative contracts. They provide for the net settlement of all the contracts in the event of default of any counterparty. For derivatives transactions the values of assets and liabilities that would be set off as a result of master netting agreements are presented in the column Financial instruments. If the net position is further secured by cash collateral or non-cash financial collaterals the effects are disclosed in columns Cash collateral received/pledged and Non-cash financial collaterals received/pledged respectively.

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities remain in the hands of the lender as collateral in case the borrower defaults on fulfilling any of its obligations. Offsetting effects from repurchase agreements are disclosed in the column Non-cash financial collateral received / pledged respectively. Collateral is presented at the fair value of the transferred securities. However, if the fair value of collateral exceeds the carrying amount of the receivable/liability from the repo transaction the value is capped at the level of the carrying amount. Remaining position may be secured by cash collateral. Cash and non-cash financial collateral involved in these transactions is restricted from being used by the transferor during the time of the pledge.

## **44. Risk management**

### **44.1 Risk policy and strategy**

It is a core function of every bank to take risks in a conscious and selective manner and to manage such risks professionally. Erste Group's proactive risk policy and risk strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity.

Erste Group uses a risk management and control system that is forward-looking and tailored to its business and risk profile. This system is based on a clear risk strategy that is consistent with the group's business strategy and focused on early identification and management of risks and trends. In addition to meeting the internal goal of effective and efficient risk management, Erste Group's risk management and control system has been developed to fulfil external and, in particular, regulatory requirements.

Based on Erste Group's business strategy, the key risks are credit risk, market risk, interest rate risk in the banking book, liquidity risk, and non-financial risk. In addition, a risk materiality assessment is undertaken on an annual basis. It is ensured that all relevant material risks are covered by Erste Group's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of the group. The bank always seeks to enhance and complement existing methods and processes in all areas of risk management.

In 2016, the management continues to steer critical portfolios, including active management and sales of non-performing exposures, and further strengthening of the risk profile. This has been particularly demonstrated by the continuous improvement of the credit quality and the ongoing decrease of non-performing loans and risk costs. Management actions resulted in improved profitability, asset quality, lending and capital levels. In addition, like last year, emphasis was put on strengthening risk governance and ensuring compliance with regulatory requirements. A further main aspect was non-financial risk which was incorporated into the risk appetite and thus integrated into the risk strategy.

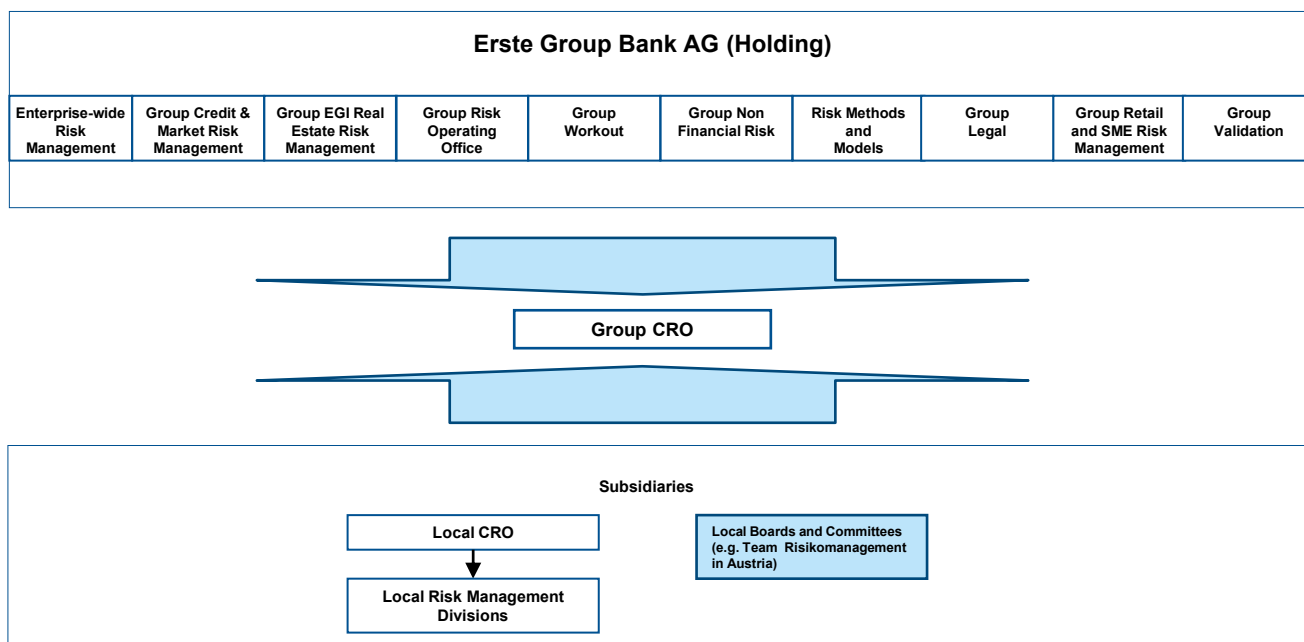
Erste Group Bank AG uses the Internet as the medium for publishing disclosures of Erste Group under Article 434 of the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - CRR). Details are available on the website of Erste Group at [www.erstegroup.com/ir](http://www.erstegroup.com/ir). Relevant disclosures are included in the annual report in the section 'Reports' or published as separate documents in the section 'Regulatory disclosure'.

### **44.2 Risk management organisation**

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

The following chart presents an overview of Erste Group's risk management organisation.

## Risk management organisation



### Overview of risk management structure

The management board, and in particular Erste Group's Chief Risk Officer (Group CRO) perform the oversight function within Erste Group's risk management structure. Risk control and risk steering within Erste Group are performed based on the business strategy and risk appetite approved by the management board. The Group CRO, working together with the chief risk officers of the subsidiaries, is responsible for the implementation and adherence to the risk control and risk management strategies across all risk types and business lines.

The management board and, in particular, the Group CRO ensure the availability of appropriate infrastructure and staff as well as methods, standards and processes to that effect; the actual identification, measurement, assessment, approval, monitoring, steering and limit setting for the relevant risks are performed on the operating entity level within Erste Group.

At group level, the management board is supported by several divisions established to perform operating risk control functions and exercise strategic risk management responsibilities.

The following risk management functions report directly to the Group CRO:

- \_ Enterprise-wide Risk Management;
- \_ Group Credit & Market Risk Management;
- \_ Group EGI Real Estate Risk Management;
- \_ Group Risk Operating Office;
- \_ Group Workout;
- \_ Group Non Financial Risk;
- \_ Risk Methods and Models;
- \_ Group Legal;
- \_ Group Retail and SME Risk Management;
- \_ Group Validation;
- \_ Local Chief Risk Officers.

## Enterprise-wide Risk Management

Enterprise-wide Risk Management (ERM) enables an increased focus on holistic risk management and ensures comprehensive, cross-risk Group-wide risk portfolio steering.

ERM drives key strategic cross-risk initiatives to establish greater cohesion between the risk strategy including the risk appetite, limit steering and operational execution. ERM works with all risk functions and key divisions to strengthen risk oversight group-wide, covering capital (RWA and ICAAP), credit, liquidity (ILAAP), market, operational and business risk. This division is responsible for the group's Internal Capital Adequacy Assessment Process (ICAAP) including internal and external stress testing, and furthermore for the proper calculation of risk-weighted assets (RWA), group-wide risk portfolio steering with respect to material risks, risk planning and risk input into capital planning, risk appetite and limit management, and liquidity and market risk steering including liquidity risk reporting as well as cross-divisional coordination of regulatory requests.

## Group Credit & Market Risk Management

Group Credit & Market Risk Management is the operative risk management function for medium-sized and large customers as well as for institutional clients and counterparties. This division ensures that only credit and market risk in line with the risk appetite, risk strategy and limits set by ERM are taken on the books of Erste Group. It consists of five departments: Group EBA – Erste Business Analysis, Credit Underwriting Corporates, Credit Underwriting Financial Institutions & Sovereigns, Corporate Portfolio Monitoring & Management, and Market Risk Control & Infrastructure.

The department Group EBA – Erste Business Analysis defines group-wide standards for EBA reports, generates these reports for Erste Group Bank AG and Erste Group Immortent (EGI), and is responsible for the Group financial analysis tool SABINE. Corporate Rating Unit Desk, as part of Group EBA, acts as single point of contact for all operative issues related to corporate ratings within Group Credit and Market Risk Management. Credit Underwriting Corporates is responsible for the group-wide underwriting of credit risks associated with major corporate customers and for the management of credit applications and training activities. This is the first line risk management unit for all corporate business booked in Erste Group Bank AG and, up to a defined threshold in the guidance, the second line risk management unit for corporate business booked in Erste Group's subsidiaries and the 'Haftungsverbund'. Corporate Portfolio Monitoring & Management is responsible for corporate risk policies and procedures along with the credit process and the operative monitoring of credit risk (counterparty & country limit management, credit monitoring and early warning signal monitoring). Credit Underwriting Financial Institutions & Sovereigns is responsible for ratings, analysis, operational credit risk management (risk assessment, approval of transactions and limits, policies, watch lists and early warning systems) and workout activities related to financial institutions (banks, insurance companies and funds), regional governments, sovereigns, and structured products. Market Risk Control & Infrastructure is responsible for group-wide risk and limit monitoring of all trading book positions, the end-of-day market data process that ensures validated market data for the valuation of all capital market products, independent price verification, the market conformity check of new trades, and the maintenance and support of all tools used by Market Risk Management.

## Group EGI Real Estate Risk Management

The Group EGI Real Estate Risk Management department is responsible primarily for the real estate risk policies, in particular for Commercial Real Estate and risk operations, and for the support of the continuous development of operative real estate credit risk management in Erste Group. It supports and manages the credit application and approval process, as well as the setup and implementation of appropriate standards, and operating instructions across the group. It is the first line risk management unit for all real estate business booked in Erste Group Bank AG and in Erste Group Immortent AG. Furthermore, it is the second line risk management unit for primarily commercial real estate business booked in the subsidiaries and exceeding defined thresholds.

## Group Risk Operating Office

Group Risk Operating Office provides the infrastructure and general management across all functions within the risk organisation and is responsible for the budget and staff of the entire CRO division.

In detail, the covered business areas comprise the following units: Risk Data and Reporting, Project Hub, Group Risk Regulatory Management, and the Group Risk Administration Office.

Risk Data and Reporting is responsible for coordination of risk reports, for consistent group-wide credit risk reporting standards and definitions as well as providing credit risk relevant information for the CRO division, in particular, for internal and external regulatory reporting. This department consists of three teams, named Group Credit Risk Reporting, Analytics, Processes and Projects, and Risk Data Steering. Group Credit Risk Reporting is in charge of data extraction, consistency and plausibility checks, analysis and reporting to senior management, regulators, auditors, and rating agencies as well as coordination of complex reports (including ad-hoc requests). Further-

more, this unit is involved in development and implementation of regulatory and financial reporting requirements. The Analytics, Processes and Project team is responsible with change management process and maintenance of the standardised Group Credit Risk Reporting framework and tools. Finally, the unit Risk Data Steering is a dedicated team in the CRO Division, with the aim to develop one aligned group-wide central data management process from data origination to reporting, especially with focus on credit risk.

The Project Hub is responsible for long-term infrastructure enhancements and proper project implementations.

Group Risk Regulatory Management is a central information hub for regulatory issues within the CRO division, for upcoming and existing legislation in the field of credit risk, liquidity risk, market risk, and operational risk, for the facilitation of communication towards the supervisor, for providing regulatory interpretations, and for facilitating and supporting regulatory implementation initiatives as well as monitoring and tracking of regulatory findings and their closure.

### Group Workout

The Group Workout function has group-wide responsibility for clients allocated to the business segments Large Corporates, Commercial Real Estate and Other Corporate that are rated substandard or non-performing or are specifically defined as workout clients. It undertakes the direct workout management function for corporate workout clients of Erste Group Bank AG and additionally performs the (second line) risk management function for corporate workout clients of the subsidiaries exceeding local management's authorisation level.

Based on regulatory requirements, Group Workout is responsible for generating group-wide workout policies, the design of guidelines for the preparation of local workout reports and the preparation of Erste Group Bank AG workout reports. Additionally, the division organises expert training programmes as well as workshops to ensure knowledge transfer across Erste Group entities.

Another important task of the division is its responsibility for group-wide collateral management. This includes the set-up of standards for collateral management, the framework for a group collateral catalogue, and principles for collateral evaluation and revaluation.

### Group Non Financial Risk

Group Non Financial Risk (Group NFR) is responsible for the management of reputational and operational risks including compliance risks, IT and communication technology risks, conduct risks, model risks, and legal risks as well as security issues. These tasks support and protect the first line activities with special focus on the business areas. The division consists of four departments: Group Operational Risk Management, Group Compliance, Group Security Management, and Group NFR Governance.

Group Operational Risk Management acts as the central and independent risk department for identification, measurement and steering of operational risk within Erste Group. Group Compliance is responsible for the management of risks stemming from the non-compliance with regulatory obligations, in particular concerning money laundering, terrorism financing, financial sanctions, market abuse, fraud and rules of conduct.

Group Security Management unit protects bank personnel and assets (including information assets), and preserves the safety and security of these, and is responsible for the definition of security standards, quality assurance and the monitoring and further development of security-related issues at Erste Group, e.g. Cybersecurity.

Group NFR Governance ensures the effective, integrative and holistic implementation of the NFR objectives. This comprises the steering and controlling, alignment of procedures as well as support regarding regulatory requirements and their impact on NFR. Providing a service for a robust NFR process and the identification of synergies complete the spectrum of tasks.

### Risk Methods and Models

The Risk Methods and Models division is responsible for specific aspects of the management of credit, market and liquidity risk, especially the modelling aspects. This area provides adequate risk measurement methodologies and tools as well as an appropriate framework for relevant risk policies and risk controls.

The Credit Risk Methods and Models unit, which is structured on the basis of competence centres, covers the topics of rating models, risk parameters and other credit risk methods like the policies relevant for determining provisions and risk costs.

The responsibilities covered by Market and Liquidity Risk Methods and Models are the development of risk models related to Basel 3 Pillar 1 (specifically the calculation of the regulatory capital requirements for market risk in the trading book) and Pillar 2 capital requirements as well as other internal steering purposes.

The department Risk Model Framework ensures the group wide execution of the Risk Model Governance and is owner of policies with cross segmental coverage like Default Definition or Group Rating Regulation.

### Group Legal

Group Legal, with its three sub-units Banking Legal, Markets Legal and Corporate Legal, acts as the central legal department of Erste Group Bank AG. This division provides legal support and counsel for the management board, the business units and the central functions, and mitigates legal risk. It also attends to legal sourcing and to dispute resolution and litigation.

Legal support for the business activities of the banking subsidiaries in the respective jurisdictions in which they operate is performed by separate locally established legal departments. While reporting to the local management, typically the local CRO, the heads of the local legal department also report to the head of Group Legal in a functional dotted line matrix responsibility.

### Group Retail and SME Risk Management

Group Retail and SME Risk Management is responsible for steering Erste Group's retail lending portfolios. It defines the group-wide retail lending and analytical framework that serves as a basis for monitoring local banks' retail lending practices and for identifying potential adverse portfolio developments early on. This department consists of three units: Group Retail Risk Policy and Collections, Group Retail Risk Analytics, and Retail and SME Risk Control.

Group Retail Risk Policy and Collections defines the policy rules for the entire retail lending cycle including underwriting, portfolio management, early and late collection. This unit ensures implementation and compliance of these policies whereby countries' local lending practices are reviewed against the group-wide policy rules and the differences - if justified - are individually approved by the Head of Group Retail and SME Risk Management and/or the Group CRO. The unit also reviews and assesses local entities' new lending products and lending criteria changes in order to ensure that these are prudent and are in line with group-wide retail lending policies. In addition, this unit ensures retail lending specific knowledge transfer across Erste Group entities offering a tailor-made, retail lending curriculum.

Group Retail Risk Analytics ensures oversight and independent management control through providing regular, operative retail risk management information. This unit defines the operative reporting requirements across the group and ensures regular monitoring of underlying retail loan portfolio dynamics and identifying risk mitigation if required. This unit also provides topical, pro-active, analyses in order to support decision making and background information related to key retail risk management developments in Erste Group.

Group Retail and SME Risk Control is a unit to ensure further strengthening of the existing group-wide operative steering and oversight of the SME loan portfolio. This unit defines, implements and operates a reporting and portfolio quality review mechanism to provide actionable management information of underlying SME loan portfolio dynamics for both business and risk management.

### Group Validation

The objective of Group Validation is to comply with regulatory requirements to perform validations (initial and annual) of all models and methodologies (internal or external vendor) for credit ratings, scorecards, and risk parameters as well as models and methodologies for derivatives and securities valuation, asset liability management (ALM), and pricing and internal steering in Erste Group. Group Validation consists of three units: Group Credit Risk Validation, Group Market Risk, ALM and Pricing Model Validation, and Group Steering Models and Operational Risk Validation.

Group Credit Risk Validation is responsible for the independent review of credit risk methods and models developed internally by Erste Group. This unit validates all new models prior to initiation of the internal approval process and supports the local banks by ensuring prudential validation of all models. It also performs the annual validations, ensuring that the regulatory requirements for all validations are met.

Group Market Risk, ALM and Pricing Model Validation is responsible for the independent review and validation:

- \_ of VaR-related Market Risk methods and models;
- \_ internal or external vendor software or models for Derivatives or Securities Valuation and related functionality;
- \_ ALM related models either internally or externally developed as well as all ALM acquired software;
- \_ stress testing, back-testing and other methodologies for scenario analysis.

Group Steering Models and Operational Risk Validation is responsible for the validation of internal risk management systems that are based on (or complemented by) non-statistical techniques. This includes the integrity of processes, data quality and IRB Use Test issues. Furthermore, operational risk validation, steering models validations, steering parameters and risk adjusted pricing methodology component validations are within the scope of this unit.

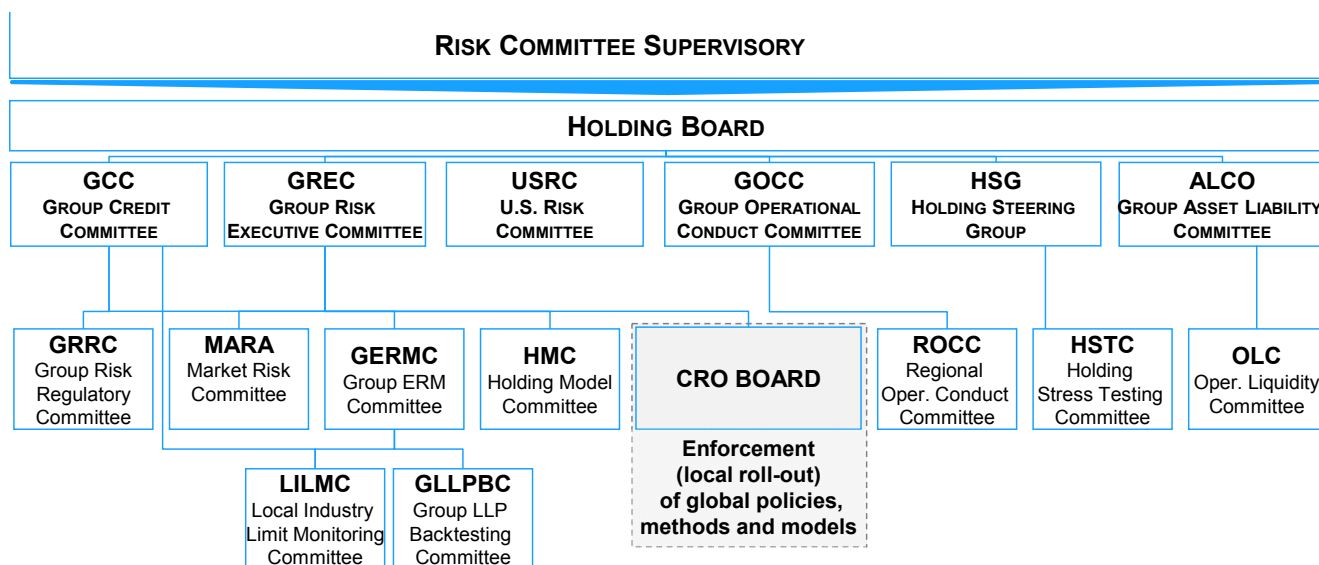
### Local Chief Risk Officers

Each subsidiary has separate risk control and management units with responsibilities tailored to the local requirements, which are headed by the respective entity's chief risk officer.

### Group coordination of risk management activities

The management board regularly deals with risk issues of all risk types in its regular board meetings. Actions are discussed and taken when needed.

Furthermore, certain cross-divisional committees were established with the purpose of carrying out risk management activities in Erste Group. They are shown in the following diagram:



The **Risk Management Committee of the Supervisory Board** is responsible for granting approval in all cases in which loans and exposures reach an amount exceeding the approval authority of the management board according to the Credit Risk Approval Authority Regulations. It is in charge of granting approval to large exposures pursuant to Article 392 CRR, if such a claim is equal to or exceeds 10% of the eligible capital of a credit institution. Within the competence assigned to it, the committee may grant advance approvals to the extent permitted by law.

In addition, it is responsible for supervising the risk management of Erste Group Bank AG. The Risk Management Committee meets regularly. As the central risk control body, the Risk Management Committee is regularly briefed on the risk status across all risk types.

The **CRO Board** is responsible for the consistent coordination and implementation of risk management activities within Erste Group, including joint liabilities. The CRO Board consists of the Group CRO and the chief risk officers of the subsidiaries within Erste Group. Chaired by the Group CRO, the CRO Board is responsible for group-wide coordination of risk management and for ensuring uniformity of risk management standards across Erste Group.

The **Group Credit Committee** (GCC) is the supreme operative decision-making body for approvals of credit risks according to the existing regulations. Based on the advice of GCC, decisions of significant exposures and extended risks are decided by the risk management board of the supervisory committee. The GCC is headed by the Group CRO and comprises the chairman of Corporates & Markets, the head of Group Credit & Market Risk Management, the head of Group Workout, and the head of the requesting business line. Each subsidiary equips their own local credit committee established by the same principles.

The **Group Risk Executive Committee** (GREC) is the central forum for all joint resolutions and acknowledgements in the Erste Group Bank CRO division across all its departments and staff units. Its purpose is the division-wide coordination of all the risk management functions of Erste Group Bank AG. It discusses and decides on key risk management issues and topics; in particular it defines the division's strategy and ensures implementation of common risk management standards (e.g. pertaining to processes, systems, reporting and governance).



The **Group Operational Conduct Committee** (GOCC) is an executive-level committee responsible for enforcement of the Code of Conduct as well as the management of non-financial risks. Moreover, the GOCC serves as an escalation and decision-making committee for the Regional Operational Conduct Committee (ROCC).

The **United States Risk Committee** (USRC) has been established to meet the requirements of the United States Federal Reserve Board (FRB) regulation, which has been in force since 1 July 2016. The objective is to involve the management board as key governance and control function for the U.S. trade portfolio which has been specified in the Combined U.S. Operations (CUSO) guidance.

The **Holding Steering Group** (HSG) is responsible for the monitoring of the group's Risk Appetite Statement (especially with regard to capital and liquidity adequacy, under both normal and stressed conditions), the review of proposed group and local capital measures and the proposal of remediation actions. Furthermore, it monitors recovery triggers and indicators and, when appropriate advises the management board to trigger recovery governance. The oversight of the implementation of the risk-return strategy and the proposal of actions to reinforce the risk-return steering also belong to the HSG's tasks and responsibilities.

The **Holding Stress Testing Committee** (HSTC) is the sole forum for all joint resolutions, decisions and acknowledgements in the stress testing area for group-wide stress testing activities.

The **Group Asset/Liability Committee** (ALCO) manages the consolidated Erste Group balance sheet, focusing on trade-offs between all affected consolidated balance sheet risks (interest rate, exchange rate and liquidity risks), and takes care of the setting of group standards and limits for the members of Erste Group. In addition, it approves policies and strategies for controlling liquidity risk as well as interest rate risk (net interest income) and examines proposals, statements and opinions of ALM, risk management, controlling and accounting functions. The approved investment strategy complies with the guidelines agreed with Risk Management.

The **Operational Liquidity Committee** (OLC) is responsible for the day-to-day management of the global liquidity position of Erste Group. It analyses the liquidity situation of Erste Group on a regular basis and reports directly to the ALCO. It also proposes measures to the ALCO within the scope of the management policies and principles laid down in the Liquidity Risk Management Rule Book. Furthermore, members of the Group OLC are points of contact for other departments or Erste Group members for liquidity-related matters. Each local bank has its own local operational liquidity committee.

The **Market Risk Committee** (MARA) is the main steering body for market risk and trading book related issues of Erste Group. The Market Risk Committee approves group-wide market risk limits and elaborates on the current market situation.

The **Group ERM Committee** (GERMC) is the sole forum for all joint decisions and acknowledgements in the Enterprise-wide Risk Management (ERM) area across all Erste Group entities and Erste Group Bank AG. Its purpose is the group-wide coordination of the ERM functions, in particular on ICAAP and economic capital, stress testing, RWA, risk appetite and limit steering, risk strategies and alignment of risk input for capital planning, liquidity and market risk steering as well as pricing/provisioning. Furthermore, the GERMC ensures alignment on key ERM topics and the group-wide implementation of common ERM standards. Group Loan Loss Provisions Back testing Committee (GLLPBC), as a subcommittee of GERMC, agrees and approves back-testing results and remedial actions. In addition the Local Industry Limit Monitoring Committee (LILMC), as a subcommittee of the GERMC, is the steering and monitoring body to ensure comprehensive control of local Industry limits and oversight of their breaches as well as any escalations to the Credit and/or Group ERM Committee.

The **Holding Model Committee** (HMC) is the steering and control body for the model development and validation process. All new models or changed models and risk parameters in the group as well as group-wide methodology standards are reviewed by the Holding Model Committee and require its approval.

The **Group Risk Regulatory Committee** (GRRC) deals with all kinds of regulatory issues in the CRO area, i.e. implementation of new regulatory requirements, proper closure of regulatory findings, information about new regulatory initiatives, reports about regulatory communication and decisions on interpretative questions.

The **Regional Operational Conduct Committee** (ROCC) decides on business applications and implements group-wide corrective measures to steer non-financial risks (NFR). This is done based on a risk-return evaluation. Furthermore, ROCC defines group-wide standards for non-financial risk topics. The ROCC is a forum for joint alignments, decisions, and escalations in non-financial risk areas across Erste Group entities and Erste Group Bank AG itself.



In addition, committees are established at local level, such as the ‘Team Risikomanagement’ in Austria. It is responsible for a common risk approach with the Austrian savings banks.

#### 44.3 Group-wide risk and capital management

As in prior years, Erste Group’s risk management framework has been continuously strengthened. In particular, Enterprise-wide Risk Management (ERM) has continued to strengthen its comprehensive framework. This includes as its fundamental pillar the Internal Capital Adequacy Assessment Process (ICAAP) required under Pillar 2 of the Basel framework.

The ERM framework is designed to support the bank’s management in managing the risk portfolios as well as the coverage potential to ensure that the bank holds at all times adequate capital for the nature and magnitude of the bank’s risk profile. ERM is tailored to the Erste Group’s business and risk profile, and it reflects the strategic goal of protecting shareholders and senior debt holders while ensuring the sustainability of the organisation.

ERM is a modular and comprehensive management and steering system within Erste Group and is an essential part of the overall steering and management instruments. The ERM components necessary to ensure all aspects, in particular to fulfil regulatory requirements and to provide an internal added value that can be clustered as follows:

- \_ risk appetite statement;
- \_ Portfolio and risk analytics including risk materiality assessment, concentration risk management, and stress testing;
- \_ risk-bearing capacity calculation;
- \_ risk planning and forecasting including risk-weighted asset management and capital allocation;
- \_ recovery and resolution planning.

In addition to the ICAAP’s ultimate goal of assuring capital adequacy and sustainability at all times, the ERM components serve to support the bank’s management in pursuing its strategy.

##### Risk appetite

Erste Group defines its risk strategy and Risk Appetite Statement (RAS) through the annual strategic planning process to ensure appropriate alignment of risk, capital and performance targets. The Group RAS represents a strategic statement expressing the maximum level of risk that Erste Group is prepared to accept in order to achieve its business objectives. It consists of a set of core metrics providing quantitative direction for risk steering, from which a top-down boundary for target and limit setting is derived, creating a holistic perspective on optimising capital, funding and risk-return trade-offs, and qualitative statements in the form of key risk principles that form part of the strategic guidelines for managing risks. The key objective of the RAS is to:

- \_ ensure that Erste Group has sufficient resources to support its business at any given point in time and absorb stress events;
- \_ set boundaries for the Group’s risk-return target setting;
- \_ preserve and promote the market’s perception of the Group’s financial strength and the robustness of its systems and controls.

To foster risk-return steering and ensure proactive management of the risk profile, Erste Group sets its RAS on a forward-looking basis. External constraints such as regulatory requirements set the ceiling for the RAS and therefore the amount of risk Erste Group is willing to accept. In order to ensure that the Group remains within the targeted risk profile, a Red Amber Green system was established and assigned to the core metrics. This approach allows a timely delivery of information to the respective governance and the implementation of effective remediation measures.

- \_ RAS is green: The target risk profile is inside the specified boundaries.
- \_ RAS is amber: The undershooting or overshooting of a pre-defined threshold leads to an escalation to the designated governance and the discussion of potential remediation actions.
- \_ RAS is red: The undershooting or overshooting of a pre-defined limit initiates an immediate escalation to the designated governance and a prompt implementation of remediation actions.

Moreover, stress triggers are defined for selected core metrics and integrated into the assessment of the stress test results. They are reported as early warning signals to the management board to support proactive management of the risk and capital profile.

In addition, strategic risk limits and principles are defined by material risk type based on the Group RAS in the Group Risk Strategy. These limits and principles support implementation of the mid to long term risk strategy. Risk management governance ensures full oversight over all risk decisions and the proper execution of the risk strategies. Risk mitigating actions are undertaken as part of the regular risk management process to ensure that the group remains within its defined RAS.

In 2016, the RAS horizon was extended to 5 years to ensure a stronger interplay between the RAS and other strategic processes such as long-term planning, budgeting and stress testing. The remuneration program was also directly linked to the Group RAS to reinforce the risk culture and risk awareness within the Group. In that light, the determination of the annual bonus pool must consider if the relevant core metrics are within the Group RAS. The Group RAS 2016 was approved by both, the management board and the Risk Committee of the Supervisory Board, as a part of increased role of the Supervisory Board in RAS setting and monitoring. The Group also developed an aggregated and consolidated risk appetite dashboard (RAS Monitor) illustrating the Groups and local entities risk profile developments by comparing the risk exposure and risk limits. The RAS Monitor was regularly -presented to the Risk Committee of the Supervisory Board to support its review, oversight, and monitoring of the Group risk profile.

The Group RAS is also broken down to local entities under consideration of the approved proportionality guidelines. The local RAS is approved by the Management Board to ensure alignment with the Group RAS. The Group may also decide to include further compulsory constraints and limits (top-down limits) in the local RAS to ensure alignment with the Group RAS and Group Risk Strategy.

The Group RAS framework streamlines core capital, liquidity, and risk/earnings metrics as well as reinforces key risk principles that form part of guidelines for managing risks. In addition, the Group RAS strengthens internal governance responsible for oversight of the risk profile development, embeds RAS into strategic planning and budgeting processes as well as day-to-day management, and ensures timely management actions in case of adverse developments.

In 2016, core capital, liquidity and risk-earnings metrics developed within the tolerances defined in the Group RAS. Consistent follow-up on the Group RAS and limits with management actions implemented as part of the regular risk management and decision-making processes resulted in an improved group risk profile.

#### Portfolio and risk analytics

Erste Group uses dedicated infrastructure, systems and processes to actively identify, control and manage risks within its portfolio. Portfolio and risk analytics processes are designed to quantify, qualify and discuss risks in order to raise awareness to management in a timely manner.

#### Risk materiality assessment

The risk materiality assessment is an annual process with the purpose of systematically identifying new and assessing existing material risks for Erste Group. The process uses a combination of quantitative and qualitative factors in the assessment of each risk type.

This assessment represents the starting point of the ICAAP process, as identified material risk types need to be considered either directly by dedicating economic capital or indirectly through adequate consideration within other ICAAP framework elements. Insights generated by the assessment are used to improve risk management practices and further mitigate risks within the group. The assessment also serves as an input for the design and definition of Erste Group's Risk Strategy and Risk Appetite Statement. Key outputs and recommendations of the risk materiality assessment are used in the scenario design and selection of the comprehensive and reverse stress tests.

#### Risk concentration analysis

Erste Group has implemented a process to identify measure, control and manage risk concentrations. This process is essential to ensure the long-term viability of Erste Group, especially in times of an adverse business environment and stressed economic conditions.

The risk concentration analysis at Erste Group covers credit risk, market risk, operational risk, liquidity risk and inter-risk concentrations. Identified risk concentrations are considered in the scenario design of the comprehensive stress test and measured under stressed conditions. The output of the risk concentration analysis additionally contributes to the identification of material risks within the risk materiality assessment as well as to the Risk Appetite Statement and to the setting/calibration of Erste Group's limit system.

#### Stress testing

Modelling sensitivities of the group's assets, liabilities and profit or loss provide management and steering impulses and help in optimising Erste Group's risk-return profile. The additional dimension of stress tests helps to factor in severe but plausible scenarios and provide further robustness to the measuring, steering and management system. Risk modelling and stress testing are vital forward-looking elements of the ICAAP. Finally, sensitivities and stress scenarios are considered within the Group's planning and budgeting process as well as in the risk-bearing capacity calculation.

Erste Group's most complex stress test is a scenario stress test that takes comprehensive account of the impact of various economic scenarios, including second-round effects on all risk types (credit, market, liquidity and operational) and in addition impacts on the associated

volumes of assets and liabilities as well as on profit and loss sensitivities. In addition to the standard stress testing exercises, reverse stress tests are used to identify a scenario or a combination of scenarios in which viability of the current business model can be questioned.

Erste Group has developed specific tools to translate macroeconomic variables (e.g. GDP and unemployment rate development) into risk parameters in order to support the stress testing process, which combines bottom-up and top-down approaches. In addition, Erste Group leverages the specific knowledge of its professionals located in the different regions to further calibrate the model-based stress parameters. Special attention is given to taking into account adequate granularity and special characteristics when defining the stress parameters (e.g. the particular developments in the respective region, industry, product type or segment).

Results from all of Erste Group's stress tests are assessed with regard to their explanatory power in order to decide on appropriate measures. Internal Comprehensive Stress Test performed in 2016 indicated no breach of stressed RAS triggers.

Additionally, Erste Group participated in the stress test executed by the European Central Bank (ECB) in cooperation with the European Banking Authority (EBA). Phase-in CET 1 ratio decreased to 8.2% in the adverse scenario (8.0% fully loaded) and increased to 13.8% in the baseline scenario (13.5% fully loaded).

#### **Risk-bearing capacity calculation**

The risk-bearing capacity calculation (RCC) defines the capital adequacy required by the ICAAP. Within the RCC, all material risks are quantified, aggregated and compared to the coverage potential and the bank's own funds. The integral forecast, risk appetite limit and a traffic light system support management in its discussions and decision processes.

The traffic light system embedded in Erste Group's RCC helps to alert the management in case there is a need to decide on, plan and execute actions either to replenish the capital base or to take measures for reducing risk.

The management board and risk management committees are briefed on a quarterly basis in relation to the results of the capital adequacy calculation. The report includes movements in risks and available capital and coverage potential after consideration of potential losses in stress situations, the degree of the risk limit utilisation and the overall status of capital adequacy according to the traffic light system. The Group Risk Report also includes a comprehensive forecast of risk-weighted assets and capital adequacy.

Besides the Pillar 1 risk types (credit, market and operational risks), in the context of Pillar 2, interest rate risks in the banking book, foreign exchange risks arising from equity investments, credit spread risks in the banking book, risks from foreign currency loans as well as business and strategic risks are explicitly considered within the economic capital requirement via internal models. During 2016 the utilisation of the economic capital was between 54.5% and 56.8%. The methodologies that are applied for the different risk types are diverse and range from historic simulations and other value at risk approaches to the regulatory approach for residual portfolios. Moreover, calculations for portfolios under the standardised approach for credit risk are extended by risk parameters from the internal ratings-based approach in order to give a better economic view.

In addition to the risk-bearing capacity calculation, liquidity, concentration and macroeconomic risks in particular are managed by means of a proactive management framework that includes forward-looking scenarios, stress testing, trigger levels and traffic light systems.

Credit risk accounts for approximately 68% of the total economic capital requirement. Reflecting Erste Group's conservative risk management policy and strategy, the group does not offset diversification effects between these three risk types. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99.95% confidence level, which reflects the implied default risk as well as Erste Group's conservative approach and high risk management standards.

The capital or coverage potential required to cover economic risks and unexpected losses is based on Basel 3 fully loaded regulatory own funds adjusted by held-to-maturity reserves and the year-to-date profit. The coverage potential must be sufficient to absorb unexpected losses resulting from the group's operations at any point in time.

#### **Risk planning and forecasting**

The responsibility for risk management within the group and each subsidiary includes ensuring sound risk planning and forecasting processes. The forecasts determined by risk management are the result of close cooperation with all stakeholders in the group's overall planning process and in particular with Group Controlling, Asset Liability Management and the business lines. The risk planning and forecasting process includes both a forward- and backward-looking component, focusing on both portfolio and economic environment changes.

## Risk-weighted asset management

As risk-weighted assets (RWA) determine the actual regulatory capital requirement of a bank and influence the capital ratio as a key performance indicator, particular emphasis is devoted to meeting targets and to the planning and forecasting capacity for this parameter. Insights from RWA analyses are used to improve the calculation infrastructure and the quality of input parameters and data as well as the most efficient application of the Basel framework.

There is a process in place for tracking developments with RWA targets, forecasting their future development and thereby defining further targets. The management board is also informed about the current status, and findings are taken into account in the context of Erste Group's regular steering process. Furthermore, RWA targets are included in the Risk Appetite Statement.

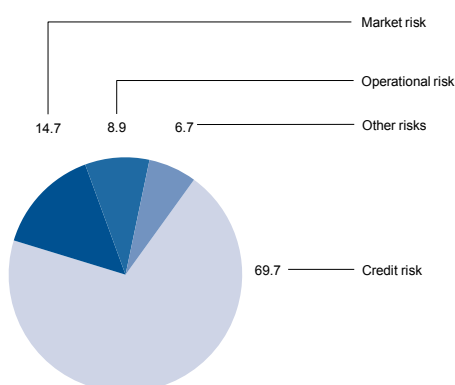
## Capital allocation

An important task integral to the risk planning process is the allocation of capital to entities, business lines and segments. This is done with close cooperation between Risk Management and Controlling. All insights from the ICAAP and controlling processes are used to allocate capital with a view to risk-return considerations.

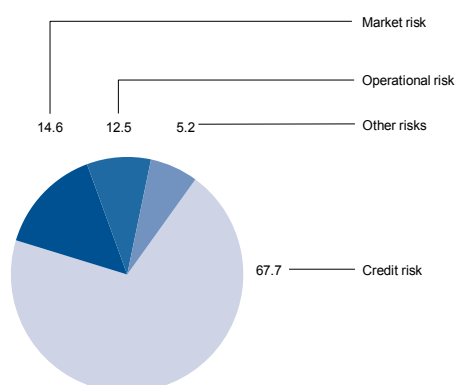
### Erste Group's aggregate capital requirement by risk type

The following diagrams present the composition of the economic capital requirement according to type of risk:

**Economic capital allocation  
in %, 31.12.2015**



**Economic capital allocation  
in %, 31.12.2016**



Other risks include the risk from foreign currency loans and the business and strategic risk.

## Leverage ratio

The leverage ratio represents the relationship between core capital (tier 1) and leverage exposure according to Article 429 CRR. Essentially, the leverage exposure represents the sum of unweighted on- and off-balance-sheet positions considering valuation and risk adjustments as defined within the CRR.

The calculation and disclosure of the leverage ratio is based on the European Commission's delegated regulation ((EU) 2015/62 of 10 October 2014), which was published in the Official Journal of the European Union on 17 January 2015.

## Recovery and resolution plans

In compliance with the Austrian Banking Recovery and Resolution Law ('Bundesgesetz über die Sanierung und Abwicklung von Banken – BaSAG') Erste Group annually submits an updated Group Recovery Plan to ECB.

The Group Recovery Plan identifies options for restoring financial strength and viability in case Erste Group comes under severe economic stress. The plan specifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of scenarios including both idiosyncratic and market-wide stress.

Erste Group collaborates with the resolution authorities in the drawing up of resolution plans as required by BaSAG and EU Regulation No 806/2014 establishing the Single Resolution Mechanism (SRM Regulation).

## 44.4 Credit risk

### Definition and overview

Credit risk arises in Erste Group's traditional lending and investment businesses. It involves losses incurred as a result of default by borrowers and the need to set aside allowances as a result of the deteriorating credit quality of certain borrowers as well as due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk is also recognised in the calculation of credit risk. Operative credit decisions are made by the credit risk management units in each of the banking subsidiaries locally and by Group Credit & Market Risk Management and Group EGI Real Estate Risk Management at group level. A detailed explanation of the role and responsibilities of Group Credit & Market Risk Management and Group EGI Real Estate Management is covered in the section 'Risk management organisation'.

In contrary to large corporates, banks and governments managing credit risk in retail involves dealing with a large number of relatively small exposures extended to private individuals, free professionals, entrepreneurs or to micro companies in line with the Basel definitions. Credit risk related to retail loan portfolios is managed at group and at local entity with a common interest to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities supported by underlying profitability.

The central database used for credit risk management is the Business Intelligence Dataware House (BI-DWH). All data relevant to credit risk management, performance management and determination of risk-weighted assets and the regulatory capital requirement is regularly loaded into this database. Relevant subsidiaries not yet integrated into the Group data pool regularly deliver reporting packages.

The Risk Data and Reporting department uses mainly the BI-DWH for centralised credit risk reporting. This ensures centralised analysis and application of ratios according to unified methods and segmentation across Erste Group as a whole. Credit risk reporting comprises regular reports on Erste Group's credit portfolio for external and internal recipients and permits continuous monitoring of credit risk developments, thus enabling management to take control measures. In-house recipients of these reports include, above all, the supervisory and management boards of Erste Group Bank AG as well as the risk managers, business unit directors and internal audit staff.

The Credit Limit System organisational unit, which is part of Group Credit & Market Risk Management, is in charge of operating, supervising and continuously improving the group-wide online limit system for the control of counterparty credit risk arising from treasury transactions, as well as for the monitoring of credit risk from exposures in the asset classes Corporates, Financial Institutions and Sovereigns.

### Internal rating system

Erste Group has business and risk strategies in place that govern policies for lending and credit approval processes. These policies are reviewed and adjusted regularly, at a minimum on an annual basis. They cover the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. Credit approval considers individual information on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of counterparty default risk within Erste Group is based on the customer's probability of default (PD). For each credit exposure and lending decision, Erste Group assigns an internal rating, which is a unique measure of the counterparty default risk. The internal rating of each customer is updated at least on an annual basis (annual rating review). Ratings of workout customers are reviewed with higher frequency.

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities. Internal ratings also determine the level of credit-approval authority within Erste Group and the monitoring procedures for existing exposures. At a quantitative level, internal ratings influence the level of required risk pricing, risk allowances and risk-weighted assets under Pillar 1 or 2.

For entities of Erste Group that use the internal ratings-based (IRB) approach, internal ratings are a key input into the risk-weighted assets calculation. They are also used in the group's assessment of the economic capital requirement according to Pillar 2. For these purposes, a distinct PD value is assigned to each rating grade for its IRB portfolios within a calibration process that is performed individually for each rating method. PD values reflect a 12-month probability of default based on long-term average default rates per rating grade. The bank assigns margins of conservatism to the calculated PDs.

Internal ratings take into account all available significant information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, flexibility in corporate financing, general company information and external credit history information, where available. For retail clients, internal ratings are based mainly

on payment behaviour versus the bank and, where applicable, credit bureau information, supplemented with information provided by the respective client and general demographic information. Rating ceiling rules on credit quality are applied based on membership in a group of economically related entities and the country of main economic activity (applicable to cross-border financing facilities).

Internal specialist teams develop and improve internal rating models and risk parameters in cooperation with risk managers. Model development follows an internal group-wide methodological standard and utilises relevant data covering the respective market. In this way, Erste Group ensures the availability of rating models with the best possible prediction across its core regions.

All rating models and their components (scorecards), whether retail or non-retail, are regularly validated by the central validation unit based on a group-wide standard methodology. Validation uses statistical techniques to evaluate the accuracy of default prediction, rating stability, data quality, completeness and relevance and reviews the quality of documentation and degree of user acceptance. The results of this validation process are reported to the management and regulatory bodies. In addition to the validation process, the group applies a regular monitoring process on the performance of rating tools, reflecting developments in new defaults and early delinquencies.

A Holding Model Committee (HMC) is established as the primary steering and control body for the model development and validation process and is a delegated committee of the Group Risk Executive Committee (GREC). All new models, model changes and changes to risk parameters in the group as well as group-wide methodology standards are reviewed by the Holding Model Committee and require its approval. This ensures group-wide integrity and consistency of models and methodologies. Furthermore, the Holding Model Committee organises the group-wide validation process, reviews validation results and approves remedial actions. All development and validation activities are coordinated by the Risk Methods and Models division with responsibility for validation in the independent Group Validation unit.

### Risk grades and categories

The classification of credit assets into risk grades is based on Erste Group's internal ratings. Erste Group uses two internal risk scales for risk classification of not defaulted customer:

- \_ for private clients a risk scale of eight risk grades are used, while
- \_ for all other segments a risk scale of 13 risk grades are used.

Defaulted customers are classified into a separate risk grade.

For the purpose of external reporting, internal rating grades of Erste Group are grouped into the following four risk categories:

**Low risk:** Typically regional customers with well-established and rather long-standing relationships with Erste Group or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the bank, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally done with clients in this risk category.

**Management attention:** Vulnerable non-retail clients that may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with possible payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

**Substandard:** The borrower is vulnerable to short term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

**Non-performing:** One or more of the default criteria under Article 178 of the CRR are met: among others, 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. As from 2015, Erste Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forbore transactions even in cases where the client has not defaulted.

### Credit risk review and monitoring

In order to manage the credit risk for large corporates, banks, sovereigns and country risk, credit limits are established to reflect the maximum exposure that Erste Group is willing to have towards a particular customer or group of connected clients. An upper boundary for such limits is given by the entity-specific maximum lending limit (MLL), which is derived from the respective group and local Risk Appetite Statement (RAS). All credit limits and the transactions booked within the limits are reviewed at least once a year.

Credit portfolio reports for asset classes and business lines are prepared on a regular basis and a group-wide early warning system was introduced. Watch-list meetings and remedial committee meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures to help a particular debtor avoid default.

For smaller enterprises (micro) and retail customers, the monitoring and credit review are based on an automated early warning system. In retail risk management the following early warning signals indicate potential adverse portfolio developments, if left unaddressed:

- \_ deterioration of new business quality;
- \_ decreasing collections efficiency.

The early warning signals are monitored at group level by Group Retail and SME Risk Management and locally by local Retail Risk/Collections Management. Adverse developments identified during the monitoring are discussed and the need for risk mitigation is addressed jointly.

### Credit risk exposure

Credit risk exposure relates to the sum of the following balance sheet items:

- \_ cash and cash balances - other demand deposits;
- \_ financial assets - held for trading (without equity instruments);
- \_ financial assets - at fair value through profit or loss (without equity instruments);
- \_ financial assets - available for sale (without equity instruments);
- \_ financial assets - held to maturity;
- \_ loans and Receivables to credit institutions;
- \_ loans and receivables to customers;
- \_ positive fair value of derivatives;
- \_ off-balance sheet credit risks (primarily financial guarantees and undrawn irrevocable credit commitments).

The credit risk exposure equates the gross carrying amount (or nominal value in the case of off-balance sheet positions) excluding:

- \_ account loan loss allowances;
- \_ provisions for guarantees;
- \_ any collateral held (including risk transfer to guarantors);
- \_ netting effects;
- \_ other credit enhancements;
- \_ credit risk mitigating transactions.

Between 31 December 2015 and 31 December 2016, the credit risk exposure increased from EUR 212.21 billion to EUR 214.94 billion. This is an increase of 1.3% or EUR 2.73 million.



## Reconciliation between the gross carrying amount and the carrying amount of the separate components of the credit risk exposure

in EUR million	Gross carrying amount	Credit risk provisions	Carrying amount
<b>As of 31 December 2016</b>			
Cash and cash balances – other demand deposits	1,282	0	1,282
Loans and receivables to credit institutions	3,478	8	3,469
Loans and receivables to customers	135,267	4,613	130,654
Financial assets - held to maturity	19,274	4	19,270
Financial assets - held for trading	3,396	0	3,396
Financial assets - at fair value through profit or loss	336	0	336
Financial assets - available for sale	18,522	0	18,522
Positive fair value of derivatives	5,899	0	5,899
Contingent liabilities	27,484	338	0
<b>Total</b>	<b>214,938</b>	<b>4,963</b>	<b>182,829</b>
<b>As of 31 December 2015</b>			
Cash and cash balances – other demand deposits	2,228	0	2,228
Loans and receivables to credit institutions	4,819	14	4,805
Loans and receivables to customers	131,906	6,009	125,897
Financial assets - held to maturity	17,703	2	17,701
Financial assets - held for trading	3,163	0	3,163
Financial assets - at fair value through profit or loss	176	0	176
Financial assets - available for sale	19,307	0	19,307
Positive fair value of derivatives	7,494	0	7,494
Contingent liabilities	25,415	297	0
<b>Total</b>	<b>212,211</b>	<b>6,322</b>	<b>180,771</b>

The gross carrying amount of contingent liabilities refers to the nominal value, while credit risk provisions refer to provisions for guarantees. A carrying amount is not presented in the case of contingent liabilities.

### Breakdown of credit risk exposure

On the next pages the credit risk volume is categorized in the following way:

- \_ Basel 3 exposure class and financial instrument;
- \_ industry and financial instrument;
- \_ risk category;
- \_ industry and risk category;
- \_ region and risk category;
- \_ business segment and risk category;
- \_ geographical segment and risk category;
- \_ contingent liabilities by region and risk category;
- \_ contingent liabilities by product;
- \_ credit risk exposure to sovereigns by region and financial instrument;
- \_ credit risk exposure to institutions by region and financial instrument;
- \_ non-performing credit risk exposure by business segment and credit risk provisions;
- \_ non-performing credit risk exposure by geographical segment and credit risk provisions;
- \_ composition of allowances;
- \_ credit risk exposure, forbearance exposure, and credit risk provisions;
- \_ types of forbearance exposure, the development of forbearance exposure, and credit risk provisions;
- \_ credit quality of forbearance exposure by geographical segments;
- \_ credit risk exposure by business segment and collateral;
- \_ credit risk exposure by geographical segment and collateral;
- \_ credit risk exposure by financial instrument and collateral;
- \_ credit risk exposure past due and not covered by specific allowances by financial instruments and collateralisation.



### Credit risk exposure by Basel 3 exposure class and financial instrument

The assignment of obligors to Basel 3 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 3 exposure classes are aggregated in the table below and in other tables in section ‘Credit risk’. Additionally to central governments, central banks, international organisations, and multinational development banks, the aggregated exposure class ‘sovereigns’ contains regional and local governments as well as public sector entities. Institutions include banks and recognised investment firms.

in EUR million	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions	Debt securities						Positive fair value of derivatives	Contingent liabilities	Total credit risk exposure
			Loans and receivables to customers	Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale				
At amortised cost			At fair value								
As of 31 Dec 2016											
Sovereigns	6	680	7,347	18,459	2,549	42	14,823	330	1,639	45,876	
Institutions	1,270	2,080	149	538	467	139	1,646	5,120	251	11,659	
Corporates	6	717	59,010	277	380	155	2,053	448	19,002	82,048	
Retail	0	0	68,761	0	0	0	0	1	6,592	75,354	
Total	1,282	3,478	135,267	19,274	3,396	336	18,522	5,899	27,484	214,938	
As of 31 Dec 2015											
Sovereigns	11	1,271	7,414	16,479	2,393	13	14,998	338	1,231	44,147	
Institutions	2,211	3,008	197	820	398	73	2,151	6,647	333	15,836	
Corporates	6	540	58,727	405	373	91	2,158	508	17,738	80,546	
Retail	0	0	65,569	0	0	0	0	1	6,113	71,682	
Total	2,228	4,819	131,906	17,703	3,163	176	19,307	7,494	25,415	212,211	

## Credit risk exposure by industry and financial instrument

in EUR million	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Debt securities				Positive fair value of derivatives	Contingent liabilities	Total credit risk 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 December 2016										
Agriculture and forestry	0	0	2,367	0	0	0	0	4	268	2,638
Mining	0	0	435	0	6	0	17	0	421	880
Manufacturing	0	0	10,089	1	18	0	262	98	4,428	14,895
Energy and water supply	0	0	3,032	0	10	0	120	62	617	3,841
Construction	0	0	6,236	150	1	0	283	8	3,323	10,002
Development of building projects	0	0	3,567	0	0	0	8	3	975	4,553
Trade	0	0	7,912	0	0	0	29	14	2,990	10,945
Transport and communication	0	0	3,622	145	55	0	1,060	35	1,694	6,612
Hotels and restaurants	0	0	3,699	6	0	0	2	6	481	4,193
Financial and insurance services	1,282	3,473	3,833	1,187	904	305	3,603	5,254	1,756	21,596
Holding companies	0	0	1,975	19	19	0	151	13	557	2,734
Real estate and housing	0	0	21,842	24	21	0	146	155	2,348	24,535
Services	0	2	7,044	46	50	0	311	50	2,468	9,971
Public administration	0	0	6,004	17,700	2,322	31	12,330	174	1,375	39,935
Education, health and art	0	0	2,704	0	0	0	3	12	416	3,136
Private households	0	0	56,415	0	0	0	0	1	4,621	61,037
Other	0	3	33	15	9	0	358	27	278	723
Total	1,282	3,478	135,267	19,274	3,396	336	18,522	5,899	27,484	214,938
As of 31 December 2015										
Agriculture and forestry	0	0	2,384	0	0	0	0	4	217	2,606
Mining	0	0	409	0	52	0	26	1	333	821
Manufacturing	0	0	9,607	30	6	0	218	78	4,179	14,120
Energy and water supply	0	0	3,339	0	13	0	87	90	782	4,311
Construction	0	0	6,329	153	14	0	308	10	3,148	9,961
Development of building projects	0	0	3,557	0	1	0	32	6	938	4,534
Trade	0	0	7,860	0	1	0	23	12	2,777	10,673
Transport and communication	0	0	3,621	206	98	0	1,066	43	1,751	6,785
Hotels and restaurants	0	0	3,678	7	0	0	2	6	452	4,144
Financial and insurance services	2,228	4,819	5,165	1,540	511	172	4,372	6,872	2,232	27,912
Holding companies	0	0	3,288	45	21	0	208	44	1,641	5,247
Real estate and housing	0	0	21,082	6	13	0	161	129	2,258	23,649
Services	0	0	5,728	40	29	0	163	35	1,438	7,433
Public administration	0	0	6,765	15,714	2,382	5	12,513	201	995	38,574
Education, health and art	0	0	2,635	0	0	0	2	11	377	3,026
Private households	0	0	53,251	0	0	0	0	1	4,184	57,436
Other	0	0	54	8	42	0	366	2	291	763
Total	2,228	4,819	131,906	17,703	3,163	176	19,307	7,494	25,415	212,211

## Credit risk exposure by risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total credit risk exposure
<b>Total exposure as of 31 December 2016</b>	<b>188,031</b>	<b>17,733</b>	<b>2,072</b>	<b>7,102</b>	<b>214,938</b>
Share of credit risk exposure	87.5%	8.3%	1.0%	3.3%	
<b>Total exposure as of 31 December 2015</b>	<b>181,644</b>	<b>18,091</b>	<b>2,663</b>	<b>9,813</b>	<b>212,211</b>
Share of credit risk exposure	85.6%	8.5%	1.3%	4.6%	
Change in credit risk exposure in 2016	6,387	-358	-591	-2,711	2,727
Change	3.5%	-2.0%	-22.2%	-27.6%	1.3%

From 31 December 2015 to 31 December 2016, only the share of credit risk exposure in the low risk category increased, while in the other three categories decreased (management attention, substandard and non-performing). Non-performing claims as a percentage of total credit risk exposure (NPE ratio) decrease from 4.6% to 3.3%. At the end of year 2016, the total credit risk exposure of Erste Group was 87.5% in the low risk category and approximately 8.3% in the management attention category. Between 31 December 2015 and 31 December 2016, the combined proportion of the two weakest risk categories, substandard and non-performing, reduced by 1.6 percentage point from 5.9% to 4.3% of total credit risk exposure.

## Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total credit risk exposure
<b>As of 31 December 2016</b>					
Agriculture and forestry	1,966	495	28	149	2,638
Mining	704	60	4	112	880
Manufacturing	12,422	1,389	190	895	14,895
Energy and water supply	3,352	351	29	111	3,843
Construction	7,994	1,251	100	657	10,002
Development of building projects	3,875	437	20	220	4,553
Trade	8,524	1,568	160	693	10,945
Transport and communication	5,957	455	36	164	6,612
Hotels and restaurants	2,787	852	150	405	4,193
Financial and insurance services	20,503	881	61	146	21,592
Holding companies	2,453	126	41	114	2,734
Real estate and housing	20,563	2,770	238	966	24,537
Services	8,397	1,069	140	354	9,960
Public administration	39,403	500	7	24	39,935
Education, health and art	2,433	431	28	244	3,136
Private households	52,632	5,658	574	2,174	61,037
Other	393	1	330	10	734
<b>Total</b>	<b>188,031</b>	<b>17,733</b>	<b>2,072</b>	<b>7,102</b>	<b>214,938</b>
<b>As of 31 December 2015</b>					
Agriculture and forestry	1,870	506	44	186	2,606
Mining	601	88	10	121	821
Manufacturing	11,193	1,584	213	1,129	14,120
Energy and water supply	3,616	477	40	178	4,311
Construction	7,537	1,090	195	1,138	9,961
Development of building projects	3,609	411	84	429	4,534
Trade	7,809	1,662	177	1,024	10,673
Transport and communication	6,021	505	56	203	6,785
Hotels and restaurants	2,370	994	213	567	4,144
Financial and insurance services	26,787	710	99	316	27,912
Holding companies	4,853	100	42	253	5,247
Real estate and housing	19,244	2,771	322	1,311	23,649
Services	5,652	1,022	260	499	7,433
Public administration	37,929	602	21	22	38,574
Education, health and art	2,242	414	38	332	3,026
Private households	48,356	5,658	648	2,773	57,436
Other	417	7	325	14	763
<b>Total</b>	<b>181,644</b>	<b>18,091</b>	<b>2,663</b>	<b>9,813</b>	<b>212,211</b>

### Credit risk exposure by region and risk category

The geographic analysis of credit exposure is based on the country of risk of the borrower and counterparty. It comprises obligors domiciled in other countries if the economic risk exists in the respective country of risk. The distribution by regions differs from the composition of the credit risk exposure by geographical segments of Erste Group.

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total credit risk exposure
<b>As of 31 December 2016</b>					
<b>Core markets</b>	<b>160,052</b>	<b>15,679</b>	<b>1,914</b>	<b>6,409</b>	<b>184,055</b>
Austria	84,766	8,035	1,233	2,400	96,435
Croatia	7,075	1,035	142	821	9,073
Romania	12,059	1,891	82	1,058	15,090
Serbia	865	410	12	138	1,425
Slovakia	16,282	1,184	128	629	18,222
Czech Republic	32,414	2,441	177	910	35,942
Hungary	6,592	683	140	453	7,868
<b>Other EU</b>	<b>20,744</b>	<b>1,299</b>	<b>91</b>	<b>455</b>	<b>22,590</b>
<b>Other industrialised countries</b>	<b>4,176</b>	<b>167</b>	<b>5</b>	<b>58</b>	<b>4,406</b>
<b>Emerging markets</b>	<b>3,059</b>	<b>588</b>	<b>61</b>	<b>180</b>	<b>3,888</b>
South-Eastern Europe/CIS	1,400	376	54	156	1,986
Asia	1,099	124	4	0	1,228
Latin America	61	33	2	18	114
Middle East/Africa	499	54	1	6	560
<b>Total</b>	<b>188,031</b>	<b>17,733</b>	<b>2,072</b>	<b>7,102</b>	<b>214,938</b>
<b>As of 31 December 2015</b>					
<b>Core markets</b>	<b>151,849</b>	<b>16,353</b>	<b>2,441</b>	<b>8,767</b>	<b>179,409</b>
Austria	81,288	8,499	1,440	2,865	94,091
Croatia	7,104	1,125	205	1,237	9,671
Romania	11,430	2,022	219	1,927	15,599
Serbia	749	366	5	180	1,300
Slovakia	15,898	782	131	684	17,495
Czech Republic	29,622	2,802	284	1,017	33,725
Hungary	5,758	757	157	856	7,528
<b>Other EU</b>	<b>23,255</b>	<b>1,080</b>	<b>110</b>	<b>632</b>	<b>25,077</b>
<b>Other industrialised countries</b>	<b>3,629</b>	<b>144</b>	<b>12</b>	<b>79</b>	<b>3,864</b>
<b>Emerging markets</b>	<b>2,912</b>	<b>513</b>	<b>100</b>	<b>335</b>	<b>3,860</b>
South-Eastern Europe/CIS	1,328	357	98	321	2,104
Asia	1,054	97	1	1	1,153
Latin America	68	30	0	3	102
Middle East/Africa	461	29	1	10	501
<b>Total</b>	<b>181,644</b>	<b>18,091</b>	<b>2,663</b>	<b>9,813</b>	<b>212,211</b>

Credit risk exposure increased by EUR 2,344 million, or 2.5% in Austria, and additionally increased by EUR 2,302 million, or almost 2.7% in the CEE core markets. In the other EU member states (EU 28 excluding core markets), the credit risk exposure declined by EUR 2,487 million, or 9.9%, from EUR 25,076 million to EUR 22,589 million between the two balance sheet dates. An increase could be observed as well in other industrialised countries (+EUR 542 million) and in emerging markets (+EUR 28 million). In total, the countries of Erste Group's core market and the EU accounted for 96.1% of credit risk exposure as of 31 December 2016. At 1.8%, the share of emerging markets remained of minor importance.

Russia and Ukraine, as part of emerging markets, are included in the region 'South-Eastern Europe/CIS'. Due to the continuing difficult economic situation the credit risk exposure was further reduced in both markets during the year 2016. In Ukraine the credit risk volume decreased from EUR 274 million in December 2015 to EUR 76 million in December 2016. Corporate customers accounted for the bulk of the exposure. At the end of 2016, the provisions for credit risks amounted to EUR 15 million (2015: EUR 97 million). Of the total credit risk exposure as of year-end 2016, Ukrainian borrowers resident in Ukraine accounted for EUR 16 million (2015: EUR 98 million) and Ukrainian debtors domiciled outside of Ukraine accounted for EUR 60 million (2015: EUR 178 million). In Russia, the credit risk exposure declined from EUR 149 million as of 31 December 2015 to EUR 110 million as of 31 December 2016. The majority of the credit risks consisted of claims on big commercial banks and corporate customers. As of year-end 2016, the provisions for credit risks amounted to EUR 7 million (2015: EUR 4 million). Out of the total credit risk exposure, Russian borrowers domiciled in Russia accounted for EUR 103 million (2015: EUR 139 million), and Russian borrowers domiciled outside Russia accounted for EUR 8 million (2015: EUR 10 million). As of year-end 2016, the credit risk exposure to Greek borrowers, including the Greek government, amounted to EUR 31 million (2015: EUR 32 million). The Greek government only accounted for EUR 18 thousand (2015: EUR 106 thousand).

### Credit risk exposure by reporting segment and risk category

The segment reporting of Erste Group is based on the matrix organisation by business segment as well as by geographical segment. The geographical segmentation follows the country markets in which Erste Group operates and the locations of the banking and other financial institutions participations. Beginning 2016, the business segments have been restructured. Therefore, all 2015 figures reflect the changed segment structure of Erste Group as of 1 January 2016. A detailed description of the new segmentation can be found in the segment reporting note.

### Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total credit risk exposure
<b>As of 31 December 2016</b>					
Retail	46,061	5,428	512	1,971	53,972
Corporates	53,019	4,906	438	3,048	61,411
Group Markets	14,839	664	36	4	15,542
Asset/Liability Management and Local Corporate Center	27,234	260	173	16	27,682
Savings Banks	46,827	6,384	849	2,062	56,122
Group Corporate Center	51	91	65	1	208
<b>Total</b>	<b>188,031</b>	<b>17,733</b>	<b>2,072</b>	<b>7,102</b>	<b>214,938</b>
<b>As of 31 December 2015</b>					
Retail	43,519	4,899	599	2,637	51,654
Corporates	49,252	5,510	861	4,756	60,378
Group Markets	19,152	489	7	16	19,664
Asset/Liability Management and Local Corporate Center	24,418	326	131	14	24,890
Savings Banks	44,880	6,837	986	2,381	55,084
Group Corporate Center	423	31	79	9	542
<b>Total</b>	<b>181,644</b>	<b>18,091</b>	<b>2,663</b>	<b>9,813</b>	<b>212,211</b>

### Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total credit risk exposure
<b>As of 31 December 2016</b>					
<b>Austria</b>	<b>109,040</b>	<b>10,272</b>	<b>1,362</b>	<b>3,616</b>	<b>124,291</b>
Erste Bank Oesterreich & Subsidiaries	35,090	2,713	394	827	39,025
Savings Banks	46,827	6,384	849	2,062	56,122
Other Austria	27,123	1,174	119	727	29,144
<b>Central and Eastern Europe</b>	<b>71,867</b>	<b>7,364</b>	<b>645</b>	<b>3,453</b>	<b>83,329</b>
Czech Republic	33,144	2,509	146	747	36,546
Romania	11,071	1,937	81	1,010	14,097
Slovakia	14,032	1,035	132	525	15,723
Hungary	5,660	544	111	396	6,711
Croatia	7,167	978	164	717	9,025
Serbia	794	362	12	59	1,227
<b>Other</b>	<b>7,124</b>	<b>96</b>	<b>65</b>	<b>33</b>	<b>7,318</b>
<b>Total</b>	<b>188,031</b>	<b>17,733</b>	<b>2,072</b>	<b>7,102</b>	<b>214,938</b>
<b>As of 31 December 2015</b>					
<b>Austria</b>	<b>105,975</b>	<b>11,020</b>	<b>1,706</b>	<b>4,700</b>	<b>123,401</b>
Erste Bank Oesterreich & Subsidiaries	33,805	2,839	401	913	37,959
Savings Banks	44,880	6,837	986	2,381	55,084
Other Austria	27,289	1,344	319	1,405	30,359
<b>Central and Eastern Europe</b>	<b>66,143</b>	<b>7,024</b>	<b>857</b>	<b>5,054</b>	<b>79,078</b>
Czech Republic	30,146	2,687	222	856	33,911
Romania	10,019	1,911	176	1,825	13,931
Slovakia	13,341	604	124	565	14,635
Hungary	4,817	530	116	685	6,148
Croatia	7,149	1,013	215	1,046	9,423
Serbia	671	280	3	77	1,031
<b>Other</b>	<b>9,527</b>	<b>46</b>	<b>100</b>	<b>59</b>	<b>9,732</b>
<b>Total</b>	<b>181,644</b>	<b>18,091</b>	<b>2,663</b>	<b>9,813</b>	<b>212,211</b>

## Contingent liabilities by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure (gross)
<b>As of 31 December 2016</b>					
<b>Core markets</b>	<b>21,413</b>	<b>1,777</b>	<b>440</b>	<b>402</b>	<b>24,033</b>
Austria	12,932	976	378	155	14,441
Croatia	874	80	7	15	977
Romania	1,373	279	8	67	1,727
Serbia	132	10	0	2	146
Slovakia	1,355	93	20	50	1,518
Czech Republic	3,943	317	25	54	4,339
Hungary	803	22	1	59	885
<b>Other EU</b>	<b>2,393</b>	<b>133</b>	<b>9</b>	<b>6</b>	<b>2,540</b>
<b>Other industrialised countries</b>	<b>319</b>	<b>25</b>	<b>0</b>	<b>3</b>	<b>346</b>
<b>Emerging markets</b>	<b>445</b>	<b>110</b>	<b>5</b>	<b>5</b>	<b>566</b>
South-Eastern Europe/CIS	203	66	5	1	275
Asia	219	22	0	0	241
Latin America	0	11	0	4	15
Middle East/Africa	24	11	0	0	34
<b>Total</b>	<b>24,569</b>	<b>2,045</b>	<b>454</b>	<b>416</b>	<b>27,484</b>
<b>As of 31 December 2015</b>					
<b>Core markets</b>	<b>19,676</b>	<b>1,792</b>	<b>502</b>	<b>382</b>	<b>22,351</b>
Austria	12,285	921	421	161	13,787
Croatia	744	92	20	17	873
Romania	1,184	287	11	113	1,594
Serbia	117	18	0	19	155
Slovakia	1,163	74	31	24	1,292
Czech Republic	3,404	356	18	18	3,796
Hungary	779	44	0	31	855
<b>Other EU</b>	<b>2,167</b>	<b>92</b>	<b>18</b>	<b>77</b>	<b>2,353</b>
<b>Other industrialised countries</b>	<b>267</b>	<b>11</b>	<b>0</b>	<b>3</b>	<b>281</b>
<b>Emerging markets</b>	<b>345</b>	<b>74</b>	<b>8</b>	<b>1</b>	<b>428</b>
South-Eastern Europe/CIS	220	38	8	1	267
Asia	86	24	0	0	110
Latin America	0	12	0	0	13
Middle East/Africa	38	1	0	0	39
<b>Total</b>	<b>22,454</b>	<b>1,970</b>	<b>527</b>	<b>464</b>	<b>25,415</b>

## Contingent liabilities by product

in EUR million	Dec 2015	Dec 2016
Financial guarantees	6,288	6,577
Irrevocable commitments	19,127	20,907
<b>Total</b>	<b>25,415</b>	<b>27,484</b>

## Credit risk exposure to sovereigns by region and financial instrument

The credit risk exposure to sovereigns is divided by region and financial instrument. The assignment of obligors to sovereigns is based on Basel 3 exposure classes.

	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Debt securities				Positive fair value of derivatives	Contingent credit risk liabilities	Credit risk exposure (gross)
				Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale			
in EUR million	At amortised cost			At fair value						
As of 31 December 2016										
Core markets	0	676	7,014	16,560	1,827	16	11,035	204	1,577	38,909
Austria	0	2	3,946	3,178	66	1	4,580	50	941	12,762
Croatia	0	419	1,304	116	177	0	652	0	77	2,746
Romania	0	0	854	3,094	409	3	1,237	0	88	5,686
Serbia	0	0	19	80	139	0	59	0	2	299
Slovakia	0	0	196	3,204	85	0	1,807	0	10	5,302
Czech Republic	0	0	588	5,494	393	12	2,344	154	165	9,151
Hungary	0	256	106	1,395	558	0	356	0	294	2,964
Other EU	6	0	66	1,199	704	0	3,039	126	27	5,166
Other industrialised countries	0	0	0	612	0	26	606	0	0	1,244
Emerging markets	0	4	268	88	17	0	144	0	35	557
South-Eastern Europe/CIS	0	0	157	88	17	0	139	0	22	423
Asia	0	0	106	0	0	0	1	0	10	116
Latin America	0	0	0	0	0	0	2	0	0	2
Middle East/Africa	0	4	6	0	0	0	2	0	4	16
Total	6	680	7,347	18,459	2,549	42	14,823	330	1,639	45,876
As of 31 December 2015										
Core markets	0	1,267	7,007	14,871	2,056	13	11,152	210	1,195	37,771
Austria	0	2	3,767	3,143	54	1	4,710	74	824	12,576
Croatia	0	518	1,284	137	266	0	560	0	59	2,824
Romania	0	1	985	2,269	777	0	1,504	0	3	5,539
Serbia	0	4	11	67	137	0	31	0	4	254
Slovakia	0	0	235	3,437	182	0	1,969	0	4	5,828
Czech Republic	0	0	654	4,900	224	12	2,192	124	10	8,118
Hungary	0	742	70	918	416	0	185	11	290	2,632
Other EU	11	0	66	1,136	308	0	3,121	128	2	4,773
Other industrialised countries	0	0	0	413	0	0	578	0	0	991
Emerging markets	0	5	341	59	28	0	147	0	34	613
South-Eastern Europe/CIS	0	0	188	59	17	0	142	0	29	435
Asia	0	0	148	0	0	0	1	0	4	153
Latin America	0	0	0	0	0	0	2	0	0	2
Middle East/Africa	0	5	5	0	11	0	4	0	0	24
Total	11	1,271	7,414	16,479	2,393	13	14,998	338	1,231	44,147

## Credit risk exposure to institutions by region and financial instrument

The credit risk exposure to institutions is divided by region and financial instrument. The assignment of obligors to institutions is based on Basel 3 exposure classes.

in EUR million	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Debt securities				Positive fair value of derivatives	Contingent credit risk liabilities	Credit risk exposure (gross)
				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 December 2016										
Core markets	286	737	118	152	229	19	622	473	148	2,784
Austria	199	349	2	10	228	19	415	370	82	1,674
Croatia	2	18	12	0	0	0	0	0	13	44
Romania	14	115	0	0	0	0	0	1	1	131
Serbia	0	0	0	0	0	0	0	0	0	0
Slovakia	1	49	0	70	0	0	65	3	35	223
Czech Republic	41	121	0	57	0	0	62	82	17	380
Hungary	29	85	104	15	1	0	80	17	0	332
Other EU	896	925	31	164	173	26	851	4,519	91	7,677
Other industrialised countries	73	148	0	204	41	30	157	127	5	785
Emerging markets	14	270	0	19	24	63	16	0	7	413
South-Eastern Europe/CIS	12	20	0	0	0	0	0	0	0	32
Asia	0	201	0	19	24	63	10	0	6	323
Latin America	1	41	0	0	0	0	4	0	0	46
Middle East/Africa	0	8	0	0	0	0	2	0	1	12
Total	1,270	2,080	149	538	467	139	1,646	5,120	251	11,659
As of 31 December 2015										
Core markets	502	849	180	432	268	23	808	663	236	3,961
Austria	415	370	106	45	251	19	400	511	88	2,205
Croatia	4	43	7	0	0	0	0	0	13	67
Romania	43	55	2	0	0	4	52	1	25	182
Serbia	0	1	0	0	0	0	0	0	0	1
Slovakia	1	96	0	19	0	0	25	6	26	174
Czech Republic	35	269	0	353	4	0	248	133	84	1,125
Hungary	4	16	65	14	12	0	82	12	0	206
Other EU	1,578	1,708	16	325	120	7	1,108	5,815	81	10,758
Other industrialised countries	66	71	0	44	10	9	223	167	6	596
Emerging markets	64	379	0	18	0	34	12	2	11	521
South-Eastern Europe/CIS	1	17	0	0	0	0	0	0	0	18
Asia	62	346	0	18	0	34	9	2	8	479
Latin America	2	4	0	0	0	0	3	0	0	9
Middle East/Africa	0	13	0	0	0	0	0	0	3	16
Total	2,211	3,008	197	820	398	73	2,151	6,647	333	15,836



### Non-performing credit risk exposure and credit risk provisions

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection ‘Internal rating system’. Credit risk provisions include specific and collective allowances and provisions for guarantees.

Credit risk allowances (specific and collective allowances) and provisions for guarantees covered 69.9% (2015: 64.4%) of the reported non-performing credit risk exposure as of 31 December 2016. For the portion of the non-performing credit risk exposure that is not covered by allowances, Erste Group assumes there are sufficient levels of collateral and expected other recoveries.

During the 12 months which ended 31 December 2016, the non-performing credit risk exposure decreased by EUR 2,711 million, or 27.6%, from EUR 9,813 million as of 31 December 2015 to EUR 7,102 million as of 31 December 2016. The substantial improvement of asset quality resulted on the one side from a strong decline of new non-performing loans, and on the other side from high recoveries and write-offs, in particular in connection with the sale of non-performing loans. The credit risk allowances for loans and advances as well as provisions for guarantees decreased by EUR 1,359 million, or 21.5%, from EUR 6,322 million as of 31 December 2015 to EUR 4,963 million as of 31 December 2016. These movements resulted in an increase, from 64.4% to 69.9%, in the coverage of the non-performing credit risk exposure by credit risk provisions.

The following tables show the coverage of the non-performing credit risk exposure across the reporting segments by credit risk provisions (without taking into consideration collateral) as of 31 December 2016 and 31 December 2015. The differences in provisioning levels for the segments result from the risk situation in the respective markets, different levels of collateralisation as well as the local legal environment and regulatory requirements.

The non-performing exposure ratio (NPE ratio) is calculated as the non-performing credit risk exposure divided by total credit risk exposure while the NPE coverage ratio (excl. collateral) is computed as the credit risk provisions divided by non-performing credit risk exposure. Collateral or other recoveries are not taken into account.

### Non-performing credit risk exposure by business segment and credit risk provisions

	Credit risk exposure (gross)						
in EUR million	Non-performing	Total credit risk exposure	Total credit risk provisions	Specific allowances & provisions	Collective allowances & provisions	NPE ratio	NPE coverage ratio (excl. collateral)
As of 31 December 2016							
Retail	1,971	53,972	1,489	1,195	294	3.7%	75.5%
Corporates	3,048	61,411	2,201	1,843	358	5.0%	72.2%
Group Markets	4	15,542	12	2	10	0.0%	300.0%
Asset/Liability Management and Local Corporate Center	16	27,682	33	7	26	0.1%	206.3%
Savings Banks	2,062	56,122	1,225	1,033	192	3.7%	59.4%
Group Corporate Center	1	208	4	0	4	0.5%	400.0%
Total	7,102	214,938	4,963	4,080	884	3.3%	69.9%
As of 31 December 2015							
Retail	2,637	51,654	1,752	1,520	232	5.1%	66.4%
Corporates	4,756	60,379	3,140	2,740	400	7.9%	66.0%
Group Markets	16	19,664	17	8	9	0.1%	102.4%
Asset/Liability Management and Local Corporate Center	14	24,890	40	16	23	0.1%	284.9%
Savings Banks	2,381	55,084	1,366	1,168	197	4.3%	57.4%
Group Corporate Center	9	542	8	8	0	1.7%	89.4%
Total	9,813	212,211	6,322	5,461	861	4.6%	64.4%

## Non-performing credit risk exposure by geographical segment and credit risk provisions

Credit risk exposure (gross)							
in EUR million	Non-performing	Total credit risk exposure	Total credit risk provisions	Specific allowances & provisions	Collective allowances & provisions	NPE ratio	NPE coverage ratio (excl. collateral)
As of 31 December 2016							
Austria	3,616	124,291	2,211	1,854	357	2.9%	61.1%
Erste Bank Oesterreich & Subsidiaries	827	39,025	504	419	85	2.1%	60.9%
Savings Banks	2,062	56,122	1,225	1,033	192	3.7%	59.4%
Other Austria	727	29,144	482	402	80	2.5%	66.3%
Central and Eastern Europe	3,453	83,329	2,714	2,195	519	4.1%	78.6%
Czech Republic	747	36,546	603	482	121	2.0%	80.7%
Romania	1,010	14,097	844	697	147	7.2%	83.6%
Slovakia	525	15,723	355	255	100	3.3%	67.6%
Hungary	396	6,711	324	269	55	5.9%	81.8%
Croatia	717	9,025	531	450	81	7.9%	74.1%
Serbia	59	1,227	58	42	16	4.8%	98.3%
Other	33	7,318	39	32	7	0.5%	118.2%
Total	7,102	214,938	4,963	4,080	884	3.3%	69.9%
As of 31 December 2015							
Austria	4,700	123,401	2,682	2,293	389	3.8%	57.1%
Erste Bank Oesterreich & Subsidiaries	913	37,959	588	498	90	2.4%	64.4%
Savings Banks	2,381	55,084	1,366	1,168	197	4.3%	57.4%
Other Austria	1,405	30,359	728	626	102	4.6%	51.8%
Central and Eastern Europe	5,054	79,078	3,557	3,087	469	6.4%	70.4%
Czech Republic	856	33,911	619	538	82	2.5%	72.4%
Romania	1,825	13,931	1,379	1,227	152	13.1%	75.5%
Slovakia	565	14,635	371	281	90	3.9%	65.6%
Hungary	685	6,148	409	351	59	11.1%	59.8%
Croatia	1,046	9,423	710	636	74	11.1%	67.9%
Serbia	77	1,031	68	56	13	7.5%	88.4%
Other	59	9,732	83	80	3	0.6%	140.2%
Total	9,813	212,211	6,322	5,461	861	4.6%	64.4%

The general principles and standards for credit risk provisions within Erste Group are described in the internal policies. Credit risk provisions are calculated:

- \_ for financial assets carried at amortised cost (loans and receivables, financial assets held to maturity) in accordance with IAS 39 and
- \_ for contingent liabilities (financial guarantees, loan commitments) in accordance with IAS 37.

Credit risk provisions are created in a process performed on customer level. The process includes the identification of default and impairment and the type of assessment (individual or collective) to be applied. 'On customer level' means in this context that if one of the customer's exposures is classified as defaulted, typically all of this customer's exposures are classified as defaulted. Depending on the characteristics of the exposure and the respective expected cash flows (e.g. considering collateral), some exposures may not be impaired.

The bank distinguishes between:

- \_ specific allowances calculated for exposures to defaulted customers that are deemed to be impaired and
- \_ collective allowances (allowances for incurred but not reported losses) calculated for exposures to non-defaulted customers or defaulted customers that are not deemed to be impaired.

For the calculation of specific allowances, the discounted cash flow method is applied. This means that a difference between gross carrying amount and net present value (NPV) of the expected cash flows leads to an impairment and defines the amount of any allowance requirement. All estimated interest and redemption payments as well as estimated collateral recoveries and costs for selling and obtaining collateral are considered as expected cash flows. The effective interest rate is used as the discount rate in the calculation of the NPV of the expected cash flows.

The calculation of specific allowances is performed either on an individual basis or as a collective assessment (rule-based approach). In the case of significant customers, expected cash flows are estimated individually by workout or risk managers. A customer is considered as significant if the total exposure defined as the sum of all on- and off-balance-sheet exposures exceeds a defined materiality limit. Otherwise, the customer is considered as insignificant and a rule-based approach is used for the calculation of the specific allowance. Under

this approach, specific allowances are calculated as the product of carrying amount and loss given default (LGD), where LGD depends on relevant characteristics such as time in default or the stage of the workout process.

Collective allowances are calculated on on- and off-balance-sheet exposures to non-defaulted customers for which a default has not been detected or reported. The level of collective allowances depends on the gross carrying amount, the probability of default (PD), the loss given default (LGD), the credit conversion factors (CCF) in case of off-balance-sheet exposures, and the loss identification period (LIP). The LIP corresponds to the average period between the occurrence and the detection of the loss and ranges from four months to one year. The result of discounting future cash flows to their present values is taken into consideration in the LGD calculation.

Generally, risk parameters used in the calculation of collective allowances may be different to the Basel 3 Pillar 1 or Pillar 2 risk parameters if the properties of the respective portfolio in combination with IAS/IFRS standards necessitate this.

Collective allowances are also calculated in case of exposures to defaulted customers that are not identified as impaired. For these customers, no specific allowances are allocated. Collective allowances are calculated based on the historical loss experience for the relevant customer segment.

Erste Group regularly reviews its specific and collective allowances. These exercises comprise the parameters and methodologies used in its provision calculation. In 2016, adjustments took place in the context of specific reviews (in view of specific allowances), routine maintenance of parameters (e.g. regular calibration, change of valuation rates), and in the case of specific events (e.g. improved knowledge about recovery behaviour, back-testing results).

#### Credit risk provisions divided into specific and collective allowances and provisions for guarantees

in EUR million	Dec 15	Dec 16
Specific allowances	5,284	3,889
Collective allowances	741	736
Provisions for guarantees	297	338
<b>Total</b>	<b>6,322</b>	<b>4,963</b>

#### Restructuring, renegotiation and forbearance

Restructuring means contractual modification of any of the customer's loan repayment conditions including tenor, interest rate, fees, principal amount due or a combination thereof. Restructuring can be business restructuring (in the retail segment), commercial renegotiation (in the corporate segment), or forbearance (e.g. concession due to financial difficulties) in line with EBA requirements in both segments.

##### Business restructuring and renegotiation

Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the bank's valuable, good clientele.

##### Forbearance

The definition of 'forbearance' is included in Regulation (EU) 2015/227. A restructuring is considered 'forbearance' if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- \_ the customer was more than 30 days past due in the past 3 months;
- \_ the customer would be 30 days past due or more without receiving forbearance;
- \_ the customer is in default;
- \_ the modified contract was classified as non-performing or would be non-performing without forbearance;
- \_ the contract modification involves total or partial cancellation by write-off of the debt on any of the customer's credit obligations while at customer level open credit exposure still remains.

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Concession means that any of the following conditions are met:

- \_ modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;

- \_ there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- \_ the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution.

Forbearance can be initiated by the bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:

- \_ performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance) and
- \_ non-performing forbearance (incl. non-performing forbearance and defaulted/impaired forbearance).

Forborne exposures are considered performing when:

- \_ the exposure did not have non-performing status at the time the extension of or application for forbearance was approved and
- \_ granting the forbearance has not led to classifying the exposure as non-performing or default.

Performing forborne exposures become non-performing when during the monitoring period of a minimum of two years one of the following forbearance classifications is fulfilled:

- \_ an additional forbearance measure is extended and in the past the customer was in the non-performing forbearance category;
- \_ the customer becomes more than 30 days past due on forborne exposure and in the past the customer was in the non-performing forbearance category;
- \_ the customer meets any of the default event criteria defined in the default definition;
- \_ for corporate customers, when a final restructuring agreement cannot be concluded within 18 months after the first forbearance measure.

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all of the following conditions are met:

- \_ a minimum of two years have passed from the date of classifying the exposure as performing forbearance (probation period);
- \_ under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid at least during half of the probation period (in the case of retail customers);
- \_ regular repayments in a significant amount during at least half of the probation period have been made (in the case of corporate customers);
- \_ none of the exposure of the customer is more than 30 days past due at the end of the probation period.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all of the following conditions are met:

- \_ one year has passed from the date of classifying the exposure as non-performing forbearance;
- \_ the forbearance has not led the exposure to be classified as non-performing;
- \_ retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following:
  - \_ the customer has never been more than 30 days past due during the last 6 months and there is no delinquent amount;
  - \_ the customer has repaid the full past due amount or the written-off amount (if there was any).
- \_ corporate customer: analysis of the financial development, which leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the monitoring period and there is no delinquent amount.

In the corporate segment, recognition of forbearance measures typically leads to the involvement of the responsible local workout unit. The largest part of the forbearance measures are set within the responsibility of the local workout units and the affected clients are managed and monitored according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as trigger events for carrying out impairment tests according to the internal regulations and standards based on the IFRS requirements.

## Credit risk exposure, forbearance exposure and credit risk provisions

in EUR million	Loans and receivables	Financial assets	Other balance- sheet positions	Contingent liabilities	Total
<b>As of 31 December 2016</b>					
<b>Gross exposure</b>	<b>138,745</b>	<b>41,528</b>	<b>7,181</b>	<b>27,484</b>	<b>214,938</b>
thereof gross forborne exposure	3,370	0	0	123	3,493
Performing exposure	132,064	41,527	7,176	27,068	207,836
thereof performing forborne exposure	1,356	0	0	43	1,399
Credit risk provisions for performing exposure	703	4	0	131	838
thereof credit risk provisions for performing forborne exposure	48	0	0	1	49
Non-performing exposure	6,680	1	5	416	7,102
thereof non-performing forborne exposure	2,014	0	0	79	2,094
Credit risk provisions for non-performing exposure	3,918	0	0	208	4,126
thereof credit risk provisions for non-performing forborne exposure	990	0	0	13	1,003
<b>As of 31 December 2015</b>					
<b>Gross exposure</b>	<b>136,725</b>	<b>40,349</b>	<b>9,722</b>	<b>25,415</b>	<b>212,211</b>
thereof gross forborne exposure	3,705	0	0	105	3,810
Performing exposure	127,392	40,342	9,713	24,951	202,398
thereof performing forborne exposure	1,221	0	0	54	1,276
Credit risk provisions for performing exposure	700	2	0	118	820
thereof credit risk provisions for performing forborne exposure	57	0	0	3	61
Non-performing exposure	9,333	7	9	464	9,813
thereof non-performing forborne exposure	2,484	0	0	51	2,535
Credit risk provisions for non-performing exposure	5,323	0	0	179	5,502
thereof credit risk provisions for non-performing forborne exposure	1,203	0	0	15	1,218

## Types of forbearance exposure

in EUR million	Gross forborne exposure	Modification in terms and conditions	Refinancing
<b>As of 31 December 2016</b>			
Loans and receivables	3,370	3,066	304
Financial assets	0	0	0
Contingent liabilities	123	105	17
<b>Total</b>	<b>3,493</b>	<b>3,171</b>	<b>322</b>
<b>As of 31 December 2015</b>			
Loans and receivables	3,705	3,493	212
Financial assets	0	0	0
Contingent liabilities	105	89	15
<b>Total</b>	<b>3,810</b>	<b>3,583</b>	<b>227</b>

## Credit quality of forbearance exposure by geographical segments

in EUR million	Gross forbearance exposure	Neither past due nor impaired	Past due but not impaired	Impaired	Collateral	Credit risk provisions
<b>As of 31 December 2016</b>						
<b>Austria</b>	<b>1,910</b>	<b>880</b>	<b>58</b>	<b>973</b>	<b>998</b>	<b>516</b>
Erste Bank Oesterreich & Subsidiaries	410	226	13	171	236	101
Savings Banks	1,041	521	45	475	645	220
Other Austria	460	133	0	327	117	195
<b>Central and Eastern Europe</b>	<b>1,583</b>	<b>697</b>	<b>58</b>	<b>828</b>	<b>701</b>	<b>536</b>
Czech Republic	224	86	0	138	69	85
Romania	657	346	19	292	309	201
Slovakia	332	130	15	187	206	117
Hungary	142	76	8	58	48	47
Croatia	205	55	14	136	62	73
Serbia	23	4	2	17	6	12
<b>Other</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>3,493</b>	<b>1,577</b>	<b>116</b>	<b>1,801</b>	<b>1,699</b>	<b>1,052</b>
<b>As of 31 December 2015</b>						
<b>Austria</b>	<b>2,021</b>	<b>897</b>	<b>123</b>	<b>1,000</b>	<b>950</b>	<b>552</b>
Erste Bank Oesterreich & Subsidiaries	376	181	27	167	203	95
Savings Banks	986	497	48	441	558	228
Other Austria	659	219	48	392	189	230
<b>Central and Eastern Europe</b>	<b>1,785</b>	<b>563</b>	<b>82</b>	<b>1,139</b>	<b>609</b>	<b>723</b>
Czech Republic	255	64	6	184	104	84
Romania	790	217	25	548	209	420
Slovakia	239	107	16	117	141	66
Hungary	190	83	9	98	34	62
Croatia	293	91	25	177	111	80
Serbia	19	2	2	16	9	12
<b>Other</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>
<b>Total</b>	<b>3,810</b>	<b>1,461</b>	<b>206</b>	<b>2,144</b>	<b>1,558</b>	<b>1,279</b>

## Collateral

### Recognition of collateral

The Collateral Management department is a staff unit within the Group Workout division. The Group Collateral Management Policy defines, among other things, uniform valuation standards for credit collateral across the entire group. It ensures that the credit risk decision processes are standardised with respect to accepted collateral values.

All collateral types acceptable within the group are contained in the Group Collateral Catalogue. Locally permitted collateral is defined by the respective bank in accordance with applicable national legal provisions. The valuation and revaluation of collateral is done according to the principles defined in the Group Collateral Catalogue broken down by class and based on the internal work instructions in accordance with the individual supervisory requirements. Whether a type of security or a specific collateral asset is accepted for credit risk mitigation is decided by Enterprise-wide Risk Management after determining if the applicable regulatory requirements are met. Adherence to the standard work processes stipulated for assigning the acceptable collateral assets to the categories available is monitored by operational risk management.

### Main types of collateral

The following types of collateral are accepted:

- \_ real estate: comprises residential and commercial real estate;
- \_ financial collateral: such as securities, cash deposits and life insurance policies;
- \_ guarantees: given by sovereigns, public sector entities, financial institutes, companies and individuals. All guarantors must have a minimum credit rating, which is reviewed annually.
- \_ movables: such as equipment, investment goods, machineries and motor vehicles;
- \_ claims and rights: such as account receivables of trade, leasehold rights and shares in a company's capital.

Protection by credit default swaps is only marginally used in the banking book.

### Collateral valuation and management

Collateral valuation is based on current market prices while taking into account an amount that can be recovered within a reasonable period. The valuation processes are defined and their IT-supported technical application is performed by Collateral Management at group

level and by authorised staff in each country with the assistance of software applications. The allocated collateral values are capped by the amount of the secured transaction; imputed excess collateral values are therefore not possible. Only independent appraisers not involved in the lending decision process are permitted to conduct real estate valuations, and the valuation methods to be applied are defined. For quality assurance purposes, the real estate evaluation mechanism and real estate valuations itself are validated on an ongoing basis.

The methods and discounts used for valuations are based on empirical data representing past experience of the workout departments and on the collected data on recoveries from realising collateral. The valuation methods are adjusted regularly – at least once a year – to reflect current recoveries. Financial collateral assets are recognised at market value.

The revaluation of collateral is done periodically and is automated as far as possible. In the case of external data sources, the appropriate interfaces are used. The maximum periods for the revaluation of individual collateral assets are predefined and compliance is monitored by risk management using software applications. Apart from periodic revaluations, collateral is assessed when information becomes available that indicates a decrease in the value of the collateral for exceptional reasons.

Concentration risks resulting from credit risk mitigation techniques may affect a single customer, but also a portfolio defined by region, industry or type of security. Erste Group is a retail bank, and, due to its customer structure and the markets in which it operates, it does not have any concentrations with respect to collateral from customers. All guarantee liabilities and loans of a corporate guarantee provider are taken into consideration in the credit application process in order to prevent possible concentrations. Guarantees provided by sovereigns, a public sector entity or financial institutions have to lie within the approved limit of the guarantor. Concerning other areas of a potentially detrimental correlation of risks, the collateral portfolios are analysed using statistical evaluations for, among other things, regional or industry-specific concentrations within the scope of portfolio monitoring. The response to those risks identified includes, above all, the adjustment of volume targets, setting of corresponding limits and modification of the staff's discretionary limits for lending.

Collateral obtained in foreclosure proceedings is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, Erste Group does not occupy repossessed properties for its own business use. The main part of assets taken onto its own books is commercial land and buildings. In addition, residential real estate properties and transport vehicles are taken into Erste Group's possession. As of 31 December 2016, the carrying value of these assets amounted to EUR 142 million (2015: EUR 148 million).

The following tables compare the credit risk exposure broken down by business and geographical segments to the collateral received.

#### Credit risk exposure by business segment and collateral

			Collateralised by			Credit risk exposure net of collateral
in EUR million	Total credit risk exposure	Collateral total	Guarantees	Real estate	Other	
As of 31 December 2016						
Retail	53,972	31,430	1,180	28,098	2,152	22,542
Corporates	61,411	23,773	4,962	14,103	4,708	37,638
Group Markets	15,542	3,476	496	56	2,924	12,066
Asset/Liability Management and Local Corporate Center	27,682	809	686	2	121	26,873
Savings Banks	56,122	26,222	1,396	21,361	3,466	29,900
Group Corporate Center	208	19	0	2	16	189
Total	214,938	85,729	8,720	63,622	13,387	129,209
As of 31 December 2015						
Retail	51,654	29,033	-	-	-	22,621
Corporates	60,378	23,086	-	-	-	37,292
Group Markets	19,664	3,996	-	-	-	15,668
Asset/Liability Management and Local Corporate Center	24,890	1,129	-	-	-	23,761
Savings Banks	55,084	24,818	-	-	-	30,265
Group Corporate Center	542	18	-	-	-	523
Total	212,211	82,081	7,784	59,850	14,446	130,131

Due to the change in the segmentation of business lines which took place at the beginning of 2016 an ex post facto breakdown into types of collateral is not available as of 31 December 2015. Further details of the segmentation are described in Note 37.

## Credit risk exposure by geographical segment and collateral

			Collateralised by			Credit risk exposure net of collateral
in EUR million	Total credit risk exposure	Collateral total	Guarantees	Real estate	Other	
As of 31 December 2016						
Austria	124,291	57,465	5,455	42,450	9,560	66,825
Erste Bank Oesterreich & Subsidiaries	39,025	22,386	2,159	17,798	2,429	16,639
Savings Banks	56,122	26,222	1,396	21,361	3,466	29,900
Other Austria	29,144	8,858	1,900	3,292	3,665	20,286
Central and Eastern Europe	83,329	27,766	2,898	21,169	3,699	55,563
Czech Republic	36,546	10,294	817	8,604	874	26,252
Romania	14,097	4,949	989	2,426	1,533	9,148
Slovakia	15,723	6,974	116	6,617	241	8,749
Hungary	6,711	2,156	249	1,576	331	4,555
Croatia	9,025	2,998	697	1,673	628	6,027
Serbia	1,227	395	30	273	92	832
Other	7,318	497	368	2	127	6,821
Total	214,938	85,729	8,720	63,622	13,387	129,209
As of 31 December 2015						
Austria	123,401	56,512	5,448	40,445	10,619	66,889
Erste Bank Oesterreich & Subsidiaries	37,959	21,331	2,011	16,870	2,450	16,628
Savings Banks	55,084	24,818	1,515	19,893	3,410	30,266
Other Austria	30,359	10,363	1,923	3,682	4,759	19,996
Central and Eastern Europe	79,078	24,691	1,921	19,394	3,376	54,387
Czech Republic	33,911	8,693	642	7,339	713	25,218
Romania	13,931	4,421	178	2,660	1,582	9,510
Slovakia	14,635	5,923	63	5,651	208	8,712
Hungary	6,148	2,092	251	1,637	203	4,056
Croatia	9,423	3,270	758	1,922	591	6,153
Serbia	1,031	293	30	184	79	738
Other	9,732	877	415	11	452	8,855
Total	212,211	82,081	7,784	59,850	14,446	130,131



## Credit risk exposure by financial instrument and collateral

Credit risk exposure by financial instrument and collateral									
in EUR million	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral	Neither past due nor impaired	Past due but not impaired	Impaired
			Guarantees	Real estate	Other				
As of 31 December 2016									
Cash and cash balances – other demand deposits	1,282	320	0	0	320	961	1,274	7	0
Loans and receivables to credit institutions	3,478	952	137	0	815	2,526	3,470	5	3
Loans and receivables to customers	135,267	77,187	6,466	61,567	9,155	58,080	126,141	2,850	6,276
Financial assets - held to maturity	19,274	248	230	8	10	19,026	19,273	1	0
Financial assets - held for trading	3,396	194	45	0	150	3,202	3,396	0	0
Financial assets - at fair value through profit or loss	336	22	22	0	0	314	336	0	0
Financial assets - available for sale	18,522	855	855	0	0	17,667	18,521	1	1
Positive fair value of derivatives	5,899	1,713	0	0	1,713	4,186	5,896	0	3
Contingent liabilities <sup>1</sup>	27,484	4,237	966	2,047	1,224	23,247	27,086	119	279
Total	214,938	85,729	8,720	63,622	13,387	129,209	205,395	2,982	6,561
As of 31 December 2015									
Cash and cash balances – other demand deposits	2,228	764	0	0	764	1,464	2,224	4	0
Loans and receivables to credit institutions	4,819	1,394	143	0	1,251	3,425	4,797	4	18
Loans and receivables to customers	131,906	72,829	5,495	57,974	9,360	59,078	119,982	3,126	8,798
Financial assets - held to maturity	17,703	286	283	3	0	17,417	17,703	1	0
Financial assets - held for trading	3,163	45	45	0	0	3,117	3,163	0	0
Financial assets - at fair value through profit or loss	176	0	0	0	0	176	176	0	0
Financial assets - available for sale	19,307	883	873	0	10	18,425	19,300	0	7
Positive fair value of derivatives	7,494	2,052	0	0	2,052	5,442	7,489	0	5
Contingent liabilities <sup>1</sup>	25,415	3,829	945	1,873	1,010	21,586	25,015	72	327
Total	212,211	82,081	7,784	59,850	14,446	130,131	199,849	3,207	9,155

In the case of contingent liabilities, the impaired credit risk exposure corresponds to positions for which provisions for credit risks were created.

**Credit risk exposure past due and not covered by specific allowances by financial instrument and collateralisation**

in EUR million	Credit risk exposure (gross)						Thereof collateralised					
	Total	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Total	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due
<b>As of 31 December 2016</b>												
Cash and cash balances - other demand deposits	7	7	0	0	0	0	0	0	0	0	0	0
Loans and receivables to credit institutions	5	4	0	0	0	0	0	0	0	0	0	0
Loans and receivables to customers	2,850	2,096	385	208	71	90	1,579	1,101	232	144	42	60
Financial assets - held to maturity	1	0	0	0	0	1	0	0	0	0	0	0
Financial assets - held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - available for sale	1	0	0	0	0	1	0	0	0	0	0	0
Positive fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Contingent liabilities	119	112	6	1	0	0	35	32	2	0	0	0
<b>Total</b>	<b>2,982</b>	<b>2,220</b>	<b>391</b>	<b>209</b>	<b>71</b>	<b>92</b>	<b>1,614</b>	<b>1,133</b>	<b>234</b>	<b>144</b>	<b>42</b>	<b>60</b>
<b>As of 31 December 2015</b>												
Cash and cash balances - other demand deposits	4	4	0	0	0	0	0	0	0	0	0	0
Loans and receivables to credit institutions	4	3	0	0	0	1	0	0	0	0	0	0
Loans and receivables to customers	3,126	2,145	581	226	40	134	1,678	1,033	383	160	24	78
Financial assets - held to maturity	1	0	0	0	0	1	0	0	0	0	0	0
Financial assets - held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - available for sale	0	0	0	0	0	0	0	0	0	0	0	0
Positive fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Contingent liabilities	72	55	14	2	0	1	35	31	3	0	0	0
<b>Total</b>	<b>3,207</b>	<b>2,207</b>	<b>596</b>	<b>228</b>	<b>41</b>	<b>136</b>	<b>1,713</b>	<b>1,065</b>	<b>386</b>	<b>160</b>	<b>24</b>	<b>79</b>

In the case of contingent liabilities, the impaired credit risk exposure corresponds to positions for which provisions for credit risks were created.

All claims presented in the table above were classified as non-performing if they were more than 90 days past due. Allowances are, as a rule, established for assets that are more than 90 days past due. However, specific allowances are not established if the loans and other receivables are covered by adequate collateral.

## Loans and receivables to customers

This section presents the customer loan book excluding loans to financial institutions and commitments. The results depicted in the tables below are divided by reporting segment and risk category.

### Loans and receivables to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
<b>As of 31 December 2016</b>					
Retail	41,013	5,034	487	1,946	48,480
Corporates	37,692	3,956	334	2,738	44,720
Group Markets	975	285	5	0	1,265
Asset/Liability Management and Local Corporate Center	97	23	38	13	171
Savings Banks	32,504	5,417	710	1,980	40,611
Group Corporate Center	15	1	2	1	19
<b>Total</b>	<b>112,297</b>	<b>14,715</b>	<b>1,577</b>	<b>6,678</b>	<b>135,267</b>
<b>As of 31 December 2015</b>					
Retail	38,818	4,477	578	2,613	46,486
Corporates	35,263	4,562	709	4,469	45,003
Group Markets	510	170	0	0	680
Asset/Liability Management and Local Corporate Center	156	26	3	7	193
Savings Banks	30,451	5,825	830	2,219	39,326
Group Corporate Center	210	1	2	6	219
<b>Total</b>	<b>105,409</b>	<b>15,060</b>	<b>2,123</b>	<b>9,314</b>	<b>131,906</b>

### Loans and receivables to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
<b>As of 31 December 2016</b>					
<b>Austria</b>	<b>71,069</b>	<b>8,668</b>	<b>1,003</b>	<b>3,447</b>	<b>84,186</b>
Erste Bank Oesterreich & Subsidiaries	27,705	2,316	244	781	31,046
Savings Banks	32,504	5,417	710	1,980	40,611
Other Austria	10,859	936	48	686	12,529
<b>Central and Eastern Europe</b>	<b>41,159</b>	<b>6,047</b>	<b>572</b>	<b>3,198</b>	<b>50,975</b>
Czech Republic	19,067	2,046	130	695	21,939
Romania	5,297	1,594	71	928	7,890
Slovakia	9,028	948	102	475	10,552
Hungary	2,552	476	111	339	3,478
Croatia	4,563	870	147	704	6,285
Serbia	653	111	12	56	832
<b>Other</b>	<b>70</b>	<b>1</b>	<b>2</b>	<b>33</b>	<b>105</b>
<b>Total</b>	<b>112,297</b>	<b>14,715</b>	<b>1,577</b>	<b>6,678</b>	<b>135,267</b>
<b>As of 31 December 2015</b>					
<b>Austria</b>	<b>67,075</b>	<b>9,316</b>	<b>1,339</b>	<b>4,414</b>	<b>82,144</b>
Erste Bank Oesterreich & Subsidiaries	26,500	2,468	254	861	30,082
Savings Banks	30,451	5,825	830	2,219	39,326
Other Austria	10,124	1,023	255	1,334	12,736
<b>Central and Eastern Europe</b>	<b>38,052</b>	<b>5,744</b>	<b>761</b>	<b>4,848</b>	<b>49,404</b>
Czech Republic	17,153	2,118	198	834	20,303
Romania	5,031	1,574	163	1,712	8,481
Slovakia	8,478	560	93	540	9,671
Hungary	2,236	490	116	655	3,498
Croatia	4,609	904	187	1,032	6,732
Serbia	544	97	3	75	719
<b>Other</b>	<b>281</b>	<b>1</b>	<b>23</b>	<b>53</b>	<b>358</b>
<b>Total</b>	<b>105,409</b>	<b>15,060</b>	<b>2,123</b>	<b>9,314</b>	<b>131,906</b>

In the following tables, the non-performing loans and receivables to customers divided by reporting segment are contrasted with allowances for customer loans (specific and collective allowances) and the collateral for non-performing loans (NPL). The NPL ratio, the NPL coverage ratio (excl. collateral), and the NPL total coverage ratio are also included. The NPL total coverage ratio specifies the coverage of non-performing loans by specific and collective allowances as well as by collateral for non-performing loans.

## Non-performing loans and receivables to customers by business segment and coverage by loan loss allowances and collateral

in EUR million	Non-performing	Gross customer loans	Allowances for customer loans	Specific allowances	Collective allowances	NPL ratio	NPL coverage ratio (excl. collateral)	Collateral for NPL	NPL total coverage ratio
<b>As of 31 December 2016</b>									
Retail	1,946	48,480	1,463	1,190	273	4.0%	75.2%	849	118.8%
Corporates	2,738	44,721	1,979	1,698	281	6.1%	72.3%	1,094	112.2%
Group Markets	0	1,265	3	0	3	0.0%	0.0%	0	0.0%
Asset/Liability Management and Local Corporate Center	13	171	18	6	12	7.6%	138.5%	1	146.2%
Savings Banks	1,980	40,611	1,150	993	157	4.9%	58.1%	967	106.9%
Group Corporate Center	1	19	0	0	0	5.3%	0.0%	1	100.0%
<b>Total</b>	<b>6,678</b>	<b>135,267</b>	<b>4,613</b>	<b>3,887</b>	<b>726</b>	<b>4.9%</b>	<b>69.1%</b>	<b>2,913</b>	<b>112.7%</b>
<b>As of 31 December 2015</b>									
Retail	2,613	46,486	1,730	1,512	218	5.6%	66.2%	1,081	107.6%
Corporates	4,469	45,003	2,966	2,623	343	9.9%	66.4%	1,729	105.1%
Group Markets	0	680	2	1	2	0.0%	0.0%	0	0.0%
Asset/Liability Management and Local Corporate Center	7	193	23	16	7	3.7%	314.7%	0	331.6%
Savings Banks	2,219	39,326	1,281	1,121	160	5.6%	57.7%	984	102.1%
Group Corporate Center	6	219	8	4	4	2.6%	139.0%	2	158.3%
<b>Total</b>	<b>9,314</b>	<b>131,906</b>	<b>6,009</b>	<b>5,276</b>	<b>733</b>	<b>7.1%</b>	<b>64.5%</b>	<b>3,795</b>	<b>105.3%</b>

## Non-performing loans and receivables to customers by geographical segment and coverage by loan loss allowances and collateral

in EUR million	Non-performing	Gross customer loans	Allowances for customer loans	Specific allowances	Collective allowances	NPL ratio	NPL coverage ratio (excl. collateral)	Collateral for NPL	NPL total coverage ratio
<b>As of 31 December 2016</b>									
<b>Austria</b>	<b>3,447</b>	<b>84,186</b>	<b>2,052</b>	<b>1,769</b>	<b>283</b>	<b>4.1%</b>	<b>59.5%</b>	<b>1,599</b>	<b>105.9%</b>
Erste Bank Oesterreich & Subsidiaries	781	31,046	463	401	62	2.5%	59.3%	366	106.1%
Savings Banks	1,980	40,611	1,150	993	157	4.9%	58.1%	967	106.9%
Other Austria	686	12,529	438	375	63	5.5%	63.8%	266	102.6%
<b>Central and Eastern Europe</b>	<b>3,198</b>	<b>50,975</b>	<b>2,529</b>	<b>2,086</b>	<b>443</b>	<b>6.3%</b>	<b>79.1%</b>	<b>1,281</b>	<b>119.1%</b>
Czech Republic	695	21,939	575	482	93	3.2%	82.7%	220	114.4%
Romania	928	7,890	792	660	132	11.8%	85.3%	329	120.8%
Slovakia	475	10,552	343	254	89	4.5%	72.2%	240	122.7%
Hungary	339	3,478	254	203	51	9.7%	74.9%	177	127.1%
Croatia	704	6,285	510	447	63	11.2%	72.4%	299	114.9%
Serbia	56	832	56	42	14	6.7%	100.0%	16	128.6%
<b>Other</b>	<b>33</b>	<b>105</b>	<b>32</b>	<b>32</b>	<b>0</b>	<b>31.4%</b>	<b>97.0%</b>	<b>33</b>	<b>197.0%</b>
<b>Total</b>	<b>6,678</b>	<b>135,267</b>	<b>4,613</b>	<b>3,887</b>	<b>726</b>	<b>4.9%</b>	<b>69.1%</b>	<b>2,913</b>	<b>112.7%</b>
<b>As of 31 December 2015</b>									
<b>Austria</b>	<b>4,414</b>	<b>82,144</b>	<b>2,492</b>	<b>2,184</b>	<b>308</b>	<b>5.4%</b>	<b>56.5%</b>	<b>1,950</b>	<b>100.7%</b>
Erste Bank Oesterreich & Subsidiaries	861	30,082	539	472	67	2.9%	62.6%	328	100.7%
Savings Banks	2,219	39,326	1,281	1,121	160	5.6%	57.7%	984	102.1%
Other Austria	1,334	12,736	672	591	81	10.5%	50.4%	639	98.3%
<b>Central and Eastern Europe</b>	<b>4,848</b>	<b>49,404</b>	<b>3,433</b>	<b>3,012</b>	<b>421</b>	<b>9.8%</b>	<b>70.8%</b>	<b>1,805</b>	<b>108.0%</b>
Czech Republic	834	20,303	604	530	74	4.1%	72.4%	156	91.1%
Romania	1,712	8,481	1,326	1,187	139	20.2%	77.4%	559	110.1%
Slovakia	540	9,671	355	276	79	5.6%	65.7%	279	117.3%
Hungary	655	3,498	386	330	56	18.7%	59.0%	344	111.5%
Croatia	1,032	6,732	695	634	61	15.3%	67.4%	444	110.5%
Serbia	75	719	66	55	11	10.5%	88.4%	24	119.6%
<b>Other</b>	<b>53</b>	<b>358</b>	<b>84</b>	<b>80</b>	<b>4</b>	<b>14.7%</b>	<b>160.6%</b>	<b>40</b>	<b>236.6%</b>
<b>Total</b>	<b>9,314</b>	<b>131,906</b>	<b>6,009</b>	<b>5,276</b>	<b>733</b>	<b>7.1%</b>	<b>64.5%</b>	<b>3,795</b>	<b>105.3%</b>

The NPL ratio in this section (loans and receivables to customers) is calculated by dividing non-performing loans and receivables by total loans and receivables to customers. Consequently, it differs from the NPE ratio in section 'Credit risk exposure'. Collaterals for non-performing loans mainly consist of real estates.

## Loans and receivables to customers by business segment and currency

in EUR million	EUR	CEE-local currencies	CHF	USD	Other	Gross customer loans
<b>As of 31 December 2016</b>						
Retail	27,227	19,162	1,858	20	213	48,480
Corporates	33,240	8,050	501	2,413	517	44,721
Group Markets	809	271	6	176	3	1,265
Asset/Liability Management and Local Corporate Center	137	31	0	1	2	171
Savings Banks	36,662	0	2,988	80	881	40,611
Group Corporate Center	0	19	0	0	0	19
<b>Total</b>	<b>98,075</b>	<b>27,533</b>	<b>5,353</b>	<b>2,690</b>	<b>1,617</b>	<b>135,267</b>

### As of 31 December 2015

Retail	25,673	18,135	2,524	23	132	46,486
Corporates	32,756	8,271	702	2,550	723	45,003
Group Markets	555	117	0	8	0	680
Asset/Liability Management and Local Corporate Center	126	65	0	2	0	193
Savings Banks	34,918	0	3,531	84	792	39,326
Group Corporate Center	186	18	4	10	0	219
<b>Total</b>	<b>94,214</b>	<b>26,606</b>	<b>6,762</b>	<b>2,678</b>	<b>1,647</b>	<b>131,906</b>

## Loans and receivables to customers by geographical segment and currency

in EUR million	EUR	CEE-local currencies	CHF	USD	Other	Gross customer loans
<b>As of 31 December 2016</b>						
<b>Austria</b>	<b>75,200</b>	<b>0</b>	<b>5,205</b>	<b>2,261</b>	<b>1,521</b>	<b>84,187</b>
Erste Bank Oesterreich & Subsidiaries	28,729	0	2,089	86	142	31,046
Savings Banks	36,662	0	2,988	80	881	40,611
Other Austria	9,810	0	128	2,095	497	12,529
<b>Central and Eastern Europe</b>	<b>22,823</b>	<b>27,487</b>	<b>149</b>	<b>421</b>	<b>96</b>	<b>50,976</b>
Czech Republic	2,846	18,930	1	96	65	21,939
Romania	3,807	3,875	0	208	0	7,890
Slovakia	10,487	0	0	42	23	10,552
Hungary	638	2,765	52	24	0	3,478
Croatia	4,405	1,744	82	45	8	6,285
Serbia	641	172	14	5	0	832
<b>Other</b>	<b>51</b>	<b>46</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>105</b>
<b>Total</b>	<b>98,075</b>	<b>27,533</b>	<b>5,353</b>	<b>2,690</b>	<b>1,617</b>	<b>135,267</b>

### As of 31 December 2015

<b>Austria</b>	<b>72,267</b>	<b>0</b>	<b>6,071</b>	<b>2,243</b>	<b>1,562</b>	<b>82,144</b>
Erste Bank Oesterreich & Subsidiaries	27,497	0	2,387	56	143	30,082
Savings Banks	34,918	0	3,531	84	792	39,326
Other Austria	9,852	0	154	2,102	627	12,736
<b>Central and Eastern Europe</b>	<b>21,638</b>	<b>26,571</b>	<b>686</b>	<b>425</b>	<b>84</b>	<b>49,404</b>
Czech Republic	2,095	18,063	1	85	59	20,303
Romania	4,436	3,832	0	213	0	8,481
Slovakia	9,634	0	0	18	19	9,671
Hungary	509	2,807	157	25	0	3,498
Croatia	4,419	1,716	513	79	5	6,732
Serbia	545	152	16	6	0	719
<b>Other</b>	<b>309</b>	<b>35</b>	<b>4</b>	<b>10</b>	<b>0</b>	<b>358</b>
<b>Total</b>	<b>94,214</b>	<b>26,606</b>	<b>6,762</b>	<b>2,678</b>	<b>1,647</b>	<b>131,906</b>

In the geographical segment Croatia, loans and receivables denominated in Swiss francs amounting to approximately EUR 480 million as of 31 December 2015 are subject to a government-decreed currency conversion into Euros or Croatian Kunas. The settlement of this conversion at favourable rates for the borrowers took place in 2016.

## Securitisations

As of 31 December 2016, Erste Group held a limited residual portfolio of securitisations; there were no new investments undertaken and all repayments were made as scheduled in 2016.

As of year-end 2016, the carrying amount of Erste Group's securitisation portfolio totalled EUR 263 million. The portfolio amortised in 2016 by almost half through regularly repayments. Close to 99% of the securitisation portfolio was rated investment grade at the year-end 2016. EUR 167 million of the portfolio are US collateralised loan obligations (CLO). EUR 89 million consist of US student loans.

As of 6 July 2016 Erste Bank der oesterreichischen Sparkassen, as an originator, executed its first synthetic securitisation transaction ('Bee SME 2016-1'). The main objective of the EUR 1.425 billion transaction was credit protection of a predominantly Austrian SME credit portfolio via an unfunded financial guarantee on the mezzanine tranches. The significant risk transfer contributed to regulatory capital relief. The transaction has a final legal maturity on 1 March 2035 and includes loans to SME, corporate and self-employed customers. There is no derecognition of the reference portfolio, it remains on the balance sheet of Erste Bank der oesterreichischen Sparkassen. The transaction was not rated. For the calculation of the risk weights of the tranches, the regulatory formula approach (SFA) was used.

## 44.5 Market risk

### Definition and overview

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived from them. These market value changes might appear in the profit and loss account, in the statement of comprehensive income or in hidden reserves. At Erste Group, market risk is divided into interest rate risk, credit spread risk, currency risk, equity risk, commodity risk and volatility risk. This concerns both trading and banking book positions.

### Methods and instruments employed

At Erste Group, potential losses that may arise from market movements are assessed using the value at risk (VaR). The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions.

Back-testing is used to constantly monitor the validity of the statistical methods. This process is conducted with a one-day delay to monitor if the model projections regarding losses have actually materialised. At a confidence level of 99%, the actual loss on a single day should exceed the VaR statistically only two to three times a year (1% of around 250 workdays). This shows one of the limits of the VaR approach: on the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years, and calculates the VaR for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted at Erste Group. These events include mainly market movements of low probability.

The stress tests are carried out according to several methods: stressed VaR is derived from the normal VaR calculation. But instead of simulating only over the two most recent years, an analysis of a much longer period is carried out in order to identify a one-year period that constitutes a relevant period of stress for the current portfolio mix. According to the legal framework, that one-year period is used to calculate a VaR with a 99% confidence level. This enables Erste Group on the one hand to hold sufficient own funds available for the trading book even in periods of elevated market volatility, while on the other hand also enabling it to incorporate these resulting effects into the management of trading positions.

In the extreme value theory, a Pareto distribution is fitted to the extreme end of the loss distribution. In this manner, a continuous function is created from which extreme confidence levels such as 99.95% can be evaluated. Furthermore, standard scenarios are calculated in which the individual market factors are exposed to extreme movements. Such scenarios are calculated at Erste Group for interest rates, stock prices, exchange rates and volatilities. Historic scenarios are a modification of the concept of standard scenarios. In this case, risk factor movements after certain events such as '9/11' or the 'Lehman bankruptcy' form the basis of the stress calculation. In order to calculate historical probabilistic scenarios, the most significant risk factors for the current portfolio are determined and their most adverse movement during the last years is applied. For the probabilistic scenarios, shifts of important market factors are determined for various quantiles of their distributions, and these values are then used to calculate stress results. These analyses are made available to the management board and the supervisory board within the scope of the monthly market risk reports.

In 2016 Erste Group finalized the implementation of the new Market Risk System. This system was approved by ECB in December 2016 as an internal market risk model to determine the own funds requirements for the trading books of Erste Group Bank AG and Česká spořitelna, a.s. on an individual level and additionally for the trading books of Slovenská sporiteľňa a.s., Erste Bank Hungary Zrt., and Erste Befektetési Zrt. on consolidated basis. The new infrastructure brought significant improvements with regards to flexible shift methodologies of historical scenarios, product- and market data coverage, and the reporting infrastructure.

### Methods and instruments of risk mitigation

At Erste Group, market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of VaR for the trading book is allocated by the management board in the Risk Appetite Statement while taking into account the risk-bearing capacity and projected earnings. A further breakdown is done by the Market Risk Committee on the basis of a proposal from the Market Risk Control & Infrastructure unit.

All market risk activities of the trading book are assigned risk limits that are statistically consistent in their entirety with the overall VaR limit. The VaR limit is assigned in a top-down procedure to the individual trading units. This is done down to the level of the individual trading groups or departments. Additionally, in a bottom-up procedure, sensitivity limits are assigned to even smaller units all the way down to the desk level. These are then aggregated and applied as a second limit layer to the VaR limits.

Limit compliance is verified at two levels: by the appropriate local decentralised risk management unit and by the Market Risk Control & Infrastructure unit. The monitoring of sensitivity limits is performed on both intraday and end of day basis. On demand, limit reports can also be triggered by individual traders or chief traders on an ad hoc basis.

The VaR is calculated every day at group level and made available to the individual trading units as well as to the superior management levels all the way up to the management board.

Banking book positions are subjected to a monthly VaR analysis. In this manner, the total VaR is determined with exactly the same methodology as for the trading book. In addition to VaR, a long-horizon risk measure is used to gauge the interest rate risk, credit spread risk of the banking book, and foreign exchange risk of equity participations. For this purpose, a historical simulation approach looking back five years and with a one-year holding period was chosen. The result of these calculations is presented in the monthly market risk report that is made available to the management and supervisory boards.

### Analysis of market risk

The following tables show the VaR amounts at the 99% confidence level using equally weighted market data and with a holding period of one day:

#### Value at Risk of banking book and trading book

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
<b>As of 31 December 2016</b>						
Erste Group	18,460	18,147	998	1,358	287	344
Core Group	26,470	26,166	998	1,358	287	344
Banking book	23,080	23,182	117	0	0	0
Trading book	3,391	2,984	880	1,358	287	344
<b>As of 31 December 2015</b>						
Erste Group	42,507	43,132	614	1,101	128	466
Core Group	50,297	50,893	614	1,101	128	466
Banking book	51,729	51,671	204	3	0	32
Trading book	2,873	2,142	572	1,101	128	466

In the above table, 'Erste Group' comprises the entire group, and 'Core Group' comprises all units that are directly or indirectly majority-owned by Erste Group Bank AG. The method used is subject to limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved. This restriction applies to the inclusion of credit spreads in the calculation of the VaR. Credit spreads are only applied to sovereign issuers. For all other positions, only the general market risk is considered.

### Interest rate risk in the banking book

Interest rate risk is the risk of an adverse change in the fair value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognised on the balance sheet, are grouped into maturity bands based on their remaining terms to maturity or terms to an interest rate adjustment. Positions without a fixed maturity (e.g. demand deposits) are included on the basis of modelled deposit rates that are determined by means of statistical methods.

The current low or even negative interest rate environment poses a challenge for the interest rate risk measurement of banks. From the first quarter of 2016 the 0% floor for interest rates was abandoned in the internal risk calculations, while according to the ‘Guidelines on the management of interest rate risk arising from non-trading activities’ issued by the European Banking Authority for the calculation of the regulatory interest rate risk measure is still applied.

The following tables list the open fixed-income positions held by Erste Group in the four currencies that carry a significant interest rate risk: EUR, CZK, HUF and RON. Only the open fixed-income positions that are not allocated to the trading book are presented. Positive values indicate fixed-income risks on the asset side, i.e. a surplus of asset items; negative values represent a surplus on the liability side.

#### Open fixed-income positions not assigned to the trading book

in EUR million	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
<b>As of 31 December 2016</b>					
Fixed-interest gap in EUR positions	-1,368.1	-1,575.1	-1,080.8	208.7	2,583.3
Fixed-interest gap in CZK positions	3,367.0	-357.3	-1,265.7	-2,594.3	49.2
Fixed-interest gap in HUF positions	-164.6	310.3	96.8	-341.2	-0.3
Fixed-interest gap in RON positions	318.0	596.5	-2.4	-99.2	87.0
<b>As of 31 December 2015</b>					
Fixed-interest gap in EUR positions	-3,474.3	3,008.5	-509.3	582.3	2,781.5
Fixed-interest gap in CZK positions	1,837.0	915.6	-1,157.0	-2,784.2	86.4
Fixed-interest gap in HUF positions	83.7	109.1	-247.1	-275.5	0.0
Fixed-interest gap in RON positions	636.4	263.4	26.1	-228.5	0.9

#### Credit spread risk

Credit spread risk is the risk of an adverse movement in the fair value of financial instruments caused by a change in the creditworthiness of an issuer perceived by the market. Erste Group is exposed to credit spread risk with respect to its securities portfolio, both in the trading as well as in the banking book.

In order to identify credit spread risk, all securities are grouped into maturity bands based on their remaining terms to maturity or terms to an expected call date on the one hand, and assigned to risk factors reflecting the riskiness of their issuer on the other hand.

#### Exchange rate risk

The bank is exposed to several types of risks related to exchange rates. These concern risks from open foreign exchange positions and others.

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis. Foreign currency exposure is subject to regulatory and internal limits. The internal limits are set by the Market Risk Committee.

Erste Group separately measures and manages other types of risks relating to the group’s balance sheet and earnings structure. The translation risk related to the valuation of the balance sheet items, earnings, dividends and participations/net investments in local currency or foreign exchange has an impact on consolidated earnings and consolidated capital. Erste Group is also reducing the negative impact related to volatility of foreign exchange rates on asset performance (for example as a result of foreign exchange lending in the CEE countries that was stopped for clients not having sufficient regular income in the respective loan currency).

In order to manage its multi-currency earnings structure, Erste Group regularly discusses hedging opportunities and takes decisions in the Group Asset Liability Committee (ALCO). Asset Liability Management (ALM) uses as the usual source of information the current financial results and the financial budget prepared for the upcoming period to obtain as much information as possible on the future foreign currency cash flows. The proposal, which mainly includes the volume, hedging level, hedge ratio and timeline of the hedging, is submitted by ALM to ALCO. The impact of translation on consolidated capital is monitored and reported to ALCO. The ALCO decisions are then implemented by ALM and the implementation status is reported on a monthly basis to ALCO.

The following table shows the largest open foreign currency positions of Erste Group as of 31 December 2016 and the corresponding open positions of these currencies as of 31 December 2015 (excluding foreign currency positions arising from equity participation).



## Open foreign currency positions

in EUR thousand	Dec 15	Dec 16
Czech Koruna (CZK)	-141,134	-170,654
US Dollar (USD)	-14,157	27,555
Croatian Kuna (HRK)	-5,694	10,522
Swiss Franc (CHF)	-7,874	-9,443
Serbian Dinar (RSD)	-1,098	6,824
Romanian Leu (RON)	9,753	6,387
Hungarian Forint (HUF)	-12,865	-4,862
British Pound (GBP)	10,746	2,291
Bulgarian Lev (BGN)	227	1,850
Turkish Lira (TRY)	441	1,337

In Japanese Yen (JPY) the open position amounted to EUR 109 thousand as of 31 December 2016 (2015: EUR -3,961 thousand).

## Hedging

Banking book market risk management consists of optimising Erste Group's risk position by finding the proper trade-off between the economic value of the balance sheet and forecasted earnings. Decisions are based on the balance sheet development, economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. The steering body responsible for interest rate risk management is ALCO. ALM submits proposals for actions to steer the interest rate risk to ALCO and implements ALCO's decisions.

In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. In a broader sense, hedging refers to an economic activity that mitigates risk but does not necessarily qualify for hedge accounting under IFRS rules. IFRS hedge accounting is applied, if possible, to avoid accounting mismatches due to hedging activity. Within the scope of IFRS-compliant hedge accounting, cash flow hedges and fair value hedges are used. If IFRS-compliant hedge accounting is not possible, the fair value option is applied, where appropriate, for the hedging of market values. Most of the hedging within Erste Group concerns hedging of interest rate risk. The remainder is hedging of foreign exchange rate risk.

## 44.6 Liquidity risk

### Definition and overview

The liquidity risk is defined in Erste Group in line with the principles set out by the Basel Committee on Banking Supervision and the Austrian regulators ('Kreditinstitute-Risikomanagement-Verordnung – KI-RMV'). Accordingly, a distinction is made between market liquidity risk, which is the risk that the group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

### Liquidity strategy

In 2016, client deposits remained the primary source of funding for Erste Group: the volume of client deposits increased to EUR 138.0 billion as of year-end 2016, amounting to 66% of the balance sheet total. Due to the fact that client deposits inflows surpassed the growth of loan production, the loan-to-deposit ratio was further decreasing to 95%. The increased excess liquidity was invested in central bank eligible assets (securities and central bank balances).

With regards to own issuance, Erste Group Bank AG issued EUR 2.047 billion in bonds in 2016 which in net terms (incl. EUR 219 million buybacks) was in accordance with the size of the budgeted figure. EUR 750 million was collected via a mortgage covered bond in benchmark size. EUR 578 million was collected by issuing senior unsecured bonds via private placements or the retail network. Tier 2 subordinated debt issuance was in the size of EUR 219 million. Erste Group Bank AG issued includes Austria's inaugural Additional Tier 1 (AT1) transaction (EUR 500 million benchmark) which is compliant with CRD IV (Capital Requirements Directive IV) and CRR (Capital Requirements Regulation). The average tenor of all new issues in 2016 is approximately 6.5 years.

Since 2014, the ECB supports bank lending to the non-financial sector through a series of targeted longer-term refinancing operations (TLTROs) with a maturity of up to four years and an early repayment option. At group level, Erste Group's total TLTRO participation increased slightly in 2016 to EUR 2.3 billion (2015: EUR 1.96 billion).

### Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period for each currency on both entity and group levels. This analysis determines the maximum period during which the entity can survive a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflows. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of customer, as well as the potential outflows from collateralised derivative transactions estimating the effect of collateral outflows in the case of adverse market movements. To reflect the reputational risk from callable own issues, the principal outflows from these liabilities are modelled to the next call date in all stress scenarios.

Since 30 September 2016 the regulatory requirements of reporting the Liquidity Coverage Ratio (LCR) is now calculated by the Delegated Act (Regulation (EU) 2015/61). Due to this new requirement, Erste Group is currently replacing the reporting of the LCR according to the Capital Requirements Regulation (CRR) by switching to a new software solution. Additionally, Erste Group is calculating the Net Stable Funding Ratio (NSFR) according to the CRR based on the weights of the 'Basler Ausschusses für Bankenaufsicht' (BCBS) and is constantly participating and reporting the QIS monitoring according to the BCBS guidelines. Internally, these ratios are monitored on entity level as well as on group level. Since 2014 the LCR is part of the internal Risk Appetite Statement (RAS), targeting to be above the future regulatory requirement. Erste Group is reporting the NSFR according to the CRR in the quarterly Short Term Exercise to the regulator.

Legal lending limits exist in all CEE countries where Erste Group is represented. As they restrict liquidity flows between Erste Group's subsidiaries in different countries they are taken into account for the assessment of liquidity risk in the survival period model as well as in the calculation of the Liquidity Coverage Ratio at group level.

Additionally, the traditional liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the group as a whole are reported and monitored regularly. Concentration risks in the 'Counterbalancing Capacity' (CBS), in terms of funds and assets are regularly monitored and reported to the regulator. Erste Group's funds transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

In 2016, Erste Group successfully implemented a new system significantly improving the data granularity and flexibility in the reporting of many aspects of the liquidity risk besides the implementation of new regulatory requirements (e.g. Additional Liquidity Monitoring Metrics, LCR according to the Delegated Act). Based on regulatory requirements, current projects focus on further improvements in the policy and reporting framework.

### Methods and instruments of risk mitigation

Short-term liquidity risk is managed by limits resulting from the survival period model, internal stress testing and by internal LCR targets at both entity and group level. Limit breaches are reported to the Group Asset Liability Committee (ALCO). Another important instrument for managing the liquidity risk within Erste Group Bank AG and in relation to its subsidiaries is the FTP system. Important information for liquidity management can be obtained by the process of planning funding needs. Therefor a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across Erste Group.

The Comprehensive Contingency Plan of the Erste Group ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency plans of the subsidiaries are coordinated as part of the plan for Erste Group Bank AG.

## Analysis of liquidity risk

In Erste Group, the liquidity risk is analysed by the following methods.

### Liquidity gap

The long-term liquidity position is managed using liquidity gaps on the basis of expected cash flows. This liquidity position is calculated for each material currency and based on the assumption of ordinary business activity. Fulfilment of the internal and regulatory liquidity risk requirements as well as the current and expected market environment is also taken into account.

Expected cash flows are broken down by contractual maturities in accordance with the amortisation schedule and arranged in maturity ranges. All products without contractual maturities (such as demand deposits and overdrafts) are shown in the first time bucket, irrespective of the statistically observed client behaviour.

The following table shows the liquidity gaps as of 31 December 2015 and 31 December 2014:

in EUR million	< 1 month		1-12 months		1-5 years		> 5 years	
	Dec 15	Dec 16	Dec 15	Dec 16	Dec 15	Dec 16	Dec 15	Dec 16
Liquidity GAP	-19,075	-25,550	-15,177	-12,049	6,092	9,220	28,160	28,379

An excess of assets over liabilities is indicated by a positive value, while an excess of liabilities over assets is indicated by a negative value. The callable own issues are modelled to their next call dates. The cash inflows from liquid securities amounting to EUR 37.2 billion (2015: EUR 36.6 billion), which are accepted as collateral by the central banks to which Erste Group has access, are taken into account in the first time bucket rather than considering them at their contractual maturity.

### Counterbalancing capacity

Erste Group regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserves at the central banks as well as unencumbered central bank eligible assets and other liquid securities, including impacts from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation. The term structure of the group's counterbalancing capacity as of year-end 2016 and year-end 2015 are shown in the tables below:

#### Term structure of counterbalancing capacity

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
<b>As of 31 December 2016</b>					
Cash, excess reserve	15,370	-119	0	0	0
Liquid assets	29,120	185	-1,029	-710	248
Other central bank eligible assets	5,474	48	465	367	367
Thereof retained covered bonds	3,245	0	465	367	367
Thereof credit claims	2,229	48	0	0	0
<b>Counterbalancing capacity</b>	<b>49,964</b>	<b>114</b>	<b>-564</b>	<b>-343</b>	<b>616</b>
<b>As of 31 December 2015</b>					
Cash, excess reserve	6,908	-843	0	0	0
Liquid assets	32,743	-180	-530	-89	344
Other central bank eligible assets	5,820	0	0	0	350
Thereof retained covered bonds	3,546	0	0	0	0
Thereof credit claims	2,274	0	0	0	350
<b>Counterbalancing capacity</b>	<b>45,471</b>	<b>-1,023</b>	<b>-530</b>	<b>-89</b>	<b>694</b>

The figures above show the total amount of potential liquidity available for the group in a going concern situation, taking into account the applicable central bank haircuts. In a crisis situation adverse market movements and legal transfer restrictions among group members can decrease this amount. Taking into account these effects, the initial counterbalancing capacity available at group level is reduced by additional haircuts and liquidity transfer constraints (e.g. legal lending limits). Negative figures are maturing positions of the counterbalancing capacity. Positive figures after 1 week are positions not immediately available as counterbalancing capacity.

## Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2016 and 31 December 2015 respectively, were as follows:

### Financial liabilities

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
<b>As of 31 December 2016</b>						
<b>Non-derivative liabilities</b>	<b>179,821</b>	<b>184,429</b>	<b>95,548</b>	<b>35,032</b>	<b>37,448</b>	<b>16,402</b>
Deposits by banks	14,631	14,717	7,015	1,951	4,601	1,151
Customer deposits	137,939	138,750	87,632	28,755	18,978	3,385
Debt securities in issue	21,153	23,927	409	3,945	10,882	8,691
Subordinated liabilities	6,098	7,036	492	381	2,987	3,175
<b>Derivative liabilities</b>	<b>4,185</b>	<b>4,566</b>	<b>282</b>	<b>1,182</b>	<b>2,387</b>	<b>714</b>
<b>Contingent liabilities</b>	<b>0</b>	<b>27,484</b>	<b>27,484</b>	<b>0</b>	<b>0</b>	<b>0</b>
Financial guarantees	0	20,908	20,908	0	0	0
Irrevocable commitments	0	6,577	6,577	0	0	0
<b>Total</b>	<b>184,005</b>	<b>216,479</b>	<b>123,314</b>	<b>36,215</b>	<b>39,835</b>	<b>17,116</b>
<b>As of 31 December 2015</b>						
<b>Non-derivative liabilities</b>	<b>171,714</b>	<b>175,495</b>	<b>82,046</b>	<b>37,374</b>	<b>36,419</b>	<b>19,656</b>
Deposits by banks	14,212	14,322	6,826	1,942	4,176	1,378
Customer deposits	127,797	128,449	74,623	29,694	19,115	5,016
Debt securities in issue	23,947	25,832	568	4,911	10,584	9,768
Subordinated liabilities	5,758	6,892	28	827	2,544	3,494
<b>Derivative liabilities</b>	<b>6,027</b>	<b>6,126</b>	<b>424</b>	<b>1,597</b>	<b>3,018</b>	<b>1,087</b>
<b>Contingent liabilities</b>	<b>0</b>	<b>25,415</b>	<b>25,415</b>	<b>0</b>	<b>0</b>	<b>0</b>
Financial guarantees	0	19,126	19,126	0	0	0
Irrevocable commitments	0	6,288	6,288	0	0	0
<b>Total</b>	<b>177,741</b>	<b>207,036</b>	<b>107,884</b>	<b>38,971</b>	<b>39,438</b>	<b>20,743</b>

As of year-end 2016, the currency composition of the non-derivative liabilities consisted of approximately 72% EUR, 16% CZK, 4% RON, 4% USD and the rest 4% in other currencies.

Besides the contingent liabilities from unused credit lines and guarantees, material potential cash outflow is estimated from the collateralised derivative transactions for the stress testing, which amounted to EUR 474.1 million in the worst-case scenario as of 31 December 2016 (2015: EUR 667.4 million).

As of 31 December 2016, the volume of customer deposits due on demand amounted to EUR 77.0 billion (2015: EUR 64.6 billion). According to customer segments, the customer deposits are composed as follows: 68% private individuals, 15% large corporates, 9% small and medium-sized enterprises, 4% non-banking financial institutions and 4% public sector. The deposits by banks include the top five providers of funds.

### Liquidity ratios

With the implementation of the CRR at the beginning of 2014, new liquidity ratios, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) have been introduced as ratios relevant for reporting purposes. For the LCR, the European Commission released a delegated regulation (EU) 2015/61 of 10 October 2014, published in the Official Journal of the European Union on 17 January 2015, specifying details on the ratio and setting a binding minimum requirement for the ratio as of 1 October 2015. Since 30 September 2016 the LCR has to be reported according to the delegated regulation to the authorities. The LCR represents a ratio of highly liquid assets vis-à-vis net cash outflows over a 30 day time horizon. The minimum ratio has been set at 60% for 2015 (from 1 October), 70% for 2016, 80% for 2017 and 100% from 2018. The NSFR remains for the time being a reporting requirement only, with a binding minimum requirement potentially introduced from 2018. The NSFR represents a ratio of available stable funding vis-à-vis required stable funding within a 12 month time horizon. Both ratios have been implemented within Erste Group.

## 44.7 Operational risk

### Definition and overview

In line with Article 4 Section 52 of regulation (EU) 575/2013 (CRR), Erste Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

### Methods and instruments employed

The quantitative measurement methods are based on internal loss experience data, which is collected across Erste Group using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. Erste Group sources external data from a leading non-profit risk-loss data consortium.

Erste Group received regulatory approval for the Advanced Measurement Approach (AMA) in 2009. AMA is a sophisticated approach to measuring operational risk. Pursuant to AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors. In 2011, Erste Group received approval to use insurance contracts for mitigation within the AMA pursuant to Article 323 CRR.

### Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk assessment surveys. The results and suggestions for risk control in these surveys, which are conducted by experts, are reported to the line management and thus help to reduce operational risks. Furthermore, to ensure early detection of changes in risk potential that may lead to losses, Erste Group periodically assesses a number of key risk indicators like, system availability, staff turnover, or customer complaints. Erste Group uses a group-wide insurance programme, which, since its establishment in 2004, has reduced the cost of meeting Erste Group's traditional property insurance needs and made it possible to buy additional insurance for previously uninsured bank-specific risks. This programme uses a captive reinsurance entity as a vehicle to share losses within the group and access the external market. The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above, form the operational risk framework of Erste Group. Information on operational risk is periodically communicated to the management board via various reports, including the quarterly top management reports, which describe the recent loss history, loss development, qualitative information from risk assessments and key risk indicators as well as the operational VaR for Erste Group.

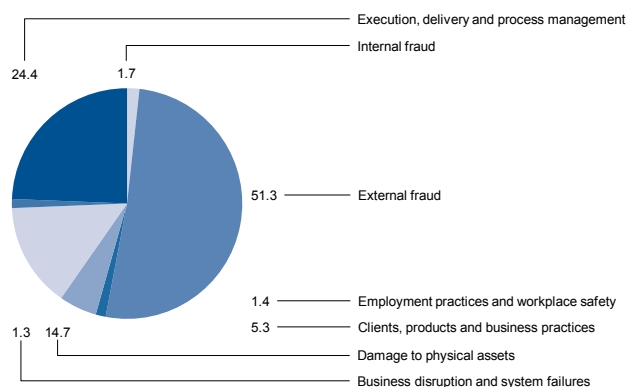
### Distribution of operational risk events

Detailed below is the percentage composition by type of event of operational risk sources as defined by Article 324 CRR. The observation period is from 1 January 2012 to 31 December 2016.

The event type categories are as follows:

- \_ internal fraud: Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity or discrimination events that involve at least one internal party.
- \_ external fraud: Losses due to acts by a third party of a type intended to defraud, misappropriate property or circumvent the law.
- \_ employment practices and workplace safety: Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity or discrimination events.
- \_ clients, products and business practices: Losses arising from unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of a product.
- \_ damage to physical assets: Losses arising from loss of or damage to physical assets caused by natural disaster or other events.
- \_ business disruption and system failures: Losses arising from disruption of business or system failures.
- \_ execution, delivery and process management: Losses from failed transaction processing or process management. Losses pertaining to relationships with trading counterparties and vendors or suppliers.

#### Event type categories (in %)



## 45. Hedge accounting

The interest rate risk of the banking book is managed by Group ALM. Preference in managing interest rate risk is given to using bonds, loans or derivatives, with hedge accounting for derivatives usually applied in accordance with IFRS. The main guideline for interest rate risk positioning is the Group Interest Rate Risk Strategy that is approved by the Group ALCO for the relevant time period.

Fair value hedges are employed to reduce interest rate risk of issued bonds, purchased securities, loans or deposits on the Erste Group balance sheet. In general, Erste Group policy is to swap all substantial fixed or structured issued bonds to floating items and as such to manage the targeted interest rate risk profile by other balance sheet items. Interest rate swaps are the most common instruments used for fair value hedges. Concerning loans, purchased securities and securities in issuance, fair value is also hedged by means of cross-currency swaps, swaptions, caps, floors and other types of derivative instruments.

In the second quarter of 2016 Erste Group has terminated all its EUR denominated IFRS cash flow hedge relationships (total notional of the hedged items: EUR 2.8 bn, residual maturity: slightly above 4 years) on the balance sheets of Austrian subsidiaries. The decision for the early termination has been driven by the expected hedge inefficiency coming from the floored interest rate (set at zero) on client loans. The termination value of the cash flow hedges, which is amortized through net interest income over the residual maturity, was EUR 48.9 million. As of 31 December 2016 the notional amount of the remaining hedged items in cash flow hedges on Group level amounts to EUR 988 million. The majority of the hedged cash flows are likely to occur within the next five years and will then be recognised in the consolidated income statement.

In the reporting period, EUR 31.6 million (2015: EUR 38.8 million) was taken from the cash flow hedge reserve and recognised as income in the consolidated income statement; while EUR 18.2 million (2015: EUR 11.4 million) was recognised directly in other comprehensive income. Inefficiency from cash flow hedges amounting to EUR 27.4 million (2015: EUR 0.1 million) is reported in the net trading result. This was mainly caused by the zero percent interest rate floor in the hedged client loans until the early termination of the respective cash flow hedges.

Fair value hedges in 2016 resulted in losses of EUR 17.8 million (2015: losses of EUR 366.1 million) on hedging instruments and gains of EUR 3.3 million on hedged items (2015: gains of EUR 359.6 million).

Fair values of hedging instruments are disclosed in the following table:

in EUR million	Dec 15		Dec 16	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Hedging instrument - fair value hedge	2,108	601	1,980	586
Hedging instrument - cash flow hedge	161	12	14	3

## 46. Fair value of financial instruments

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

### Financial instruments carried at fair value

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

### Description of valuation models and parameters

Erste Group uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently. In case of a negative interest rate environment Erste Group uses models which are able to deal sufficiently with the presented market conditions. Consequently, such negative interest rates do not restrict the valuation models.

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

information, including estimation of the credit spread based on internal ratings and PDs or management judgment. Techniques for equity securities may also include models based on earnings multiples. For more complex debt securities (e.g. including option-like features such as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash-flow models and more sophisticated modeling techniques including methods described for OTC-derivatives. The fair value of financial liabilities designated at fair value through profit or 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.

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

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

Credit value adjustments (CVA) for counterparty risk and debit value adjustments (DVA) for own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and Erste Group's credit quality. Erste Group has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. For products where an option replication is not feasible the exposure is computed with Monte-Carlo simulation techniques. One of the two modeling approaches is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default by counterparties that are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles present in the central European market. Market based valuation concepts are incorporated for this. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. Erste Group's probability of default has been derived from the buy-back levels of Erste Group's issuances. Netting has only been considered for a few counterparties where the impact was material. In these cases, netting has been applied for both CVA and DVA. For 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 accumulated CVA-adjustments amounts to EUR 26 million (2015: EUR 43.9 million) and the total DVA-adjustment amounts to EUR 8.2 million (2015: EUR 12.0 million).

#### Validation and control

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

#### Fair value hierarchy

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

##### Level 1 of the fair value hierarchy

The fair value of financial instruments assigned to Level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

##### Level 2 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 instru-



ment 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.

These include OTC derivatives, less liquid shares, bonds and funds as well as collateralized debt obligations (CDO) and own issues.

### Level 3 of the fair value hierarchy

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.

These include shares and funds not quoted, illiquid bonds as well as illiquid asset backed securities (ABS) and collateralized debt obligations (CDO) as well as loans, participations, own issues and deposits.

A reclassification from Level 1 into Level 2 or Level 3 as well as vice versa will be performed if the financial instrument does no longer meet the criteria described above for the respective level.

The following table shows the classification of financial instruments carried at fair value with respect to levels of the fair value hierarchy.

in EUR million	Dec 15				Dec 16			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Financial assets - held for trading	2,801	5,768	150	8,719	2,335	5,477	138	7,950
Derivatives	2	5,158	143	5,303	3	4,376	96	4,475
Other trading assets	2,798	611	7	3,416	2,332	1,102	42	3,476
Financial assets - at fair value through profit or loss	221	88	50	359	385	66	28	480
Financial assets - available for sale	17,759	2,306	627	20,692	16,774	2,208	867	19,850
Derivatives - hedge accounting	0	2,191	0	2,191	0	1,424	0	1,424
Assets held for sale	0	0	0	0	0	0	0	0
<b>Total assets</b>	<b>20,780</b>	<b>10,353</b>	<b>827</b>	<b>31,961</b>	<b>19,494</b>	<b>9,176</b>	<b>1,034</b>	<b>29,704</b>
<b>Liabilities</b>								
Financial liabilities - held for trading	363	5,503	1	5,867	378	4,382	1	4,762
Derivatives	14	5,418	1	5,434	13	4,171	1	4,185
Other trading liabilities	349	85	0	434	366	211	0	577
Financial liabilities - at fair value through profit or loss	0	1,907	0	1,907	0	1,673	90	1,763
Deposits from customers	0	149	0	149	0	74	0	74
Debt securities issued	0	1,758	0	1,758	0	1,599	90	1,689
Other financial liabilities	0	0	0	0	0	0	0	0
Derivatives - hedge accounting	0	593	0	593	0	472	0	473
<b>Total liabilities</b>	<b>363</b>	<b>8,002</b>	<b>1</b>	<b>8,367</b>	<b>378</b>	<b>6,528</b>	<b>91</b>	<b>6,997</b>

The chosen method for the allocation of positions to levels is the following: all the levels and level changes are reflected at the end of the reporting period.

### Valuation process for financial instruments categorised as Level 3

The valuation of financial instruments categorised as Level 3 involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking for similar transactions, among others. This involves estimation and expert judgment.



### Changes in volumes of Level 1 and Level 2

The following table shows the changes in volumes of Level 1 and Level 2 of financial instruments carried at fair value in the balance sheet.

in EUR million	Dec 15		Dec 16	
	Level 1	Level 2	Level 1	Level 2
Securities				
Net transfer from Level 1	0	-839	0	247
Net transfer from Level 2	839	0	-247	0
Net transfer from Level 3	-6	-58	-23	-208
Purchases/sales/expiries/changes in fair value	617	-2,363	-1,017	333
Changes in derivatives	1	-2,565	1	-1,549
<b>Total year-to-date change</b>	<b>1,451</b>	<b>-5,825</b>	<b>-1,286</b>	<b>-1,177</b>

**Movements in 2016.** The total amount of Level 1 financial assets decreased by EUR 1,286 million. The change in volume of Level 1 securities (decreased by EUR 1,287 million) was determined on the one hand by matured or sold assets in the amount of EUR 4,519 million and on the other hand by new investments in the amount of EUR 3,639 million. The decrease in volume for securities that were allocated to Level 1 at both reporting dates (2016 and 2015) amounted to EUR 130 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 325 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by financial institutions (EUR 256 million), but also to securities issued by governments (EUR 53 million) and other corporates (EUR 16 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 571 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by other corporates (EUR 337 million), financial institutions (EUR 140 million) and as well as securities issued by governments (EUR 94 million). Level 1 instruments in the amount of EUR 23 million were reclassified to Level 3. The remaining decrease in the amount of EUR 8 million was due to partial sales and fair value changes of reclassified instruments.

**Movements in 2015.** The total amount of Level 1 financial assets increased by EUR 1,451 million. The change in volume of Level 1 securities (increase by EUR 1,450 million) was determined on the one hand by matured or sold assets in the amount of EUR 2,693 million and on the other hand by new investments in the amount of EUR 2,869 million. The increase in volume for securities that were allocated to Level 1 at both reporting dates (2015 and 2014) amounted to EUR 542 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 1,039 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by financial institutions (EUR 703 million), but also to securities issued by governments (EUR 63 million) and other corporates (EUR 273 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 200 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by financial institutions (2015: EUR 74 million) and other corporates (EUR 65 million) as well as securities issued by governments (EUR 61 million). Level 1 instruments in the amount of EUR 6 million were reclassified to Level 3. The remaining decrease in the amount of EUR 101 million was due to partial sales and fair value changes of reclassified instruments.

No significant liabilities measured at fair value are reported in Level 3.

The reclassifications between Level 1 and Level 2, broken down to measurement categories and instruments, are shown below.

in EUR million	From Level 1 to Level 2 in 2015	From Level 1 to Level 2 in 2016
<b>Financial assets - available for sale</b>	<b>176</b>	<b>484</b>
Bonds	175	421
Funds	0	46
Other	0	16
Stocks	1	1
<b>Financial assets - at fair value through profit or loss</b>	<b>1</b>	<b>8</b>
Funds	0	8
Bonds	1	0
<b>Financial assets - held for trading</b>	<b>23</b>	<b>79</b>
Bonds	23	79
Funds	0	0
Other	0	0
Stocks	0	0
<b>Total</b>	<b>200</b>	<b>571</b>

in EUR million	From Level 2 to Level 1 in 2015	From Level 2 to Level 1 in 2016
<b>Financial assets - available for sale</b>	<b>782</b>	<b>293</b>
Bonds	361	151
Funds	342	138
Other	12	0
Stocks	65	4
<b>Financial assets designated at fair value through profit or loss</b>	<b>78</b>	<b>7</b>
Bonds	0	6
Funds	78	1
<b>Financial assets - held for trading</b>	<b>179</b>	<b>25</b>
Bonds	35	15
Funds	1	9
Other	0	0
Stocks	143	0
<b>Total</b>	<b>1,039</b>	<b>325</b>

**Movements in 2016.** The total value of Level 2 financial assets decreased between 2016 and 2015 by EUR 1,177 million. The Level 2 fair value change of securities and other receivables (up by EUR 372 million) can be explained for the most part by matured or sold positions in the amount of EUR 650 million and new investments in the amount of EUR 788 million. The reduction in volume for securities that have been allocated to Level 2 at both reporting dates 2016 and 2015 amounted to EUR 103 million.

Due to reduced market depth a total volume of EUR 571 million was reclassified from Level 1 to Level 2 in 2016. This applies mainly to securities issued by other corporates (EUR 337 million) and financial institutions (EUR 140 million) as well as securities issued by governments (EUR 94 million). Securities in the amount of EUR 325 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 243 million was reclassified from Level 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 35 million was reclassified from Level 3 to Level 2. The remaining increase in the amount of EUR 34 million was due to partial sales and fair value changes of reclassified instruments. The holding of loans and advances which are measured at fair value increased by EUR 264 million in the current reporting period. The decrease on the asset side derivatives in Level 2 by EUR 1,549 million are caused by changes in market values and by netting effects.

On the liability side, as far as securities are concerned, there were no significant movements between the levels. Changes in the amounts were caused either by purchases, sales or changes in market value. The changes of derivatives were mainly caused by changes in the market value and netting effects.

**Movements in 2015.** The total value of Level 2 financial assets decreased between 2015 and 2014 by EUR 5,825 million. The Level 2 securities fair value change (down by EUR 3,260 million) can be explained for the most part by matured or sold positions in the amount of EUR 2,838 million and new investments in the amount of EUR 925 million. The reduction in volume for securities that have been allocated to Level 2 at both reporting dates 2015 and 2014 amounted to EUR 204 million (due to partial sales and purchases and fair value changes caused by market movements).

Due to reduced market depth a total volume of EUR 200 million was reclassified from Level 1 to Level 2 in 2015. As previously outlined, this applies mainly to bonds issued by financial institutions and other corporates. Securities in the amount of EUR 1,039 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 151 million was reclassified from Level 2 to Level 3. Participations as well as securities issues by financial institutions are affected by this reclassification. Due to a change to valuation models with significant observable parameters a total volume of EUR 94 million was reclassified from Level 3 to Level 2. As a consequence of the sale of assets which were held for sale the Level 2 position decreased by EUR 53 million. The remaining decrease in the amount of EUR 193 million was due to partial sales and fair value changes of reclassified instruments. The decrease on the asset side derivatives in Level 2 by EUR 2,565 million are caused by changes in market values and by netting effects.

On the liability side, as far as securities are concerned, there were no significant movements between the levels. Changes in the amounts were caused either by purchases, sales or changes in market value. The changes of derivatives were mainly caused by changes in the market value and netting effects.

### Movements in Level 3 of financial instruments carried at fair value

The following tables show the development of fair value of financial instruments in the Level 3 category.

in EUR million	As of	Gain/loss in profit or loss	Gain/loss in other compre- hensive income	Purchases	Sales	Settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	As of
<b>Assets</b>	<b>Dec 15</b>											<b>Dec 16</b>
Financial assets - held for trading	150	-21	0	30	-23	-4	0	0	87	-81	0	138
Derivatives	143	-21	0	1	0	-2	0	0	33	-58	0	96
Other trading assets	7	0	0	29	-22	-2	0	0	54	-24	0	42
Financial assets - at fair value through profit or loss	50	-1	0	4	-4	-6	0	0	0	-14	0	28
Financial assets - available-for-sale	627	2	12	262	-216	-193	0	0	438	-64	0	867
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total assets</b>	<b>827</b>	<b>-20</b>	<b>12</b>	<b>295</b>	<b>-243</b>	<b>-203</b>	<b>0</b>	<b>0</b>	<b>525</b>	<b>-160</b>	<b>0</b>	<b>1,034</b>
<b>Assets</b>	<b>Dec 14</b>											<b>Dec 15</b>
Financial assets - held for trading	130	20	0	7	-1	-3	0	0	15	-19	1	150
Derivatives	124	21	0	4	0	-2	0	0	14	-19	1	143
Other trading assets	6	-1	0	2	-1	0	0	0	1	0	0	7
Financial assets - at fair value through profit or loss	39	-2	0	0	-10	0	0	0	22	0	0	50
Financial assets - available-for-sale	428	-5	114	58	-5	-100	0	-1	337	-199	0	627
Derivatives - hedge accounting	6	-3	0	0	0	0	0	0	0	-3	0	0
<b>Total assets</b>	<b>603</b>	<b>11</b>	<b>114</b>	<b>65</b>	<b>-16</b>	<b>-102</b>	<b>0</b>	<b>-1</b>	<b>374</b>	<b>-222</b>	<b>1</b>	<b>827</b>

The profit or loss of Level 3 financial instruments classified as 'Financial assets – held for trading', 'Financial assets – at fair value through profit or loss' and 'Derivatives – hedge accounting' is disclosed in the income statement line item 'Net trading and fair value result'. Profit or loss from derecognition of 'Financial assets – available for sale' is shown in the income statement line item 'Gains/Losses from financial assets and liabilities not measured at fair value through profit or loss, net'. Impairments of 'Financial assets – available for sale' is disclosed in the line item 'Net impairment loss on financial assets'. Gains or losses in other comprehensive income of Level 3 financial instruments disclosed in the balance sheet line item 'Financial assets – available for sale' are reported directly in equity under 'Available for sale reserve'.

**Movements in 2016.** The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, the external market values of securitizations were subject to an internal validation process, which is based on observable market inputs. Based on the described analysis securities in the amount of EUR 243 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by financial institutions (EUR 152 million), securities from corporates (EUR 53 million) and securities from sovereigns in the amount of EUR 39 million. On the other hand securities in the amount of EUR 35 million were reclassified from Level 3 to Level 2. Thereof EUR 19 million are securities issued by financial institutions and EUR 16 million are securities issued by sovereigns. Out of Level 1 EUR 23 million were reclassified to Level 3. The additional change in Level 3 positions was on the one hand caused by an decrease in derivative exposure of EUR 47 million and on the other hand by a decrease caused by the purchase, sale and market value change of securities in the amount of EUR 23 million.

The change in Level 3 debt securities issued on the liabilities side is caused by purchases of EUR 35 million on the one hand and EUR 55 million on the other hand.

**Movements in 2015.** The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, the external market values of securitizations were subject to an internal validation process, which is based on observable market inputs. Based on the described analysis securities in the amount of EUR 151 million were reclassified from Level 2 to Level 3. The change is coming from secu-

urities issued by corporates (EUR 68 million), securities from financial institutions (EUR 58 million) and securities from sovereigns in the amount of EUR 25 million. On the other hand securities in the amount of EUR 94 million were reclassified from Level 3 to Level 2. Thereof EUR 46 million are securities issued by corporates, EUR 35 million from financial institutions and EUR 13 million are securities issued by sovereigns. Out of Level 1 EUR 6 million were reclassified to Level 3. The additional increase in Level 3 positions was on the one hand caused by an increase in derivative exposure of EUR 20 million and on the other hand caused by the purchase, sale and market value change of securities in the amount of EUR 140 million.

The sale of the shares in VISA Europe to VISA Inc. was effectuated according to plan in the second quarter of 2016. The initial offer of VISA Inc. from November 2015 included a cash payment, VISA Inc preferred shares and a potential earn-out-payment in the year 2020. In the course of the fair valuation of the VISA shares as of 31 December 2015, all parts of the offer were taken into account. In May 2016 the offer was adjusted, whereas the earn-out-payments was replaced by a future payments 3 years after closing. This adjustment resulted in an additional increase of the fair value via other comprehensive income. The sales price of EUR 139 million comprising cash payment, VISA Inc preferred shares and future payments was considered as a Level 3 sale.

As of 31 December 2016, the fair valuation of VISA Inc preferred shares was based on reasonable assumptions and estimations and was consequently classified in Level 3. The shares cannot be sold before a minimum holding period of 12 years and are limited to certain conditions which may restrict the conversion of preferred shares into tradeable VISA Inc shares. Based on these limiting conditions the fair value of the preferred shares was capped based on assumptions compared to free tradeable VISA Inc. class A common shares.

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

in EUR million	Gain / loss in profit or loss	
	Dec 15	Dec 16
<b>Assets</b>		
Financial assets - held for trading	22.2	-5.0
Derivatives	22.5	-7.0
Other trading assets	-0.3	2.0
Financial assets designated at fair value through profit or loss	-1.6	-3.2
Derivatives hedge accounting	-2.7	0.0
<b>Total</b>	<b>17.9</b>	<b>-8.2</b>

For Level 3 financial assets classified as 'available for sale', impairments in the amount of EUR -1.5 million were recorded. For financial liabilities measured at fair value in the Level 3 category the evaluation change posted via income statement during the year amounts up to EUR -1.5 million.

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

In case the fair value of a financial asset is retrieved from input parameters which are not observable in the market, those parameters can be retrieved from a range of alternative parameters. For the preparation of the balance sheet the parameters were chosen to reflect the market situation at the reporting date.

The range of unobservable valuation parameters used in Level 3 measurements is shown in the following table.

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
<b>As of 31 December 2016</b>					
Positive fair value of derivatives	Forwards, swaps, options	95.8	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.78% -100% (8.0%)
				LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	3.4	Discounted cash flow	Credit Spread	0.1% -1.5% (0.4%)
Financial assets - available for sale	Fixed and variable coupon bonds	149.4	Discounted cash flow	Credit Spread	0.1% -5.3% (1.8%)
<b>As of 31 December 2015</b>					
Positive fair value of derivatives	Forwards, swaps, options	142.9	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.96% -100% (11.7%)
				LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	10.9	Discounted cash flow	Credit Spread	0.1% -1.5% (0.4%)
Financial assets - available for sale	Fixed and variable coupon bonds	270.9	Discounted cash flow	Credit Spread	0.1% -9.9% (2.2%)

The following table shows the sensitivity analysis using reasonably possible alternatives per product type.

in EUR million	Dec 15		Dec 16	
	Fair value changes		Fair value changes	
	Positive	Negative	Positive	Negative
Derivatives	10.5	-8.8	5.4	-5.3
Income statement	10.5	-8.8	5.4	-5.3
Other comprehensive income	0.0	0.0	0.0	0.0
Debt securities	13.5	-18.0	29.5	-39.4
Income statement	0.6	-0.8	1.7	-2.3
Other comprehensive income	12.9	-17.2	27.9	-37.1
Equity instruments	9.9	-19.7	9.8	-19.5
Income statement	1.1	-2.3	0.4	-0.8
Other comprehensive income	8.7	-17.4	9.4	-18.7
<b>Total</b>	<b>33.8</b>	<b>-46.5</b>	<b>44.7</b>	<b>-64.2</b>
<b>Income statement</b>	<b>12.2</b>	<b>-11.9</b>	<b>7.5</b>	<b>-8.3</b>
<b>Other comprehensive income</b>	<b>21.6</b>	<b>-34.7</b>	<b>37.2</b>	<b>-55.9</b>

In estimating these impacts, mainly changes in credit spreads (for bonds), PDs, LGDs (for CVA of derivatives) and market values of comparable equities were considered. An increase (decrease) of spreads, PDs and LGDs result in a decrease (increase) of the corresponding market values. Positive correlation effects between PDs and LGDs were not taken into account in the sensitivity analysis.

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

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

## Financial instruments not carried at fair value with fair value disclosed in the notes

The following table shows fair values and the fair value hierarchy of financial instruments for which fair value is disclosed in the notes.

Dec 16 in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>					
Cash and cash balances	18,353	18,353	0	0	0
Financial assets - held to maturity	19,270	20,918	19,886	945	86
Loans and receivables to credit institutions	3,469	3,489	0	174	3,315
Loans and receivables to customers	130,654	132,855	0	54	132,800
<b>Liabilities</b>					
Deposits from banks	14,631	14,622	0	0	14,622
Deposits from customers	137,939	138,165	0	0	138,165
Debt securities issued	25,503	27,010	2,659	22,651	1,701
Other financial liabilities	836	820	0	0	820
<b>Financial guarantees and commitments</b>					
Financial guarantees	n/a	-92	0	0	-92
Irrevocable commitments	n/a	-124	0	0	-124

Dec 15 in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>					
Cash and cash balances	12,350	12,350	0	0	0
Financial assets - held to maturity	17,701	19,514	18,539	920	56
Loans and receivables to credit institutions	4,805	4,881	0	173	4,708
Loans and receivables to customers	125,897	129,000	0	154	128,846
<b>Liabilities</b>					
Deposits from banks	14,212	14,493	0	0	14,493
Deposits from customers	127,797	128,719	0	0	128,719
Debt securities issued	27,896	29,238	9,326	19,338	573
Other financial liabilities	882	825	0	0	825
<b>Financial guarantees and commitments</b>					
Financial guarantees	n/a	-14	0	0	-14
Irrevocable commitments	n/a	-25	0	0	-25

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PDs and LGDs used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

The fair value of deposits and other liabilities, measured at amortised cost, is estimated by taking into account the current interest rate environment, as well as the own credit spreads. These positions are assigned to the Level 3 category. For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances. Moreover optionality is taken into account when calculating the fair value.

The fair value of off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) is estimated with the help of regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated market value and the notional amount of the hypothetical loan equivalents represents the fair value of these contingent liabilities. In case of the total market value being higher than the notional amount of the hypothetical loan equivalents the fair value of these contingent liabilities is presented with a negative sign.

## 47. Fair values of non-financial assets

The following table shows fair values and fair value hierarchy of non-financial instruments.

<b>Dec 16</b> <b>in EUR million</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets whose fair value is disclosed in the notes</b>					
Investment property	899	907	0	300	607
<b>Assets whose fair value is presented in the balance sheet</b>					
Assets held for sale	104	119	0	65	54

<b>Dec 15</b> <b>in EUR million</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets whose fair value is disclosed in the notes</b>					
Investment property	539	607	1	326	280
<b>Assets whose fair value is presented in the balance sheet</b>					
Assets held for sale	194	218	0	57	161

Investment property is measured at fair value on recurring basis. Assets held for sale are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

The fair values of non-financial assets are determined by experts with recognised and relevant professional qualification.

Fair values of non-financial assets owned by Erste Group through Austrian companies which are located in developed and active real estate markets such as Austria, Czech Republic and Slovakia are based on valuation reports relying essentially on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets). Such measurements are disclosed as Level 2 of the fair value hierarchy. If fair values of non-financial assets result from valuation models using expected future rental income method they are presented in Level 3 of the fair value hierarchy.

For non-financial assets owned by Erste Group through subsidiaries located in CEE countries the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

The book value related to investment property for which no disclosure according to IFRS 13 is required amounts to EUR 124 million as of 31 December 2016. The corresponding fair value amounts to EUR 128 million.

The book value related to assets held for sale for which no disclosure according to IFRS 13 is required amounts to EUR 83 million as of 31 December 2016. The corresponding fair value amounts to EUR 100 million.

#### 48. Financial instruments per category according to IAS 39

Dec 16	Category of financial instruments									
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
<b>ASSETS</b>										
Cash and cash balances	14,614	0	0	0	0	0	3,738	0	0	18,353
Loans and receivables to credit institutions	3,469	0	0	0	0	0	0	0	0	3,469
Loans and receivables to customers	126,804	0	0	0	0	0	0	0	3,850	130,654
Derivatives - hedge accounting	0	0	0	0	0	0	0	1,424	0	1,424
Financial assets - held for trading	268	0	7,683	0	0	0	0	0	0	7,950
Financial assets - at fair value through profit or loss	0	0	0	480	0	0	0	0	0	480
Financial assets - available for sale	0	0	0	0	19,886	0	0	0	0	19,886
Financial assets - held to maturity	0	19,270	0	0	0	0	0	0	0	19,270
<b>Total financial assets</b>	<b>145,156</b>	<b>19,270</b>	<b>7,683</b>	<b>480</b>	<b>19,886</b>	<b>0</b>	<b>3,738</b>	<b>1,424</b>	<b>3,850</b>	<b>201,487</b>
Net gains/ losses recognized through profit or loss	-184	-1	119	-2	147	0	0	13	0	92
Net gains/ losses recognized through OCI	0	0	0	0	-5	0	0	0	0	-5
<b>LIABILITIES</b>										
Financial liabilities - held for trading	0	0	-4,762	0	0	0	0	0	0	-4,762
Financial liabilities - at fair value through profit or loss	0	0	0	-1,763	0	0	0	0	0	-1,763
Financial liabilities measured at amortised cost	0	0	0	0	0	-178,909	0	0	0	-178,909
Derivatives - hedge accounting	0	0	0	0	0	0	0	-473	0	-473
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>-4,762</b>	<b>-1,763</b>	<b>0</b>	<b>-178,909</b>	<b>0</b>	<b>-473</b>	<b>0</b>	<b>-185,906</b>
Net gains / losses recognized through profit or loss	0	0	41	-9	0	-12	0	0	0	20

Net gains/losses recognised through profit or loss include impairments.



Dec 15	Category of financial instruments									
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
<b>ASSETS</b>										
Cash and cash balances	9,556	0	0	0	0	0	2,794	0	0	12,350
Loans and receivables to credit institutions	4,805	0	0	0	0	0	0	0	0	4,805
Loans and receivables to customers	122,146	0	0	0	0	0	0	0	3,751	125,897
Derivatives - hedge accounting	0	0	0	0	0	0	0	2,191	0	2,191
Financial assets - held for trading	4	0	8,716	0	0	0	0	0	0	8,719
Financial assets - at fair value through profit or loss	0	0	0	359	0	0	0	0	0	359
Financial assets - available for sale	0	0	0	0	20,763	0	0	0	0	20,763
Financial assets - held to maturity	0	17,701	0	0	0	0	0	0	0	17,701
<b>Total financial assets</b>	<b>136,511</b>	<b>17,701</b>	<b>8,716</b>	<b>359</b>	<b>20,763</b>	<b>0</b>	<b>2,794</b>	<b>2,191</b>	<b>3,751</b>	<b>192,785</b>
Net gains/ losses recognized through profit or loss	-668	1	37	0	22	0	0	-6	0	-615
Net gains/ losses recognized through OCI	0	0	0	0	-32	0	0	0	0	-32
<b>LIABILITIES</b>										
Financial liabilities - held for trading	0	0	-5,867	0	0	0	0	0	0	-5,867
Financial liabilities - at fair value through profit or loss	0	0	0	-1,907	0	0	0	0	0	-1,907
Financial liabilities measured at amortised cost	0	0	0	0	0	-170,787	0	0	0	-170,787
Derivatives - hedge accounting	0	0	0	0	0	0	0	-593	0	-593
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>-5,867</b>	<b>-1,907</b>	<b>0</b>	<b>-170,787</b>	<b>0</b>	<b>-593</b>	<b>0</b>	<b>-179,154</b>
Net gains/ losses recognized through profit or loss	0	0	37	32	0	17	0	0	0	-86

Net gains/losses recognised through profit or loss include impairments.

#### 49. Audit fees and tax consultancy fees

The following table contains fundamental audit fees and tax fees charged by the auditors (of Erste Group Bank AG and subsidiaries; the auditors primarily being Sparkassen-Prüfungsverband, Ernst & Young and Deloitte) in the financial years 2016 and 2015:

in EUR million	Dec 15	Dec 16
Audit fees	15.7	15.3
Other services involving the issuance of a report	3.3	2.7
Tax consultancy fees	3.9	2.9
Other services	5.3	17.3
<b>Total</b>	<b>28.1</b>	<b>38.2</b>

For auditing services provided by the Group's auditors EUR 7.9 million (2015: EUR 9.1 million) was paid by Erste Group. The Group's auditors also performed tax consultancy for Erste Group with a value of EUR 0.9 million (2015: EUR 1.0 million).

## 50. Contingent liabilities

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do involve credit risk and are therefore part of the overall risk of the Bank (see Note 44.5 Credit risk).

### Legal proceedings

Erste Group Bank and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group or Erste Group Bank. Erste Group is also subject to the following ongoing proceedings, some of which, if adversely adjudicated, may have a significant impact on the financial position or profitability of Erste Group or Erste Group Bank:

### Consumer protection claims

Several banking subsidiaries of Erste Group have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings, filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The lawsuits mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and that certain fees charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as of contractual provisions for the adjustment of interest rates and currencies. In some jurisdictions the legal risks in connection with loans granted in the past to consumers are also increased by the enactment of politically motivated laws impacting existing lending relationships, which may result in repayment obligations towards customers, and a level of unpredictability of judicial decisions beyond the level of uncertainty generally imminent in court proceedings. The following consumer protection issues are deemed particularly noteworthy:

In Romania, BCR is, besides being a defendant in a substantial number of individual law suits filed by consumers, among several local banks pursued by the consumer protection authority for alleged abusive clauses pertaining to pre-2010 lending practices. In connection therewith, BCR is currently a defendant in individual litigation claims filed by the local consumer protection authority, in each case on behalf of a single or several borrowers. None of these cases has so far been finally decided by the courts. If one of these cases on the validity of certain clauses becomes adversely adjudicated, this may have the impact of invalidating such clauses also in similar agreements of BCR with other consumers.

In Hungary, foreign currency loan related invalidity lawsuits by consumers against banks, including EBH, have been suspended by the regulations of the 2014 consumer loan law. After the completion of the settlement and the refund process with the customers concerned with the litigation, only a part of the proceedings has been continued so far. However, there is a steady tendency of consumers initiating further court cases after and irrespective of the settlement process completed fully in line with the 2014 consumer loan regulations. In the new statements of claim frequently legal issues are raised which have not been affected and resolved by the 2014 consumer loan regulations. It is expected that EBH will remain a defendant in a number of these litigations and that consumers will continue and initiate further court cases, creating a high level of legal uncertainty. Given, that in one of these lawsuits a preliminary ruling of the European Court of Justice ('ECJ') has been initiated by the local court, it is anticipated that several other pending lawsuits will be suspended until the ECJ adopts its preliminary ruling. Furthermore, in case the ECJ's ruling would be favorable for the plaintiffs, this might lead to an increase of the number of pending lawsuits against EBH.

In Croatia, the Supreme Court of Croatia, in a proceeding initiated by a local consumer protection association against several banks, among them EBC, declared in 2015 that FX clauses in loan agreements with consumers are valid but contractual provisions permitting unilateral change of the variable interest rates in CHF denominated consumer loans, used by the majority of banks until 2008, are null and void. In late 2016, the Croatian Constitutional Court rescinded the part of the Supreme Court decision relating to the validity of FX clauses. Although the validity of the FX clauses remains unchanged, the Supreme Court has been ordered to amend its decision as it allegedly violated the constitutional right to fair trial by not providing sufficient explanation for its decision regarding FX clauses. The outcome of such further judicial review is highly unpredictable and so is its impact, if any, on legal disputes with individual clients related to CHF denominated loan agreements in light of the laws enacted in 2015 that forced banks to accept requests from clients that are consumers or individual professionals to convert their CHF denominated loans into EUR with retroactive effect.

In Austria, several legal proceedings are pending between banks and a consumer organization and individual consumers on the consequences of a reference rate (such as the EURIBOR) being negative on the variable interest rate in lendings to consumers. In essence these disputes are about whether in case of the reference rate being negative the respective bank is allowed to request that the borrower pays interest at a minimum rate, or rather, instead of receiving any interest, might have to make a payment to its borrower for the respective

interest period (in cases in which the negative reference rate is decreasing the margin and in a worst case even resulting in a negative interest rate). Based on analysis of their legal position for their lendings in EUR, which are mostly refinanced by savings deposits of consumers for which it has to pay interest at least in a positive amount, EBOe and savings banks take the view that they are entitled to floor the interest rate in their lendings to consumers in EUR at the agreed margin. Until now there is no established judicial guidance on the consequences of a negative reference rate on lendings to consumers with a variable interest rate. Only with respect to savings deposits, some years ago the Supreme Court dealt with the potential impact of negative interest and ruled that saving accounts must earn some positive interest for the consumer. EBOe and savings banks might be negatively impacted by a court holding which in the situation of a negative reference rate in certain situations practically forces banks, for the respective interest period and/or the past, to make payments to its borrowers.

#### Corporate Bond investors's prospectus claims

Since 2014 a number of investors in corporate bonds, issued by a large Austrian construction group in the years 2010, 2011 and 2012, have filed claims with the courts of Vienna against Austrian banks, among them Erste Group Bank, requesting compensation for their losses as bond-holders following the bankruptcy of the issuer in 2013. The plaintiffs argue in essence that the defendant banks, who acted as joint-lead managers in the issuing of the respective bond, already knew of the insolvency status of the issuer at such time and should be liable for the issuing prospectus failing to state this. Erste Group Bank, together with a second Austrian bank, acted as joint-lead manager of the bond issuance in 2011. Erste Group Bank rejects the claims.

#### BCR Banca pentru Locuinte dispute

In 2015, the Romanian Court of Accounts ('CoA') conducted an audit review in BCR Banca Pentru Locuinte ('BpL') in order to assess whether the credit institution has allocated the state subsidies to its clients in accordance with the applicable legal provisions. Following the review, the CoA claims that several deficiencies were identified and that conditions for state subsidies have not been met. BpL did not accept the position taken by the CoA and initiated a contestation process which is currently ongoing. The obligation of repayment of subsidies under the CoA decision has been temporary suspended through an injunction granted to the credit institution in the court of first instance.

## 51. Analysis of remaining maturities

This table contains information about the expected remaining maturities of assets and liabilities:

in EUR million	Dec 15		Dec 16	
	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	12,350	0	18,353	0
Financial assets - held for trading	2,217	6,502	2,668	5,283
Derivatives	1,035	4,268	1,011	3,463
Other trading assets	1,182	2,234	1,657	1,819
Financial assets - designated at fair value through profit or loss	53	306	55	425
Financial assets - available-for-sale	2,487	18,275	2,963	16,922
Financial assets - held to maturity	1,769	15,932	2,086	17,184
Loans and receivables to credit institutions	4,196	609	3,238	232
Loans and receivables to customers	21,416	104,480	23,500	107,155
Derivatives - hedge accounting	280	1,911	214	1,211
Property and equipment	0	2,402	0	2,477
Investment properties	0	753	0	1,023
Intangible assets	0	1,465	0	1,390
Investments in associates and joint ventures	0	167	0	193
Current tax assets	119	0	124	0
Deferred tax assets	0	310	0	234
Assets held for sale	526	0	279	0
Other assets	989	228	809	211
<b>TOTAL ASSETS</b>	<b>46,403</b>	<b>153,340</b>	<b>54,288</b>	<b>153,939</b>
Financial liabilities - held for trading	1,203	4,665	1,084	3,677
Derivatives	1,193	4,241	918	3,266
Other trading liabilities	10	423	166	411
Financial liabilities designated at fair value through profit or loss	239	1,668	343	1,420
Deposits from banks	0	0	0	0
Deposits from customers	134	15	74	0
Debt securities issued	105	1,653	269	1,420
Other financial liabilities	0	0	0	0
Financial liabilities measured at amortised cost	99,750	71,036	117,923	60,986
Deposits from banks	9,910	4,302	9,994	4,638
Deposits from customers	84,511	43,286	103,154	34,785
Debt securities issued	4,464	23,432	3,948	21,554
Other financial liabilities	866	16	827	9
Derivatives - hedge accounting	48	545	132	340
Changes in fair value of portfolio hedged items	98	868	95	847
Provisions	245	1,491	169	1,533
Current tax liabilities	90	0	66	0
Deferred tax liabilities	0	96	0	68
Liabilities associated with assets held for sale	578	0	5	0
Other liabilities	1,939	378	1,926	1,010
<b>TOTAL LIABILITIES</b>	<b>104,189</b>	<b>80,747</b>	<b>121,744</b>	<b>69,881</b>

## 52. Own funds and capital requirements

### Own funds and capital requirements

Among others, Erste Group fulfils hereinafter the disclosure requirements according to the Capital Requirements Regulation (CRR), in detail Articles 436 (b) – (e) CRR and Articles 437 (1) (a), (d), (e) and (f) CRR. References to chapters refer to the financial statements.

### Regulatory Requirements

Since 1 January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements were implemented within the EU by the Capital Requirements Regulation (CRR) and the Capital Requirement Directive (CRD IV). The CRD IV was enacted in national law in the Austrian Banking Act (ABA). Erste Group applies these rules and calculates the capital ratios according to Basel 3, taking into consideration the Austrian transitional provisions which are defined in the CRR Supplementary Regulation (CRR 'Begleitverordnung'), published by the Austrian regulator. Starting with 1 October 2016 the European Regulation of the European Central Bank on the exercise of options and discretions available in Union law entered into force, which is applied by Erste Group as well.

All requirements as defined in the CRR, the ABA and in technical standards issued by the European Banking Authority (EBA) are fully applied by Erste Group for regulatory purposes and for the disclosure of regulatory information.

### Accounting Principles

The financial and regulatory figures published by Erste Group are based on IFRS. Eligible capital components are derived from the balance sheet and income statement which were prepared in accordance with IFRS. Adjustments to the accounting figures are considered due to the different definitions in the scopes of consolidation. Further details are explained in the section 'Regulatory scope of consolidation'. The uniform closing date of the consolidated regulatory figures of Erste Group is the 31 December of the respective year.

### Comparison of consolidation for accounting purposes and regulatory purposes

Disclosure requirements: Article 436 (b) CRR

### Scope of Consolidation

Further details regarding the IFRS scope of consolidation are disclosed in chapter 'B. Significant accounting policies' under the section 'scope of consolidation'.

The regulatory scope of consolidation is used as a synonym for the scope of consolidation that follows the regulatory requirements for consolidation as defined by the CRR and the ABA, which introduces the requirements of the CRD IV into national law.

### Regulatory scope of consolidation

The regulatory scope of consolidation is defined in Part One, Title II, chapter 2, Section 3 of the CRR. The definition of entities to be consolidated for regulatory purposes are mainly defined in Article 4 (1) (3) and (16) to (27) CRR in conjunction with the Articles 18 and 19 CRR and Article 30 ABA. Based on the relevant sections in Article 4 CRR, entities to be consolidated are determined based on the business activity of the relevant entities.

### Main differences between the IFRS- and the regulatory scope of consolidation based on the different requirements as defined in IFRS and CRR as well as the ABA

- Based on the CRR and ABA, mainly credit institutions pursuant to Article 4 (1) (1) CRR, investment firms pursuant to Article 4 (1) (2) CRR, ancillary services undertakings pursuant to Article 4 (1) (18) CRR and financial institutions pursuant to Article 4 (1) (26) CRR have to be considered within the regulatory scope of consolidation. On the contrary under IFRS all controlled entities, irrespective of their business purpose, have to be consolidated.
- Exclusion of entities from the regulatory scope of consolidation can be applied based on Article 19 CRR. According to Article 19 (1) CRR, entities can be excluded from the regulatory scope if their total assets and off-balance sheet items are less than the lower amount of either EUR 10 million or 1% of the total amount and off-balance sheet items of the parent company. Erste Group applies Article 19 (1) CRR.
- According to Article 19 (2) CRR, entities can also be excluded if the limits defined in Article 19 (1) CRR are exceeded, but are not relevant for regulatory purposes. Exclusion of entities based on Article 19 (2) CRR needs the prior approval of the competent authorities. For entities that exceed the limits as defined in Article 19 (1) CRR by insignificant amounts, Erste Group applies Article 19 (2) CRR and follows the requirements for the approval process as defined within this article. Erste Group does not apply Article 19 (1) and (2) CRR for credit institutions and investment firms.

## Consolidation methods

### Main differences between the IFRS- and the regulatory consolidation method, considering regulatory adjustments

For the calculation of consolidated own funds, Erste Group generally applies the same consolidation methods as used for accounting purposes. The difference relates to Article 18 (4) CRR only, which requires proportional consolidation of entities and financial institutions managed by an undertaking included in the consolidation together with one or more undertakings not included in the consolidation, where the liability of those undertakings is limited to the share of the equity held by the institution. Based on Article 18 (4) CRR, Erste Group applies proportional consolidation for two entities.

### Consideration of consolidation methods for the calculation of consolidated own funds according to the CRR

The amounts used for the calculation of the own funds derive from the balance sheet according to IFRS. The amounts that are used as the basis for the calculation of own funds are recalculated based on the definition of the regulatory scope of consolidation according to the CRR. The difference between the IFRS balance sheet and the regulatory balance sheet arises from the different scopes of consolidation (see table regarding balance sheet reconciliation). Amounts that relate to the own shares as well as to the minority interests in fully consolidated entities are therefore determined based on the regulatory scope of consolidation according to CRR. Minority interests are calculated based on the requirements as defined in Articles 81 to 88 CRR. Minority interests that relate to entities other than credit institutions are excluded from the own funds. Minority interests that relate to credit institutions are limited to capital requirements that relate to the minority interests in the relevant credit institutions. Erste Group applies Article 84 CRR. According to Austrian transitional provisions, 60% of the non-eligible minorities have to be excluded from consolidated own funds in 2016. As Erste Group applies the Austrian transitional provisions on group-level this percentage has been applied to the exclusion of minority interests in own funds as of 31 December 2016. Amounts that relate to minority interests in other comprehensive income are neither included in the consolidated own funds of Erste Group according to the final CRR provisions nor during the transitional period.

### Consideration of non-consolidated financial sector entities and deferred tax assets that rely on future profitability arising from temporary differences within the calculation of consolidated common equity tier 1 of Erste Group

Carrying amounts representing the investments in financial sector entities as defined in Article 4 (27) CRR that are not fully consolidated or considered by using the at equity method for regulatory purposes have to be deducted from the own funds based on the requirements as defined in Articles 36 (1) (h), 45 and 46 CRR for non-significant investments and Articles 36 (1) (i) CRR, Article 43, 45, 47 and 48 CRR for significant investments. For these purposes, non-significant investments are defined as investments in financial sector entities in which the participation is equal to or less than 10% of common equity tier 1 (CET1) of the relevant financial sector entities, while significant investments are defined as investments that are above 10% of the CET1 of the relevant financial sector entities. To determine the participation in the relevant financial sector entities, these participations are calculated based on the direct, indirect and synthetic holdings in the relevant entities.

According to Article 46 (1) (a) CRR, holdings in non-significant investments have to be deducted only if the total amount for such investments, including additional tier 1 items according to Article 56 (c) and 59 CRR and tier 2 items according to Article 66 (c) and 70 CRR, exceeds a defined threshold of 10% in relation to CET1 of the reporting institution. The deduction shall be applied to the amount that exceeds the 10% threshold. Amounts that are equal to or less than 10% of the CET1 of the reporting institution are considered with the applicable risk weights according part 3, title II, chapter 2 respectively chapter 3 and if necessary according to the requirements of part 3, title IV within the Risk Weighted Assets (RWAs) based on the requirements according to Article 46 (4) CRR.

For the deduction of significant investments in the CET1 of financial sector entities, a threshold is defined in Article 48 (2) CRR. According to Article 48 (2) CRR, significant investments in the CET1 of financial sector entities have to be deducted only if they exceed 10% of the CET1 of the reporting institution. If the 10% threshold is exceeded, the deduction is limited to the amount by which the defined threshold is exceeded. The remaining amount has to be considered within the calculation of the RWAs. The risk weight (RW) is defined at 250% according to Article 48 (4) CRR.

In addition to the aforementioned threshold, a combined threshold for the deduction of significant investments according to Article 36 (1) (i) CRR and for deferred tax assets that rely on future profitability and arise from temporary differences according to Article 36 (1) (c) CRR as well as according to Article 38 CRR is defined in Article 48 (2) CRR. The combined threshold according to Article 48 (2) CRR is defined at 17.65% of the CET1 of the reporting institution. If the threshold is exceeded, the exceeding amount has to be deducted from the CET1 of the reporting institution. The remaining amount has to be considered within the RWAs. A 250% RW shall be applied for the amount not exceeding the 17.65% threshold according to Article 48 (4) CRR.

Beside the 17.65% combined threshold, a 10% threshold related to the CET1 capital of the reporting institution is applied for deferred tax assets that rely on future profitability and arise from temporary differences according to Article 48 (3) CRR. In case the amount for de-

ferred tax assets that rely on future profitability and which arise from temporary differences exceeds the threshold of 10% of CET1 of the reporting institution the exceeding amount has to be deducted from the CET1 of the reporting institution. The amount that is equal to or less than the threshold as defined in Article 48 (3) CRR has to be considered within the calculation of RWAs with a 250% RW according to Article 48 (4) CRR.

At the reporting date, Erste Group did not exceed any of the aforementioned thresholds. Hence, direct, indirect and synthetic investments in financial sector entities were not deducted from the consolidated own funds of Erste Group and therefore are considered in RWAs.

### Threshold calculations according to Articles 46 and 48 CRR

in EUR million	Dec 15	Dec 16
<b>Non-significant investments in financial sector entities</b>		
Threshold (10% of CET1)	1,228	1,326
Holdings in CET1	-238	-150
Holdings in AT1	-15	-16
Holdings in T2	-455	-395
<b>Distance to threshold</b>	<b>520</b>	<b>765</b>
<b>Significant investments in financial sector entities</b>		
Threshold (10% of CET1)	1,228	1,326
Holdings in CET1	-254	-306
<b>Distance to threshold</b>	<b>974</b>	<b>1,019</b>
<b>Deferred tax assets</b>		
Threshold (10% of CET1)	1,228	1,326
Deferred tax assets that are dependent on future profitability and arise from temporary differences	-209	-157
<b>Distance to threshold</b>	<b>1,019</b>	<b>1,168</b>
<b>Combined threshold for deferred tax assets and significant investments</b>		
Threshold (17.65% of CET1)	2,168	2,340
Deferred tax assets that are dependent on future profitability and arise from temporary differences and CET1 instruments of financial sector entities where the institution has a significant investment	-464	-463
<b>Distance to threshold</b>	<b>1,704</b>	<b>1,876</b>

### Presentation of the scope of consolidation

#### Number of entities within the different scopes of consolidation

Dec 16	IFRS		CRR			
	Full	Equity	Full	Proportional	De Minimis	Equity
Credit institutions	67	2	67	1	0	1
Financial institutions, financial holding companies and mixed financial holding companies	214	35	211	1	43	17
Ancillary service undertakings, investment firms and asset management companies	78	1	50	0	57	1
Others	89	13	0	0	0	0

Dec 15	IFRS		CRR			
	Full	Equity	Full	Proportional	De Minimis	Equity
Credit institutions	67	2	67	1	0	1
Financial institutions, financial holding companies and mixed financial holding companies	238	34	233	1	48	15
Ancillary service undertakings, investment firms and asset management companies	80	1	52	0	54	1
Others	111	15	0	0	0	0

As of 31 December 2016 the number of companies consolidated according to IFRS was 499. The number of companies consolidated according to regulatory capital requirements, except those entities which are covered by Article 19 (1) and (2) CRR was 349.

## Changes within the fully consolidated entities within the regulatory scope of consolidation

	Dec 15	New	Deconsolidated	Merged	Reclassification	Dec 16
<b>Credit institutions</b>	<b>67</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>67</b>
Austria	52	0	0	0	0	52
CEE	14	1	0	0	0	15
Other	1	0	1	0	0	0
<b>Financial institutions, financial holding companies and mixed financial holding companies</b>	<b>233</b>	<b>4</b>	<b>14</b>	<b>12</b>	<b>0</b>	<b>211</b>
Austria	148	1	6	10	0	133
CEE	65	1	6	1	0	59
Other	20	2	2	1	0	19
<b>Ancillary service undertakings, investment firms and asset management companies</b>	<b>52</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>50</b>
Austria	20	2	0	1	0	21
CEE	27	0	1	1	0	25
Other	5	0	1	0	0	4
	<b>Dec 14</b>	<b>New</b>	<b>Deconsolidated</b>	<b>Merged</b>	<b>Reclassification</b>	<b>Dec 15</b>
<b>Credit institutions</b>	<b>67</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>67</b>
Austria	52	0	0	0	0	52
CEE	14	0	0	0	0	14
Other	1	0	0	0	0	1
<b>Financial institutions, financial holding companies and mixed financial holding companies</b>	<b>244</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>0</b>	<b>233</b>
Austria	155	2	1	8	0	148
CEE	74	0	8	1	0	65
Other	15	5	0	0	0	20
<b>Ancillary service undertakings, investment firms and asset management companies</b>	<b>52</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>52</b>
Austria	19	2	0	1	0	20
CEE	28	2	2	1	0	27
Other	5	0	0	0	0	5

## Impediments to the transfer of own funds

Disclosure requirement: Article 436 (c) CRR

Currently there are no restrictions or significant impediments to the transfer of financial funds or regulatory capital known for Erste Group. Further details are disclosed in chapter 'B. Significant accounting policies'.

## Total capital shortfall of all subsidiaries not included in the consolidation

Disclosure requirement: Article 436 (d) (e) CRR

As of 31 December 2016, there was no capital shortfall at any of the companies included in Erste Group's consolidation.

## Own funds

Own funds according to CRR 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 application of all regulatory deductions and filters – is considered in relation to the total risk.

The items of own funds as disclosed are also used for internal capital management purpose. Erste Group fulfilled the capital requirements.

The regulatory minimum capital ratios including the regulatory buffers amount to 5.4% for CET1 (4.5% CET1, +0.625% capital conservation buffer, +0.25% buffer for systemic vulnerability and for systemic concentration risk and +0.003% countercyclical capital buffer), 6.9% for tier 1 capital (sum of CET1 and AT1) and 8.9% for total own funds as of 31 December 2016.

In addition to minimum capital ratios and capital buffer requirements, institutions also have to fulfil capital requirements determined in the Supervisory Review and Evaluation Process (SREP). As a result of the 2015 SREP performed by the European Central Bank (ECB),



Erste Group on a consolidated level is required to meet a transitional common equity tier 1 (CET1) ratio of 9.5% as of 1 January 2016. This minimum CET1 ratio of 9.5% includes Pillar 1, Pillar 2 as well as capital conservation buffer requirements and countercyclical capital buffer requirements, but excludes the 0.25% systemic vulnerability and for systemic concentration risk.

Capital buffer requirements are set out in sections 23 (capital conservation buffer), 23a (countercyclical buffer), 23b (Global Systemic Important Institution (G-SII) buffer), 23c (Other Systemic Important Institution (O-SII) buffer) and 23d (systemic risk buffer) of the ABA and further specified in the regulation of the Financial Market Authority (FMA) on the establishment and recognition of the countercyclical buffer rate in accordance with section 23a para 3 ABA, on the establishment of the systemic risk buffer in accordance with section 23d para 3 ABA as well as on the detailed definition of the bases of calculation in accordance with section 23a para 3 clause 1 ABA and section 24 para 2 ABA (capital buffers regulation). All capital buffers have to be met entirely with CET1 capital and relate, except the countercyclical buffer, to total risk.

Sections 23, 23a, 23b and 23c ABA as well as the capital buffers regulation entered into force on 1 January 2016. The capital buffers regulation was amended on 23 May 2016 to include requirements for O-SII buffers. As of the reporting date 31 December 2016, Erste Group has to fulfil the following capital buffer requirements.

According to section 23 para 1 ABA, Erste Group has to establish a capital conservation buffer in the amount of 2.5%.

The transitional provisions for capital conservation buffers are regulated in section 103q para 11 ABA as follows

- \_ For the period from 1 January 2016 until 31 December 2016 by way of derogation from the requirements under section 23 ABA the capital buffer requirement for the capital conservation buffer amounts to 0.625%;
- \_ For the period from 1 January 2017 until 31 December 2017 by way of derogation from the requirements under section 23 ABA, the capital buffer requirement for the capital conservation buffer amounts to 1.25%;
- \_ For the period from 1 January 2018 until 31 December 2018 by way of derogation from the requirements under section 23 ABA, the capital buffer requirement for the capital conservation buffer amounts to 1.875%.

According to section 23a ABA the capital buffer requirement for the countercyclical capital buffer is regulated in section 4 capital buffers regulation as follows

- \_ The institution specific requirement for the countercyclical buffer in accordance with section 23a para 1 ABA results from the weighted average of the rates of the countercyclical capital buffer that apply in the jurisdictions where significant credit risk positions are situated in accordance with section 5 of the credit institution, multiplied by the total amount of risk in accordance with Art. 92 (3), of the Regulation (EU) no. 575/2013
- \_ For the calculation of the weighted average according to para 1 capital buffer requirement, the countercyclical buffer quota for the national area as defined by the respective authority is multiplied with the result out of the comparison of the capital requirement related to significant credit risk positions within the national area and the total capital requirement as defined within Part 3, Title II and IV of Regulation (EU) no. 575/2013.
- \_ Starting from 1 January 2016 is for the purposes of section 23a para 3 clause 2 ABA the capital buffer rate for the home country allocated, significant credit risk positions 0%.
- \_ If the competent authority of another member state or a third country for the national legal area determines a rate of over 2.5% for the purposes of para 1 for significant credit risk positions in this legal area, a rate of 2.5% has to be applied.
- \_ If the responsible third country authority establishes a national buffer rate, this rate is valid twelve months after the date on which the relevant third country authority has announced a change in the buffer rate.

The transitional provisions for the countercyclical buffer are regulated in section 103q para 11 ABA as follows

- \_ For the period from 1 January 2016 until 31 December 2016 by way of derogation from the requirements under section 23a ABA the capital buffer requirement for the countercyclical buffer amounts to a maximum of 0.625%;
- \_ For the period from 1 January 2017 until 31 December 2017 by way of derogation from the requirements under section 23a ABA, the capital buffer requirement for the countercyclical buffer amounts to a maximum of 1.25%;
- \_ For the period from 1 January 2018 until 31 December 2018 by way of derogation from the requirements under section 23a ABA, the capital buffer requirement for the countercyclical buffer amounts to a maximum of 1.875%.

Erste Group is not obliged to establish a G-SII buffer in line with section 23b ABA. According to Section 7b of the capital buffers regulation, Erste Group has to establish an O-SII buffer under section 23c ABA in the amount of 2%. However, Erste Group is only required to hold the higher of the O-SII and the systemic risk buffer under section 23d ABA. As the size of the O-SII buffer as well as the transitional arrangements for its introduction are identical to the provisions for the systemic risk buffer as set out below, no additional buffer requirements arise for Erste Group.

With respect to the systemic risk buffer under section 23d ABA, the capital buffers regulation specifies

- \_ According to section 7 para 1 (2) capital buffers regulation, Erste Group has to establish a capital buffer for systemic vulnerability in the amount of 1%.
- \_ According to section 7 para 2 (1) capital buffers regulation, Erste Group has to establish a capital buffer for the systemic concentration risk in the amount of 1%.

In accordance with section 10 capital buffers regulation the buffer rates for systemic vulnerability and for systemic concentration risk respectively are phased in according to the schedule below

- \_ from 1 January to 31 December 2016 with 0.25%,
- \_ from 1 January to 31 December 2017 with 0.5%,
- \_ from 1 January to 31 December 2018 with 1%.

The Austrian savings banks are included as subsidiaries in Erste Group's regulatory scope of consolidation based on the cross-guarantee contract of the 'Haftungsverbund'. Furthermore, Erste Group Bank AG together with the savings banks forms an institutional protection scheme (IPS) according to Article 113 (7) CRR. Disclosure requirements for the institutional protection scheme according to Article 113 (7) e CRR are met by the publication of the consolidated financial statements, which cover all entities included in the institutional protection scheme.

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

		Dec 15		Dec 16	
in EUR million	Article pursuant to CRR	Phased-in	Final	Phased-in	Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	2,336	2,336	2,336	2,336
Own CET1 instruments	36 (1) (f), 42	-72	-72	-35	-35
Retained earnings	26 (1) (c), 26 (2)	8,811	8,811	9,518	9,518
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-190	-190	-276	-276
Minority interest recognised in CET1	4 (1) (120) 84	3,395	3,395	3,581	3,581
Transitional adjustments due to additional minority interests	479, 480	57	0	72	0
Prudential filter: cash flow hedge reserve	33 (1) (a)	-97	-97	-88	-88
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	-38	-38	-57	-57
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-9	-9	-8	-8
Value adjustments due to the requirements for prudent valuation	34, 105	-112	-112	-90	-90
Regulatory adjustments relating to unrealised gains (40%)	468	-571	-238	-346	0
Regulatory adjustments relating to unrealised losses (40%)	467	0	0	43	0
Securitizations with a risk weight of 1,250%	36 (1) (k)	0	0	-29	-29
Goodwill	4 (1) (113), 36 (1) (b), 37	-771	-771	-709	-709
Other intangible assets	4 (1) (115), 36 (1) (b), 37(a)	-657	-657	-646	-646
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36 (1) (c), 38	-93	-93	-74	-74
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-220	-220	-168	-168
Other transitional adjustments CET1	469 to 472, 478, 481	1,030	0	659	0
Goodwill (40%)		462	0	284	0
Other intangible assets (40%)		394	0	258	0
IRB shortfall of provisions to expected losses (40%)		132	0	67	0
Deferred tax assets allocated up to December 2013, that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (80%)		42	0	33	0
Deferred tax assets allocated on or after January 2014 that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (40%)		0	0	13	0
Own CET1 instruments (40%)	36 (1) (f)	0	0	3	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	-663	0	-82	0
Common equity tier 1 capital (CET1)	50	12,136	12,045	13,602	13,256
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	0	0	497	497
Own AT1 instruments	52 (1) (b), 56 (a), 57	-4	0	-2	-2
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	1	1	2	2
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	263	0	0	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	0	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	-923	0	-579	0
Goodwill (40%)		-462	0	-284	0
Other intangibles (40%)		-394	0	-258	0
IRB shortfall of provisions to expected losses (20%)		-66	0	-34	0
Own CET1 instruments (40%)	36 (1) (f)	0	0	-3	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	663	0	82	0
Additional tier 1 capital (AT1)	61	0	1	0	497
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)					
	25	12,136	12,046	13,602	13,753

The table will be continued on the subsequent page.

## Continuation of the table

in EUR million	Article pursuant to CRR	Dec 15		Dec 16	
		Phased-in	Final	Phased-in	Final
<b>Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)</b>	<b>25</b>				
<b>Tier 2 capital (T2)</b>					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	4,649	4,649	4,580	4,580
Own T2 instruments	63 (b) (i), 66 (a), 67	-50	-50	-58	-58
Instruments issued by subsidiaries recognised in T2	87, 88	233	233	217	217
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	191	0	128	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	67	0	0	0
IRB excess of provisions over expected losses eligible	62 (d)	408	408	402	402
Standardised approach general credit risk adjustments	62 (c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	-66	0	-34	0
IRB shortfall of provisions to expected losses (20%)		-66	0	-34	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	-0.4	0	-0.6	-0.6
<b>Tier 2 capital (T2)</b>	<b>71</b>	<b>5,431</b>	<b>5,239</b>	<b>5,234</b>	<b>5,140</b>
<b>Total own funds</b>	<b>4 (1) (118) and 72</b>	<b>17,566</b>	<b>17,284</b>	<b>18,836</b>	<b>18,893</b>
<b>Capital requirement</b>	<b>92 (3), 95, 96, 98</b>	<b>7,864</b>	<b>8,023</b>	<b>8,145</b>	<b>8,291</b>
<b>CET1 capital ratio</b>	<b>92 (2) (a)</b>	<b>12.3%</b>	<b>12.0%</b>	<b>13.4%</b>	<b>12.8%</b>
<b>Tier 1 capital ratio</b>	<b>92 (2) (b)</b>	<b>12.3%</b>	<b>12.0%</b>	<b>13.4%</b>	<b>13.3%</b>
<b>Total capital ratio</b>	<b>92 (2) (c)</b>	<b>17.9%</b>	<b>17.2%</b>	<b>18.5%</b>	<b>18.2%</b>

Retained earnings include EUR 786 million of total comprehensive income attributable to owners of the parent.

Minority interest recognised in CET1 includes EUR 143 million of total comprehensive income attributable to non-controlling interests.

The capital structure table above summarises the final draft of EBA's implementing technical standards on disclosure for own funds, which were published in the Official Journal of the European Union on 20 December 2013. Positions, which are not relevant for Erste Group are not disclosed. The full EBA ITS are shown further back. Basel 3 final figures (fully loaded) are calculated based on the current requirements according to CRR. In the position 'Regulatory adjustments relating to unrealized gains and losses (40%)' a haircut of 25% was considered on not realized gains in the Basel 3 final scenario in the past. Starting with the first quarter of 2016 Erste Group does not apply this prudent approach, which was going beyond the regulatory requirements, any more. At year-end Erste Group makes use of the option and deducts securitizations with a risk weight of 1250% from regulatory own funds and does not consider this position in risk weighted assets any more.

Changes are possible due to final Regulatory Technical Standards (RTS) that are not yet available.

The percentage rates of the transitional provisions refer to the current year. For 2015 the following percentages applied for CET1: Regulatory adjustments relating to unrealised gains (60%) and losses (0%); Other transitional adjustments – goodwill, intangible assets, IRB shortfall of provisions to expected losses (60%) and deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (90%); on AT1 the following percentages applied: Other transitional adjustments – goodwill and other intangible assets (60%) and IRB shortfall of provisions to expected losses (30%); on tier 2 Other transitional adjustments for IRB shortfall of provisions to expected losses of 30% applied.

The consolidated financial statements have not been reviewed and noticed by the supervisory board and the financial statements of Erste Group Bank AG have not been reviewed by the supervisory board yet.

Likewise financial statements of single entities within the group have not been noticed by the supervisory board yet. In addition, no resolution on the appropriation of the profit has yet been made by the general meeting of the single entity.

Erste Group Bank AG (EGB) has the indication that the supervisor will require from EGB to reflect a future RWA increase on consolidated level of EGB in the context of the planned roll-out of IRB in BCR, whereas this increase will become effective already in the first half of 2017, this is before the rollout will take place (presumably in the second half of 2018). This RWA increase front-loads the expected difference in RWA between the treatments of exposures in Standardised Approach compared to the treatments in IRB. The impact on the CET1 ratio will be less than 30 bps.

Furthermore internal models adopted to compute credit RWA in Pillar 1 and respective validations have been assessed by the competent authorities. These models are planned to be made subject to a revision in the near future with the specific view of addressing identified findings and incorporating regulatory changes.

In the context of these assessments EGB has been informed about supervisory measures, whereas details of these measures are not fully known yet to EGB and depend on the concrete supervisory specification. Such measures could lead to a further net increase of RWA in 2017 impacting the CET1 ratio by less than 15 bps.

With a CET1 ratio as of year-end 2016 of 13.4% on consolidated level, Erste Group Bank AG is robustly capitalized to absorb such a potential RWA increase.

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

in EUR million	Article pursuant to CRR	Dec 15		Dec 16	
		Total risk (calculation base, phased-in)	Capital requirement (phased-in)	Total risk (calculation base, phased-in)	Capital requirement (phased-in)
Total Risk Exposure Amount	92 (3), 95, 96, 98	98,300	7,864	101,809	8,145
Risk weighted assets (credit risk)	92 (3) (a) (f)	83,445	6,676	81,915	6,553
Standardised approach		15,528	1,242	14,998	1,200
IRB approach		67,917	5,433	66,918	5,353
Settlement Risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	2,847	228	3,612	289
Operational Risk	92 (3) (e), 92 (4) (b)	10,755	860	15,140	1,211
Exposure for CVA	92 (3) (d)	1,252	100	1,141	91
Other exposure amounts (incl. Basel 1 floor)	3, 458, 459, 500	0	0	0	0

in EUR million	Article pursuant to CRR	Dec 15		Dec 16	
		Total risk (calculation base, final)	Capital requirement (final)	Total risk (calculation base, final)	Capital requirement (final)
Total Risk Exposure Amount	92 (3), 95, 96, 98	100,281	8,023	103,639	8,291
Risk weighted assets (credit risk)	92 (3) (a) (f)	85,427	6,834	83,746	6,700
Standardised approach		15,528	1,242	14,998	1,200
IRB approach		69,899	5,592	68,748	5,500
Settlement Risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	2,847	228	3,612	289
Operational Risk	92 (3) (e), 92 (4) (b)	10,755	860	15,140	1,211
Exposure for CVA	92 (3) (d)	1,252	100	1,141	91
Other exposure amounts (incl. Basel 1 floor)	3, 458, 459, 500	0	0	0	0

### Own funds reconciliation

For the disclosure of own funds, Erste Group follows the requirements according to Article 437 CRR as well as the requirements defined in the Implementing Technical Standards (EU) No 1423/2013, which were published in the Official Journal of the European Union on 20 December 2013.

Based on the requirements defined by the EBA in the Implementing Technical Standards, the following information must be provided:

- A full reconciliation of CET1 items - additional tier 1 (AT1) items, tier 2 (T2) items, regulatory adjustments and deductions applied pursuant to Articles 32 36, 56, 66 and 79 - to the own funds of the institution's balance sheet in accordance with Article 437 (1) (a) CRR (see the following tables: Balance sheet, Total equity, Intangible assets, Deferred taxes, Subordinated liabilities and additional Tier 1 issuances).
- A table designed by the EBA in order to show the capital structure of regulatory capital. The table includes details on the capital structure of Erste Group including the capital components as well as any regulatory deductions and prudential filters. Disclosures in this table cover the disclosure requirements as defined in Article 437 (1) (d) CRR, separate disclosure of the nature and amounts of each prudential filter applied pursuant to Articles 32 to 35 CRR, each deduction according to Articles 47, 48, 56, 66 and 79 CRR as well as items not deducted in accordance with Articles 47, 48, 56, 66 and 79 CRR.

The tables in the following sections may contain rounding differences.

## Balance sheet reconciliation

Disclosure requirement: Article 437 (1) (a) CRR

The table below represents the difference between the IFRS - and the regulatory scope of consolidation. Details regarding the number of entities within the different scopes of consolidation are disclosed in the aforementioned 'Presentation of the scope of consolidation' table.

## Balance Sheet

in EUR million	Dec 15			Dec 16		
	IFRS	Effects - scope of consolidation	CRR	IFRS	Effects - scope of consolidation	CRR
<b>Assets</b>						
Cash and cash balances	12,350	-35	12,315	18,353	-6	18,347
Financial assets - held for trading	8,719	6	8,725	7,950	-2	7,949
Derivatives	5,303	6	5,309	4,475	2	4,477
Other trading assets	3,416	0	3,416	3,476	-4	3,471
Financial assets - at fair value through profit or loss	359	-40	319	480	-58	422
Financial assets - available for sale	20,763	-525	20,237	19,886	-463	19,423
Financial assets - held to maturity	17,701	-1	17,700	19,270	-1	19,269
Loans and receivables to credit institutions	4,805	-52	4,753	3,469	-13	3,457
Loans and receivables to customers	125,897	413	126,309	130,654	513	131,167
Derivatives - hedge accounting	2,191	0	2,191	1,424	0	1,424
Changes in fair value of portfolio hedged items	0	0	0	0	0	0
Property and equipment	2,402	-98	2,304	2,477	-100	2,377
Investment properties	753	172	925	1,023	-247	776
Intangible assets	1,465	-10	1,454	1,390	-8	1,383
Investments in associates and joint ventures	167	-22	145	193	-23	170
Current tax assets	119	-1	118	124	0	124
Deferred tax assets	310	-8	303	234	-3	231
Assets held for sale	526	-215	311	279	-125	154
Other assets	1,217	211	1,428	1,020	112	1,132
<b>Total assets</b>	<b>199,743</b>	<b>-205</b>	<b>199,539</b>	<b>208,227</b>	<b>-422</b>	<b>207,805</b>
<b>Liabilities and equity</b>						
Financial liabilities - held for trading	5,867	1	5,869	4,762	4	4,766
Derivatives	5,434	0	5,434	4,185	3	4,187
Other trading liabilities	434	1	434	577	1	578
Financial liabilities - at fair value through profit or loss	1,907	0	1,907	1,763	0	1,763
Deposits from banks	0	0	0	0	0	0
Deposits from customers	149	0	149	74	0	74
Debt securities issued	1,758	0	1,758	1,689	0	1,689
Other financial liabilities	0	0	0	0	0	0
Financial liabilities measured at amortised costs	170,787	-252	170,535	178,909	-281	178,628
Deposits from banks	14,212	303	14,515	14,631	178	14,809
Deposits from customers	127,797	167	127,964	137,939	158	138,097
Debt securities issued	27,896	-140	27,756	25,503	-80	25,423
Other financial liabilities	882	-581	301	836	-538	298
Derivatives - hedge accounting	593	0	593	473	0	473
Changes in fair value of portfolio hedged items	966	0	966	942	0	942
Provisions	1,736	0	1,736	1,702	-8	1,694
Current tax liabilities	90	-2	88	66	-2	63
Deferred tax liabilities	96	-9	87	68	-9	59
Liabilities associated with assets held for sale	578	0	578	5	-5	0
Other liabilities	2,317	100	2,416	2,936	-24	2,912
<b>Total equity</b>	<b>14,807</b>	<b>-42</b>	<b>14,765</b>	<b>16,602</b>	<b>-96</b>	<b>16,506</b>
Equity attributable to non-controlling interests	3,802	4	3,806	4,142	2	4,144
Equity attributable to owners of the parent	11,005	-47	10,959	12,460	-98	12,362
<b>Total liabilities and equity</b>	<b>199,743</b>	<b>-205</b>	<b>199,539</b>	<b>208,227</b>	<b>-422</b>	<b>207,805</b>

The following tables represent, as far as possible, a reconciliation between the IFRS balance sheet items to the items of CET1, AT1 and T2, as well as information on the regulatory adjustments arising from correction items in accordance with Articles 32 to 35 CRR and the deductions according to Articles 36, 56, 66 and 79 CRR.

The last column contains a letter that sets the derived amount from IFRS figures with the appropriate eligible amount of own funds presentation during the transitional provisions in conjunction.

### Total equity

in EUR million	Dec 16						Own funds disclosure table - reference
	IFRS	Effects - scope of consolidation	CRR	IPS adjustments	Regulatory adjustments	Own funds	
Subscribed capital	860	0	860	0	0	860	
Capital reserve	1,478	0	1,478	0	-2	1,476	
Capital instruments and the related share premium accounts	2,338	0	2,338	0	-2	2,336	a
Retained earnings	10,090	-94	9,995	0	-477	9,518	b
Other comprehensive income (OCI)	-464	-4	-468	263	-70	-276	c
Cash flow hedge reserve	107	0	107	2	-22	88	g
Available for sale reserve	632	-1	631	410	-235	806	
thereof 40% prudential filter according to 467 CRR						43	i
thereof 40% prudential filter according to 468 CRR						-346	h
Currency translation	-734	-4	-738	0	-20	-757	
Remeasurement of net liability of defined pension plans	-357	0	-357	-149	101	-405	
Deferred tax	-112	0	-112	0	112	0	
Other	0	0	0	0	-7	-7	
<b>Equity attributable to the owners of the parent</b>	<b>11,963</b>	<b>-98</b>	<b>11,865</b>	<b>263</b>	<b>-550</b>	<b>11,578</b>	
Additional tier 1 (AT1)	497	0	497	0	-497	0	
Equity attributable to non-controlling interests	4,142	2	4,144	-193	-298	3,653	d
<b>Total equity</b>	<b>16,602</b>	<b>-96</b>	<b>16,506</b>	<b>70</b>	<b>-1,344</b>	<b>15,231</b>	

in EUR million	Dec 15						Own funds disclosure table - reference
	IFRS	Effects - scope of consolidation	CRR	IPS adjustments	Regulatory adjustments	Own funds	
Subscribed capital	860	0	860	0	0	860	
Capital reserve	1,478	0	1,478	0	-2	1,476	
Capital instruments and the related share premium accounts	2,337	0	2,337	0	-2	2,336	a
Retained earnings	9,071	-44	9,026	0	-215	8,811	b
Other comprehensive income (OCI)	-403	-3	-405	188	28	-190	c
Cash flow hedge reserve	115	1	115	6	-24	97	g
Available for sale reserve	688	-1	687	306	-157	835	
thereof 60% prudential filter according to 467 CRR						0	
thereof 60% prudential filter according to 468 CRR						-571	h
Currency translation	-759	-2	-761	-20	28	-753	
Remeasurement of net liability of defined pension plans	-334	0	-334	-104	77	-361	
Deferred tax	-112	0	-112	0	112	0	
Other	0	0	0	0	-7	-7	
<b>Equity attributable to the owners of the parent</b>	<b>11,005</b>	<b>-47</b>	<b>10,959</b>	<b>188</b>	<b>-188</b>	<b>10,958</b>	
Additional tier 1 (AT1)	0	0	0	0	0	0	
Equity attributable to non-controlling interests	3,802	4	3,806	-188	-166	3,452	d
<b>Total equity</b>	<b>14,807</b>	<b>-42</b>	<b>14,765</b>	<b>0</b>	<b>-354</b>	<b>14,410</b>	

IPS adjustments include the amounts for entities that are consolidated due to the Institutional Protections Scheme according to Article 113 (7) CRR. Further details regarding the development of IFRS equity are disclosed under section III Group Statement of Changes in Total Equity.

## Intangible assets

in EUR million	Dec 16					Own funds disclosure table - reference
	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	
Intangible assets	1,390	-8	1,383	-27	1,355	
60% deductible from CET1 acc. to transitional provisions					813	e
40% deductible from AT1 acc. to transitional provisions					542	k
<b>Intangible assets</b>	<b>1,390</b>	<b>-8</b>	<b>1,383</b>	<b>-27</b>	<b>1,355</b>	

in EUR million	Dec 15					Own funds disclosure table - reference
	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	
Intangible assets	1,465	-10	1,454	-26	1,428	
40% deductible from CET1 acc. to transitional provisions					571	e
60% deductible from AT1 acc. to transitional provisions					857	j
<b>Intangible assets</b>	<b>1,465</b>	<b>-10</b>	<b>1,454</b>	<b>-26</b>	<b>1,428</b>	

Details regarding the development of intangible assets are disclosed under Note 27 Intangible assets.

## Deferred Taxes

in EUR million	Dec 16					Own funds disclosure table - reference
	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	
Deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	74	0	74	-46	28	f
Related DTA allocated on or after Jan 14 for which 60% CET1 deduction is required according to CRR transitional provisions			33	-13	20	
Related DTA allocated up to Dec 13 for which 20% deduction from CET1 is required according to CRR transitional provisions			41	-33	8	
Deferred tax assets that rely on future profitability and arise from temporary differences	160	-3	157	-157	0	
<b>Deferred tax assets</b>	<b>234</b>	<b>-3</b>	<b>231</b>	<b>-203</b>	<b>28</b>	

in EUR million	Dec 15					Own funds disclosure table - reference
	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	
Deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	93	0	93	-42	51	f
Related DTA allocated on or after Jan 14 for which 100% deduction is required according to CRR transitional provisions			47	0	47	
Related DTA allocated up to Dec 13 for which 10% deduction from CET1 is required according to CRR transitional provisions			46	-42	5	
Deferred tax assets that rely on future profitability and arise from temporary differences	217	-7	209	-209	0	
<b>Deferred tax assets</b>	<b>310</b>	<b>-8</b>	<b>303</b>	<b>-251</b>	<b>51</b>	

Details regarding deferred tax assets are disclosed under Note 28 Tax assets and liabilities.

Based on the threshold definition according to Article 48 CRR deferred tax assets that rely on future profitability and arise from temporary differences are not deductible for Erste Group at year-end 2016. In accordance with Article 48 (4) CRR the non-deductible amount is risk weighted with 250% and considered within the credit risk.



## Subordinated liabilities and additional tier 1 issuances

Dec 16						
in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Subordinated issues, deposits and supplementary capital	6,310	3	6,313	-1,446	4,866	
Tier 2 capital instruments (including related share premium) issued by the parent company					4,522	l
Qualifying own funds instruments included in consolidated tier 2 capital issued by subsidiaries and held by third parties					345	m
thereof instruments issued by subsidiaries subject to phase-out					128	n
Addition tier 1 (AT1) issuances	499	0	499	-2	497	j
Hybrid issues	0	0	0	0	0	
<b>Subordinated liabilities</b>	<b>6,809</b>	<b>3</b>	<b>6,812</b>	<b>-1,448</b>	<b>5,364</b>	

Dec 15						
in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Subordinated issues, deposits and supplementary capital	6,053	2	6,055	-915	5,140	
Tier 2 capital instruments (including related share premium) issued by the parent company					4,649	k
Qualifying own funds instruments included in consolidated tier 2 capital issued by subsidiaries and held by third parties					491	l
thereof instruments issued by subsidiaries subject to phase-out					258	m
Addition tier 1 (AT1) issuances	0	0	0	0	0	
Hybrid issues	354	4	358	-95	263	i
<b>Subordinated liabilities</b>	<b>6,407</b>	<b>5</b>	<b>6,412</b>	<b>-1,010</b>	<b>5,402</b>	

Details regarding subordinated liabilities are disclosed under Note 32 Financial liabilities-at fair value through profit or loss and Note 33 Financial liabilities measured at amortised cost. EUR 212 million subordinated debt in form of deposits are included in the balance sheet position Financial liabilities measured at amortised cost and are not explicitly shown in Note 33. Details for AT1 issuances can be found under section III Group Statement of Changes in Total Equity. Furthermore, EUR 2 million AT1 from Bausparkasse are considered.

### Transitional provisions

The Transitional Provisions which are applied by Erste Group, are based on CRR-Supplementary Regulation according to BGBl II Nr. 425/2013, and the regulation of the European Central Bank on the exercise of options and discretions, ECB/2016/4

### Own funds template during the transitional period

Disclosure requirements: Art. 437 (1) (d) (e) CRR

Erste Group does not consider Art. 437 (1) (f) CRR for the calculation of consolidated own funds.

The table below presents the composition of the regulatory capital during the transitional period based on the Implementing Technical Standards on the disclosure of own funds published in the Official Journal of the EU.

In column (A), the current amount, which considers all the transitional requirements, is disclosed. Column (C) discloses the residual amount, implying full CRR implementation. Column (D) provides information of data comparable figures related to IFRS equity, intangible assets, deferred tax assets and subordinated liabilities as previously displayed.

in EUR million		(A) Dec 16	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
1	Capital instruments and the related share premium accounts	2,336	26 (1), 27, 28, 29, EBA list 26 (3)	0	a
	of which: ordinary shares	2,336	EBA list 26 (3)	0	a
2	Retained earnings	9,518	26 (1) (c)	0	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-276	26 (1)	0	c
3a	Funds for general banking risk	0	26 (1) (f)	0	
4	Amount of qualifying items referred to in article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (2)	0	
5	Minority interests (amount allowed in consolidated CET1)	3,653	84, 479, 480	-72	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	0	
6	<b>CET1 capital before regulatory adjustments</b>	<b>15,232</b>		<b>-72</b>	
	<b>Common equity tier 1 (CET1): regulatory adjustments</b>				
7	Additional value adjustments (negative amount)	-90	34, 105	0	
8	Intangible assets (net of related tax liability) (negative amount)	-813	36 (1) (b), 37, 472 (4)	-542	e, k
9	Empty set in the EU				
	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in article 38 (3) are met) (negative amount)	-28	36 (1) (c), 38, 472 (5)	-46	f
11	Fair value reserves related to gains or losses on cash flow hedges	-88	33 (a)	0	g
			36 (1) (d), 40, 159, 472 (6)	-67	
12	Negative amounts resulting from the calculation of expected loss amounts	-101			
13	Any increase in equity that results from securitised assets (negative amount)	0	32 (1)	0	
	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-65	33 (b)	0	
15	Defined-benefit pension fund assets (negative amount)	0	36 (1) (e), 41, 472 (7)	0	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-31	36 (1) (f), 42, 472 (8)	-3	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	36 (1) (g), 44, 472 (9)	0	
18	Direct and, indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	0	
19	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	0	
20	Empty set in the EU				
20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-29	36 (1) (k)	0	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91	0	
20c	of which: securitisation positions (negative amount)	-29	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258	0	
20d	of which: free deliveries (negative amount)	0	36 (1) (k) (iii), 379 (3)	0	

The table is continued on the next page.

Continuation of the table

in EUR million		(A) Dec 16	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	
22	Amount exceeding the 15% threshold (negative amount)	0	48 (1)	0	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	36 (1) (i), 48 (1) (b), 470, 472 (11)	0	
24	Empty set in the EU				
25	of which: deferred tax assets arising from temporary differences	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	
25a	Losses for the current financial year (negative amount)	0	36 (1) (a), 472 (3)	0	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36 (1) (l)	0	
26	Regulatory adjustments applied to common equity tier 1 in respect of amounts subject to pre-CRR treatment	0		0	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468	-302		302	
	of which: unrealised losses	43	467	-43	i
	of which: unrealised gains	-346	468	346	h
26b	Amount to be deducted from or added to common equity tier 1 capital with regard to additional filters and deductions required pre CRR	0	481	0	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	-82	36 (1) (j)	82	
28	<b>Total regulatory adjustments to common equity tier 1 (CET1)</b>	<b>-1,629</b>		<b>-275</b>	
29	<b>CET1 capital</b>	<b>13,602</b>		<b>-346</b>	
<b>Additional tier 1 (AT1) capital: instruments</b>					
30	Capital instruments and the related share premium accounts	497	51, 52	0	
31	of which: classified as equity under applicable accounting standards	497		0	
32	of which: classified as liabilities under applicable accounting standards	0		0	
33	Amount of qualifying items referred to in article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486 (3)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (3)	0	
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	2	85, 86, 480	0	
35	of which: instruments issued by subsidiaries subject to phase-out	0	486 (3)	0	
36	<b>AT1 capital before regulatory adjustments</b>	<b>499</b>		<b>0</b>	j
<b>Additional tier 1 (AT1) capital: regulatory adjustments</b>					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-2	52 (1) (b), 56 (a), 57, 475 (2)	0	j
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	56 (b), 58, 475 (3)	0	
39	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56 (c), 59, 60, 79, 475 (4)	0	
40	Direct and indirect holdings by the institution AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56 (d), 59, 79, 475 (4)	0	

The table is continued on the next page.

## Continuation of the table

in EUR million		(A) Dec 16	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		0	
41a	Residual amounts deducted from AT1 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-579	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	579	
	of which: material net interim loss	0		0	
	of which: intangible assets	-542		542	k
	of which: shortfall of provisions to expected loss	-34		34	
	of which: own CET1 Instruments	-3		3	
41b	Residual amounts deducted from AT1 capital with regard to deduction from T2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477 (3), 477 (4) (a)		
	of which: reciprocal cross holdings in T2 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		0	
41c	Amount to be deducted from or added to AT1 with regard to additional filters and deductions required pre-CRR	0	467, 468, 481	0	
	of which: possible filter to unrealised losses	0	467	0	
	of which: possible filter to unrealised gains	0	468	0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56 (e)	0	
43	<b>Total regulatory adjustments to additional tier 1 (AT1) capital</b>	<b>-580</b>		<b>579</b>	
44	<b>Additional tier 1 (AT1) capital</b>	<b>0</b>		<b>497</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>13,602</b>		<b>151</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>					
46	Capital instruments and the related share premium accounts	4,580	62, 63	0	l
47	Amount of qualifying items referred to in article 484 (5) and the related share premium accounts subject to phase out from T2	0	486 (4)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (4)	0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	345	87, 88, 480	-128	m
49	of which: instruments issued by subsidiaries subject to phase-out	128	486 (4)	-128	n
50	Credit risk adjustments	402	62 (c) (d)	0	
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>5,326</b>		<b>-128</b>	
<b>T2 capital: regulatory adjustments</b>					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-58	63 (b) (i), 66 (a), 67, 477 (2)	0	l
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	66 (b), 68, 477 (3)	0	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	66 (c), 69, 70, 79, 477 (4)	0	
54a	of which: new holdings not subject to transitional arrangements	0		0	
54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements	0		0	

The table is continued on the next page.

## Continuation of the table

in EUR million		(A) Dec 16	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-0.6	66 (d), 69, 79, 477 (4)	0	
56	Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		0	
56a	Residual amounts deducted from T2 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-34	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	34	
	of which: shortfall of provisions to expected loss	-34	472 (6)	34	
	of which: non-significant investments	0	472 (10)	0	
56b	Residual amounts deducted from T2 with regard to deduction from AT1 during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	475, 475 (2) (a), 475 (3), 475 (4) (a)	0	
	of which: reciprocal cross holdings in AT1 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		0	
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre-CRR	0	467, 468, 481	0	
	of which possible filter to unrealised losses	0	467	0	
	of which: possible filter to unrealised gains	0	468	0	
57	<b>Total regulatory adjustments to tier 2 (T2) capital</b>	<b>-92</b>		<b>34</b>	
58	<b>Tier 2 (T2) capital</b>	<b>5,234</b>		<b>-94</b>	
59	<b>Total capital (TC = T1 + T2)</b>	<b>18,836</b>		<b>57</b>	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0		0	
	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	0	
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	0	
	of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)	0	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	0	
60	<b>Total risk-weighted assets</b>	<b>101,809</b>		<b>1,831</b>	
<b>Capital ratios and buffers</b>					
61	Common equity tier 1 (as a percentage of risk exposure amount)	13.4%	92 (2) (a), 465	-0.6%	
62	Tier 1 (as a percentage of risk exposure amount)	13.4%	92 (2) (b), 465	-0.1%	
63	Total capital (as a percentage of risk exposure amount)	18.5%	92 (2) (c)	-0.3%	

The table is continued on the next page.

## Continuation of the table

in EUR million		(A) Dec 16	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	0.878%	CRD 128, 129, 130	0	
65	of which: capital conservation buffer requirement	0.625%		0	
66	of which: countercyclical buffer requirement	0.003%		0	
67	of which: systemic risk buffer requirement	0.25%		0	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.25%	CRD 131	0	
68	Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	3.0%	CRD 128	0	
69	[non-relevant in EU regulation]				
70	[non-relevant in EU regulation]				
71	[non-relevant in EU regulation]				
<b>Amounts below the thresholds for deduction (before risk-weighting)</b>					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	561	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	0	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	306	36 (1) (i), 45, 48, 470, 472 (11)	0	
74	Empty set in the EU				
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	157	36 (1) (c), 38, 48, 470, 472 (5)	0	
<b>Applicable caps on the inclusion of provisions in tier 2</b>					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	187	62	0	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	587	62	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	402	62	0	
<b>Capital instruments subject to phase-out arrangements (only applicable between January 2013 and January 2022)</b>					
80	Current cap on CET1 instruments subject to phase-out arrangements	60%	484 (3), 486 (2) & (5)	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)	0	
82	Current cap on AT1 instruments subject to phase-out arrangements	60%	484 (4), 486 (3) & (5)	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484 (4), 486 (3) & (5)	0	
84	Current cap on T2 instruments subject to phase-out arrangements	60%	484 (5), 486 (4) & (5)	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) & (5)	0	

## Regulatory capital during the transitional period – 2015

in EUR million		(A) Dec 15	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
1	Capital instruments and the related share premium accounts	2,336	26 (1), 27, 28, 29, EBA list 26 (3)	0	a
	of which: ordinary shares	2,336	EBA list 26 (3)	0	a
2	Retained earnings	8,811	26 (1) (c)	0	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-190	26 (1)	0	c
3a	Funds for general banking risk	0	26 (1) (f)	0	
4	Amount of qualifying items referred to in article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (2)	0	
5	Minority interests (amount allowed in consolidated CET1)	3,452	84, 479, 480	-57	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	0	
<b>6</b>	<b>CET1 capital before regulatory adjustments</b>	<b>14,410</b>		<b>-57</b>	
<b>Common equity tier 1 (CET1): regulatory adjustments</b>					
7	Additional value adjustments (negative amount)	-112	34, 105	0	
8	Intangible assets (net of related tax liability) (negative amount)	-571	36 (1) (b), 37, 472 (4)	-857	e
9	Empty set in the EU				
	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in article 38 (3) are met) (negative amount)	-51	36 (1) (c), 38, 472 (5)	-42	f
11	Fair value reserves related to gains or losses on cash flow hedges	-97	33 (a)	0	g
			36 (1) (d), 40, 159, 472 (6)	-132	
12	Negative amounts resulting from the calculation of expected loss amounts	-88			
13	Any increase in equity that results from securitised assets (negative amount)	0	32 (1)	0	
	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-47	33 (b)	0	
15	Defined-benefit pension fund assets (negative amount)	0	36 (1) (e), 41, 472 (7)	0	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-72	36 (1) (f), 42, 472 (8)	0	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	36 (1) (g), 44, 472 (9)	0	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	0	
19	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	0	
20	Empty set in the EU				
20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	0	36 (1) (k)	0	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91	0	
			36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258	0	
20c	of which: securitisation positions (negative amount)	0		0	
20d	of which: free deliveries (negative amount)	0	36 (1) (k) (iii), 379 (3)	0	

The table is continued on the next page.

## Continuation of the table

in EUR million		(A) Dec 15	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	
22	Amount exceeding the 15% threshold (negative amount)	0	48 (1)	0	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	36 (1) (i), 48 (1) (b), 470, 472 (11)	0	
24	Empty set in the EU				
25	of which: deferred tax assets arising from temporary differences	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	
25a	Losses for the current financial year (negative amount)	0	36 (1) (a), 472 (3)	0	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36 (1) (l)	0	
26	Regulatory adjustments applied to common equity tier 1 in respect of amounts subject to pre-CRR treatment	0		0	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468	-571		333	
	of which: unrealised losses	0	467	0	
	of which: unrealised gains	-571	468	333	h
26b	Amount to be deducted from or added to common equity tier 1 capital with regard to additional filters and deductions required pre CRR	0	481	0	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	-663	36 (1) (j)	663	
28	<b>Total regulatory adjustments to common equity tier 1 (CET1)</b>	<b>-2,274</b>		<b>-34</b>	
29	<b>CET1 capital</b>	<b>12,136</b>		<b>-91</b>	
<b>Additional tier 1 (AT1) capital: instruments</b>					
30	Capital instruments and the related share premium accounts	0	51, 52	0	
31	of which: classified as equity under applicable accounting standards	0		0	
32	of which: classified as liabilities under applicable accounting standards	0		0	
33	Amount of qualifying items referred to in article 484 (4) and the related share premium accounts subject to phase out from AT1	263	486 (3)	-263	i
	Public sector capital injections grandfathered until Jan 18	0	483 (3)	0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	1	85, 86, 480	0	
35	of which: instruments issued by subsidiaries subject to phase-out	0	486 (3)	0	
36	<b>AT1 capital before regulatory adjustments</b>	<b>264</b>		<b>-263</b>	
<b>Additional tier 1 (AT1) capital: regulatory adjustments</b>					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-4	52 (1) (b), 56 (a), 57, 475 (2)	4	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	56 (b), 58, 475 (3)	0	
39	Holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56 (c), 59, 60, 79, 475 (4)	0	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56 (d), 59, 79, 475 (4)	0	

The table is continued on the next page.



## Continuation of the table

in EUR million		(A) Dec 15	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		0	
41a	Residual amounts deducted from AT1 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-923	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	923	
	of which: material net interim loss	0		0	
	of which: intangible assets	-857		857	j
	of which: shortfall of provisions to expected loss	-66		66	
41b	Residual amounts deducted from AT1 capital with regard to deduction from T2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477 (3), 477 (4) (a)		
	of which: reciprocal cross holdings in T2 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		0	
41c	Amount to be deducted from or added to AT1 with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	0	
	of which: possible filter to unrealised losses	0	467	0	
	of which: possible filter to unrealised gains	0	468	0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56 (e)	0	
43	<b>Total regulatory adjustments to additional tier 1 (AT1) capital</b>	<b>-927</b>		<b>927</b>	
44	<b>Additional tier 1 (AT1) capital</b>	<b>0</b>		<b>1</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>12.136</b>		<b>-90</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>					
46	Capital instruments and the related share premium accounts	4.649	62, 63	0	k
47	Amount of qualifying items referred to in article 484 (5) and the related share premium accounts subject to phase out from T2	0	486 (4)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (4)	0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	491	87, 88, 480	-258	l
49	of which: instruments issued by subsidiaries subject to phase-out	258	486 (4)	-258	m
50	Credit risk adjustments	408	62 (c) (d)	0	
51	<b>Tier 2 (T2) capital before regulatory adjustment</b>	<b>5.547</b>		<b>-258</b>	
<b>T2 capital: regulatory adjustments</b>					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-50	63 (b) (i), 66 (a), 67, 477 (2)	0	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	66 (b), 68, 477 (3)	0	
54	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	66 (c), 69, 70, 79, 477 (4)	0	
54a	of which: new holdings not subject to transitional arrangements	0		0	
54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements	0		0	

The table is continued on the next page.

## Continuation of the table

in EUR million		(A) Dec 15	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-0.4	66 (d), 69, 79, 477 (4)	0	
56	Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		0	
56a	Residual amounts deducted from T2 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-66	472, 472(3)(a), 472 (4), 472 (6), 472 (8)(a), 472 (9), 472 (10) (a), 472 (11) (a)	66	
	of which: shortfall of provisions to expected loss	-66	472 (6)	66	
	of which: non-significant investments	0	476 (10)	0	
56b	Residual amounts deducted from T2 with regard to deduction from AT1 during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	475, 475 (2) (a), 475 (3), 475 (4) (a)	0	
	of which: reciprocal cross holdings in AT1 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		0	
56c	Amount to be deducted from or added to T2 with regard to additional filters and deductions required pre-CRR	0	467, 468, 481	0	
	of which possible filter to unrealised losses	0	467	0	
	of which: possible filter to unrealised gains	0	468	0	
57	<b>Total regulatory adjustments to tier 2 (T2) capital</b>	<b>-116</b>		<b>66</b>	
58	<b>Tier 2 (T2) capital</b>	<b>5,431</b>		<b>-192</b>	
59	<b>Total capital (TC = T1 + T2)</b>	<b>17,566</b>		<b>-282</b>	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0		0	
	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	0	
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	0	
	of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)	0	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	0	
60	<b>Total risk-weighted assets</b>	<b>98,300</b>		<b>1,982</b>	
<b>Capital ratios and buffers</b>					
61	Common equity tier 1 (as a percentage of risk exposure amount)	12.3%	92 (2) (a), 465	-0.3%	
62	Tier 1 (as a percentage of risk exposure amount)	12.3%	92 (2) (b), 465	-0.3%	
63	Total capital (as a percentage of risk exposure amount)	17.9%	92 (2) (c)	-0.6%	

The table is continued on the next page.

## Continuation of the table

in EUR million		(A) Dec 15	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	not yet implemented	CRD 128, 129, 130	0	
65	of which: capital conservation buffer requirement	not yet implemented		0	
66	of which: countercyclical buffer requirement	not yet implemented		0	
67	of which: systemic risk buffer requirement	not yet implemented		0	
67a	of which: global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	not yet implemented	CRD 131	0	
68	Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	not yet implemented	CRD 128	0	
69	[non-relevant in EU regulation]				
70	[non-relevant in EU regulation]				
71	[non-relevant in EU regulation]				
<b>Amounts below the thresholds for deduction (before risk-weighting)</b>					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	709	36 (1) (h), 45, 46, 472 (10)56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	0	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	254	36 (1) (i), 45, 48, 470, 472 (11)	0	
74	Empty set in the EU			0	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in article 38 (3) are met)	209	36 (1) (c), 38, 48, 470, 472 (5)	0	
<b>Applicable caps on the inclusion of provisions in tier 2</b>					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0	62	0	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	676	62	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	408	62	0	
<b>Capital instruments subject to phase-out arrangements (only applicable between January 2013 and January 2022)</b>					
80	Current cap on CET1 instruments subject to phase-out arrangements	70%	484 (3), 486 (2) & (5)	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)	0	
82	Current cap on AT1 instruments subject to phase-out arrangements	70%	484 (4), 486 (3) & (5)	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	96	484 (4), 486 (3) & (5)	0	
84	Current cap on T2 instruments subject to phase-out arrangements	70%	484 (5), 486 (4) & (5)	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) & (5)	0	

## Own funds development

in EUR million	Dec 15	Dec 16
<b>Common equity tier 1 (CET1) development, transitional provisions</b>		
<b>CET1 as of the previous period</b>	<b>10,623</b>	<b>12,136</b>
Development in retained earnings	682	707
Profit	933	1,261
Planned dividends	-215	-474
Other developments	-36	-80
Development in accumulated other comprehensive income	135	-86
Development actuarial gains and losses	67	-44
Development CFH reserve	-21	-9
Development AFS reserve	-8	-29
Development fx translation	97	-4
Development minority interest	271	201
Profit	300	292
Non eligible profit	-101	-149
Other developments	72	58
thereof effect of change in transitional provisions	-13	14
Development prudential filters	466	282
Development in filter on unrealised gains out of AFS portfolio	421	226
thereof effect of change in transitional provisions in unrealised gains	397	190
Development in filter on unrealised losses out of AFS portfolio	0	43
thereof effect of change in transitional provisions in unrealised losses	0	43
Development in filter on CFH reserve	21	9
Development in own credit risk on fair valued liabilities and derivatives	23	-18
Development in prudent valuation	1	22
Development in regulatory deductions	-41	363
Intangible assets	-286	-242
thereof effect of change in transitional provisions in intangible assets	-283	-286
IRB shortfall	-38	-13
thereof effect of change in transitional provisions in IRB shortfall	-27	-44
Own instruments	10	41
DTAs that rely on future profitability and do not arise from temporary differences	-7	24
thereof effect of change in transitional provisions in DTA	-7	14
Securitizations (riskweight 1,250%)	0	-29
Development in excess deductions from AT1 items	281	582
Changes in CET1	1,513	1,467
<b>CET1 as of end of period</b>	<b>12,136</b>	<b>13,602</b>
<b>Additional tier 1 (AT1) development, transitional provisions</b>		
<b>AT1 as of previous period</b>	<b>0</b>	<b>0</b>
AT1 instruments of the previous period	296	260
Development of AT1 instruments	-36	238
In Erste Group Bank AG	0	141
In subsidiaries of Erste Group Bank AG	1	1
Development in grandfathered AT1 instruments	-37	96
Regulatory deductions of previous period	-1,240	-923
Development in regulatory deductions	317	344
Intangible assets	283	315
thereof effect of change in transitional provisions in intangible assets	283	286
IRB shortfall	34	32
thereof effects of change in transitional provisions in IRB shortfall	25	22
Own instruments in CET1	0	-3
thereof effect of change in transitional own instruments in CET1	0	-3
Changes in AT1	281	582
Shortfall deduction in AT1	663	82
<b>AT1 as of end of period</b>	<b>0</b>	<b>0</b>

The table is continued on the next page.

## Continuation of the table

in EUR million	Dec 15	Dec 16
<b>Tier 2 (T2) development, transitional provisions</b>		
<b>T2 as of previous period</b>	<b>5,216</b>	<b>5,431</b>
New issues/ phase out of T2 instruments	317	– 148
In Erste Group Bank AG	452	– 69
In subsidiaries of Erste Group Bank AG	– 99	– 16
Effect of change in transitional provisions	– 36	– 63
Development in grandfathered AT1 instruments	20	– 67
Development in IRB excess and credit risk adjustments in the standardised approach	– 178	– 6
Development in IRB excess	– 2	– 6
Development in SA credit risk adjustments	– 176	0
Changes in regulatory deduction	55	24
Development in own instruments	21	– 8
Development in IRB shortfall	34	32
thereof effect of change in transitional provisions in IRB shortfall	25	22
Changes in T2	215	– 197
<b>T2 as of end of period</b>	<b>5,431</b>	<b>5,234</b>
<b>Total own funds</b>	<b>17,566</b>	<b>18,836</b>

### 53. Events after the balance sheet date

There are no significant events after the balance sheet date.

### 54. Country by country reporting

Starting with 2014 Erste Group publishes information about Group's country by country activities as required by Article 89 of the EU Capital Requirements Directive IV.

<b>Dec 16</b>				
<b>in EUR million</b>	<b>Operating income</b>	<b>Pre-tax result from continuing operations</b>	<b>Taxes on income</b>	<b>Taxes paid</b>
Austria	2,922	328	-131	-167
Croatia	414	139	-40	-8
Czech Republic	1,375	674	-130	-135
Hungary	346	151	-12	-12
Romania	685	311	-29	-9
Serbia	72	26	-1	0
Slovakia	628	245	-74	-75
Other locations	249	76	3	-2
<b>Total</b>	<b>6,691</b>	<b>1,950</b>	<b>-414</b>	<b>-408</b>

<b>Dec 15</b>				
<b>in EUR million</b>	<b>Operating income</b>	<b>Pre-tax result from continuing operations</b>	<b>Taxes on income</b>	<b>Taxes paid</b>
Austria	2,838	406	-146	-89
Croatia	466	-29	21	-21
Czech Republic	1,409	660	-136	-135
Hungary	365	-27	-13	-11
Romania	755	311	-21	-12
Serbia	71	17	0	0
Slovakia	611	241	-64	-84
Other locations	257	59	-4	-3
<b>Total</b>	<b>6,772</b>	<b>1,639</b>	<b>-364</b>	<b>-355</b>

For information regarding the relevant country of residence of each fully consolidated entity refer to Note 54 Details of the companies wholly or partly owned by Erste Group as of 31 December 2016.

For the periods reported above, Erste Group did not receive any kind of public or state subsidies.

Information about the geographical split of the average number of headcounts employed in Erste Group throughout 2016 is disclosed in Note 6 General administrative expenses.

## 55. Details of the companies wholly or partly owned by Erste Group as of 31 December 2016

The table below presents material, fully consolidated subsidiaries, investments in associates accounted for at equity and other investments.

Company name, registered office	Interest of Erste Group in %		
	Dec 15	Dec 16	
Fully consolidated subsidiaries			
Credit institutions			
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	Linz	39.8	39.8
Banca Comerciala Romana Chisinau S.A.	Chişinău	93.6	93.6
Banca Comerciala Romana SA	Bucharest	93.6	93.6
Banka Sparkasse d.d.	Ljubljana	28.0	28.0
Bankhaus Krentschker & Co. Aktiengesellschaft	Graz	25.0	25.0
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft	Vienna	95.0	95.0
BCR Banca pentru Locuinte SA	Bucharest	93.9	93.9
Ceska sporitelna, a.s.	Prague	99.0	99.0
Die Zweite Wiener Vereins-Sparcasse	Vienna	0.0	0.0
Dornbirner Sparkasse Bank AG	Dornbirn	0.0	0.0
Erste & Steiermärkische Bank d.d.	Rijeka	69.3	69.3
ERSTE BANK AD PODGORICA	Podgorica	69.3	69.3
ERSTE BANK AKCIONARSKO DRUŠTVO, NOVI SAD	Novi Sad	80.5	80.5
Erste Bank der oesterreichischen Sparkassen AG	Vienna	100.0	100.0
Erste Bank Hungary Zrt	Budapest	100.0	100.0
Erste Group Bank AG	Vienna	0.0	0.0
ERSTE Jelzálogbank Zártkörűen Működő Részvénytársaság	Budapest	0.0	100.0
Erste Lakas-Takarekpenztar Zartkoruen Mukodo Reszvenytarsasag	Budapest	99.8	100.0
Kärntner Sparkasse Aktiengesellschaft	Klagenfurt	25.0	25.0
KREMSER BANK UND SPARKASSEN AKTIENGESELLSCHAFT	Krems a. d. Donau	0.0	0.0
Lienzer Sparkasse AG	Lienz	0.0	0.0
s Wohnbaubank AG	Vienna	90.8	91.5
Salzburger Sparkasse Bank Aktiengesellschaft	Salzburg	98.7	98.7
Slovenska sporitelna, a. s.	Bratislava	100.0	100.0
Sparkasse Baden	Baden	0.0	0.0
Sparkasse Bank dd Bosna i Hercegovina	Sarajevo	24.3	24.3
SPARKASSE BANK MAKEDONIJA AD SKOPJE	Skopje	24.9	24.9
Sparkasse Bludenz Bank AG	Bludenz	0.0	0.0
Sparkasse Bregenz Bank Aktiengesellschaft	Bregenz	0.0	0.0
Sparkasse der Gemeinde Egg	Egg	0.0	0.0
Sparkasse der Stadt Amstetten AG	Amstetten	0.0	0.0
Sparkasse der Stadt Feldkirch	Feldkirch	0.0	0.0
Sparkasse der Stadt Kitzbühel	Kitzbühel	0.0	0.0
Sparkasse Eferding-Peuerbach-Waizenkirchen	Eferding	0.0	0.0
Sparkasse Feldkirchen/Kärnten	Feldkirchen	0.0	0.0
SPARKASSE FRANKENMARKT AKTIENGESELLSCHAFT	Frankenmarkt	0.0	0.0
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	Hainburg a. d. Donau	75.0	75.0
Sparkasse Haugsdorf	Haugsdorf	0.0	0.0
Sparkasse Herzogenburg-Neulengbach Bank Aktiengesellschaft	Herzogenburg	0.0	0.0
Sparkasse Horn-Ravelsbach-Kirchberg Aktiengesellschaft	Horn	0.0	0.0
Sparkasse Imst AG	Imst	0.0	0.0
Sparkasse Korneuburg AG	Korneuburg	0.0	0.0
Sparkasse Kufstein, Tiroler Sparkasse von 1877	Kufstein	0.0	0.0
Sparkasse Lambach Bank Aktiengesellschaft	Lambach	0.0	0.0
Sparkasse Langenlois	Langenlois	0.0	0.0
Sparkasse Mittersill Bank AG	Mittersill	0.0	0.0
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	Rohrbach	40.0	40.0
Sparkasse Mürrzuschlag Aktiengesellschaft	Mürrzuschlag	0.0	0.0
Sparkasse Neuhofen Bank Aktiengesellschaft	Neuhofen	0.0	0.0
Sparkasse Neunkirchen	Neunkirchen	0.0	0.0
SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT	St. Pölten	0.0	0.0
Sparkasse Pöllau AG	Pöllau	0.0	0.0
Sparkasse Pottenstein N.Ö.	Pottenstein a.d. Triesting	0.0	0.0
Sparkasse Poysdorf AG	Poysdorf	0.0	0.0
Sparkasse Pregarten - Unterweißenbach AG	Pregarten	0.0	0.0
Sparkasse Rattenberg Bank AG	Rattenberg	0.0	0.0
Sparkasse Reutte AG	Reutte	0.0	0.0
Sparkasse Ried im Innkreis-Haag am Hausruck	Ried im Innkreis	0.0	0.0
Sparkasse Salzkammergut AG	Bad Ischl	0.0	0.0
Sparkasse Scheibbs AG	Scheibbs	0.0	0.0
Sparkasse Schwaz AG	Schwaz	0.0	0.0
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	Voitsberg	5.0	5.0
Stavebni sporitelna Ceske sporitelny, a.s.	Prague	99.0	99.0
Steiermärkische Bank und Sparkassen Aktiengesellschaft	Graz	25.0	25.0
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	Innsbruck	75.0	75.0
Waldviertler Sparkasse Bank AG	Zwettl	0.0	0.0
Wiener Neustädter Sparkasse	Wiener Neustadt	0.0	0.0

Company name, registered office	Interest of Erste Group in %		
	Dec 15	Dec 16	
Fully consolidated subsidiaries			
Financial institutions			
'DIE EVA' Grundstückverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
'Die Kärntner' Trust- Vermögensverwaltungsgesellschaft m.b.H. & Co KG	Klagenfurt	25.0	25.0
'Die Kärntner' Trust-Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
'Nare' Grundstücksverwertungs-Gesellschaft m.b.H.	Vienna	100.0	100.0
'SELIMMO' - Sparkasse Mühlviertel-West - DIE ERSTE Leasing - Immobilienvermietung GmbH	Rohrbach	69.4	69.4
5 HOTEL Ingatlanhasznosító Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
Alea-Grundstückverwaltung Gesellschaft m.b.H.	Vienna	100.0	100.0
Altstadt Hotelbetriebs GmbH	Vienna	100.0	100.0
AS-Alpha Grundstücksverwaltung Gesellschaft m.b.H.	Vienna	39.8	39.8
AVION-Grundverwertungsgesellschaft m.b.H.	Vienna	51.0	51.0
AWEKA - Kapitalverwaltungsgesellschaft m.b.H.	Graz	25.0	25.0
BCR Leasing IFN SA	Bucharest	93.6	93.6
BCR Payments Services SRL	Sibiu	93.6	93.6
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Bucharest	93.6	93.6
BOOTES-Immorent Grundverwertungs-Gesellschaft m.b.H.	Vienna	100.0	100.0
BTV-Beteiligungs-, Treuhand-, Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
C&C Atlantic Limited	Dublin	0.0	100.0
CEE Property Development Portfolio 2 a.s.	Prague	99.0	99.0
CEE Property Development Portfolio B.V.	Amsterdam	19.8	19.8
Cinci-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
CS Property Investment Limited	Nicosia	99.0	99.0
Czech and Slovak Property Fund B.V.	Amsterdam	19.8	19.8
Czech TOP Venture Fund B.V.	Groesbeek	83.1	83.1
DENAR-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
DIE ERSTE Leasing Grundaufschließungs- und Immobilienvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Grundbesitzgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Grundstückverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilien Vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilienbesitzgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilienverwaltungs- und -vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Realitätenverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA - Liegenschaftsverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA-Gebäudeleasinggesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA-Immobilienleasing und -erwerb Gesellschaft m.b.H.	Vienna	100.0	100.0
Drustvo za lizing nekretnina, vozila, plovila i masina 'S-Leasing' doo Podgorica	Podgorica	62.5	62.5
EB Erste Bank Internationale Beteiligungen GmbH	Vienna	100.0	100.0
EBB-Epsilon Holding GmbH	Vienna	100.0	100.0
EB-Grundstücksbeteiligungen GmbH	Vienna	100.0	100.0
EKZ-Immorent Vermietung GmbH	Vienna	100.0	100.0
Epsilon Immorent s.r.o.	Prague	100.0	100.0
Erste & Steiermärkische S-Leasing drustvo s ogranicenom odgovornoscu za leasing vozila i strojeva	Zagreb	47.1	47.1
Erste Bank und Sparkassen Leasing GmbH	Vienna	100.0	100.0
ERSTE CARD CLUB d.o.o.	Zagreb	69.3	69.3
ERSTE CARD poslovanje s kreditnimi karticama, d.o.o.	Ljubljana	69.3	69.3
ERSTE FACTORING d.o.o.	Zagreb	76.9	76.9
Erste Group Immorent AG	Vienna	100.0	100.0
Erste Group Immorent CR s.r.o.	Prague	100.0	100.0
Erste Group Immorent International Holding GmbH	Vienna	100.0	100.0
Erste Group Immorent Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
ERSTE GROUP IMMORENT LEASING drustvo s ogranicenom odgovornoscu	Zagreb	92.5	92.5
Erste Group Immorent Lizing Zártkörűen Működő Részvénytársaság	Budapest	100.0	100.0
ERSTE GROUP IMMORENT POLSKA SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw	100.0	100.0
ERSTE GROUP IMMORENT Real Estate srl	Bucharest	100.0	100.0
Erste Group Immorent Slovensko s.r.o.	Bratislava	100.0	100.0
ERSTE GROUP IMMORENT SRL	Bucharest	100.0	100.0
Erste Lakaslizing Zrt.	Budapest	100.0	100.0
Erste Leasing, a.s.	Znojmo	99.0	99.0
EVA-Immobilienvermietungs- und -verwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Eva-Immobilienverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
Eva-Realitätenverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
F & S Leasing GmbH	Klagenfurt	100.0	100.0
Factoring Ceske sporitelny a.s.	Prague	99.0	99.0
Gémeskút Ingatlanforgalmazó és Beruházó Kft.	Budapest	100.0	100.0
GIROLEASING-Mobilienvermietungsgesellschaft m.b.H.	Vienna	62.5	62.5
GLADIATOR LEASING IRELAND LIMITED	Dublin	100.0	100.0
Gladiator Leasing Limited	Pieta	100.0	100.0
GLL 1551 TA Limited	Pieta	0	100
GLL 29235 LIMITED	Pieta	100.0	100.0
GLL A319 AS LIMITED	Pieta	100.0	100.0
GLL A330 Limited	Dublin	100.0	100.0
GLL CLASSIC 400 LIMITED	Pieta	100.0	100.0
GLL Engine Leasing Limited	Pieta	100.0	100.0



Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
GLL MSN 038 / 043 LIMITED	Pieta	100.0	100.0
GLL MSN 2118 LIMITED	Dublin	100.0	100.0
good.bee credit IFN S.A.	Bucharest	60.0	60.0
good.bee Holding GmbH	Vienna	60.0	60.0
Holding Card Service, s.r.o.	Prague	0.0	99.3
HORIZON YACHTING LIMITED	Gibraltar	100.0	100.0
Hotel- und Sportstätten Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	54.5	54.5
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H.	Vienna	38.0	38.0
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach	40.0	40.0
ILION-IMMORENT Grundverwertungsgesellschaft m.b.H.	Vienna	28.8	28.8
IMMORENT - ANDROMEDA Grundverwertungsgesellschaft m.b.H.	Vienna	41.9	41.9
Immorent - Immobilienleasing Gesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Kagraner Grundstücksverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Kappa Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Weiko Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Wörgler Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT ALFA leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT DELTA, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
ImmoRent Einkaufszentren Verwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT EPSILON, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT INPROX Budweis s.r.o.	Prague	100.0	100.0
IMMORENT leasing nepremicnin d.o.o.	Ljubljana	44.9	47.4
Immorent Lehrbauhöfeerrichtungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent Oktatási Ingatlanhasznosító és Szolgáltató Kft.	Budapest	56.0	56.0
Immorent Orange s.r.o.	Prague	100.0	100.0
IMMORENT PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
IMMORENT PTC, s.r.o.	Prague	100.0	100.0
IMMORENT RIED GmbH	Vienna	100.0	100.0
IMMORENT SPARKASSE ST.PÖLTEN Leasinggesellschaft m.b.H.	St. Pölten	50.0	50.0
IMMORENT Térinvest Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
IMMORENT West Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-ANUBIS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-ASTRA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-BRAUGEBÄUDE-Leasinggesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-CHEMILEN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Clio-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Gamma-Grundstücksverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Gebäudeleasinggesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-GREKO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-JULIA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-KRABA Grundverwertungsgesellschaft m.b.H.	Vienna	90.0	90.0
IMMORENT-LEANDER Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Lispa Grundverwertungsgesellschaft m.b.H.	Innsbruck	51.0	51.0
IMMORENT-MARCO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-MOMO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-MÖRE Grundverwertungsgesellschaft m.b.H.	Vienna	64.7	69.8
Immorent-Mytho Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0	50.0
IMMORENT-NERO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-Objektvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-OSIRIS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-PAN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RAFI Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-Raiffeisen Fachhochschule Errichtungs- und BetriebsgmbH	Vienna	55.0	55.0
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-RASTA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-REMUS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RIALTO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RIO Grundverwertungsgesellschaft m.b.H.	Vienna	55.0	55.0
IMMORENT-RIWA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RONDO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RUBIN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-SALVA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-SARI Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Sigre Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Smaragd Grundverwertungsgesellschaft m.b.H.	Schwaz	0.0	0.0
Immorent-Steiko Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Theta-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-TRIAS Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-UTO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-WBV Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0	50.0
IMMORENT-WEBA Grundverwertungsgesellschaft m.b.H.	Vienna	75.0	75.0
IMNA-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
Imobilia Kik s.r.o.	Prague	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
IMV 2004 Ingatlankezelő Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
Intermarket Bank AG	Vienna	84.3	84.9
IR Beteiligungsverwaltungsgesellschaft mbH	Vienna	100.0	100.0
IR Domestic Project Development Holding GmbH	Vienna	100.0	100.0
Jersey Holding (Malta) Limited	Pieta	100.0	100.0
Jura GrundverwertungsgmbH	Graz	25.0	25.0
Kärntner Sparkasse Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Beteiligungs- und Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Lassallestraße 7b Immobilienverwaltung GmbH	Vienna	100.0	100.0
Lighthouse 449 Limited	Pieta	100.0	100.0
LogCap CR s.r.o.	Prague	51.0	51.0
LogCap Immorent Uno s.r.o.	Bratislava	51.0	51.0
LogCap-IR Grundverwertungsgesellschaft m.b.H.	Vienna	51.0	51.0
Mala Stepanska 17, s.r.o.	Prague	100.0	100.0
MEKLA Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
MOPET CZ a.s.	Prague	99.0	99.0
NAXOS-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
NÖ-Sparkassen Beteiligungsgesellschaft m.b.H.	Vienna	2.5	2.5
Ölim-Grundverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
OMEGA IMMORENT s.r.o.	Prague	100.0	100.0
OREST-Immorent Leasing GmbH	Vienna	100.0	100.0
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung	Vienna	0.0	0.0
PAROS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Pischeldorfer Straße 221 Liegenschaftsverwertungs GmbH	Vienna	100.0	100.0
PONOS-Immorent Immobilienleasing GmbH (vormals Technologiepark Niklasdorf)	Graz	62.5	62.5
PREDUZECE ZA FINANSIJSKI LIZING S-LEASING DOO, BEOGRAD	Belgrade	66.6	66.6
RHEA-Immorent Holding GmbH	Vienna	100.0	100.0
s Autoleasing a.s.	Prague	99.0	99.0
s Autoleasing SK, s.r.o.	Bratislava	99.0	99.0
S IMMORENT KAPPA društvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
S IMMORENT OMIKRON društvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
S Slovensko, spol. s r.o.	Bratislava	100.0	100.0
SAL Liegenschaftsverwaltungsgesellschaft m.b.H.	Vienna	64.2	69.3
Salzburger Sparkasse Leasing Gesellschaft m.b.H.	Vienna	99.0	99.0
SCIENTIA Immorent GmbH	Vienna	100.0	100.0
S-Factoring, faktoring družba d.d.	Ljubljana	28.0	28.0
Sieben-Tiroler-Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein	0.0	0.0
S-Leasing Gesellschaft m.b.H.	Kirchdorf a. d. Krems	64.9	69.9
S-Leasing Immobilienvermietungsgesellschaft m.b.H.	Wiener Neustadt	33.3	33.3
SOLIS-CIVITAS-IMMORENT GmbH	Vienna	100.0	100.0
SPARKASSE IMMORENT Grundverwertungsgesellschaft m.b.H.	Vienna	99.0	99.0
Sparkasse Kufstein Immobilien GmbH	Kufstein	0.0	0.0
Sparkasse Leasing d.o.o., Sarajevo	Sarajevo	24.6	24.6
Sparkasse Leasing d.o.o., Skopje	Skopje	25.0	25.0
Sparkasse Leasing S.družba za financiranje d.o.o.	Ljubljana	28.0	28.0
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach	40.0	40.0
Sparkassen IT Holding AG	Vienna	29.7	31.1
SPARKASSEN LEASING družba za financiranje d.o.o.	Ljubljana	50.0	50.0
Sparkassen Leasing Süd GmbH	Graz	51.3	51.3
Sparkassen Leasing Süd GmbH & Co KG	Graz	46.4	46.4
Sparkassenbeteiligungs und Service AG für Oberösterreich und Salzburg	Linz	69.3	69.3
SPK - Immobilien- und Vermögensverwaltungs GmbH	Graz	25.0	25.0
S-RENT DOO BEOGRAD	Belgrade	35.5	35.5
Strabag Oktatási PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségű Társaság	Budapest	70.0	70.0
Subholding Immorent GmbH	Vienna	100.0	100.0
SVJETILJKA društvo s ogranicenom odgovornoscu za trgovinu i promet nekretninama	Zagreb	100.0	100.0
TAURIS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Tempo Projekt Ingatlanhasznosító Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
Theta Immorent s.r.o.	Prague	100.0	100.0
Theuthras-Immorent Grundverwertungsgesellschaft m.b.H.	Graz	62.5	62.5
THOR-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
TIPAL Immobilien GmbH in Liquidation	Bozen	92.5	92.5
UBG-Unternehmensbeteiligungsgesellschaft m.b.H.	Vienna	0.0	100.0
VIA Immobilien Errichtungsgesellschaft m.b.H.	Vienna	100.0	100.0
Vorarlberger Sparkassen Beteiligungs GmbH	Dornbirn	0.0	0.0
WUESTA-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
XENIA-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Zeta Immorent s.r.o.	Prague	100.0	100.0

Company name, registered office	Interest of Erste Group in %		
		Dec 15	Dec 16
Other			
IMMORENT-STIKÖ Leasinggesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT Treuhand- und Vermögensverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
S-Invest Beteiligungsgesellschaft m.b.H.	Vienna	70.0	70.0
IMMORENT-HATHOR Grundverwertungsgesellschaft m.b.H	Vienna	62.5	62.5
IGP Industrie und Gewerbepark Wörgl Gesellschaft m.b.H.	Kufstein	0.0	0.0
LEDA-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	64.9	69.9
FUKO-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Mobilienvermietungs-Gesellschaft m.b.H., Liegenschaftsverwaltung Penzing & Co KG	Vienna	100.0	100.0
IBF-Anlagenleasing 95 Gesellschaft m.b.H.	Vienna	100.0	100.0
'SGL' Grundstücksverwaltungs- und Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
HT Immobilien Tau GmbH	Vienna	100.0	100.0
SK Immobilien Epsilon GmbH	Vienna	100.0	100.0
HBM Immobilien Kamp GmbH	Vienna	100.0	100.0
HV Immobilien Hohenems GmbH	Vienna	100.0	100.0
HP Immobilien Psi GmbH	Vienna	100.0	100.0
HT Immobilien Theta GmbH	Vienna	100.0	100.0
AMICUS Immorent Kommunalleasing GmbH	Graz	63.3	63.3
Dienstleistungszentrum Leoben GmbH	Graz	51.0	51.0
ERSTE CAMPUS Immobilien GmbH & Co KG	Vienna	100.0	100.0
Wirtschaftspark Siebenhirten Entwicklungs- und Errichtungs GmbH	Vienna	60.0	60.0
LBG 61 LiegenschaftsverwaltungsgmbH	Vienna	100.0	100.0
QBC Management und Beteiligungen GmbH & Co KG	Vienna	65.0	65.0
HBf Eins Holding GmbH	Vienna	100.0	100.0
Wallgasse 15+17 Projektentwicklungs GmbH	Vienna	100.0	100.0
QBC Management und Beteiligungen GmbH	Vienna	65.0	65.0
DIE ERSTE Vermietungs GmbH	Vienna	100.0	100.0
SPARDAT - Bürohauserrichtungs- und Vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
MCS 14 Projektentwicklung GmbH & Co KG	Vienna	100.0	100.0
SILO II LBG 57 – 59 Liegenschaftsverwertung GmbH & Co KG	Vienna	100.0	100.0
SILO DREI next LBG 57 Liegenschaftsverwertung GmbH & Co KG	Vienna	100.0	100.0
IR CEE Project Development Holding GmbH	Vienna	100.0	100.0
Erste Asset Management GmbH	Vienna	100.0	98.8
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.	Vienna	86.5	86.0
Asset Management Slovenskej sporitelne, správ. spol., a. s.	Bratislava	100.0	98.8
Sparkasse Oberösterreich Kapitalanlagegesellschaft m.b.H.	Linz	29.6	38.1
Tirolinvest Kapitalanlagegesellschaft m.b.H.	Innsbruck	77.9	77.7
brokerjet Ceske sporitelny, a.s.	Prague	99.0	99.0
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	Vienna	74.2	74.3
Erste Securities Polska S.A.	Warsaw	100.0	100.0
Erste Befektetesi Zrt.	Budapest	100.0	100.0
Erste Asset Management Ltd. (vm Erste Alapkezelo Zrt.)	Budapest	100.0	98.8
Procurement Services RO srl	Bucharest	99.9	99.9
Erste Asset Management d.o.o.	Zagreb	100.0	98.8
Erste Finance (Jersey) Limited IV	St. Helier	100.0	100.0
Erste Finance (Jersey) (6) Limited	St. Helier	100.0	100.0
Erste Capital Finance (Jersey) PCC	St. Helier	100.0	100.0
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o.	Ljubljana	100.0	100.0
IMMORENT Alpha Ingatlanbérbeadó és Üzemeltető Karlátolt Felelősségű Társaság	Budapest	100.0	100.0
S IMMORENT ZETA društvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	84.9	84.9
Proxima IMMORENT s.r.o.	Prague	100.0	100.0
Realia Consult Magyarország Beruházás Szervezési KFT	Budapest	100.0	100.0
IMMOKOR BUZIN društvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	84.9	84.9
IMMORENT Orion, s.r.o.	Prague	100.0	100.0
IMMORENT Vega, s.r.o.	Prague	100.0	100.0
S IMMORENT LAMBDA društvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
ERSTE GROUP IMMORENT HRVATSKA društvo s ogranicenom odgovornoscu za upravljanje	Zagreb	100.0	100.0
IMMORENT Österreich GmbH	Vienna	100.0	100.0
s Wohnbauträger GmbH	Vienna	90.8	91.5
Ceska sporitelna - penzijní společnost, a.s.	Prague	99.0	99.0
Erste Reinsurance S.A.	Bertrange	100.0	100.0
s REAL Immobilienvermittlung GmbH	Vienna	96.1	100.0
CPDP 2003 s.r.o.	Prague	99.0	99.0
'Sparkassen-Haftungs Aktiengesellschaft'	Vienna	43.2	61.0
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.	Graz	59.8	61.7
Sparkassen-Real-Service für Kärnten und Osttirol Realitätenvermittlungs-Gesellschaft m.b.H.	Klagenfurt	55.6	57.6
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz	62.6	68.9
Sparkassen-Real-Service -Tirol Realitätenvermittlungs-Gesellschaft m.b.H.	Innsbruck	66.8	68.7
BGA Czech, s.r.o. v likvidaci	Prague	19.8	19.8
LANED a.s.	Bratislava	100.0	100.0
Beta-Immobilienvermietung GmbH	Vienna	100.0	100.0
DIE ERSTE Immobilienvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
s IT Solutions AT Spardat GmbH	Vienna	82.2	72.7
Erste Group Services GmbH	Vienna	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
Erste Ingatlan Fejlesztő, Hasznosító és Mernő Kft. (vm. PB Risk Befektetői és Szolgáltató Kft).	Budapest	100.0	100.0
s ServiceCenter GmbH (vm. CSSC)	Vienna	57.3	58.4
s Wohnfinanzierung Beratungs GmbH	Vienna	75.4	75.4
OM Objektmanagement GmbH	Vienna	100.0	100.0
Erste Group Card Processor d.o.o. (vm.MBU)	Zagreb	100.0	100.0
ÖCI-Unternehmensbeteiligungsgesellschaft m.b.H.	Vienna	99.6	99.6
Procurement Services GmbH	Vienna	99.9	99.9
sDG Dienstleistungsgesellschaft mbH	Linz	57.8	58.7
EB-Restaurantsbetriebe Ges.m.b.H.	Vienna	100.0	100.0
S-Tourismusfonds Management GmbH	Vienna	100.0	100.0
Erste Finance (Delaware) LLC	Wilmington	100.0	100.0
ERSTE NEKRETNINE d.o.o. za poslovanje nekretninama	Zagreb	69.3	69.3
REICO investicni spolecnost Ceske sporitelny, a.s.	Prague	99.0	99.0
Bucharest Financial Piazza SRL	Bucharest	93.6	93.6
CPDP Prievozska a.s.	Bratislava	99.0	99.0
Realitna spolocnost Slovenskej sporitelne, a.s.	Bratislava	100.0	100.0
EBB Beteiligungen GmbH	Vienna	100.0	100.0
Procurement Services CZ s.r.o.	Prague	99.5	99.5
Procurement Services SK, s.r.o.	Bratislava	99.9	99.9
Procurement Services HU Kft.	Budapest	99.9	99.9
Procurement Services HR d.o.o.	Zagreb	99.9	99.9
s IT Solutions CZ, s.r.o.	Prague	99.0	99.0
Erste Group IT HR društvo s ogranicenom odgovornošću za usluge informacijskih tehnologija	Bjelovar	93.9	75.4
Erste Grantika Advisory, a.s.	Brno	99.0	99.0
Euro Dotacie, a.s.	Žilina	65.3	65.3
CPP Lux S. 'ar.l.	Luxembourg	19.8	19.8
CP Praha s.r.o.	Prague	19.8	19.8
Flottenmanagement GmbH	Vienna	51.0	51.0
CPDP Logistics Park Kladno I a.s.	Prague	99.0	99.0
CPDP Logistics Park Kladno II a.s.	Prague	99.0	99.0
SAI Erste Asset Management S.A.	Bucharest	100.0	98.8
BCR Real Estate Management SRL	Bucharest	93.6	93.6
Sparkasse Kufstein Immobilien GmbH & Co KG	Kufstein	0.0	0.0
sBAU Holding GmbH	Vienna	95.0	100.0
CIT ONE SRL	Bucharest	93.6	93.6
Sio Ingatlan Invest Kft.	Budapest	100.0	100.0
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0	25.0
Erste Campus Mobilien GmbH & Co KG	Vienna	100.0	100.0
CS DO DOMU, A.S.	Prague	99.0	99.0
Suport Colect SRL	Bucharest	93.6	93.6
BCR Fleet Management SRL	Bucharest	93.6	93.6
Erste Securities Istanbul Menkul Degerler AS	Istanbul	100.0	100.0
Erste Group Shared Services (EGSS), s.r.o.	Hodonin	99.6	99.6
BeeOne GmbH	Vienna	100.0	100.0
Sparkassen Real Vorarlberg Immobilienvermittlung GmbH	Dornbirn	48.1	50.0
Steiermärkische Verwaltungssparkasse Immobilien & Co KG	Graz	25.0	25.0
Energie CS, a.s.	Prague	99.0	99.0
ERSTE IN-FORG Korlatolt felelősségű társaság	Budapest	100.0	100.0
VERNOSTNI PROGRAM IBOD, a.s.	Prague	99.0	99.0
Erste Group IT International GmbH	Vienna	0.0	99.9
IZBOR NEKRETNINA D.O.O. ZA USLUGE	Zagreb	0.0	69.3
Project Development Vest s.r.l	Bucharest	100.0	100.0
STRALESTI PROPERTY DEVELOPMENT SRL	Bucharest	100.0	100.0
Solaris Park Kft.	Budapest	100.0	100.0
Solaris City Kft.	Budapest	100.0	100.0
IMMORENT SIGMA društvo s ogranicenom odgovornošću za poslovanje nekretninama	Zagreb	62.5	62.5
K1A Kft	Budapest	100.0	100.0
Immorent Singidunum d.o.o.	Belgrad	100.0	100.0
Immorent Omega d.o.o.	Zagreb	100.0	100.0
Invalidovna centrum a.s.	Prague	100.0	100.0
Collat-real Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
Haftungsverbund GmbH	Vienna	63.9	63.9
Toplice Sveti Martin d.d.	Saint Martin	87.8	99.2
Sluzby SLSP, s.r.o.	Bratislava	100.0	100.0
Schauersberg Immobilien Gesellschaft m.b.H.	Graz	25.0	25.0
LIEGESA Immobilienvermietung GmbH Nfg OG	Graz	25.0	25.0
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.	Graz	25.0	25.0
KS-Immo Italia GmbH	Klagenfurt	0.0	25.0
SK - Immobiliengesellschaft m.b.H.	Krems a. d. Donau	0.0	0.0
Sparfinanz-, Vermögens-, Verwaltungs- und Beratungs- Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-Real, Realitätenvermittlungs- und -verwaltungs Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl	0.0	0.0
Österreichische Sparkassenakademie GmbH	Vienna	44.8	45.5

Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
IPS Fonds Gesellschaft bürgerlichen Rechts	Vienna	64.2	64.5
KS - Dienstleistungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Sparkasse S d.o.o.	Ljubljana	25.0	25.0
<b>Funds</b>			
Bee First Finance S.A. acting for and on behalf of its compartment Edelweiss 2013-1	Luxembourg	0.0	0.0
ESPA BOND DURATION SHIELD	Vienna	0.0	0.0
ESPA BOND EURO-RESERVA	Vienna	0.0	0.0
ESPA CORPORATE BASKET 2020	Vienna	0.0	0.0
K 3000	Vienna	0.0	0.0
PRO INVEST PLUS	Vienna	0.0	0.0
S CASHRESERVE	Linz	0.0	0.0
s RegionenFonds	Linz	0.0	0.0
SPARKASSEN 19	Vienna	0.0	0.0
SPARKASSEN 2	Vienna	0.0	0.0
SPARKASSEN 21	Vienna	0.0	0.0
SPARKASSEN 26	Vienna	0.0	0.0
SPARKASSEN 4	Vienna	0.0	0.0
SPARKASSEN 5	Vienna	0.0	0.0
SPARKASSEN 8	Vienna	0.0	0.0
SPARKASSEN 9	Vienna	0.0	0.0
SPARRENT	Vienna	0.0	0.0
<b>Equity method investments</b>			
<b>Credit institutions</b>			
SPAR-FINANZ BANK AG	Salzburg	50.0	50.0
Prva stavebna sporitelna, a.s.	Bratislava	35.0	35.0
<b>Financial institutions</b>			
Adoria Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Aventin Grundstücksverwaltungs Gesellschaft m.b.H.	Horn	24.5	24.5
CALDO Grundstücksverwertungsgesellschaft m.b.H.	Vienna	31.2	31.2
Epsilon - Grundverwertungsgesellschaft m.b.H.	Vienna	50.0	50.0
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	24.5	24.5
Fondul de Garantare a Creditului Rural IFN SA	Bucharest	31.2	31.2
FORIS Grundstückvermietungs Gesellschaft m.b.H.	Vienna	24.5	24.5
Global Payments s.r.o.	Prague	0.0	48.6
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	33.3	33.3
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0	50.0
LITUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
MELIKERTES Raiffeisen-Mobilien-Leasing Gesellschaft m.b.H.	Vienna	20.0	20.0
N.Ö. Gemeindegebäudeleasing Gesellschaft m.b.H. i.Liqu.	Vienna	33.4	33.4
N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	28.4	28.4
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H.	Eisenstadt	0.0	0.0
NÖ Bürgschaften und Beteiligungen GmbH	Vienna	24.1	14.4
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	28.4	28.4
O.Ö. Kommunalgebäude-Leasing Gesellschaft m.b.H.	Linz	40.0	40.0
Quirinal Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	33.3	33.3
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H.	Graz	50.0	50.0
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Graz	50.0	50.0
Steirische Leasing für Gebietskörperschaften Gesellschaft m.b.H.	Graz	50.0	50.0
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H.	Graz	50.0	50.0
SUPRIA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.0	50.0
SWO Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	50.0	50.0
TKL V Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VIII Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.	Vienna	25.0	25.0
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
VBV - Betriebliche Altersvorsorge AG	Vienna	26.9	27.1
Viminal Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	25.0	25.0
VKL II Grundverwertungsgesellschaft m.b.H.	Dornbirn	33.3	33.3
VKL III Gebäudeleasing-Gesellschaft m.b.H.	Dornbirn	33.3	33.3
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	35.0	35.0
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H.	Dornbirn	33.3	33.3
<b>Other</b>			
APHRODITE Bauträger Aktiengesellschaft	Vienna	45.4	45.7
Bio-Wärme Scheifling GmbH	Scheifling	49.0	49.0
CII Central Investments Imobiliare SRL	Bucharest	47.0	47.0
EBB-Gamma Holding GmbH	Vienna	49.0	49.0
ERSTE d.o.o.	Zagreb	45.2	45.2
Erste ÖSW Wohnbauträger GmbH	Vienna	45.7	46.1
Garage Eisenstadt Betriebsgesellschaft m.b.H.	Vienna	50.0	50.0
Gelup GesmbH	Vienna	31.7	33.3
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m. b. H.	Korneuburg	0.8	0.8

Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
Hochkönig Bergbahnen GmbH	Mühlbach	45.3	45.3
Immobilien West GmbH	Salzburg	49.3	49.3
KWC Campus Errichtungsgesellschaft m.b.H.	Klagenfurt	12.5	12.5
Slovak Banking Credit Bureau, s.r.o.	Bratislava	33.3	33.3
TRGOVINSKI CENTAR ZADAR - FAZA 2 d.o.o.	Zadar	50.0	50.0
<b>Other investments</b>			
<b>Credit institutions</b>			
EUROAXIS BANK AD Moskva	Moscow	1.6	1.6
JUBMES BANKA AD BEOGRAD	Belgrade	0.0	0.0
Oesterreichische Kontrollbank Aktiengesellschaft	Vienna	12.9	12.9
Open Joint Stock Company Commercial Bank 'Center Invest'	Rostov-on-Don	9.1	9.1
Sparkasse Bank Malta Public Limited Company	Sliema	0.0	0.0
Südtiroler Sparkasse AG	Bozen	0.1	0.1
Swedbank AB	Stockholm	0.1	0.1
<b>Financial institutions</b>			
'Wohnungseigentum', Tiroler gemeinnützige Wohnbaugesellschaft m.b.H.	Innsbruck	19.1	19.1
'Wohnungseigentümer' Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	12.9	12.9
AB Banka, a.s. v likvidaci	Mlada Boleslav	4.4	4.4
ACP Financial Solutions GmbH	Vienna	75.0	75.0
ARWAG Holding-Aktiengesellschaft	Vienna	19.2	19.2
AS-WECO 4 Grundstückverwaltung Gesellschaft m.b.H.	Salzburg	30.0	39.9
BCR Asigurari de Viata Vienna Insurance Group SA	Bucharest	5.1	5.1
BRB Burgenländische Risikokapital Beteiligungen AG	Eisenstadt	6.4	6.4
C+R Projekt spol. s r.o.	Prague	100.0	100.0
CaixaBank Electronic Money E.D.E., S.L.	Barcelona	10.0	10.0
Casa de Compensare Bucuresti SA	Bucharest	0.3	0.3
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	12.5	24.5
CULINA Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
Diners Club BH d.o.o. Sarajevo	Sarajevo	69.3	69.3
Diners Club Bulgaria AD	Sofia	3.6	3.6
Diners Club Russia	Moscow	11.0	11.0
DINESIA a.s.	Prague	99.0	99.0
DONAU Versicherung AG Vienna Insurance Group	Vienna	0.8	0.8
DRUŠTVO ZA KONSALTING I MENADŽMENT POSLOVE TRŽIŠTE NOVCA A.D. BEOGRAD (SAVSKI VENAC)	Belgrad	0.8	0.8
EBV-Leasing Gesellschaft m.b.H.	Vienna	51.0	51.0
EFH-Beteiligungsgesellschaft m.b.H.	Vienna	50.0	50.0
ERSTE OSIGURANJE VIENNA INSURANCE GROUP D.D.	Zagreb	3.5	3.5
ERSTE Vienna Insurance Group Biztosito Zrt.	Budapest	5.0	3.5
EWU Wohnbau Unternehmensbeteiligungs-Aktiengesellschaft	St. Pölten	12.8	12.8
Fondul Roman de Garantare a Creditorilor pentru Intreprinzatorii privati SA	Bucharest	8.9	8.9
Garantiqa Hitelgarancia Zrt.	Budapest	2.2	1.5
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Maria Enzersdorf	12.2	12.2
Gemeinnützige Bau- und Siedlungsgenossenschaft 'Waldviertel' registrierte Genossenschaft mit beschränkter Haftung	Raabs a. d. Thaya	0.0	0.0
Gemeinnützige Wohn- und Siedlungsgesellschaft Schönerer Zukunft, Gesellschaft m.b.H.	Vienna	15.0	15.0
Gemeinnützige Wohnungsgesellschaft 'Austria' Aktiengesellschaft	Mödling	12.7	12.7
GWG - Gemeinnützige Wohnungsgesellschaft der Stadt Linz GmbH	Linz	5.0	5.0
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.5	7.5
I+R Projekt Fejlesztési Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
K+R Projekt s.r.o.	Prague	100.0	100.0
KERES-Immorent Immobilienleasing GmbH	Vienna	25.0	25.0
Kisvállalkozás-fejlesztő Penzügyi Zrt.	Budapest	1.1	0.8
LBH Liegenschafts- und Beteiligungsholding GmbH	Innsbruck	75.0	75.0
MIGRA Gemeinnützige Wohnungsges.m.b.H.	Vienna	19.8	19.8
O.Ö. Kommunal-Immobilienleasing GmbH	Linz	40.0	40.0
O.Ö. Leasing für Gebietskörperschaften Ges.m.b.H.	Linz	33.3	33.3
O.Ö. Leasing für öffentliche Bauten Gesellschaft m.b.H.	Linz	33.3	33.3
Oberösterreichische Kreditgarantiegesellschaft m.b.H.	Linz	4.5	5.7
Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H.	Linz	4.5	5.6
Objekt-Lease Grundstücksverwaltungs-Gesellschaft m.b.H.	Vienna	50.0	50.0
Old Byr Holding ehf.	Reykjavik	0.0	1.5
Omniasig Vienna Insurance Group SA	Bucharest	0.1	0.1
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.	Vienna	18.8	18.8
ÖSW Wohnbauvereinigung Gemeinnützige Gesellschaft m.b.H.	Salzburg	15.4	15.4
ÖWB Gemeinnützige Wohnungsaktiengesellschaft	Salzburg	25.1	25.1
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	2.5	2.5
Poistovna Slovenskej sporitelne, a.s. Vienna Insurance Group	Bratislava	5.0	5.0
Pojistovna Ceske sporitelny, a.s., Vienna Insurance Group	Pardubice	4.9	4.9
REWE Magyarország Ingatlankezelő és - forgalmazó Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
S IMMOKO Holding GesmbH	Korneuburg	0.0	0.0
S IMMOKO Leasing GesmbH	Korneuburg	0.0	0.0
S Servis, s.r.o.	Znojmo	99.0	99.0



Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
Salzburger Kreditgarantiegesellschaft m.b.H.	Salzburg	18.0	18.0
Sapor Beteiligungsverwaltungs GmbH	Vienna	100.0	100.0
Seilbahnleasing GmbH	Innsbruck	33.3	33.3
Societatea de Transfer de Fonduri si Decontari TransFonD SA	Bucharest	3.0	3.0
Sparkasse (Holdings) Malta Ltd.	Sliema	0.0	0.0
Sparkassen Versicherung AG Vienna Insurance Group	Vienna	5.0	5.0
SPRON ehf.	Reykjavik	0.0	4.9
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Vienna	50.3	50.3
T+R Projekt Fejlesztési Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H.	Innsbruck	33.3	33.3
Tiroler Landesprojekte Grundverwertungs GmbH	Innsbruck	33.3	33.3
TKL II. Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VI Grundverwertungsgesellschaft m.b.H.	Innsbruck	28.2	28.2
TKL VII Grundverwertungsgesellschaft m.b.H.	Innsbruck	28.4	28.4
Trziste novca d.d.	Zagreb	8.6	8.6
UNDA Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
VBV - Vorsorgekasse AG	Vienna	24.5	24.6
VKL IV Leasinggesellschaft mbH	Dornbirn	23.3	33.3
VKL V Immobilien Leasinggesellschaft m.b.H.	Dornbirn	23.3	23.3
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG (vorm.Kapital-Beteiligungs Aktiengesellschaft)	Vienna	14.7	14.3
WNI Wiener Neustädter Immobilienleasing Ges.m.b.H.	Wiener Neustadt	0.0	0.0
Wohnbauinvestitionsbank GmbH	Vienna	0.0	31.9
<b>Other</b>			
'Die Kärntner' - Förderungs- und Beteiligungsgesellschaft für die Stadt Friesach Gesellschaft m.b.H.	Friesach	25.0	25.0
'Die Kärntner' - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Gurk	25.0	25.0
'Die Kärntner'-BTWF-Beteiligungs- und Wirtschaftsförderungsgesellschaft für die Stadt St. Veit/Glan Gesellschaft m.b.H.	St. Veit a. d. Glan	25.0	25.0
'Die Kärntner'-Förderungs- und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Wolfsberg	25.0	25.0
'Gasthof Löwen' Liegenschaftsverwaltung GmbH & Co., KG	Feldkirch	0.0	0.0
'Photovoltaik-Gemeinschaftsanlage' der Marktgemeinde Wolfurt	Wolfurt	0.0	0.0
'SIMM' Liegenschaftsverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
'S-PREMIUM' Društvo sa ogranicenom odgovornoscu za posredovanje i zastupanje u osiguranju d.o.o. Sarajevo	Novo Sarajevo	24.5	24.5
'TBG' Thermenzentrum Geinberg Betriebsgesellschaft m.b.H.	Geinberg	1.1	1.5
'THG' Thermenzentrum Geinberg Errichtungs-GmbH	Linz	1.1	1.5
Achenseebahn-Aktiengesellschaft	Jenbach	0.0	0.0
Achtundsechzigste Sachwert Rendite-Fonds Holland GmbH & Co KG	Hamburg	0.0	0.0
AD SPORTSKO POSLOVNI CENTAR MILLENNIUM VRŠAC	Vršac	0.2	0.2
Agrargemeinschaft Kirchschlag	Kirchschlag	0.0	0.0
AKCIONARSKO DRUŠTVO DUNAV ZA PROIZVODNJU TEKSTILNIH I AMBALAŽNIH PROIZVODA CELAREVO - U STECAJU	Celarevo	4.7	4.7
AKCIONARSKO DRUŠTVO PETAR DRAPŠIN NOVI SAD - U STECAJU	Novi Sad	1.1	1.1
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU DELOVA ZA MOTORE GARANT, FUTOG - U STECAJU	Futog	6.2	6.2
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU KABLOVA I PROVODNIKA NOVOSADSKA FABRIKA KABELA NOVI SAD	Novi Sad	1.1	1.1
Alpbacher Bergbahn Gesellschaft m.b.H.	Alpbach	0.0	0.0
ALPENDORF BERGBAHNEN AG	St. Johann	0.0	0.0
AREALIS Liegenschaftsmanagement GmbH	Vienna	50.0	50.0
Argentum Immobilienverwertungs Ges.m.b.H.	Linz	29.8	39.8
ÄRZTEHAUS GMUNDEN IMMOBILIEN GmbH	Bad Wimsbach-Neydharting	0.0	0.0
AS LEASING Gesellschaft m.b.H.	Linz	29.8	39.8
ASTRA BANKA AKCIONARSKO DRUŠTVO BEOGRAD - U STECAJU	Belgrad	0.0	0.0
AS-WECO Grundstückverwaltung Gesellschaft m.b.H.	Linz	29.8	39.8
Austrian Reporting Services GmbH	Vienna	14.3	14.3
AU-VISION Entwicklungs-GmbH	Leoben	24.9	24.9
AWEKA-Beteiligungsgesellschaft m.b.H.	Vienna	25.0	25.0
aws Gründerfonds Equity Invest GmbH & Co KG	Vienna	49.0	49.0
Bad Tatzmannsdorf - Thermal- und Freizeitzentrum Gesellschaft mit beschränkter Haftung & Co KG	Bad Tatzmannsdorf	0.9	0.9
Bäder - Betriebs - Gesellschaft m.b.H. der Stadt Schladming & Co Kommanditgesellschaft	Schladming	0.0	0.0
Bäuerliches Blockheizkraftwerk reg. Gen.m.b.H.	Kautzen	0.0	0.0
Beogradska Berza, Akcionarsko Društvo Beograd	Belgrade	12.6	12.6
Berg- und Schilift Schwaz-Pill Gesellschaft m.b.H.	Schwaz	0.0	0.0
Bergbahn Aktiengesellschaft Kitzbühel	Kitzbühel	0.0	0.0
Bergbahn Lofer GmbH	Lofer	7.8	7.8
Bergbahnen Oetz Gesellschaft m.b.H.	Oetz	0.0	0.0
Bergbahnen Westendorf Gesellschaft m.b.H.	Westendorf	0.0	0.0
Betriebliche Altersvorsorge - Software Engineering GmbH	Vienna	24.2	24.4
BGM - IMMORIENT Aktiengesellschaft & Co KG	Vienna	0.0	0.0
Biogenrohstoffgenossenschaft Kamptal und Umgebung registrierte Genossenschaft mit beschränkter Haftung	Maiersch	0.0	0.0
Biomasse Heizwerk Zürs GmbH	Zürs	0.0	0.0
Biroul de credit SA	Bucharest	18.2	18.2
Biroul de Credit SRL	Chişinău	6.3	6.3

Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
Brauerei Murau eGen	Murau	0.6	0.6
Bregenz Tourismus & Stadtmarketing GmbH	Bregenz	0.0	0.0
Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság	Budapest	0.0	1.6
Burza cenných papierov v Bratislave, a.s.	Bratislava	3.9	3.9
Business Capital for Romania - Opportunity Fund Coöperatief UA	Amsterdam	77.4	77.4
C.I.M. Beteiligungen 1998 GmbH	Vienna	41.1	41.1
C.I.M. Verwaltung und Beteiligungen 1999 GmbH	Vienna	26.7	26.7
Camelot Informatik und Consulting Gesellschaft.m.b.H.	Villach	4.1	3.6
Camping- und Freizeitanlagen Betriebsgesellschaft m.b.H.	St. Pölten	0.0	0.0
CAMPUS 02 Fachhochschule der Wirtschaft GmbH	Graz	3.8	3.8
Cargo-Center-Graz Betriebsgesellschaft m.b.H.	Wernsdorf	1.6	1.6
Cargo-Center-Graz Betriebsgesellschaft m.b.H. & Co KG	Wernsdorf	1.6	1.6
Carlyle Europe Partners,L.P. (in Liquidation)	Vale	0.6	0.6
Casa Romana de Compensatie Sibiu	Sibiu	0.4	0.4
CBCB-Czech Banking Credit Bureau, a.s.	Prague	19.8	19.8
CEESEG Aktiengesellschaft	Vienna	12.6	11.8
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH & Co KG	Graz	25.8	25.8
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH in Liqu.	Graz	25.0	25.0
Dachstein Tourismus AG	Gosau	0.0	0.0
DC TRAVEL d.o.o. putnicka agancija	Zagreb	69.3	69.3
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor	25.0	25.0
Dolomitencenter Verwaltungs GmbH	Lienz	50.0	50.0
Dolomitengolf Osttirol GmbH	Lavant	0.0	0.0
Dornbirner Seilbahn GmbH	Dornbirn	0.0	0.0
EBB-Delta Holding GmbH	Vienna	100.0	100.0
EBB-Zeta Holding GmbH	Vienna	100.0	100.0
EBSPK-Handelsgesellschaft m.b.H.	Vienna	29.7	31.1
EC Energie Center Lipizzanerheimat GmbH	Bärnbach	0.1	0.1
Egg Investment GmbH	Egg	0.0	0.0
E-H Liegenschaftsverwaltungs-GmbH	Etsdorf am Kamp	0.0	0.0
Einlagensicherung der Banken und Bankiers GmbH	Vienna	0.3	0.3
ELAG Immobilien AG	Linz	1.4	1.9
Energie AG Oberösterreich	Linz	0.2	0.2
Erste alpenländische Volksbrauerei Schladming registrierte Genossenschaft mit beschränkter Haftung	Schladming	0.1	0.1
Erste Asset Management Deutschland GmbH	Zorneding	100.0	98.8
Erste Campus Mobilien GmbH	Vienna	100.0	100.0
Erste Corporate Finance, a.s.	Prague	99.0	99.0
ERSTE Immobilien Alpha 'WE-Objekte' GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha APS 85 GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha Brünner Straße 124 Liegenschaftsverwaltung GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha Eggenberger Gürtel GmbH & Co KG	Graz	0.0	0.0
ERSTE Immobilien Alpha GmbH	Vienna	0.0	74.3
ERSTE Immobilien Alpha Monte Laa GmbH & Co. KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha W175 GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Aspernbrückengasse 2 GmbH & Co KG	Vienna	0.1	0.1
ERSTE Immobilien Beta GmbH	Vienna	0.0	74.3
ERSTE Immobilien Beta GS 131 GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Gamma GmbH	Vienna	0.0	74.3
ESB Holding GmbH	Vienna	69.3	100.0
EUROPEAN INVESTMENT FUND	Luxembourg	0.1	0.1
FINAG D.D. INDUSTRIJA GRADJEVNOG MATERIJALA BANKRUPTCY	Garesnica	18.2	18.2
Finanzpartner GmbH	Vienna	50.0	50.0
FINTEC-Finanzierungsberatungs- und Handelsgesellschaft m.b.H. in Liqu.	Vienna	25.0	25.0
FOTEC Forschungs- und Technologietransfer GmbH	Wiener Neustadt	0.0	0.0
Freizeitpark Zell GmbH	Zell am Ziller	0.0	0.0
Freizeitzentrum Zillertal GmbH	Fügen	0.0	0.0
Fund of Excellence Förderungs GmbH	Vienna	49.0	49.0
FWG-Fernwärmeversorgung Engelbrechts registrierte Genossenschaft mit beschränkter Haftung	Kautzen	0.0	0.0
FWG-Fernwärmeversorgung Raabs a.d. Thaya registrierte Genossenschaft mit beschränkter Haftung	Raabs a. d. Thaya	0.0	0.0
Gasteiner Bergbahnen Aktiengesellschaft	Bad Hofgastein	13.2	13.2
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.	Vienna	0.9	1.0
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Linz	8.5	10.7
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H. & Co.KG	Linz	9.5	11.9
Gerlitzen - Kanzelbahn - Touristik Gesellschaft m.b.H.&Co KG	Sattendorf	0.0	0.0
Gewerbe- und Dienstleistungspark der Stadtgemeinde Bad Radkersburg Kommanditgesellschaft	Bad Radkersburg	12.5	12.5
Gladiator Aircraft Management Limited	Pieta	0.0	100.0
Golf Ressort Kremstal GmbH	Kematen a. d. Krems	0.0	0.0
Golf Ressort Kremstal GmbH & Co. KG.	Kematen a. d. Krems	0.0	0.0



Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
Golfclub Bludenz-Braz GmbH	Bludenz - Braz	0.0	0.0
Golfclub Brand GmbH	Brand bei Bludenz	0.0	0.0
Golfclub Pfarrkirchen im Mühlviertel GesmbH	Pfarrkirchen	0.2	0.2
Golfplatz Hohe Salve - Brixental Errichtergesellschaft m.b.H. & Co KG	Westendorf	0.0	0.0
Golfresort Haugschlag GmbH & Co KG	Haugschlag	0.0	0.0
Großarl Bergbahnen Gesellschaft mit beschränkter Haftung & Co. KG.	Großarl	0.5	0.5
GW St. Pölten Integrative Betriebe GmbH	St.Pölten-Hart	0.0	0.0
GXT Vermögensverwaltung GmbH & Co KG	Vienna	0.0	0.0
GZ-Finanz Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
HAPIMAG AG	Baar	0.0	0.0
Harkin Limited	Dublin	100.0	100.0
Harrys Hotel Home Wien Millenium GmbH	Innsbruck	0.0	0.0
Hauser Kaibling Seilbahn- und Liftgesellschaft m.b.H. & Co. KG.	Haus im Ennstal	0.4	0.4
HDL Fiecht GmbH	Vomp	0.0	0.0
Health and Fitness International Holdings N.V.	Willemstad	3.5	3.5
Heiltherme Bad Waltersdorf GmbH	Bad Waltersdorf	4.5	4.5
Heiltherme Bad Waltersdorf GmbH & Co KG	Bad Waltersdorf	4.1	4.1
Hinterstoder-Wurzeralm Bergbahnen Aktiengesellschaft	Hinterstoder	0.3	0.4
HOLDING RUDARSKO METALURŠKO HEMIJSKI KOMBINAT TREPCA AD ZVECAN - U RESTRUKTURIRANJU	Zvecan	0.0	0.0
Hollawind - Windkraftanlagenerrichtungs- und Betreibergesellschaft mit beschränkter Haftung	Göllersdorf	25.0	25.0
Hotel Chesa Monte GmbH	Fiss	0.0	0.0
Hotel Corvinus Gesellschaft m.b.H. & Co KG	Vienna	100.0	100.0
Hrvatski olimpijski centar Bjeloslolica d.o.o. (Kroatisches Olympiazentrum) in bankruptcy	Jesenak	1.2	1.2
Hrvatski registar obveza po kreditima d.o.o. (HROK)	Zagreb	7.3	7.3
HV-Veranstaltungsservice GmbH	St. Lorenzen	100.0	100.0
ILGES - Liegenschaftsverwaltung G.m.b.H.	Rohrbach	40.0	40.0
IMMO Primum GmbH	St. Pölten	0.0	0.0
IMMORENT S-Immobilienmanagement GesmbH	Vienna	100.0	100.0
Immorent-Hackinger Grundverwertungsgesellschaft m.b.H.	Vienna	10.0	10.0
IMS Nanofabrication AG	Vienna	0.0	0.0
Informativni centar Bjelovar d.o.o.	Bjelovar	1.4	1.4
Investicniweb s.r.o.	Prague	99.0	99.0
JADRAN dionicko drustvo za hotelijerstvo i turizam	Crikvenica	3.4	3.4
JAVNO SKLADIŠTE SLOBODNA CARINSKA ZONA NOVI SAD AD NOVI SAD	Novi Sad	5.2	5.2
JUGOALAT-JAL AD NOVI SAD	Novi Sad	5.0	5.0
Kaiser-Ebersdorfer Straße 8 GmbH & Co	Vienna	0.0	0.0
Kapruner Freizeitzentrum Betriebs GmbH	Kaprun	0.0	0.0
Kapruner Promotion und Lift GmbH	Kaprun	6.4	6.4
Kitzbüheler Anzeiger Gesellschaft m.b.H.	Kitzbühel	0.0	0.0
Kleinkraftwerke-Betriebsgesellschaft m.b.H.	Vienna	100.0	100.0
Kommanditgesellschaft MS 'SANTA LORENA' Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
Kommanditgesellschaft MS 'SANTA LUCIANA' Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
Kraftwerksmanagement GmbH	Vienna	100.0	100.0
Kreco Realitäten Aktiengesellschaft	Vienna	19.7	19.7
Kreditni Biro Sisbon d.o.o.	Ljubljana	1.6	1.6
'KULSKI ŠTOFOVI' FABRIKA ZA PROIZVODNJU VUNENIH TKANINA I PREDIVA AKCIONARSKO DRUŠTVO IZ KULE - U STECAJU	Kula	6.1	6.1
Kurzentrums 'Landsknechte' Bad Schönau Gesellschaft m.b.H.	Bad Schönau	0.0	0.0
ländleticket marketing gmbh	Dornbirn	0.0	0.0
Landzeit Restaurant Angath GmbH	St. Valentin	0.0	0.0
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois	0.0	0.0
Lantech Innovationszentrum GesmbH	Landeck	0.0	0.0
Latifundium Holding Gesellschaft m.b.H.	Vienna	100.0	100.0
Lebens.Resort & Gesundheitszentrum GmbH	Ottenschlag	0.0	0.0
Lebensquell Bad Zell Gesundheits- und Wellnesszentrum GmbH & Co KG	Bad Zell	0.0	0.0
Lienzer-Bergbahnen-Aktiengesellschaft	Gaimberg	0.0	0.0
Liezener Bezirksnachrichten Gesellschaft m.b.H.	Liezen	1.1	1.1
LOCO 597 Investment GmbH	Egg	0.0	0.0
Logistik Center Leoben GmbH	Leoben	14.0	14.0
Luitpoldpark-Hotel Betriebs- und Vermietungsgesellschaft mbH	Füssen	75.0	75.0
LV Holding GmbH	Linz, Donau	28.5	35.7
M Schön Wohnen Immorent GmbH	Vienna	100.0	100.0
Maiskogel Betriebs AG	Kaprun	0.6	0.6
Maissauer Amethyst GmbH	Maissau	0.0	0.0
MAJEVICA HOLDING AKCIONARSKO DRUŠTVO, BACKA PALANKA	Bacčka Palanka	5.2	5.2
Marktgemeinde Bad Mitterndorf Thermalquelle Erschließungsges. m.b.H.	Bad Mitterndorf	0.6	0.6
MasterCard Incorporated	Purchase, NY	0.0	0.0
Mayer Immobilien Korlátolt Felelősségű Társaság	Budapest	0.0	100.0
Mayer Interplan Korlátolt Felelősségű Társaság	Budapest	0.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
Mayer Property Alpha d.o.o.	Zagreb	100.0	100.0
Mayer Property Beta d.o.o.	Zagreb	100.0	100.0
Mayrhofner Bergbahnen Aktiengesellschaft	Mayrhofen	0.0	0.0
MCG Graz e.gen.	Graz	1.4	1.4
Medimurske novine d.o.o., Cakovec nema fin. Izvjesca bankrupt	Cakovec	4.9	4.9
MEG-Liegenschaftsverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
Mittersiller Golf- und Freizeitanlagen Gesellschaft m.b.H.	Mittersill	0.0	0.0
MPC Rendite-Fonds Leben plus spezial III GmbH & Co KG	Quickborn	0.0	0.0
MUNDO FM & S GmbH	Vienna	100.0	100.0
Murauer WM Halle Betriebsgesellschaft m.b.H.	Murau	3.1	3.1
Musikkonservatoriumserrichtungs- und vermietungsgesellschaft m.b.H.	St. Pölten	0.0	0.0
Natursee und Freizeitpark Wechselland GmbH	Pinggau	0.4	0.4
Natursee und Freizeitpark Wechselland GmbH & Co KG in Ligu.	Pinggau	0.1	0.1
Neo Investment B.V.	Amsterdam	0.0	0.0
Neubruck Immobilien GmbH	St. Anton	0.0	0.0
Neuhofner Bauträger GmbH	Neuhofen	0.0	0.0
Newstin, a.s.	Prague	17.6	17.6
Oberpinzgauer Fremdenverkehrsförderungs- und Bergbahnen AG	Neukirchen	0.0	0.0
Obertilliacher Bergbahnen-Gesellschaft m.b.H.	Obertilliach	0.0	0.0
Öhlknecht-Hof Errichtungs- und Verwaltungsgesellschaft m.b.H.	Horn	0.0	0.0
ÖKO-Heizkraftwerk GmbH	Pöllau	0.0	0.0
ÖKO-Heizkraftwerk GmbH & Co KG	Pöllau	0.0	0.0
OÖ HightechFonds GmbH	Linz	6.3	7.8
OÖ Science-Center Wels Errichtungs-GmbH	Wels	0.7	0.9
Ortswärme Fügen GmbH	Fügen	0.0	0.0
Österreichische Wertpapierdaten Service GmbH	Vienna	32.5	32.5
Osttiroler Wirtschaftspark GesmbH	Lienz	0.0	0.0
ÖVW Bauträger GmbH	Vienna	100.0	100.0
PANORAMABAHN KITZBÜHELER-ALPEN GMBH	Hollersbach	0.0	0.0
Planai - Hochwurzen - Bahnen Gesellschaft m.b.H.	Schladming	0.7	0.7
Planung und Errichtung von Kleinkraftwerken Aktiengesellschaft	Vienna	82.9	98.9
POSLOVNO UDRUŽENJE DAVAOKA LIZINGA 'ALCS' BEOGRAD	Belgrad	8.3	8.3
PREDUZECE ZA PRUŽANJE CONSULTING USLUGA BANCOR CONSULTING GROUP DOO NOVI SAD	Novi Sad	2.6	2.6
PRIVREDNO DRUŠTVO ZA PROIZVODNJU I PRERADU CELIKA ŽELEZARA SMEDEREVO DOO SMEDEREVO	Smederevo	0.0	0.0
Prvni certifikacni autorita, a.s.	Prague	23.0	23.0
PSA Payment Services Austria GmbH	Vienna	18.4	18.4
Radio Osttirol GesmbH	Lienz	0.0	0.0
RADIO VRŠAC DRUŠTVO SA OGRANICENOM ODGOVORNOŠĆU U MEŠOVITOJ SVOJINI, VRŠAC - U STECAJU	Vršac	6.4	6.4
Rätikon-Center Errichtungs- und Betriebsgesellschaft m.b.H.	Bludenz	0.0	0.0
Realitäten und Wohnungsservice Gesellschaft m.b.H.	Köflach	4.8	4.8
Realitni spolocnost Ceske sporitelny, a.s.	Prague	99.0	99.0
REGIONALNA AGENCIJA ZA RAZVOJ MALIH I SREDNJIH PREDUZECA ALMA MONS D.O.O.	Novi Sad	3.3	3.3
RIBA D.D.	Garesnica	17.1	17.1
Riesneralm - Bergbahnen Gesellschaft m.b.H. & Co. KG.	Donnersbach	0.0	0.0
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A.	Amsterdam	77.4	77.4
RTG Tiefgaragenerrichtungs und -vermietungs GmbH	Graz	25.0	25.0
RVG Czech, s.r.o.	Prague	19.8	19.8
RVS, a.s.	Bratislava	8.9	8.9
S - Leasing und Vermögensverwaltung - Gesellschaft m.b.H.	Peuerbach	0.0	0.0
S IMMO AG	Vienna	10.7	10.7
SALIX-Grundstückserwerbs Ges.m.b.H.	Eisenstadt	50.0	50.0
SALZBURG INNENSTADT, Vereinigung zur Förderung selbständiger Unternehmer der Salzburger Innenstadt, registrierte Genossenschaft mit beschränkter Haftung	Salzburg	2.0	2.0
S-AMC1 DOOEL Skopje	Skopje	25.0	24.9
Schweighofer Gesellschaft m.b.H. & Co KG	Friedersbach	0.0	0.0
S-City Center Wirtschaftsgütervermietungsgesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-Commerz Beratungs- und Handelsgesellschaft m.b.H.	Neunkirchen	0.0	0.0
SEG Sport Event GmbH	Hohenems	0.0	0.0
Seniorenresidenz 'Am Steinberg' GmbH	Graz	25.0	25.0
Senningerfeld Projektenwicklungs und Verwertungs GmbH	Bramberg	0.0	0.0
S-Finanzservice Gesellschaft m.b.H.	Baden bei Wien	0.0	0.0
SILO DREI Beteiligungsverwaltungs GmbH & Co KG	Vienna	0.0	100.0
SILO ZWEI Beteiligungsverwaltungs GmbH & Co KG	Vienna	0.0	100.0
Silvrettaseilbahn Aktiengesellschaft	Ischgl	0.0	0.0
SK 1 Properties s.r.o.	Bratislava	0.0	0.0
SK 2 Properties s.r.o.	Bratislava	0.0	0.0
Skilifte Unken - Heutal Gesellschaft m.b.H. & Co KG	Unken	0.0	0.0
Skilifte Unken Heutal Gesellschaft m.b.H.	Unken	2.2	2.2
SM-Immobilien-gesellschaft m.b.H.	Melk	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
sMS Marktservice für Sparkassen GmbH	Krems	0.0	0.0
SN Immobilienprojekt GmbH	St.Pölten	0.0	0.0
Society for Worldwide Interbank Financial Telecommunication scrI	La Hupke	0.2	0.2
Sparkasse Amstetten Service- und Verwaltungsgesellschaft m. b. H.	Amstetten	0.0	0.0
Sparkasse Bludenz Beteiligungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Bludenz Immobilienverwaltungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH	Imst	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH & Co KG	Imst	0.0	0.0
Sparkasse Lambach Versicherungsmakler GmbH	Lambach	0.0	0.0
Sparkasse Nekretnine d.o.o.	Sarajevo	26.4	26.5
Sparkasse Niederösterreich Mitte West Beteiligungsgesellschaft m.b.H.	St. Pölten	0.0	0.0
Sparkasse Niederösterreich Mitte West Immobilien GmbH	St. Pölten	0.0	0.0
Sparkasse Niederösterreich Mitte West Stadtentwicklungs GmbH	St. Pölten	0.0	0.0
Sparkasse Reutte Liegenschaftsverwertungs GmbH	Reutte	0.0	0.0
Sparkassen - Betriebsgesellschaft mbH.	Linz	29.8	39.7
Sparkassen Bankbeteiligungs GmbH	Dornbirn	0.0	0.0
Sparkassen Beteiligungs GmbH & Co KG	Vienna	13.1	8.2
Sparkassen Facility Management GmbH	Innsbruck	75.0	75.0
Sparkassengarage Imst Errichtungs- und Betriebs GmbH	Imst	0.0	0.0
Sparkassengarage Imst Errichtungs- und Betriebs GmbH & Co KG	Imst	0.0	0.0
SPES Bildungs- u. Studiengesellschaft m.b.H.& Co KG	Schlierbach	0.0	0.0
SPKB Beteiligungs- und Verwaltungsgesellschaft m.b.H.	Bregenz	0.0	0.0
Sport- und Freizeitanlagen Gesellschaft m.b.H.	Schwanenstadt	9.8	13.1
SREDISNJE KLIRINSKO DEPOZITARNO DRUSTVO D.D.(CENTRAL DEPOZITORY & CLEARING COMPANY Inc.)	Zagreb	0.2	0.1
Stadtgemeinde Weiz - Wirtschaftsentwicklung KG	Weiz	0.5	0.5
Stadtmarketing-Ternitz GmbH	Ternitz	0.0	0.0
Sternstein Sessellift Gesellschaft m.b.H.	Bad Leonfelden	7.2	7.2
Stoderzinken - Liftgesellschaft m.b.H. & Co. KG.	Gröbmung	0.4	0.4
Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H.	Vienna	10.7	10.7
SZG-Dienstleistungsgesellschaft m.b.H.	Salzburg	98.7	98.7
Tannheimer Bergbahnen GmbH & Co KG	Tannheim	0.0	0.0
Tauern SPA World Betriebs- GmbH & Co KG	Kaprun	9.8	9.8
Tauern SPA World Betriebs-GmbH	Kaprun	12.0	12.0
Tauern SPA World Errichtungs- GmbH & Co KG	Kaprun	9.8	9.8
Tauern SPA World Errichtungs-GmbH	Kaprun	12.0	12.0
TDZ Technologie- und Dienstleistungszentrum Donau-Böhmerwald Bezirk Rohrbach GmbH.	Neufelden	1.0	1.0
TECH21 Bürohaus und Gewerbehof Errichtungs- und Betriebsgesellschaft mbH & Co KG	Vienna	0.1	0.1
Technologie- und Dienstleistungszentrum Ennstal GmbH	Reichraming	0.0	0.0
TECHNOLOGIE- und GRÜNDERPARK ROSENTHAL GmbH	Rosental	0.3	0.3
Technologie- und Innovationszentrum Kirchdorf GmbH	Schlierbach	0.0	0.0
Technologie- und Marketing Center Frohnleiten GmbH	Frohnleiten	2.5	2.5
Technologiezentrum Deutschlandsberg GmbH	Deutschlandsberg	7.3	7.3
Technologiezentrum Freistadt-Mühlviertel-Errichtungs- und Betriebsgesellschaft m.b.H.	Freistadt	1.2	1.6
Technologiezentrum Inneres Salzkammergut GmbH	Bad Ischl	0.0	0.0
Technologiezentrum Kapfenberg Vermietungs-GmbH	Kapfenberg	6.0	6.0
Technologiezentrum Perg GmbH	Perg	1.1	1.5
Technologiezentrum Salzkammergut GmbH	Gmunden	0.5	0.6
Technologiezentrum Salzkammergut-Bezirk Vöcklabruck GmbH	Attnang-Puchheim	0.0	0.0
Techno-Z Ried Technologiezentrum GmbH	Ried im Innkreis	0.0	0.0
Tennis-Center Hofkirchen i. M. GmbH	Hofkirchen	7.3	7.3
TGZ Technologie- und Gründerzentrum Schärding GmbH	Schärding	3.0	4.0
Thermalquelle Loipersdorf Gesellschaft m.b.H. & Co KG	Loipersdorf	0.0	0.0
Therme Wien Ges.m.b.H.	Vienna	15.0	15.0
Therme Wien GmbH & Co KG	Vienna	15.0	15.0
Tiefgarage Anger, Gesellschaft m.b.H. & Co. KG.	Lech	0.0	0.0
TIRO Bauträger GmbH	Innsbruck	75.0	75.0
Tispa Liegenschaftsverwaltungsgesellschaft mbH in Liquidation	Füssen	75.0	75.0
TIZ Landl - Grieskirchen GmbH	Grieskirchen	0.0	0.0
TONDACH GLEINSTÄTTEN AG	Gleinstätten	9.6	9.6
Tourismus- u. Freizeitanlagen GmbH	Hinterstoder	0.0	0.0
TPK-18 Sp. z o.o.	Warsaw	100.0	100.0
Transformovany fond penzijního pripojení se statnim prispevkem Ceska sporitelna - penzijní spolecnost, a.s.	Prague	0.0	0.0
Trencin Retail Park 1 a.s. v likvidácii	Bratislava	19.8	19.8
Trencin Retail Park 2 a.s. v likvidácii	Bratislava	19.8	19.8
TSG EDV-Terminal-Service Ges.m.b.H.	Vienna	0.1	0.1
Unzmarkter Kleinkraftwerk-Aktiengesellschaft	Vienna	83.2	99.3
Valtecia Achizitii S.R.L.	Bucharest	100.0	100.0
Vasudvar Hotel Kft.	Budapest	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
VBV - Asset Service GmbH	Vienna	26.9	27.1
VBV - Consult Beratung für betriebliche Vorsorge GmbH	Vienna	26.9	27.1
VBV - Pensionsservice-Center GmbH	Vienna	26.9	27.1
VBV-Pensionskasse Aktiengesellschaft	Vienna	26.9	27.1
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH	Vienna	25.6	25.6
VISA INC.	Wilmington	0.0	0.0
VMG Versicherungsmakler GmbH	Vienna	5.0	5.0
Waldviertler Leasing s.r.o.	Jindřichův Hradec	0.0	0.0
Wärmeversorgungs-genossenschaft Tamsweg registrierte Genossenschaft mit beschränkter Haftung	Tamsweg	0.3	0.3
Wassergenossenschaft Mayrhofer	Mayrhofer	0.0	0.0
WBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H.	Feldkirch	0.0	0.0
WEB Windenergie AG	Pfaffenschlag	0.0	0.0
WECO Treuhandverwaltung Gesellschaft m.b.H.	Salzburg	49.3	49.3
Weißsee-Gletscherwelt GmbH	Uttendorf	0.0	0.0
WEST CONSULT Bauten- und Beteiligungsverwaltung GmbH	Salzburg	49.3	49.3
WEVA - Veranlagungs- und Beteiligungsgesellschaft m.b.H.	Linz	29.8	39.8
Wien 3420 Aspern Development AG	Vienna	23.2	24.5
WIEPA-Vermögensverwaltungsgesellschaft m.b.H.	Dornbirn	0.0	0.0
Wirtschaftspark Kleinregion Fehring Errichtungs- und Betriebsgesellschaft m.b.H.	Fehring	2.0	2.0
Zagreb Stock Exchange, Inc.	Zagreb	2.3	2.3
Zelina Centar d.o.o.	Saint Helena	100.0	100.0
Zweite Beteiligungsgesellschaft Reefer-Flottenfonds mbH & Co KG	Hamburg	0.0	0.0
<b>Funds</b>			
1776 CLO I., LTD_106781	Vienna	0.0	0.0
A & P-FONDS	Vienna	0.0	0.0
A 105 Sub 3	Vienna	0.0	0.0
A 200	Vienna	0.0	0.0
ACA CLO, Ltd._23697	Vienna	0.0	0.0
ACCESSION MEZZANINE CAPITAL II LP	Vienna	0.0	0.0
Akciový Mix FF	Prague	0.0	0.0
Alpha Diversified 1	Vienna	0.0	0.0
Alpha Diversified 2	Vienna	0.0	0.0
Alpha Diversified 3	Vienna	0.0	0.0
AM SLSP Active portfolio	Bratislava	0.0	0.0
AM SLSP Bankový fond pravidelných výnosov, o.p.f.	Bratislava	0.0	0.0
AM SLSP Euro bond fund	Bratislava	0.0	0.0
AM SLSP Euro Plus Fund	Bratislava	0.0	0.0
AM SLSP Fond maximalizovaných výnosov, o.p.f.	Bratislava	0.0	0.0
AM SLSP Globalný akciový fond, o.p.f.	Bratislava	0.0	0.0
AM SLSP Institucionalný I1, s.p.f.	Bratislava	0.0	0.0
AM SLSP Institucionalný I2, o.p.f.	Bratislava	0.0	0.0
AM SLSP Private fund of regular revenues	Bratislava	0.0	0.0
AM SLSP Private money market fund	Bratislava	0.0	0.0
AM SLSP Privatný fond pravidelných výnosov 2, o.p.f.	Bratislava	0.0	0.0
AM SLSP Privatný P11, o.p.f.	Bratislava	0.0	0.0
AM SLSP Real estate fund	Bratislava	0.0	0.0
AM SLSP SIP Aktiv, o.p.f.	Bratislava	0.0	0.0
AM SLSP SIP Balans, o.p.f.	Bratislava	0.0	0.0
AM SLSP SIP Klasik	Bratislava	0.0	0.0
AM SLSP Svetové akcie, o.p.f.	Bratislava	0.0	0.0
APF - Seg. ESPA	Vienna	0.0	0.0
APIDOS CDO V_23788	Vienna	0.0	0.0
APIDOS QUATTRO CDO_107847	Vienna	0.0	0.0
ARGUS CAPITAL PARTNERS II	Vienna	0.0	0.0
AUBURN0441_403250	Vienna	0.0	0.0
AUSTROMUENDELRENT	Linz	0.0	0.0
AUSTRORENT	Linz	0.0	0.0
AVOCA 0724_414332	Vienna	0.0	0.0
AVOCA04/20_403394	Vienna	0.0	0.0
AVOCA05/21_404723	Vienna	0.0	0.0
AXA	Vienna	0.0	0.0
AXA IM-US	Vienna	0.0	0.0
B COMBIREN	Vienna	0.0	0.0
B DANUBIA	Vienna	0.0	0.0
B EM-MARKE	Vienna	0.0	0.0
B EUR-RENT	Vienna	0.0	0.0
B MORTGAGE	Vienna	0.0	0.0
B MUENDEL R	Vienna	0.0	0.0
B US-CORPO	Vienna	0.0	0.0
BABSON MIDMARKET_108225	Vienna	0.0	0.0
BABSON0620_408715	Vienna	0.0	0.0
BARRESERVE	Linz	0.0	0.0
BAWAG 35, Segment 4	Vienna	0.0	0.0

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BD EURO-TR	Vienna	0.0	0.0
BlackRock Senior Income Series Corp. IV_23754	Vienna	0.0	0.0
BlackRock Senior Income Series Corp. V_24091	Vienna	0.0	0.0
Bridgeport CLO II, Ltd._24083	Vienna	0.0	0.0
BRIDGEPORT CLO LTD_106948	Vienna	0.0	0.0
Callidus Debt Partners CDO Fund, Ltd._23630	Vienna	0.0	0.0
CANARY0737_611150	Vienna	0.0	0.0
CARLYLE ARNAGE_108233	Vienna	0.0	0.0
CARLYLE DAYTONA_107474	Vienna	0.0	0.0
Carlyle High Yield Partners X, Ltd._23838	Vienna	0.0	0.0
CARLYLE MCLAREN CLO LTD_107904	Vienna	0.0	0.0
CEDW Hilfe und Vorsorge	Vienna	0.0	0.0
CELF05/21_404240	Vienna	0.0	0.0
CELF0723_414813	Vienna	0.0	0.0
CERTIFIKATOVY FOND	Prague	0.0	0.0
CIS FUND	Vienna	0.0	0.0
COLUMBUS NOVA CLO LTD_107797	Vienna	0.0	0.0
CORNERSTONE CLO_108118	Vienna	0.0	0.0
CS DLUHOPISOVY FOND PERSPEKTIVNICH TRUHU 2017	Vienna	0.0	0.0
CS fond zivot. cyklu 2020 FF	Prague	0.0	0.0
CS fond zivot. cyklu 2030 FF	Prague	0.0	0.0
CS korporatini dluhopisovy OPF	Prague	0.0	0.0
CS NEMOVITOSTNÍ FOND	Vienna	0.0	0.0
DAXEX	Vienna	0.0	0.0
Debt securities OF Afs HW_402045	Vienna	0.0	0.0
Debt securities OF Afs HW_403602	Vienna	0.0	0.0
Debt securities OF Afs HW_405667	Vienna	0.0	0.0
Debt securities OF Afs HW_414753	Vienna	0.0	0.0
DELPHIN TREND GLOBAL	Vienna	0.0	0.0
Discovery Fund	Vienna	0.0	0.0
Dluhopisovy fond	Prague	0.0	0.0
DONAU STAR-FONDS	Vienna	0.0	0.0
DRYDEN XVI CDO_107409	Vienna	0.0	0.0
Dynamicky Mix FF	Prague	0.0	0.0
E 2016	Vienna	0.0	0.0
E 4	Vienna	0.0	0.0
E 5	Vienna	0.0	0.0
E 77	Vienna	0.0	0.0
E.ALTERNAT	Vienna	0.0	0.0
EAM 1	Vienna	0.0	0.0
EASTLAND CLO, LTD_107714	Vienna	0.0	0.0
Eaton Vance CDO IX Ltd._23853	Vienna	0.0	0.0
ECM-Renten International	Vienna	0.0	0.0
Ecology Bond	Vienna	0.0	0.0
EKA 1	Vienna	0.0	0.0
EKA-Kommerz 14	Vienna	0.0	0.0
EKA-KOMMERZ 16	Vienna	0.0	0.0
EM Corporate Fonds SRI	Vienna	0.0	0.0
Erste Absolut Hozamu Esközallakocios Alapok Alapja	Budapest	0.0	0.0
ERSTE ABSZOLUT HOZAMU KÖTVENY ALAP	Budapest	0.0	0.0
Erste ADRIATIC BOND	Zagreb	0.0	0.0
Erste ADRIATIC EQUITY	Zagreb	0.0	0.0
ERSTE ALPOK INGATLAN ALAPOK ALAPJA	Budapest	0.0	0.0
ERSTE ALPOK TŐKEVEDETT PENZPIACI BEFEKTETESI ALAP	Budapest	0.0	0.0
ERSTE Balanced RON	Bucharest	0.0	0.0
ERSTE BOND EMERGING MARKETS CORPORATE	Vienna	0.0	0.0
Erste Bond Emerging Markets Corporate HUF Alapok Alapja	Budapest	0.0	0.0
ERSTE BOND EMERGING MARKETS CORPORATE IG	Vienna	0.0	0.0
ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR)	Vienna	0.0	0.0
ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR)	Vienna	0.0	0.0
ERSTE Bond Flexible Romania EUR	Bucharest	0.0	0.0
Erste Bond Flexible RON	Bucharest	0.0	0.0
ERSTE DLUHOPISOVY FOND PERSPEKTIVNICH TRUHU 2020	Vienna	0.0	0.0
ERSTE DOLLAR PENZPIACI ALAP	Budapest	0.0	0.0
Erste DPM Globalis Reszveny Alapok Alapja	Budapest	0.0	0.0
ERSTE DPM NEMZETKÖZI KÖTVENY ALAPOK ALAPJA	Budapest	0.0	0.0
Erste DPM Nyilvtvegu Alternativ Alapok Alapja	Budapest	0.0	0.0
Erste ELITE	Zagreb	0.0	0.0
ERSTE Equity Romania	Bucharest	0.0	0.0
ERSTE EURO INGATLAN ALAP	Budapest	0.0	0.0
ERSTE EURO PENZPIACI ALAP	Budapest	0.0	0.0
Erste EURO-MONEY	Zagreb	0.0	0.0
Erste Europai Reszveny Befektetesi Alap	Budapest	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
Erste EXCLUSIVE	Zagreb	0.0	0.0
ERSTE HAZAI INDEXKÖVETŐ RESZVENY ALAP	Budapest	0.0	0.0
ERSTE IMMOBILIENFONDS	Vienna	0.0	0.0
ERSTE INGATLAN ALAP	Budapest	0.0	0.0
ERSTE INTERINVEST G1	Vienna	0.0	0.0
Erste Korvett Kötveny Alapok Alapja	Budapest	0.0	0.0
ERSTE KOS FIREMNICH DLUHOPISU 2016 II	Vienna	0.0	0.0
ERSTE KÖZEP-EUROPAI RESZVENY ALAP	Budapest	0.0	0.0
ERSTE MEGTAKARITASI ALAPOK ALAPJA	Budapest	0.0	0.0
ERSTE MEGTAKARITASI PLUSZ ALAPOK ALAPJA	Budapest	0.0	0.0
Erste MONEY	Zagreb	0.0	0.0
Erste Money Market RON	Bucharest	0.0	0.0
Erste Nyiltevegü Abszolút Hozamú Alternatív Alapok Alapja	Budapest	0.0	0.0
ERSTE RESPONSIBLE BALANCED	Vienna	0.0	0.0
ERSTE RESPONSIBLE BOND	Vienna	0.0	0.0
ERSTE RESPONSIBLE BOND EMERGING CORPORATE	Vienna	0.0	0.0
ERSTE RESPONSIBLE BOND EURO CORPORATE	Vienna	0.0	0.0
ERSTE RESPONSIBLE BOND GLOBAL IMPACT	Vienna	0.0	0.0
ERSTE RESPONSIBLE MICROFINANCE	Vienna	0.0	0.0
ERSTE RESPONSIBLE RESERVE	Vienna	0.0	0.0
ERSTE RESPONSIBLE STOCK AMERICA	Vienna	0.0	0.0
ERSTE RESPONSIBLE STOCK EUROPE	Vienna	0.0	0.0
ERSTE RESPONSIBLE STOCK GLOBAL	Vienna	0.0	0.0
ERSTE RESPONSIBLE STOCK GLOBAL CZK	Vienna	0.0	0.0
ERSTE RÖVID KÖTVENY ALAP	Budapest	0.0	0.0
Erste Stock Global HUF Alapok Alapja	Budapest	0.0	0.0
ERSTE TÖKEVEDETT KAMATOPTIMUM ALAP	Budapest	0.0	0.0
ERSTE TÖKEVEDETT LIKVIDITASI ALAP	Budapest	0.0	0.0
ERSTE TÖKEVEDETT PENZPIACI ALAP	Budapest	0.0	0.0
ERSTE TOTAL RETURN FIXED INCOME	Vienna	0.0	0.0
ERSTE WWF STOCK ENVIRONMENT	Vienna	0.0	0.0
ERSTE XL KÖTVENY ALAP	Budapest	0.0	0.0
ES 1	Vienna	0.0	0.0
ESPA ALPHA 1	Vienna	0.0	0.0
ESPA ALPHA 2	Vienna	0.0	0.0
ESPA ALTERNATIVE GLOBAL-MARKETS	Vienna	0.0	0.0
ESPA BEST OF AMERICA	Vienna	0.0	0.0
ESPA BEST OF EUROPE	Vienna	0.0	0.0
ESPA BEST OF WORLD	Vienna	0.0	0.0
ESPA BOND COMBIRENT	Vienna	0.0	0.0
ESPA BOND CORPORATE BB	Vienna	0.0	0.0
ESPA BOND DANUBIA	Vienna	0.0	0.0
ESPA BOND DOLLAR	Vienna	0.0	0.0
ESPA BOND DOLLAR-CORPORATE	Vienna	0.0	0.0
ESPA BOND EMERGING-MARKETS	Vienna	0.0	0.0
ESPA BOND EURO-CORPORATE	Vienna	0.0	0.0
ESPA BOND EURO-MIDTERM	Vienna	0.0	0.0
ESPA BOND EURO-MÜNDELRENT	Vienna	0.0	0.0
ESPA BOND EUROPE-HIGH YIELD	Vienna	0.0	0.0
ESPA BOND EURO-RENT	Vienna	0.0	0.0
ESPA BOND EURO-TREND	Vienna	0.0	0.0
ESPA BOND INFLATION-LINKED	Vienna	0.0	0.0
ESPA BOND INTERNATIONAL	Vienna	0.0	0.0
ESPA BOND LOCAL EMERGING	Vienna	0.0	0.0
ESPA BOND MORTGAGE	Vienna	0.0	0.0
ESPA BOND ORIENT EXPRESS 2017	Vienna	0.0	0.0
ESPA BOND ORIENT EXPRESS 2017 CZK	Vienna	0.0	0.0
ESPA BOND RISING MARKETS	Vienna	0.0	0.0
ESPA BOND USA-CORPORATE	Vienna	0.0	0.0
ESPA BOND USA-HIGH YIELD	Vienna	0.0	0.0
ESPA CESKY FOND FIRMEINICH DLUHOPISU	Vienna	0.0	0.0
ESPA CESKY FOND STATNICH DLUHOPISU	Vienna	0.0	0.0
ESPA CORPORATE PLUS BASKET 2016	Vienna	0.0	0.0
ESPA CORPORATE PLUS BASKET 2017	Vienna	0.0	0.0
ESPA CORPORATE PLUS BASKET 2017 II	Vienna	0.0	0.0
ESPA D-A-CH Fonds	Vienna	0.0	0.0
ESPA GLOBAL INCOME	Vienna	0.0	0.0
ESPA PORTFOLIO BALANCED 10	Vienna	0.0	0.0
ESPA PORTFOLIO BALANCED 30	Vienna	0.0	0.0
ESPA PORTFOLIO BALANCED 50	Vienna	0.0	0.0
ESPA PORTFOLIO BOND EUROPE	Vienna	0.0	0.0
ESPA PORTFOLIO TARGET	Vienna	0.0	0.0
ESPA RESERVE CORPORATE	Vienna	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
ESPA RESERVE DOLLAR	Vienna	0.0	0.0
ESPA RESERVE EURO	Vienna	0.0	0.0
ESPA RESERVE EURO MÜNDEL	Vienna	0.0	0.0
ESPA RESERVE EURO PLUS	Vienna	0.0	0.0
ESPA RESERVE SYSTEM-PLUS	Vienna	0.0	0.0
ESPA RETURN SYSTEM	Vienna	0.0	0.0
ESPA RETURN SYSTEM-EXTRA	Vienna	0.0	0.0
ESPA RISING CORPORATE BOND BASKET 2017	Vienna	0.0	0.0
ESPA SELECT BOND	Vienna	0.0	0.0
ESPA SELECT BOND DYNAMIC	Vienna	0.0	0.0
ESPA SELECT INVEST	Vienna	0.0	0.0
ESPA SELECT MED	Vienna	0.0	0.0
ESPA STOCK ASIA INFRASTRUCTURE	Vienna	0.0	0.0
ESPA STOCK ASIA-PACIFIC PROPERTY	Vienna	0.0	0.0
ESPA STOCK BIOTEC	Vienna	0.0	0.0
ESPA STOCK COMMODITIES	Vienna	0.0	0.0
ESPA STOCK EUROPE	Vienna	0.0	0.0
ESPA STOCK EUROPE-EMERGING	Vienna	0.0	0.0
ESPA STOCK EUROPE-PROPERTY	Vienna	0.0	0.0
ESPA STOCK GLOBAL	Vienna	0.0	0.0
ESPA STOCK GLOBAL-EMERGING MARKETS	Vienna	0.0	0.0
ESPA STOCK ISTANBUL	Vienna	0.0	0.0
ESPA STOCK JAPAN	Vienna	0.0	0.0
ESPA STOCK RISING-MARKETS	Vienna	0.0	0.0
ESPA STOCK RUSSIA	Vienna	0.0	0.0
ESPA STOCK TECHNO	Vienna	0.0	0.0
ESPA STOCK VIENNA	Vienna	0.0	0.0
ESPA TARGET	Vienna	0.0	0.0
ESPA VORSORGE CLASSIC/06-07	Vienna	0.0	0.0
ESPA VORSORGE CLASSIC/08-09	Vienna	0.0	0.0
F 2011 Global Invest	Vienna	0.0	0.0
fair-finance bond	Vienna	0.0	0.0
FAIRWAY LOAN FUNDING_106997	Vienna	0.0	0.0
FDO 02/33_400139	Vienna	0.0	0.0
Federal Home Loan Mortgage Corp_18739	Vienna	0.0	0.0
Federal National Mortgage Association_16485	Vienna	0.0	0.0
Flagship CLO VI_23952	Vienna	0.0	0.0
Fond 2005	Prague	0.0	0.0
Fond rizených vynosu	Prague	0.0	0.0
Fond Statních dluhopisu OPF	Prague	0.0	0.0
FOOTHILL CLO I, LTD_107425	Vienna	0.0	0.0
FRANKLIN CLO V_106831	Vienna	0.0	0.0
FRANKLIN CLO VI B NOTES_107995	Vienna	0.0	0.0
Franklin Templeton International Services S.A.	Vienna	0.0	0.0
FRESE PRIVATSTIFTUNG	Vienna	0.0	0.0
FTC GIDEON I	Vienna	0.0	0.0
G.SACHS	Vienna	0.0	0.0
GALAXY VII CLO LTD_107086	Vienna	0.0	0.0
Galaxy VIII CLO, Ltd._23770	Vienna	0.0	0.0
GALAXY0719_414221	Vienna	0.0	0.0
GF 130	Vienna	0.0	0.0
GLO.GROWTH	Vienna	0.0	0.0
GLOBAL STOCKS FF	Prague	0.0	0.0
Goldman Sachs Asset Management International	Vienna	0.0	0.0
Grant Grove CLO, Ltd._23747	Vienna	0.0	0.0
GREAT 0638_409365	Vienna	0.0	0.0
GREENS CREEK FUNDING_107896	Vienna	0.0	0.0
GUTENBERG CUD	Vienna	0.0	0.0
GUTENBERG RIH	Vienna	0.0	0.0
HALCYON STRUCTURED_107953	Vienna	0.0	0.0
HARBOURM22_409077	Vienna	0.0	0.0
HARV.0621_406284	Vienna	0.0	0.0
HENDEPF	Vienna	0.0	0.0
HEWETTS 18_409389	Vienna	0.0	0.0
HI-Bremen 9-Global Laufzeitportfolio 2017-SFonds	Vienna	0.0	0.0
HIGH YIELD DLHOPIISOVY	Prague	0.0	0.0
Immobilienfondsfonds 01	Vienna	0.0	0.0
INNOVA/4 LP	Vienna	0.0	0.0
Institucionalni akciovy FF	Prague	0.0	0.0
INTERNATIONALE AKTIENFONDSAUWAHL	Vienna	0.0	0.0
ISCS Globalni akciovy FF	Prague	0.0	0.0
ISCS IPF 10	Prague	0.0	0.0
ISCS IPF 35	Prague	0.0	0.0



Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
ISCS MPF 10	Prague	0.0	0.0
ISCS MPF 30	Prague	0.0	0.0
ISCS OPTIMUM	Prague	0.0	0.0
ISCS Privatni portfolio dynamicke dluhopisy	Prague	0.0	0.0
ISCS Privatni portfolio konzervativni dluhopisy	Prague	0.0	0.0
ISCS Vyvazeny Mix FF	Prague	0.0	0.0
ISHARES	Vienna	0.0	0.0
JASPER CLO LTD_107813	Vienna	0.0	0.0
JUBILEE24_414544	Vienna	0.0	0.0
JUVENTUS	Vienna	0.0	0.0
K 1000	Vienna	0.0	0.0
K 12000	Vienna	0.0	0.0
K 1851	Vienna	0.0	0.0
K 20	Vienna	0.0	0.0
K 2000	Vienna	0.0	0.0
K 2009	Vienna	0.0	0.0
K 2011	Vienna	0.0	0.0
K 350	Vienna	0.0	0.0
K 408	Vienna	0.0	0.0
K 412	Vienna	0.0	0.0
K 645	Vienna	0.0	0.0
KOMMERZ 13	Vienna	0.0	0.0
KOMMERZ 15	Vienna	0.0	0.0
KOMMERZ 17	Vienna	0.0	0.0
KONZERVATIVNI MIX FF	Prague	0.0	0.0
KV 2007	Vienna	0.0	0.0
Landmark IX CDO, Ltd._23903	Vienna	0.0	0.0
LANDMARK VIII CLO LTD_108142	Vienna	0.0	0.0
LATITUDE CLO I LTD_108217	Vienna	0.0	0.0
LATITUDE CLO II LTD_108035	Vienna	0.0	0.0
LEEK06-37_406292	Vienna	0.0	0.0
LEOP.07/23_414780	Vienna	0.0	0.0
LIGHTPOINT CLO LTD.SERIES 2006-5A_107748	Vienna	0.0	0.0
LIKVIDITNI FOND	Prague	0.0	0.0
LongTermPLUS-Spezial	Vienna	0.0	0.0
Lyon Capital Management V Ltd._23812	Vienna	0.0	0.0
Lyon Capital Management VI Ltd._24018	Vienna	0.0	0.0
MAGELLAN36_826641	Vienna	0.0	0.0
MALIN07/23_414922	Vienna	0.0	0.0
MAS-USD-FONDS	Vienna	0.0	0.0
MAYPORT CLO LTD_107268	Vienna	0.0	0.0
MidTermPLUS-Spezial	Vienna	0.0	0.0
MQ MS EM.	Vienna	0.0	0.0
MUTUAL FUND	Vienna	0.0	0.0
N/A (1003 Holding - NY)	Vienna	0.0	0.0
N/A (1221 SPK Kirchberg)	Vienna	0.0	0.0
N/A (1227 SPK Korneuburg)	Vienna	0.0	0.0
N/A (1502 SPK Imst)	Vienna	0.0	0.0
N/A (2416 AVS B)	Vienna	0.0	0.0
N/A (3422 ERSA1)	Vienna	0.0	0.0
N/A (3422 ERSA2)	Vienna	0.0	0.0
N/A (3422 ERSA3)	Vienna	0.0	0.0
N/A (3422 ERSA4)	Vienna	0.0	0.0
NAUTIQUE FUNDING_106724	Vienna	0.0	0.0
Nord/LB AM 97, Subfonds ESPA	Vienna	0.0	0.0
Nord/LB AM Eurorenten 1	Vienna	0.0	0.0
NORTHWOODS CAPITAL VI_106658	Vienna	0.0	0.0
Ocean Trails CLO_23648	Vienna	0.0	0.0
PARA07-39_414601	Vienna	0.0	0.0
PARAGON41_406190	Vienna	0.0	0.0
PBMP EQUITY RESEARCH	Vienna	0.0	0.0
PERP07-38_409794	Vienna	0.0	0.0
PF BOND A	Vienna	0.0	0.0
PI TOPRENT	Vienna	0.0	0.0
PIZ BUIN GLOBAL	Vienna	0.0	0.0
PLUS OPF	Vienna	0.0	0.0
POISTOVNA 1	Vienna	0.0	0.0
PRB-VM	Vienna	0.0	0.0
PremiumPLUS BONDPLUS	Vienna	0.0	0.0
PremiumPLUS LONGTERMPLUS	Vienna	0.0	0.0
PremiumPLUS MIDTERMPLUS	Vienna	0.0	0.0
PRIVATE BANKING MANAGEMENT PROGRAM-BOND	Vienna	0.0	0.0
PRIVATE BANKING MANAGEMENT PROGRAM-REAL ESTATE	Vienna	0.0	0.0



Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
Privatni portfolio AR AKCIE	Prague	0.0	0.0
Privatni portfolio AR ALTERNATIVNI INV.	Prague	0.0	0.0
Privatni portfolio AR REALITY	Prague	0.0	0.0
PRO INVEST AKTIV	Vienna	0.0	0.0
QIMCO BALKAN EQUITY	Vienna	0.0	0.0
R42	Vienna	0.0	0.0
RAGS - Global Fixed Income IV	Vienna	0.0	0.0
RESPONSIBLE CORPORATE BASKET 2017	Vienna	0.0	0.0
RT 2	Vienna	0.0	0.0
RT 3	Vienna	0.0	0.0
RT 4	Vienna	0.0	0.0
RT ACT.GLOBAL TREND	Vienna	0.0	0.0
RT Donau	Vienna	0.0	0.0
RT Liquid Euro Plus	Vienna	0.0	0.0
RT OPTIMUM	Vienna	0.0	0.0
RT ÖSTERR.AKTIEF.	Vienna	0.0	0.0
RT OSTEUROPA AKTIEN	Vienna	0.0	0.0
RT Panorama Fonds	Vienna	0.0	0.0
RT PIF DYNAMISCH	Vienna	0.0	0.0
RT PIF TRAD	Vienna	0.0	0.0
RT VIF VERS	Vienna	0.0	0.0
RT VORSORGE	Vienna	0.0	0.0
RT Vorsorgeinvest Aktienfonds	Vienna	0.0	0.0
RT ZUKUNFTSVORS.-AF	Vienna	0.0	0.0
S DOUBLESTOCK	Linz	0.0	0.0
S EMERGING	Linz	0.0	0.0
s Europe	Vienna	0.0	0.0
S GENERATION	Linz	0.0	0.0
s High-Fix 16	Vienna	0.0	0.0
s High-Fix 20	Vienna	0.0	0.0
s Kapital-Fix 04/2020	Vienna	0.0	0.0
s Kapital-Fix 08/2019	Vienna	0.0	0.0
s Kapital-Fix 12/2019	Vienna	0.0	0.0
s Lebens-Aktienfonds	Vienna	0.0	0.0
s Zukunft Aktien 1	Vienna	0.0	0.0
s Zukunft Renten 1	Vienna	0.0	0.0
SAFE	Vienna	0.0	0.0
SAGR05-56_412016	Vienna	0.0	0.0
SALZBURGER SPARKASSE BOND EUROLAND	Vienna	0.0	0.0
SALZBURGER SPARKASSE SELECT DACHFONDS	Vienna	0.0	0.0
SALZBURGER SPARKASSE SELECT TREND	Vienna	0.0	0.0
SAM A1	Linz	0.0	0.0
SAM-PF 1	Vienna	0.0	0.0
SAM-PF 2	Vienna	0.0	0.0
SAM-PF 3	Vienna	0.0	0.0
SAN GABRIEL CLO I_107664	Vienna	0.0	0.0
SATURN CLO, LTD Class A2_107755	Vienna	0.0	0.0
SEL.BOND T	Vienna	0.0	0.0
SERLES 1	Innsbruck	0.0	0.0
SF29	Vienna	0.0	0.0
SHASTA CLO I LTD_107383	Vienna	0.0	0.0
SILVERADO CLO 2006-II, LTD_23606	Vienna	0.0	0.0
Silvretta Massiv Strategiefonds	Vienna	0.0	0.0
SK 1000	Vienna	0.0	0.0
SLM Student Loan Trust_25197	Vienna	0.0	0.0
SLM Student Loan Trust_25205	Vienna	0.0	0.0
SLM Student Loan Trust_25213	Vienna	0.0	0.0
SLM Student Loan Trust_25221	Vienna	0.0	0.0
Smiseny fond	Prague	0.0	0.0
smn Investment Services Ltd.	Vienna	0.0	0.0
SPARDA VORS PLU	Innsbruck	0.0	0.0
SPARDA-RENT	Innsbruck	0.0	0.0
SPARTRUST 1804	Vienna	0.0	0.0
SPARTRUST 2107	Vienna	0.0	0.0
S-PENSIONS-VORSORGE-OOE	Linz	0.0	0.0
Sporobond	Prague	0.0	0.0
Sporoinvest	Prague	0.0	0.0
Sporotrend	Prague	0.0	0.0
s-Sozialkapitalfonds	Vienna	0.0	0.0
STONE TOWER CLO_107771	Vienna	0.0	0.0
Stoney Lane Funding Ltd._23846	Vienna	0.0	0.0
SV Pensionsfonds	Vienna	0.0	0.0
SWALDVIERTEL BD T	Vienna	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 15	Dec 16
sWaldviertel Bond	Vienna	0.0	0.0
T 1750	Vienna	0.0	0.0
T 1751	Vienna	0.0	0.0
T 1851	Vienna	0.0	0.0
T 1852	Vienna	0.0	0.0
T 1900	Vienna	0.0	0.0
TIROLDYNAMIK	Innsbruck	0.0	0.0
TIROLEFFEKT	Innsbruck	0.0	0.0
TIROLIMPULS	Innsbruck	0.0	0.0
TIROLKAPITAL	Innsbruck	0.0	0.0
TIROLPENSION	Innsbruck	0.0	0.0
TIROLRENT	Innsbruck	0.0	0.0
TIROLRESERVE	Innsbruck	0.0	0.0
TIROLVISION AKTIEN	Innsbruck	0.0	0.0
TIWAG-Vorsorge-Fonds II	Vienna	0.0	0.0
TOP STOCKS	Prague	0.0	0.0
TOP STRATEGIE alternative	Vienna	0.0	0.0
TOP STRATEGIE bond	Vienna	0.0	0.0
TOP STRATEGIE classic	Vienna	0.0	0.0
TOP STRATEGIE dynamic	Vienna	0.0	0.0
TOP-Fonds I 'Der Stabile' der Stmk. Sparkasse	Vienna	0.0	0.0
TOP-Fonds II 'Der Flexible' der Stmk. Sparkasse	Vienna	0.0	0.0
TOP-Fonds III 'Der Aktive' der Stmk. Sparkasse	Vienna	0.0	0.0
TOP-Fonds IV 'Der Planende' der Stmk. Sparkasse	Vienna	0.0	0.0
TOP-Fonds V 'Der Offensive' der Stmk. Sparkasse	Vienna	0.0	0.0
Trendbond	Prague	0.0	0.0
TRIMARAN CLO V_108159	Vienna	0.0	0.0
TYROLBOND INTERNATIONAL	Innsbruck	0.0	0.0
UL Dynamicky	Vienna	0.0	0.0
UL Konzervativni	Vienna	0.0	0.0
VAD INKA	Vienna	0.0	0.0
VBV Emerging Markets Corporate	Vienna	0.0	0.0
VBV VK Aktiendachfonds	Vienna	0.0	0.0
VBV VK HTM Fonds 1	Vienna	0.0	0.0
VBV VK Rentendachfonds	Vienna	0.0	0.0
VENTURE VIII CDO, LIMITED_107862	Vienna	0.0	0.0
VIENNA STOCK	Linz	0.0	0.0
VITESSE CLO LTD_106898	Vienna	0.0	0.0
VORSORGE HTM PORTFOLIO 2	Vienna	0.0	0.0
VORSORGE HTM PORTFOLIO 3	Vienna	0.0	0.0
VOYA Investment Management IV_24042	Vienna	0.0	0.0
VYVAZENY MIX FF	Prague	0.0	0.0
WE TOP DYNAMIC	Vienna	0.0	0.0
Westbrook CLO, Ltd_23671	Vienna	0.0	0.0
Westchester CLO, Ltd_23960	Vienna	0.0	0.0
WFF Masterfonds	Vienna	0.0	0.0
WSTV ESPA dynamisch	Vienna	0.0	0.0
WSTV ESPA Garantie	Vienna	0.0	0.0
WSTV ESPA Garantie II	Vienna	0.0	0.0
WSTV ESPA progressiv	Vienna	0.0	0.0
WSTV ESPA traditionell	Vienna	0.0	0.0
XT Bond EUR	Vienna	0.0	0.0
XT EUROPA	Vienna	0.0	0.0
XT USA	Vienna	0.0	0.0
YI active spezial	Vienna	0.0	0.0
YOU INVEST active	Prague	0.0	0.0
YOU INVEST Active EUR	Bucharest	0.0	0.0
YOU INVEST Active RON	Bucharest	0.0	0.0
YOU INVEST balanced	Vienna	0.0	0.0
YOU INVEST Balanced EUR	Bucharest	0.0	0.0
YOU INVEST Balanced RON	Bucharest	0.0	0.0
YOU INVEST DINAMIKUS ALAPOK ALAPJA	Budapest	0.0	0.0
YOU INVEST DINAMIKUS EUR ALAPOK ALAPJA	Budapest	0.0	0.0
YOU INVEST KIEGYENSULYOZOTT ALAPOK ALAPJA	Budapest	0.0	0.0
YOU INVEST KIEGYENSULYOZOTT EUR ALAPOK ALAPJA	Budapest	0.0	0.0
YOU INVEST progressive	Vienna	0.0	0.0
YOU INVEST solid	Vienna	0.0	0.0
YOU INVEST Solid EUR	Bucharest	0.0	0.0
YOU INVEST SOLID RON	Bucharest	0.0	0.0
YOU INVEST STABIL ALAPOK ALAPJA	Budapest	0.0	0.0
YOU INVEST STABIL EUR ALAPOK ALAPJA	Budapest	0.0	0.0

# Glossary

## Book value per share

Total equity attributable to owners of the parent of a public company, excluding participation capital, divided by the number of shares outstanding (excluding treasury shares).

## Cash return on equity

Also referred to as cash ROE. Calculated as return on equity, but excluding the impact of non-cash items on net profit/loss for the year attributable to owners of the parent such as goodwill impairment and amortisation of customer relationships.

## Cash earnings per share

Calculated as earnings per share based on net profit/loss for the year attributable to owners of the parent, adjusted for dividends on participation capital, excluding goodwill impairments and amortisation of customer relationships.

## CEE (Central and Eastern Europe)

Encompasses the new member states of the EU that joined in 2004 and 2007, the CIS countries, states that evolved from the former Yugoslavia, as well as Albania.

## Common equity ratio (CET 1 ratio)

Common equity tier 1 capital (CET1) according to article 50 CRR of the institution expressed as a percentage of the total risk amount according to article 92 (3) CRR.

## Cost/income ratio

General administrative expenses as a percentage of operating income.

## Dividend yield

Dividend payment of the financial year as a percentage of the year-end closing price or the most recent price of the share.

## Earnings per share

Net profit for the year attributable to owners of the parent adjusted for dividends of participation capital, divided by average shares outstanding.

## Equity Ratio (T 1 ratio)

Tier 1 capital according to article 25 CRR of the institution expressed as a percentage of the total risk amount according to article 92 (3) CRR.

## Interest-bearing assets

Total assets less cash, derivative financial instruments, tangible and intangible assets, tax assets, assets held for sale and other assets.

## Net interest margin

Net interest income as a percentage of average interest-bearing assets, calculated on a monthly basis.

## Operating expenses

The total of personnel expenses, other administrative expenses and depreciation and amortization (general administrative expenses).

## Operating income

Consists of net interest income, net commission income and trading result.

## Operating result

Operating income less operating expenses (i.e. general administrative expenses).

## Price/earnings ratio

Closing share price of the financial year divided by earnings per share. Usually used for valuation comparisons.

## Market capitalisation

Overall value of a company calculated by multiplying the share price by the number of shares outstanding.

### Non financial risk

Non financial risks contain reputational and operational risks. Operational risks are losses that occur as a result from failure of internal processes, human failure or system failure. This can also include external events.

### Non-performing exposure (NPE) coverage ratio

Risk provisions for the credit risk exposure as a percentage of the non-performing credit risk exposure.

### Non-performing exposure (NPE) ratio

Non-performing credit risk exposure as a percentage of total credit risk exposure.

### Non-performing loans (NPL) coverage ratio

Risk provisions for loans and advances to customers as a percentage of non-performing loans and advances to customers.

### Non-performing loans (NPL) ratio

Non-performing loans and advances to customers as a percentage of total loans and advances to customers.

### Non-performing loans (NPL) total coverage ratio

Risk provisions and collateral for non-performing loans and advances to customers as a percentage of non-performing loans and advances to customers.

### Return on equity

Also referred to as ROE. Net profit/loss for the year attributable to owners of the parent, as a percentage of average equity. The average equity is calculated based upon the equity outstanding as of the close of each of the 12 months during the year.

### Return on equity excluding intangible assets

Also referred to as ROTE. Net profit/loss for the year attributable to owners of the parent, as a percentage of average equity excluding intangible assets. The average equity is calculated based upon the equity outstanding as of the close of each of the 12 months during the year.

### Risk Appetite Statement (RAS)

The RAS is a strategic document, which concludes the maximum risk an organization is willing to take in order to reach any given target.

### Risk categories

Risk categories are based on internal customer ratings and are used for classification of the bank's assets and contingent credit liabilities. Erste Group applies internal rating systems, which for private individuals comprise eight rating grades for non-defaulted customers and one rating grade for customers in default. For all other customer segments, the Group uses thirteen rating grades for non-defaulted customers and one rating grade for defaulted customers.

### Risk category – low risk

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

### Risk category – management attention

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

### Risk category – substandard

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

#### Risk category – non-performing

One or more of the default criteria under Basel 2 are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings.

#### Share capital

Total equity attributable to owners of the parent of a company, subscribed to by the shareholders at par.

#### Tax rate

Taxes on income/loss as a percentage of pre-tax profit from continuing operations.

#### Total capital ratio

Total own funds according to article 72 CRR of the institution expressed as a percentage of the total risk amount according to article 92 (3) CRR.

#### Total shareholder return

Annual performance of an investment in Erste Group Bank AG shares including all income streams (e.g. dividend for the year plus or minus gain or loss in the share price from the beginning to the end of the year).

Vienna, 28 February 2017

**The Management Board**

**Andreas Treichl mp**  
Chairman

**Peter Bosek mp**  
Member

**Petr Brávek mp**  
Member

**Willibald Cernko mp**  
Member

**Gernot Mittendorfer mp**  
Member

**Jozef Síkela mp**  
Member

# AUDITORS REPORT (REPORT OF THE INDEPENDENT AUDITORS)

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

Sparkassen-Prüfungsverband and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. have audited the consolidated financial statements of Erste Group Bank AG, Vienna (the Company), and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under section 245a UGB and section 59a BWG.

### Basis for Opinion

We conducted our audit in accordance with the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the following we describe the key audit matters from our perspective:

#### 1. Impairment of Loan Loss Provision

##### Our Description:

To account for the risk of losses in credit portfolios, risk provisions are made in the form of impairment allowances for loans and advances. These represent management's best estimate of incurred losses in the credit portfolio at the reporting date. Due to the underlying assumptions and estimations, the calculation of impairment allowances are of considerable discretionary nature.

As laid out in the internal guidelines on the building of credit risk loss provisions of Erste Group, one of three different methods to determine the amount of impairment provisions is applied:

- \_ For loans and advances, that are assessed as individually significant, impairment provisions are determined individually.
- \_ For loans and allowances with similar risk profile, that are assessed as individually not significant, impairment provisions are calculated using statistical models.
- \_ For losses that have been incurred at the reporting date but have not been identified by the bank, as well as for defaulted receivables where no impairment is expected, risk provisions are assessed on a portfolio basis. These collectively assessed risk provisions are calculated using models based on probabilities of default and loss given default as well as loss identification periods between the impairment event occurring and an impairment being recognized by the bank.

Specific loan loss provisions are calculated using the Discounted-Cash-Flow method. Thereby, the expected cash flows, as well as the expected recoveries from liquidation of collateral are estimated. The estimations take place on an individual basis (for significant loans and advances) or based on a collective assessment (rule based approach for non-significant loans and advances).

For further details we refer to Note 44.4.

In any case the calculation of impairment allowances for loans and advances represents an estimation, which is substantially determined by the identification of impairment events and the estimation of provisioning requirements. Due to the importance of these elements for the financial statements, we laid special focus on both of the above.

#### How we addressed the matters in the context of our audit:

To assess the adequacy of impairments, we reviewed the key processes and models in credit risk management, as well as a sample of loans.

On the level of Erste Group Bank AG and major subsidiaries, we identified and tested key controls in the credit process, especially the key controls in the credit approval process, in the ongoing monitoring and in the early warning process of potentially non-performing borrowers.

We examined the internal control system in the area of credit risk management, especially regarding the correct application of rating models and collateral valuation.

To assess the reliability of the implemented models for the determination of collective provisions, we referred to the following elements of the internal control system:

- \_ the backward looking comparison of statistically estimated risk provisions with realized losses (backtesting),
- \_ the ongoing monitoring and the regular validation of IRB-models and parameters,
- \_ the assessment of the adequacy of implemented collateral recovery rates and
- \_ the annual re-estimation based on updated time series.

The results of the analyses mentioned above are regularly brought to the attention of the responsible management in the context of meetings of the Holding Model Committee resp. the Group Enterprise-wide Risk Management Committee, where decisions on possibly necessary recalibrations or model changes are made.

We regularly analyzed the results of the above mentioned committees, retraced the provided analyses on backtesting and re-estimations and critically assessed the performed model- and parameter validations. Our credit risk specialists examined the reliability of the estimations of material regulatory models that are also used for collective provisioning, based on fundamental model characteristics.

We examined the adequacy of individual provisions based on a sample of test cases. For these loans we critically evaluated the estimated cash flows that are expected from redemptions and collateral, to assess the adequacy of risk provisions in the financial statements.

Apart from the adherence to internal guidelines referring to rating and collateral assignment, we examined whether major impairment events were fully identified.

For this, we tested loans and advances that had not been identified by management as defaulted, to form our own assessment as to whether events with major impact on the repayment capability of the borrower had occurred.

## 2. Valuation of Financial Instruments

#### Our Description:

Beside observable market prices, Erste Group Bank AG uses various valuation techniques in order to determine fair values. Valuation techniques also play a key role in the determination of hedged risk in hedge accounting.

The selection and approval of valuation models and data feeds as well as the related management judgment is a critical feature for the quality of the fair values. The valuation of securities and derivatives, which are valued at fair value, is connected to significant measurement uncertainty given the complexity of valuation models and the significance of the judgments and estimates made by management.

Regarding the book value of securities and derivatives held at fair value and the allocation to the fair value levels we refer to note 46. A description of the applied valuation methods and models can also be found in note 46.

The valuation of the Group's securities and derivatives held at fair value in the financial statements was a key area of focus of our audit given the significant share of securities and derivatives presented at their fair value in the financial statements and the degree of measurement uncertainty.

#### How we addressed the matters in the context of our audit:

We tested the design and operating effectiveness of selected controls in the Group's financial instrument valuation processes.

We examined the model validation and approval processes. Our audit work also included testing a sample of the underlying valuation models and the assumptions used in those models.

We compared the market values of securities to independent market data. We drew a sample out of the securities, for which independent market data was not available or for which the difference between independent market data and the market values used by Erste Group exceeded a certain threshold. For this sample we assessed and challenged the fair values based on the information about model inputs and market data provided by Erste Group. Based on this information we also assessed the fair value level allocation and their compliance with internal criteria.

Furthermore we have revalued a sample of securities and derivatives using independent models and compared the results to the Group's valuations and investigated any significant differences.

We have examined the collateral disputes, gains and losses on closing out of derivative deals and other documents, which could provide evidence about the appropriateness of the group's valuations.



### 3. Deferred Tax

#### Our Description:

Deferred income taxes, above all deferred tax assets, are a material item in Erste Group's consolidated group's financial statements. The significant amounts of tax losses carry forwards and deductible temporary differences, available to the tax group parent entity Erste Group Bank AG and the Austrian tax group respectively lead to a substantial potential of deferred tax assets, hence including recognition and impairment issues as the result of related impairment tests.

For the purpose of these impairment tests management judgement is required to assess the recoverability of the deferred tax balance, in particular to forecast future taxable income which are associated with a relatively high degree of uncertainty. The assumptions are determined by expected future market or economic conditions. In addition to that, with regard to the Austrian tax group, due to the obligatory netting of deferred tax assets and liabilities, a consolidated approach is required in this assessment. Moreover, consolidation postings, which have to be attributed properly to the tax group entities, have to be considered, thus leading to a high overall complexity in the deferred tax position.

In the course of the computation of the respective balance sheet items, a number of manual computation steps and adjustments has to be performed, thus giving reason for our conclusion to have identified deferred income taxes as a key audit matter.

Regarding deferred tax assets, we refer to Note 28. The tax rate reconciliation which is materially driven by deferred taxes, is part of the presentation made in Note 10.

#### How we addressed the matters in the context of our audit:

We have involved our tax specialists in our audit procedures relating to deferred tax assets.

We reviewed the process of the determination of the deferred tax assets.

We compared the forecasts on which the tax planning is based, for all material cash generating units within the Austrian tax group with the budgets submitted to the supervisory board. We have analysed the main drivers for the future development included in the business plan in order to determine the appropriateness of the projections.

We have also verified the treatment of the differences between IFRS and tax law in the planning of future taxable income and assessed whether the deferred tax assets may be recoverable before the tax loss carry forwards expire. Moreover, we have analysed whether the consolidation postings had been properly attributed to the balance sheet items and whether they have been considered appropriately in the respective impairment tests.

We also assessed the adequacy of disclosures made regarding deferred income taxes and related assumptions.

### 4. IT Systems

#### Our Description:

Erste Group Bank AG is highly dependent on its complex IT-infrastructure for the financial as well as regulatory reporting. Reliability on IT-Systems that support corresponding financial and regulatory reporting processes is an essential factor to ensure completeness and correctness of processed as well as reported data.

#### How we addressed the matters in the context of our audit:

Within our audit procedures we tested the reliability of the automated systems and processes relevant to our audit. For this purpose we have made use of our own IT audit team. Our procedures included the evaluation of the design and the operating effectiveness for relevant IT general controls as well as selected IT application controls embedded in the IT-processes, respectively IT-applications.

In detail we assessed the appropriateness of IT-processes and implemented controls regarding logical and physical access protection (system security, user and authorization management, physical security of data center infrastructure), software change procedures and IT operations (data backup, incident management).

Where we considered implemented controls not to be effective, we performed additional adequate substantive audit procedures.

## **Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements under section 59a BWG, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The scope of the audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the management has conducted or will conduct the affairs of the Group.

As part of an audit in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that give a true and fair view.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.]

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the [consolidated] financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a

matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

### **REPORT ON THE AUDIT OF THE CONSOLIDATED MANAGEMENT REPORT**

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the [consolidated] management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the consolidated management report.

#### **Opinion**

In our opinion, the consolidated management report are prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to section 243a UGB and is consistent with the consolidated financial statements.

#### **Statement**

In the light of the knowledge and understanding of the Group and its environment obtained in the course of our audit of the consolidated financial statements, we have not identified material misstatements in the consolidated management report.

#### **Other Information**

Management is responsible for the other information. The other information contain all information in the annual report but does not include the consolidated financial statements, the management report and our auditor's report thereon. The annual report is expected to be made available to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.]

#### **Engagement Partner**

The engagement partners responsible for the audit are Gerhard Margetich and Ernst Schönhuber.

Vienna, 28 February 2017

Sparkassen-Prüfungsverband  
Prüfungsstelle

Gerhard Margetich  
Certified Accountant

Herwig Hierzer  
Certified Accountant

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Helmut Maukner  
Certified Accountant

Ernst Schönhuber  
Certified Accountant

This report is a translation of the original report in German, which is solely valid.

Publication or sharing with third parties of the group financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

## STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD

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

Vienna, 28 February 2017

### The Management Board

**Andreas Treichl mp**  
Chairman

**Peter Bosek mp**  
Member

**Petr Brávek mp**  
Member

**Willibald Cernko mp**  
Member

**Gernot Mittendorfer mp**  
Member

**Jozef Síkela mp**  
Member

## Your Notes

## Your Notes

# Important addresses

## **ERSTE GROUP BANK AG**

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## **AUSTRIA**

### **Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich)**

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